



GASB 68 ACCOUNTING VALUATION REPORT

**Prepared for
MISCELLANEOUS
RISK POOL
Cost-Sharing Multiple-Employer
Defined Benefit Pension Plan**

Measurement Date of June 30, 2016

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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 MISCELLANEOUS RISK POOL, which is part of the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (PERF C) administered by the California Public Employees' Retirement System (CalPERS), for the measurement period ended June 30, 2016.

This report is to be viewed solely for the purpose of financial accounting requirements. Any usage of the contents provided in this report for purposes other than financial accounting requirements would be inappropriate.

This accounting valuation report relies on liabilities and related validation work performed by the CalPERS Actuarial Office as part of the June 30, 2015 annual funding valuation. The census data and benefit provisions underlying the liabilities were prepared as of June 30, 2015 and certified as part of the annual funding valuation by the CalPERS Actuarial Office. The June 30, 2015 liabilities, which were rolled forward to June 30, 2016 and used for this accounting valuation are based on actuarial assumptions adopted by the CalPERS Board of Administration and consistent with the requirements of GASB 68. The assumptions and methods are internally consistent and reasonable for PERF C.

With the provided liability and asset information, the total pension liability, net pension liability, deferred inflows and outflows and pension expense were developed for the measurement period using standard actuarial techniques.

The undersigned is an actuary for CalPERS, who is a member of the American Academy of Actuaries and the Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



MAY SHUANG YU, ASA, MAAA
Senior Pension Actuary, CalPERS

Introduction

This is the GASB 68 Accounting Valuation Report for the MISCELLANEOUS RISK POOL for the measurement date June 30, 2016. The public agency cost-sharing multiple-employer defined benefit pension plan (PERF C or the Plan) is administered by the California Public Employees' Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. Each employer should combine information provided for their participation in the miscellaneous and/or safety pools to report them as one Plan in their financial statements.

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 | June 30, 2015 |
| Measurement Date | June 30, 2016 |
| Measurement Period | June 30, 2015 to June 30, 2016 |

Changes in the Miscellaneous Risk Pool Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

| | Increase (Decrease) | | |
|---|--------------------------------|---|--|
| | Total Pension Liability (a) | Risk Pool Fiduciary Net Position (b) | Net Pension Liability/(Asset) (c) = (a) – (b) |
| Balance at: 06/30/2015 | \$13,639,503,084 | \$10,896,036,068 | \$2,743,467,016 |
| Changes Recognized for the Measurement Period: | | | |
| Service Cost | \$342,270,235 | | \$342,270,235 |
| Interest on Total Pension Liability | 1,032,800,538 | | 1,032,800,538 |
| Changes of Benefit Terms | 1,070,612 | | 1,070,612 |
| Changes of Assumptions | 0 | | 0 |
| Differences between Expected and Actual Experience | (3,805,440) | | (3,805,440) |
| Net Plan to Plan Resource Movement | | \$23,835,877 | (23,835,877) |
| Contributions – Employer | | 406,781,720 | (406,781,720) |
| Contributions – Employees | | 160,736,159 | (160,736,159) |
| Net Investment Income | | 57,319,044 | (57,319,044) |
| Benefit Payments, including Refunds of Employee Contributions | (614,485,499) | (614,485,499) | 0 |
| Administrative Expense | | (6,747,082) | 6,747,082 |
| Other Miscellaneous Income | 0 | 0 | 0 |
| Net Changes during 2015-16 | \$757,850,446 | \$27,440,219 | \$730,410,227 |
| Balance at: 06/30/2016 | \$14,397,353,530 | \$10,923,476,287 | \$3,473,877,243 |

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

| | Discount Rate -1% 6.65% | Current Discount Rate 7.65% | Discount Rate + 1% 8.65% |
|---|----------------------------|--------------------------------|-----------------------------|
| Risk Pool's Net Pension Liability/(Asset) | \$5,412,209,553 | \$3,473,877,243 | \$1,871,941,803 |

Pension Expense/(Income) for Measurement Period Ended June 30, 2016

| Description | Amount |
|--|----------------------|
| Service Cost | \$342,270,235 |
| Interest on Total Pension Liability | 1,032,800,538 |
| Changes of Benefit Terms | 1,070,612 |
| Recognized Changes of Assumptions | (63,701,565) |
| Recognized Differences between Expected and Actual Experience | 5,704,614 |
| Net Plan to Plan Resource Movement | (23,835,877) |
| Employee Contributions | (160,736,159) |
| Projected Earnings on Pension Plan Investments | (830,186,814) |
| Recognized Differences between Projected and Actual Earnings on Plan Investments | 86,669,644 |
| Administrative Expense | 6,747,082 |
| Other Miscellaneous Income | 0 |
| Total Pension Expense/(Income) | \$396,802,310 |

Note: Employers should also include changes in proportion and differences between actual and proportionate share of contributions in the pension expense computation.

Deferred Outflows and Deferred Inflows of Resources Related to Pensions

The following table presents deferred outflows and deferred inflows of resources related to pensions as of June 30, 2016. Note that no adjustments have been made for contributions subsequent to the measurement date. Appropriate treatment of any contributions made after the measurement date is the responsibility of the employer. Employers are also responsible for determining the difference between the employers' actual and allocated contributions and changes in proportion.

| | Deferred Outflows of Resources | Deferred inflows of Resources |
|--|--------------------------------|-------------------------------|
| Changes of Assumptions | \$0 | \$(114,662,816) |
| Differences between Expected and Actual Experiences | 12,119,599 | (2,776,943) |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 961,180,723 | (364,398,827) |
| Total | \$973,300,322 | \$(481,838,586) |

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

| Measurement Periods Ended June 30: | Deferred Outflows/(Inflows) of Resources |
|------------------------------------|--|
| 2017 | \$28,672,693 |
| 2018 | 40,066,383 |
| 2019 | 268,149,106 |
| 2020 | 154,573,554 |
| 2021 | 0 |
| Thereafter | 0 |

Note: For employers with June 30th year-end, the fiscal year will be one year later than the measurement period. For example, the 2017 measurement period presented in the above table will be listed as year 2018 in the employer's fiscal year ending June 30, 2017 financial statements.

Expected Average Remaining Service Lifetime (EARSL)

The EARSL for PERF C for the measurement date ending June 30, 2016 is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Required Supplementary Information

Summary of Changes of Benefits or Assumptions

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (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.

Changes of Assumptions: There were no changes of assumptions.

Employers should refer to CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016, which may be accessed on the CalPERS website at www.calpers.ca.gov, to obtain the required supplementary information for proper financial reporting.

APPENDICES

- **APPENDIX A – RISK POOL DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**
- **APPENDIX B – INTEREST AND TOTAL PROJECTED EARNINGS**
- **APPENDIX C – SCHEDULE OF AGGREGATE PENSION AMOUNTS**

APPENDIX A

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

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

Schedule of Changes of Assumptions

**Increase (Decrease) in Pension Expense Arising from the Recognition
 of the Effects of Changes of Assumptions**

| Measurement Date | Changes of Assumptions | Recognition Period (Years) | Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Changes of Assumptions | | | | | | |
|---|------------------------|----------------------------|--|-----------------------|-----------------------|------------|------------|------------|------------|
| | | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Thereafter |
| 2014 | \$0 | 0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2015 | (242,065,946) | 2.8 | (63,701,565) | (63,701,565) | (50,961,251) | 0 | 0 | 0 | 0 |
| 2016 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Increase (Decrease) in Pension Expense | | | \$(63,701,565) | \$(63,701,565) | \$(50,961,251) | \$0 | \$0 | \$0 | \$0 |

Deferred Outflows of Resources and Deferred Inflows of Resources arising from Changes of Assumptions

| Measurement Date | Increase in Total Pension Liability (a) | Decrease in Total Pension Liability (b) | Amounts Recognized in Pension Expense through June 30, 2016 (c) | Balances at June 30, 2016 | |
|------------------|---|---|---|--|---|
| | | | | Deferred Outflows of Resources (a) – (c) | Deferred Inflows of Resources (b) – (c) |
| 2014 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2015 | 0 | (242,065,946) | (127,403,130) | 0 | (114,662,816) |
| 2016 | 0 | 0 | 0 | 0 | 0 |
| | | | | \$0 | \$(114,662,816) |

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 Date | Differences between Expected and Actual Experience | Recognition Period (Years) | Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience | | | | | | |
|---|--|----------------------------|--|--------------------|--------------------|--------------------|------------|------------|------------|
| | | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Thereafter |
| 2014 | \$0 | 0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2015 | 25,585,821 | 2.8 | 6,733,111 | 6,733,111 | 5,386,488 | 0 | 0 | 0 | 0 |
| 2016 | (3,805,440) | 3.7 | (1,028,497) | (1,028,497) | (1,028,497) | (719,949) | 0 | 0 | 0 |
| Net Increase (Decrease) in Pension Expense | | | \$5,704,614 | \$5,704,614 | \$4,357,991 | \$(719,949) | \$0 | \$0 | \$0 |

Deferred Outflows of Resources and Deferred Inflows of Resources arising from Differences between Expected and Actual Experience

| Measurement Date | Experience Losses (a) | Experience Gains (b) | Amounts Recognized in Pension Expense through June 30, 2016 (c) | Balances at June 30, 2016 | |
|------------------|-----------------------|----------------------|---|--|---|
| | | | | Deferred Outflows of Resources (a) – (c) | Deferred Inflows of Resources (b) – (c) |
| 2014 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2015 | 25,585,821 | 0 | 13,466,222 | 12,119,599 | 0 |
| 2016 | 0 | (3,805,440) | (1,028,497) | 0 | (2,776,943) |
| | | | | \$12,119,599 | \$(2,776,943) |

Schedule of Differences between Projected and Actual Earnings on Pension Plan Investments

| Measurement Date | Differences between Projected and Actual Earnings on Pension Plan Investments | Recognition Period (Years) | Increase (Decrease) in Pension Expense Arising from the Recognition of the Differences between Projected and Actual Earnings on Pension Plan Investments | | | | | | |
|---|---|----------------------------|--|---------------------|---------------------|----------------------|----------------------|------------|------------|
| | | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Thereafter |
| 2014 | \$(910,997,066) | 3.0 | \$(182,199,413) | \$(182,199,413) | \$(182,199,414) | \$0 | \$0 | \$0 | \$0 |
| 2015 | 571,477,513 | 4.0 | 114,295,503 | 114,295,503 | 114,295,503 | 114,295,501 | 0 | 0 | 0 |
| 2016 | 772,867,770 | 5.0 | 154,573,554 | 154,573,554 | 154,573,554 | 154,573,554 | 154,573,554 | 0 | 0 |
| Net Increase (Decrease) in Pension Expense | | | \$86,669,644 | \$86,669,644 | \$86,669,643 | \$268,869,055 | \$154,573,554 | \$0 | \$0 |

Deferred Outflows of Resources and Deferred Inflows of Resources arising from Differences between Projected and Actual Earnings on Pension Plan Investments

| Measurement Date | Investment Earnings less than Projected (a) | Investment Earnings greater than Projected (b) | Amounts Recognized in Pension Expense through June 30, 2016 (c) | Balances at June 30, 2016 | |
|------------------|---|--|---|--|---|
| | | | | Deferred Outflows of Resources (a) – (c) | Deferred Inflows of Resources (b) – (c) |
| 2014 | \$0 | \$(910,997,066) | \$(546,598,239) | \$0 | \$(364,398,827) |
| 2015 | 571,477,513 | 0 | 228,591,006 | 342,886,507 | 0 |
| 2016 | 772,867,770 | 0 | 154,573,554 | 618,294,216 | 0 |
| | | | | \$961,180,723 | \$(364,398,827) |

Summary of Recognized Deferred Outflows of Resources and Deferred Inflows of Resources

| | Net Increase (Decrease) in Pension Expense (Measurement Periods) | | | | | | |
|---|---|---------------------|---------------------|----------------------|----------------------|-------------|-------------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Thereafter |
| Changes of Assumptions | \$(63,701,565) | \$(63,701,565) | \$(50,961,251) | \$0 | \$0 | \$0 | \$0 |
| Differences between Expected and Actual Experience | 5,704,614 | 5,704,614 | 4,357,991 | (719,949) | 0 | 0 | 0 |
| Differences between Projected and Actual Earnings on Pension Plan Investments | 86,669,644 | 86,669,644 | 86,669,643 | 268,869,055 | 154,573,554 | 0 | 0 |
| Grand Total | \$28,672,693 | \$28,672,693 | \$40,066,383 | \$268,149,106 | \$154,573,554 | \$0 | \$0 |

APPENDIX B

INTEREST AND TOTAL PROJECTED EARNINGS

- **RISK POOL INTEREST ON TOTAL PENSION LIABILITY AND TOTAL PROJECTED EARNINGS**

Risk Pool Interest on Total Pension Liability and Total Projected Earnings

| Interest in 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 | \$13,639,503,084 | 100% | 7.65% | \$1,043,421,986 |
| Changes of Benefit Terms | 1,070,612 | 100% | 7.65% | 81,902 |
| Changes of Assumptions | 0 | 100% | 7.65% | 0 |
| Difference between Expected and Actual Experience | (3,805,440) | 100% | 7.65% | (291,116) |
| Service Cost | 342,270,235 | 50% | 7.65% | 13,091,836 |
| Benefit Payments, including Refunds of Employee Contributions | (614,485,499) | 50% | 7.65% | (23,504,070) |
| Total Interest on the Total Pension Liability | | | | \$1,032,800,538 |

| 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 | \$10,867,054,626 | 100% | 7.65% | \$831,329,679 |
| Net Plan to Plan Resource Movement | 23,835,877 | 50% | 7.65% | 911,722 |
| Employer Contributions | 406,781,720 | 50% | 7.65% | 15,559,401 |
| Employee Contributions | 160,736,159 | 50% | 7.65% | 6,148,158 |
| Benefit Payments, including Refunds of Employee Contributions | (614,485,499) | 50% | 7.65% | (23,504,070) |
| Administrative Expense | (6,747,082) | 50% | 7.65% | (258,076) |
| Other Miscellaneous Income | 0 | 50% | 7.65% | 0 |
| Total Projected Earnings | | | | \$830,186,814 |

¹ Contribution receivables for employee service buybacks, totaling \$(28,981,442) as of June 30, 2015, were excluded for purposes of calculating projected earnings on pension plan investments.

APPENDIX C

SCHEDULE OF AGGREGATE PENSION AMOUNTS

- **SCHEDULE OF COLLECTIVE PENSION AMOUNTS FOR PERF C**

Schedule of Collective Pension Amounts for PERF C, as of the Measurement Date June 30, 2016

| | Miscellaneous | Safety | Total |
|---|------------------------|------------------------|------------------------|
| Total Pension Liability | \$14,397,353,530 | \$18,961,274,094 | \$33,358,627,624 |
| Plan Fiduciary Net Position | \$10,923,476,287 | \$13,782,056,004 | \$24,705,532,291 |
| Net Pension Liability | \$3,473,877,243 | \$5,179,218,090 | \$8,653,095,333 |
| Deferred Outflows of Resources | | | \$0 |
| Changes of Assumptions | 0 | 0 | \$0 |
| Differences Between Expected and Actual Experience | 12,119,599 | 0 | \$12,119,599 |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | 961,180,723 | 1,239,734,045 | \$2,200,914,768 |
| Total Deferred Outflows of Resources Excluding Employer Specific Amounts¹ | 973,300,322 | 1,239,734,045 | \$2,213,034,367 |
| Deferred Inflows of Resources | | | \$0 |
| Changes of Assumptions | (114,662,816) | (154,594,825) | (269,257,641) |
| Differences Between Expected and Actual Experience | (2,776,943) | (35,456,911) | (38,233,854) |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | (364,398,827) | (480,216,942) | (844,615,769) |
| Total Deferred Inflows of Resources Excluding Employer Specific Amounts¹ | (481,838,586) | (670,268,678) | (1,152,107,264) |
| Plan Pension Expense | \$396,802,310 | \$550,873,982 | \$947,676,292 |

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. Appropriate treatment of such amounts is the responsibility of the employer.