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# ANNUAL COMPREHENSIVE FINANCIAL REPORT

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*For The Fiscal Years Ended June 30, 2023 And 2022*

## CITY OF FRESNO EMPLOYEES RETIREMENT SYSTEM



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A Pension Trust Fund of the City of Fresno  
Fresno, CA

City of Fresno Employees Retirement System  
A Pension Trust Fund of the City of Fresno (California)

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

Issued by:

Robert T. Theller  
Retirement Administrator

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# City of Fresno Employees Retirement System

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## ***MISSION STATEMENT***

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

## ***BOARD AND STAFF COMMITMENT***

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

## ***GOALS***

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

*The Employees Retirement System was established on June 1, 1939 and is maintained and governed by Article 5 of the Fresno Municipal Code.*

*The Employees Retirement System (the System) provides retirement benefits for all qualified non-sworn employees of the City of Fresno.*

## INTRODUCTION

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# Letter of Transmittal



*Robert T. Theller, Esq.*

RETIREMENT ADMINISTRATOR

Dear Board Members:

As Retirement Administrator of the City of Fresno Employees Retirement System (the System), it is with great pleasure that I submit the Annual Comprehensive Financial Report (ACFR) for the fiscal years ended June 30, 2023 and 2022.

The past fiscal year saw significant volatility in the financial markets, due in part to the Federal Reserve's continued interest rate hikes. In an effort to combat inflation, the Fed raised rates seven times during the year. The ongoing war in Ukraine also played a significant role, disrupting global supply chains and increasing energy prices. These factors, combined with others, led to concerns about a global recession, which increased investor uncertainty and volatility in the markets.

Despite these headwinds, the markets finished the year strong, with low unemployment, moderating inflation, and strong corporate earnings, all signs of economic resilience. The Federal Reserve has also begun to slow its interest rate hikes. These factors suggest that the economy was still growing, albeit at a slower pace. Overall, the markets navigated these countervailing forces well and closed the fiscal year with a return of 9.77 percent.

The System will continue to navigate through these economic issues, as it always has, focusing on long-term financial stability. Despite the tremendous challenges of the past year, the System is currently fully funded on both a fair value and actuarial valuation basis at 111.7 percent and 111.1 percent, respectively. From a long-term perspective, the System is positioned to provide a solid rate of return that is equal to or better than the respective asset classes market indices even as we enter yet another year of uncertainties in the global economic and financial markets. The Retirement Board (the Board) has carefully managed the investment portfolio throughout the global pandemic, 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.

The System's returns for the last two years have been mixed at 9.77 percent and -7.18 percent for the fiscal years ended June 30, 2023 and 2022, respectively. The fiscal year 2023 return of 9.77 exceeded the System's assumed rate of return of 6.75 percent effective June 30, 2023; the fiscal year 2022 returns were well below the assumed rate of return of 6.75 percent effective June 30, 2022.

## *Letter of Transmittal Continued*

In fiscal year 2023, the System's gross of fee returns provided by its custodian, Northern Trust, when compared to other institutional investors and weighted policy benchmarks were slightly higher in the short-term, and also consistently higher over the long-term. The System's gross of fees one-year return was 9.77 percent, 1.69 percent above its policy benchmark return of 8.08 percent; also outperforming its actuarial interest rate assumption of 6.75 percent by 3.02 percent in fiscal year 2023. The five-year annualized gross of fees return of 7.42 percent was 0.67 percent above its actuarial interest rate assumption of 6.75 percent and above its policy benchmark return of 6.52 percent by 0.90 percent. The System's ten-year annualized gross of fees return at 8.15 percent exceeded its policy benchmarks of 7.36 percent by 0.79 percent and also exceeded its actuarial interest rate assumption by 1.40 percent for the same period.

The System remains highly funded and well positioned to serve our members and retirees. As illustrated by the System's 10, 15 and 25-year long-term gross of fees returns of 8.15 percent, 7.20 percent, and 6.96 percent, respectively, as of June 30, 2023, the System has the ability to achieve its long-term objectives over extended periods. Meanwhile, the System's actuarial and fair value funding status continues to be the highest of any public non-safety pension defined benefit plan in California.

## The Annual Comprehensive Financial Report (ACFR)

The Annual Comprehensive Financial Report (ACFR) of the City of Fresno Employees Retirement System for fiscal years ended June 30, 2023 and 2022 is submitted herewith. Information contained in this report is designed to provide a complete and accurate review of the years' operations. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of the System. For a general overview of the City of Fresno Employees Retirement System's finances, please refer to the Management's Discussion and Analysis in the Financial Section of this report. The ACFR consists of six sections:

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

The Financial Section contains the opinion of the independent auditor, Brown Armstrong Accountancy Corporation, Management's Discussion and Analysis, the Basic Financial Statements of the System, the Required Supplementary Information and the Other Supplementary Information.

The Investment Section includes an Investment Report from the Retirement Administrator, a letter from the System's Investment Consultant, NEPC, LLC, (NEPC) recapping the fiscal year investment results and activities, along with performance and asset allocation information. Investment Consultant returns may differ slightly from the custodian's book of record due to rounding methodology.

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.

*Letter of Transmittal Continued*

The Compliance Section contains the Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.

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

## THE EMPLOYEES RETIREMENT SYSTEM AND ITS SERVICES

The Employees Retirement System was established on June 1, 1939, under Charter Section 910 and is governed by Article 5 of Chapter 3 of the City of Fresno Municipal Code. The System provides retirement allowances to the non-safety members employed by the City of Fresno (the City). In accordance with the provisions of the City of Fresno Municipal Code, the System provides lifetime retirement, disability, and death benefits to its members.

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

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

## *Letter of Transmittal Continued*

### Major Initiatives

The Board, jointly with the City of Fresno Fire & Police Retirement System Board (the Boards), with the assistance of Staff and their Investment Consultant, continued asset class reviews, investment education and evaluations related to all investment classes, especially Asian market opportunities and education.

During fiscal year 2023, the Boards, to further build out the private equity portfolio and meet the new strategic asset allocation approved in March 2022, approved an investment with Ocean Avenue Capital Partners following an investment and operational due diligence review of the firm and its processes. The Boards also approved a proposal to invest in a Pan Asia mandate. The resulting staff/NEPC recommendation was a further investment in Pantheon Ventures, specifically its Pantheon Asia Select 2021 fund. The Boards also approved the associated legal documents review, staff operational due diligence report and staff background investigations using LexisNexis.

Effective January 1, 2017, the IRS eliminated its staggered five-year remedial amendment cycle system for individually designed qualified retirement plans and no longer accepts applications for determination letters. The System's letter of determination was effective through January 31, 2019. The IRS' current determination letter program, in general, provides that a plan sponsor that maintains a qualified plan, with a favorable determination letter, may continue to rely on the determination with respect to any plan provision, until such time that the plan provision subsequently is amended or affected by a change in law. The Boards retained the services of the law firm of Ice Miller, LLP (Ice Miller) to assist with a review of our plan documents and applicable statutes in effect through 2013, and any plan amendments or changes to provisions made after January 1, 2014. Based on their initial review, since the date of the plan's favorable determination letter May 26, 2014, the plan has been timely amended to comply with the changes required to be tax qualified under Internal Revenue Code § 401 (a). Staff began work with Ice Miller in 2019 to review the Retirement Systems' plan provisions for continued IRS Compliance. The proposal from Ice Miller to participate in the IRS Comply Now program included updating of the Systems' plan provisions to incorporate certain distribution provisions and new provisions required by the Setting Every Community Up for Retirement Enhancement (SECURE) and Coronavirus Aid, Relief and Economic Security (CARES) Acts. Comply Now reports detailing the changes to be considered were presented to the Boards during fiscal year 2021. However, submission to the IRS Comply Now program is delayed due to review of additional provisions to be considered. Ice Miller expects to submit the request to the IRS during fiscal year 2024.

Retirement Benefits Staff have continued to provide all the necessary information and support that Members need, answering individual questions, and assisting members in making informed decisions regarding retirement. Staff are available to assist and answer member questions via telephone, face to face meetings and via online video conferencing. Staff also provide further outreach to active employees via the Mid-Career Retirement Seminars. These seminars provide an overview of the benefits available to active members who may be considering retirement or Deferred Retirement Option Program (DROP) in the next 5-10 years.



## *Letter of Transmittal Continued*

With the assistance of its actuary and staff, the Board completed the annual actuarial valuations for June 30, 2023 and 2022, and Governmental Accounting Standards Board (GASB) Statement No. 67, which redefines pension liability and expense for financial reporting purposes only. In accordance with Actuarial Standards of Practice (ASOP) No. 51, the System's actuary has identified and assessed risks that may be reasonably anticipated to significantly affect the System's future financial condition, which helps intended users of the actuarial findings gain a better understanding of risks inherent in the measurements of pension obligations and actuarially determined pension plan contributions.

## Professional Services

Professional Services Consultants and Investment Portfolio Managers are retained by the Board to provide professional services essential to the effective and efficient operation of the System. See listings on pages xiii and xiv.

An opinion from the Independent Auditor and a certification letter from the Actuary are included in this report along with a summary investment report from the Board's Investment Consultant. The Consultants and Investment Managers retained by the Board are listed in the following section of this report.

## Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fresno Employees Retirement System for its annual comprehensive financial report for the fiscal year ended June 30, 2022. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of public employee retirement system annual comprehensive financial reports.

To be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government entity must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. The System has received a Certificate of Achievement for the last 22 consecutive years. We believe that our current annual comprehensive 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. For fiscal year 2022, the System submitted a Popular Annual Financial Report (PAFR) to the GFOA. The System received from the GFOA an Award for Outstanding Achievement in Popular Annual Financial Reporting. The PAFR provides System membership with condensed and concise information in an easier to read format than is presented in the ACFR.

*Letter of Transmittal Continued***Actuarial Funding Status and Net Pension Liability**

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

The June 30, 2023 actuarial valuation is presented in this ACFR. As of June 30, 2023, the funded ratio of the Employees Retirement System was 111.1 percent. The ratio of the valuation value of assets to actuarial accrued liabilities was 114.0 percent as of the June 30, 2022, valuation. The funding ratios as of June 30, 2023 and 2022, if measured using the fair value of assets instead of the actuarial valuation value of assets, are 111.7 percent and 110.1 percent, respectively. The funded ratios were determined by using the actuarial value of the assets in accordance with actuarial standards.

The actuarial accrued liability of the System at June 30, 2023, for funding purposes, amounted to \$1,358,214,000; the actuarial valuation value of assets amounted to \$1,509,532,380, and the fair value of assets (including non-valuation reserves) amounted to \$1,683,312,950. At June 30, 2022, the actuarial valuation value of assets amounted to \$1,449,730,315; the fair value of assets (including non-valuation reserves) amounted to \$1,562,187,480.

Under the Governmental Accounting Standards Board (GASB) Statement No. 67 Financial Reporting methodology, the net pension liability of the System as of June 30, 2023 indicates a surplus of \$116,329,197; while on an actuarial funding basis the valuation value of assets basis reflects a surplus of \$151,318,380 and a funding ratio of 111.1 percent. At June 30, 2022, the net pension liability of the System indicated a surplus of \$89,373,958 and a funding ratio of 114.0 percent. For financial reporting purposes, the Plan Fiduciary Net Position as a percentage of the Total Pension Liability is 107.42% and 106.07% as of June 30, 2023 and 2022, respectively.

The Board engages an independent actuarial consulting firm to conduct annual actuarial valuations of the System. The purpose of the actuarial valuation is to reassess the magnitude of the benefit commitments. This is compared to the assets expected to be available to support those commitments. Recommendations are presented to the Board for consideration. The Segal Company is the System's independent actuarial consultant. The Actuarial Section of this report contains a more detailed discussion of funding.

*Letter of Transmittal Continued*

## Accounting System & Reports

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

The accounting firm of Brown Armstrong Accountancy Corporation provides financial audit services. The financial audit ensures that the System's financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and are free of material misstatement. The internal controls are designed to provide reasonable but not absolute assurance that these objectives are met. The System recognizes that even sound internal controls have their inherent limitations. Internal controls are reviewed to ensure that the System's operating policies and procedures are being adhered to and that the controls are adequate to ensure accurate and reliable financial reporting and to safeguard the System's assets. The objective is to provide a reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements given the prudent need to ensure that the cost of a control should not exceed the benefits to be derived. We believe that the System's internal controls adequately safeguard 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 and in Note 2 – Summary of Significant Accounting Policies (see section Investment).

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, 2023 and 2022, the System's investments provided a 9.77 percent and -7.18 percent gross of fees rate of return, respectively, as reported by the custodian, Northern Trust.

*Letter of Transmittal Continued*

## Acknowledgments

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

On behalf of the Board, I would like to express my appreciation for the dedication and efforts of my staff members, Kathleen Riley Brown, Yvonne Timberlake, Chad Jacobs, Alberto Magallanes, Karen Espiritu, Cristina Jurado, Pattie Laygo, Andrea Ketch, Patricia Basquez, Joan Taketa, Katie Baroni, Tracy Gonzales, Enia Leon, Erika Cortes, Machel Smiley, Cecilia Lopez, Gilberto Torentela, and the Board's 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,

*Robert T. Theller*

Robert T. Theller, Esq.  
Retirement Administrator

November 27, 2023



## Retirement Board Members

As of June 30, 2023



**Chair**

Phillip Hardcastle  
Re-Elected June 2020  
Term Expires June 2024  
Represents Clerical and Supervisory Members



**Vice Chair**

Alma Torres  
Appointed August 2020  
Term Continuous  
Appointed by the Mayor and Confirmed by the Fresno City Council



David Cain  
Re-Elected June 2022  
Term Expires July 2026  
Represents Manual Worker Members



Marvell French  
Appointed July 2000  
Term Continuous  
Outside Member Appointed by Retirement Board



Ruthie Quinto  
Appointed December 2022  
Term Continuous  
Appointed by the Mayor and Confirmed by the Fresno City Council

## Retirement Office Staff

<b>Administrative Services</b>	(From left to right)
	<p>Cecilia Lopez <i>Senior Administrative Clerk</i></p> <p>Chad Jacobs <i>Investment Officer</i></p> <p>Pattie Laygo <i>Retirement Office Manager</i></p> <p>Robert T. Theller, Esq. <i>Retirement Administrator</i></p> <p>Tracy Gonzales <i>Senior Customer Services Clerk</i></p> <p>Gilberto Torentela <i>Senior Administrative Clerk</i></p>

<b>Financial Services</b>	(From left to right)
	<p>Kathleen Riley-Brown <i>Assistant Retirement Administrator</i></p> <p>Cristina Jurado <i>Accountant Auditor II</i></p> <p>Karen Espiritu <i>Senior Accountant Auditor</i></p> <p>Alberto Magallanes <i>Retirement Accounting Manager</i></p>

<b>Member Services</b>	(From left to right)
	<p>Joan Taketa <i>Retirement Counselor II</i></p> <p>Enia Leon <i>Retirement Counselor I</i></p> <p>Andrea Ketch <i>Retirement Benefits Manager</i></p> <p>Yvonne Timberlake <i>Assistant Retirement-Administrator</i></p> <p>Machelle Smiley <i>Retirement Counselor I</i></p> <p>Katie Baroni <i>Retirement Counselor II</i></p> <p>Patti Basquez (not pictured) <i>Senior Retirement Counselor</i></p> <p>Erika Cortes (not pictured) <i>Retirement Counselor I</i></p>

# Administration of the System

## 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 pages xiii for professional services and consultants, page xiv for investment portfolio managers, page 74 for a schedule of brokerage commissions, and investment manager fees by listed asset class.)

## 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.

## Financial Services

This section is responsible for planning, organizing and directing all fiscal activities of the Retirement Systems. This includes the preparation and publication of the Annual Financial Reports, monthly or quarterly financial report and information to the Board, and all other financial records and reports including financial statements, control and balancing of payroll and members' contributions and reconciliation of investments.

## Investment Officer

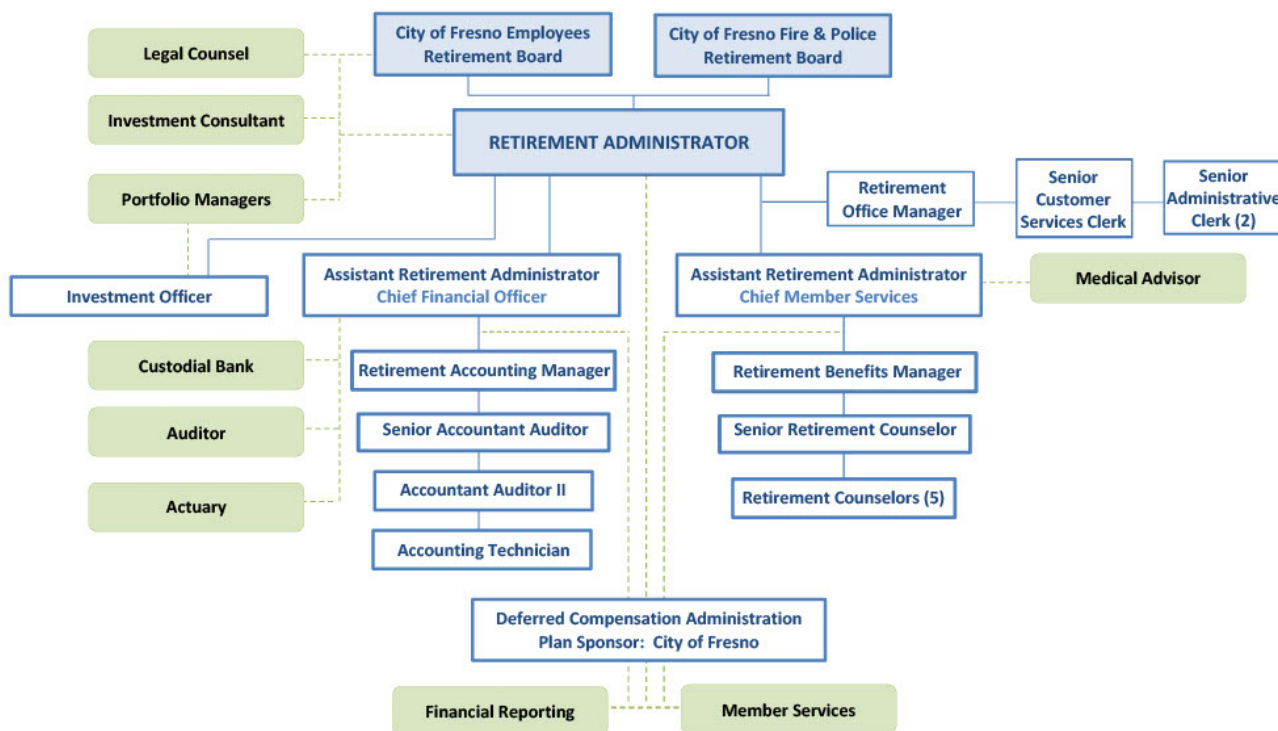
This position is responsible for monitoring compliance with the Board's Investment Objectives and Policy Statement and assists and coordinates in the management and administration of the System's investment program. This includes the planning and development of investment strategies.

## Retirement Office Manager

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

# Organizational Structure

## City of Fresno Retirement Systems



## Professional Services and Consultants

### Custodial Bank

NORTHERN TRUST  
Chicago, Illinois

### General Legal Advisor

SALTZMAN AND JOHNSON LAW CORPORATION  
San Francisco, California

### Legal Advisor

NOSSAMAN LLP  
San Francisco, California

### Tax Counsel

ICE MILLER LLP  
Indianapolis, Indiana

### Investment Legal Advisor

FOLEY & LARDNER LLP  
Boston, Massachusetts

### Investment Consultant

NEPC, LLC  
Boston, Massachusetts

### Actuary

THE SEGAL COMPANY  
San Francisco, California

### Medical Advisor

BENCHMARK, AN EXAMWORKS COMPANY, INC.  
Sacramento, California

### Independent Auditor

BROWN ARMSTRONG ACCOUNTANCY CORPORATION  
Bakersfield, California



## Investment Portfolio Managers

### EQUITY

#### *Domestic Equity*

Northern Trust Asset Management, Chicago, IL

#### *International Equity*

BlackRock, San Francisco, CA

Baillie Gifford & Co., Edinburgh, Scotland

Principal Global Investors, Des Moines, IA

#### *Private Equity*

Ocean Avenue Capital Partners, Santa Monica, CA

Pantheon Ventures, San Francisco, CA

### RATES/CREDIT

#### *Core Fixed Income*

Dodge & Cox, San Francisco, CA

Prudential Investment Mgmt., Inc., Newark, NJ

#### *Private Debt/Credit*

Arcmont Asset Mgmt, London, United Kingdom

Crescent Capital, Los Angeles, CA

Monroe Capital, Chicago, IL

PIMCO COF, Newport Beach, CA

### REAL ASSETS

#### *Core Real Estate*

The Carlyle Group, Washington, D.C.

JP Morgan Asset Mgmt., New York, NY

#### *Non-Core Real Estate*

Alidade Capital, Bloomfield Hills, MI

Artemis Real Estate Partners, Chevy Chase, MD

Blue Vista Capital Management, Chicago, IL

Brookfield Asset Management, New York, NY

Kayne Anderson, Boca Raton, FL

Oaktree Capital Management, Los Angeles, CA

PCCP, LLC, Los Angeles, CA

PIMCO BRAVO III, Newport Beach, CA

Tristan Capital Partners, London, United Kingdom

#### *Infrastructure*

JP Morgan IIF, New York, NY

Ullico UIF, Chicago, IL

### MULTI-ASSETS

#### *Alternative Credit*

Cloverlay, Conshohocken, PA

Sixth Street/TAO, San Francisco, CA



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Fresno Employees Retirement System  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morill*

Executive Director/CEO

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

## FINANCIAL

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# Independent Auditor's Report



www.ba.cpa  
661-324-4971

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying Statement of Fiduciary Net Position of the City of Fresno Employees Retirement System (the System), a pension trust fund of the City of Fresno, California, as of June 30, 2023 and 2022, the Statement of Changes in Fiduciary Net Position for the fiscal years then ended, and the related notes to the basic financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective Fiduciary Net Position of the System as of June 30, 2023 and 2022, and the Changes in Fiduciary Net Position for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

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

In preparing the basic financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

## Independent Auditor's Report Continued

Management is also responsible for maintaining a current plan instrument, including all of the System's plan amendments; administering the System; and determining that the System's transactions that are presented and disclosed in the basic financial statements are in conformity with the System's plan provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

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

## Independent Auditor's Report Continued

### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the System's basic financial statements. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the Introduction, Investment, Actuarial, and Statistical Sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2023, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements and other matters. The purpose of that report is to solely 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 effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION



Bakersfield, California  
November 27, 2023

## Management's Discussion and Analysis

We are pleased to provide this overview and analysis of the financial activities of the City of Fresno Employees Retirement System (the System) for the fiscal years ended June 30, 2023 and 2022. 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 i of this report.

### *Financial Highlights*

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

At the close of the fiscal year 2023, the assets of the System exceed its current liabilities by \$1,683,312,950; as of fiscal year-end 2022, the assets of the System exceeded its liabilities by \$1,562,187,480; as of fiscal year 2021, the assets of the System exceeded its liabilities by \$1,731,237,413.

The System's net position restricted for pension benefits increased by \$121,125,470 or 7.75 percent for fiscal year 2023; decreased by \$169,049,933 or 9.76 percent for fiscal year 2022; and increased by \$370,400,510 or 27.22 percent for fiscal year 2021, 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, 2023, the date of the last actuarial valuation, the funded ratio for the System was 111.1 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 \$1.11 of assets available for payment as of that date.

As of June 30, 2022, the date of the previous annual actuarial valuation, the funded ratio for the System was 114.0 percent; and as of June 30, 2021, the funded ratio for the System was 116.0 percent.

### *Additions to Fiduciary Net Position*

Additions for the fiscal year 2023 increased \$296,260,331 or 311.47 percent over the prior year from \$-95,115,697 to \$201,144,634, which includes employee contributions of \$14,894,336, employer contributions of \$22,236,117, a net investment income gain of \$163,716,667 and net securities lending income of \$297,514.

Fiscal year 2022 additions decreased \$536,820,627 or 121.53 percent over the prior year from \$441,704,930 to \$-95,115,697, which included member contributions of \$15,492,662, employer contributions of \$22,016,525, a net investment income loss of \$-132,893,282 and net securities lending income of \$268,398.

For fiscal year 2021 additions increased \$394,014,761 or 826.20 percent over the prior year from \$47,690,169 to \$441,704,930, which included member contributions of \$13,749,909, employer contributions of \$20,144,322, a net investment income gain of \$407,614,716 and net securities lending income of \$195,983.

### *Deductions from Fiduciary Net Position*

Deductions from fiduciary net position for the fiscal year 2023 increased \$6,084,928 or 8.23 percent over the prior fiscal year from \$73,934,236 to \$80,019,164.

Fiscal year 2022 deductions increased \$2,629,816 or 3.69 percent over the prior fiscal year 2021 from \$71,304,420 to \$73,934,236.

*Management's Discussion and Analysis Continued*

Fiscal year 2021 deductions increased \$5,036,024 or 7.60 percent over the prior fiscal year 2020 from \$66,268,396 to \$71,304,420.

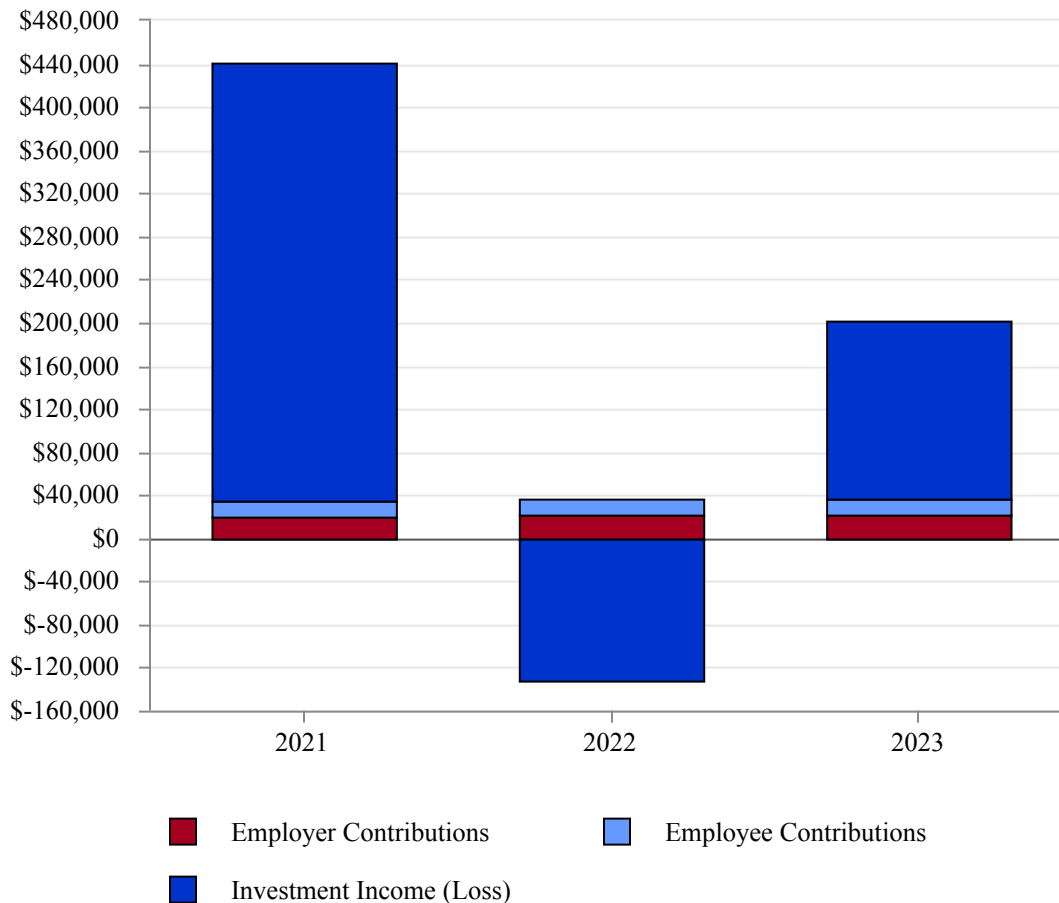
benefits paid in 2023 even though there were no Post Retirement Supplemental Benefits (PRSB) paid during calendar year 2023.

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

**Schedule and Graph of Additions By Source**

For Fiscal Years Ended June 30, 2023, 2022 and 2021 (In Thousands)

	<b>2021</b>	<b>2022</b>	<b>2023</b>
Employer Contributions	\$ 20,144	\$ 22,017	\$ 22,236
Employee Contributions	13,750	15,493	14,894
Investment Income (Loss)	407,811	(132,626)	164,015
<b>TOTAL</b>	<b>\$ 441,705</b>	<b>(95,116)</b>	<b>\$ 201,145</b>

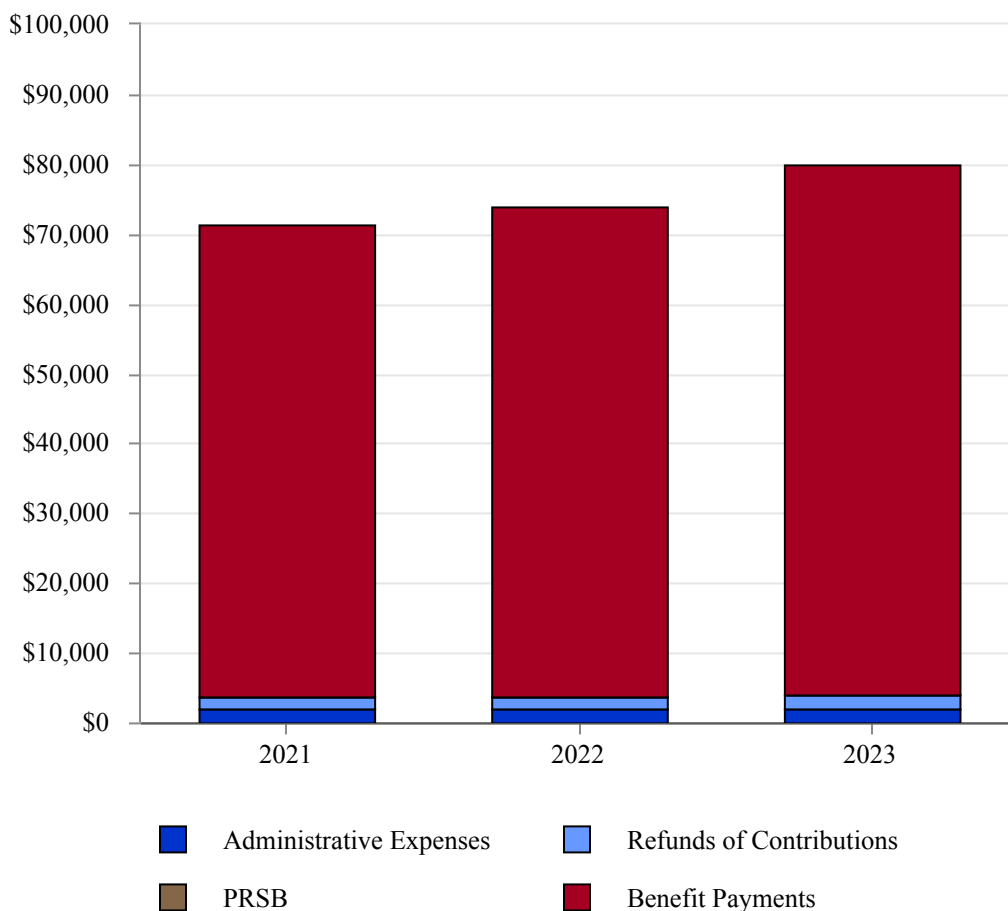


Management's Discussion and Analysis Continued

Schedule and Graph of Deductions By Type

For Fiscal Years Ended June 30, 2023, 2022 and 2021 (In Thousands)

	2021	2022	2023
Benefit Payments	\$ 67,497	\$ 70,239	\$ 76,025
PRSB	—	—	—
Refunds of Contributions	1,749	1,645	1,849
Administrative Expenses	2,058	2,050	2,145
<b>TOTAL</b>	<b>\$ 71,304</b>	<b>\$ 73,934</b>	<b>\$ 80,019</b>





## Management's Discussion and Analysis Continued

### Overview of the Financial Statements

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

**Statement of Fiduciary Net Position** – The Statement of Fiduciary Net Position presents the major categories of assets and liabilities and their related value as of the System's fiscal years ended June 30, 2023 and 2022. "Net Position Restricted for Pension Benefits" represents funds available to pay benefits and it is a point in time or a snapshot of account balances as of the fiscal year-end. It indicates the assets available for future payments to retirees and any current liabilities. 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.

### Statement of Changes in Fiduciary Net Position

– The Statement of Changes in Fiduciary Net Position provides information about the financial activities during the reporting period that increased and decreased the Net Position Restricted for Pension Benefits.

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

Both statements are in compliance with Governmental Accounting Standards Board (GASB) Pronouncements.

These pronouncements require certain disclosures and require State and Local governments to report using the full accrual basis of accounting. The System complies with all material requirements of these pronouncements.

### Notes to the Basic Financial Statements

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

### Required Supplementary Information

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

## *Management's Discussion and Analysis Continued*

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

The System's funding ratio at June 30, 2023, was 111.1 percent, which means the System's fund has approximately \$1.11 available for each \$1.00 of liability. The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position report information about the System's financial activities during the reporting periods that increased and decreased the Net Position Restricted for Pension Benefits.

### *Financial Analysis Net Position*

As previously noted, net position restricted for pension benefits may serve over time as a useful indication of the System's financial position. The System's assets exceeded its liabilities at the close of the fiscal year 2023 by \$1,683,312,950. All of the net position is restricted to meet the System's ongoing obligations to plan participants and their beneficiaries.

In fiscal year 2023, the System's restricted fiduciary net position, representing assets available to pay current and future member pension benefits, increased by 7.75 percent due to strong performance of the investment markets; while in 2022, the System's restricted fiduciary net position decreased by 9.76 percent largely due to declines in the global investment markets (See Table 1); and also, due to strong investment performance in 2021, the System's restricted fiduciary net position increased by 27.22 percent.

In order to determine whether the \$1.683 billion in net position will be sufficient to meet future obligations, the

System's independent actuary performed an actuarial valuation as of June 30, 2023. The result of this valuation determines what future contributions by plan members and the City of Fresno are needed to pay all expected future benefits. The valuation takes into account the Retirement Board's (the Board) funding policy which includes a provision to smooth the impact of market volatility by spreading each year's gains or losses over five years.

There has been extreme volatility in the various economies of the world and throughout the global financial markets over the past twenty to twenty-five years, therefore, it is of utmost importance to examine the System's investment returns with a long-term view rather than a short-term focus which tends to distort the perception of how well the investments have actually performed.

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 6.75 percent over long periods. As of June 30, 2023, the System's 25-year annualized return is 6.96 percent and its 20-year annualized return is 7.90 percent.

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



## Management's Discussion and Analysis Continued

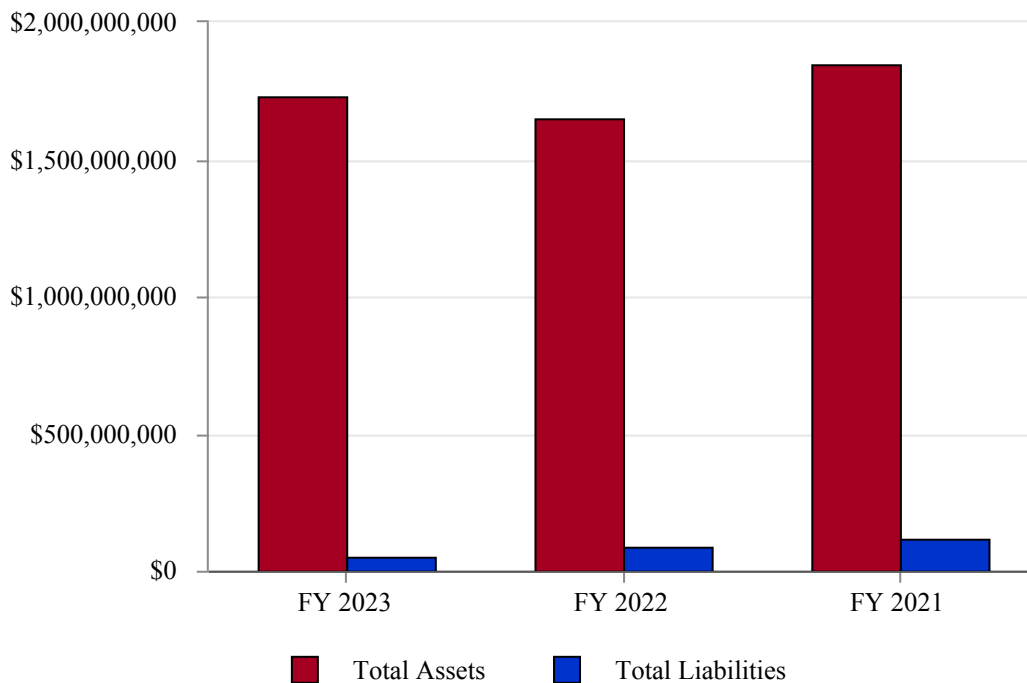
*Table 1 – Employees Retirement System Fiduciary Net Position  
Restricted For Pension Benefits*

As of June 30, 2023, 2022 And 2021

	FY 2023	FY 2022	FY 2023 Increase/ (Decrease) Amount	FY 2023 Increase/ (Decrease) Percent
Current and Other Assets	\$ 47,692,664	\$ 77,603,540	\$ (29,910,876)	(38.54%)
Investments at Fair Value	1,684,557,828	1,569,195,263	115,362,565	7.35%
<b>Total Assets</b>	<b>\$1,732,250,492</b>	<b>\$1,646,798,803</b>	<b>\$ 85,451,689</b>	<b>5.19%</b>
<b>Total Liabilities</b>	<b>48,937,542</b>	<b>84,611,323</b>	<b>(35,673,781)</b>	<b>(42.16%)</b>
<b>Net Position Restricted for Pension Benefits</b>	<b>\$1,683,312,950</b>	<b>\$1,562,187,480</b>	<b>\$ 121,125,470</b>	<b>7.75%</b>

	FY 2022	FY 2021	FY 2022 Increase/ (Decrease) Amount	FY 2022 Increase/ (Decrease) Percent
Current and Other Assets	\$ 77,603,540	\$ 134,361,039	\$ (56,757,499)	(42.24%)
Investments at Fair Value	1,569,195,263	1,712,954,301	(143,759,038)	(8.39%)
<b>Total Assets</b>	<b>\$1,646,798,803</b>	<b>\$1,847,315,340</b>	<b>\$ (200,516,537)</b>	<b>(10.85%)</b>
<b>Total Liabilities</b>	<b>84,611,323</b>	<b>116,077,927</b>	<b>(31,466,604)</b>	<b>(27.11%)</b>
<b>Net Position Restricted for Pension Benefits</b>	<b>\$1,562,187,480</b>	<b>\$1,731,237,413</b>	<b>\$ (169,049,933)</b>	<b>(9.76%)</b>



## Management's Discussion and Analysis Continued

### Capital Assets

The System's investment in capital assets decreased from \$482,246 to \$347,021 (net of accumulated depreciation) between fiscal years 2022 and 2023 after decreasing from \$553,904 to \$482,246 (net of accumulated depreciation) between fiscal years 2021 and 2022. This investment in capital assets includes office equipment, furniture, software, and technology infrastructure. The total decrease in the System's investment in capital and intangible capital assets as of June 30, 2023 and 2022 was attributed to the disposal of capital assets no longer of service and the annual depreciation expense which netted to \$(135,225) and \$(71,658), respectively. These changes in both fiscal years were primarily due to the costs and associated depreciation incurred for the development of software to program and install an upgrade to our original pension administration system that was originally installed in 1997, which was implemented effective July 1, 2015. For additional, more detailed, information related to the System's capital assets, please refer to Note 12 - Capital Assets on page 51.

### Reserves

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

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

Deferred Retirement Option Program (DROP) Reserve represents funds reserved for Deferred Retirement Option Program benefits accumulated by active members and retirees. DROP is an alternate method of receiving retirement benefits. It is a voluntary program as described by the conditions and requirements of the City of Fresno Municipal Code Section 3-566. A DROP account is a nominal, bookkeeping account established within the System for each DROP participant. Monthly amounts credited to DROP accounts include an amount which represents the service retirement allowance which the member would have received if the member had retired on the date the member commenced DROP participation and interest credited at the five-year average interest rate as adopted by the Retirement Board (the Board) in accordance with the City of Fresno 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 the City of Fresno Municipal Code Section 3-567. PRSB is a supplemental benefit distributed to eligible participants in accordance with the City of Fresno Municipal Code Section 3-567, 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.

The PRSB Reserve Account was exhausted at the end of December 2013.

## Management's Discussion and Analysis Continued

City Surplus Reserve represents that portion of distributable actuarial surplus that has been allocated but not used as a reduction to offset or eliminate the City of Fresno's (the City) pension contributions in accordance with the conditions and requirements of Municipal Code Section 3-567 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.

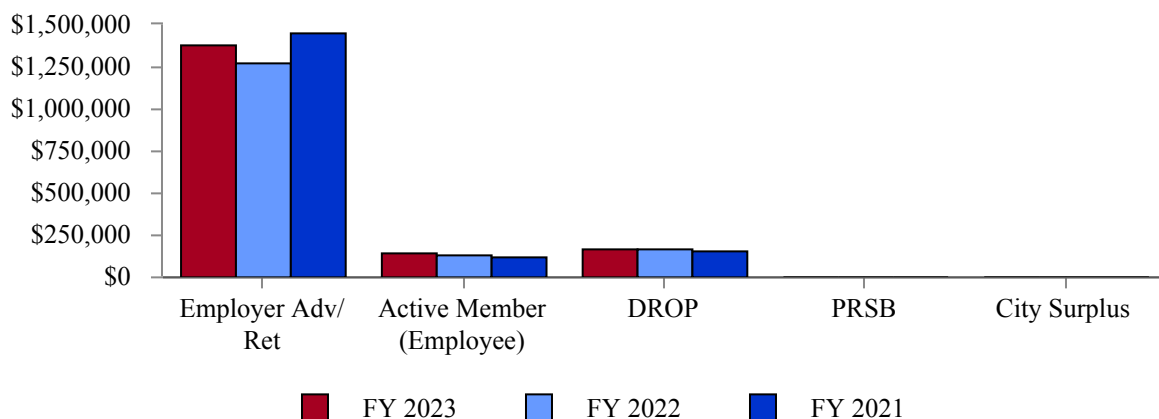
Table 2 shows that the vast majority of reserves are generated from Employer Advance/Retired reserves. DROP reserves represent funds credited for participants who elected to participate in the Deferred Retirement Option Program. PRSB Reserve presents that portion of distributable actuarial surplus that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

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

The City Surplus Reserve Account shows a negative balance for the fiscal year 2023, while fiscal years 2022 and 2021 showed a positive balance. The City's normal contribution rates for fiscal years 2023 and 2022 also included adjustments for economic and non-economic actuarial assumption changes.

**Table 2 – Employees Retirement System's Reserves**  
As of June 30, 2023, 2022 and 2021 (In Thousands)

	FY 2023	FY 2022	FY 2021
Employer Advance/Retired Reserves	\$ 1,376,856	\$ 1,269,348	\$ 1,456,484
Active Member (Employee) Reserves	139,691	131,234	122,574
DROP Reserves	166,976	161,451	152,107
PRSB Reserves	—	—	—
City Surplus Reserves	(210)	154	72
<b>Net Position Restricted for Pension Benefits</b>	<b>\$ 1,683,313</b>	<b>\$ 1,562,187</b>	<b>\$ 1,731,237</b>



## Management's Discussion and Analysis Continued

### System's Activities

Attributable in part to the continued growth and volatility in global economic and financial markets, the System's net position increased \$121,125,470 for the fiscal year 2023 resulting in a 7.75 percent increase in the fiduciary net position restricted for pension benefits for the fiscal year ended June 30, 2023. The System's fiduciary net position decreased \$169,049,933 for the fiscal year 2022 resulting in a 9.76 percent decrease in the fiduciary net position restricted for pension benefits for the fiscal year ended June 30, 2022, primarily attributable to the volatility in the global financial markets. In fiscal year 2021, the System's fiduciary net position increased \$370,400,510 resulting in a 27.22 percent increase in the fiduciary net position restricted for pension benefits for the fiscal year ended June 30, 2021.

Key elements of the additions to and deductions from Fiduciary Net Position for fiscal years 2023, 2022 and 2021 are described in the sections below.

### Additions to the System's Fiduciary Net Position

The reserves needed to finance retirement benefits are normally accumulated through the collection of employer and employee contributions and through earnings of investment income net of investment expense. Total additions to the System's fiduciary net position for the fiscal year ended June 30, 2023 totaled \$201,144,634.

For the fiscal year ended June 30, 2023, overall additions had increased by \$296,260,331 or 311.47 percent primarily due to the performance of the investment markets. For fiscal year 2022, overall additions had decreased by \$536,820,627 or 121.53 percent from the prior year; and for fiscal year ended June 30, 2021, primarily due to the performance of the investment markets and changes in actuarial assumptions, overall additions had increased by \$394,014,761 or 826.20

percent from the prior fiscal year. The investment section of this report reviews the details of the results of investment activity for the fiscal year ended June 30, 2023.

### Deductions from the System's Fiduciary Net Position

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

Deductions from the fiduciary net position for the fiscal year ended June 30, 2023, totaled \$80,019,164 which was an increase of \$6,084,928 or 8.23 percent over the prior fiscal year 2022. Deductions from the fiduciary net position for the fiscal year ended June 30, 2022, totaled \$73,934,236 which was an increase of \$2,629,816 or 3.69 percent over the prior fiscal year 2021. The fiscal year ending June 30, 2021 had deductions from the fiduciary net position totaling \$71,304,420, which was an increase of \$5,036,024 or 7.60 percent over the prior fiscal year 2020. The increase in benefits paid resulted primarily from an increase in the amount of benefit payments due to the number of retirees from the prior year.

The System's increases in total deductions have closely paralleled inflation and are reflective of the membership and services provided. The System has consistently met its Administrative Budget. There are no material variances between planned expenses and actual expenses.

## Management's Discussion and Analysis Continued

## Changes in Fiduciary Net Position (Condensed)

For Fiscal Years Ended June 30, 2023, 2022 and 2021

	FY 2023	FY 2022	FY 2023 Increase/ (Decrease) Amount	FY 2023 Increase/ (Decrease) Percent
<b>Additions</b>				
Employer Contributions	\$ 22,236,117	\$ 22,016,525	\$ 219,592	1.00%
Employee Contributions	14,894,336	15,492,662	(598,326)	(3.86%)
Net Investment Income (Loss)*	164,014,181	(132,624,884)	296,639,065	223.67%
<b>Total Additions</b>	<b>\$ 201,144,634</b>	<b>\$ (95,115,697)</b>	<b>\$ 296,260,331</b>	<b>311.47%</b>
<b>Deductions</b>				
Retiree Benefit Payments	\$ 76,024,703	\$ 70,239,143	\$ 5,785,560	8.24%
Post Retirement Supplemental Benefit (PRSB)	—	—	—	—%
Refunds of Contributions	1,848,595	1,645,235	203,360	12.36%
Administrative Expenses	2,145,866	2,049,858	96,008	4.68%
<b>Total Deductions</b>	<b>\$ 80,019,164</b>	<b>\$ 73,934,236</b>	<b>\$ 6,084,928</b>	<b>8.23%</b>
Changes in Net Position	121,125,470	(169,049,933)	290,175,403	171.65%
Net Position Restricted for Pension Benefits				
Beginning of the Year	1,562,187,480	1,731,237,413	(169,049,933)	(9.76%)
<b>End of the Year</b>	<b>\$1,683,312,950</b>	<b>\$1,562,187,480</b>	<b>\$ 121,125,470</b>	<b>7.75%</b>

\* Net of investment expense of \$26,691,439 and \$17,098,477 for June 30, 2023 and 2022, respectively.

	FY 2022	FY 2021	FY 2022 Increase/ (Decrease) Amount	FY 2022 Increase/ (Decrease) Percent
<b>Additions</b>				
Employer Contributions	\$ 22,016,525	\$ 20,144,322	\$ 1,872,203	9.29%
Employee Contributions	15,492,662	13,749,909	1,742,753	12.67%
Net Investment Income (Loss)*	(132,624,884)	407,810,699	(540,435,583)	(132.52%)
<b>Total Additions</b>	<b>\$ (95,115,697)</b>	<b>\$ 441,704,930</b>	<b>\$ (536,820,627)</b>	<b>(121.53%)</b>
<b>Deductions</b>				
Retiree Benefit Payments	\$ 70,239,143	\$ 67,497,485	\$ 2,741,658	4.06%
Post Retirement Supplemental Benefit (PRSB)	—	—	—	—%
Refunds of Contributions	1,645,235	1,748,572	(103,337)	(5.91%)
Administrative Expenses	2,049,858	2,058,363	(8,505)	(0.41%)
<b>Total Deductions</b>	<b>\$ 73,934,236</b>	<b>\$ 71,304,420</b>	<b>\$ 2,629,816</b>	<b>3.69%</b>
Changes in Net Position	(169,049,933)	370,400,510	(539,450,443)	(145.64%)
Net Position Restricted for Pension Benefits				
Beginning of the Year	1,731,237,413	1,360,836,903	370,400,510	27.22%
<b>End of the Year</b>	<b>\$1,562,187,480</b>	<b>\$1,731,237,413</b>	<b>\$ (169,049,933)</b>	<b>(9.76%)</b>

\* Net of investment expense of \$17,098,477 and \$13,708,409 for June 30, 2022 and 2021, respectively.

## *Management's Discussion and Analysis Continued*

### *System's Fiduciary Responsibilities*

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

### *Requests for Information*

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

### **City of Fresno Employees Retirement System**

**2828 Fresno Street Suite 201**

**Fresno, California 93721-1327**

Respectfully submitted,

*Robert T. Theller*

Robert T. Theller, Esq.  
Retirement Administrator

November 27, 2023

# Basic Financial Statements

## Statement of Fiduciary Net Position As of June 30, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
Cash (Note 7)	\$ 547,117	\$ 872,668
Collateral Held for Securities Lent (Note 9)	22,259,394	59,376,847
Receivables		
Receivables for Investments Sold	17,781,397	13,125,563
Interest and Dividends	1,680,049	2,531,972
Other Receivables	4,942,754	1,057,766
<b>Total Receivables</b>	<b>24,404,200</b>	<b>16,715,301</b>
Prepaid Expenses	—	—
<b>Total Current Assets</b>	<b>47,210,711</b>	<b>76,964,816</b>
Investments at Fair Value and NAV (Notes 6 and 7)		
Domestic Equities	426,767,391	350,898,077
International Equities	365,577,219	326,830,757
Private Equity	101,515,534	69,931,612
Fixed Income	203,918,928	260,746,601
Private Debt/Credit	208,300,798	169,028,751
Real Assets	354,324,504	316,799,548
Multi-Assets	15,474,636	69,029,820
Short-Term Investments	8,678,818	5,930,097
<b>Total Investments</b>	<b>1,684,557,828</b>	<b>1,569,195,263</b>
Capital Assets Net of Accumulated Depreciation (Note 12)	347,021	482,246
Other Assets	134,932	156,478
<b>Total Assets</b>	<b>1,732,250,492</b>	<b>1,646,798,803</b>
<b>LIABILITIES</b>		
Collateral Held for Securities Lent (Note 9)	22,259,394	59,376,847
Payable for Investments Purchased	14,087,034	22,517,848
Other Liabilities	7,677,263	1,658,176
Payable for Foreign Currency Purchased	4,913,851	1,058,452
<b>Total Liabilities</b>	<b>48,937,542</b>	<b>84,611,323</b>
<b>Net Position Restricted for Pension Benefits (Note 5)</b>	<b>\$ 1,683,312,950</b>	<b>\$ 1,562,187,480</b>

The accompanying notes to the basic financial statements on pages 18 - 53 are an integral part of this statement.

## Basic Financial Statements Continued

**Statement of Changes in Fiduciary Net Position**  
**For Fiscal Years Ended June 30, 2023 and 2022**

	2023	2022
<b>ADDITIONS</b>		
Contributions (Note 3)		
Employer	\$ 22,236,117	\$ 22,016,525
Employee	14,894,336	15,492,662
<b>Total Contributions</b>	<b>37,130,453</b>	<b>37,509,187</b>
Investment Income (Loss)		
Net Appreciation/(Depreciation) in Fair Value of Investments	170,225,291	(138,316,184)
Interest	9,580,701	8,329,468
Dividends	8,942,422	14,003,169
Other Investment Related	66,294	57,083
Total Investment Income (Loss)	188,814,708	(115,926,464)
Less: Investment Expense	(25,098,041)	(16,966,818)
<b>Total Net Investment Income (Loss)</b>	<b>163,716,667</b>	<b>(132,893,282)</b>
Securities Lending Income		
Securities Lending Earnings (Note 9)	1,890,912	400,057
Less: Securities Lending Expense	(1,593,398)	(131,659)
<b>Total Net Securities Lending Income</b>	<b>297,514</b>	<b>268,398</b>
<b>Total Additions</b>	<b>201,144,634</b>	<b>(95,115,697)</b>
<b>DEDUCTIONS</b>		
Benefit Payments	76,024,703	70,239,143
Post Retirement Supplemental Benefits (Note 11)	—	—
Refunds of Contributions	1,848,595	1,645,235
Administrative Expense	2,145,866	2,049,858
<b>Total Deductions</b>	<b>80,019,164</b>	<b>73,934,236</b>
<b>Changes in Net Position</b>	<b>121,125,470</b>	<b>(169,049,933)</b>
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>		
<b>BEGINNING OF YEAR</b>	<b>1,562,187,480</b>	<b>1,731,237,413</b>
<b>END OF THE YEAR</b>	<b>\$ 1,683,312,950</b>	<b>\$ 1,562,187,480</b>

The accompanying notes to the basic financial statements on pages 18 - 53 are an integral part of this statement.



# Notes to the Basic Financial Statements

## 1 | Significant Provisions of the Retirement System

The City of Fresno Employees Retirement System (the System) was established on June 1, 1939, under Charter Section 910 and is governed by Article 5 of Chapter 3 of the City of Fresno Municipal Code. The System is a single-employer, contributory, defined benefit plan. The System provides lifetime retirement, disability, and death benefits to the non-safety members employed by the City of Fresno (the City), including substantially all full-time employees, other than sworn officers of the Fire and Police Departments.

The System is administered by the Employees Retirement Board (Board) which operates under the authority vested in Article 5 of Chapter 3 of the City of Fresno Municipal Code and the California Pension Protection Act of 1992 which provides that “the members of the Retirement Board of a public retirement system shall discharge their duties...solely in the interest of, and for the exclusive purpose of providing benefits to participants and their beneficiaries, minimizing employer contribution thereto, and defraying reasonable expenses of administering the System.”

The Employees Retirement Board does not operate under the control of the City Council. The Board has the sole and exclusive responsibility to administer the System in a manner that will assure prompt delivery of benefits and related services to the members and their beneficiaries.

Fiduciary oversight of the Employees Retirement System is vested with the Board, which consists of five (5) members: two (2) management employees who are appointed by the Mayor and confirmed by the City Council, one (1) employee who is elected by the manual

workers of the System, and one (1) employee who is elected by the clerical or supervisory workers of the System; both elected members serve a four-year term. The fifth and final member of the Board is a qualified elector of the County of Fresno, not connected with its government, elected by the previously designated four members and serves at the pleasure of the Board.

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

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

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

*Notes to the Basic Financial Statements Continued**Membership and Benefit Eligibility*

All permanent full-time employees of the City of Fresno, except sworn Fire and Police personnel, are eligible to participate in the plan. Employees become eligible for membership on their first day of regular employment, and members become fully vested after earning 5 years of service credit.

Total participants of the System were comprised as follows at June 30, 2023 and 2022:

	2023	2022
Active Members		
Vested	1,410	1,384
Non-Vested	1,284	1,051
Total Active Members	2,694	2,435
Retirees and Beneficiaries of Deceased		
Retirees, Currently Receiving Benefits	2,226	2,167
Inactive Vested Members	213	202
Total Retirees, Beneficiaries, and Inactive Members	2,439	2,369
<b>Grand Total</b>	<b>5,133</b>	<b>4,804</b>

*Benefit Provisions*

The System provides retirement allowances and other benefits such as disability and death benefits to the non-safety members employed by the City of Fresno.

The retirement (pension) benefits the member will receive are based upon a combination of age at retirement, years of credited service, final average monthly salary, and the distribution option selected by the participant.

Members' contributions, including interest, are 100 percent vested at all times. Employer contributions do not become vested until completion of 5 years of credited service when the member becomes 100 percent vested, but are not payable until the member attains the age of 55.

Effective January 28, 2008, members may retire between age 50-55 with an actuarially equivalent service retirement benefit.

*Member Retirement Benefits*

Members are eligible for service retirement benefits upon completion of at least five years of service, upon termination of service, if they have left contributions and interest with the System and are at least age 55. Or, Members may retire upon written application to the Retirement Board provided that the Member is credited with five years of continuous service and has attained age fifty and consents in writing to the early retirement benefit reduction. Members may also be eligible for service retirement benefits if they have less than five years of service with the City of Fresno, but have established reciprocity with a prior employer and are eligible to retire from that agency.

The service retirement benefit is calculated pursuant to the provisions of Section 3-541 of the City of Fresno Municipal Code. The monthly allowance for a member is equal to 2 percent of final compensation times each of the first 25 years of accrued retirement service credit plus 1 percent of final compensation times any years of accrued retirement service credit in excess of 25 years, multiplied by the age factor at retirement age.

Final average compensation consists of the highest average consecutive 36 months of compensation earnable calculated using the rate of pay in effect at the time of retirement.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 50% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse is one married to the member one year

## Notes to the Basic Financial Statements Continued

prior to the effective retirement date for members retiring on or before the effective date (February 10, 2000) of Ordinance No. 2000-5. For members retiring after the effective date of Ordinance 2000-5, an eligible surviving spouse or domestic partner is one married to or registered with the member on or before the date of retirement.

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

### *Deferred Retirement Option Program (DROP)*

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

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

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

**Eligibility:** Any member who is eligible for a service retirement and is age 55 (or age 50 for an early retirement reduced benefit) with a minimum of 5 years of service.

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

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

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

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

## Notes to the Basic Financial Statements Continued

DROP Reserves which represent funds reserved for DROP benefits accumulated by active members and retirees were \$166,976,234 and \$161,451,014 as of June 30, 2023 and 2022, respectively.

### Terminated Member Benefits

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

### Death and Disability Benefits

Death benefits are based upon whether the death occurred before or after retirement. Disability benefits are based upon whether the member has at least ten years of credited service, over or under age 55 and whether the permanent incapacity is found to be service or non service-connected.

### Cost-of-Living Benefits

Cost-of-living adjustment (COLA) increases for retirees under the Employees Retirement System are provided for in the Municipal Code, and are determined by annual changes in the Consumer Price Index (CPI) for each of the two immediately preceding calendar years. Retirement staff research the percentage change in CPI (United States city average for urban wage earners and clerical workers – all items) and propose that percent to the Retirement Board as the COLA to be adopted for the following fiscal year. This procedure is completed by the end of April each year for implementation in July. The COLA is limited to a five percent (5.00%) maximum change per

year and any excess over 5.00 percent is banked for the retiree for use in a year where the percent of CPI change is negative.

The Board adopted the annual COLA, pursuant to Section 3-553(b) of 5.0 percent, effective July 1, 2022 for fiscal year 2023, and 1.5 percent, effective July 1, 2021 for fiscal year 2022.

## 2 Summary of Significant Accounting Policies

### Reporting Entity

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

### Basis of Accounting

The System's financial statements are prepared using the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP), under which revenues are recognized when earned and deductions are recorded when the liability is incurred. Employer and employee contributions are recognized as revenue when due. Contributions are recorded in the period the related salaries are earned and become measurable. Investment income is recognized when it is earned. The net appreciation in fair value of investments held by the System is recorded as an increase to investment income based on the valuation of investments at fiscal year-end, which includes both realized and unrealized gains and losses on investments. Retirement benefits and refunds are recognized when due and payable under the terms of the plan as defined in Sections 3-534 and 3-538 of the City of Fresno Municipal Code. Other expenses are recognized when the corresponding liabilities are incurred.

## Notes to the Basic Financial Statements Continued

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

### Investments

The System is authorized by the City of Fresno Municipal Code and the policies of the Retirement Board to invest in any form or type of investment deemed prudent by the Board and does so through its Investment Objectives and Policy Statement which establishes and outlines the responsibilities of the various parties that are associated with managing assets of the Retirement System, consistent with applicable sections of the Municipal Code, Federal laws and Article XVI, Section 17(c) of the Constitution of the State of California which provides that “the member of the Retirement Board of a public pension or retirement system shall discharge their duties...with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aim.”

System investments are reported at fair value. Fair value is the amount that the System can reasonably expect to receive for an investment in a current sale between a willing buyer and seller, that is, other than in a forced or liquidation sale. Fair value for investments of publicly traded securities is stated at fair value based upon closing

sales prices reported on recognized securities exchanges on the last business day of the period or, for listed securities having no sales reported and for unlisted securities, based upon last reported bid prices. All purchases and sales of securities are accounted for on a trade date basis and dividends declared but not received are accrued on the ex-dividend date. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments in both bonds and mortgage-backed pass-through certificates are carried at fair value.

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

The asset allocation policy set by the Board, in conjunction with the Fire and Police Retirement Board, is outlined in the Boards’ Investment Objectives and Policy Statement. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided by the System. The table on the following page provides the Boards’ adopted asset allocation policy as of June 30, 2023 and 2022.

*Notes to the Basic Financial Statements Continued***Asset Allocation Policy***As of June 30, 2023 and 2022*

Asset Class	FY 2023	FY 2022
Equity		
Domestic	24.0%	25.0%
International	20.0%	23.0%
Private	5.0%	3.0%
Rates/Credit		
Core Fixed Income	13.0%	13.0%
High Yield Fixed Income	0.0%	3.0%
Private Debt/Credit	12.0%	10.0%
Real Assets		
Core Real Estate	10.0%	10.0%
Non-Core Real Estate	5.0%	4.0%
Infrastructure	7.0%	5.0%
Multi-Asset		
Alternative Credit	4.0%	0.0%
Midstream Energy	0.0%	4.0%
Short-Term Investments	0.0%	0.0%
	<b>100%</b>	<b>100%</b>

***Estimates***

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

***Reclassifications***

Certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation. Such reclassifications had no effect on previously reported fiduciary net position.

***Implementation of New Accounting Pronouncements***

For the year ended June 30, 2023, the Board adopted and the System implemented all applicable new GASB pronouncements. The most recent pronouncements, effective for fiscal year ended June 30, 2023, are provided below.

GASB Statement No. 91 - *Conduit Debt Obligations*, was issued in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The System has determined that this standard is not currently applicable, as it has no current applicable debt obligations, thus having no material impact on the System's financial statements.



## Notes to the Basic Financial Statements Continued

GASB Statement No. 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued in March 2020. This statement establishes the definitions of public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs) and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. The System has determined that this standard is not applicable, and thus has no material impact on the System's financial statements.

GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements*, was issued in May 2020. This Statement (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The System found no material subscription-based information technology arrangements, and thus the statement had no material impact on the System's financial statements.

GASB Statement No. 99 - *Omnibus 2022*, was issued in April 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The System has determined that this standard is not applicable, and thus has no material impact on the System's financial statements.

## 3 | Contributions

### *Authority to Collect*

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

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 according to age and are designed to provide funding for approximately one third of retirement benefit basic normal costs and one-half of the cost-of-living component. All active members are required to make contributions to the System. The average member contribution rate as of June 30, 2023 for 2022-2023 (based on the June 30, 2021 valuation) was 8.12 percent of compensation. The average member contribution rate as of June 30, 2022 for 2021-2022 (based on the June 30, 2020 valuation) was 9.49 percent of compensation.

The employer contribution rate is designed to provide funding for the remaining regular retirement and cost-of-living benefits, as well as all regular disability and survivors' benefits. The average employer contribution rate as of June 30, 2023 for 2022-2023 (based on the June 30, 2021 valuation) was 11.97 percent of compensation. The average employer contribution rate as of June 30, 2022 for 2021-2022 (based on the June 30, 2020 valuation) was 13.35 percent of compensation.

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

## Notes to the Basic Financial Statements Continued

### Funding Status & Method

#### *Actuarial Funding Policy and Actuarial Cost Methodology for Funding Purposes.*

The Board adopted a Comprehensive Actuarial Funding Policy on November 7, 2012. For the Employees Retirement System, that policy included a change in actuarial cost methodology from the Projected Unit Credit (PUC) method used for funding purposes to the Entry Age Normal (EAN) method as the EAN method is used by a substantial majority of the retirement systems in California and nationwide. More importantly, the Board made this change in actuarial cost methodology due to the adoption of GASB Statements No. 67 and No. 68, which substantially revised the financial reporting requirements for governmental pension plans and their sponsors.

#### *Goals of the Actuarial Funding Policy:*

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

### Funding Requirements and Policy Components

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

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



*Notes to the Basic Financial Statements Continued*

As of June 30, 2023, the System does not have an Unfunded Actuarial Accrued Liability (UAAL). The Board's Amortization Policy sets forth the amortization procedures for funding any UAAL or amortization and allocation of any available surplus in the System.

Any new UAAL as a result of actuarial gains or losses identified in the annual valuation as of June 30 will be amortized over a period of fifteen (15) years. Any new UAAL as a result of any change in actuarial assumptions or methods will be amortized over a period of twenty-five (25) years. The amortization period for any increase in UAAL as a result of any amendments to the System will be amortized over a period of fifteen (15) years, while any increase in UAAL resulting from a temporary retirement incentive will be funded over a period not to exceed five (5) years. UAAL shall be amortized over "closed" (separate) amortization periods so that the amortization period for each layer decreases by one year with each actuarial valuation. UAAL is amortized as a level percentage of payroll so that the amortization amount in each year during the amortization period shall be expected to be a level percentage of covered payroll, taking into consideration the current assumption for general payroll increase.

If an overfunding status exists (i.e., the Valuation Value of Assets exceeds the Unfunded Actuarial Accrued Liability (UAAL), the System is considered to have a surplus in the System as of a point in time), such actuarial surplus and any subsequent surpluses will be amortized over an "open" amortization period of twenty-five (25) years. This amortization period of twenty-five years shall be applicable to the provisions in Fresno Municipal Code Sections relating to the amortization period used in the calculation of the Post Retirement Supplemental Benefit (PRSB). Any prior Unfunded Actuarial Accrued Liability (UAAL) amortization layers will be considered fully amortized, and any subsequent UAAL will be amortized over fifteen (15) years as the first of a new series of amortization layers.

The System uses a five-year smoothing of market gains and losses to derive the actuarial value of assets. As of the fiscal year ended June 30, 2023, the actuarial value of assets was \$1.510 billion with a funded percentage of 111.1 percent on a valuation value of assets.

The progress being made towards meeting the System's funding objective through June 30, 2023 is illustrated in the Schedule of Funding Progress shown in the Actuarial Section on page 85.

## Notes to the Basic Financial Statements Continued

### Funding Policy

The City (Employer) currently funds, at a minimum, the amounts recommended by the actuary and approved by the Retirement Board. Such amounts are determined using the individual entry age normal funding method applied to the projected benefits in determining the Normal Cost and Actuarial Accrued Liability. The Normal Cost is determined on an individual basis for each active member. If there is a positive (Surplus) or negative (Unfunded) difference between the Valuation of Assets and the Actuarial Accrued Liability (AAL), the amortization policy determines the amortization of the Unfunded Actuarial Accrued Liability (UAAL) on a level percentage of payroll needed to fund the UAAL or the amount of available surplus which would be distributable in any given year. This method produces an employer contribution rate consisting of amounts for (a) normal cost and (b) amortization of any unfunded (UAAL) or prefunded (PAAL) actuarial accrued liability.

These minimum contributions are recognized currently in the Statement of Changes in Fiduciary Net Position. Employees' contributions are funded and recognized currently through payroll deductions in amounts recommended by the actuary. Costs of administering the System are charged against System assets.

Total contributions (basic and cost-of-living adjustments (COLA)) to the System for fiscal year 2023 totaled \$37,130,453. Employees contributed \$14,894,336 and the City made contributions of \$22,236,117.

Contributions aggregating \$37,130,453 (\$22,236,117 employer contributions and \$14,894,336 employee contributions) were made in fiscal year 2023, based on an actuarial valuation determined as of June 30, 2021, which became effective for the year ended June 30, 2023. During fiscal year 2023, the Employer normal contribution rate was set at 13.23 percent. However, due to an adjustment for an excess contribution from the prior year, Employer and System member basic and COLA contributions represented 11.97 percent and 8.12 percent, respectively, of the fiscal year 2023 covered payroll.

Contributions aggregating \$37,509,187 (\$22,016,525 employer contributions and \$15,492,662 employee contributions) were made in fiscal year 2022, based on an actuarial valuation determined as of June 30, 2020, which became effective for the year ended June 30, 2022. During fiscal year 2022, the Employer normal contribution rate was set at 13.33 percent. Employer and System member contributions represented 13.35 percent and 9.49 percent, respectively, of the fiscal year 2022 covered payroll.

*Notes to the Basic Financial Statements Continued**Contributions Required and Contributions Made*

The employer's required normal contributions to the System have two components: basic and COLA. For fiscal years 2023 and 2022, the employer's required normal contributions (basic and COLA) to the System were as follows:

**Normal Cost**

	<b>FY2023</b>	<b>FY2022</b>
Employee Contributions	\$ 14,894,336	\$ 15,492,662
Employer Contribution Rate	13.23%	13.33%
Employer Contributions	\$ 24,636,762	\$ 21,946,831
Prior Year Contribution (Surplus)/Shortfall	(2,400,645)	69,694
Net Employer Contributions	\$ 22,236,117	\$ 22,016,525
Pensionable Payroll	\$ 186,218,911	\$ 164,642,390

**4 | Net Pension Liability**

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

**Schedules of Changes in the System's Net Pension Liability (GASB 67)**  
As of June 30, 2023 and 2022  
(In Thousands)

	<b>As of June 30, 2023</b>	<b>As of June 30, 2022</b>
Total Pension Liability	\$1,566,984	\$1,472,814
Plan Fiduciary Net Position	(\$1,683,313)	(\$1,562,188)
<b>Net Pension Liability/(Surplus)</b>	<b>(\$116,329)</b>	<b>(\$89,374)</b>
<b>Plan Fiduciary Net Position as a percentage of the total pension liability</b>	<b>107.42%</b>	<b>106.07%</b>

The net pension liability was measured as of June 30, 2023 and 2022, and determined based upon the total pension liability (on a GASB 67 basis) from actuarial valuations as of June 30, 2023 and 2022, respectively.

*Notes to the Basic Financial Statements Continued*

**Actuarial Assumptions**  
**Key Methods and Assumptions Used in Valuation**  
**of Total Pension Liability**

The total pension liability as of June 30, 2023 was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date:	June 30, 2023 <sup>1</sup>
Actuarial Experience Study:	3 Year Period Ending June 30, 2021
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method
	Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are based on costs allocated as a level percentage of compensation.

## Actuarial Assumptions

Inflation	2.50%
Salary Increases	3.75% to 11.50%, varying by service, including inflation
Discount Rate	6.75%, net of pension plan investment expense, including inflation
Other Assumptions	See June 30, 2023 funding valuation for the service retirement rates after they have been adjusted to treat DROP participation as service retirement.
Mortality Rates	<p><i>Healthy Members</i> • Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021.</p> <p><i>Beneficiaries not currently in Pay Status</i> • Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021.</p> <p><i>Beneficiaries in Pay Status</i> • Pub-2010 General Contingent Survivor Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021.</p> <p><i>Disabled Members</i> • Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females with rates decreased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021.</p>

<sup>1</sup>Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. As such, the actuarial valuations dated June 30, 2023 and 2022, will impact the contribution rates for the fiscal years ended June 30, 2025 and 2024.

## Notes to the Basic Financial Statements Continued

The valuation interest rate is 6.75 percent; total salary scale increases range between 3.75% to 11.50% (include 2.50 percent for inflation plus 0.50 percent across the board salary increase plus merit and promotion increases based on completed years of service) were based on the June 30, 2021 Experience Analysis and Economic Assumptions Reports.

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

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

When measuring pension liability under GASB Statement No. 67, the actuary uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as the System uses for funding. Note that, unrelated to the investment return assumption, the new rules use a version of the Entry Age method where the Total Pension Liability (TPL) for financial reporting purposes must be fully accrued by the time a member either enters DROP or is expected to elect the DROP. This is in contrast to the version of the Entry Age method used for funding, where the Actuarial Accrued Liability (AAL) does not have to be fully accrued until members retire from employment after participation in the DROP. Under GASB Statement No.

67, active members who are expected to enroll in the DROP in the future would report a Service Cost that is higher than the Normal Cost used for funding, while members already in the DROP would report no Service Cost even though their Normal Cost continues to accrue.

### Long-Term Expected Real Rate of Return

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

The actual asset class target allocations from the Board's prior adopted Asset Allocation Target Policy were utilized in the Analysis of Actuarial Experience during the period July 1, 2018 through June 30, 2021 and for the Review of Economic Actuarial Assumptions used for the June 30, 2023 Actuarial Valuation.

The actual asset class target allocations from the Board's prior adopted Asset Allocation Target Policy were utilized in the Analysis of Actuarial Experience during the period July 1, 2015 through June 30, 2018 and for the Review of Economic Actuarial Assumptions used for the June 30, 2022 Actuarial Valuation.

## Notes to the Basic Financial Statements Continued

### Asset Class/Target Allocation/Long-term Expected Real Rate of Return Table

Asset Class	As of June 30, 2023		As of June 30, 2022	
	Target Asset Allocation	Weighted Average Long-Term Expected Real Rate of Return* (Arithmetic)	Target Asset Allocation	Weighted Average Long-Term Expected Real Rate of Return* (Arithmetic)
Large Cap U.S. Equity	18.00%	5.40%	18.00%	5.40%
Small Cap U.S. Equity	3.00%	6.17%	3.00%	6.17%
Developed International Equity	13.00%	6.13%	13.00%	6.13%
Emerging Market Equity	5.00%	8.17%	5.00%	8.17%
Private Equity	8.00%	10.83%	8.00%	10.83%
Core Bonds	12.00%	0.39%	12.00%	0.39%
Private Debt/Direct Lending	14.00%	5.93%	14.00%	5.93%
Real Estate	15.00%	4.59%	15.00%	4.59%
Private Credit - Credit Opportunities	2.50%	7.18%	2.50%	7.18%
China Equity	1.25%	9.53%	1.25%	9.53%
Hedge Fund - Macro	1.25%	2.72%	1.25%	2.72%
Private Real Assets - Infrastructure/Land	7.00%	6.19%	7.00%	6.19%
<b>Total</b>	<b>100.0%</b>		<b>100.0%</b>	

\* Based on the results of an experience study for the period from July 1, 2018 through June 30, 2021.

#### Mortality Rates

Mortality rates used in the latest actuarial valuation are based on the Pub-2010 mortality tables. For healthy members and beneficiaries, the Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) times 105% is used, projected generationally with the two-dimensional mortality improvement scale MP-2018. For members that are disabled, the Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) is used, projected generationally with the two-dimensional mortality improvement scale MP-2018.

#### Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent as of June 30, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed plan member contributions will be

made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on the System's investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2023 and June 30, 2022.

*Notes to the Basic Financial Statements Continued*

The table below presents the net pension liability of the Retirement System calculated using the discount rate of 6.75 percent, as of June 30, 2023 and 2022, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower or 1.00 percent higher than the current rate:

### Sensitivity of Net Pension Liability to Changes in the Discount Rate

As of June 30, 2023 and 2022 (In Thousands)

	1% Decrease	Current Discount Rate	1% Increase
<b>Net Pension Liability/(Surplus)</b>	<b>5.75%</b>	<b>6.75%</b>	<b>7.75%</b>
June 30, 2023	\$67,160	(\$116,329)	(\$266,738)

	1% Decrease	Current Discount Rate	1% Increase
<b>Net Pension Liability/(Surplus)</b>	<b>5.75%</b>	<b>6.75%</b>	<b>7.75%</b>
June 30, 2022	(\$81,865)	(\$89,374)	(\$229,867)

## 5 Net Position Restricted for Pension Benefits

Net position restricted for pension benefits is segregated into Active Members Reserves (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 (EMPLOYEE) 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 and vested terminated members and the total accumulated transfers from Active Member Reserves and investment earnings, less payments to retirees and transfers to the DROP Reserve. Additions include contributions from the employer, transfers from Active Member Reserves and investment earnings; deductions include payments to retirees and transfers to the DROP Reserve.

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



*Notes to the Basic Financial Statements Continued*

POST RETIREMENT SUPPLEMENTAL BENEFIT (PRSB) RESERVE represents surplus earnings that have been allocated but not distributed to eligible retirees in accordance with the City of Fresno Municipal Code Section 3-567 “Post Retirement Supplemental Benefit.” The PRSB Reserve Account was exhausted at the end of calendar year 2013.

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

Account balance was negative for the fiscal year 2023, and positive for the fiscal year 2022 due to the differences between the actual and estimated surplus allocation for the City for offsetting the City’s contributions for those years.

Interest is allocated at an actuarially determined interest rate as approved by the Board and is credited monthly to the Active Member Reserves 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 as of June 30, 2023 and 2022, consisted of the following:

**Reserves Table as of June 30, 2023 and 2022**  
(In Thousands)

	<b>2023</b>	<b>2022</b>
Employer Advance/Retired Reserves	\$ 1,376,856	\$ 1,269,348
Active Member (Employee) Reserves	139,691	131,234
DROP Reserves	166,976	161,451
PRSB Reserves	—	—
City Surplus Reserves	(210)	154
<b>Net Position Restricted for Pension Benefits</b>	<b>\$ 1,683,313</b>	<b>\$ 1,562,187</b>

## Notes to the Basic Financial Statements Continued

### 6 | Fair Value Measurements

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements and disclosures, the System's investments are measured and reported within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

**Level 1:** Inputs are based on quoted prices for identical assets or liabilities in an active market that the System can access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market usually provides the most reliable evidence of fair value and is generally used without adjustment if available. This classification includes public equities with observable market prices.

**Level 2:** Inputs that are observable either directly or indirectly but are not Level 1 inputs. Level 2 inputs include quoted prices for similar instruments, broker quotes, or observable inputs that directly impact value such as interest rates, prepayment speeds, and credit risk. Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, and fair values are determined through the use of models or other valuation methodologies. For investments in funds where there is an ability to redeem such investments at the Net Asset Value (NAV) per share (or its equivalent) at the measurement date or in the near term, the fair value of the investment is generally categorized as Level 2.

**Level 3:** Inputs that are unobservable. Level 3 inputs are generally used in situations where there is little, if any, market activity for the investment. These inputs into the determination of fair value require significant management judgment or estimation. Due to the inherent uncertainty of these estimates, these values may differ significantly from the values that would have been used had a ready market for these investments existed. Investments that are included in this category generally include public entities and other fixed income securities where there is an inability to redeem such investments at the NAV per share (or its equivalent) at the measurement date or in the near term.

The tables on the following pages show the fair value leveling of the System's investments as of June 30, 2023 and 2022.

## Notes to the Basic Financial Statements Continued

Investment Type	Fair Value Measurements Using			
	June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
<b>Debt Securities</b>				
Asset Backed Securities	\$ 26,791,517	\$ —	\$ 26,746,578	\$ 44,939
Commercial Mortgage-Backed	10,319,794	—	10,315,348	4,446
Corporate Bonds	67,568,060	—	67,568,060	—
Corporate Convertible Bonds	—	—	—	—
Government Agencies	3,174,392	—	3,174,392	—
Government Bonds	13,092,970	—	13,092,970	—
Government Mortgage-Backed Securities	68,186,238	—	68,186,238	—
Gov't-Issued Commercial Mortgage-Backed	543,241	—	543,241	—
Municipal/Provincial Bonds	2,188,011	—	2,188,011	—
Non-Government Backed CMOs	2,209,743	—	2,209,743	—
<b>Total Debt Securities</b>	<b>194,073,966</b>	<b>—</b>	<b>194,024,581</b>	<b>49,385</b>
<b>Equity Securities</b>				
Consumer Discretionary	36,440,667	36,440,667	—	—
Consumer Staples	18,479,417	18,479,417	—	—
Energy	5,235,252	5,235,252	—	—
Financials	49,234,441	49,234,441	—	—
Health Care	14,405,548	14,405,548	—	—
Industrials	43,595,718	43,595,718	—	—
Information Technology	43,133,414	43,133,414	—	—
Materials	14,274,020	14,274,013	—	7
Miscellaneous	3	3	—	—
Real Estate	387,595	387,595	—	—
Telecommunication Services	11,417,815	11,417,815	—	—
Utilities	1,611,474	1,611,474	—	—
<b>Total Equity Securities</b>	<b>238,215,364</b>	<b>238,215,357</b>	<b>—</b>	<b>7</b>
<b>Securities Lending</b>	<b>22,259,394</b>	<b>22,259,394</b>	<b>—</b>	<b>—</b>
<b>Short-Term Investments</b>	<b>8,678,818</b>	<b>8,678,818</b>	<b>—</b>	<b>—</b>
<b>Private Real Estate Holdings</b>	<b>3,500,000</b>	<b>—</b>	<b>3,500,000</b>	<b>—</b>
<b>Total Investments by Fair Value Level</b>	<b>\$ 466,727,542</b>			
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Commingled Fund - Equities	\$ 554,935,787			
Commingled Fund - Real Estate	171,117,868			
Commingled Fund - Infrastructure	97,759,663			
Private Real Estate Funds	81,946,973			
Private Debt/Private Credit	223,775,434			
Private Equity	101,515,534			
<b>Total Investments Measured at NAV</b>	<b>1,231,051,259</b>			
<b>Total Investments Measured at Fair Value and NAV</b>	<b>\$1,697,778,801</b>			
<b>Investment Derivative Instruments*</b>				
Debt Securities - Futures	\$ 9,038,418	\$ 9,038,418	\$ —	\$ —
Rights/Warrants	3	3	—	—
<b>Total Investment Derivative Instruments</b>	<b>\$ 9,038,421</b>	<b>\$ 9,038,421</b>	<b>\$ —</b>	<b>\$ —</b>

\* Short-term derivative instruments included on page 48 are excluded here.

## Notes to the Basic Financial Statements Continued

Investment Type	Fair Value Measurements Using			
	June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
<b>Debt Securities</b>				
Asset Backed Securities	\$ 22,846,994	\$ —	\$ 22,846,994	\$ —
Commercial Mortgage-Backed	12,884,707	—	12,884,707	—
Corporate Bonds	107,677,270	—	107,677,270	—
Corporate Convertible Bonds	2,315,748	—	2,315,748	—
Government Agencies	3,255,173	—	3,255,173	—
Government Bonds	25,468,217	—	25,468,217	—
Government Mortgage-Backed Securities	60,828,147	—	60,828,147	—
Gov't-Issued Commercial Mortgage-Backed	1,024,867	—	1,024,867	—
Municipal/Provincial Bonds	2,146,147	—	2,146,147	—
<b>Non-Government Backed CMOs</b>	<b>3,265,322</b>	<b>—</b>	<b>3,265,322</b>	<b>—</b>
<b>Total Debt Securities</b>	<b>241,712,592</b>	<b>—</b>	<b>241,712,592</b>	<b>—</b>
<b>Equity Securities</b>				
Consumer Discretionary	25,689,567	25,689,567	—	—
Consumer Staples	15,317,946	15,317,445	—	501
Energy	74,710,501	74,703,129	—	7,372
Financials	38,590,135	38,590,135	—	—
Health Care	14,146,474	14,146,474	—	—
Industrials	36,879,741	36,879,741	—	—
Information Technology	37,623,281	37,623,281	—	—
Materials	13,871,014	13,822,070	—	48,944
Miscellaneous	786,519	2,952	783,567	—
Real Estate	1,433,090	1,433,090	—	—
Telecommunication Services	10,772,064	10,772,064	—	—
Utilities	1,330,208	1,330,208	—	—
<b>Total Equity Securities</b>	<b>271,150,540</b>	<b>270,310,156</b>	<b>783,567</b>	<b>56,817</b>
<b>Securities Lending</b>	<b>59,376,847</b>	<b>59,376,847</b>	<b>—</b>	<b>—</b>
<b>Short-Term Investments</b>	<b>5,930,097</b>	<b>5,930,097</b>	<b>—</b>	<b>—</b>
<b>Private Real Estate Holdings</b>	<b>3,478,395</b>	<b>—</b>	<b>3,478,395</b>	<b>—</b>
<b>Total Investments by Fair Value Level</b>	<b>\$ 581,648,471</b>			
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Commingled Fund - Equities	\$ 477,241,474			
Commingled Fund - Real Estate	156,514,873			
Commingled Fund - Infrastructure	75,789,623			
Private Real Estate Funds	81,016,657			
Private Debt/Private Credit	169,028,751			
Private Equity	69,931,612			
<b>Total Investments Measured at NAV</b>	<b>1,029,522,990</b>			
<b>Total Investments Measured at Fair Value and NAV</b>	<b>\$ 1,611,171,461</b>			
<b>Investment Derivative Instruments*</b>				
Debt Securities - Futures	\$ 17,400,430	\$ 17,400,430	\$ —	\$ —
Rights/Warrants	219	219	—	—
<b>Total Investment Derivative Instruments</b>	<b>\$ 17,400,649</b>	<b>\$ 17,400,649</b>	<b>\$ —</b>	<b>\$ —</b>

\* Short-term derivative instruments included on page 47 are excluded here.

## Notes to the Basic Financial Statements Continued

Commingled equity and real estate funds are valued based on NAV reported by the investment manager, which are generally calculated based on the last reported sale price of the underlying assets held by such funds. Direct lending funds are typically structured as limited partnerships and limited liability companies. Since there is no readily available market for these investments in limited partnerships and limited liability companies, such investments are stated at fair value as estimated in an inactive market. These investments include securities of companies that may not be immediately liquid, such as private debt securities, real estate or other assets. The valuations of these investments are based upon values provided by the investment managers, based on the guidelines established with the investment managers and in consideration of other factors related to the System's interests in these investments.

Investments that are measured at fair value using the net asset value per share (NAV or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In these instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Equity and derivative securities classified in Level 1 are valued using prices quoted in active markets for those securities. Equity and debt securities classified in Level 2 and Level 3 are using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, observable market based inputs and unobservable inputs (i.e., extrapolated data, proprietary models, and indicative quotes). Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

Investment derivative instruments classified as Levels 2 and 3 are valued using market approaches that consider, as applicable, benchmark interest rates or foreign exchange rates.

Real estate assets classified in Level 2 are the System's private real estate investments which are valued using independent external appraisers. The System's policy is to perform independent appraisals of the property every three years. The appraisals include a complete property and market inspection and analysis by designated Members of the Appraisal Institute (MAI). The appraisals are performed using generally accepted valuation approaches applicable to the property type. Calculations used in the System's independent appraisals are generally based on a discounted cash flow analysis.

### *Investments in Entities That Calculate Net Asset Value Per Share*

The fair value measurement of investments in commingled equity, real estate and direct lending funds are valued based on the investments' net asset value (NAV) per share (or its equivalent) reported by the investment manager, which are generally calculated based on the last reported sale price of the underlying assets held by such funds. These include funds that are structured as limited partnerships and limited liability companies.

Since there is no readily available market for investments in limited partnerships and limited liability companies, such investments are stated at fair value as estimated in an inactive market. These investments include securities of companies that may not be immediately liquid, such as private debt securities and real estate or other assets.

*Notes to the Basic Financial Statements Continued*

The valuations of these investments are based upon values provided by the investment managers, and in consideration of other factors, including guidelines established with those investment managers, related to the

System's interests in these investments. Such fair value measurements are shown in the tables below as of June 30, 2023 and 2022.

**City Of Fresno Employees Retirement System  
Investments Measured at the NAV  
As of June 30, 2023**

<b>Investment Type</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency (If Currently Eligible)</b>	<b>Redemption Notice Period</b>
Commingled Fund - Equities	\$ 554,935,787	\$ —	Daily	None
Commingled Fund - Real Estate	171,117,868	—	Quarterly	45-90 Days
Commingled Fund - Infrastructure	97,759,663	—	Not Eligible	N/A
Private Real Estate Funds	81,946,973	58,330,950	Not Eligible	N/A
Private Debt/Private Credit	223,775,434	137,142,985	Not Eligible	N/A
Private Equity	101,515,534	56,712,183	Not Eligible	N/A
<b>Total investments measured at the NAV</b>	<b>\$1,231,051,259</b>	<b>\$ 252,186,118</b>		

**City Of Fresno Employees Retirement System  
Investments Measured at the NAV  
As of June 30, 2022**

<b>Investment Type</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency (If Currently Eligible)</b>	<b>Redemption Notice Period</b>
Commingled Fund - Equities	\$ 477,241,474	\$ —	Daily	None
Commingled Fund - Real Estate	156,514,873	27,136,308	Quarterly	45-90 Days
Commingled Fund - Infrastructure	75,789,623	13,568,154	Not Eligible	N/A
Private Real Estate Funds	81,016,657	89,666,967	Not Eligible	N/A
Private Debt/Private Credit	169,028,751	164,956,170	Not Eligible	N/A
Private Equity	69,931,612	35,077,897	Not Eligible	N/A
<b>Total investments measured at the NAV</b>	<b>\$1,029,522,990</b>	<b>\$ 330,405,496</b>		

On the following page is an explanation of the investment types listed above.

## Notes to the Basic Financial Statements Continued

The investment types listed in the tables on the preceding page were measured at the NAV as follows.

(1) Commingled equity funds are highly liquid and can be redeemed within short-term periods of time. The System's investments of this type consist of institutional investment funds - one international ACWIexUS equity fund that is diversified across developed and emerging market countries and sectors and two domestic large cap equity index funds (S&P 500 Index and Russell 1000 Index). The fair value of these investment types has been determined using the NAV per share of the investments.

(2) Commingled real estate fund: The System's commingled real estate funds are a core investment strategy designed to deliver a relatively high level of current income combined with moderate appreciation potential. It is comprised of institutional quality office, retail, residential and industrial investments in major markets throughout the U.S. The redemption frequency of the real estate fund is quarterly, if liquidity is available, with a notice of redemption 45 days before the end of a quarter.

(3) Private real estate funds: The System's private real estate funds are designed to act as a diversifier and alpha generator to the core real estate portfolio. Investments are made in middle-market assets across various domestic and international regions and sectors such as industrial, multifamily, office, and retail. The strategies focus on identifying investments with pricing dislocations that can be renovated, repurposed, and exited at opportunistic levels. The investment period is generally 3-5 years with a lifespan of 10-12 years.

(4) Private Debt/Private Credit - direct lending funds: The System's direct lending funds are each invested through a master-feeder structure, on a leveraged basis primarily in senior secured loans of private U.S. lower-middle-market companies. Strategies employ a capital preservation focus and structured investments with strong covenant provisions to reduce associated risks, underwriting multiple cushions to provide downside protections. The investment period is generally 3-5 years with reinvestment of committed capital.

(5) Commingled infrastructure funds: The System's infrastructure funds invest in core assets that generate long-term stable cash yields, have modest price appreciation, and provide inflation protection. Types of assets include energy (water, wind, and solar, etc.), transportation (toll roads and bridges, airports, and seaports, etc.), and social (hospitals, prisons, and schools, etc.). Investments are located domestically as well as in the Organization for Economic Co-operation and Development (OECD) countries internationally. Each fund has lockup periods of 4 years and, after that initial period, redemptions can be requested on a quarterly basis, if liquidity is available.

(6) Private Equity Funds: The System's private equity fund represents investments in privately owned companies that are not listed on public market exchanges. They are typically accessed through partnerships and managed by external general partners. The System's one private equity fund is composed of primaries, secondaries, and co-investments, split between North America and international markets. Most investments are sourced from the small-to-mid market investment universe.



*Notes to the Basic Financial Statements Continued***7 | Deposits and Investments**

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

Northern Trust serves as custodian of the System's investments. The System's asset classes include U.S. Equity, International Equity, Emerging Market Equity, U.S. Fixed Income, and Real Estate. Any class may be held in direct form, pooled form, or both. The System has fifteen external investment managers, managing eighteen individual portfolios. Investments as of June 30, 2023 and 2022, consist of the following:

**Investments at Fair Value as of June 30, 2023 and 2022**  
(In Thousands)

	2023	2022
Investments at Fair Value		
Domestic Equity	\$ 426,767	\$ 350,898
International Equities	365,577	326,831
Private Equity	101,516	69,932
Fixed Income	203,919	260,747
Private Debt/Credit	208,301	169,029
Real Assets	354,325	316,799
Multi-Assets	15,475	69,029
Short-Term Investments	8,678	5,930
<b>Total Investments at Fair Value</b>	<b>\$ 1,684,558</b>	<b>\$ 1,569,195</b>

*Notes to the Basic Financial Statements Continued*

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

**Asset Class Minimum Target and Maximum Allocations**

Asset Class	FY 2023			FY 2022		
	Minimum	Target	Maximum	Minimum	Target	Maximum
Equity						
Domestic	15.0%	24.0%	36.0%	15.0%	25.0%	36.0%
International	10.0%	20.0%	25.0%	10.0%	23.0%	25.0%
Private	0.0%	5.0%	10.0%	0.0%	3.0%	10.0%
Rates/Credit						
Core Fixed Income	5.0%	13.0%	20.0%	5.0%	13.0%	20.0%
High Yield Fixed Income	0.0%	0.0%	5.0%	0.0%	3.0%	5.0%
Private Debt/Credit	5.0%	12.0%	20.0%	5.0%	10.0%	20.0%
Real Assets						
Core Real Estate	5.0%	10.0%	15.0%	5.0%	10.0%	15.0%
Non-Core Real Estate	2.0%	5.0%	8.0%	2.0%	4.0%	8.0%
Infrastructure	2.0%	7.0%	10.0%	2.0%	5.0%	10.0%
Multi-Asset						
Alternative Credit	0.0%	4.0%	7.0%	0.0%	0.0%	0.0%
Midstream Energy	0.0%	0.0%	0.0%	0.0%	4.0%	6.0%
Short-Term Investments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
		<b>100%</b>			<b>100%</b>	

Allowable securities must meet the reporting requirements of the Securities and Exchange Commission and must meet a “prudent expert” standard for investing. In no case may the System have five percent (5%) or more of System net position invested in any one organization.

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

***Custodial Credit Risk***

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

*Notes to the Basic Financial Statements Continued*

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 the 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 \$139,674 and \$221,438 at June 30, 2023 and 2022, 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023.

*Credit and Interest Rate Risk*

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

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

Type of Investment	2023			2022		
	Fair Value	Credit Quality	Duration	Fair Value	Credit Quality	Duration
Asset Backed Securities	\$ 26,791,517	AA+	0.65	\$ 22,846,994	AA+	0.73
Commercial Mortgage-Backed	10,319,794	AAA	5.39	12,884,707	AA-	5.75
Corporate Bonds	67,568,060	BBB	4.89	107,677,270	BB+	5.84
Corporate Convertible Bonds	—	—	—	2,315,748	B-	3.63
Fixed Income Derivatives - Futures	9,038,418	—	7.82	17,400,430	—	3.50
Non-Government Backed CMOs	2,209,743	BBB+	1.45	3,265,322	BB-	1.61
Rights & Warrants	—	—	—	219	—	—
Convertible Equity	—	—	—	85,651	—	2.00
Common Stock	—	—	—	2,951	—	—
Preferred Stock	806,544	BB+	—	1,544,758	BB+	—
Government Agencies	3,174,392	BB+	6.44	3,255,173	BB+	6.51
Government Bonds	13,092,970	AAA	10.20	25,468,217	AAA	7.73
Gov't Issued Commercial Mortgage-Backed Securities	543,241	AAA	3.60	1,024,867	AAA	5.24
Government Mortgage-Backed Securities	68,186,238	AAA	7.48	60,828,147	AAA	7.43
Municipal/Provincial Bonds	2,188,011	AA-	8.66	2,146,147	A+	8.65
<b>Total Credit Risk Fixed Income</b>	<b>\$203,918,928</b>			<b>\$260,746,601</b>		

## Notes to the Basic Financial Statements Continued

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

High yield fixed income portfolios, in accordance with Section 3.5.f.ii. of the System's Investment Policy Statement, shall maintain an average credit quality rating equal to or higher than that of the Barclays US Corporate High Yield Index. Based on the Barclays US Corporate High Yield Index, a high yield manager's portfolio shall have a constraint of the benchmark weight plus five percent (5%) in bonds rated Caa1/CCC+ or lower with non-rated bonds being limited to five percent (5%) of the portfolio with both limits subject to maintaining the average portfolio credit quality requirement of the Barclays US Corporate High Yield index. No more than 25 percent of a high yield manager's portfolio may be invested in foreign securities; within this limit, a manager may allocate up to 20 percent in emerging market government securities including both non-U.S. dollar denominated securities and U.S. dollar denominated Yankee securities and up to 15 percent of the portfolio may be invested in non-U.S. dollar denominated securities.

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

more than 25 percent of the fair value of the account at the time of purchase.

Firms that manage fixed income portfolios will continually monitor the risk associated with their fixed income investments. They will be expected to report, as a component of their quarterly report, a risk/reward analysis of the management decisions relative to their benchmarks. Statistics that relate performance variance to effective duration decisions will be included in each quarterly report.

### Concentration Risk

The investment portfolio as of June 30, 2023 and 2022, contained no concentration of investments in any one entity (other than those issued or guaranteed by the U.S. Government) that represented five percent (5%) or more of the total investment portfolio or fiduciary net position.

### Foreign Currency Risk

Foreign Currency Risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment or deposit. The System has no general investment policy with respect to foreign currency risk. The System's investment policy guidelines allow international developed and emerging equity managers to hedge their currency risks in foreign countries through the purchase of derivatives. Used as a defensive measure and in an effort to control the risks associated with international portfolios, international equity investment managers are permitted to invest in forward currency contracts, swaps, currency futures, and exchanged-traded index futures that represent broad equity exposure to countries represented in their respective benchmark index. The positions shown on the following page represent the System's exposure to foreign currency risk as of June 30, 2023 and 2022.

## Notes to the Basic Financial Statements Continued

## Foreign Currency Risk Exposure

As of June 30, 2023

	Base Currency	Country	Equities / Fixed Income	Futures & Forwards	Swaps & Rights / Warrants	Cash & Cash Equivalents	Total
AUD	Australian Dollar	Australia	\$ 1,667,282	\$ —	\$ —	\$ 6,036	\$ 1,673,318
BRL	Brazilian Real	Brazil	2,156,185	—	—	1,260	2,157,445
CAD	Canadian Dollar	Canada	12,660,044	—	—	—	12,660,044
CHF	Swiss Franc	Switzerland	10,289,874	—	—	—	10,289,874
CNY	Chinese Yuan Renminbi	China	1,133,808	—	—	5,206	1,139,014
DKK	Danish Krone	Denmark	7,576,155	—	—	—	7,576,155
EUR	Euro	Europe	60,304,955	—	—	(94,320)	60,210,635
GBP	British Pound Sterling	United Kingdom	27,106,181	—	—	—	27,106,181
HKD	Hong Kong Dollar	Hong Kong	10,093,013	—	—	210,855	10,303,868
IDR	Indonesian Rupiah	Indonesia	1,973,131	—	—	—	1,973,131
ILS	New Israeli Shekel	Israel	1,070,601	—	—	—	1,070,601
INR	Indian Rupee	India	6,394,665	—	—	16,626	6,411,291
JPY	Japanese Yen	Japan	40,453,813	—	—	—	40,453,813
KRW	South Korean Won	South Korea	7,391,699	—	—	—	7,391,699
MXN	Mexican Peso	Mexico	1,541,267	—	—	—	1,541,267
NOK	Norwegian Krone	Norway	614,765	—	—	—	614,765
PLN	Polish Zloty	Poland	685,297	—	—	—	685,297
RUB	Russian Ruble	Russia	1,122,685	—	—	7,058	1,129,743
SEK	Swedish Krona	Sweden	10,178,369	—	—	—	10,178,369
SGD	Singapore Dollar	Singapore	975,837	—	—	(35)	975,802
THB	Thai Baht	Thailand	281,028	—	—	—	281,028
TRY	Turkish Lira	Turkey	1	—	—	—	1
TWD	New Taiwan Dollar	Taiwan	9,490,663	—	—	—	9,490,663
USD	United States Dollar	United States	815,225,434	—	(115,797)	10,555,780	825,665,417
ZAR	South African Rand	South Africa	1,243,990	—	—	—	1,243,990
<b>Total Equities (In USD)</b>			<b>1,031,630,742</b>	<b>—</b>	<b>(115,797)</b>	<b>10,708,466</b>	<b>1,042,223,411</b>
<b>Total Non-USD Equities (In USD)</b>			<b>\$216,405,308</b>	<b>\$—</b>	<b>\$—</b>	<b>\$152,686</b>	<b>\$216,557,994</b>

## Notes to the Basic Financial Statements Continued

## Foreign Currency Risk Exposure

As of June 30, 2022

	Base Currency	Country	Equities / Fixed Income	Futures & Forwards	Swaps & Rights / Warrants	Cash & Cash Equivalents	Total
ARS	Argentine Peso	Argentina	\$ —	\$ —	\$ —	\$ 62,657	\$ 62,657
AUD	Australian Dollar	Australia	3,142,302	—	—	—	3,142,302
BRL	Brazilian Real	Brazil	1,697,877	—	—	0	1,697,877
CAD	Canadian Dollar	Canada	12,003,194	—	—	—	12,003,194
CHF	Swiss Franc	Switzerland	11,872,149	—	—	—	11,872,149
CNY	Chinese Yuan Renminbi	China	2,279,697	—	—	—	2,279,697
DKK	Danish Krone	Denmark	6,906,002	—	—	—	6,906,002
EUR	Euro	Europe	40,857,316	(33,286)	—	987	40,825,017
GBP	British Pound Sterling	United Kingdom	21,035,493	—	—	(1,078)	21,034,415
HKD	Hong Kong Dollar	Hong Kong	15,320,960	—	—	26,358	15,347,318
IDR	Indonesian Rupiah	Indonesia	1,580,402	—	—	—	1,580,402
ILS	New Israeli Shekel	Israel	956,986	—	—	—	956,986
INR	Indian Rupee	India	7,049,420	—	—	9,937	7,059,357
JPY	Japanese Yen	Japan	34,370,612	—	—	—	34,370,612
KRW	South Korean Won	South Korea	5,526,725	—	—	—	5,526,725
MXN	Mexican Peso	Mexico	1,760,959	—	—	—	1,760,959
NOK	Norwegian Krone	Norway	2,121,626	—	—	—	2,121,626
PLN	Polish Zloty	Poland	512,359	—	—	—	512,359
RUB	Russian Ruble	Russia	103,676	—	—	—	103,676
SEK	Swedish Krona	Sweden	6,887,965	—	—	—	6,887,965
SGD	Singapore Dollar	Singapore	2,294,257	—	—	—	2,294,257
THB	Thai Baht	Thailand	425,286	—	—	—	425,286
TRY	Turkish Lira	Turkey	1	—	—	—	1
TWD	New Taiwan Dollar	Taiwan	8,767,822	—	—	6,982	8,774,804
USD	United States Dollar	United States	831,376,602	33,712	219	13,544,876	844,955,409
ZAR	South African Rand	South Africa	1,262,717	—	—	—	1,262,717
<b>Total Equities (In USD)</b>			<b>1,020,112,405</b>	<b>426</b>	<b>219</b>	<b>13,650,719</b>	<b>1,033,763,769</b>
<b>Total Non-USD Equities (In USD)</b>			<b>\$188,735,803</b>	<b>(\$33,286)</b>	<b>\$—</b>	<b>\$105,843</b>	<b>\$188,808,360</b>

## Notes to the Basic Financial Statements Continued

Per Section 3.5.e. of the System's Investment Objectives and Policy Statement, assets in international equity portfolios shall consist of liquid, publicly traded equity and equity like securities traded on major stock exchanges as well as cash and cash equivalents as necessary. Securities will be primarily composed of foreign ordinary shares and depository receipts (American Depository Receipts (ADR's) and Global Depository Receipts (GDR's) including ADR's and GDR's that are 144A securities). Securities that are 144A securities, including ADR and GDR 144A securities, are authorized investments which in aggregate cannot exceed 10 percent of the portfolio. Primarily large capitalization securities may be held, although investments in small and mid capitalization securities are also allowed. Firms will continually monitor their country, currency, sector and security selection risks associated with their international portfolios. All of the risks will be included in the manager's quarterly reports and performance attribution based on these factors will also be included.

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

### Rate of Return

For the fiscal years ended June 30, 2023 and 2022, the annual money-weighted rate of return on the assets of the System, net of investment expense, was 9.52 percent and (7.28) percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for timing of cash flows and the changing amounts actually invested.

## 8 | Derivatives

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

- a. Mitigation of risk (or risk reduction).
- b. A useful substitute for an existing, traditional investment. In certain circumstances it may be cheaper, quicker or easier to invest in a derivative instrument or security rather than transacting in cash or in the traditional security market.
- c. To provide investment value to the portfolio while being consistent with the System's overall and specific investment policies.
- d. To obtain investment exposure which is appropriate for the manager's investment strategy and the System's investment guidelines, but could not be made through traditional investment securities.

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



## *Notes to the Basic Financial Statements Continued*

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

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

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

### *Market Risk*

Market risk is the risk of change in fair value of an instrument in response to changes in a market price or index. While all investments are subject to market risk, derivatives often have a higher degree of market risk than other types of investment instruments. Values of cash securities containing derivative features are often more susceptible to market risk than other types of fixed income securities because the amounts and/or timing of their scheduled cash flows may fluctuate under changing market conditions, according to their contractual terms. For other types of derivatives, amounts of contractual cash flows may be either positive or negative depending

upon prevailing market conditions relative to the reference prices or rates, and thus the values of such instruments may be positive or negative, despite the fact that little or no cash is initially exchanged to enter into such contracts.

### *Credit Risk*

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

Exchange traded derivatives are generally considered to be of lower credit risk than OTC derivatives due to the exchange margin requirements. Equity Index Swaps are derivatives and represent an agreement between two parties to swap two sets of equity values. Equity Futures are contracts used to replicate an underlying stock or stock market index. These futures can be used for hedging against an existing equity position, or for speculating on future movement of the index.

*Notes to the Basic Financial Statements Continued*

As of June 30, 2023 and 2022, the System held a total fair value of \$11,758,875 and \$19,441,073, respectively, in derivative holdings. These holdings consisted of Rights/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 a variety of ACWIexUS index related futures as components of the System's investments in

ACWIexUS Index Funds. Holdings also consist of futures – interest rate contracts, options and swaps held as components of the System's absolute return fixed income strategy. These derivatives are used for the purpose of synthetically creating equity returns, synthetically creating floating rates and to buy or sell credit protection on the assets.

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

<b>Derivative Type:</b>	<b>FY 2023</b>		<b>FY 2022</b>	<b>FY 2023 - FY 2022 Change in Fair Value</b>
	<b>Notional Amount</b>	<b>Fair Value</b>	<b>Fair Value</b>	
Foreign Currency Forward	\$(672,802)	\$671,474	\$33,712	\$ 637,762
Future Contracts - Domestic Fixed Income	(9,038,418)	9,038,418	17,400,430	(8,362,012)
Future Contracts - International Equity Index	—	2,163,658	2,004,292	159,366
Rights & Warrants	—	1,125	2,639	(1,514)
Swaps	—	(115,800)	—	(115,800)
<b>Total</b>		<b>\$11,758,875</b>	<b>\$19,441,073</b>	

<b>Derivative Type:</b>	<b>FY 2022</b>		<b>FY 2021</b>	<b>FY 2022 - FY 2021 Change in Fair Value</b>
	<b>Notional Amount</b>	<b>Fair Value</b>	<b>Fair Value</b>	
Foreign Currency Forward	\$(33,286)	\$33,712	\$3,129	\$ 30,583
Future Contracts - Domestic Fixed Income	(17,400,430)	17,400,430	13,253,790	4,146,640
Future Contracts - International Equity Index	—	2,004,292	1,477,382	526,910
Rights & Warrants	—	2,639	1,545	1,094
Swaps	—	—	(67,567)	67,567
<b>Total</b>		<b>\$19,441,073</b>	<b>\$14,668,279</b>	

*Notes to the Basic Financial Statements Continued***9 | Securities Lending**

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

As designated by the Board, cash collateral is invested in Northern Trust's Core U.S.A. Collateral Section (short-term investment pool), which, as of June 30, 2023 and 2022, had a weighted average duration of 71 days and 86 days, respectively, an average maturity of 13 days and 24 days, respectively, and an average monthly yield of 5.29 percent and 1.68 percent, respectively. 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, 2023 and 2022, the Northern Trust CORE U.S.A. Cash Collateral Fund had zero exposure in below investment grade long-term securities and there were no known credit risks related to the securities lending transactions.

As of June 30, 2023, the fair value of the securities on loan was \$26.8 million. The fair value of associated collateral was \$27.5 million (\$22.3 million of cash collateral and \$5.2 of non-cash collateral). Non-cash collateral, the collateral which the System does not have the ability to sell unless the borrower defaults, is not reported in the Statement of Fiduciary Net Position. As of June 30, 2022, the fair value of the securities on loan was \$62.5 million. The fair value of associated collateral was \$64.6 million (\$59.4 million of cash collateral and \$5.2 of non-cash collateral). Non-cash collateral, the collateral which the System does not have the ability to sell unless the borrower defaults, is not reported in the Statement of Fiduciary Net Position.

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 were approximately 81 days and 24 days, respectively, as of June 30, 2023 and 2022.

*Notes to the Basic Financial Statements Continued*

The System's securities lending income is as follows:

### Securities Lending Income

For Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
Gross Income	\$1,890,912	\$400,057
Expenses:		
Bank Fees	1,593,398	131,659
Total Expenses	1,593,398	131,659
<b>Net Income from Securities Lending</b>	<b>\$297,514</b>	<b>\$268,398</b>

### Fair Value of Loaned Securities

As of June 30, 2023 and 2022

Collateralized by	FY 2023			FY 2022		
	Cash	Securities	Total	Cash	Securities	Total
U.S. Government & Agency	\$ 9,310,151	\$ 817,485	\$ 10,127,636	\$ 15,467,533	\$ 375,056	\$ 15,842,589
Domestic Equities	3,115,405	742,087	3,857,492	9,826,702	1,612,317	11,439,019
Domestic Fixed	6,921,543	310,845	7,232,388	29,372,444	382,992	29,755,436
International Equities	2,422,920	2,906,090	5,329,010	2,836,176	2,539,776	5,375,952
International Fixed	—	256,040	256,040	103,085	—	103,085
<b>Total Value</b>	<b>\$ 21,770,019</b>	<b>\$ 5,032,547</b>	<b>\$ 26,802,566</b>	<b>\$ 57,605,940</b>	<b>\$ 4,910,141</b>	<b>\$ 62,516,081</b>

### Fair Value of Collateral Received for Loaned Securities

As of June 30, 2023 and 2022

Collateralized by	FY 2023			FY 2022		
	Cash	Securities	Total	Cash	Securities	Total
U.S. Government & Agency	\$ 9,476,068	\$ 828,845	\$ 10,304,913	\$ 15,732,572	\$ 385,649	\$ 16,118,221
Domestic Equities	3,180,684	753,984	3,934,668	10,164,691	1,654,519	11,819,210
Domestic Fixed	7,036,113	315,795	7,351,908	30,260,892	393,041	30,653,933
International Equities	2,566,529	3,088,329	5,654,858	3,110,037	2,815,970	5,926,007
International Fixed	—	276,330	276,330	108,655	—	108,655
<b>Total Value</b>	<b>\$ 22,259,394</b>	<b>\$ 5,263,283</b>	<b>\$ 27,522,677</b>	<b>\$ 59,376,847</b>	<b>\$ 5,249,179</b>	<b>\$ 64,626,026</b>

## Notes to the Basic Financial Statements Continued

### 10 | Administrative Expenses

Section 3-325 of the City of Fresno Municipal Code provides that all administrative costs of the System shall be a charge against the assets of the System. Per the City of Fresno Municipal Code, the administrative expenses are a component of the City's contribution calculation.

### 11 | Post Retirement Supplemental Benefit (PRSB)

The System is not obligated to provide for or fund any other post-employment benefits as retirees do not receive paid healthcare benefits from the System. 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 the City of Fresno Municipal Code Section 3-567.

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

For the fiscal years ended June 30, 2023 and 2022, there was a surplus (or prefunded actuarial accrued liability) as the System had a valuation value of assets which was in

excess of the actuarial accrued liability. The System's funded ratio was 111.1 percent and 114.0 percent, for fiscal years 2023 and 2022, respectively. For fiscal year 2023, the 111.1 percent funded ratio was more than the 110 percent requirement for declaration of a surplus therefore, there was an actuarial surplus available to reduce a portion of the City's and members' COLA contributions for Fiscal Year 2023 but not enough surplus to fund new PRSB benefits. For fiscal year 2022, the 114.0 percent funded ratio was above the required 110 percent for declaration of a surplus.

As of June 30, 2023 and 2022, the City Surplus Reserve balances were \$(210,036) and \$154,536, respectively. The City's normal rate in fiscal year 2023 included an adjustment of 1.26% which represented an actuarial surplus allocated in the June 30, 2021 actuarial report. In fiscal year 2022, the City's normal rate included an adjustment of 0.02% which represented an actuarial surplus allocated in the June 30, 2020 actuarial report.

### 12 | Capital Assets

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

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

## Notes to the Basic Financial Statements Continued

The System's major two-year project to program and install an upgrade to our original pension administration system that was installed in 1997 (the LRS Pension Gold Retirement Solutions' Version 3 project) includes software costs of \$265,919 and \$398,878 which were capitalized as of June 30, 2023 and 2022, respectively, and are amortized over a ten-year useful life period commencing July 1, 2015.

As of June 30, 2023, other capital assets consisting of office furniture and equipment for the System's Retirement Offices located at 2828 Fresno Street, Fresno, California, in the amount of \$81,102 are capitalized and depreciated over remaining estimated useful lives of 2-15 years.

As of June 30, 2022, capital assets consisting of office furniture and equipment for the System's Retirement Offices in the amount of \$83,368 were capitalized and depreciated over remaining estimated useful lives of 2-15 years.

### 13 | Leases

Under the lease agreement with CFRS Realty Holding Corporation (the 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, Fresno, California. The term of the lease is ten years with an option for two additional five-year extensions. The first

five (5) year extension was exercised effective September 1, 2015. On March 1, 2020, the Corporation amended the lease with the Retirement Boards. The amended lease agreement establishes the Retirement Boards as the sole tenant of the second floor, a total of 11,784 rentable square feet, consisting of 10,426 net square feet in the premises and 1,358 square feet in common area. The amendment also exercises the second five (5) year lease extension. As of June 30, 2023, the Systems share equally a base rent of \$20,000 per month, which is \$1.86 per square foot per month, triple net. For the fiscal year ended June 30, 2022, the Systems equally shared a base rent of \$19,607 per month, which is \$1.82 per square foot per month, triple net.

### 14 | Related Party Transactions

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

The Retirement Systems lease office space from the CFRS Realty Holding Corporation, a title holding company controlled jointly by the City of Fresno Employees and City of Fresno Fire and Police Retirement Systems. See Note 13 for a description of this arrangement.

## Notes to the Basic Financial Statements Continued

**15 | Commitments and Contingencies**

The Board, in accordance with its Asset Allocation Plan, has committed capital for investment in Private Debt/Private Credit, Private Real Estate and Infrastructure Funds. The following table details the outstanding capital commitments in these investments as of June 30, 2023 and 2022.

<b>Unfunded Commitments</b>					
Investment Type	FY 2023	FY 2022	Investment Type	FY 2023	FY 2022
<b>Commingled Fund - Real Estate</b>			<b>Private Debt/Private Credit</b>		
The Carlyle Group	\$ —	\$ 27,136,308	Arcmont	\$ 31,148,575	\$ 51,178,256
Total	\$ —	\$ 27,136,308	Cloverlay	13,299,670	
<b>Private Real Estate Funds</b>			Monroe Capital	17,779,194	30,072,655
Alidade Capital	\$ 8,007,790	\$ 7,005,815	Crescent Capital	19,288,247	17,444,235
Artemis	13,831,919	17,199,973	PIMCO COF	23,006,944	21,033,844
Blue Vista	722,027	3,183,993	Sixth Street/TAO	32,620,355	45,227,180
Brookfield	5,565,871	7,327,026	Total	\$ 137,142,985	\$ 164,956,170
Kayne Anderson	14,786,389	17,864,736	<b>Commingled Infrastructure</b>		
Oaktree Capital Mgt.	1,969,780	1,974,166	JPM IIF	\$ —	\$ —
PIMCO BRAVO III	3,045,572	8,823,410	Ullico UIF	\$ —	\$ 13,568,154
PCCP, LLC	10,401,602	3,674,258	Total	\$ —	\$ 13,568,154
Tristan Capital Partners	—	22,613,590	<b>Private Equity</b>		
Total	\$ 58,330,950	\$ 89,666,967	Ocean Ave	\$ 8,122,804	\$ —
			Pantheon	48,589,379	35,077,897
			Total	\$ 56,712,183	\$ 35,077,897
				FY 2023	FY 2022
			<b>Total Unfunded Commitments</b>	\$ 252,186,118	\$ 330,405,496

**16 | Date of Management Review**

The date to which events occurring after June 30, 2023, have been evaluated for possible adjustments to the financial statements or disclosures is November 27, 2023, which is the date the financial statements were available to be issued.

Management identified the following subsequent financial events that require disclosure:

During fiscal year 2023, upon completion of investment due diligence, the Boards approved NEPC/staff selection of Grain Management, a digital infrastructure fund. In October 2023, following a process that included full legal review of pertinent legal documents, operational due diligence and background investigations of key personnel at the firm, the Boards formally approved an investment with Grain Management.



## Required Supplementary Information

*Schedule of Changes in the Net Pension Liability*  
(Dollars in Thousands)

For Fiscal Years Ended June 30, 2014-2023

Change in Net Pension Liability	GASB 67 Basis*				
	Financial Reporting				
	2023	2022	2021	2020	2019
<b>Total Pension Liability</b>					
Service cost	\$37,299	\$32,383	\$30,993	\$28,762	\$23,509
Interest	99,304	96,311	93,358	89,222	86,110
Change of benefit terms	—	—	—	—	—
Differences between expected and actual experience	35,440	40,833	(12,980)	5,748	(446)
Changes of assumptions	—	(4,262)	—	—	35,773
Benefit Payments (including refunds, excluding PRSB)	(77,873)	(71,884)	(69,246)	(64,520)	(62,144)
<b>Net Change in Total Pension Liability</b>	<b>\$94,170</b>	<b>\$93,381</b>	<b>\$42,125</b>	<b>\$59,212</b>	<b>\$82,802</b>
<b>Total Pension Liability - Beginning</b>	<b>\$1,472,814</b>	<b>\$1,379,433</b>	<b>\$1,337,308</b>	<b>\$1,278,096</b>	<b>\$1,195,294</b>
<b>Total Pension Liability - Ending (a)*</b>	<b>\$1,566,984</b>	<b>\$1,472,814</b>	<b>\$1,379,433</b>	<b>\$1,337,308</b>	<b>\$1,278,096</b>
<b>Plan Fiduciary Net Position</b>					
Employee Contributions	\$22,236	\$15,493	\$13,750	\$11,028	\$10,515
Employer Contributions	14,894	22,016	20,144	16,554	14,627
Net Investment Income (Loss)	164,014	(132,625)	407,811	20,109	69,389
Actual Benefit Payments (including Refunds)	(77,873)	(71,884)	(69,246)	(64,520)	(62,144)
Administrative & Professional Expense	(2,145)	(2,050)	(2,059)	(1,749)	(1,663)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$121,126</b>	<b>\$(169,050)</b>	<b>\$370,400</b>	<b>\$(18,578)</b>	<b>\$30,724</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>\$1,562,187</b>	<b>\$1,731,237</b>	<b>\$1,360,837</b>	<b>\$1,379,415</b>	<b>\$1,348,691</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$1,683,313</b>	<b>\$1,562,187</b>	<b>\$1,731,237</b>	<b>\$1,360,837</b>	<b>\$1,379,415</b>
System Net Pension Liability (Surplus) - (a)-(b)	\$(116,329)	\$(89,373)	\$(351,804)	\$(23,529)	\$(101,319)
Plan fiduciary net position as a percentage of total pension liability	107.42%	106.07%	125.50%	101.76%	107.93%
Covered Payroll**	186,219	\$164,642	\$154,031	\$149,403	\$138,396
<b>Net Pension Liability (Surplus) as a percentage of covered payroll</b>	<b>(62.47)%</b>	<b>(54.28)%</b>	<b>(228.40)%</b>	<b>(15.75)%</b>	<b>(73.21)%</b>

\* In accordance with provisions of GASB 67, the data on the next two pages show Total Pension Liability for the reporting periods from June 30, 2014 through June 30, 2023.

\*\* Covered payroll represents pensionable compensation. Only pensionable compensation that would possibly go into the determination of retirement benefits is included.

*Note to Schedule:*

Changes of Assumptions: The calculations above reflect various assumption changes, including the modification of the Board's assumed rate of return to 6.75 percent for use in preparing the June 30, 2022 annual actuarial valuation and other assumption changes based on the triennial experience study for the period from July 1, 2018 through June 30, 2021. Assumption changes prior to June 30, 2022, are also reflected including the modification of the Board's assumed rate of return to 7.00 percent for use in preparing the June 30, 2019, 2020 and 2021 annual actuarial valuation and other assumption changes based on the triennial experience study for the period from July 1, 2015 through June 30, 2018. The calculations above also reflect the assumed rate of return of 7.25 percent for use in preparing the June 30, 2016, 2017 and 2018 annual actuarial valuation and other assumption changes based on the triennial experience study for the period from July 1, 2012 through June 30, 2015 and 7.50 percent for use in preparing the June 30, 2013, 2014 and 2015 annual actuarial valuation and other assumption changes based on the triennial experience study for the period from July 1, 2009 through June 30, 2012 which included changes in assumptions for retirement from active employment, pre-retirement mortality, healthy life post-retirement mortality, disabled life post-retirement mortality, vested termination, disability DROP election, percentage of members married, spouse age difference and salary increases.

## Required Supplementary Information Continued

*Schedule of Changes in the Net Pension Liability Continued*  
(Dollars in Thousands)

For Fiscal Years Ended June 30, 2014-2023

Change in Net Pension Liability	GASB 67 Basis*				
	Financial Reporting				
	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$21,275	\$18,885	\$18,687	\$18,476	\$19,342
Interest	82,833	79,266	79,762	78,212	77,009
Change of benefit terms	—	—	—	—	—
Differences between expected and actual experience	(4,164)	5,263	(24,394)	(24,691)	(29,889)
Changes of assumptions	2,939	—	9,612	—	0
Benefit Payments (including refunds, excluding PRSB)	(57,666)	(55,550)	(52,528)	(50,546)	(48,580)
<b>Net Change in Total Pension Liability</b>	<b>\$45,217</b>	<b>\$47,864</b>	<b>\$31,139</b>	<b>\$21,451</b>	<b>\$17,882</b>
<b>Total Pension Liability - Beginning</b>	<b>\$1,150,077</b>	<b>\$1,102,213</b>	<b>\$1,071,074</b>	<b>\$1,049,623</b>	<b>\$1,031,741</b>
<b>Total Pension Liability - Ending (a)*</b>	<b>\$1,195,294</b>	<b>\$1,150,077</b>	<b>\$1,102,213</b>	<b>\$1,071,074</b>	<b>\$1,049,623</b>
<b>Plan Fiduciary Net Position</b>					
Employee Contributions	\$10,330	\$10,181	\$9,098	\$8,750	\$7,946
Employer Contributions	14,609	15,205	13,060	12,327	11,440
Net Investment Income (Loss)	108,916	162,373	5,089	33,309	172,773
Actual Benefit Payments (including Refunds)	(57,666)	(55,550)	(52,529)	(50,546)	(48,581)
Administrative & Professional Expense	(1,619)	(1,387)	(1,346)	(1,071)	(1,086)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$74,570</b>	<b>\$130,822</b>	<b>\$(26,628)</b>	<b>\$2,769</b>	<b>\$142,492</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>\$1,274,121</b>	<b>\$1,143,299</b>	<b>\$1,169,927</b>	<b>\$1,167,158</b>	<b>\$1,024,666</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$1,348,691</b>	<b>\$1,274,121</b>	<b>\$1,143,299</b>	<b>\$1,169,927</b>	<b>\$1,167,158</b>
System Net Pension Liability (Surplus) - (a)-(b)	\$(153,397)	\$(124,044)	\$(41,086)	\$(98,853)	\$(117,535)
Plan fiduciary net position as a percentage of total pension liability	112.83%	110.79%	103.73%	109.23%	111.20%
Covered Payroll**	\$128,461	\$119,007	\$108,541	\$105,820	\$103,597
<b>Net Pension Liability (Surplus) as a percentage of covered payroll</b>	<b>(119.41)%</b>	<b>(104.23)%</b>	<b>(37.85)%</b>	<b>(93.42)%</b>	<b>(113.45)%</b>

## Required Supplementary Information Continued

**Schedule of Employer Contributions**  
**Last Ten Fiscal Years**  
(Dollars in Thousands)

Fiscal Year Ended June 30	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$22,236	\$22,236	\$—	\$186,219	11.94%
2022	22,017	22,017	—	164,642	13.37%
2021	20,144	20,144	—	154,031	13.08%
2020	16,554	16,554	—	149,403	11.08%
2019	14,627	14,627	—	138,396	10.57%
2018	14,609	14,609	—	128,461	11.37%
2017	15,205	15,205	—	119,007	12.78%
2016	13,060	13,060	—	108,541	12.03%
2015	12,327	12,327	—	105,820	11.65%
2014	11,440	11,440	—	103,597	11.04%

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

Fiscal Year Ending June 30	Annual Money-Weighted Rate of Return Gross of Investment Expenses	Annual Money-Weighted Rate of Return Net of Investment Expense
2023	9.74%	9.52%
2022	(7.12%)	(7.28%)
2021	30.85%	30.43%
2020	1.61%	1.26%
2019	5.54%	5.20%
2018	8.93%	8.57%
2017	14.73%	14.35%
2016	0.82%	0.53%
2015	3.32%	2.93%
2014	17.61%	17.16%

The Schedule of Investment Returns above shows the annual money-weighted rate of return on the assets of the System, both gross and net of investment expense for ten fiscal years (2014 – 2023). The money-weighted rate of return expresses investment performance adjusted for timing of cash flows and the changing amounts actually invested. These returns differ slightly from the time-weighted rate of returns calculated and reported by the System’s custodian, Northern Trust (shown in the Transmittal Letter on page i and within the Investment Section beginning on page 61) and as independently reported by the System’s investment consulting firm, NEPC, LLC (shown in the Investment Section on pages 67-67). The System’s custodian and investment consulting firm must use time-weighted returns as opposed to money-weighted returns in order to meet Global Investment Performance Standards for the purposes of effectively evaluating and reporting the performance of the System’s investment managers.

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

## Notes to the Required Supplementary Information

For Fiscal Years Ended June 30, 2023 and 2022

### *Actuarial Assumptions*

The Segal Company, the System's actuary, performed the most recent annual actuarial valuation as of June 30, 2023, which computes the contribution requirements (employee and employer contributions rates for fiscal year 2025), and determines the funding status of the plan. The fiscal year 2023 contribution rates and assumptions were based on the actuarial valuation as of June 30, 2021; these assumptions are detailed below.

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

## Notes to the Required Supplementary Information Continued

### *Actuarial Assumptions Continued:*

Investment Rate of Return:	7.00%
Inflation Rate:	2.75%
Real Across-the-Board Salary Increase:	0.50%
Projected Salary Increases:	Ranges from 3.75 percent to 11.25 percent based on years of service. Includes inflation at 2.75% of retirement income, plus real across-the-board salary increase of 0.50% plus merit and promotion increases.
Cost-of-Living Adjustments:	2.75 percent of retirement income
Other Assumptions:	See June 30, 2021 funding valuation report and Section 4 for the service retirement rates after they have been adjusted to treat DROP participation as service retirement.

**Post-Retirement Mortality Rates:** For healthy members and beneficiaries, Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) times 105%, projected generationally with the two-dimensional mortality improvement scale MP-2018; For disabled members, Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2018.

## Other Supplementary Information

## Schedule of Administrative Expenses

For Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
Personnel Services		
Staff Salaries	\$ 827,355	\$ 757,183
Fringe Benefits	213,559	213,593
Total Personnel Services	\$ 1,040,914	\$ 970,776
Professional Services		
Actuarial	\$ 110,820	\$ 101,490
Legal Counsel	140,431	126,484
Information Systems Services	76,247	201,025
Specialized Services	40,436	88,120
Total Professional Services	\$ 367,934	\$ 517,119
Communication		
Telephone	\$ 8,891	\$ 10,023
Postage	499	6,905
Total Communication	\$ 9,390	\$ 16,928
Rentals		
Office Rent	\$ 119,607	\$ 117,260
Common Area Maintenance (CAM) Charges	99,303	61,200
Total Rentals	\$ 218,910	\$ 178,460
Other		
Education and Conference	\$ 91,609	\$ 59,385
Membership & Dues	6,793	6,843
Subscriptions & Publications	602	616
Office Supplies	2,950	3,938
Computer Equipment	4,310	4,105
Equipment Lease	26,940	11,373
Insurance	76,975	57,269
Miscellaneous	9,298	8,827
Reimbursement to City for Inter-Dept Services	149,351	74,951
Depreciation	139,890	139,268
<b>Total Other</b>	<b>\$ 508,718</b>	<b>\$ 366,575</b>
<b>Total Administrative Expenses</b>	<b>\$ 2,145,866</b>	<b>\$ 2,049,858</b>

## Other Supplementary Information Continued

## Schedule of Investment Management Expenses

For Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
Investment Manager Fees		
Equity		
Domestic	\$ 35,279	\$ 671,085
International	1,129,947	1,640,228
Private Equity	1,812,585	316,427
Fixed Income	449,283	622,075
Private Debt/Credit	10,303,873	5,427,122
Real Estate	8,516,090	5,359,107
Multi-Assets	389,953	610,676
<b>Total Investment Manager Fees</b>	<b>22,637,010</b>	<b>14,646,720</b>
Other Investment Expenses		
Foreign Income Taxes & Related Services, Charges	1,999,450	1,827,715
Custodial Services	155,924	210,468
Investment Consultant	158,125	151,813
Investment Legal Counsel	54,887	52,868
Analytical Database Service	92,645	77,234
<b>Total Other Investment Expenses</b>	<b>2,461,031</b>	<b>2,320,098</b>
<b>Total Fees &amp; Other Investment Expenses</b>	<b>25,098,041</b>	<b>16,966,818</b>
Securities Lending Expenses		
Agent Fees	1,593,398	131,659
<b>Total Securities Lending Expenses</b>	<b>1,593,398</b>	<b>131,659</b>
<b>Total Investment Expenses</b>	<b>\$ 26,691,439</b>	<b>\$ 17,098,477</b>

## Schedule of Payments To Consultants

For Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
Actuarial Services	\$ 110,820	\$ 101,490
Audit Services	23,212	20,381
City Information Services	76,247	201,025
Legal Services	140,431	126,484
Medical Consultant	13,700	53,148
Miscellaneous	3,524	14,591
<b>Total Payments to Consultants</b>	<b>\$ 367,934</b>	<b>\$ 517,119</b>



*We promise to carry out our Mission through a competent, professional, impartial and open decision-making process. In providing benefits and services, all persons will be treated fairly, with courtesy and respect.*

## INVESTMENT

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# Investment Report from the Retirement Administrator

For the Years June 30, 2023 and 2022

## *Analysis of Our Portfolio in Fiscal Year 2023*

The Retirement Board's (Board) responsibility, as a long-term investor, is to manage in and through the global financial market environments as they unfold. Our Board understands the City of Fresno Employees Retirement System's (System) portfolio requires a sound and stable strategy for meeting investment goals over the long-term with appropriate risk levels and controls.

Fiscal year 2023 saw the end of the greatest bull market in history, which started in early 2009, and events that were both unusual and unprecedented in nature: inflation, interest rate hikes, a prolonged inverted yield curve, and the lingering effects of a global pandemic. The fiscal year, for all intents and purposes, was a tale of two halves. The first half saw both equity and bond markets continue their coordinated drawdowns and, remarkably, was the first time in decades where both assets fell in tandem. However, the second half saw a significant rebound in public equities with global indices roaring higher. Headline inflation continued to ease although core inflation remains elevated and sticky. The Federal Reserve implemented blunt and aggressive policies to bring it back closer to its 2% target. This is still a work in progress.

From an investment perspective, midstream energy and infrastructure provided hedges to inflation as expected with real estate decreasing markedly for the first time since the Global Financial Crisis (GFC). From a profit and loss perspective, the total fund increased by \$235 million in market value mainly due to a rebound in public equities.

The strategic asset allocation that went into effect July 1, 2021 continues to diversify the portfolio over the long-term with all major asset class groupings now defined by 'beta group' for risk management purposes. High Yield and Midstream Energy were terminated by the end of the fiscal year.

The System generated a net return of 9.54% and outperformed its policy benchmark by 0.80% in fiscal year 2023, as reported by its custodian Northern Trust. The System outperformed its assumed rate of return by 2.79% and, across longer investment horizons, also outperformed its assumed rate of return and policy benchmark.

Public equities bounced back but remained over-weight by 4.1%. Commitments in Private Real Estate, Private Debt, Private Equity, and Alternative Credit continue to be funded. All strategies earned positive absolute performance with the exception of real estate and private equity which earned negative absolute performance. The System completed one search in the build-out of its Pan Asia allocation.

## Investment Report from the Retirement Administrator Continued

### Investment Performance

The System earned a gross return of 9.8%. The table below highlights the performance of each major asset class provided by the System's custodian, Northern Trust. These returns may differ slightly from the performance reported by the System's investment consultant due to rounding:

Asset Class	Gross Return	Net Return
Total Fund	9.77%	9.54%
Domestic Equity	19.00%	18.99%
International Equity	16.37%	15.97%
Private Equity	(0.45)%	(0.45)%
Rates/Credit	4.97%	4.85%
Real Assets	(1.10)%	(1.44)%
Multi-Assets	19.30%	18.41%
Fiscal Year-End Fund Value	\$1,683,312,950	

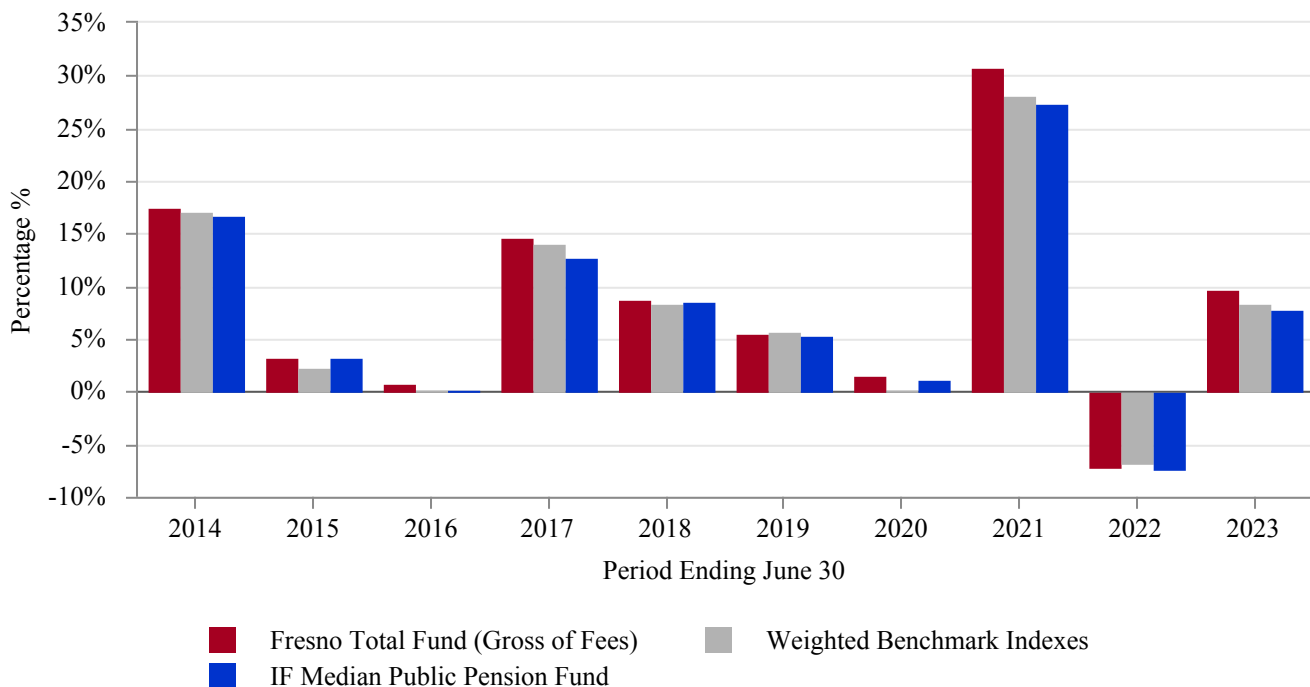
The System's 10, 15 and 20-year long-term gross returns of 8.15, 7.20, and 7.90 percent, respectively, illustrate the System's ability to achieve our long-term objectives over extended periods. Meanwhile, the System remains highly funded and well positioned to serve our members and retirees.

The principal goals of the System's Board in managing the System's Investment Portfolio 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 comply with legal statutes and regulations; and
- 4) To maintain a fully funded pension status.

Presented in the graph below are the System's Total Fund returns versus NEPC, LLC's InvestorForce (IF) Public Funds Universe (Gross of Fee), for plans with \$1 billion or more in assets:

City of Fresno Retirement Systems  
Fiscal Year Total Fund and Median Fund Annual Returns



## Investment Report from the Retirement Administrator Continued

### *Summary of Portfolio Results*

The fiscal year ended June 30, 2023, marked an extraordinarily volatile year which was overwhelmed by exogenous economic events. The System experienced a total gross return of 9.77 percent for the fiscal year ended June 30, 2023, outperforming the System's actuarial interest rate assumption of 6.75 percent by 3.02 percent and outperforming the System's policy benchmark (a weighted average of the fund's asset classes and their respective benchmarks) return of 8.08 percent by 1.69 percent. The System's ten-year annualized returns averaged 8.15 percent, outperforming its policy benchmark return of 7.36 percent for the period by 0.79 percent. Over the longer term, our investment results remain sound with annualized returns of 7.90 percent and 6.96 percent, respectively, over the past twenty and twenty-five years. After paying all benefits and expenses of the System, the year-end value of the System reached \$1.683 billion.

### *General Information*

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

### *Summary of General Investment Guidelines, Policies and Procedures*

The Board, having the sole and exclusive authority and fiduciary responsibility for the administration of the System and its assets, has adopted an Investment 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 Policy Statement establishes the investment program goals and policies, asset allocation policies, and beliefs. It also defines the principal duties of the Board, staff, investment managers, master custodian and consultants.

An integral part of the overall investment policy is the strategic asset allocation policy. This allocation mix is designed to provide 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 (equities and fixed income) and non-traditional assets (real estate, infrastructure, midstream energy, private equity, and private debt) 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.

## Investment Report from the Retirement Administrator Continued

### *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.

### *Specific Investment Results by Asset Classification*

As of June 30, 2023, the System's portfolio was slightly over-weight in total equities, with 54.0 percent in total equities versus the target of 49.0 percent. Domestic equities were slightly over-weight with 25.7 percent versus the target of 24.0 percent, and international equities with 22.4 percent was slightly over-weight the international equities target of 20.0 percent. Private equity was slightly over-weight the target of 5.0% with 5.9%. Rates/Credit with 24.3 percent was under-weight of its target of 25.0 percent, and real assets at 20.8 percent was 1.2 percent under-weight its target of 22.0 percent. Multi-Asset investments represented 0.9 percent of the System's portfolio, which is 3.1 percent under-weight of its target of 4.0 percent.

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

<b>Asset Classification</b>	<b>Actual</b>	<b>Target</b>
Equities		
Domestic	25.7%	24.0%
International	22.4%	20.0%
Private	5.9%	5.0%
Rates/Credit		
Core Fixed Income	11.9%	13.0%
High Yield Fixed Income	—%	—%
Private Debt/Credit	12.4%	12.0%
Real Assets		
Core Real Estate	10.3%	10.0%
Non-Core Real Estate	4.8%	5.0%
Infrastructure	5.7%	7.0%
Multi-Asset		
Alternative Credit	—%	4.0%
Midstream Energy	0.9%	—%
Short-Term Investments	—%	—%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

## Investment Report from the Retirement Administrator Continued

This asset class diversification allows the Joint Boards to monitor and adjust their risk in accordance with their Investment Policy Statement. The investment returns presented herein are based on the modified Dietz rate of return methodology. As fiscal year 2023 came to a close, inflation, rising interest rates, and highly correlated and volatile equity and bond markets created unique challenges for global investors. These uncertainties provide little comfort to asset allocators in the near-term but unique opportunities to exploit inefficiencies in the long-term. Market participants expect a ‘higher for longer’ interest rate regime to be in place for the near- to short-term periods and a potential recession possibly arriving in 2024. However, the U.S. economy has been far more resilient than expected and a Goldilocks scenario of a soft landing may present itself. The System earned positive relative and absolute returns, with continued diversification across strategies and regions.

Respectfully submitted,

*Robert T. Theller*

Robert T. Theller, Esq.  
Retirement Administrator

November 27, 2023

# Investment Consultant's Report



**Sam Austin**  
Partner

November 8, 2023

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

Dear Board Members:

The overall objective of the City of Fresno Retirement Systems ("CFRS" or "the Systems") is to ensure continued access to retirement, disability and survivor benefits for current and future CFRS participants. To ensure a solid foundation for the future of the Retirement Systems, CFRS' Boards carefully plan and implement an investment program designed to produce superior long-term investment returns, while prudently managing the risk in the portfolio. Investment policy and asset allocation are reviewed and revised by the CFRS Retirement Boards, at least annually, to reflect the Systems' actuarial assumptions, accrued liabilities, and economic and investment outlook. The following is a report on the performance of the Fund for the fiscal year ending June 30, 2023 with background on the underlying market environment.

## Market Review for the Year Ended June 30, 2023

Fiscal Year ("FY") 2023 was one characterized by strong returns in risky assets like stocks while interest sensitive fixed income, inflation-sensitive assets, commodities and real estate declined in value. The U.S. economy showed its resilience in the face of rapidly rising interest rates and posted moderate GDP growth and showed signs of a healthy labor market. The fiscal year ended with inflation levels increasing 3% on a year-over-year basis, which is a notable deceleration from last year's 9.1% increase though still above the Federal Reserve's target inflation rate of 2.0%. In its efforts to combat inflation, over the past fiscal year, the Federal Reserve raised the Fed Funds rate eight times, from a range of 1.50% - 1.75% ending FY 2022 to 5.00% - 5.25% ending FY 2023. Similar actions were taken by other central banks globally. With the resilient U.S. economy and decelerating inflation as the backdrop, U.S. stocks posted strong returns of 16.1% as measured by the S&P 500 Index. International stocks also had a strong year, with a return of 18.8% as measured by the MSCI EAFE Index. Emerging markets stocks underperformed both U.S. and international-developed markets posting an anemic 1.8% return as measured by the MSCI Emerging Markets Index. Typically considered a safe-haven asset, U.S. high quality fixed income returns posted a second consecutive negative yearly return as the pace of interest rate hikes eroded value in the Bloomberg U.S. Aggregate Bond Index which posted a decline of -0.9%.

The Systems returned 9.6%, net of fees, for the fiscal year ending June 30, 2023. By comparison, the median public fund in the comparative universe returned 7.7% for the period. For the five-year period ending June 30, 2023, the Systems returned 7.2% net of fees per annum. As can be seen in the chart below, this was an above average return, ahead of the median public fund rate of return, but with a higher level of volatility than the average public fund.

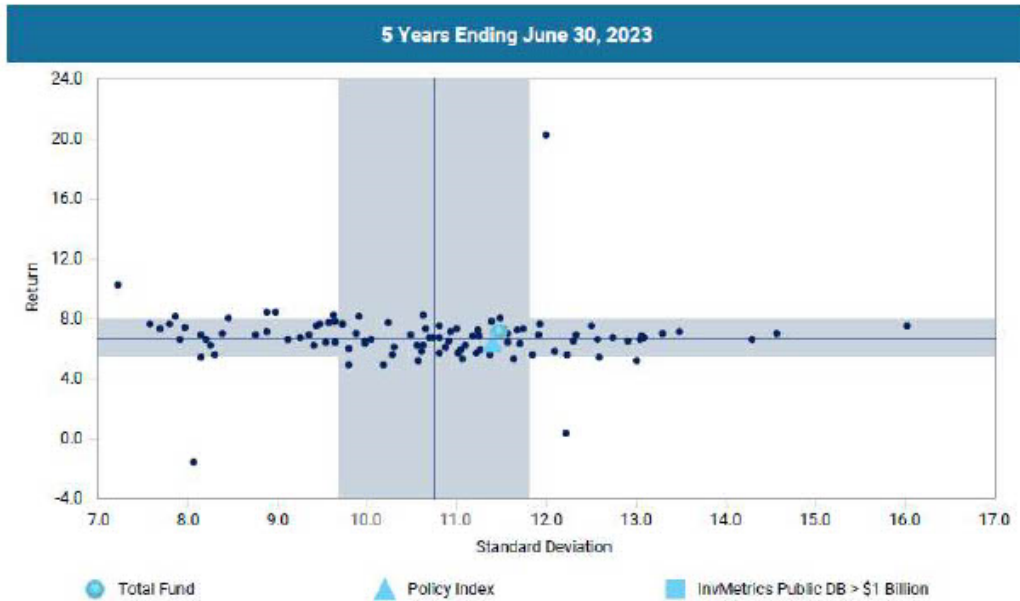
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## Investment Consultant's Report Continued

Data as of 6/30/2023	1 Yr(%)	3 Yrs(%)	5 Yrs(%)	10 Yrs(%)	15 Yrs(%)
Systems' Total Return (Gross of Fees)	9.7	10.1	7.4	8.2	7.2
Systems' Total Return (Net of Fees)	9.6	9.8	7.2	7.8	6.8
<i>Policy Index</i>	<i>8.4</i>	<i>9.0</i>	<i>6.5</i>	<i>7.3</i>	<i>6.8</i>

### InvMetrics Public Funds Greater than \$1 Billion Universe Risk-Return Comparison (Net of Fees)



NEPC provides the Systems with quarterly economic and investment market updates, performance reviews, investment manager monitoring and selection advice, and related investment services for traditional and non-traditional asset classes. In preparing performance analysis for the Systems, NEPC relies on the accuracy of financial data provided by the Systems' custodian bank and investment managers. CFRS's custodian, The Northern Trust Company, independently prepared the underlying performance data used in this report. The Systems' goals are measured against stated policy objectives, appropriate benchmarks and comparative universes over multiple time periods. This review process allows CFRS to evaluate whether established goals are being achieved on an absolute, relative and risk-adjusted basis.

Sincerely,

Sam Austin, Partner

## Investment Results

	Fair Value (\$)	% of Portfolio	Gross of Fees Ending June 30, 2023			
			1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
<b>Total Fund</b>	3,687,053,172	100.00	9.72	10.06	7.42	8.15
<i>Policy Index</i>			8.39	9.00	6.46	7.34
<i>InvMetrics Public DB &gt; \$1B Gross Median</i>			7.91	8.65	6.75	7.60
Total Equity Composite	1,986,458,956	53.88	15.75	10.39	7.71	9.12
<i>MSCI AC World All Cap Index (Net)</i>			16.02	10.94	7.59	8.60
<i>InvMetrics Public DB Global Equity Median</i>			16.84	0.00	0.00	0.00
Domestic Equity Composite	945,758,900	25.65	19.00	13.81	10.45	11.95
<i>Domestic Equity Index</i>			18.95	15.16	10.57	11.96
<i>InvMetrics Public DB US Equity Median</i>			18.02	14.03	10.76	11.94
Private Equity	216,488,298	5.87	-0.44	20.11	0.00	0.00
<i>Private Equity Index</i>			-6.30	17.37	0.00	0.00
International Equity Composite	824,211,758	22.35	16.26	5.51	4.19	5.97
<i>International Equity Index</i>			13.33	8.13	4.34	5.35
<i>InvMetrics Public DB Global ex-US Equity Median</i>			15.04	7.63	4.49	5.96
Total Fixed Income Composite	896,768,213	24.32	4.82	3.54	4.41	4.30
<i>Fixed Income Index</i>			4.80	0.93	3.23	3.40
<i>Blmbg. U.S. Aggregate Index</i>			-0.94	-3.97	0.77	1.52
<i>InvMetrics Public DB Fixed Income Median</i>			2.06	-1.63	1.82	2.69
Core Fixed Composite	438,371,426	11.89	1.08	-2.49	1.54	2.40
<i>Blmbg. U.S. Aggregate Index</i>			-0.94	-3.97	0.77	1.52
<i>InvMetrics Public DB US Fixed Income Median</i>			0.48	-2.32	1.75	2.49
High Yield Composite	1,875	0.00	8.72	2.60	3.15	4.49
<i>Blmbg. U.S. Corp: High Yield Index</i>			9.06	3.13	3.36	4.43
<i>InvMetrics Public DB US Fixed Income Median</i>			0.48	-2.32	1.75	2.49
Private Credit	458,394,912	12.43	7.73	12.58	8.99	0.00
<i>Private Credit Index</i>			9.94	3.15	4.74	0.00
Real Assets	769,064,908	20.86	-1.09	13.19	7.71	9.25
<i>Real Estate Index</i>			-10.50	7.33	6.06	7.99
<i>InvMetrics Public DB Real Estate Public &amp; Private Median</i>			-5.49	8.05	6.43	8.62
Private Real Estate Composite	178,598,121	4.84	-0.98	14.17	10.09	12.29
<i>NCREIF ODCE</i>			-9.97	7.99	6.50	8.74
Infrastructure	210,023,893	5.70	4.94	6.49	0.00	0.00
<i>CPI + 4% (Unadjusted)</i>			7.09	10.01	0.00	0.00
Midstream Energy	13,636	0.00	20.96	28.40	0.00	0.00
<i>Midstream Energy Index</i>			12.16	24.16	6.84	0.00
Cash & Equivalents Composite	1,409,033	0.04	-2.66	2.31	2.11	1.32
<i>90 Day U.S. Treasury Bill</i>			3.59	1.27	1.55	0.97

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

## Investment Results (Continued)

	Fair Value (\$)	% of Portfolio	Net of Fees Ending June 30, 2023			
			1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
<b>Total Fund</b>	\$ 3,687,053,172	100.00	9.57	9.84	7.15	7.82
<i>Policy Index</i>			8.39	9.00	6.46	7.34
<i>InvMetrics Public DB &gt; \$1B Gross Median</i>			7.72	8.30	6.34	7.07
Total Equity Composite	1,986,458,956	53.88	15.58	10.29	7.65	9.10
<i>MSCI AC World All Cap Index (Net)</i>			16.02	10.94	7.59	8.60
<i>InvMetrics Public DB Global Equity Median</i>			16.49	0.00	0.00	0.00
Domestic Equity Composite	945,758,900	25.65	18.99	13.70	10.27	11.71
<i>Domestic Equity Index</i>			18.95	15.16	10.57	11.96
<i>InvMetrics Public DB US Equity Median</i>			17.83	13.81	10.38	11.64
Private Equity	216,488,298	5.87	-0.44	20.11	0.00	0.00
<i>Private Equity Index</i>			-6.30	17.37	0.00	0.00
International Equity Composite	824,211,758	22.35	15.87	5.15	3.85	5.59
<i>International Equity Index</i>			13.33	8.13	4.34	5.35
<i>InvMetrics Public DB Global ex-US Equity Median</i>			14.26	7.25	3.94	5.22
Total Fixed Income Composite	896,768,213	24.32	4.71	3.48	4.38	4.29
Fixed Income Index			4.80	0.93	3.23	3.40
<i>Blmbg. U.S. Aggregate Index</i>			-0.94	-3.97	0.77	1.52
<i>InvMetrics Public DB Fixed Income Median</i>			1.68	-1.75	1.70	2.37
Core Fixed Composite	438,371,426	11.89	0.91	-2.64	1.40	2.24
<i>Blmbg. U.S. Aggregate Index</i>			-0.94	-3.97	0.77	1.52
<i>InvMetrics Public DB US Fixed Income Median</i>			0.23	-2.58	1.46	2.26
High Yield Composite	1,875	0.00	7.99	2.09	2.63	3.97
<i>Blmbg. U.S. Corp: High Yield Index</i>			9.06	3.13	3.36	4.43
<i>InvMetrics Public DB US Fixed Income Median</i>			0.23	-2.58	1.46	2.26
Private Credit	458,394,912	12.43	7.73	12.58	8.99	0.00
<i>Private Credit Index</i>			9.94	3.15	4.74	0.00
Real Assets	769,064,908	20.86	-1.27	13.08	7.64	9.22
<i>Real Estate Index</i>			-10.50	7.33	6.06	7.99
<i>InvMetrics Public DB Real Estate Public &amp; Private Median</i>			-6.74	7.39	5.85	7.78
Private Real Estate Composite	178,598,121	4.84	-0.98	14.17	10.09	11.97
<i>NCREIF ODCE</i>			-9.97	7.99	6.50	8.74
Infrastructure	210,023,893	5.70	4.94	6.42	0.00	0.00
<i>CPI + 4% (Unadjusted)</i>			7.09	10.01	0.00	0.00
Midstream Energy	13,636	0.00	19.92	27.51	0.00	0.00
<i>Midstream Energy Index</i>			12.16	24.16	6.84	0.00
Cash & Equivalents Composite	1,409,033	0.04	-2.66	2.31	2.11	1.32
<i>90 Day U.S. Treasury Bill</i>			3.59	1.27	1.55	0.97

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

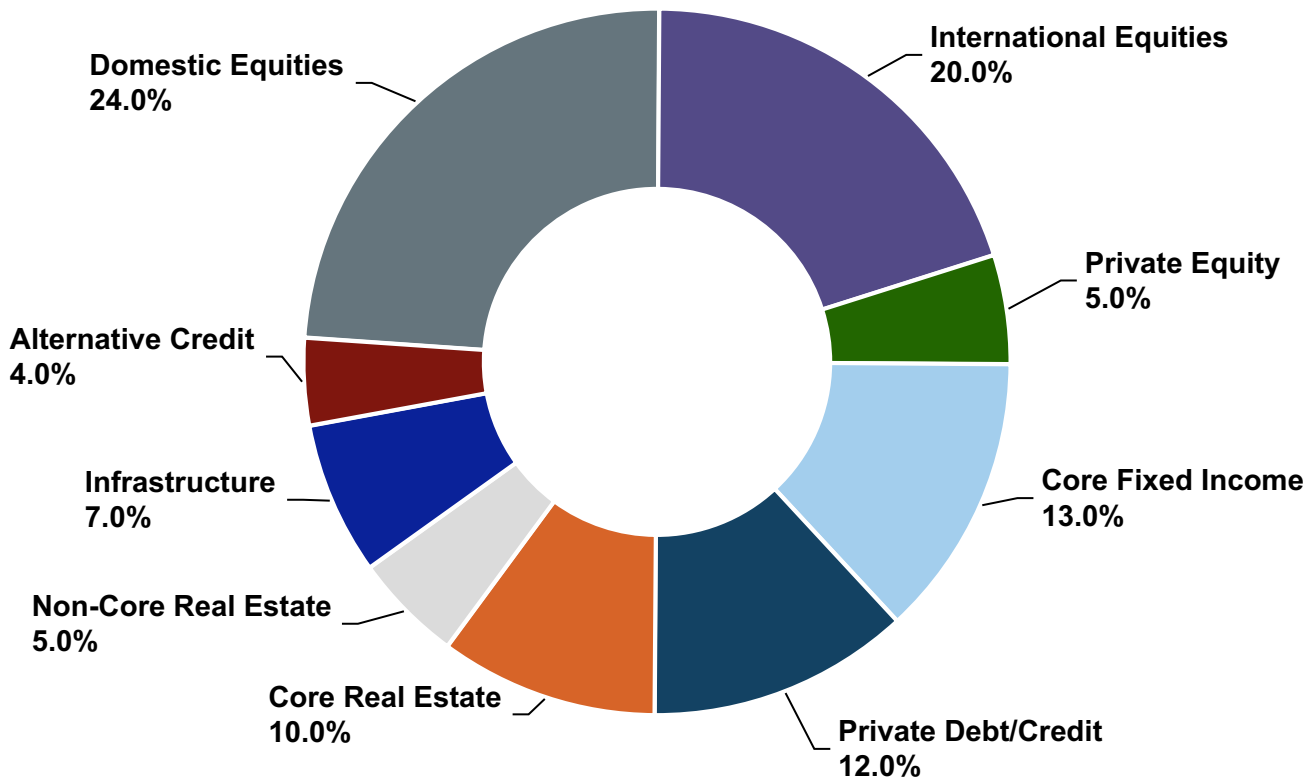
## Target and Actual Asset Allocation

As of June 30, 2023

Asset Class	Current Target	Allocation Range	Actual
Domestic Equities	24.0%	15.0% - 36.0%	25.7%
International Equities	20.0%	10.0% - 25.0%	22.4%
Private Equity	5.0%	0.0% - 10.0%	5.9%
Core Fixed Income	13.0%	5.0% - 20.0%	11.9%
High Yield Fixed Income	—%	0.0% - 5.0%	—%
Private Debt/Credit	12.0%	5.0% - 20.0%	12.4%
Core Real Estate	10.0%	5.0% - 15.0%	10.3%
Non-Core Real Estate	5.0%	2.0% - 8.0%	4.8%
Infrastructure	7.0%	2.0% - 10.0%	5.7%
Alternative Credit	4.0%	0.0% - 7.0%	—%
Midstream Energy	—%	0.0% - 0.0%	0.9%
Short-Term Investments	—%	0.0% - 0.0%	—%

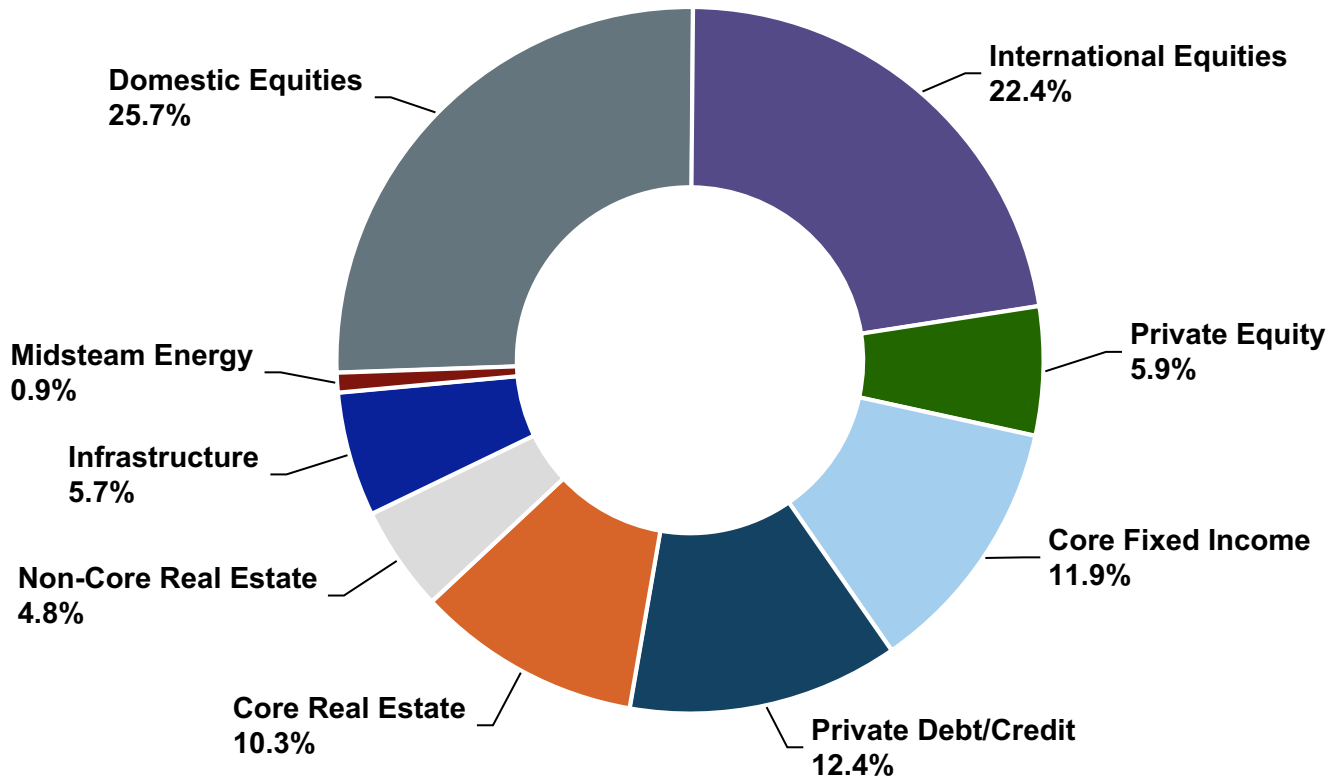
## Target Asset Allocation

As of June 30, 2023



### Actual Asset Allocation

As of June 30, 2023



## Largest Stock Holdings (by Fair Value)

As of June 30, 2023

	Shares	Stock Holding	Fair Value
1)	321,753	TAIWAN SEMICONDUCTOR MANUFACTURING TWD11	\$ 5,950,646
2)	93,423	SAMSUNG ELECTRONICS CO KRW100 005930	5,119,048
3)	4,179	MERCADOLIBRE INC COM STK	4,950,660
4)	428,252	AIA GROUP LIMITED NPV	4,322,634
5)	5,957	ASML HOLDING NV EUR0.09 (POST SPLIT)	4,309,021
6)	32,641	NESTLE SA CHF0.10(REGD)	3,925,754
7)	28,325	ADR RYANAIR HLDGS PLC SPONSORED ADR NEW	3,132,708
8)	20,819	SAP SE	2,842,337
9)	49,015	CRH PLC EQUITY	2,708,209
10)	15,190	COMPAGNIE FINANCIERE RICHEMONT SA. CHF1	2,574,761
<b>Total Largest Stock Holdings</b>			<b>\$ 39,835,778</b>

## Largest Bond Holdings (by Fair Value)

As of June 30, 2023

	Share/Par Value	Bond Holding	Coupon Rate	Maturity Date	Fair Value
1)	4,201,295	UNITED STATES OF AMER TREAS NOTES .75% 0	0.750%	2026/08/31	\$ 3,747,030
2)	3,632,444	FEDERAL HOME LN MTG CORP POOL #SD7526	2.500%	2050/10/01	3,121,907
3)	3,604,700	FNMA POOL #FM8308 2.0% DUE 07-01-2051	2.000%	2051/07/01	2,967,995
4)	3,849,307	UNITED STATES TREAS BDS 2.25%	2.250%	2041/05/15	2,964,568
5)	2,855,046	FEDERAL HOME LN MTG CORP POOL #RA7194	3.500%	2052/04/01	2,612,858
6)	2,760,342	FNMA 3.5% 04-01-2052	3.500%	2052/04/01	2,530,088
7)	2,740,157	FEDERAL HOME LN MTG CORP POOL #SD1581	2.500%	2052/09/01	2,325,598
8)	2,297,312	PVTPL NAVIENT STUDENT LN TR 2016-5 NT CL	6.400%	2065/06/25	2,295,740
9)	2,300,192	FNMA POOL #CB3594 3.5% DUE 05-01-2052	3.500%	2052/05/01	2,105,961
10)	2,239,548	FNMA POOL #FM7599 3.5% DUE 01-01-2051	3.500%	2051/01/01	2,065,362
<b>Total Largest Bond Holdings</b>					<b>\$ 26,737,107</b>

**A complete list of portfolio holdings is available upon request.**

## Schedule of Commissions

For The Fiscal Year Ended June 30, 2023

<b>Brokerage Firm</b>	<b>Total Commissions</b>	<b>Number of Shares</b>	<b>Commission Cost/Share</b>
B.RILEY & CO. LLC	\$ 13,311	443,711	\$ 0.0300
BARCLAYS CAPITAL	6,948	5,916,559	0.0012
JEFFERIES LLC.	6,361	12,586,387	0.0005
JEFFERIES INTERNATIONAL LTD	6,071	427,977	0.0142
RBC CAPITAL MARKETS, LLC	5,396	3,994,782	0.0014
UBS SECURITIES ASIA LIMITED	5,324	754,586	0.0071
GOLDMAN, SACHS AND CO.	5,294	84,328,507	0.0001
J.P. MORGAN SECURITIES PLC	3,683	931,919	0.0040
CITIGROUP GLOBAL MARKETS INC.	3,575	15,205,009	0.0002
CREDIT SUISSE INTERNATIONAL	3,535	320,305	0.0110
	<u>\$ 59,498</u>	<u>124,909,742</u>	<u>\$ 0.0005</u>
All Other Brokerage Firms	68,139	1,656,312,417	0.0000
<b>TOTAL</b>	<b>\$ 127,637</b>	<b>1,781,222,159</b>	<b>\$ 0.0001</b>

## Investment Summary

For The Fiscal Year Ended June 30, 2023

	<b>Investment Value</b>	<b>Percent of Fund</b>	<b>Investment Management Fees</b>
Equity			
Domestic	\$ 426,767,391	25.3%	\$ 35,279
International	365,577,219	21.7%	1,129,947
Private Equity	101,515,534	6.0%	1,812,585
Fixed Income	203,918,928	12.1%	449,283
Private Debt/Credit	208,300,798	12.4%	10,303,873
Real Assets	354,324,504	21.0%	8,516,090
Multi-Assets	15,474,636	0.9%	389,953
Short-Term Investments	8,678,818	0.6%	—
<b>Total</b>	<b>\$ 1,684,557,828</b>	<b>100.0%</b>	<b>\$ 22,637,010</b>



*Assets will be invested  
and administered to  
balance the need to  
control risk with  
superior performance.*

*We expect excellence  
in all activities. We  
will also be  
accountable and act in  
accordance with the  
law.*

## ACTUARIAL

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# Actuarial Certification Letter



180 Howard Street  
Suite 1100  
San Francisco, CA 94105-0147  
segalco.com

November 22, 2023

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

**Re: City of Fresno Employees Retirement System  
June 30, 2023 Actuarial Valuation**

Dear Members of the Board:

Segal prepared the June 30, 2023 annual actuarial valuation of the City of Fresno Employees Retirement System. We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices and the System's funding policy that was last reviewed with the Board in 2012 and the amendment made to lengthen the period used to amortize the actuarial surplus in 2018. It is our understanding that the assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice (ASOPs).

As part of the June 30, 2023 actuarial valuation, Segal conducted an examination of all participant data for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the System's financial statements. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account fair value by recognizing the differences between the total actual investment return at fair value and the expected investment return over a five-year period.

One of the general goals of an actuarial valuation is to establish contribution rates which, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed. Actuarial funding is based on the Entry Age Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any prefunded actuarial accrued liability or unfunded actuarial accrued liability (UAAL). The UAAL is amortized over different periods depending on the source.

5794453v1/09313.004

## Actuarial Certification Letter Continued

Board of Retirement  
 City of Fresno Employees Retirement System  
 November 22, 2023  
 Page 2

Effective with the June 30, 2013 valuation, any new UAAL established as a result of actuarial gains or losses or plan amendments are amortized over separate 15-year declining periods (with the exception of temporary retirement incentives which are amortized over a separate declining period of up to 5 years). Any new UAAL established as a result of changes in actuarial assumptions or methods at each valuation is amortized over separate 25-year declining periods. Any actuarial surplus (when the funded ratio is over 110%) will be amortized over a non-declining 30-year period. The progress being made towards meeting the funding objective through June 30, 2023 is illustrated in the Schedule of Funding Progress.

Notes number 1, 3 and 4 to the Basic Financial Statements and the Required Supplemental Information (RSI) included in the Financial Section were prepared by the System based on the results of the Governmental Accounting Standards Statement No. 67 (GAS 67) actuarial valuation as of June 30, 2023 prepared by Segal. For the Financial Section of the Annual Comprehensive Financial Report (ACFR), Segal provided the Schedule of Funding Progress, Schedule of Changes in Net Pension Liability and Schedule of Employer Contributions as shown in the RSI. A listing of the other supporting schedules Segal prepared for inclusion in the Actuarial and Statistical Sections of the System's Annual Report is provided below. These schedules were prepared based on the results of the actuarial valuation as of June 30, 2023 for funding purposes.

1. Summary of Actuarial Assumptions and Methods;
2. Schedule of Funded Liabilities by Type; and
3. Actuarial Analysis of Financial Experience.

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on the Analysis of Actuarial Experience During the Period July 1, 2018 through June 30, 2021 and the Review of Economic Actuarial Assumptions for the June 30, 2022 Actuarial Valuation. It is our opinion that the assumptions used in the June 30, 2023 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, 2024 and those assumptions will be used in the June 30, 2025 valuation. The Retirement System utilizes the actuarial surplus to provide contribution rate offsets and a Post Retirement Supplemental Benefit (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, 2023 valuation, the ratio of the valuation assets to actuarial accrued liabilities decreased from 114.0% to 111.1%. The aggregate employer rate has increased from 13.38%<sup>1</sup> of payroll to 14.06%<sup>2</sup> of payroll, while the aggregate member rate has increased from 8.90%<sup>3</sup> of payroll to 9.61%<sup>4</sup> of payroll.

<sup>1</sup> This rate has been decreased by 0.79% of payroll as a result of surplus allocation.

<sup>2</sup> This rate has been decreased by 0.21% of payroll as a result of surplus allocation.

<sup>3</sup> This rate has been decreased by 0.91% of payroll as a result of surplus allocation.

<sup>4</sup> This rate has been decreased by 0.23% of payroll as a result of surplus allocation.

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## Actuarial Certification Letter Continued

Board of Retirement  
 City of Fresno Employees Retirement System  
 November 22, 2023  
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Under the asset smoothing method, the total unrecognized investment gain is \$7.0 million as of June 30, 2023. This investment gain will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. The deferred gain of \$7.0 million represents about 0.4% of the market value of assets as of June 30, 2023. Unless offset by future investment losses or other unfavorable experience, the recognition of the \$7.0 million market gain is expected to have an impact on the System's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:

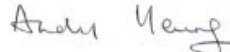
- If the net deferred gains were recognized immediately and entirely in the Valuation Value of Assets, the funded ratio would increase from 111.1% to 111.7%.
- If the net deferred gains were recognized immediately and entirely in the Valuation Value of Assets, the aggregate employer contribution rate would decrease from 14.06% to 13.96% of payroll.
- If the net deferred gains were recognized immediately and entirely in the Valuation Value of Assets, the aggregate employee contribution rate would decrease from 9.61% to 9.50% of payroll.
- There would be no PRSB benefit provided regardless of whether all the net deferred gains in the June 30, 2023 valuation were recognized immediately, because there is no distributable actuarial surplus available to provide a PRSB in either case.

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

Sincerely,



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



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



Todd Tauzer, FSA, MAAA, FCA, CERA  
 Senior Vice President and Actuary

JY/hy  
 Enclosures

5794453v1/09313.004



## Summary of Actuarial Assumptions and Funding Method

These actuarial assumptions and methods based on June 30, 2023 data were adopted by the City of Fresno Employees Retirement System (the System) Retirement Board on November 28, 2023, and are effective July 1, 2024.

### Assumptions

Valuation Interest Rate:	6.75%
Inflation:	2.50%

### Post-Retirement Mortality

#### (a) Service Retirement

Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021.

#### (b) Beneficiaries

*Beneficiaries not currently in Pay Status* • Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021.

*Beneficiaries in Pay Status* • Pub-2010 General Contingent Survivor Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021.

#### (c) Disability Retirement

Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates decreased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021.

The Pub-2010 mortality tables and adjustments as shown above reasonably reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

### Pre-Retirement Mortality

Based upon the Analysis of Actuarial Experience during the period July 1, 2018 through June 30, 2021.

### Withdrawal Rates

Based upon the Analysis of Actuarial Experience during the period July 1, 2018 through June 30, 2021.

### Disability Rates

Based upon the Analysis of Actuarial Experience during the period July 1, 2018 through June 30, 2021.

### Service Retirement Rates

Based upon the Analysis of Actuarial Experience during the period July 1, 2018 through June 30, 2021.

### Assets

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



## Summary of Actuarial Assumptions and Funding Method Continued

### *Funding Method*

The System's liability is being funded on the Entry Age Normal Actuarial Cost method. Entry age is the age of the member on their hire date. Normal Cost and Actuarial Accrued Liability are compensation, as if the current benefit formulas have always been in effect (i.e., "replacement life").

The System's funding policy for determining Total Pension Liability (for funding purposes) uses a version of the Entry Age method whereby the Actuarial Accrued Liability is fully accrued when a member retires from employment after participating in DROP (Deferred Retirement Option Program). While for financial reporting purposes only, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 67 (GASB 67) provisions, for determining Total Pension Liability, the Actuarial Accrued Liability is fully accrued when a member either enters DROP or is expected to elect DROP (See page 28 of the Financial Section and pages 56 and 57 of the Required Supplementary Information on the different actuarial assumptions used for financial reporting versus funding progress).

### *DROP Rates*

1st year eligible	30% participation
2nd year eligible	15% participation
3rd and 4th year eligible	10% participation
5th year eligible	15% participation
6th year eligible	10% participation
Thereafter	0% participation

Members are assumed to remain in DROP for six years.

### *Marriage Rates*

It is assumed that 80% of all male members and 55% of all female members will be married at retirement.

### *Age of Spouse*

Male members are three years older than their spouses. Female members are two years younger than their spouses.

### *Cost-of-Living Adjustment (COLA) Assumption*

3.00% per year; Retiree COLA increases due to Consumer Price Index (CPI) are limited to maximum at 3.00% per year.

### *Ultimate Salary Scale*

Salary Scale is made up of merit and longevity, and inflation components. The inflation component is equal to 2.50%; plus 0.50% real across-the-board salary increase. The merit and promotion component varies by service and is illustrated below:

Years of Service	Merit and Promotion Assumption (%)
< 1 year	8.50%
1 - 2 years	6.25%
2 - 3 years	4.75%
3 - 4 years	4.25%
4 - 5 years	3.50%
5 - 6 years	2.50%
6 - 7 years	1.75%
7 - 10 years	1.50%
10 - 15 years	1.25%
15 - 19 years	1.00%
20 & Over	0.75%

## Probabilities of Separation Prior to Retirement

<b>Mortality</b>		
Rate (%)		
Age	Male	Female
25	0.03	0.01
30	0.04	0.01
35	0.05	0.02
40	0.07	0.04
45	0.10	0.06
50	0.15	0.08
55	0.22	0.12
60	0.32	0.19
65	0.47	0.30
70	0.70	0.49

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

<b>Disability</b>	
Rate (%)	
Age	All Members
20	0.00
25	0.00
30	0.00
35	0.30
40	0.30
45	0.30
50	0.70
55	1.20
60	3.10
65	3.10
70	7.00

All disabilities are assumed to be non-service connected.

<b>Termination</b>						
Rate (%)						
Age	Years of Service					
	Less than 1	1 - 2	2 - 3	3 - 4	4 - 5	5 & Above
20	15.00	15.00	13.00	12.00	12.00	12.00
25	13.00	10.00	10.00	10.00	10.00	8.00
30	13.00	8.00	7.00	7.00	6.00	6.00
35	13.00	7.00	6.00	6.00	5.00	5.00
40	13.00	6.00	5.00	5.00	3.00	3.00
45	13.00	6.00	5.00	5.00	3.00	3.00
50+	13.00	6.00	5.00	5.00	3.00	0.00

*Members with less than five years of service:* 90% of are assumed to elect a withdrawal of contributions. The remaining members are assumed to elect a deferred vested benefit. No termination is assumed after a member is assumed to retire.

*Members with five or more years of service:* 40% of are assumed to elect a withdrawal of contributions. The remaining members are assumed to elect a deferred vested benefit. No termination is assumed after a member is assumed to retire.



## Schedule of Active Member Valuation Data

Valuation Date	Active/DROP	Number	Annual Payroll	Annual Average Pay	% Increase (Decrease) in Average Pay
June 30, 2023	Active Members	2,447	\$ 177,732,502	\$ 72,633	4.0%
	DROP Participants	247	20,074,374	81,273	6.2%
	<b>Totals</b>	<b>2,694</b>	<b>\$ 197,806,876</b>	<b>\$ 73,425</b>	
June 30, 2022	Active Members	2,157	\$ 150,701,875	\$ 69,866	1.6%
	DROP Participants	274	20,973,759	76,547	4.6%
	<b>Totals</b>	<b>2,431</b>	<b>\$ 171,675,634</b>	<b>\$ 70,619</b>	
June 30, 2021	Active Members	2,009	\$ 138,130,869	\$ 68,756	1.6%
	DROP Participants	304	22,241,215	73,162	1.6%
	<b>Totals</b>	<b>2,313</b>	<b>\$ 160,372,084</b>	<b>\$ 69,335</b>	
June 30, 2020	Active Members	1,952	\$ 132,156,485	\$ 67,703	4.6%
	DROP Participants	336	24,198,036	72,018	5.4%
	<b>Totals</b>	<b>2,288</b>	<b>\$ 156,354,521</b>	<b>\$ 68,337</b>	
June 30, 2019	Active Members	1,890	\$ 122,353,908	\$ 64,738	4.9%
	DROP Participants	338	23,103,904	68,355	3.9%
	<b>Totals</b>	<b>2,228</b>	<b>\$ 145,457,812</b>	<b>\$ 65,286</b>	
June 30, 2018	Active Members	1,812	\$ 111,852,669	\$ 61,729	3.4%
	DROP Participants	351	23,093,533	65,794	3.3%
	<b>Totals</b>	<b>2,163</b>	<b>\$ 134,946,202</b>	<b>\$ 62,388</b>	
June 30, 2017	Active Members	1,715	\$ 102,354,521	\$ 59,682	4.4%
	DROP Participants	370	23,560,592	63,677	3.9%
	<b>Totals</b>	<b>2,085</b>	<b>\$ 125,915,113</b>	<b>\$ 60,391</b>	
June 30, 2016	Active Members	1,592	\$ 91,007,785	\$ 57,166	(1.1%)
	DROP Participants	366	22,428,051	61,279	1.3%
	<b>Totals</b>	<b>1,958</b>	<b>\$ 113,435,836</b>	<b>\$ 57,935</b>	
June 30, 2015	Active Members	1,524	\$ 88,090,729	\$ 57,802	(0.5%)
	DROP Participants	364	22,015,866	60,483	(0.5%)
	<b>Totals</b>	<b>1,888</b>	<b>\$ 110,106,595</b>	<b>\$ 58,319</b>	
June 30, 2014	Active Members	1,512	\$ 87,842,034	\$ 58,097	(3.8%)
	DROP Participants	347	21,100,432	60,808	(3.6%)
	<b>Totals</b>	<b>1,859</b>	<b>\$ 108,942,466</b>	<b>\$ 58,603</b>	

## Schedule of Retirees and Beneficiaries Added to or Removed from Rolls

Fiscal Year Ended June 30	Added to Rolls		Removed from Rolls		Rolls at Fiscal Year-End		Average Annual Allowance	% Increase / (Decrease) in Retiree Allowance
	Number	Annual Allowance	Number	Annual Allowance	Number	Annual Allowance		
June 30, 2023	135	\$1,745,057	(76)	\$(957,058)	2,226	\$76,024,703	\$34,153	5.37
June 30, 2022	130	\$1,999,381	(92)	\$(837,691)	2,167	\$70,239,143	\$32,413	2.24
June 30, 2021	106	\$1,787,137	(53)	\$(897,401)	2,129	\$67,497,485	\$31,704	3.50
June 30, 2020	95	\$1,796,078	(54)	\$(655,652)	2,076	\$63,591,967	\$30,632	2.50
June 30, 2019	120	\$1,905,246	(55)	\$(672,253)	2,035	\$60,814,434	\$29,884	4.68
June 30, 2018	114	\$1,570,066	(60)	\$(834,397)	1,970	\$56,241,911	\$28,549	0.64
June 30, 2017	135	\$1,458,929	(68)	\$(786,272)	1,916	\$54,350,851	\$28,367	2.44
June 30, 2016	123	\$1,578,451	(64)	\$(898,105)	1,849	\$51,198,523	\$27,690	1.00
June 30, 2015	103	\$1,402,353	(62)	\$(718,791)	1,790	\$49,072,063	\$27,415	1.21
June 30, 2014	110	\$1,518,754	(61)	\$(686,326)	1,749	\$47,376,551	\$27,088	0.36

## Solvency Test (In thousands)

Valuation Date As Of June 30	Aggregate Accrued Liabilities for				Portion of Accrued Liabilities Covered by Reported Asset		
	Active Member Contributions	Retirees and Beneficiaries (Includes Deferred Vested)	Active Members (Employer Financed Portion)	Actuarial Valuation Value of Assets	Active Member Contributions	Retirees and Beneficiaries (Includes Deferred Vested)	Active Members (Employer Financed Portion)
6/30/2023	\$113,940	\$993,305	\$250,969	\$1,509,532	100%	100%	100%
6/30/2022	107,780	931,923	232,059	1,449,730	100%	100%	100%
6/30/2021	102,090	870,147	217,743	1,380,265	100%	100%	100%
6/30/2020	97,041	847,631	210,388	1,269,173	100%	100%	100%
6/30/2019	92,076	819,374	195,210	1,238,651	100%	100%	100%
6/30/2018	87,404	798,382	161,906	1,202,691	100%	100%	100%
6/30/2017	84,476	768,142	161,066	1,145,061	100%	100%	100%
6/30/2016	84,142	736,665	156,102	1,087,125	100%	100%	100%
6/30/2015	85,644	704,462	170,258	1,049,093	100%	100%	100%
6/30/2014	85,712	694,761	169,801	993,641	100%	100%	100%

## Actuarial Analysis of Financial Experience

(Dollars in Millions)

	Plan Years									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Prior Valuation Actuarial Accrued Liability	\$1,272	\$1,190	\$1,155	\$1,107	\$1,048	\$1,014	\$977	\$960	\$950	\$935
Expected Increase from Prior Valuation	—	—	—	—	—	—	—	—	—	—
Salary Increase (Greater) Less than Expected	8	4	(3)	3	5	1	5	(7)	(11)	(17)
Asset Return (Less) Greater than Expected	—	—	—	—	—	—	—	—	—	—
COLA Increase Greater (Less) than Expected	29	40	(9)	(3)	(8)	(6)	(7)	(18)	(18)	(10)
Other Experience	3	3	3	6	3	(2)	3	(6)	(2)	(1)
Economic Assumption Changes	—	(10)	—	—	21	3	—	8	—	—
Noneconomic Assumption Changes	—	—	—	—	—	—	—	—	—	—
Normal Cost	39	34	33	31	26	24	21	22	22	23
Interest	85	82	80	76	74	72	70	71	70	69
Payments	(78)	(71)	(69)	(65)	(62)	(58)	(55)	(52)	(51)	(49)
Change in Valuation Programs and Methods	—	—	—	—	—	—	—	(1)	—	—
<b>Ending Actuarial Accrued Liability</b>	<b>\$1,358</b>	<b>\$1,272</b>	<b>\$1,190</b>	<b>\$1,155</b>	<b>\$1,107</b>	<b>\$1,048</b>	<b>\$1,014</b>	<b>\$977</b>	<b>\$960</b>	<b>\$950</b>

## Schedule of Funding Progress

(Dollars in Millions)

	(1)	(2)	(3)	(4)	(5)	(6)
						Prefunded / (Unfunded AAL) Percentage of Covered Payroll [(2) - (1)] / (5)
Actuarial Valuation As of June 30	Actuarial Valuation Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded (1) / (2)	Prefunded / (Unfunded AAL) (2) - (1)	Annual Covered Payroll	
2023	\$1,510	\$1,358	111.1%	\$151	\$198	76.50%
2022	\$1,450	\$1,272	114.0%	\$178	\$172	103.70%
2021	\$1,380	\$1,190	116.0%	\$190	\$160	118.70%
2020	\$1,269	\$1,155	109.9%	\$114	\$156	73.00%
2019	\$1,239	\$1,107	111.9%	\$132	\$145	90.70%
2018	\$1,203	\$1,048	114.8%	\$155	\$135	114.90%
2017	\$1,145	\$1,014	113.0%	\$131	\$126	104.30%
2016	\$1,087	\$977	111.3%	\$110	\$113	97.20%
2015	\$1,049	\$960	109.2%	\$89	\$110	80.60%
2014	\$994	\$950	104.6%	\$43	\$109	39.80%

## Major Benefit Provisions of the Retirement System

### ELIGIBLE EMPLOYEES

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

### FINAL AVERAGE SALARY (FAS)

Highest three consecutive-year average using the rate of pay in effect at the time of retirement.

### NORMAL RETIREMENT

Requirement: age 55 and 5 years of service.

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

- (1) 2% of FAS times years of service, not-to-exceed 25 years
- (2) 1% of FAS times years of service in excess of 25 years

- (3) **RETIREMENT AGE FACTOR TABLE**

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

### EARLY RETIREMENT PROVISION

An employee who is age 50 with 5 years of continuous service may elect an early retirement and shall have his or her retirement allowance reduced by the early retirement actuarial adjustment factor.

### DEFERRED RETIREMENT OPTION PROGRAM (DROP)

An employee who is age 55 with 5 years of service may enter DROP. The eligibility age may be reduced to age 50 with 5 years of service if the employee elects an early retirement. Retirement amount is calculated and monthly deposits are made to the employee's DROP account while the employee continues to work up to maximum of 10 years.

### DISABILITY RETIREMENT

Requirement: 10 years of service.

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

### MEMBER CONTRIBUTIONS RATES

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

### DEATH BEFORE RETIREMENT

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

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

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

### DEATH AFTER RETIREMENT

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

### WITHDRAWAL OF BENEFITS

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

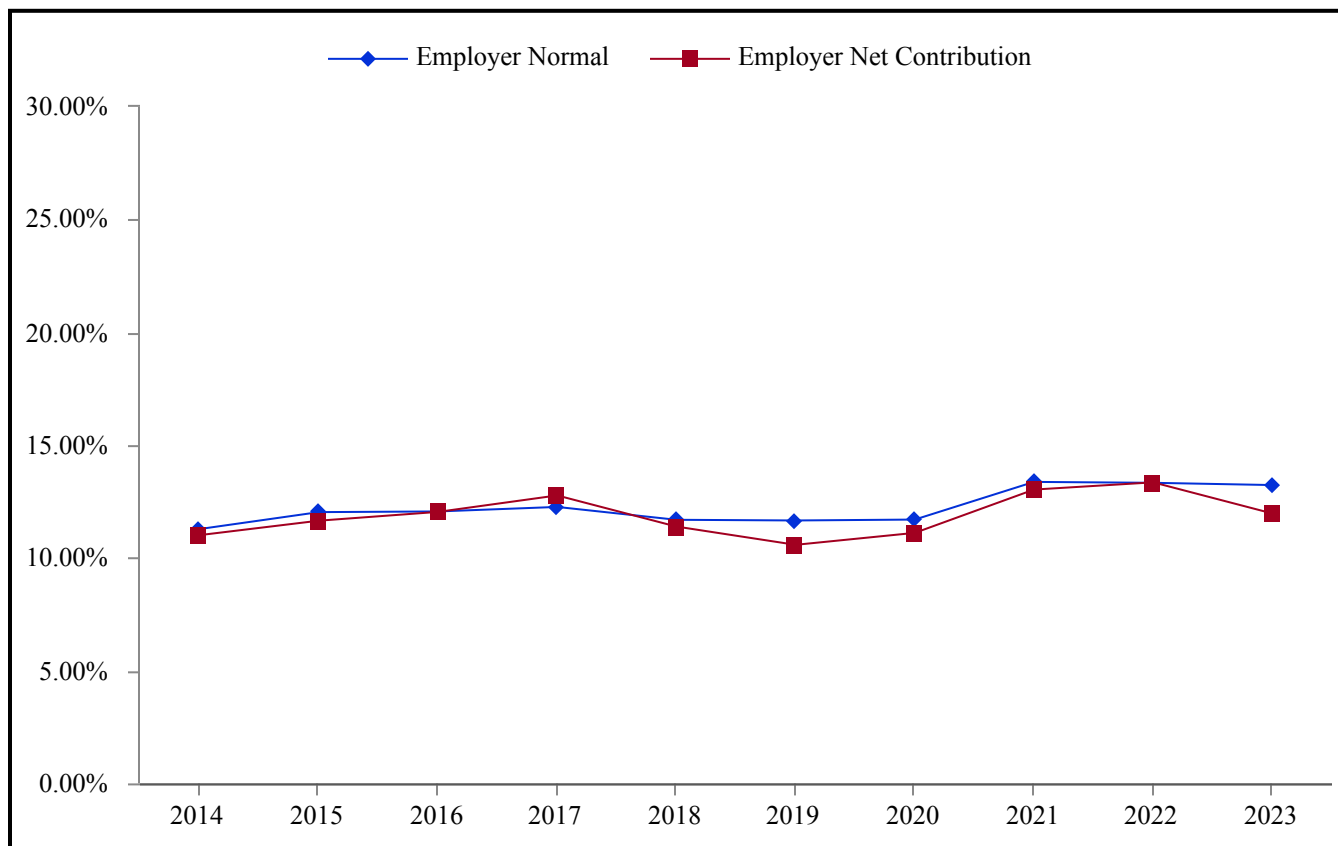
### POST RETIREMENT SUPPLEMENTAL BENEFIT (PRSB)

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

### COST-OF-LIVING BENEFITS

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

### History of Employer Net Contribution Rates



<b>Fiscal Year Ending June 30</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Employer Normal	11.28 %	12.03 %	12.06 %	12.26 %	11.69 %	11.66 %	11.70 %	13.37 %	13.33 %	13.23 %
Prefunded Liability/Prepaid Contributions	0.27 %	0.38 %	0.02 %	-0.51 %	0.30 %	1.08 %	0.59 %	0.34 %	-0.02 %	1.26 %
<b>Employer Net Contribution</b>	<b>11.01 %</b>	<b>11.65 %</b>	<b>12.04 %</b>	<b>12.77 %</b>	<b>11.39 %</b>	<b>10.58 %</b>	<b>11.11 %</b>	<b>13.03 %</b>	<b>13.35 %</b>	<b>11.97 %</b>

*To create an environment  
in which Board Members  
can maximize their  
performance as trustees.*

*To improve business  
processes and our delivery  
of services provided to  
members and retirees.*

*To improve  
communications with  
members, retirees and the  
employer.*

STATISTICAL

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- 93 Membership Information



## Statistical Section Review

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

It also provides multi-year trend of financial and operation information to facilitate comprehensive understanding of how the organization's financial position and performance has changed over time.

More specifically, the financial and operating information provides contextual data for the System's net position, benefits, refunds, contribution rates and different types of retirement benefits.

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

## Schedule of Changes in Fiduciary Net Position

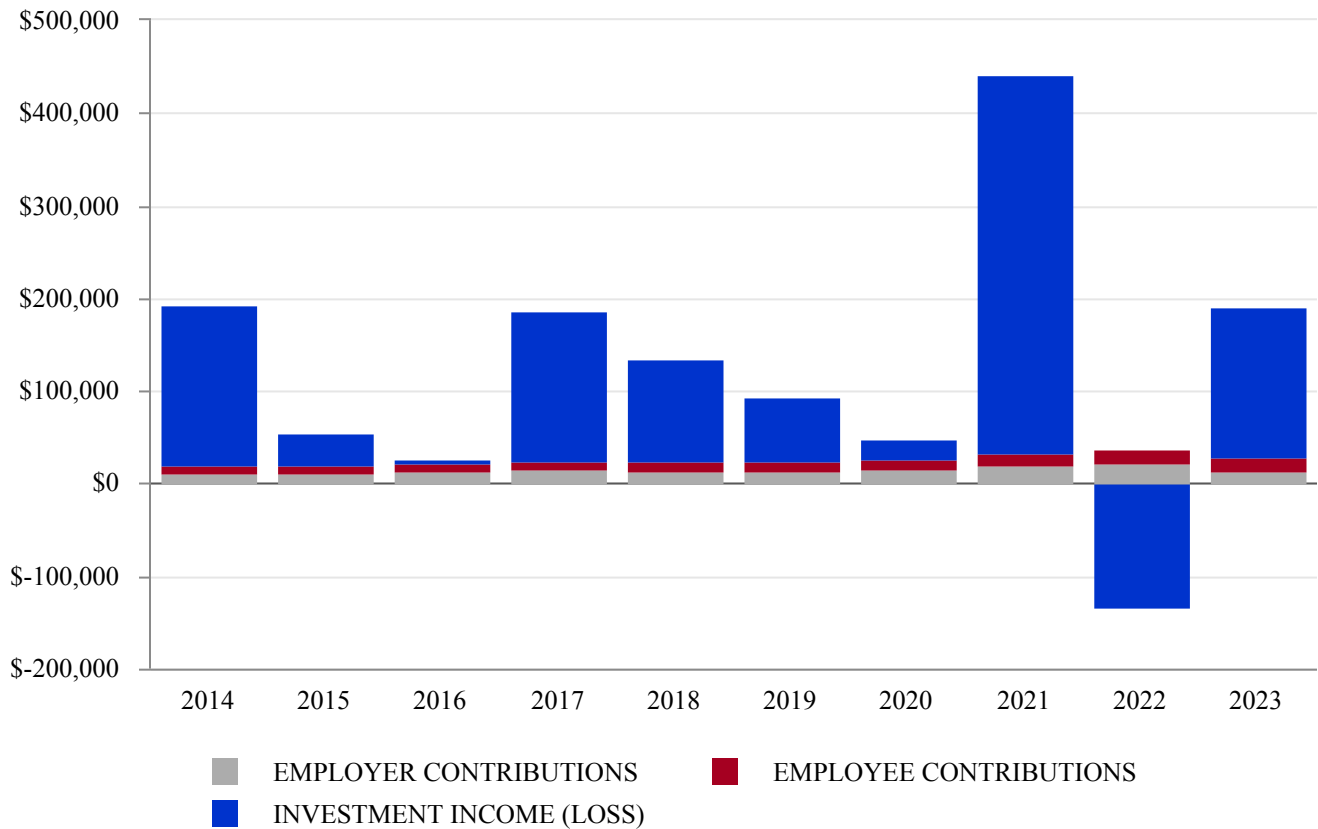
Last Ten Fiscal Years 2014 - 2023

(Dollars in Millions)

	2023	2022	2021	2020	2019
<b>Additions</b>					
Employer Contributions	\$ 22.2	\$ 22.0	\$ 20.1	\$ 16.6	\$ 14.6
Employee Contributions	14.9	15.5	13.7	11.0	10.5
Investment Income (Loss)	164.0	(132.6)	407.9	20.1	69.4
<b>Total Additions</b>	<b>201.1</b>	<b>(95.1)</b>	<b>441.7</b>	<b>47.7</b>	<b>94.5</b>
<b>Deductions</b>					
Benefit Payments	\$ 76.0	\$ 70.2	\$ 67.5	\$ 63.6	\$ 60.8
Post Retirement Supplemental Benefits	—	—	—	—	—
Refunds	1.9	1.7	1.7	0.9	1.3
Administrative	2.1	2.0	2.1	1.7	1.7
<b>Total Deductions</b>	<b>80.0</b>	<b>73.9</b>	<b>71.3</b>	<b>66.2</b>	<b>63.8</b>
<b>Change in Fiduciary Net Position</b>	<b>\$ 121.1</b>	<b>\$ (169.0)</b>	<b>\$ 370.4</b>	<b>\$ (18.5)</b>	<b>\$ 30.7</b>

	2018	2017	2016	2015	2014
<b>Additions</b>					
Employer Contributions	\$ 14.6	\$ 15.2	\$ 13.1	\$ 12.3	\$ 11.4
Employee Contributions	10.3	10.2	9.1	8.8	7.9
Investment Income (Loss)	109.0	162.4	5.0	33.3	172.9
<b>Total Additions</b>	<b>133.9</b>	<b>187.8</b>	<b>27.2</b>	<b>54.4</b>	<b>192.2</b>
<b>Deductions</b>					
Benefit Payments	56.2	54.4	51.2	49.1	47.4
Post Retirement Supplemental Benefits	—	—	—	—	—
Refunds	1.4	1.2	1.3	1.5	1.2
Administrative	1.6	1.4	1.3	1.1	1.1
<b>Total Deductions</b>	<b>59.2</b>	<b>57.0</b>	<b>53.8</b>	<b>51.7</b>	<b>49.7</b>
<b>Change in Fiduciary Net Position</b>	<b>\$ 74.7</b>	<b>\$ 130.8</b>	<b>\$ (26.6)</b>	<b>\$ 2.7</b>	<b>\$ 142.5</b>

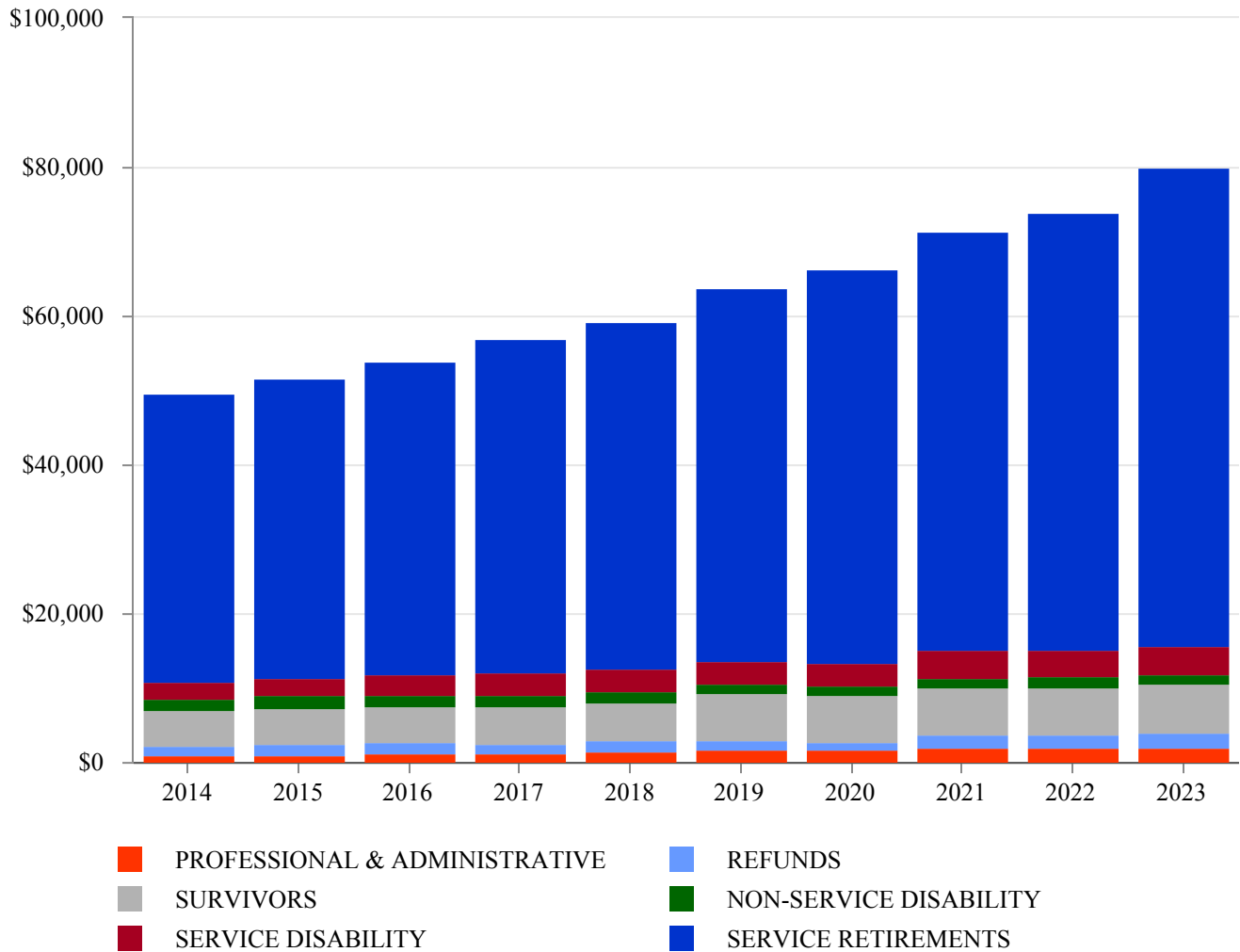
### Schedule and Graph of Additions by Source (In Thousands) Last Ten Fiscal Years 2014 - 2023



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
EMPLOYER CONTRIBUTIONS	\$ 11,440	\$ 12,327	\$ 13,060	\$ 15,205	\$ 14,609	\$ 14,627	\$ 16,554	\$ 20,144	\$ 22,017	\$ 22,236
EMPLOYEE CONTRIBUTIONS	7,946	8,750	9,098	10,181	10,329	10,516	11,028	13,750	15,493	14,894
INVESTMENT INCOME (LOSS)	172,772	33,309	5,089	162,376	108,916	69,389	20,108	407,811	(132,626)	164,015
<b>TOTAL</b>	<b>\$ 192,158</b>	<b>\$ 54,386</b>	<b>\$ 27,247</b>	<b>\$187,762</b>	<b>\$133,854</b>	<b>\$ 94,532</b>	<b>\$ 47,690</b>	<b>\$441,705</b>	<b>\$ (95,116)</b>	<b>\$ 201,145</b>

## Schedule and Graph of Deductions by Type (In Thousands)

Last Ten Fiscal Years 2014 - 2023



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
SERVICE RETIREMENTS	\$38,677	\$40,261	\$42,031	\$44,883	\$46,548	\$50,237	\$52,798	\$55,989	\$58,624	\$64,393
SERVICE DISABILITY	2,286	2,358	2,625	2,915	3,027	2,913	3,098	3,888	3,551	3,662
NON-SERVICE DISABILITY	1,709	1,579	1,744	1,602	1,654	1,344	1,370	1,304	1,731	1,313
SURVIVORS	4,704	4,874	4,799	4,951	5,013	6,320	6,326	6,316	6,333	6,657
REFUNDS	1,204	1,474	1,330	1,199	1,424	1,330	928	1,749	1,645	1,849
PROFESSIONAL & ADMINISTRATIVE	1,086	1,071	1,346	1,389	1,619	1,663	1,748	2,058	2,050	2,145
<b>TOTAL</b>	<b>\$49,666</b>	<b>\$51,617</b>	<b>\$53,875</b>	<b>\$56,939</b>	<b>\$59,285</b>	<b>\$63,807</b>	<b>\$66,268</b>	<b>\$71,304</b>	<b>\$73,934</b>	<b>\$80,019</b>

## Schedule of Average Benefit Payments

Retirement Effective Dates	Years of Credited Service						Fiscal Year
	5-10	10-15	15-20	20-25	25-30	30+	Average/ New Retirees
<b>Period 7/1/22 to 6/30/23*</b>							
Average Monthly Pension Benefits	\$ 879	\$ 1,676	\$ 2,515	\$ 2,712	\$ 2,899	\$ 2,824	\$ 2,251
Average Monthly DROP Payment	—	1,029	1,269	1,599	1,931	2,173	1,334
Average Final Average Salary	5,888	5,224	5,787	5,356	4,766	3,412	5,072
Number of New Retired Members	19	24	28	21	14	3	109
<b>Period 7/1/21 to 6/30/22*</b>							
Average Monthly Pension Benefits	\$ 1,474	\$ 1,542	\$ 2,188	\$ 2,845	\$ 3,631	\$ 4,746	\$ 2,738
Average Monthly DROP Payment	—	271	935	1,377	2,207	2,213	1,167
Average Final Average Salary	9,611	4,978	5,427	5,677	6,344	6,956	6,499
Number of New Retired Members	15	15	26	23	14	8	101
<b>Period 7/1/20 to 6/30/21*</b>							
Average Monthly Pension Benefits	\$ 1,387	\$ 1,932	\$ 2,079	\$ 2,836	\$ 3,198	\$ 4,063	\$ 2,583
Average Monthly DROP Payment	—	860	924	2,006	2,471	2,756	1,503
Average Final Average Salary	8,449	5,748	5,524	5,500	5,205	6,514	6,157
Number of New Retired Members	11	17	24	22	12	11	97
<b>Period 7/1/19 to 6/30/20*</b>							
Average Monthly Pension Benefits	\$ 1,142	\$ 1,630	\$ 2,054	\$ 2,627	\$ 3,123	\$ 3,234	\$ 2,302
Average Monthly DROP Payment	214	321	1,041	2,048	2,685	3,223	1,589
Average Final Average Salary	7,385	5,322	5,029	5,727	5,243	5,238	5,657
Number of New Retired Members	8	25	21	14	6	5	79
<b>Period 7/1/18 to 6/30/19*</b>							
Average Monthly Pension Benefits	\$ 1,477	\$ 1,791	\$ 1,927	\$ 2,611	\$ 3,447	\$ 3,267	\$ 2,420
Average Monthly DROP Payment	—	218	539	1,627	2,323	2,389	1,183
Average Final Average Salary	5,817	6,114	4,750	5,114	6,243	4,825	5,477
Number of New Retired Members	8	29	22	16	13	11	99
*The Schedule of Average Benefit Payments includes information in accordance with GASB Statement No. 44 for the periods from July 1, 2016 through June 30, 2023. Since implementing PG3 - our new Pension Administration System commencing July 1, 2015, we are now able to capture information prospectively that is necessary for the System to comply with GASB 44 reporting. The System will provide 10 years in the format required by GASB 44 as information becomes available.							

## Schedule of Average Benefit Payments (Continued)

Retirement Effective Dates	Years of Credited Service						Fiscal Year
	5-10	10-15	15-20	20-25	25-30	30+	Average/ New Retirees
<b>Period 7/1/17 to 6/30/18*</b>							
Average Monthly Pension Benefits	\$ 822	\$ 1,492	\$ 1,777	\$ 2,820	\$ 2,462	\$ 3,560	\$ 2,156
Average Monthly DROP Payment	—	277	594	1,549	1,569	2,473	1,077
Average Final Average Salary	5,746	5,217	4,478	6,058	4,559	5,679	5,290
Number of New Retired Members	7	18	22	22	10	10	89
<b>Period 7/1/16 to 6/30/17*</b>							
Average Monthly Pension Benefits	\$ 976	\$ 1,446	\$ 2,448	\$ 2,624	\$ 2,851	\$ 3,648	\$ 2,332
Average Monthly DROP Payment	0	153	901	1,590	1,989	1,718	1,059
Average Final Average Salary	5,707	4,938	5,905	5,403	4,333	5,531	5,303
Number of New Retired Members	12	26	23	20	8	9	98
<b>Period 7/1/15 to 6/30/16*</b>							
Average Monthly Pension Benefits	\$ 938	\$ 1,567	\$ 1,847	\$ 2,606	\$ 2,596	\$ 2,402	\$ 1,993
Average Monthly DROP Payment	108	227	542	1,698	1,263	1,476	886
Average Final Average Salary	5,576	5,480	5,048	5,325	4,961	4,395	5,131
Number of New Retired Members	14	23	24	16	20	11	108
<b>Period 7/1/14 to 6/30/15</b>							
Average Monthly Pension Benefits	\$ 912	\$ 1,409	\$ 2,173	\$ 2,509	\$ 5,125	\$ 5,039	\$ 2,861
Number of New Retired Members	13	11	25	6	16	6	77
<b>Period 7/1/13 to 6/30/14</b>							
Average Monthly Pension Benefits	\$ 1,060	\$ 1,610	\$ 2,144	\$ 3,586	\$ 3,258	\$ 6,795	\$ 3,076
Number of New Retired Members	12	12	17	15	10	8	74
*The Schedule of Average Benefit Payments includes information in accordance with GASB Statement No. 44 for the periods from July 1, 2016 through June 30, 2023. Since implementing PG3 - our new Pension Administration System commencing July 1, 2015, we are now able to capture information prospectively that is necessary for the System to comply with GASB 44 reporting. The System will provide 10 years in the format required by GASB 44 as information becomes available.							

## Retirees by Type of Benefit

As of June 30, 2023

Amount of Monthly Benefit	Number of Retirees	Type of Retirement*		
		1	2	3
\$1 - \$1,000	346	245	2	99
\$1,001 - \$2,000	613	389	68	156
\$2,001 - \$3,000	496	385	60	51
\$3,001 - \$4,000	311	277	17	17
\$4,001 - \$5,000	175	162	8	5
\$5,001 - \$6,000	126	118	4	4
\$6,001 - \$7,000	67	62	5	—
> \$7,000	92	92	—	—
<b>Total</b>	<b>2,226</b>	<b>1,730</b>	<b>164</b>	<b>332</b>

**\*Type of Retirement**

1 - Service Retiree

2 - Disability Retiree

3 - Beneficiary/Continuant/Survivor

Amount of Monthly Benefit	Number of Retirees	Option Selected**			
		Unmodified	Option 1	Option 2	Option 3
\$1 - \$1,000	346	191	72	65	18
\$1,001 - \$2,000	613	281	173	121	38
\$2,001 - \$3,000	496	209	109	128	50
\$3,001 - \$4,000	311	130	79	78	24
\$4,001 - \$5,000	175	61	41	54	19
\$5,001 - \$6,000	126	52	38	27	9
\$6,001 - \$7,000	67	32	15	15	5
> \$7,000	92	31	17	33	11
<b>Total</b>	<b>2,226</b>	<b>987</b>	<b>544</b>	<b>521</b>	<b>174</b>

**\*\*Option Selected**

Unmodified - Beneficiary receives 50% of the member's allowance

Option 1 - Beneficiary receives lump sum of member's unused contributions

Option 2 - Beneficiary receives 100% of member's reduced monthly benefit

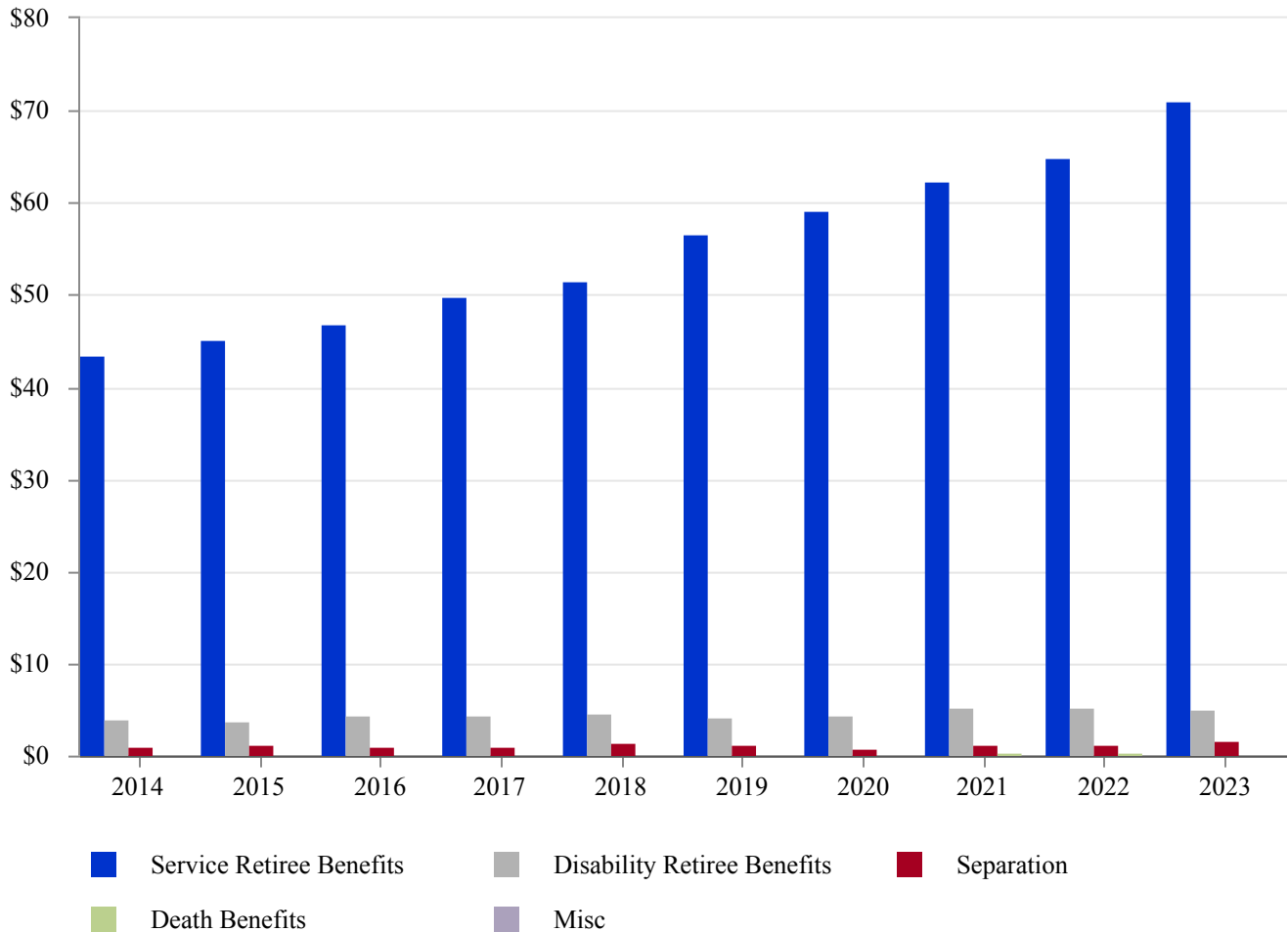
Option 3 - Beneficiary receives 75% of member's reduced monthly benefit



## Schedule and Graph of Pension Benefit Payments Deductions by Type

Last Ten Fiscal Years 2014 - 2023

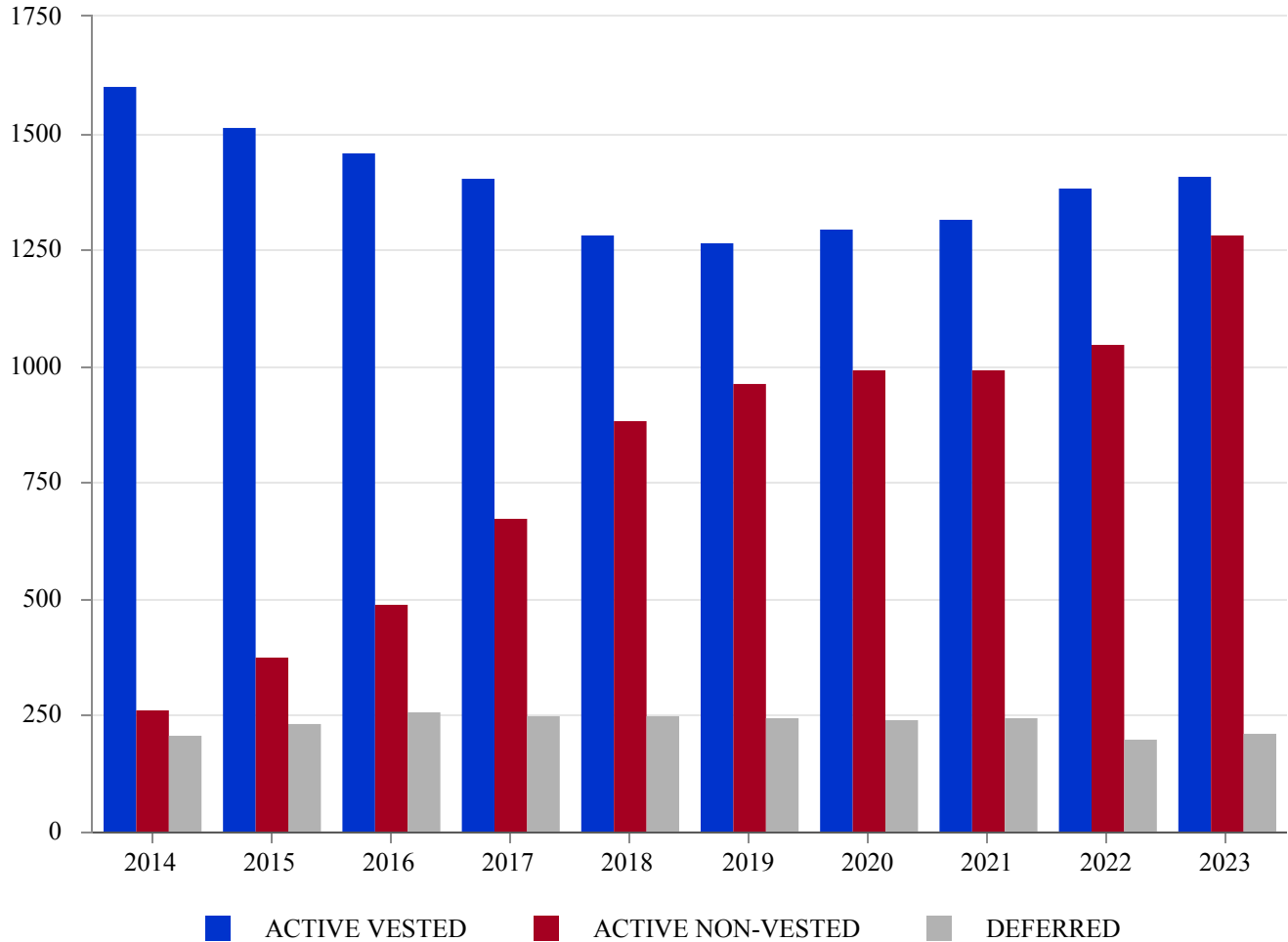
(Dollars in Millions)



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Service Retiree Benefits	\$43.4	\$45.1	\$46.8	\$49.9	\$51.5	\$56.6	\$59.1	\$62.3	\$65.0	\$71.0
Disability Retiree Benefits	4.0	3.9	4.4	4.5	4.7	4.2	4.5	5.2	5.3	5.0
Separation	1.1	1.3	1.1	1.1	1.4	1.2	0.8	1.3	1.2	1.8
Death Benefits	0.1	0.2	0.2	—	—	0.1	0.1	0.4	0.4	0.1
Misc	—	—	—	—	—	—	—	—	—	—
<b>Total Benefit Deductions</b>	<b>\$48.6</b>	<b>\$50.5</b>	<b>\$52.5</b>	<b>\$55.5</b>	<b>\$57.6</b>	<b>\$62.1</b>	<b>\$64.5</b>	<b>\$69.2</b>	<b>\$71.9</b>	<b>\$77.9</b>

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

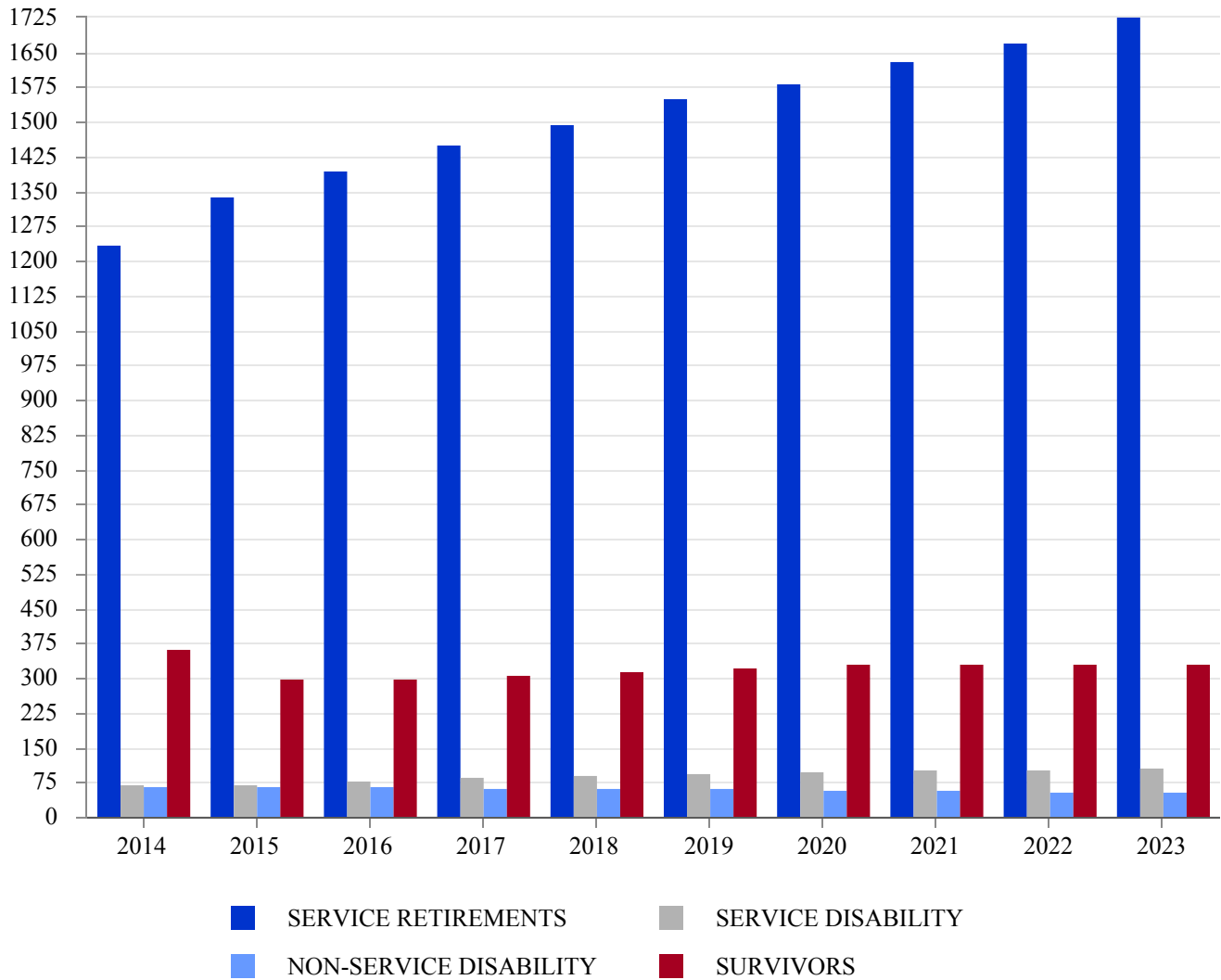
Last Ten Fiscal Years 2014 - 2023



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
ACTIVE VESTED	1,604	1,517	1,462	1,405	1,285	1,266	1,295	1,319	1,384	1,410
ACTIVE NON-VESTED	263	376	492	674	887	965	993	994	1,051	1,284
DEFERRED	209	236	261	251	251	247	243	248	202	213
<b>TOTAL</b>	<b>2,076</b>	<b>2,129</b>	<b>2,215</b>	<b>2,330</b>	<b>2,423</b>	<b>2,478</b>	<b>2,531</b>	<b>2,561</b>	<b>2,637</b>	<b>2,907</b>

## Schedule and Graph of Retirees Pension Benefit Payments by Type of Benefit

Last Ten Fiscal Years 2014 - 2023



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
SERVICE RETIREMENTS	1,237	1,342	1,398	1,454	1,498	1,551	1,583	1,633	1,673	1,730
SERVICE DISABILITY	73	71	82	89	92	95	99	104	105	109
NON-SERVICE DISABILITY	68	68	67	63	63	65	62	61	57	55
SURVIVORS	363	302	302	310	317	324	332	331	332	332
<b>TOTAL</b>	<b>1,741</b>	<b>1,783</b>	<b>1,849</b>	<b>1,916</b>	<b>1,970</b>	<b>2,035</b>	<b>2,076</b>	<b>2,129</b>	<b>2,167</b>	<b>2,226</b>

## Summary of Active Participants

<b>YEAR</b>	<b>NUMBER OF MEMBERS</b>	<b>PENSIONABLE PAYROLL</b>	<b>ANNUAL AVERAGE SALARY</b>	<b>NET CHANGE IN AVERAGE SALARY</b>
2023	2,694	\$186,218,911	\$69,124	2.23%
2022	2,435	\$164,642,390	\$67,615	1.53%
2021	2,313	\$154,030,657	\$66,593	1.98%
2020	2,288	\$149,402,670	\$65,298	5.26%
2019	2,231	\$138,395,785	\$62,033	4.88%
2018	2,172	\$128,461,461	\$59,144	3.32%
2017	2,079	\$119,006,918	\$57,242	3.05%
2016	1,954	\$108,541,068	\$55,548	(0.63%)
2015	1,893	\$105,820,382	\$55,901	0.46%
2014	1,867	\$103,890,391	\$55,646	(2.64%)

## Summary of Retirees

<b>YEAR</b>	<b>NUMBER OF RETIREES</b>	<b>ANNUAL BENEFITS TO PARTICIPANTS</b>	<b>ANNUAL AVERAGE ALLOWANCE (INDIVIDUAL)</b>	<b>NET CHANGE IN BENEFITS TO PARTICIPANTS</b>
2023	2,226	\$76,024,703	\$34,153	5.37%
2022	2,167	\$70,239,143	\$32,413	2.24%
2021	2,129	\$67,497,485	\$31,704	3.50%
2020	2,076	\$63,591,967	\$30,632	2.50%
2019	2,035	\$60,814,434	\$29,884	4.68%
2018	1,970	\$56,241,911	\$28,549	0.64%
2017	1,916	\$54,350,851	\$28,367	2.44%
2016	1,849	\$51,198,523	\$27,690	0.61%
2015	1,783	\$49,072,063	\$27,522	1.14%
2014	1,741	\$47,376,551	\$27,212	0.82%

## Member and City Contribution Rates

Last Ten Fiscal Years 2014 - 2023

As of June 30 Fiscal Year    Valuation Date		Member Rates			City Contribution Rates				
		Basic at Entry Age			Basic	COLA	Total City Rate	Less Prefunded Actuarial Accrued Liability (PAAL)	Net City Contribution Rate
20	25	30							
June 30, 2023	June 30, 2021	5.21%	6.11%	7.33%	10.41%	2.82%	13.23%	(1.26%)	11.97%
June 30, 2022	June 30, 2020	6.09%	7.15%	8.57%	10.51%	2.82%	13.33%	0.02%	13.35%
June 30, 2021	June 30, 2019	5.78%	6.79%	8.13%	10.55%	2.82%	13.37%	(0.34%)	13.03%
June 30, 2020	June 30, 2018	4.7%	5.56%	6.7%	9.09%	2.61%	11.70%	(0.59%)	11.11%
June 30, 2019	June 30, 2017	4.84%	5.72%	6.89%	9.14%	2.52%	11.66%	(1.08%)	10.58%
June 30, 2018	June 30, 2016	5.12%	6.05%	7.29%	9.18%	2.51%	11.69%	(0.3%)	11.39%
June 30, 2017	June 30, 2015	5.69%	6.69%	7.99%	9.5%	2.76%	12.26%	0.51%	12.77%
June 30, 2016	June 30, 2014	5.69%	6.68%	7.98%	9.31%	2.75%	12.06%	(0.02%)	12.04%
June 30, 2015	June 30, 2013	5.69%	6.68%	7.98%	9.02%	3.01%	12.03%	(0.38%)	11.65%
June 30, 2014	June 30, 2012	5.33%	6.28%	7.53%	8.63%	2.65%	11.28%	(0.27%)	11.01%

Data Source: Annual Actuarial Valuation Reports

## Economic Assumptions and Funding Method

Last Ten Fiscal Years 2014 - 2023

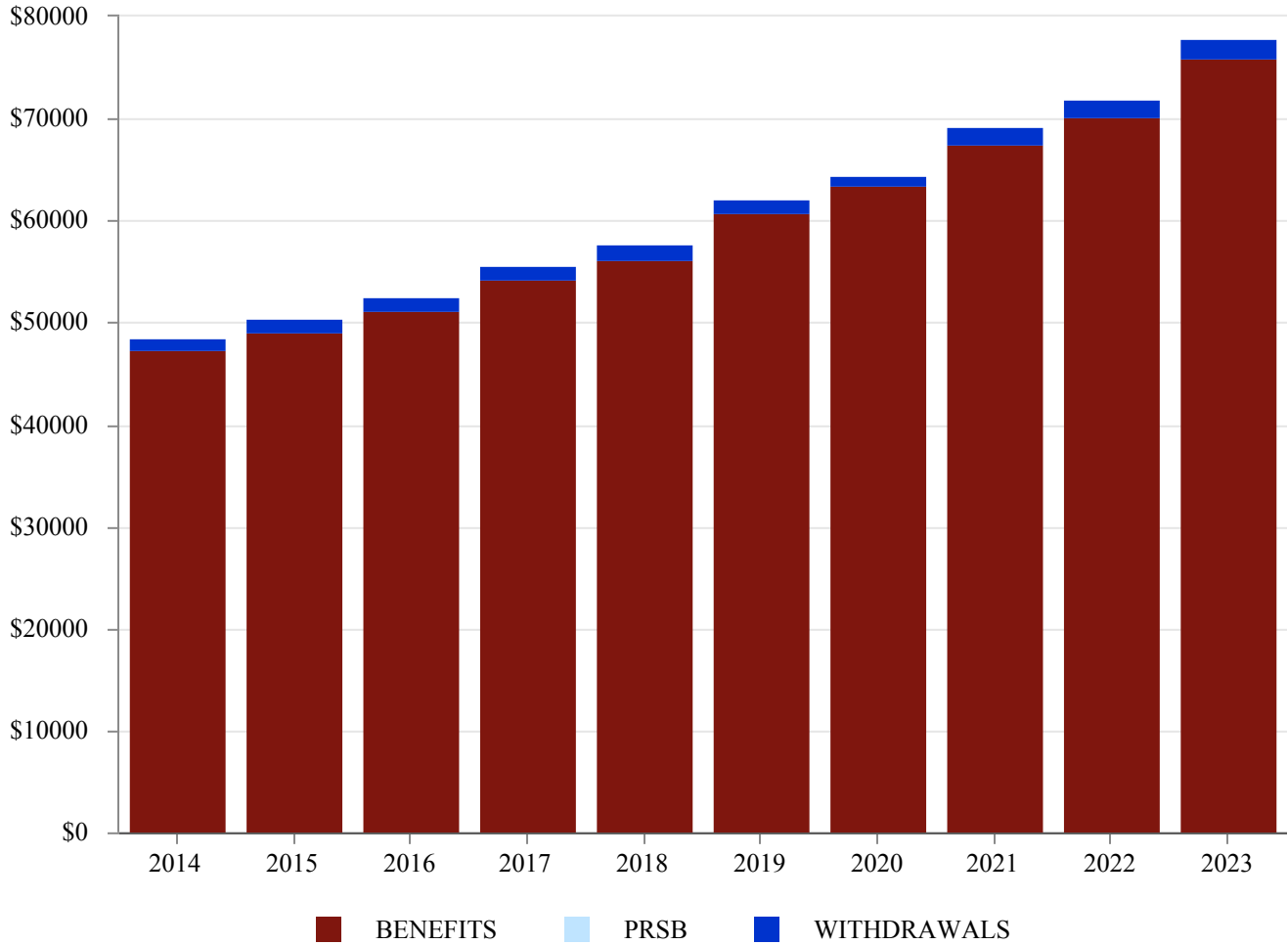
Valuation Date	Interest	Salary Scale	Cost-of-Living Adjustment (COLA)	Inflation Component	Funding Method
June 30, 2023	6.75%	.75 - 8.5%	2.50%	2.50%	Entry Age Normal
June 30, 2022	6.75%	.50 - 8.5%	2.50%	2.50%	Entry Age Normal
June 30, 2021	7.00%	.50 - 8.0%	2.75%	2.75%	Entry Age Normal
June 30, 2020	7.00%	.50 - 8.0%	2.75%	2.75%	Entry Age Normal
June 30, 2019	7.00%	.25 - 8.0%	2.75%	2.75%	Entry Age Normal
June 30, 2018	7.25%	.25 - 8.0%	3.00%	3.00%	Entry Age Normal
June 30, 2017	7.25%	.25 - 8.0%	3.00%	3.00%	Entry Age Normal
June 30, 2016	7.25%	.25 - 8.0%	3.00%	3.00%	Entry Age Normal
June 30, 2015	7.50%	.50 - 8.0%	3.25%	3.25%	Entry Age Normal
June 30, 2014	7.50%	.60 - 8.5%	3.25%	3.25%	Entry Age Normal

Source: The Segal Company June 30, 2023, Actuarial Valuation Report

## Benefits and Withdrawals Paid

Last Ten Fiscal Years 2014 - 2023

(In Thousands)

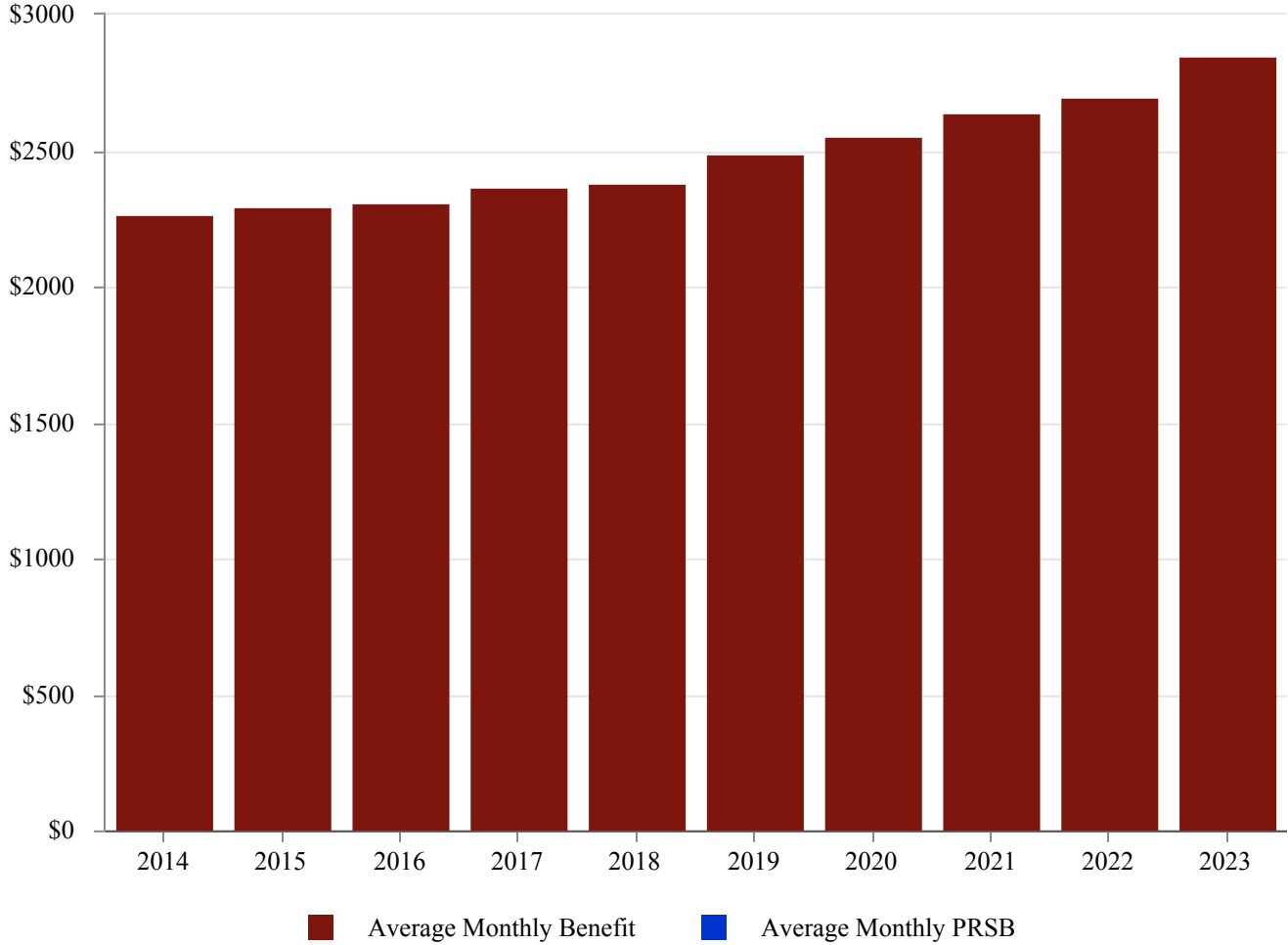


	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
BENEFITS	\$ 47,368	\$ 49,072	\$ 51,199	\$ 54,351	\$ 56,242	\$ 60,814	\$ 63,592	\$ 67,497	\$ 70,239	\$ 76,025
PRSB	9	—	—	—	—	—	—	—	—	—
WITHDRAWALS	1,204	1,474	1,330	1,199	1,424	1,330	928	1,749	1,645	1,849
<b>TOTAL</b>	<b>48,581</b>	<b>50,546</b>	<b>52,529</b>	<b>55,550</b>	<b>57,666</b>	<b>62,144</b>	<b>64,520</b>	<b>69,246</b>	<b>71,884</b>	<b>77,874</b>

## Average Monthly Benefits to Retirees

Last Ten Fiscal Years 2014 - 2023

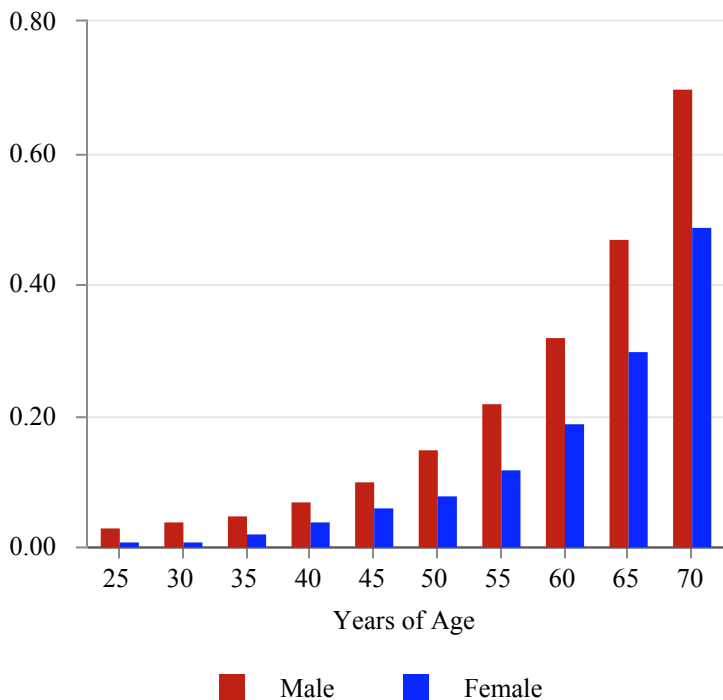
(In Thousands)



Average Monthly	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Benefit	\$2,267	\$2,294	\$2,307	\$2,364	\$2,379	\$2,490	\$2,553	\$2,642	\$2,701	\$2,846
PRSB	—	—	—	—	—	—	—	—	—	—
<b>Total Average Monthly</b>	<b>\$2,267</b>	<b>\$2,294</b>	<b>\$2,307</b>	<b>\$2,364</b>	<b>\$2,379</b>	<b>\$2,490</b>	<b>\$2,553</b>	<b>\$2,642</b>	<b>\$2,701</b>	<b>\$2,846</b>



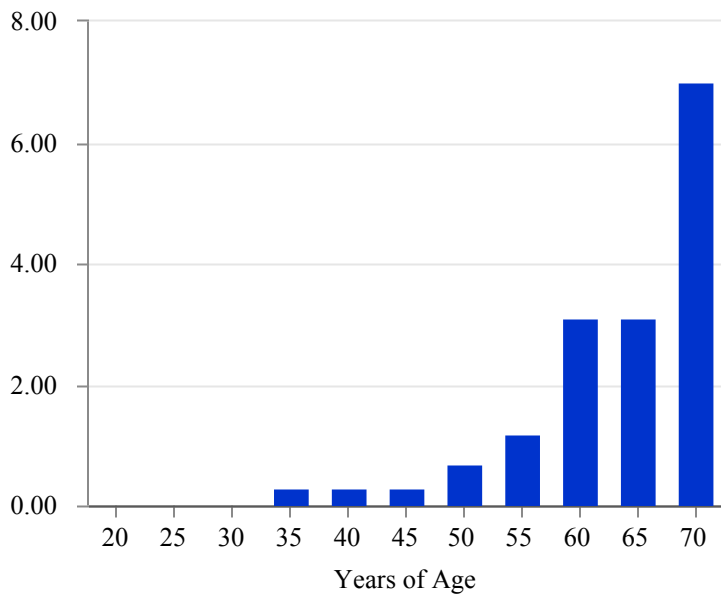
### EXPECTATION OF LIFE (Age and Service Retirees)



Separation Rates Prior to Retirement Due to Death*		
Rate %		
Age	Male	Female
25	0.03	0.01
30	0.04	0.01
35	0.05	0.02
40	0.07	0.04
45	0.10	0.06
50	0.15	0.08
55	0.22	0.12
60	0.32	0.19
65	0.47	0.30
70	0.70	0.49

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

### EXPECTATION OF LIFE (Disabled Retirees)



Separation Rates Prior to Retirement Due to Disability	
Rate %	
Age	Rate (%)
20	0.00
25	0.00
30	0.00
35	0.30
40	0.30
45	0.30
50	0.70
55	1.20
60	3.10
65	3.10
70	7.00

*To attract, develop and retain competent and professional staff.*

*To achieve and maintain superior investment performance on a risk controlled basis measured by the Public Fund Universe.*

## COMPLIANCE

- 105 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*

# Independent Auditor's Internal Control Letter



www.ba.cpa  
661-324-4971

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Fresno Employees Retirement System (the System), a pension trust fund of the City of Fresno, California, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated November 27, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**BAKERSFIELD**  
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559-476-3592

**STOCKTON**  
2423 West March Lane, Suite 202  
Stockton, CA 95207  
209-451-4833

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

## Independent Auditor's Internal Control Letter Continued

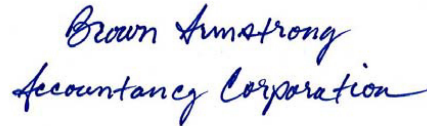
### Report on Compliance and Other Matters

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

### Purpose of This Report

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

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

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

Bakersfield, California  
November 27, 2023