

# Retirement Quarterly



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FRESNO CA 93721

CALL FOR AN APPOINTMENT AT (559) 621-7080.

VISIT OUR WEBSITE AT [WWW.CFRS-CA.ORG](http://www.CFRS-CA.ORG)

EMAIL YOUR QUESTIONS OR COMMENTS TO  
[RETIRE@FRESNO.GOV](mailto:RETIRE@FRESNO.GOV).

## EMPLOYEE AND EMPLOYER CONTRIBUTIONS -- EFFECTIVE JULY 1, 2013

At the December Employees Retirement Board meeting, the Board approved the Annual Actuarial Valuation Report prepared by The Segal Company and adopted the Employee and Employer contribution rates for the fiscal year 2014.

### EMPLOYEE CONTRIBUTIONS

The aggregate member contribution will decrease from 8.48% to 8.46%.

### POST RETIREMENT SUPPLEMENTAL BENEFIT (PRSB)

In approving the Annual Actuarial Valuation Report prepared by the actuary, the Board also adopted a PRSB amount of **\$0.62** per month for calendar year 2013, beginning with the retirement benefit check January 31, 2013. It is important to note that PRSB payments will continue in calendar year 2013 contingent upon surplus fund availability. Retirement staff will continue to carefully monitor the PRSB fund throughout the 2013 calendar year

and will promptly notice retirees and beneficiaries of any monthly amount change.

### THE CITY'S NORMAL CONTRIBUTION RATE

The City's pension contribution rate for fiscal year 2014 in the Employees Retirement System will decrease to 11.01% which includes the City's Normal contribution rate of 11.28% less an inclusion of the City's contribution shortfall from last fiscal year of 0.27%. The decrease to the City's contribution rate is due to the net change from the Projected Unit Credit to Entry Age Normal funding, difference between the actual and estimated June 30, 2012/2013 surplus allocated to the City in the June 2011 valuation for offsetting the City's contributions for the plan year.

## 1099R forms for Tax Year 2012 mailed to all benefit recipients in January.

Tax year 2012 1099R reporting includes CFRS benefits paid January 2012 through December 31, 2012. The earnings and tax data amount reported on the 2012 1099R are the same as your year-to-date balances on advice notice dated December 31, 2012.

If you have questions regarding the amounts reported on your 1099R, please call the Retirement Office at (559) 621-7080 or email [Retire@Fresno.gov](mailto:Retire@Fresno.gov).

If you discover that you need to increase, decrease or stop tax withholding from your CFRS retirement allowance, you can return the tax form included with your January benefit or download a Tax Withholding Form from our web site at [www.CFRS-CA.org](http://www.CFRS-CA.org), or contact us at (559) 621-7080. **Prior to processing any changes, the original withholding form signed by retiree** must be received by the Retirement Office. The deadline for processing changes to the Retirement Office is the 20th of each month. Requests to change tax withholding received by CFRS after the 20th of the month will be processed the following month.

# Investment Report

## Status of Investment Projects

During the 4<sup>th</sup> Quarter 2012, the Joint Boards reviewed, discussed and considered five proposals received from investment consulting firms in connection with their Request for Proposal for General Investment Consulting Services. Following a thorough review of each proposal and interviews with all five firms, in December the Boards selected three finalists and scheduled on site due diligence travel to commence in January 2013. The Boards' On-Site Due Diligence Travel Committee following their on-site meetings and further evaluation of each of the finalist firms will make their recommendation to the Joint Boards for selection of the firm whose service level, quality and fees best match the needs of the City of Fresno Retirement Systems.

In the coming months with the retention of a new Investment Consultant, the Retirement Boards will conduct a new Asset Allocation study with the expectation of completing these new efforts during the 2013 calendar year and resume its evaluation of real estate opportunities given the current market conditions.

The Boards agreement with its Master Custodial Bank and Securities Lending Services provider, Northern Trust, will expire on September 30, 2013. Therefore, in August, staff initially requested that the Boards consider authorizing staff to negotiate a renewal fee proposal. However, upon review of the fees proposed, it was determined that the level of increase in the fees dictated that it would be prudent for the Boards to issue a Request for Proposal (RFP) for Master Custodial Bank and Securities Lending Services given the significant economic impacts in the areas of Securities Lending and Brokerage Commission Recapture Programs over the past several years which impact revenues earned by all global custodial banks. The Boards agreed and staff issued an RFP for Master Custodial Bank and Securities Lending Services on December 11, 2012. Pleased with the overall services provided by Northern Trust, Northern was asked to rebid. Proposals are to be submitted by January 31, 2013, and the Boards are expected to complete the process of selection sometime in May 2013.

## The Economy

The economy entered the New Year on solid footing. That said many believe that the US economy has benefitted from a combination of luck and resilience, and that the ongoing anemic growth in the United States is historically unprecedented. A wide range of factors, including fiscal policy, headwinds from Europe, and risky monetary policy may loom over the US economic outlook in 2013.

There are said to be few price pressures in the US economy. Wage growth is still weak, and there is little upward pressure on prices in the early stages of the supply chain given soft global growth. Low inflation gives the Federal Reserve plenty of room to continue with its expansionary monetary policy. The central bank has said that it will keep the fed funds rate near zero until either the unemployment rate falls below 6.5 percent or expected inflation one to two years out moves above 2.5 percent. The latter does not look likely anytime soon, which means the Fed can keep rates extremely low in the medium term to support the labor market.

Economists state that job and income growth will continue to support this year's spending. However, growth will soften somewhat in early part of 2013 as households adjust to increases in Social Security payroll and personal taxes, before picking back up again in the second half of the year.

## Investment Performance of the Systems

For the twelve months ending December 31, 2012, our System's cumulative investment returns were 14.87 percent due to rebounds in the global equity markets. For the past five years our Systems' annualized return was 2.91 percent which compares somewhat favorably with the five year return of the SP 500 return of 1.66 percent, the Russell 2000 return of 3.56 percent, MSCI EAFE Index return of (3.21) percent and the Barclay (BC) Aggregate bond index of 5.95 percent. For the past ten years our Systems' annualized return was 8.04 percent which compares very favorably with our policy benchmark return of 8.10 percent.

As of December 31, 2012, the Retirement System's portfolio had 58.6 percent in equities, 30.6 percent in fixed income, and 10.7 percent in public and private open ended real estate investment funds. The investments were further diversified into the following asset classes and target percentages:

	<u>Actual</u>	<u>Target</u>
Large-Cap equities	20.38%	22.5%
Small-Cap equities	8.06%	7.5%
International equities	22.73%	22.8%
Emerging Market equities	7.51%	7.2%
Domestic fixed income	19.98%	15.0%
High Yield fixed income	10.57%	10.0%
Real estate	10.72%	15.0%
Cash	<u>0.05%</u>	<u>0.0%</u>
Total	100%	100.0%

This asset class diversification along with portfolio investment style diversification is all part of the Retirement Board's Investment Risk Management Program.



# Year in Review

by Stanley McDivitt, Retirement Administrator



2012 was a year of both accomplishment and change. As always, the scope and quality of the services that we provide to our members remained our highest priority. With that in mind, during 2012 we completed several projects designated to enhance and expand our member services and initiated some long-term projects to upgrade our systems.

### Administration

The Retirement Boards jointly approved a major upgrade to our original pension administration system that was installed in 1997. Programming and installation will be completed over the next two years. The new PensionGold Version 3 System is a web based, fully integrated software administration system which includes imaging of documents, workflow processes and a new member

portal which will allow members secure access to their information in our system including DROP account information. This project is a major challenge for our staff, but critical for the successful operation of our Systems.

We have developed a new “paperless process” for Retirement Board Members and staff to receive and review their Board agenda materials electronically. This new process will save a lot of paper, time and money for the Systems. Special thanks to our ISD staff and our Executive Assistant Pattie Laygo for the development and implementation of this project and related security policies.

### Professional Services

The joint Boards just completed a Request for Proposal process for

General Investment Consulting Services to the Systems which began about six months ago. The Boards retained NEPC, LLP as their new investment consulting firm who will be reviewing our Asset Allocation Plan, risk controls and portfolio manager structure over the next six months.

### Annual Reporting

As usual, one of our goals is to be transparent to our members and plan sponsor. To meet that goal, we have completed our Comprehensive Annual Financial Reports (“CAFR”) as of June 30, 2012 which can be viewed on our Systems website at the following link along with our June 30, 2012 Annual Actuarial Valuation Reports:

<http://www.cfrs-ca.org/Employee/Communications/Reports.asp>

## Retirement Estimates Made Easy Best Approach When Thinking About Retirement

Usually when CFRS members start thinking about retirement, they begin wondering about how much they will receive in a retirement benefit. The best way to find out is by getting a retirement benefit estimate.

There are two ways to get a retirement estimate— CFRS web site CFRS-CA.org or by a Retirement Counselor. Both type of estimates are approximations of a member’s retirement benefit based on the System benefit formula, final average salary, years of service and age at retirement.

Anytime in your career, we recommend getting an estimate using the online benefits calculator on the City of Fresno Retirement Systems’ website at CFRS-CA.org. It is the fastest and most convenient way to get an estimate.

For members who are two to four weeks from retirement, we recommend setting an appointment with a Retirement Counselor for your retirement estimate. Our retirement counselors will use the most current member information and possibly incorporate other relevant information or retirement options.

<b>ANY TIME in YOUR career</b>	<a href="http://www.cfrs-ca.org/calculators/EmpSystemCalc.asp">http://www.cfrs-ca.org/calculators/EmpSystemCalc.asp</a> and use the retirement benefits calculator.
<b>Two to four weeks BEFORE your retirement date.</b>	Call or email the Retirement Office and schedule an appointment with a Retirement Counselor.
<b>Your last day of active employment, i.e. 2/4/2013</b>	The effective date of your retirement would be 2/5/2013.
<b>LAST City payroll</b>	Your final regular City paycheck will include all payoffs for any unused leave balances, according to your MOU.

# RETIREEES

October 1, 2012 to December 31, 2012

Juanita Aranz  
 Matthew Bullis  
 Gonzalo Chavez  
 Thomas Cox  
 John Espinoza

Charles Garibay  
 John Hernandez  
 Angel Jaime  
 Shari Jones  
 Maryann Lewis

Enrique Mendizabal  
 Tommy Moore  
 William Morton  
 William Ross

## RETIREMENT CALENDAR 2013


January							April							July							October									
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S			
			1	2	3	4	5			1	2	3	4	5	6			1	2	3	4	5	6			1	2	3	4	5
6	7	8	9	10	11	12	7	8	9	10	11	12	13	7	8	9	10	11	12	13	6	7	8	9	10	11	12			
13	14	15	16	17	18	19	14	15	16	17	18	19	20	14	15	16	17	18	19	20	13	14	15	16	17	18	19			
20	21	22	23	24	25	26	21	22	23	24	25	26	27	21	22	23	24	25	26	27	20	21	22	23	24	25	26			
27	28	29	30	31			28	29	30					28	29	30	31				27	28	29	30	31					


  

February							May							August							November						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
					1	2				1	2	3	4					1	2	3						1	2
3	4	5	6	7	8	9	5	6	7	8	9	10	11	4	5	6	7	8	9	10	3	4	5	6	7	8	9
10	11	12	13	14	15	16	12	13	14	15	16	17	18	11	12	13	14	15	16	17	10	11	12	13	14	15	16
17	18	19	20	21	22	23	19	20	21	22	23	24	25	18	19	20	21	22	23	24	17	18	19	20	21	22	23
24	25	26	27	28			26	27	28	29	30	31		25	26	27	28	29	30	31	24	25	26	27	28	29	30

March							June							September							December						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
					1	2						1	1	2	3	4	5	6	7	1	2	3	4	5	6	7	
3	4	5	6	7	8	9	2	3	4	5	6	7	8	8	9	10	11	12	13	14	8	9	10	11	12	13	14
10	11	12	13	14	15	16	9	10	11	12	13	14	15	15	16	17	18	19	20	21	15	16	17	18	19	20	21
17	18	19	20	21	22	23	16	17	18	19	20	21	22	22	23	24	25	26	27	28	22	23	24	25	26	27	28
24	25	26	27	28	29	30	23	24	25	26	27	28	29	29	30						29	30	31				
31							30																				

 Retirement Benefit Pay Dates - Benefit is paid on the last working day of every month.

 Retirement Board Meetings - 2nd Wed and 4th Tues of every month.