



GASB 68 ACCOUNTING VALUATION REPORT

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

Measurement Date of June 30, 2015

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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, 2015.

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, 2014 annual funding valuation. The census data and benefit provisions underlying the liabilities were prepared as of June 30, 2014 and certified as part of the annual funding valuation by the CalPERS Actuarial Office. The June 30, 2014 liabilities, which were rolled forward to June 30, 2015 and used for this accounting valuation are based on actuarial assumptions adopted by the CalPERS Board of Administration. 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 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.



SHELLY CHU, 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, 2015. 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, 2014
Measurement Date	June 30, 2015
Measurement Period	June 30, 2014 to June 30, 2015

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: 06/30/2014	\$13,110,948,452	\$10,639,461,174	\$2,471,487,278
Changes Recognized for the Measurement Period:			
Service Cost	\$335,248,541		\$335,248,541
Interest on Total Pension Liability	977,551,637		977,551,637
Changes of Benefit Terms	485,762		485,762
Changes of Assumptions	(242,065,946)		(242,065,946)
Differences between Expected and Actual Experience	25,585,821		25,585,821
Net Plan to Plan Resource Movement		\$65,452,197	(65,452,197)
Contributions – Employer		376,902,997	(376,902,997)
Contributions – Employees		154,112,658	(154,112,658)
Net Investment Income		240,587,946	(240,587,946)
Benefit Payments, including Refunds of Employee Contributions	(568,251,183)	(568,251,183)	0
Administrative Expense		(12,229,721)	12,229,721
Net Changes during 2014-15	\$528,554,632	\$256,574,894	\$271,979,738
Balance at: 06/30/2015	\$13,639,503,084	\$10,896,036,068	\$2,743,467,016

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)	\$4,600,985,615	\$2,743,467,016	\$1,209,869,645

Pension Expense/(Income) for Measurement Period Ended June 30, 2015

Description	Amount
Service Cost	\$335,248,541
Interest on Total Pension Liability	977,551,637
Changes of Benefit Terms	485,762
Recognized Changes of Assumptions	(63,701,565)
Recognized Differences between Expected and Actual Experience	6,733,111
Net Plan to Plan Resource Movement	(65,452,197)
Employee Contributions	(154,112,658)
Projected Earnings on Pension Plan Investments	(812,065,459)
Recognized Differences between Projected and Actual Earnings on Plan Investments	(67,903,910)
Administrative Expense	12,229,721
Total Pension Expense/(Income)	\$169,012,983

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, 2015. 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 employer's actual and allocated contributions and changes in proportion.

	Deferred Outflows of Resources	Deferred inflows of Resources
Changes of Assumptions	\$0	\$(178,364,381)
Differences between Expected and Actual Experiences	18,852,710	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	457,182,010	(546,598,240)
Total	\$476,034,720	\$(724,962,621)

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
2016	\$(124,872,364)
2017	(124,872,364)
2018	(113,478,674)
2019	114,295,501
2020	0
Remaining	0

Expected Average Remaining Service Lifetime (EARSL)

The EARSL for PERF C for the June 30, 2015 measurement date is 3.8 years, which was obtained by dividing the total service years of 467,023 (the sum of remaining service lifetimes of the active employees) by 122,410 (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.

Schedules of Required Supplementary Information – PERF C

The following table is intended for informational purposes only and is not a required GASB 68 disclosure for employers participating in cost-sharing plans.

Schedule of Changes in Net Pension Liability and Related Ratios for the Measurement Periods Ended June 30

Measurement Period	2015	2014
TOTAL PENSION LIABILITY:		
Service Cost	\$694,641,520	\$708,468,231
Interest on Total Pension Liability	2,283,684,841	2,172,422,018
Changes of Benefit Terms	485,762	0
Changes of Assumptions	(568,432,799)	0
Difference between Expected and Actual Experience	(45,373,303)	0
Benefit Payments, Including Refunds of Employee Contributions	(1,423,755,250)	(1,324,632,796)
Net Change in Total Pension Liability	\$941,250,771	\$1,556,257,453
Total Pension Liability – Beginning	30,829,966,631	29,273,709,178
Total Pension Liability – Ending (a)	\$31,771,217,402	\$30,829,966,631
PLAN FIDUCIARY NET POSITION		
Contributions – Employer	\$853,591,771	\$740,762,907
Contributions – Employee	284,392,695	291,772,508
Net Investment Income	548,704,192	3,686,880,709
Other Miscellaneous Income	0	0
Benefit Payments, Including Refunds of Employee Contributions	(1,423,755,250)	(1,324,632,796)
Net Plan to Plan Resource Movement	64,836,646	0
Administrative Expense	(27,966,698)	0
Net Change in Fiduciary Net Position	\$299,803,356	\$3,394,783,328
Plan Fiduciary Net Position – Beginning	\$24,607,502,515	\$21,212,719,187
Plan Fiduciary Net Position – Ending (b)	24,907,305,871	24,607,502,515
Plan Net Pension Liability/(Asset) – (a)-(b)	\$6,863,911,531	\$6,222,464,116
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.40%	79.82%
Covered-Employee Payroll ¹	\$3,356,288,355	\$3,268,462,750
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	204.51%	190.38%

¹ Covered-Employee Payroll presented 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.

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

Schedule of Plan Contributions for Fiscal Years Ended June 30¹ – PERF C

Employer Fiscal Year End	2015	2014
Legally Required Contributions ²	\$694,805,563	\$681,668,865
Contributions in Relation to the Legally Required Contribution ²	(853,591,771)	(740,762,907)
Contribution Deficiency (Excess)	\$(158,786,208)	\$(59,094,042)
Covered-Employee Payroll ^{3, 4}	\$3,356,288,355	\$3,268,462,750
Contributions as a Percentage of Covered-Employee Payroll ³	25.43%	22.66%

¹ As prescribed in GASB 68, paragraph 46, the information presented in the Schedule of Plan Contributions should also be presented as of the employer’s most recent fiscal year-end. The employer is responsible for determining this information as prescribed by the standard as this data is not available to CalPERS.

² Employers are assumed to make contributions equal to the legally required contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Such employer contributions would create a contribution excess in relation to the legally required contributions.

³ Covered-Employee Payroll presented 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 \$3,258,532,383 was assumed to increase by 3.00 percent payroll growth assumption.

Notes to Schedule of Plan Contributions:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were derived from the June 30, 2012 funding valuation report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2012 Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

There were no changes in methods or assumptions used to determine the legally required contributions, which are actuarially determined, from the June 30, 2011 to the June 30, 2012 funding valuation report.

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APPENDIX A

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

- SCHEDULE OF CHANGES OF ASSUMPTIONS
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Schedule of Changes of Assumptions

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

Measurement Date	Initial Changes of Assumptions	Remaining Period (Years)	Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Changes of Assumptions (Measurement Dates)						
			2015	2016	2017	2018	2019	2020	Remaining
2014	\$0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2015	(242,065,946)	3.8	(63,701,565)	(63,701,565)	(63,701,565)	(50,961,251)	0	0	0
Net Increase (Decrease) in Pension Expense			\$(63,701,565)	\$(63,701,565)	\$(63,701,565)	\$(50,961,251)	\$0	\$0	\$0

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

Measurement Date	Initial Increase in Total Pension Liability (a)	Initial Decrease in Total Pension Liability (b)	Amounts Recognized in Pension Expense through June 30, 2015 (c)	Balances at June 30, 2015	
				Deferred Outflows of Resources (a) – (c)	Deferred Inflows of Resources (b) – (c)
2014	\$0	\$0	\$0	\$0	\$0
2015	0	(242,065,946)	(63,701,565)	0	(178,364,381)
				\$0	\$(178,364,381)

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 Dates)**

Measurement Date	Initial Differences between Expected and Actual Experience	Remaining Period (Years)	2015	2016	2017	2018	2019	2020	Remaining
2014	\$0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2015	25,585,821	3.8	6,733,111	6,733,111	6,733,111	5,386,488	0	0	0
Net Increase (Decrease) in Pension Expense			\$6,733,111	\$6,733,111	\$6,733,111	\$5,386,488	\$0	\$0	\$0

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

Measurement Date	Initial Experience Losses (a)	Initial Experience Gains (b)	Amounts Recognized in Pension Expense through June 30, 2015 (c)	Balances at June 30, 2015	
				Deferred Outflows of Resources (a) – (c)	Deferred Inflows of Resources (b) – (c)
2014	\$0	\$0	\$0	\$0	\$0
2015	25,585,821	0	6,733,111	18,852,710	0
				\$18,852,710	\$0

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

**Increase (Decrease) in Pension Expense Arising from the Recognition of the Differences
 between Projected and Actual Earnings on Pension Plan Investments
 (Measurement Dates)**

Measurement Date	Initial Differences between Projected and Actual Earnings on Pension Plan Investments	Remaining Period (Years)	Increase (Decrease) in Pension Expense Arising from the Recognition of the Differences between Projected and Actual Earnings on Pension Plan Investments (Measurement Dates)						Remaining
			2015	2016	2017	2018	2019	2020	
2014	\$(910,997,066)	4.0	\$(182,199,413)	\$(182,199,413)	\$(182,199,413)	\$(182,199,414)	\$0	\$0	\$0
2015	571,477,513	5.0	114,295,503	114,295,503	114,295,503	114,295,503	114,295,501	0	0
Net Increase (Decrease) in Pension Expense			\$(67,903,910)	\$(67,903,910)	\$(67,903,910)	\$(67,903,911)	\$114,295,501	\$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	Initial Investment Earnings less than Projected (a)	Initial Investment Earnings greater than Projected (b)	Amounts Recognized in Pension Expense through June 30, 2015 (c)	Balances at June 30, 2015	
				Deferred Outflows of Resources (a) – (c)	Deferred Inflows of Resources (b) – (c)
2014	\$0	\$(910,997,066)	\$(364,398,826)	\$0	\$(546,598,240)
2015	571,477,513	0	114,295,503	457,182,010	0
				\$457,182,010	\$(546,598,240)

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

	Net Increase (Decrease) in Pension Expense (Measurement Periods)						Remaining
	2015	2016	2017	2018	2019	2020	
Changes of Assumptions	\$(63,701,565)	\$(63,701,565)	\$(63,701,565)	\$(50,961,251)	\$0	\$0	\$0
Differences between Expected and Actual Experience	6,733,111	6,733,111	6,733,111	5,386,488	0	0	0
Differences between Projected and Actual Earnings on Pension Plan Investments	(67,903,910)	(67,903,910)	(67,903,910)	(67,903,911)	114,295,501	0	0
Grand Total	\$(124,872,364)	\$(124,872,364)	\$(124,872,364)	\$(113,478,674)	\$114,295,501	\$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	\$13,110,948,452	100%	7.65%	\$1,002,987,557
Changes of Benefit Terms	485,762	100%	7.65%	37,161
Changes of Assumptions	(242,065,946)	100%	7.65%	(18,518,045)
Difference between Expected and Actual Experience	25,585,821	100%	7.65%	1,957,315
Service Cost	335,248,541	50%	7.65%	12,823,257
Benefit Payments, including Refunds of Employee Contributions	(568,251,183)	50%	7.65%	(21,735,608)
Total Interest on the Total Pension Liability				\$977,551,637

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	\$10,607,241,276	100%	7.65%	\$811,453,958
Net Plan to Plan Resource Movement	65,452,197	50%	7.65%	2,503,547
Employer Contributions	376,902,997	50%	7.65%	14,416,540
Employee Contributions	154,112,658	50%	7.65%	5,894,809
Benefit Payments, including Refunds of Employee Contributions	(568,251,183)	50%	7.65%	(21,735,608)
Administrative Expense	(12,229,721)	50%	7.65%	(467,787)
Total Projected Earnings				\$812,065,459

¹ Contribution receivables for employee service buybacks, totaling \$32,219,898 as of June 30, 2014, were excluded for purposes of calculating projected earnings on pension plan investments.

APPENDIX C

SCHEDULE OF AGGREGATE PENSION AMOUNTS

- SCHEDULE OF AGGREGATE PENSION AMOUNTS FOR THE PERF C

Schedule of Aggregate Pension Amounts for the PERF C, as of the Measurement Date June 30, 2015

	Miscellaneous	Safety	Total
Total Pension Liability	\$13,639,503,084	\$18,131,714,318	\$31,771,217,402
Plan Fiduciary Net Position	\$10,896,036,068	\$14,011,269,803	\$24,907,305,871
Net Pension Liability	\$2,743,467,016	\$4,120,444,515	\$6,863,911,531
Deferred Outflows of Resources			
Changes of Assumptions	0	0	0
Differences Between Expected and Actual Experience	18,852,710	0	18,852,710
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	457,182,010	598,448,222	1,055,630,232
Total Deferred Outflows of Resources Excluding Employer Specific Amounts ¹	476,034,720	598,448,222	1,074,482,942
Deferred Inflows of Resources			
Changes of Assumptions	(178,364,381)	(240,480,839)	(418,845,220)
Differences Between Expected and Actual Experience	0	(52,285,670)	(52,285,670)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	(546,598,240)	(720,325,412)	(1,266,923,652)
Total Deferred Inflows of Resources Excluding Employer Specific Amounts ¹	(724,962,621)	(1,013,091,921)	(1,738,054,542)
Aggregate Plan Pension Expense	\$169,012,983	\$300,366,268	\$469,379,251

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.