

City of Fresno Employees Retirement System

**Governmental Accounting Standards Board
Statement No. 67 (GASB 67) Actuarial Valuation as of
June 30, 2024**



This valuation report should only be copied, reproduced, or shared with other parties in its entirety as necessary for the proper administration of the Plan.

© 2024 by The Segal Group, Inc.

Segal



180 Howard Street
Suite 1100
San Francisco, CA 94105-6147
segalco.com
T 415.263.8200

November 18, 2024

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

Dear Board Members:

We are pleased to submit this Governmental Accounting Standards Board Statement No. 67 (GASB 67) Actuarial Valuation as of June 30, 2024 for the City of Fresno Employees Retirement System (“Retirement System” or “the Plan”). It contains various information that will need to be disclosed in order to comply with GASB 67. Please refer to the Retirement System’s Actuarial Valuation and Review as of June 30, 2024 for the data, assumptions, and plan of benefits underlying these calculations.

This report has been prepared in accordance with generally accepted actuarial principles and practices for the exclusive use and benefit of the Board of Retirement (the Board), based upon information provided by the staff of the Plan and the Plan’s other service providers.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

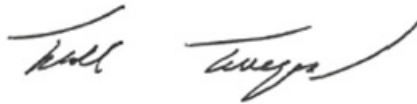
The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. The assumptions used in this actuarial valuation were selected by the Board based upon our analysis and recommendations. In our opinion, the assumptions are reasonable and take into account the experience of the Retirement System and reasonable expectations. In addition, in our opinion, the combined effect of these assumptions is expected to have no significant bias.

Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The Board is encouraged to discuss any issues raised in this report with the Plan's legal, tax and other advisors before taking, or refraining from taking, any action.

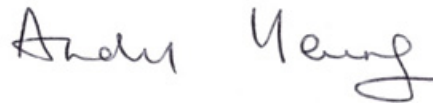
We look forward to reviewing this report with you and to answering any questions.

Sincerely,

Segal



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



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



Jonathan Boyles, FSA, CERA, MAAA
Senior Consultant

JY/jl

Table of Contents

Section 1: Actuarial Valuation Summary	5
Purpose and basis	5
General observations on a GASB 67 actuarial valuation	5
Highlights of the valuation	6
Summary of key valuation results	8
Important information about actuarial valuations	9
Section 2: GASB 67 Information	11
General information about the pension plan	11
Exhibit 1 – Net Pension Liability	14
Exhibit 2 – Discount rate	16
Exhibit 3 – Schedule of changes in Net Pension Liability	19
Exhibit 4 – Schedule of employer contributions	20
Appendix A: Definition of terms	24
Appendix B: Retirement Rates after Adjustment for DROP Participation	29

Section 1: Actuarial Valuation Summary

Purpose and basis

This report has been prepared by Segal to present certain disclosure information required by Governmental Accounting Standards Board Statement No. 67 (GASB 67) as of June 30, 2024. This report is based on:

- The benefit provisions of the Retirement System, as administered by the Board;
- The characteristics of covered active, inactive, and retired members and beneficiaries as of June 30, 2024, provided by the Retirement System;
- The assets of the Plan as of June 30, 2024, provided by the Retirement System;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board for the June 30, 2024 valuation; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc. adopted by the Board for the June 30, 2024 valuation.

The Actuarial Standard of Practice (ASOP) No. 4 provides guidelines for actuaries to follow when measuring pension obligations. For a plan such as that offered by the Retirement System that utilizes the actuarial surplus to provide contribution rate offsets and a Post Retirement Supplemental Benefit (PRSB) benefit, the valuation report must indicate that the impact of the application of any future actuarial surplus on the future financial condition of the plan has not been explicitly measured in the valuation. Furthermore, the actuary must consider using alternative procedures (such as stochastic modeling) for “gain sharing provisions that trigger benefit increases when investment returns are favorable but do not trigger benefit decreases when investment returns are unfavorable.” Based on our analysis, we do not believe the System’s actuarial surplus distribution provisions would necessarily fall under the guidelines of ASOP No. 4 so as to require quantification. This is based on the observation that only a portion of the surplus is available for distribution (on an amortized basis over 30 years) when the funded status of the System is over 110% in a particular valuation and that surplus distribution will be suspended immediately if the funded status falls below 110% in the following valuation. Nonetheless, it should be understood that there is still a potential financial impact associated with the surplus distribution provision. The Board may wish to consider authorizing a supplemental study so that the potential impact can be quantified.

General observations on a GASB 67 actuarial valuation

1. It is important to note that Governmental Accounting Standards Board (GASB) rules only define pension liability and expense for financial reporting purposes, and do not apply to contribution amounts for pension funding purposes. Employers and plans should develop and adopt funding policies under current practices.

Section 1: Actuarial Valuation Summary

2. When measuring pension liability, GASB uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as the Retirement System uses for funding. Note that, unrelated to the investment return assumption, the GASB rules use a version of the Entry Age method where the Total Pension Liability (TPL) 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 rules, actives 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.

As the service retirement rates we use in the funding valuation for members who are expected to participate in the DROP are different from the service retirement rates for members who are not expected to participate in the DROP, we have adjusted the service retirement rates for DROP participation accordingly, as described in Appendix B.

3. The TPL and the Plan's Fiduciary Net Position (FNP) include liabilities and assets held for DROP, the Post Retirement Supplemental Benefit (PRSB) and City Surplus reserves.
4. The Net Pension Liability (NPL) is equal to the difference between the TPL and the FNP. The Plan FNP is equal to the fair value of assets and therefore, the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) on a market value basis.

Highlights of the valuation

1. The reporting date for the Plan is June 30, 2024 and the NPL was measured as of the same date. The TPL was determined based upon the actuarial valuation as of June 30, 2024 and the Plan FNP was also valued as of the measurement date.
2. The NPL decreased from a surplus of \$(116.3) million as of June 30, 2023 to a surplus of \$(140.2) million as of June 30, 2024 primarily due to a return on the market value of assets of 10.2% during fiscal year 2023-2024 that was more than the assumption of 6.75% used in the June 30, 2023 valuation (a gain of about \$58 million). Changes in these values during the last two fiscal years can be found in *Section 2, Exhibit 3 - Schedule of changes in Net Pension Liability* on page 19.
3. The discount rate used to measure the TPL and NPL as of June 30, 2024 was 6.75%, following the same assumptions used by the Retirement System in the actuarial funding valuation as of June 30, 2024. The detailed calculations used in the derivation of the 6.75% discount rate can be found in *Appendix A*. Various other information that is required to be disclosed can be found throughout *Section 2*.
4. In the June 30, 2023 funding valuation, we provided the recommended 2024-2025 fiscal year employer and member contribution rates prepared under the Board's funding policy and those contribution rates were adopted by the Board on November 28, 2023. Even though we understand that these rates have not yet been implemented by the City, following a discussion we have had with Retirement System staff, we have been directed to assume for the purposes of developing the results in the June 30, 2024

Section 1: Actuarial Valuation Summary

funding valuation to assume those rates would ultimately be implemented by the City. In particular, by assuming that the future contributions to be made by the employer will equal to the actuarially determined contributions, we have not made any adjustment to the 6.75% discount rate used in the GASB valuation.

Section 1: Actuarial Valuation Summary

Summary of key valuation results

Line Description	Current Year	Prior Year
Reporting and Measurement Date	June 30, 2024	June 30, 2023
Disclosure elements		
Service cost ¹	\$44,234,726	\$37,298,819
Total Pension Liability	1,674,884,569	1,566,983,753
Plan Fiduciary Net Position	1,815,104,966	1,683,312,950
Net Pension Liability	(140,220,397)	(116,329,197)
Schedule of contributions		
Actuarially determined contributions	\$28,621,359	\$22,236,117
Actual contributions	28,621,359	22,236,117
Contribution deficiency / (excess)	0	0
Demographic data		
Number of retired members and beneficiaries	2,307	2,229
Number of inactive members ²	592	508
Number of DROP members	204	247
Number of active members	2,759	2,447
Key assumptions		
Investment rate of return	6.75%	6.75%
Inflation rate	2.50%	2.50%
“Across-the-board” salary increase	0.50%	0.50%
Projected salary increases ³	3.75% to 11.50%	3.75% to 11.50%
Cost-of-living adjustments	2.50% of retirement income	2.50% of retirement income

¹ The service cost is based on the previous year’s valuation, meaning the service cost as of the June 30, 2024 and June 30, 2023 measurement dates are based on the valuations as of June 30, 2023 and June 30, 2022, respectively. Both service costs have been calculated using the assumptions shown in the Prior Year column, as there had been no changes in the actuarial assumptions between the June 30, 2023 and June 30, 2022 valuations.

² Includes inactive members due a refund of member contributions.

³ Includes inflation at 2.50% plus “across-the-board” salary increase of 0.50% plus merit and promotion increases that vary by service.

Section 1: Actuarial Valuation Summary

Important information about actuarial valuations

In order to prepare a valuation, Segal relies on a number of input items. These include:

Input Item	Description
Plan provisions	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report (as well as the plan summary included in our funding valuation report) to confirm that Segal has correctly interpreted the plan of benefits.
Member information	An actuarial valuation for a plan is based on data provided to the actuary by the Retirement System. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Financial information	The valuation is based on the fair value of assets as of the measurement date, as provided by the Retirement System.
Actuarial assumptions	In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan members for the rest of their lives and the lives of their beneficiaries. This requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of members in each year, as well as forecasts of the plan's benefits for each of those events. In addition, the benefits forecasted for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments (if applicable). The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan's assets. All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions are selected within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model may use approximations and estimates that will have an immaterial impact on our results. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.
Actuarial models	Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Deterministic cost projections are based on a proprietary forecasting model. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The actuarial valuation is prepared at the request of the Board. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement at a specific date — it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted.
- If the Retirement System is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting or tax advice and is not acting as a fiduciary to the Plan. This valuation is based on Segal's understanding of applicable guidance in these areas and of the Plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.
- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by the Retirement System upon delivery and review. The Retirement System should notify Segal immediately of any questions or concerns about the final content.

Section 2: GASB 67 Information

General information about the pension plan

Plan administration

The City of Fresno 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 Retirement System is a single-employer, contributory, defined benefit pension plan. The Retirement System provides lifetime retirement, disability, and death benefits to the non-safety members employed by City of Fresno.

The Retirement System is administered by a Retirement Board composed of two management employees who are appointed by the Mayor and confirmed by the City Council, one employee who is elected by manual workers of the System, and one employee who is elected by the clerical or supervisory workers of the System. The fifth and final member of the Board shall be a qualified elector of the City, not connected with its government, elected by the previously designated four members. The Board oversees the Retirement Administrator and staff in the performance of their duties in accordance with the Municipal Code and the Board's Rules, Regulations and Policies.

Plan membership

At June 30, 2024, pension plan membership consisted of the following:

Membership	Count
Retired members and beneficiaries	2,307
Inactive members ¹	592
DROP members	204
Active members	2,759
Total	5,862

¹ Includes inactive members due a refund of member contributions.

Section 2: GASB 67 Information

Benefits provided

The Retirement System provides lifetime retirement, disability, and death benefits to eligible employees. The Retirement System provides retirement allowances to all non-safety members employed by the City of Fresno.

There is currently one tier applicable to non-safety members. Members are eligible to retire once they attain the age of 50 and have acquired 5 or more years of retirement service credit.

The retirement benefit the member will receive is based upon age at retirement, final average compensation and years of retirement service credit.

The benefit is calculated pursuant to the provisions of Section 3-541 of the Fresno Municipal Code. The monthly allowance for a member is equal to 2% of final compensation times each of the first 25 years of accrued retirement service credit plus 1% of final compensation times any years of accrued retirement service credit in excess of 25, 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 prior to the effective retirement date for members retiring on or before the effective date 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 three 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.

The Municipal Code provides that the Retirement staff must research the percentage change in Consumer Price Index (US city-average for urban wage earners and clerical workers – all items) and propose that percent to the Retirement Board as the cost-of-living adjustment (COLA) to be adopted for the following fiscal year. This procedure must be completed by the end of April each year for implementation in July. The COLA is limited to a five percent (5%) maximum change per year and any excess over 5% is banked for the retiree for use in a year where the percent of CPI change is less than 5%.

Contributions

For 2023–2024, the City of Fresno contributed to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from the

Section 2: GASB 67 Information

Retirement System's actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2024 for 2023-2024 (based on the June 30, 2022 valuation) was 13.43% of compensation.

For 2023–2024, all members made the required contributions to the Retirement System. The average member contribution rate as of June 30, 2024 for 2023-2024 (based on the June 30, 2022 valuation) was 8.84% of compensation.¹

¹ Includes contributions for active members who signed up for the DROP which are deposited into the members' DROP accounts.

Section 2: GASB 67 Information

Exhibit 1 – Net Pension Liability

Line Description	Current Year	Prior Year
Reporting and Measurement Date	June 30, 2024	June 30, 2023
Components of the Net Pension Liability		
Total Pension Liability	\$1,674,884,569	\$1,566,983,753
Plan Fiduciary Net Position	(1,815,104,966)	(1,683,312,950)
Net Pension Liability	\$(140,220,397)	\$(116,329,197)
Plan Fiduciary Net Position as a percentage of the Total Pension Liability ¹	108.37%	107.42%

The NPL for the Plan in this valuation was measured as of June 30, 2024. The Plan FNP was valued as of the measurement date and the TPL was determined based upon the actuarial valuation as of June 30, 2024.

Plan provisions

The plan provisions used in the measurement of the NPL as of June 30, 2024 are the same as those used in the Retirement System's actuarial funding valuation as of June 30, 2024.

Actuarial assumptions

The TPL as of June 30, 2024 uses the same actuarial assumptions as the actuarial funding valuation as of June 30, 2024. The actuarial assumptions used in that funding valuation were based on the results of an experience study for the period July 1, 2018 through June 30, 2021. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

¹ These funded percentages are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligation or the need for or the amount of future contributions.

Section 2: GASB 67 Information

Assumption Type	Assumption
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Inflation rate	2.50%
“Across-the-board” salary increase	0.50%
Salary increases	3.75% to 11.50% The above salary increases vary by service and include inflation and “across-the-board” salary increase.
Cost-of-living adjustments	2.50%
Mortality	Mortality rates are based on the Pub-2010 Amount-Weighted Mortality Table projected generationally with the two-dimensional MP-2021 projection scale. For healthy members, the General Healthy Retiree rates (increased by 5%) were used. For disabled members, the Non Safety Disabled Retiree rates (decreased by 5%) were used. For beneficiaries not currently in Pay Status, the General Healthy Retiree rates (increased by 5%) were used. For beneficiaries currently in Pay Status, the General Contingent Survivor rates (increased by 5%) were used.
Other assumptions	See the June 30, 2024 funding valuation, the analysis of actuarial experience during the period July 1, 2018 through June 30, 2021 and <i>Appendix B</i> for the service retirement rates after they have been adjusted to treat DROP participation as service retirement.

Detailed information regarding all actuarial assumptions can be found in the June 30, 2024 Actuarial Valuation and Review.

Section 2: GASB 67 Information

Exhibit 2 – Discount rate

Determination of discount rate and investment rates of return

The long-term expected rate of return on pension plan investments¹ was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected arithmetic rate of return for the portfolio by weighting the expected arithmetic real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin.

The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class (after deducting inflation but before deducting investment expenses), are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the actuarial funding valuation as of June 30, 2024. This information will be subject to change every three years based on the results of an actuarial experience study.

¹ Note that the investment return assumption for funding purposes was developed net of both investment and administrative expenses; however, the same investment return assumption was used for financial reporting purposes, where it is considered gross of administrative expenses. This results in an increase in the margin for adverse deviation when using that investment return assumption for financial reporting.

Section 2: GASB 67 Information

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return ¹
Large cap equity	18.00%	5.40%
Small/mid cap equity	3.00%	6.17%
International equity (unhedged)	13.00%	6.13%
Emerging international equity	5.00%	8.17%
Core bonds	12.00%	0.39%
Private equity	8.00%	10.83%
Private debt	14.00%	5.93%
Real estate	15.00%	4.59%
Private real assets - infrastructure/land	7.00%	6.19%
Private credit – credit opportunities	2.50%	7.18%
China equity	1.25%	9.53%
Hedge fund – macro	1.25%	2.72%
Total	100.00%	5.56%

Discount rate

The discount rate used to measure the TPL was 6.75% as of June 30, 2024.

The projection of cash flows used to determine the discount rate assumes plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially determined contribution rates.² 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 Plan FNP 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 pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of June 30, 2024.

¹ Arithmetic real rates of return are net of inflation.

² For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

Section 2: GASB 67 Information

Discount rate sensitivity

The following presents the NPL of the Retirement System as of June 30, 2024 calculated using the current discount rate of 6.75%, as well as what the Retirement System's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate.

Line Description	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net Pension Liability	\$59,685,896	\$(140,220,397)	\$(303,753,817)

Section 2: GASB 67 Information

Exhibit 3 – Schedule of changes in Net Pension Liability

Line Description	Current Year	Prior Year
Reporting and Measurement Date	June 30, 2024	June 30, 2023
Total Pension Liability		
Service cost	\$44,234,726	\$37,298,819
Interest	105,949,173	99,304,359
Change of benefit terms	0	0
Differences between expected and actual experience	40,919,106	35,440,351
Changes of assumptions	0	0
Benefit payments, including refunds of member contributions	(83,202,189)	(77,873,298)
Net change in Total Pension Liability	\$107,900,816	\$94,170,231
Total Pension Liability — beginning	1,566,983,753	1,472,813,522
Total Pension Liability — ending	\$1,674,884,569	\$1,566,983,753
Plan Fiduciary Net Position		
Contributions — employer	\$28,621,359	\$22,236,117
Contributions — member	18,833,018	14,894,336
Net investment income	169,857,906	164,014,181
Benefit payments, including refunds of member contributions	(83,202,189)	(77,873,298)
Administrative expense	(2,318,078)	(2,145,866)
Net change in Plan Fiduciary Net Position	\$131,792,016	\$121,125,470
Plan Fiduciary Net Position — beginning	1,683,312,950	1,562,187,480
Plan Fiduciary Net Position — ending	\$1,815,104,966	\$1,683,312,950
Net Pension Liability — beginning	\$(116,329,197)	\$(89,373,958)
Net Pension Liability — ending	\$(140,220,397)	\$(116,329,197)
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	108.37%	107.42%
Covered payroll ¹	\$213,088,002	\$186,218,911
Plan Net Pension Liability as percentage of covered payroll	(65.80%)	(62.47%)

¹ Covered payroll represents pensionable compensation. Only pensionable compensation that would possibly go into the determination of retirement benefits is included.

Section 2: GASB 67 Information

Exhibit 4 – Schedule of employer contributions

Year Ended June 30	Actuarially Determined Contributions ¹	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency / (Excess)	Covered Payroll ²	Contributions as a Percentage of Covered Payroll
2015	\$12,326,570	\$12,326,570	\$0	\$105,820,382	11.65%
2016	13,060,088	13,060,088	0	108,541,068	12.03%
2017	15,205,360	15,205,360	0	119,006,918	12.78%
2018	14,608,659	14,608,659	0	128,461,461	11.37%
2019	14,627,425	14,627,425	0	138,395,785	10.57%
2020	16,553,928	16,553,928	0	149,402,670	11.08%
2021	20,144,322	20,144,322	0	154,030,657	13.08%
2022	22,016,525	22,016,525	0	164,642,390	13.37%
2023	22,236,117	22,236,117	0	186,218,911	11.94%
2024	28,621,359	28,621,359	0	213,088,002	13.43%

See accompanying notes to this schedule on next page.

¹ The Actuarially Determined Contributions through June 30, 2015 were determined as the Annual Required Contribution under GASB 25 and 27.

² Covered payroll represents pensionable compensation. Only pensionable compensation that would possibly go into the determination of retirement benefits is included.

Section 2: GASB 67 Information

Methods and assumptions used to establish the actuarially determined contribution for the year ended June 30, 2024

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 (i.e., for fiscal year 2023-2024, are based on the June 30, 2022 valuation).

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

Market 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 market 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.

Section 2: GASB 67 Information

Actuarial assumptions

The actuarially determined contribution for the year ended June 30, 2024 is based on the results of the City of Fresno Employees Retirement System June 30, 2022 Actuarial Valuation and Review. The actuarial assumptions used in that valuation are as follows:

Assumption Type	Assumptions Used in the June 30, 2022 Valuation
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Inflation rate	2.50%
“Across-the-board” salary increase	0.50%
Salary increases	3.75% to 11.50% The above salary increases vary by service and include inflation and “across-the-board” salary increase.
Cost-of-living adjustments	2.50%
Other assumptions	Same as those used in the June 30, 2022 funding valuation

Section 2: GASB 67 Information

Determination of Discount Rate as of June 30, 2024 under Paragraph 43 of Statement 67

The discount rate used to measure the Total Pension Liability (TPL) as of June 30, 2024 was 6.75%.

This rate was determined under the assumption that current members and the employer will continue to make contributions to the System at the required rates. Under that assumption, the Plan Fiduciary Net Position as of June 30, 2024 is greater than the present value of future benefits and administrative expenses, less the present value of future member contributions and employer normal cost contributions, discounted at 6.75% to the same date. In other words, the current level of assets is projected to be more than sufficient to fund all future expected benefit payments and expenses assuming members and the employer continue to make the required normal cost contributions.

In the June 30, 2023 funding valuation, we provided the recommended 2024-2025 fiscal year employer and member contribution rates prepared under the Board's funding policy and those contribution rates were adopted by the Board on November 28, 2023. Even though we understand that these rates have not yet been implemented by the City, following a discussion we have had with Retirement System staff, we have been directed to assume for the purposes of developing the results in the June 30, 2024 funding valuation to assume those rates would ultimately be implemented by the City. In particular, by assuming that the future contributions to be made by the employer will equal to the actuarially determined contributions, we have not made any adjustment to the 6.75% discount rate used in the GASB valuation.

This determination was made without projecting the Plan Fiduciary Net Position as required under Paragraph 41 of Statement 67. Per Paragraph 43, if the sufficiency of the Net Position "...can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in making the evaluations." Based on our professional judgment, we believe this standard has been met.

Appendix A: Definition of terms

Definitions of certain terms as they are used in GASB Statement No. 67. The terms may have different meanings in other contexts.

Term	Definition
Active employees	Individuals employed at the end of the reporting or measurement period, as applicable.
Actual contributions	Cash contributions recognized as additions to the Plan Fiduciary Net Position.
Actuarial present value of projected benefit payments	Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.
Actuarial valuation	The determination, as of a point in time (the actuarial valuation date), of the service cost, Total Pension Liability, and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.
Actuarial valuation date	The date as of which an actuarial valuation is performed.
Actuarially determined contribution	A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.
Ad hoc cost-of-living adjustments (Ad Hoc COLAs)	Cost-of-living adjustments that require a decision to grant by the authority responsible for making such decisions.
Ad hoc postemployment benefit changes	Postemployment benefit changes that require a decision to grant by the authority responsible for making such decisions.
Agent employer	An employer whose employees are provided with pensions through an agent multiple-employer defined benefit pension plan.
Agent multiple-employer defined benefit pension plan (agent pension plan)	A multiple-employer defined benefit pension plan in which pension plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
Automatic cost-of-living adjustments (Automatic COLAs)	Cost-of-living adjustments that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).
Automatic postemployment benefit changes	Postemployment benefit changes that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).

Appendix A: Definition of terms

Term	Definition
Closed period	A specific number of years that is counted from one date and declines to zero with the passage of time. For example, if the recognition period initially is five years on a closed basis, four years remain after the first year, three years after the second year, and so forth.
Contributions	Additions to the Plan Fiduciary Net Position for amounts from employers, non-employer contributing entities (for example, state government contributions to a local government pension plan), or employees. Contributions can result from cash receipts by the pension plan or from recognition by the pension plan of a receivable from one of these sources.
Cost-of-living adjustments	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
Cost-sharing employer	An employer whose employees are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan.
Cost-sharing multiple employer defined benefit pension plan (Cost-sharing pension plan)	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
Covered payroll	Payroll on which contributions to a pension plan are based.
Deferred retirement option program (DROP)	A program that permits an employee to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The employee continues to provide service to the employer and is paid for that service by the employer after the DROP entry date; however, the pensions that would have been paid to the employee (if the employee had retired and not entered the DROP) are credited to an individual employee account within the defined benefit pension plan until the end of the DROP period.
Defined benefit pension plans	Pension plans that are used to provide defined benefit pensions.
Defined benefit pensions	Pensions for which the income or other benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The pensions may be stated as a specified dollar amount or as an amount that is calculated based on one or more factors such as age, years of service, and compensation. (A pension that does not meet the criteria of a defined contribution pension is classified as a defined benefit pension for purposes of GASB Statement No. 67.)
Defined contribution pension plans	Pension plans that are used to provide defined contribution pensions.

Appendix A: Definition of terms

Term	Definition
Defined contribution pensions	<p>Pensions having terms that:</p> <ol style="list-style-type: none"> 1. Provide an individual account for each employee; 2. Define the contributions that an employer is required to make (or the credits that it is required to provide) to an active employee's account for periods in which that employee renders service; and 3. Provide that the pensions an employee will receive will depend only on the contributions (or credits) to the employee's account, actual earnings on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made for other employees, as well as pension plan administrative costs, that are allocated to the employee's account.
Discount rate	<p>The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:</p> <ol style="list-style-type: none"> 1. The actuarial present value of benefit payments projected to be made in future periods in which: <ol style="list-style-type: none"> a. The amount of the Plan Fiduciary Net Position is projected (under the requirements of GASB Statement No. 67) to be greater than the benefit payments that are projected to be made in that period, and b. Pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments. 2. The actuarial present value of projected benefit payments not included in 1., calculated using the municipal bond rate.
Entry age actuarial cost method	<p>A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability.</p>
Inactive employees	<p>Terminated individuals that have accumulated benefits but are not yet receiving them, and retirees or their beneficiaries currently receiving benefits.</p>
Measurement period	<p>The period between the prior and the current measurement dates.</p>
Multiple-employer defined benefit pension plan	<p>A defined benefit pension plan that is used to provide pensions to the employees of more than one employer.</p>
Net Pension Liability (NPL)	<p>The liability of employers and non-employer contributing entities to employees for benefits provided through a defined benefit pension plan.</p>
Non-employer contributing entities	<p>Entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities.</p>

Appendix A: Definition of terms

Term	Definition
Other postemployment benefits	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits, regardless of the manner in which they are provided. Other postemployment benefits do not include termination benefits.
Pension plans	Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed and benefits are paid as they come due.
Pensions	Retirement income and, if provided through a pension plan, postemployment benefits other than retirement income (such as death benefits, life insurance, and disability benefits). Pensions do not include postemployment healthcare benefits and termination benefits.
Plan members	Individuals that are covered under the terms of a pension plan. Plan members generally include: <ol style="list-style-type: none"> 1. Employees in active service (active plan members), and 2. Terminated employees who have accumulated benefits but are not yet receiving them and retirees or their beneficiaries currently receiving benefits (inactive plan members).
Postemployment	The period after employment.
Postemployment benefit changes	Adjustments to the pension of an inactive employee.
Postemployment healthcare benefits	Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.
Projected benefit payments	All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and their expected future service.
Public employee retirement system	A special-purpose government that administers one or more pension plans; also may administer other types of employee benefit plans, including postemployment healthcare plans and deferred compensation plans.
Real rate of return	The rate of return on an investment after adjustment to eliminate inflation.
Service costs	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
Single employer	An employer whose employees are provided with pensions through a single-employer defined benefit pension plan.
Single-employer defined benefit pension plan (Single-employer pension plan)	A defined benefit pension plan that is used to provide pensions to employees of only one employer.

Appendix A: Definition of terms

Term	Definition
Special funding situations	<p>Circumstances in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either of the following conditions exists:</p> <ol style="list-style-type: none"> 1. The amount of contributions for which the non-employer entity legally is responsible is not dependent upon one or more events or circumstances unrelated to the pensions. 2. The non-employer entity is the only entity with a legal obligation to make contributions directly to a pension plan.
Termination benefits	<p>Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.</p>
Total Pension Liability (TPL)	<p>The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB Statement No. 67.</p>

Appendix B: Retirement Rates after Adjustment for DROP Participation

Service Retirement Rates — For Non-DROP Retirements

Age	Rate
50	1.00%
51	1.00%
52	1.75%
53	1.75%
54	1.75%
55	4.50%
56	3.00%
57	3.00%
58	4.00%
59	4.00%
60	5.50%
61	5.50%
62	10.00%
63	9.00%
64	15.00%
65	20.00%
66	25.00%
67	25.00%
68	25.00%
69	30.00%
70	60.00%
71	60.00%
72	60.00%
73	60.00%
74	60.00%
75 and over	100.00%

Appendix B: Retirement Rates after Adjustment for DROP Participation

For purposes of the GASB 67 valuation, members entering the DROP are treated like service retirements. We have increased the service retirement rates shown above by the DROP retirements in our GASB 67 valuation.

DROP Service Retirement Rates

Age	5-10 Years of Service	10-15 Years of Service	15-20 Years of Service	20-25 Years of Service	25 and Over Years of Service
50 – 51	0.00%	0.00%	1.50%	2.50%	2.50%
52 – 53	0.00%	0.00%	1.50%	5.00%	15.00%
54	0.00%	0.00%	10.00%	30.00%	45.00%
55	1.00%	10.00%	35.00%	40.00%	50.00%
56	1.00%	5.00%	20.00%	35.00%	35.00%
57 – 58	1.00%	5.00%	20.00%	30.00%	30.00%
59 – 61	1.00%	5.00%	18.00%	30.00%	10.00%
62 – 64	1.00%	5.00%	10.00%	15.00%	10.00%
65 – 70	1.00%	5.00%	10.00%	10.00%	10.00%
71 and over	0.00%	0.00%	0.00%	0.00%	0.00%

5918532v2/09313.004