GASB 68 ACCOUNTING VALUATION REPORT

(CalPERS ID: 5403166948)
Rate Plan Identifier: 1487

Prepared for the APTOS/LA SELVA FIRE PROTECTION AGENCY SAFETY PLAN, a Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Measurement Date of June 30, 2014

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ACTUARIAL CERTIFICATION

This report provides disclosure and reporting information as required under Governmental Accounting Standards Board Statement 68 (GASB 68) for the SAFETY PLAN of the APTOS/LA SELVA FIRE PROTECTION AGENCY (the "Plan"), a Cost-Sharing Multiple-Employer Defined Benefit Pension Plan participating in the California Public Employees' Retirement System (CalPERS), for the measurement period ended June 30, 2014. This information should be used for the fiscal year beginning after June 15, 2014 and ending on or before June 30, 2015.

Determinations for purposes other than financial accounting requirements may be significantly different from the results in this report. Thus, the use of this report for purposes other than those expressed here may not be appropriate.

This accounting valuation report relies on liabilities and related validation work performed by the CalPERS Actuarial Office as part of the June 30, 2013 annual funding valuation for the Plan. The census data and benefit provisions underlying the liabilities were prepared as of June 30, 2013 and certified as part of the annual funding valuation by the CalPERS Actuarial Office. The June 30, 2013 liabilities used for this accounting valuation are based on the actuarial assumptions recommended by the CalPERS Chief Actuary and adopted by the CalPERS Board in February 2014 as laid out in the 2014 report titled "CalPERS Experience Study and Review of Actuarial Assumptions." These liabilities were validated as part of the June 30, 2013 funding valuation that included the estimated impact of the change in actuarial assumptions on contribution requirements. The undersigned is relying upon these prescribed assumptions and methods and is not able to render an opinion on their reasonability, as this would require a substantial amount of additional work beyond the scope of this report. This report also relies on asset information for the measurement period as supplied by the CalPERS Financial Office. The fiduciary net position of the Public Agency Cost-Sharing Multiple-Employer Plan as of June 30, 2014 was audited by CalPERS' independent auditors, Macias Gini & O'Connell LLP, as part of CalPERS' financial statement audit.

With the provided liability and asset information, the total pension liability, net pension liability and pension expense were developed for the measurement period using standard actuarial techniques. In addition, the results are based on CalPERS' understanding of the financial accounting and reporting requirements under U.S. Generally Accepted Accounting Principles as set forth in GASB 68. The information in this report is not intended to supersede the advice and interpretations of the employer's auditor. This report may not provide all the information necessary to complete the required disclosures under GASB 68. The employer should supplement and update the information in this report with its own financial data as necessary to complete the disclosure information required by GASB 68.

The undersigned is familiar with the near-term and long-term aspects of pension valuations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. The information provided in this report is dependent upon various factors as documented throughout this report, which may be subject to change. Each section of this report is considered to be an integral part of the actuarial opinions.

Henry Neeb

HENRY NEEB, ASA, MAAA

Introduction

This is the GASB 68 Accounting Valuation Report to be used for your fiscal year beginning after June 15, 2014 and ending on or before June 30, 2015 for your SAFETY PLAN (Plan). GASB 68 replaced the requirements of GASB 27 effective for fiscal years beginning after June 15, 2014.

Statement 68 was issued by GASB in June 2012, requiring public employers to comply with new accounting and financial reporting standards. Statement 68 outlines a different approach to the recognition and calculation of pension obligations. Under the new GASB standards, employers that participate in a defined benefit pension plan administered as a trust or equivalent arrangement are required to record the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pensions in their financial statements as part of their financial position.

Net pension liability is the plan's total pension liability based on entry age normal actuarial cost method less the plan's fiduciary net position. This may be a negative liability (net pension asset).

Pension expense is the change in net pension liability from the previous fiscal year to the current fiscal year less adjustments. This may be a negative expense (pension income).

Deferred outflows and deferred inflows of resources related to pensions are certain changes in total pension liabilities and fiduciary net position that are to be recognized in future pension expense.

Under the new GASB standards, each participating cost-sharing employer is required to report its proportionate share of the collective net pension liability, pension expense, and deferred outflows/deferred inflows of resources in their financial statements, determined in conformity with either paragraph 48 or paragraph 49 of GASB 68. To assist public agency cost-sharing employers and their auditors as they prepare to implement the standards, CalPERS has calculated the employer's share of net pension liability, pension expense, and deferred outflows/inflows of resources according to paragraph 49 of GASB 68, which states:

> "To the extent that different contribution rates are assessed based on separate relationships that constitute the collective net pension liability…the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those separate relationships."

The Public Agency Cost-Sharing Multiple-Employer Plan is comprised of a Miscellaneous Risk Pool and a Safety Risk Pool. This report provides the collective **(hereinafter referred to as "aggregate")** net pension liability, pension expense, deferred outflows/inflows of resources, and fiduciary net position of the Safety Risk Pool. This report also documents pension expense components and proportionate shares for the APTOS/LA SELVA FIRE PROTECTION AGENCY.

This report may not provide all the information necessary to complete the required disclosures under GASB 68. **The employer should supplement and update the information in this report with its own financial data as necessary to complete the disclosure information required by GASB 68.** For example, no adjustments have been made for any differences between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contributions. Adequate treatment of any such difference is the responsibility of the employer; CalPERS recommends that the employer consult with its auditor regarding any such adjustments.

Purpose of the Report

The Plan participates in the CalPERS Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. This GASB 68 report provides accounting and financial reporting for pensions, to be used in the employer's financial reports. The pension expense is for the measurement period of 2013-14 and the net pension liability is measured as of June 30, 2014. Liabilities are based on the results of the actuarial calculations performed as of June 30, 2013 and were rolled forward to June 30, 2014. Fiduciary net position is based on fair value of investments as of June 30, 2014. Since GASB 68 allows a measurement date of up to 12 months before the employer's fiscal year-end, this report can be used for fiscal years beginning after June 15, 2014 and ending on or before June 30, 2015.

The following pension information is disclosed in this report:

- Summary of Significant Accounting Policies
- General Information about the Pension Plan
    - Plan Description, Benefits Provided and Employees Covered
    - Contribution Description
    - Actuarial Methods and Assumptions
    - Discount Rate
    - Pension Plan Fiduciary Net Position
    - Allocation of Net Pension Liability and Pension Expense to Individual Plans
- Changes in the Aggregate and Plan Net Pension Liability
    - Sensitivity of the Net Pension Liability
    - Subsequent Events
    - Recognition of Gains and Losses
- Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
- Schedules of Required Supplementary Information (10-Year History[1])
    - Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date
    - Schedule of Plan Contributions
    - Notes to Schedule

The use of this report for other purposes may be inappropriate.

[1] Historical information is required only for measurement periods for which GASB 68 is applicable.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

General Information about the Pension Plan

Plan Description, Benefits Provided and Employees Covered

The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2013 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2013 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the active employee contribution rate is 8.980 percent of annual pay, and the average employer's contribution rate is 39.562 percent of annual payroll. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 total pension liability and the June 30, 2014 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table[1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

[1] The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. However, employers may determine the impact at the plan level for their own financial reporting purposes. Refer to page 9 of this report, which provides information on the sensitivity of the net pension liability to changes in the discount rate.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	**New Strategic Allocation**	**Real Return Years 1 - 10**[1]	**Real Return Years 11+**[2]
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

[1]An expected inflation of 2.5% used for this period

[2]An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in your GASB 68 accounting valuation report may differ from the plan assets reported in your funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in your funding actuarial valuation. In addition, differences may result from early CAFR closing and final reconciled reserves.

Allocation of Net Pension Liability and Pension Expense to Individual Plans

A key aspect of GASB 68 pertaining to cost-sharing employers is the establishment of an approach to allocate the net pension liability and pension expense to the individual employers within the risk pool. Paragraph 49 of GASB 68 indicates that for pools where contribution rates within the pool are based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer's share by reflecting these relationships through the plans they sponsor within the risk pool. Plan liability and asset-related information are used where available, and proportional allocations of individual plan amounts as of the valuation date are used where not available.

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the Safety Risk Pool (risk pool) as a whole on the valuation date (June 30, 2013). The risk pool's fiduciary net position (FNP) subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date.

    Note: for purposes of FNP in this step (2) and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4).

    The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Please refer to the CalPERS Public Agency Cost-Sharing Allocation Methodology Report that can be obtained at CalPERS' website under the GASB 68 section, and see Appendix D of this report for the calculation of the plan's proportionate share of TPL and FNP.

The plan's proportion of aggregate employer contributions is equal to the plan's proportion of FNP calculated in (4).

The plan's proportionate share of risk pool pension expense is developed as the sum of the related proportionate shares of the components of the aggregate pension expense (see Appendix C). **To complete the disclosure information required by GASB 68 the employer will need to use this information to calculate its total recognized employer pension expense.**

Changes in the Safety Risk Pool Net Pension Liability

The following table is intended for informational purposes only and is not a required GASB 68 disclosure for employers participating in cost-sharing plans. The table shows the changes in net pension liability recognized over the measurement period for the Safety Risk Pool.

Total pension liability and fiduciary net position amounts for the 1959 Survivor plans and the Miscellaneous Risk Pool are excluded from these figures, but are included in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C) totals in the Comprehensive Annual Financial Report. For a summary of the beginning and ending balances of PERF C, including the 1959 Survivor plans and the Miscellaneous Risk Pool, please see Appendix D-2.

	Increase (Decrease)		
	Total Pension Liability (a)	**Fiduciary Net Position (b)**	**Net Pension Liability/(Asset) (c) = (a) - (b)**
Balance at: 6/30/2013 (VD)[1]	**$ 16,899,165,531**	**$ 12,114,843,971**	**$ 4,784,321,560**
Changes Recognized for the Measurement Period:			
• Service Cost	369,638,880		369,638,880
• Interest on the Total Pension Liability	1,251,259,652		1,251,259,652
• Changes of Benefit Terms	0		0
• Differences between Expected and Actual Experience	0		0
• Changes of Assumptions	0		0
• Contributions from the Employers[2]		424,554,942	(424,554,942)
• Contributions from Employees		131,938,305	(131,938,305)
• Net Investment Income[3]		2,097,750,007	(2,097,750,007)
• Benefit Payments, including Refunds of Employee Contributions	(801,045,884)	(801,045,884)	0
Net Changes During 2013-14	**$ 819,852,648**	**$ 1,853,197,370**	**$ (1,033,344,722)**
Balance at: 6/30/2014 (MD)[1]	**$ 17,719,018,179**	**$ 13,968,041,341**	**$ 3,750,976,838**

[1] The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. As described on Page 6, this may differ from the plan assets reported in the funding actuarial valuation report.

[2] Also includes all contributions made towards side funds.

[3] Net of administrative expenses. For details, see note in Appendix C-2.

The following table shows the Plan's proportionate share of the risk pool collective net pension liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Plan Net Pension Liability/(Asset) (c) = (a) - (b)**
Balance at: 6/30/2013 (VD)	**$ 53,776,390**	**$ 37,757,585**	**$ 16,018,805**
Balance at: 6/30/2014 (MD)	**$ 56,385,319**	**$ 43,439,983**	**$ 12,945,336**
Net Changes during 2013-14	**$ 2,608,929**	**$ 5,682,398**	**$ (3,073,469)**

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.50%)	**Current Discount Rate (7.50%)**	**Discount Rate + 1% (8.50%)**
Plan's Net Pension Liability/(Asset)	$ 20,498,009	$ 12,945,336	$ 6,722,258

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of participants (active, inactive, and retired) in PERF C.

The EARSL for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also, note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Pension Expense and Deferred Outflows and Deferred Inflows

Paragraph 137 of GASB 68 and Questions 267 and 268 of the GASB 68 Implementation Guide set forth guidance on implementation. The employer should use this guidance for the adjusting entries concerning the net pension obligation and the initial net pension liability/(asset). As of the start of the measurement period (July 1, 2013), the net pension liability/(asset) for the plan is $16,018,805 (The net pension liability of the Safety Risk Pool as of June 30, 2013 is $4,784,321,560).

For the measurement period ended June 30, 2014 (the measurement date), the APTOS/LA SELVA FIRE PROTECTION AGENCY incurred a pension expense/(income) of $1,141,786 for the Plan (the pension expense for the risk pool for the measurement period is $351,644,102). See Appendix C-2 for the complete breakdown of the proportionate share of plan pension expense and the development of the risk pool pension expense.

Note that no adjustments have been made for contributions subsequent to the measurement date. Adequate treatment of any contributions made after the measurement date is the responsibility of the employer.

As of June 30, 2014, the APTOS/LA SELVA FIRE PROTECTION AGENCY reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 0	$ 0
Changes of Assumptions	0	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	(2,993,325)
Adjustment due to Differences in Proportions	7,907	0
Total	**$ 7,907**	**$ (2,993,325)**

The amounts above are net of outflows and inflows recognized in the 2013-14 measurement period expense.

In addition to the figures shown in the table above, each employer is required to recognize an employer-specific expense item and a deferred outflow or deferred inflow of resources related to pensions. This is derived from the difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contributions (as defined in Paragraph 55 of GASB 68).

This deferral and the corresponding amortization amount will need to be calculated separately by each employer. The employer's pension expense needs to be adjusted for the amortization of this additional type of deferral. This item is required to be amortized over the expected average remaining service lifetime (EARSL). See page 10 for details on the EARSL.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	**Deferred Outflows/(Inflows) of Resources**
2015	$ (745,507)
2016	(745,507)
2017	(746,072)
2018	(748,332)
2019	0
Thereafter	0

The deferred outflows and deferred inflows and schedules of future amortizations for the Risk Pool in aggregate are summarized in Appendix A.

Schedules of Required Supplementary Information

Schedule of the Plan's Proportionate Share of the Net Pension Liability/(Asset) and Related Ratios as of the Measurement Date in Relation to PERF C

As described on Page 7, net pension liability and fiduciary net position are allocated to the plan based on its proportion of the Safety Risk Pool. However, GASB 68 requires that employers report certain proportions as a percentage of the total plan (PERF C, excluding the 1959 Survivors Risk Pool), which includes both the Miscellaneous and Safety Risk Pools. All cost-sharing public agency plans, are categorized as either Miscellaneous or Safety within PERF C. Therefore, to assist employers in meeting the requirements of GASB 68, proportions shown in the table below represent the plan's proportion of PERF C, excluding the 1959 Survivors Risk Pool, and not its proportion of the Safety Risk Pool. In addition, a summary of the PERF C fiduciary net position and total pension liability is presented in Appendix D-2.

	6/30/2014[1]
Plan's Proportion of the Net Pension Liability/(Asset)	0.20804%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$12,945,336
Plan's Covered-Employee Payroll[2]	$4,424,251
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	292.60%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77.04%
Plan's Proportionate Share of Aggregate Employer Contributions[3, 4]	$1,229,837

[1] Historical information is required only for measurement periods for which GASB 68 is applicable.

[2] Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

[3] The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

[4] This data is not required to be displayed by GASB 68 for employers participating in cost-sharing plans, but it is being shown here because it is used in the calculation of the Plan's pension expense.

Schedule of Plan Contributions[1]

	Fiscal Year 2013-14
Actuarially Determined Contribution[2]	1,691,531
Contributions in Relation to the Actuarially Determined Contribution [2]	(1,691,531)
Contribution Deficiency (Excess)	$0
Covered-Employee Payroll[3,4]	$4,424,251
Contributions as a Percentage of Covered-Employee Payroll[3]	38.23%

[1] Historical information is required only for measurement periods for which GASB 68 is applicable.

[2] Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as “side funds” do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

[3] Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

[4] Payroll from prior year ($4,295,389) was assumed to increase by the 3.00 percent payroll growth assumption.

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Change in Assumptions: None

APPENDICES

- **APPENDIX A – RISK POOL DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**
- **APPENDIX B – PLAN DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO DIFFERENCES IN PROPORTIONS**
- **APPENDIX C – TOTAL INTEREST, TOTAL PROJECTED EARNINGS AND TOTAL PENSION EXPENSE/(INCOME)**
- **APPENDIX D – DEVELOPMENT OF THE PLAN'S PROPORTIONS**
- **APPENDIX E – SCHEDULE OF AGGREGATE PENSION AMOUNTS**

APPENDIX A

RISK POOL DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

- **SCHEDULE OF DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE**
- **DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES FOR DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE**
- **SCHEDULE OF CHANGES OF ASSUMPTIONS**
- **DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES FOR CHANGES OF ASSUMPTIONS**
- **SCHEDULE OF DIFFERENCES BETWEEN PROJECTED AND ACTUAL EARNINGS ON PENSION PLAN INVESTMENTS**
- **DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES FOR DIFFERENCES BETWEEN PROJECTED AND ACTUAL EARNINGS ON PENSION PLAN INVESTMENTS**
- **SUMMARY OF RECOGNIZED DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

Safety Risk Pool

Schedule of differences between expected and actual experience

			Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience (Measurement Periods)						
Measurement Period	**Differences between Expected and Actual Experience**	**Recognition Period (Years)**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**Thereafter**
2013-14	$0	3.8	$0	$0	$0	$0	$0	$0	$0
Net Increase (Decrease) in Pension Expense			$0	$0	$0	$0	$0	$0	$0

Safety Risk Pool

Deferred outflows of resources and deferred inflows of resources arising from differences between expected and actual experience

				Balances at June 30, 2014	
Measurement Period	**Experience Losses (a)**	**Experience Gains (b)**	**Amounts Recognized in Pension Expense Through June 30, 2014 (c)**	**Deferred Outflows of Resources (a) - (c)**	**Deferred Inflows of Resources (b) - (c)**
2013-14			$0		
				$0	$0

Safety Risk Pool
Schedule of changes of assumptions

			Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Changes of Assumptions (Measurement Periods)						
Measurement Period	**Changes of Assumptions**	**Recognition Period (Years)**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**Thereafter**
2013-14	$0	3.8	$0	$0	$0	$0	$0	$0	$0
Net Increase (Decrease) in Pension Expense			$0	$0	$0	$0	$0	$0	$0

Safety Risk Pool

Deferred outflows of resources and deferred inflows of resources arising from changes of assumptions

				Balances at June 30, 2014	
Measurement Period	**Increases in Total Pension Liability (a)**	**Decreases in Total Pension Liability (b)**	**Amounts Recognized in Pension Expense Through June 30, 2014 (c)**	**Deferred Outflows of Resources (a) - (c)**	**Deferred Inflows of Resources (b) - (c)**
2013-14			$0		
				$0	$0

Safety Risk Pool
Schedule of differences between projected and actual earnings on pension plan investments

			Increase (Decrease) in Pension Expense Arising from the Recognition of Differences between Projected and Actual Earnings on Pension Plan Investments (Measurement Periods)						
Measurement Period	**Differences between Projected and Actual Earnings on Pension Plan Investments**	**Recognition Period (Years)**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**Thereafter**
2013-14	$(1,200,542,352)	5.0	$(240,108,470)	$(240,108,470)	$(240,108,470)	$(240,108,470)	$(240,108,472)	$0	$0
Net Increase (Decrease) in Pension Expense			$(240,108,470)	$(240,108,470)	$(240,108,470)	$(240,108,470)	$(240,108,472)	$0	$0

Safety Risk Pool

Deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual earnings on pension plan investments

				Balances at June 30, 2014	
Measurement Period	**Investment earnings less than projected (a)**	**Investment earnings greater than projected (b)**	**Amounts Recognized in Pension Expense Through June 30, 2014 (c)**	**Deferred Outflows of Resources (a) - (c)**	**Deferred Inflows of Resources (b) - (c)**
2013-14		$(1,200,542,352)	$(240,108,470)		$(960,433,882)
				$0	$(960,433,882)

Safety Risk Pool

Summary of recognized deferred outflows of resources and deferred inflows of resources

	Net Increase (Decrease) in Pension Expense (Measurement Periods)						
	2013-14	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**Thereafter**
Differences between Expected and Actual Experience	$0	$0	$0	$0	$0	$0	$0
Changes of Assumptions	0	0	0	0	0	0	0
Differences between Projected and Actual Earnings on Pension Plan Investments	(240,108,470)	(240,108,470)	(240,108,470)	(240,108,470)	(240,108,472)	0	0
Grand Total	$(240,108,470)	$(240,108,470)	$(240,108,470)	$(240,108,470)	$(240,108,472)	$0	$0

APPENDIX B

PLAN DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO DIFFERENCES IN PROPORTIONS

- **SCHEDULE OF EFFECTS OF ADJUSTMENT DUE TO DIFFERENCES IN PROPORTIONS**
- **DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES ARISING FROM DIFFERENCES IN PROPORTIONS**

APTOS/LA SELVA FIRE PROTECTION AGENCY – SAFETY PLAN
Schedule of effects of adjustment due to differences in proportions

This adjustment captures the changes in proportions that result from CalPERS allocation methodology. Rather than a single proportionate share applied to all components of pension expense, the CalPERS method applies different employer proportions to various pension-related items such as assets, liabilities and service cost. This adjustment reconciles the differences in proportions for these various items with the employer's change in net pension liability during the measurement period.

The recognition in the pension expense is reflected over the expected average remaining service lifetime of the PERF C membership as of the Valuation Date, with the first portion recognized in pension expense in the year measured.

			Increase (Decrease) in Pension Expense Arising from the Recognition of Effects of Adjustment Due to Differences in Proportions (Measurement Periods)						
Measurement Period	**Effects of Adjustment due to Differences in Proportions**	**Recognition Period (Years)**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**Thereafter**
2013-14	$10,731	3.8	$2,824	$2,824	$2,824	$2,259	$0	$0	$0
Net Increase (Decrease) in Pension Expense			$2,824	$2,824	$2,824	$2,259	$0	$0	$0

APTOS/LA SELVA FIRE PROTECTION AGENCY – SAFETY PLAN
Deferred outflows of resources and deferred inflows of resources arising from differences in proportions

				Balances at June 30, 2014	
Measurement Period	Outflows	Inflows	Amounts Recognized in Pension Expense Through June 30, 2014	Deferred Outflows of Resources	Deferred Inflows of Resources
	(a)	(b)	(c)	(a) - (c)	(b) - (c)
2013-14	$10,731		$2,824	$7,907	
				$7,907	

APPENDIX C

TOTAL INTEREST, TOTAL PROJECTED EARNINGS AND TOTAL PENSION EXPENSE/(INCOME)

- **RISK POOL INTEREST ON TOTAL PENSION LIABILITY AND TOTAL PROJECTED EARNINGS**
- **RISK POOL AND PLAN'S PROPORTIONATE SHARE OF PENSION EXPENSE/(INCOME)**

Risk Pool Interest on Total Pension Liability and Total Projected Earnings

Total Interest on the Total Pension Liability	Amount for Period (a)	Portion of Period (b)	Interest Rate (c)	Interest on the Total Pension Liability (a) X (b) X (c)
Beginning Total Pension Liability	$16,899,165,531	100%	7.50%	$1,267,437,415
Service Cost	369,638,880	50%	7.50%	13,861,458
Benefit Payments, including Refunds of Employee Contributions	(801,045,884)	50%	7.50%	(30,039,221)
Total Interest on the Total Pension Liability				**$1,251,259,652**

Total Projected Earnings on Pension Plan Investments	Amount for Period (a)	Portion of Period (b)	Projected Rate of Return (c)	Projected Earnings (a) X (b) X (c)
Beginning Plan Fiduciary Net Position excluding Receivables[1]	$12,085,045,071	100%	7.50%	$906,378,380
Employer Contributions	424,554,942	50%	7.50%	15,920,810
Employee Contributions	131,938,305	50%	7.50%	4,947,686
Benefit Payments, including Refunds of Employee Contributions	(801,045,884)	50%	7.50%	(30,039,221)
Total Projected Earnings				**$897,207,655**

[1] Contributions receivable for employee service buybacks, totaling $29,798,900 as of June 30, 2013, are excluded for purposes of calculating projected earnings on pension plan investments.

Risk Pool and Plan's Proportionate Share of Pension Expense/(Income) For Measurement Period Ended June 30, 2014

The APTOS/LA SELVA FIRE PROTECTION AGENCY's share of the Safety Risk Pool pension expense for the plan is developed in the table below. In order to complete the disclosure information required by GASB 68 the employer will need to use this information to calculate total recognized employer pension expense. Total recognized employer pension expense for this plan will be the sum of (1) the proportionate share of pension expense/(income) shown below and (2) the net amortization of the employer-specific deferral described on page 11.

Pension Expense Component	**Risk Pool Amounts**	**Plan's Share**	**Plan's Share as Percentage of Risk Pool**
Service Cost	$369,638,880	$1,173,311	0.31742%
Interest on the Total Pension Liability	1,251,259,652	3,981,749	0.31822%
Recognized Differences between Expected and Actual Experience	0	0	N/A
Recognized Changes of Assumptions	0	0	N/A
Employee Contributions[1]	(131,938,305)	(471,495)	0.35736%
Projected Earnings on Pension Plan Investments	(897,207,655)	(2,796,272)	0.31166%
Recognized Differences between Projected and Actual Earnings	(240,108,470)	(748,331)	0.31166%
Other Changes in Fiduciary Net Position	0	0	N/A
Recognized Portion of Adjustment due to Differences in Proportions	0	2,824	N/A
Subtotal: Expense Components	**$351,644,102**	**$1,141,786**	0.32470%
Changes of Benefit Terms	0	0	
Pension Expense/(Income)	**$351,644,102**	**$1,141,786**	

[1] This line represents the plan's share of the risk pool's total employee contributions. This figure may not match the actual contributions made by employees participating in the plan.

Note: Plan administrative expenses are not displayed in the above pension expense table. Since the expected investment return of 7.50 percent is net of administrative expenses, administrative expenses are excluded from the above table, but implicitly included as part of investment earnings.

APPENDIX D

DEVELOPMENT OF THE PLAN'S PROPORTIONS

- **PLAN'S TOTAL PENSION LIABILITY, FIDUCIARY NET POSITION AND NET PENSION LIABILITY PROPORTIONS**
- **SAFETY RISK POOL AGGREGATE BALANCES AND DATA**
- **SUMMARY OF PERF C BALANCES**

Plan's Total Pension Liability, Fiduciary Net Position and Net Pension Liability Proportions

Safety Risk Pool	
At the valuation date: 6/30/2013	
1. Aggregate TPL	$16,899,165,531
2. Aggregate FNP	12,114,843,971
3. Aggregate NPL [(1)-(2)]	4,784,321,560
At the measurement date: 6/30/2014	
4. Aggregate TPL	$17,719,018,179
5. Aggregate FNP	13,968,041,341
6. Aggregate NPL [(4)-(5)]	3,750,976,838
7. Additional Side Fund Payments During 2013-14	29,951,257
8. FNP Excluding Additional Side Fund Payments [(5)-(7)]	13,938,090,084
Proportions for APTOS/LA SELVA FIRE PROTECTION AGENCY SAFETY PLAN	
At the valuation date: 6/30/2013	
9. Plan TPL	$53,776,390
10. Plan FNP	37,757,585
11. Plan NPL [(9)-(10)]	16,018,805
12. Plan TPL % [(9)/(1)]	**0.31822%**
13. Plan FNP % [(10)/(2)]	**0.31166%**
At the measurement date: 6/30/2014	
14. Plan TPL [(12)x(4)]	$56,385,319
15. Additional Side Fund Payments During 2013-14	0
16. Plan FNP [(13)x(8) + (15)]	43,439,983
17. Plan NPL [(14)-(16)]	12,945,336
18. NPL% [(17)/(6)]	**0.34512%**

Safety Risk Pool Aggregate Balances and Data

	Measurement Date 6/30/2013	Measurement Date 6/30/2014
Aggregate Deferred Outflows of Resources		
Differences between Expected and Actual Experience	NA	$0
Changes of Assumptions	NA	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	NA	0
Aggregate Deferred Inflows of Resources		
Differences between Expected and Actual Experience	NA	$0
Changes of Assumptions	NA	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	NA	(960,433,882)
Aggregate Net Pension Liability		
1% Decrease (6.5%)	NA	$6,124,395,414
Current Discount Rate (7.5%)	NA	3,750,976,838
1% Increase (8.5%)	NA	1,795,382,388
Aggregate Employer Contributions	NA	424,554,942

Summary of PERF C Balances

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
As of June 30, 2013			
Miscellaneous Risk Pool	$12,374,543,647	$9,097,875,216	$3,276,668,431
Safety Risk Pool	16,899,165,531	12,114,843,971	4,784,321,560
1959 Survivors Risk Pool	173,324,986	292,138,980	(118,813,994)
Total PERF C[1]	**$29,447,034,164**	**$21,504,858,167**	**$7,942,175,997**
As of June 30, 2014			
Miscellaneous Risk Pool	$13,110,948,452	$10,639,461,174	$2,471,487,278
Safety Risk Pool	17,719,018,179	13,968,041,341	3,750,976,838
1959 Survivors Risk Pool	178,280,463	332,417,694	(154,137,231)
Total PERF C[1]	**$31,008,247,094**	**$24,939,920,209**	**$6,068,326,885**

[1] Includes new plans that are not accounted for in PERF C at the time of publication of the CAFR.

APPENDIX E

SCHEDULE OF AGGREGATE PENSION AMOUNTS

- **SCHEDULE OF AGGREGATE PENSION AMOUNTS FOR THE SAFETY RISK POOL**

Schedule of Aggregate Pension Amounts for the Safety Risk Pool As of the Measurement Date June 30, 2014

	Deferred Outflows of Resources				Deferred Inflows of Resources				
Net Pension Liability	**Differences Between Expected and Actual Experience**	**Changes of Assumptions**	**Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments**	**Total Deferred Outflows of Resources Excluding Employer Specific Amounts[1]**	**Differences Between Expected and Actual Experience**	**Changes of Assumptions**	**Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments**	**Total Deferred Inflows of Resources Excluding Employer Specific Amounts[1]**	**Aggregate Plan Pension Expense**
$3,750,976,838	$0	$0	$0	$0	$0	$0	$(960,433,882)	$(960,433,882)	$351,644,102

[1] *No adjustments have been made for employer specific amounts such as changes in proportion, differences between employer contributions and proportionate share of contributions, and contributions to the Plan subsequent to the measurement date as defined in paragraphs 54, 55, and 57 of GASB 68. Adequate treatment of such amounts is the responsibility of the employer.*