

POPULAR ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended June 30, 2019 and 2018

2019

CITY OF FRESNO EMPLOYEES RETIREMENT SYSTEM

A MESSAGE TO MEMBERS

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

RETIREMENT BOARD

Phillip Hardcastle, Chair
TJ Miller, Vice Chair
Marvell French
David Cain
Jane Sumpter



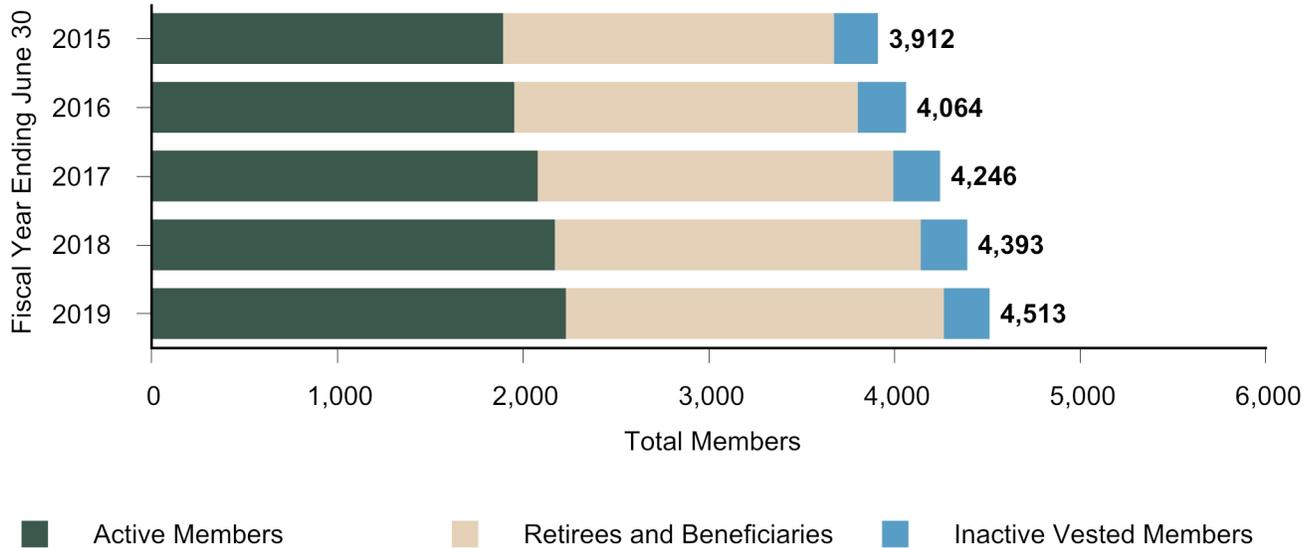
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Membership and Funded Status

Membership Highlights 2019-2018

Total overall membership in the System increased by 2.73% to 4,513. The total number of active members increased by 2.72% to 2,231. Retired membership increased 3.30% to 2,035. Inactive Vested membership decreased 1.59% to 247.

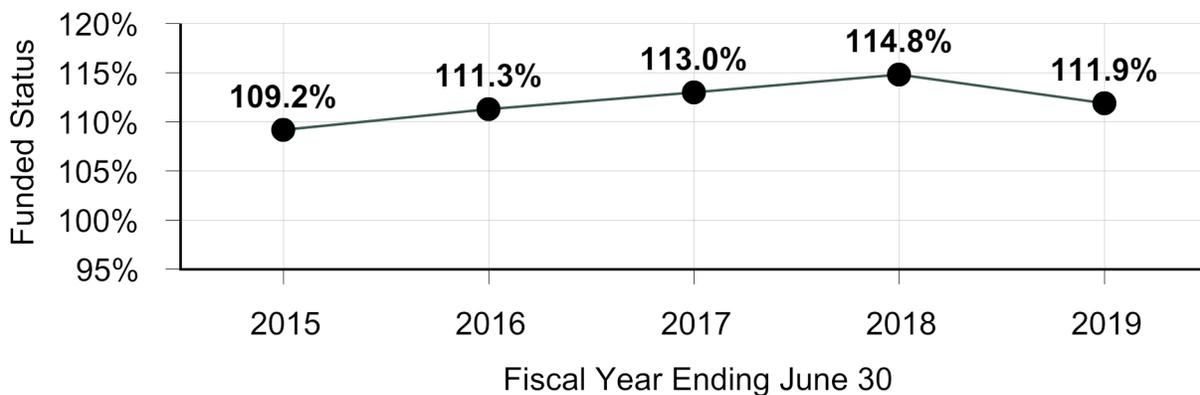
Membership History



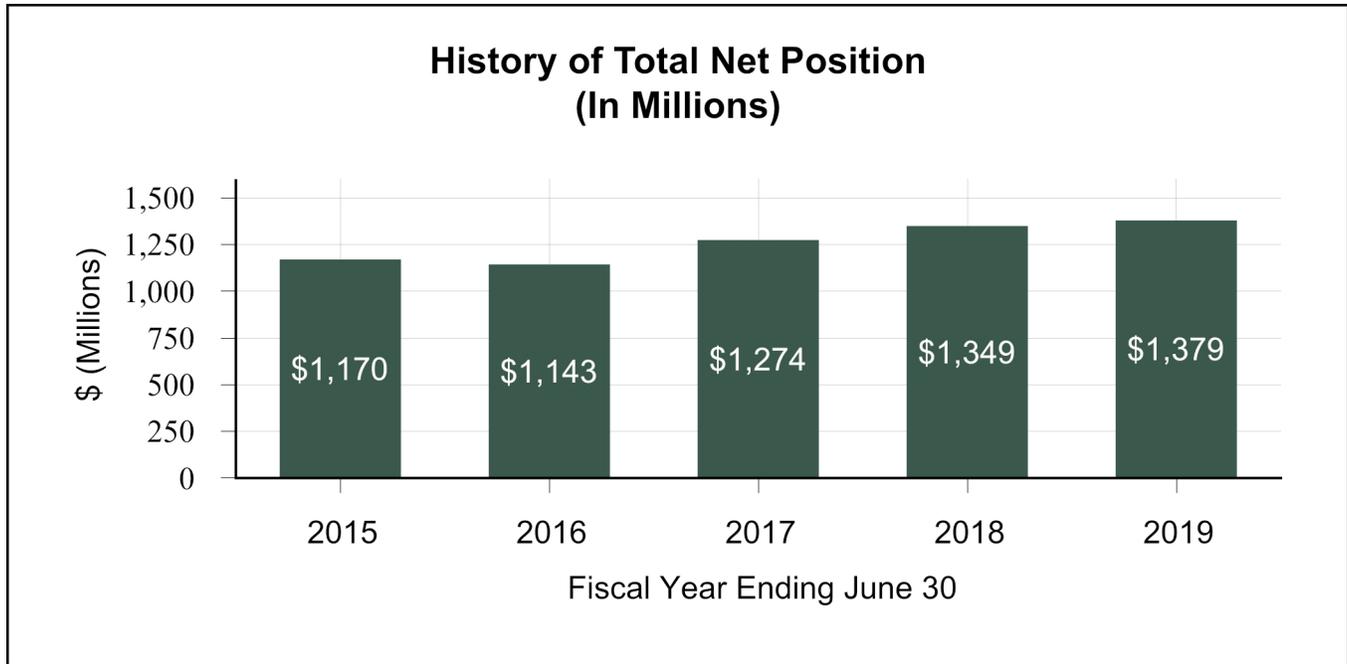
Funded Status

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2019, the date of the last actuarial valuation, the funded ratio for the System was 111.9 percent reflecting that the System has a valuation value of assets which is in excess of the actuarial accrued liability. In general, this indicates that for every dollar of benefits due, we have approximately \$1.12 of assets available for payment as of that date. As of June 30, 2018, the date of the previous annual actuarial valuation, the funded ratio for the System was 114.8 percent; and as of June 30, 2017, the funded ratio for the System was 113.0 percent.

Historical Funded Status



Total Net Position



At June 30, 2019, the City of Fresno Employees Retirement System had total assets of \$1,475 million, less total liabilities of \$95 million, for a total net position restricted for pension benefits of \$1,379 million compared to \$1,349 million at June 30, 2018. “Net Position Restricted for Pension Benefits” represents funds available to pay benefits. It is a point in time or a snapshot of account balances as of the fiscal year-end (i.e., June 30). It indicates the assets available for future payments to retirees and any current liabilities. Increases and decreases in Net Position Restricted for Pension Benefits, when analyzed over time, may serve as an indicator of whether the System’s financial position is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the System’s overall health.

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Current and Other Assets	\$ 177,086,908	\$ 136,629,493	\$ 106,641,832	\$ 91,723,622	\$ 123,581,049
Investments at Fair Value	1,167,658,400	1,171,535,518	1,275,434,469	1,346,977,080	1,351,121,470
Total Assets	\$ 1,344,745,308	\$ 1,308,165,011	\$ 1,382,076,301	\$ 1,438,700,702	\$ 1,474,702,519
Total Liabilities	174,818,752	164,865,992	107,954,565	90,010,069	95,287,389
Net Position Restricted for Pension Benefits	\$ 1,169,926,556	\$ 1,143,299,019	\$ 1,274,121,736	\$ 1,348,690,633	\$ 1,379,415,130

Fund Revenues

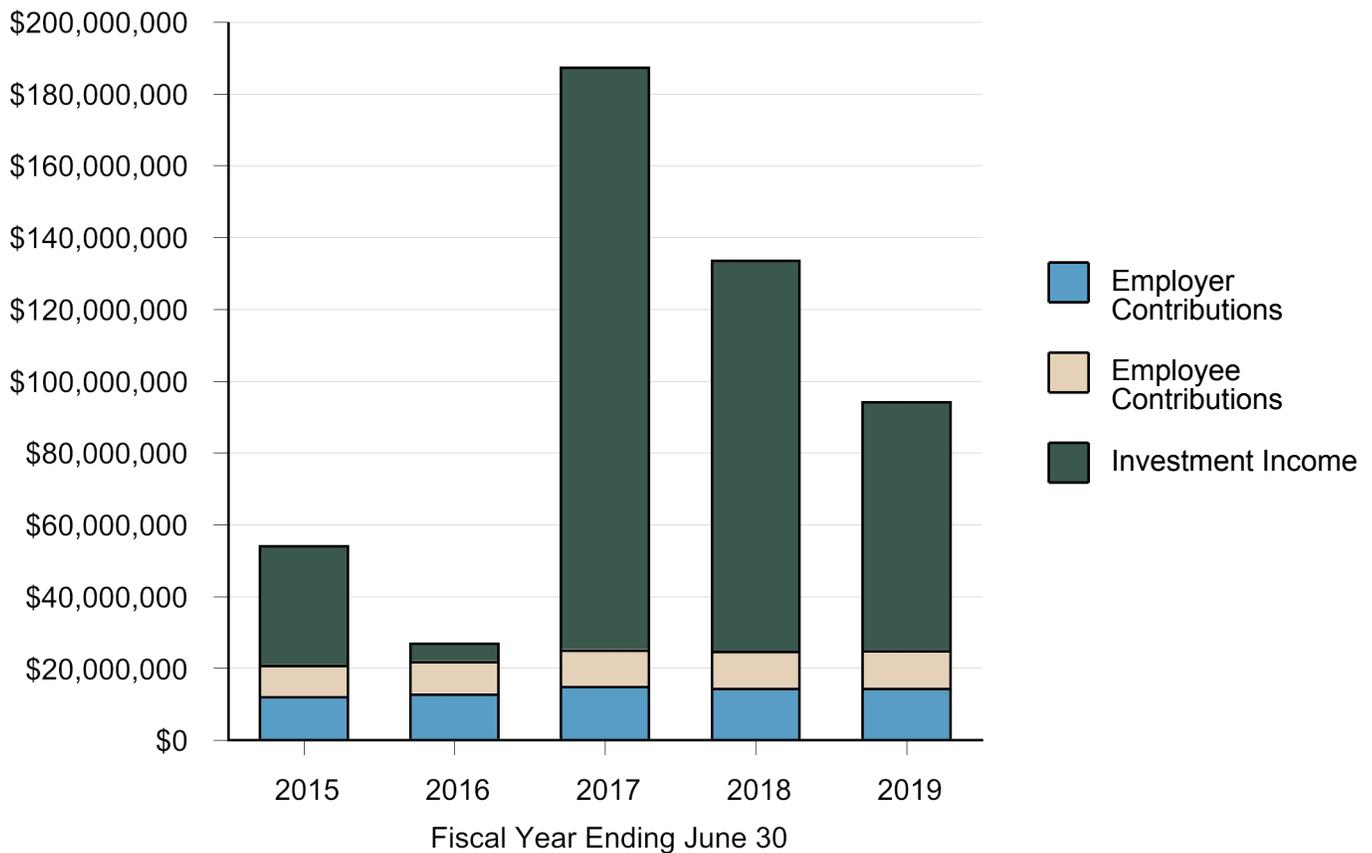
Fund revenues for the fiscal year 2019 decreased \$39,321,660 or 29.38 percent over the prior year from \$133,853,600 to \$94,531,940, which includes employee contributions of \$10,515,533, employer contributions of \$14,627,425, a net investment income gain of \$69,020,391 and net securities lending income of \$368,591.

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

Schedule and Graph of Fund Revenues By Source

For Fiscal Years Ended June 30, 2015 to 2019

	2015	2016	2017	2018	2019
Employer Contributions	\$ 12,326,570	\$ 13,060,088	\$ 15,205,360	\$ 14,608,659	\$ 14,627,425
Employee Contributions	8,750,214	9,098,286	10,180,589	10,329,475	10,515,533
Investment Income	33,309,388	5,089,099	162,376,205	108,915,466	69,388,982
TOTAL	\$ 54,386,172	\$ 27,247,473	\$ 187,762,154	\$ 133,853,600	\$ 94,531,940



Fund Expenditures

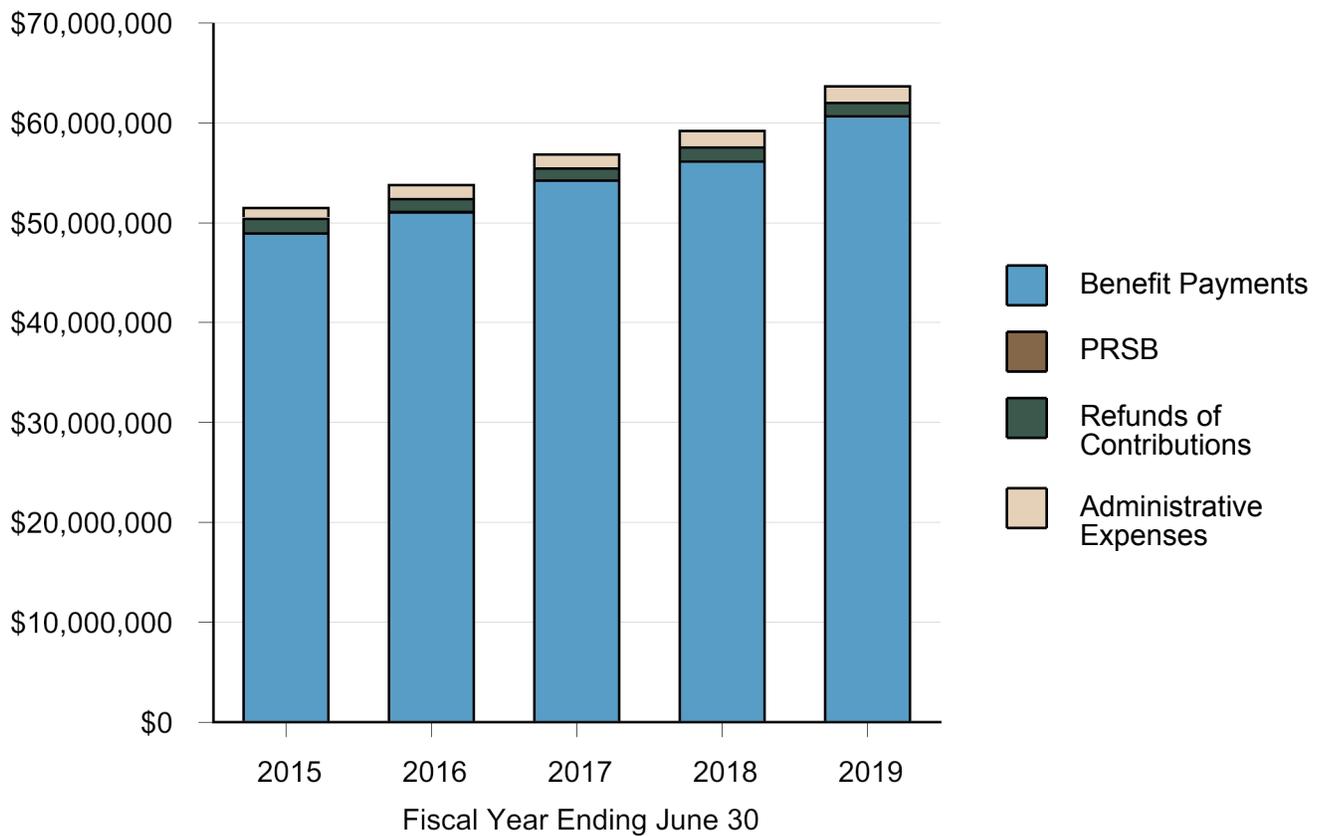
Fund Expenditures for the fiscal year 2019 increased \$4,522,740 or 7.63 percent over the prior fiscal year from \$59,284,703 to \$63,807,443, which includes benefit payments of \$60,814,434, refunds of contributions of \$1,329,651 and administrative expenses of \$1,663,358.

The current year increase in deductions is due primarily to the increases in retirees and the respective retirement benefits paid in 2019 even though there were no Post Retirement Supplemental Benefits (PRSB) paid during calendar year 2019.

Schedule and Graph of Fund Expenditures By Type

For Fiscal Years Ended June 30, 2015 to 2019

	2015	2016	2017	2018	2019
Benefit Payments	\$ 49,072,063	\$ 51,198,523	\$ 54,350,851	\$ 56,241,911	\$ 60,814,434
PRSB	—	—	—	—	—
Refunds of Contributions	1,473,650	1,330,298	1,199,054	1,424,025	1,329,651
Administrative Expenses	1,070,996	1,346,189	1,389,532	1,618,767	1,663,358
TOTAL	\$ 51,616,709	\$ 53,875,010	\$ 56,939,437	\$ 59,284,703	\$ 63,807,443



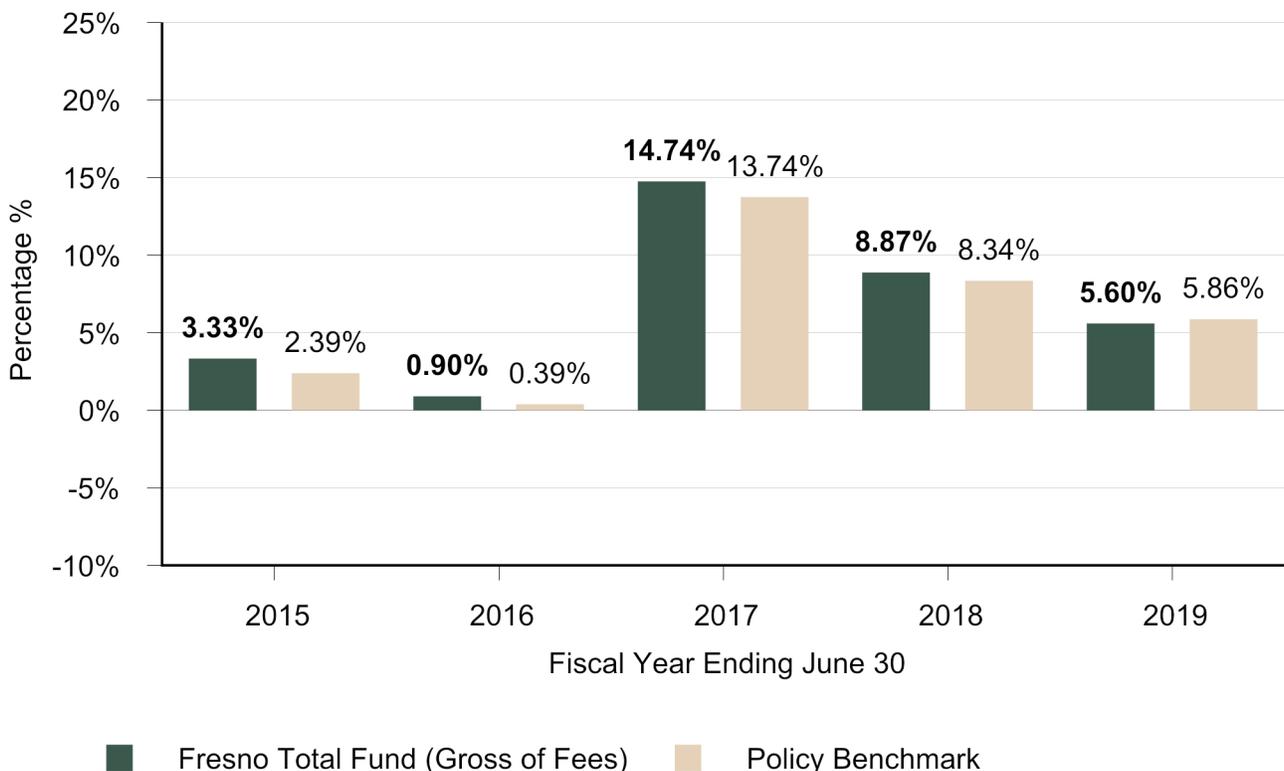
Investment Results, Actual and Target Allocations

The System generated a total investment gain of 5.60 percent, gross of fees, as reported by the System's custodian, Northern Trust, for the fiscal year ended June 30, 2019. The fiscal year return was 1.65 percent less than the System's actuarial interest rate assumption of 7.25 percent and 0.26 percent less than its policy-weighted benchmark of 5.86 percent, while outperforming its actual weighted benchmark of 5.10 percent by 0.50 percent. The System's ten-year annualized returns averaged 10.10 percent, outperforming its policy benchmarks return of 9.48 percent for the period by 0.62 percent. Over the longer term, our investment results remain sound with annualized returns of 7.28 percent and 8.66 percent, respectively, over the past fifteen and twenty-five years. After paying all benefits and expenses of the System, the year-end value of the System reached \$1.379 billion.

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

	FY 2019
Domestic Equity	6.35%
International Equity	2.38%
Fixed Income	7.90%
Real Estate	8.84%
Alternatives	6.12%
Total Fund	5.60%

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



Investment Results, Actual and Target Allocations Continued

Target and Actual Asset Allocation As of June 30, 2019

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

Actual Asset Allocation As of June 30, 2019

