



San Joaquin County Employees' Retirement Association

GASB 67/68 Report as of December 31, 2015

Produced by Cheiron

May 2016

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May 11, 2016

Retirement Board of San Joaquin
County Employees' Retirement Association
6 South El Dorado, Street, Suite 400
Stockton, CA 95202

Dear Members of the Board:

The purpose of this report is to provide accounting and financial reporting information under GASB 67 for the San Joaquin County Employees' Retirement Association (SJCERA, the System, the Fund, the Plan) and under GASB 68 for the County of San Joaquin and the other participating employers. This information includes:

- Projection of SJCERA's Total Pension Liability from the valuation date to the measurement date,
- Note disclosures and required supplementary information under GASB 67 for SJCERA,
- Determination of collective amounts under GASB 68, and
- Schedules for the financial reporting of participating employers under GASB 68.

If you have any questions about the report or would like additional information, please let us know.

Sincerely,
Cheiron



Graham Schmidt, ASA, FCA, EA, MAAA
Consulting Actuary



Timothy S. Doyle, ASA, MAAA
Associate Actuary

SECTION I – BOARD SUMMARY

The purpose of this report is to provide accounting and financial disclosure information under Governmental Accounting Standards Board Statements 67 and 68 for the San Joaquin County Employees' Retirement Association (the Plan) and the Plan's participating employers. This information includes:

- Projection of SJCERA's Total Pension Liability from the valuation date to the measurement date,
- Note disclosures and required supplementary information under GASB 67 for SJCERA,
- Determination of collective amounts under GASB 68, and
- Schedules for the financial reporting of participating employers under GASB 68.

Highlights

The measurement date for the San Joaquin County Employees' Retirement Association (SJCERA) is December 31, 2015. Measurements are based on the fair value of assets as of December 31, 2015 and the Total Pension Liability as of the valuation date, January 1, 2015, updated to December 31, 2015. There were no significant events between the valuation date and the measurement date so the update procedures only included the addition of service cost and interest cost offset by actual benefit payments.

The table below provides a summary of the key collective results during this measurement period.

Table I-1 Summary of Collective Results			
		Measurement Date	
		12/31/2015	12/31/2014
Net Pension Liability	\$	1,538,339,848	\$ 1,317,495,335
Deferred Outflows		(224,925,668)	(52,323,714)
Deferred Inflows		20,602,136	0
Net Impact on Statement of Net Position	\$	1,334,016,316	\$ 1,265,171,621
Pension Expense (\$ Amount)	\$	219,216,251	\$ 150,752,133
Pension Expense (% of Payroll)		55.34%	40.09%

The Net Pension Liability (NPL) increased approximately \$221 million since the prior measurement date, primarily due to investment losses. There were also actuarial gains that reduced the NPL. The investment losses are recognized over five years, and the actuarial gains and assumption changes are recognized over the average remaining service life, which is also five years. Unrecognized amounts are reported as deferred inflows and deferred outflows. As of

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SECTION I – BOARD SUMMARY

the end of the reporting year, SJCERA and its participating employers would report a Net Pension Liability of \$1,538,339,848, Deferred Inflows of \$20,602,136, and Deferred Outflows of \$224,925,668. Consequently, the net impact on the aggregate of participating employers' Statements of Net Position due to SJCERA would be \$1,334,016,316 at the end of the measurement year ($\$1,538,339,848 + \$20,602,136 - \$224,925,668$). In addition, any contributions between the measurement date and each individual employer's reporting date would be reported as deferred outflows to offset the cash outflow reported.

For the measurement year ending December 31, 2015, the collective annual pension expense is \$219,216,251 or 55.34% of covered-employee payroll. This amount is not related to participating employers' contributions to SJCERA (\$150,371,556), but instead represents the change in the net impact on participating employer's Statements of Net Position plus employer contributions ($\$1,334,016,316 - \$1,265,171,621 + \$150,371,556$). The collective pension expense is significantly larger than the collective expense for the prior year. Volatility in pension expense from year to year is to be expected. It will largely be driven by investment gains or losses, but other changes can also have a significant impact. A breakdown of the components of the net pension expense is shown in the report.

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SECTION II – CERTIFICATION

The purpose of this report is to provide accounting and financial reporting information under GASB 67 for the San Joaquin County Employees' Retirement Association (SJCERA) and under GASB 68 for the employers that participate in SJCERA. This report is for the use of SJCERA, the participating employers and their auditors in preparing financial reports in accordance with applicable law and accounting requirements. This report is not appropriate for other purposes, including the measurement of funding requirements for SJCERA and estimating the price to settle SJCERA's obligations.

In preparing our report, we relied on information (some oral and some written) supplied by SJCERA. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future actuarial measurements may differ significantly from the current measurements 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.

To the best of our knowledge, this report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices that are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This report was prepared for SJCERA for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. Other users of this report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.



Graham Schmidt, ASA, FCA, EA, MAAA
Consulting Actuary



Timothy S. Doyle, ASA, MAAA
Associate Actuary

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SECTION III – DETERMINATION OF DISCOUNT RATE

The discount rate used to measure the Total Pension Liability was 7.50%.

We have assumed that the employees will continue to contribute to the Plan at the required rates and the employers will continue the historical and legally required practice of contributing to the Plan based on an actuarially determined contribution, reflecting a payment equal to annual Normal Cost, a portion of the expected Administrative Expenses, an amortization payment for the extraordinary losses of 2008 over a closed period (24 years remaining as of January 1, 2015) and an amount necessary to amortize the remaining January 1, 2014 Unfunded Actuarial Liability as a level percentage of payroll over a closed period (18 years remaining as of January 1, 2015). Any subsequent unexpected change in the unfunded actuarial liability (UAL) after January 1, 2014 is amortized over 15 years, with new amortization layers each year. The amortization period for each layer of the remaining UAL will decrease each year.

We have not performed a formal cash flow projection as described under Paragraph 41 of GASB Statement 67. However, Paragraph 43 allows for alternative methods to confirm the sufficiency of the Net Position if the evaluations “can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan...” In our professional judgment, adherence to the actuarial funding policy described above will result in the pension plan’s projected Fiduciary Net Position being greater than or equal to the benefit payments projected for each future period.

Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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SECTION IV – PROJECTION OF TOTAL PENSION LIABILITY

The Total Pension Liability (TPL) at the end of the measurement year, December 31, 2015, is measured as of a valuation date of January 1, 2015 and projected to December 31, 2015. There were no significant events during the projection period of which we are aware. Because the TPL shown in the prior report was measured as of January 1, 2014 and projected to December 31, 2014, it will not match the amounts measured as of January 1, 2015 that are shown in this exhibit.

The table below shows the projection of the TPL at discount rates equal to the rate used for disclosure and plus and minus one percent from the rate used for disclosure.

Table IV-1			
Projection of Collective Total Pension Liability from Valuation to Measurement Date			
Discount Rate	6.50%	7.50%	8.50%
Valuation Collective Total Pension Liability, 1/1/2015			
Actives	\$ 1,784,982,821	\$ 1,516,284,607	\$ 1,298,951,060
Deferred Vested	116,485,943	98,340,105	84,165,339
Retirees	<u>2,365,516,907</u>	<u>2,146,250,321</u>	<u>1,961,035,772</u>
Total	\$ 4,266,985,671	\$ 3,760,875,033	\$ 3,344,152,171
Service Cost	119,496,055	94,119,061	74,959,529
Benefit Payments	(181,468,913)	(181,468,913)	(181,468,913)
Interest	274,593,191	278,057,213	279,020,109
Collective Total Pension Liability, 12/31/2015	\$ 4,479,606,003	\$ 3,951,582,395	\$ 3,516,662,896

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SECTION V – GASB 67 REPORTING INFORMATION

Note Disclosures

The table below shows the changes in the Total Pension Liability, the Plan Fiduciary Net Position (i.e., fair value of System assets), and the Net Pension Liability during the measurement year.

Table V-1 Change in Collective Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2014	\$ 3,783,844,864	\$ 2,466,349,529	\$ 1,317,495,335
Changes for the year:			
Service cost	94,377,630		94,377,630
Interest	280,581,484		280,581,484
Changes of benefits	0		0
Differences between expected and actual experience	(25,752,670)		(25,752,670)
Changes of assumptions	0		0
Contributions - employer		150,371,556	(150,371,556)
Contributions - member		29,026,901	(29,026,901)
Transfer from healthcare plan		378,969	(378,969)
Net investment income		(47,339,750)	47,339,750
Benefit payments	(181,468,913)	(181,468,913)	0
Administrative expense		(4,075,745)	4,075,745
Net changes	<u>167,737,531</u>	<u>(53,106,982)</u>	<u>220,844,512</u>
Balances at 12/31/2015	<u>\$ 3,951,582,395</u>	<u>\$ 2,413,242,547</u>	<u>\$ 1,538,339,848</u>

During the measurement year, the collective NPL increased by approximately \$221 million. The service cost and interest cost increased the collective NPL by approximately \$375 million while contributions offset by investment losses and administrative expenses decreased the collective NPL by approximately \$128 million.

There were no changes in benefits during the year. The expected long-term return on assets was constant at 7.50%. Differences between expected and actual experience decreased the NPL by approximately \$26 million.

The TPL as of December 31, 2015 was based upon the same data, actuarial methods and assumptions, and plan provisions as were used in the actuarial valuation as of January 1, 2015, and which are summarized in the Actuarial Valuation Report as of January 1, 2015. The one difference is that the TPL includes an estimate of liabilities for the Post-82 Settlement benefits, which were measured at approximately \$29.2 million as of January 1, 2015. The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial

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SECTION V – GASB 67 REPORTING INFORMATION

experience study for the period January 1, 2010 – December 31, 2012. A summary of the key assumptions is as follows:

- Inflation: 3.00%
- Amortization growth rate: 3.25%
- Salary increases: 3.25% plus merit component
- COLA increases: 2.60%
- Investment rate of return: 7.50%, net of investment expense
- Post-Retirement Mortality: Sex distinct RP-2000 Combined, Mortality, projected with generational improvements using Scale BB.

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The table below shows the sensitivity of the collective NPL to the discount rate.

Table V-2			
Sensitivity of Collective Net Pension Liability to Changes in Discount Rate			
	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Total Pension Liability	\$ 4,479,606,003	\$ 3,951,582,395	\$ 3,516,662,896
Plan Fiduciary Net Position	<u>2,413,242,547</u>	<u>2,413,242,547</u>	<u>2,413,242,547</u>
Collective Net Pension Liability	<u>\$ 2,066,363,456</u>	<u>\$ 1,538,339,848</u>	<u>\$ 1,103,420,349</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.9%	61.1%	68.6%

A one percent decrease in the discount rate increases the TPL by approximately 13% and increases the collective NPL by approximately 34%. A one percent increase in the discount rate decreases the TPL by approximately 11% and decreases the collective NPL by approximately 28%.

Required Supplementary Information

The schedules of Required Supplementary Information generally start with information as of the implementation of GASB 67, and eventually will build up to 10 years of information. The schedule below shows the changes in collective NPL and related ratios required by GASB for the two years since implementation.

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SECTION V – GASB 67 REPORTING INFORMATION

**Table V-3
Schedule of Changes in Collective Net Pension Liability and Related Ratios**

	FYE 2015	FYE 2014
<u>Total Pension Liability</u>		
Service cost (MOY)	\$ 94,377,630	\$ 90,429,416
Interest (includes interest on service cost)	280,581,484	266,668,435
Changes of benefit terms	0	0
Differences between expected and actual experience	(25,752,670)	0
Changes of assumptions	0	0
Benefit payments, including refunds of member contributions	(181,468,913)	(165,870,971)
Net change in total pension liability	\$ 167,737,531	\$ 191,226,880
Total pension liability - beginning	<u>3,783,844,864</u>	<u>3,592,617,984</u>
Total pension liability - ending	<u>\$ 3,951,582,395</u>	<u>\$ 3,783,844,864</u>
<u>Plan fiduciary net position</u>		
Contributions - employer	\$ 150,371,556	\$ 136,686,133
Contributions - member	29,026,901	27,367,908
Transfer from healthcare plan	378,969	19,968,779
Net investment income	(47,339,750)	110,728,303
Benefit payments, including refunds of member contributions	(181,468,913)	(165,870,971)
Administrative expense	(4,075,745)	(4,042,986)
Net change in plan fiduciary net position	\$ (53,106,982)	\$ 124,837,166
Plan fiduciary net position - beginning	<u>2,466,349,529</u>	<u>2,341,512,363</u>
Plan fiduciary net position - ending	<u>\$ 2,413,242,547</u>	<u>\$ 2,466,349,529</u>
Net pension liability - ending	<u>\$ 1,538,339,848</u>	<u>\$ 1,317,495,335</u>
Plan fiduciary net position as a percentage of the total pension liability	61.07%	65.18%
Covered employee payroll	\$ 396,136,470	\$ 376,030,944
Net pension liability as a percentage of covered employee payroll	388.34%	350.37%

Because an Actuarially Determined Contribution (ADC) has been calculated historically, the full 10 years of information in the following schedule is required.

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SECTION V – GASB 67 REPORTING INFORMATION

Table V-4 Schedule of Collective Employer Contributions										
	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010	FYE 2009	FYE 2008	FYE 2007	FYE 2006
Actuarially Determined Contribution Contributions in Relation to the	\$ 150,371,556	\$ 136,686,133	\$ 119,494,000	\$ 108,063,000	\$ 112,892,000	\$ 104,452,000	\$ 97,806,000	\$ 94,163,000	\$ 85,869,000	\$ 73,612,000
Actuarially Determined Contribution	<u>150,371,556</u>	<u>136,686,133</u>	<u>119,494,000</u>	<u>108,063,000</u>	<u>112,892,000</u>	<u>104,452,000</u>	<u>97,806,000</u>	<u>94,163,000</u>	<u>85,869,000</u>	<u>73,612,000</u>
Contribution Deficiency/(Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-Employee Payroll	\$ 396,136,470	\$ 376,030,944	\$ 362,650,568	\$ 356,419,000	\$ 367,344,000	\$ 385,442,000	\$ 377,559,000	\$ 367,361,000	\$ 340,828,000	\$ 309,692,000
Contributions as a Percentage of Covered-Employee Payroll	37.96%	36.35%	32.95%	30.32%	30.73%	27.10%	25.90%	25.63%	25.19%	23.77%

The notes below summarize the key methods and assumptions used to determine the ADC for FYE 2015.

Notes to Schedule

Valuation Date 1/1/2014
Timing Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year

Key Methods and Assumptions Used to Determine Contribution Rates for the Year Ending December 31, 2015:

Actuarial cost method Entry Age Normal
Asset valuation method Actuarial value: Excess earnings smoothed over five years, 80% / 120% corridor around market value
Amortization method Level percentage of payroll (19 years as of 1/1/2014) with separate periods for Extraordinary Actuarial Gains or Losses (25 years for 2008 losses as of 1/1/2014). Cost impact of assumption changes adopted as of 1/1/2013 reflect the second year of three year phase-in
Discount rate 7.50%
Amortization growth rate 3.25%
Price inflation 3.00%
Salary increases 3.25% plus merit component based on employee classification and years of service
Mortality Healthy: RP 2000 Combined Healthy Table, with Generational Projection using Projection Scale BB
Disabled: RP 2000 Combined Healthy Table, with Generational Projection using Scale BB, Set-Forward 8 Years for males and females

A complete description of the methods and assumptions used to determine contribution rates for the year ending December 31, 2015 can be found in the January 1, 2014 Actuarial Valuation Report.

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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SECTION VI – GASB 68 COLLECTIVE AMOUNTS

Employers that participate in SJCERA were required to implement GASB 68 for their first fiscal year that commenced after June 15, 2014. The amounts reported as of their fiscal year end (their reporting date) must be based on a measurement date not more than 12 months prior to their reporting date. For employers with a reporting date of June 30, their 2015 disclosures can be based on the December 31, 2014 measurement date. As a result, the GASB 68 schedules are based on deferred inflows and outflows equal to \$0 as of December 31, 2013.

Because SJCERA is a cost-sharing multiple-employer pension plan, each employer participating in SJCERA must reflect a portion of the collective Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows in their financial statements. This section develops the collective amounts that are allocated to participating employers.

The impact of experience gains or losses and assumption changes on the TPL are recognized in expense over the average expected remaining service life of all active and inactive members of SJCERA. As of the measurement date, the remaining service life is 4.90 years, which has been rounded to 5 years for determining the recognition period.

During the year, there was an experience gain of approximately \$26 million. Approximately \$5 million of that gain was recognized as a reduction in collective pension expense in the current year and an identical amount will be recognized in each of the next four years, resulting in a collective deferred inflow of resources as of December 31, 2015 of approximately \$21 million.

There were no assumption changes for the measurement date of December 31, 2014 or December 31, 2015.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of approximately \$232 million. Approximately \$46 million of that loss was recognized in the current year and an identical amount will be recognized in each of the next four years. Unrecognized investment losses from prior periods were approximately \$52 million of which \$13 million was recognized as an increase in collective pension expense in the current year. The combination of unrecognized investment losses this year and unrecognized net investment losses from prior periods results in a collective deferred outflow of resources as of December 31, 2015 of approximately \$225 million.

The table on the next page summarizes the current balances of collective deferred outflows and deferred inflows of resources along with the net recognition over the next five years.

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SECTION VI – GASB 68 COLLECTIVE AMOUNTS

Table VI-1		
Schedule of Collective Deferred Inflows and Outflows of Resources		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 20,602,136
Changes in assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	<u>224,925,668</u>	<u>0</u>
Total	<u>\$ 224,925,668</u>	<u>\$ 20,602,136</u>
Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:		
Measurement year ended June 30:		
2016	54,351,115	
2017	54,351,115	
2018	54,351,117	
2019	41,270,184	
2020	0	
Thereafter	\$ 0	

The collective annual pension expense recognized by the participating employers can be calculated two different ways. First, it is the change in the amounts reported on the participating employers' Statements of Net Position that relate to SJCERA and are not attributable to employer contributions. That is, it is the change in collective NPL plus the changes in collective deferred outflows and inflows plus participating employer contributions.

Alternatively, annual pension expense can be calculated by its individual components. While GASB does not require or suggest the organization of the individual components shown in the table on the following page, we believe it helps to understand the level and volatility of the collective pension expense.

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SECTION VI – GASB 68 COLLECTIVE AMOUNTS

Table VI-2 Calculation of Collective Pension Expense		
	Measurement Year Ending 2015	2014
Change in Net Pension Liability	\$ 220,844,512	\$ 66,389,714
Change in Deferred Outflows	(172,601,954)	(52,323,714)
Change in Deferred Inflows	20,602,136	0
Employer Contributions	<u>150,371,556</u>	<u>136,686,133</u>
Pension Expense	\$ 219,216,251	\$ 150,752,133
Pension Expense as % of Payroll	55.34%	40.09%
Operating Expenses		
Service cost	\$ 94,377,630	\$ 90,429,416
Employee contributions	(29,026,901)	(27,367,908)
Transfers	(378,969)	(19,968,779)
Administrative expenses	<u>4,075,745</u>	<u>4,042,986</u>
Total	\$ 69,047,505	\$ 47,135,715
Financing Expenses		
Interest cost	\$ 280,581,484	\$ 266,668,435
Expected return on assets	<u>(184,763,853)</u>	<u>(176,132,945)</u>
Total	\$ 95,817,631	\$ 90,535,490
Changes		
Benefit changes	\$ 0	\$ 0
Recognition of assumption changes	0	0
Recognition of liability gains and losses	(5,150,534)	0
Recognition of investment gains and losses	<u>59,501,649</u>	<u>13,080,928</u>
Total	\$ 54,351,115	\$ 13,080,928
Pension Expense	\$ 219,216,251	\$ 150,752,133

First, there are components referred to as operating expenses. These are items directly attributable to the operation of the plan during the measurement year. Service cost less employee contributions and other transfers represents the increase in employer-provided benefits attributable to the year, and administrative expenses are the cost of operating SJCERA for the year.

Second, there are the financing expenses: the interest on the Total Pension Liability less the expected return on assets. Since the discount rate is equal to the long-term expected return on assets, the financing expense is just the interest on the Net Pension Liability.

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SECTION VI – GASB 68 COLLECTIVE AMOUNTS

The final category is changes. This category will drive most of the volatility in pension expense from year to year. It includes any changes in benefits made during the year and the recognized amounts due to assumption changes, gains, or losses on the TPL, and investment gains or losses. The total collective pension expense increased substantially, by about \$68 million. The recognition of changes increased by approximately \$41 million, which is the largest portion of the total increase in pension expense.

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SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

Proportionate Shares

Because SJCERA is a Cost-sharing Multiple-employer Pension Plan, each employer participating in SJCERA must reflect a portion of the collective Net Pension Liability, Pension Expense and Deferred Outflows and Inflows in their financial statements. GASB 68 requires that the Proportionate Share for each employer shall be determined based on the “employer’s projected long-term contribution effort to the pension ... as compared to the total projected long-term contribution effort of all employers ...” Although not required as part of the Plan’s GASB 67 reporting requirements, SJCERA is following the advice of the AICPA and making a determination of each employer’s Proportionate Share, which will be reviewed by the Plan’s auditor.

The following schedules include the proportionate shares for each employer, reflecting a methodology that allocates the NPL and Pension Expense based on each employer’s share of the Unfunded Liability amortization payments. In Table VII-1, each employer’s amortization share as of December 31, 2015 is determined by multiplying the actual pensionable payroll for the current Plan year by the employer’s amortization rate from the most recent actuarial valuation report (the report as of January 1, 2015).

Table VII-1 Determination of Employers' Proportionate Share (As of December 31, 2015)											
Employer	Unfunded Liability Amortization Rate (from the January 1, 2015 Actuarial Valuation)				Pensionable Payroll				Amortization Share (Rate x Pay)	Proportionate Share	
	General	General	Safety	Safety	General	General	Safety	Safety			
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2			
County of San Joaquin	20.86%	20.86%	39.58%	39.58%	\$ 252,724,675	\$ 57,603,286	\$ 58,984,644	\$ 2,346,106	\$ 89,009,124	93.9134%	
Superior Courts	20.86%	20.86%	39.58%	39.58%	14,492,545	2,346,114	0	0	3,512,544	3.7061%	
Manteca-Lathrop Rural Fire Protection District	20.86%	20.86%	39.58%	39.58%	0	53,233	2,220,011	264,720	994,561	1.0494%	
Waterloo-Morada Rural Fire Protection District	20.86%	20.86%	39.58%	39.58%	0	0	779,606	275,278	417,523	0.4405%	
Tracy Public Cemetery District	20.86%	20.86%	39.58%	39.58%	103,969	69,442	0	0	36,174	0.0382%	
SJC Mosquito & Vector Control District	20.86%	20.86%	39.58%	39.58%	2,001,110	391,065	0	0	499,008	0.5265%	
SJC Historical Society & Museum	20.86%	20.86%	39.58%	39.58%	130,306	0	0	0	27,182	0.0287%	
Mountain House Community Services District	20.86%	20.86%	39.58%	39.58%	678,364	625,145	0	0	271,912	0.2869%	
Local Agency Formation Commission	20.86%	20.86%	39.58%	39.58%	0	0	0	0	0	0.0000%	
San Joaquin County Law Library	20.86%	20.86%	39.58%	39.58%	46,852	0	0	0	9,773	0.0103%	
Total					\$270,177,821	\$ 61,088,285	\$ 61,984,261	\$ 2,886,104	\$ 94,777,801	100.0000%	

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2015 MEASUREMENT DATE**

SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below shows the proportionate share of the collective NPL (under three discount rates), the collective deferred outflows, the collective deferred inflows, and the collective pension expense allocated to each participating employer as of December 31, 2015.

Table VII-2 Schedule of Employers' Proportionate Share of Collective Amounts at December 31, 2015							
Employer	Proportionate Share	Share of NPL @ 6.50%	Share of NPL @ 7.50%	Share of NPL @ 8.50%	Share of Deferred Outflows	Share of Deferred Inflows	Pension Expense
County of San Joaquin	93.9134%	\$ 1,940,592,178	\$ 1,444,707,254	\$ 1,036,259,566	\$ 211,235,342	\$ 19,348,167	\$ 205,873,435
Superior Courts	3.7061%	76,581,496	57,012,413	40,893,862	8,335,970	763,536	8,124,373
Manteca-Lathrop Rural Fire Protection District	1.0494%	21,684,418	16,143,338	11,579,293	2,360,370	216,199	2,300,455
Waterloo-Morada Rural Fire Protection District	0.4405%	9,102,331	6,776,387	4,860,567	990,798	90,752	965,648
Tracy Public Cemetery District	0.0382%	789,351	587,646	421,507	85,922	7,870	83,741
SJC Mosquito & Vector Control District	0.5265%	10,879,404	8,099,359	5,809,508	1,184,234	108,470	1,154,174
SJC Historical Society & Museum	0.0287%	593,046	441,504	316,682	64,554	5,913	62,915
Mountain House Community Services District	0.2869%	5,928,397	4,413,497	3,165,713	645,312	59,108	628,931
Local Agency Formation Commission	0.0000%	0	0	0	0	0	0
San Joaquin County Law Library	0.0103%	212,835	158,449	113,652	23,167	2,122	22,579
Total	100.0000%	\$ 2,066,363,456	\$ 1,538,339,848	\$ 1,103,420,349	\$ 224,925,668	\$ 20,602,136	\$ 219,216,251

The proportionate share allocated to each individual employer will change on each measurement date. The net effect of the change in proportion on the share of the collective NPL, collective deferred outflows and collective deferred inflows allocated to each employer becomes a deferred outflow or inflow for that employer and is recognized over the average future working life of SJCERA's active and inactive members (4.90 years, which has been rounded to five years).

If the proportionate share for an employer increases, a portion of the resulting increase in the NPL will be recognized in the current year as an increase in the employer's pension expense, with the remainder actives as deferred outflows to be recognized in future years' pension expense. The reverse will be true for reductions in the proportionate share; i.e. reductions in the NPL will be recognized as offset to current and future years' pension expense.

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Similarly, the difference between each employer's actual contributions and the employer's proportionate share of collective employer contributions becomes a deferred outflow or inflow for that employer and is recognized over the average future working life of SJCERA's active and inactive members (4.90 years, which has been rounded to 5 years).

If an employer contributes an amount greater than their proportionate share of the total contributions, the difference increases the current year pension expense and results in deferred outflows to be recognized in future years' pension expense. The reverse will be true for contributions less than the proportionate share; the difference will be recognized as a decrease to current and future years' pension expense.

The table below shows the change in proportion and the impact of that change in proportion on the proportionate share of the collective NPL, collective deferred outflows, and collective deferred inflows. It also shows any contribution differences.

Table VII-3 Schedule of Employers' Changes in Proportion and Contribution Differences									
Employer	Proportionate Shares		Impact of Change in Proportion				Contributions		
	12/31/2014	12/31/2015	Net Pension Liability	Deferred Outflows	Deferred Inflows	Net Effect	Actual	Proportionate Share	Difference
County of San Joaquin	94.2002%	93.9134%	\$ (3,778,577)	\$ (150,064)	\$ 0	\$ (3,628,512)	\$ 140,929,496	\$ 141,219,041	\$ (289,545)
Superior Courts	3.4414%	3.7061%	3,487,410	138,501	0	3,348,909	5,936,490	5,572,920	363,570
Manteca-Lathrop Rural Fire Protection District	1.0103%	1.0494%	515,141	20,459	0	494,682	1,551,709	1,577,999	(26,290)
Waterloo-Morada Rural Fire Protection District	0.4405%	0.4405%	0	0	0	0	634,840	662,387	(27,547)
Tracy Public Cemetery District	0.0435%	0.0382%	(69,827)	(2,773)	0	(67,054)	58,012	57,442	570
SJC Mosquito & Vector Control District	0.5218%	0.5265%	61,922	2,459	0	59,463	790,269	791,706	(1,437)
SJC Historical Society & Museum	0.0281%	0.0287%	7,905	314	0	7,591	44,272	43,157	1,115
Mountain House Community Services District	0.2931%	0.2869%	(81,685)	(3,244)	0	(78,441)	410,518	431,416	(20,898)
Local Agency Formation Commission	0.0075%	0.0000%	(98,812)	(3,924)	0	(94,888)	0	0	0
San Joaquin County Law Library	0.0136%	0.0103%	(43,477)	(1,727)	0	(41,751)	15,950	15,488	462
Total	100.0000%	100.0000%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 150,371,556	\$ 150,371,556	\$ 0

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below shows the reconciliation of deferred outflows and inflows due to proportion changes for each participating employer from the prior measurement date to the current measurement date.

Table VII-4 Reconciliation of Deferred Outflows and Inflows Due to Proportion Change								
Employer	Deferred Outflows				Deferred Inflows			
	Current Year		Recognition	12/31/2015	Current Year		Recognition	12/31/2015
	12/31/2014	Net Effect			12/31/2014	Net Effect		
County of San Joaquin	\$ 0	\$ 0	\$ 0	\$ 0	\$ (529,629)	\$ (3,628,512)	\$ (862,912)	\$ (3,295,230)
Superior Courts	569,377	3,348,909	817,289	3,100,997	0	0	0	0
Manteca-Lathrop Rural Fire Protection District	48,690	494,682	111,550	431,822	0	0	0	0
Waterloo-Morada Rural Fire Protection District	143,089	0	37,070	106,019	0	0	0	0
Tracy Public Cemetery District	50,677	0	13,129	37,548	0	(67,054)	(13,411)	(53,643)
SJC Mosquito & Vector Control District	31,797	59,463	20,131	71,129	0	0	0	0
SJC Historical Society & Museum	0	7,591	1,518	6,073	(994)	0	(257)	(737)
Mountain House Community Services District	0	0	0	0	(180,849)	(78,441)	(62,540)	(196,750)
Local Agency Formation Commission	0	0	0	0	(184,824)	(94,888)	(66,860)	(212,852)
San Joaquin County Law Library	52,665	0	13,644	39,021	0	(41,751)	(8,350)	(33,401)
Total	\$ 896,296	\$ 3,910,645	\$ 1,014,331	\$ 3,792,610	\$ (896,296)	\$ (3,910,645)	\$ (1,014,330)	\$ (3,792,611)

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SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below shows the reconciliation of deferred outflows and inflows due to contribution differences for each participating employer from the prior measurement date to the current measurement date.

Table VII-5 Reconciliation of Deferred Outflows and Inflows Due to Contribution Differences								
Employer	Deferred Outflows				Deferred Inflows			
	Current Year		Recognition	12/31/2015	Current Year		Recognition	12/31/2015
	12/31/2014	Difference			12/31/2014	Difference		
County of San Joaquin	\$ 0	\$ 0	\$ 0	\$ 0	\$ (262,031)	\$ (289,545)	\$ (125,793)	\$ (425,783)
Superior Courts	273,243	363,570	143,502	493,310	0	0	0	0
Manteca-Lathrop Rural Fire Protection District	0	0	0	0	(26,793)	(26,290)	(12,199)	(40,884)
Waterloo-Morada Rural Fire Protection District	0	0	0	0	(41,888)	(27,547)	(16,361)	(53,074)
Tracy Public Cemetery District	0	570	114	456	(7,908)	0	(2,049)	(5,859)
SJC Mosquito & Vector Control District	0	0	0	0	(8,866)	(1,437)	(2,584)	(7,719)
SJC Historical Society & Museum	278	1,115	295	1,098	0	0	0	0
Mountain House Community Services District	0	0	0	0	(26,470)	(20,898)	(11,037)	(36,331)
Local Agency Formation Commission	91,920	0	23,814	68,106	0	0	0	0
San Joaquin County Law Library	8,515	462	2,298	6,679	0	0	0	0
Total	\$ 373,956	\$ 365,717	\$ 170,023	\$ 569,650	\$ (373,956)	\$ (365,717)	\$ (170,023)	\$ (569,650)

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SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below summarizes the deferred outflows allocated to each employer for experience, assumption changes, investment returns, proportion changes, and contribution differences.

Table VII-6 Schedule of Employers' Deferred Outflows at December 31, 2015						
Employer	Proportionate Shares	Experience	Assumption Changes	Investment Return	Proportion Change	Contribution Difference
County of San Joaquin	93.9134%	\$ 0	\$ 0	\$ 211,235,342	\$ 0	\$ 0
Superior Courts	3.7061%	0	0	8,335,970	3,100,997	493,310
Manteca-Lathrop Rural Fire Protection District	1.0494%	0	0	2,360,370	431,822	0
Waterloo-Morada Rural Fire Protection District	0.4405%	0	0	990,798	106,019	0
Tracy Public Cemetery District	0.0382%	0	0	85,922	37,548	456
SJC Mosquito & Vector Control District	0.5265%	0	0	1,184,234	71,129	0
SJC Historical Society & Museum	0.0287%	0	0	64,554	6,073	1,098
Mountain House Community Services District	0.2869%	0	0	645,312	0	0
Local Agency Formation Commission	0.0000%	0	0	0	0	68,106
San Joaquin County Law Library	0.0103%	0	0	23,167	39,021	6,679
Total	100.0000%	\$ 0	\$ 0	\$ 224,925,668	\$ 3,792,610	\$ 569,650

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The table below summarizes the deferred inflows allocated to each employer for experience, assumption changes, investment returns, proportion changes, and contribution differences.

Table VII-7 Schedule of Employers' Deferred Inflows at December 31, 2015							
Employer	Proportionate Shares	Experience	Assumption Changes	Investment Return	Proportion Change	Contribution Difference	
County of San Joaquin	93.9134%	\$ 19,348,167	\$ 0	\$ 0	\$ 3,295,230	\$ 425,783	
Superior Courts	3.7061%	763,536	0	0	0	0	
Manteca-Lathrop Rural Fire Protection District	1.0494%	216,199	0	0	0	40,884	
Waterloo-Morada Rural Fire Protection District	0.4405%	90,752	0	0	0	53,074	
Tracy Public Cemetery District	0.0382%	7,870	0	0	53,643	5,859	
SJC Mosquito & Vector Control District	0.5265%	108,470	0	0	0	7,719	
SJC Historical Society & Museum	0.0287%	5,913	0	0	737	0	
Mountain House Community Services District	0.2869%	59,108	0	0	196,750	36,331	
Local Agency Formation Commission	0.0000%	0	0	0	212,852	0	
San Joaquin County Law Library	0.0103%	2,122	0	0	33,401	0	
Total	100.0000%	\$20,602,136	\$ 0	\$ 0	\$ 3,792,611	\$ 569,650	

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SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below shows the net amount of deferred outflows and inflows to be recognized by each participating employer in each of the next five years and the total thereafter.

Table VII-8						
Schedule of Employers' Recognition of Deferred Outflows and Inflows at December 31, 2015						
Employer	Recognition for Measurement Year Ending					
	2016	2017	2018	2019	2020	Thereafter
County of San Joaquin	\$ 50,054,275	\$ 50,054,275	\$ 50,082,993	\$ 37,974,620	\$ 0	\$ 0
Superior Courts	2,975,098	2,975,098	2,944,537	2,272,009	0	0
Manteca-Lathrop Rural Fire Protection District	669,712	669,712	668,917	526,769	0	0
Waterloo-Morada Rural Fire Protection District	260,126	260,126	256,455	176,284	0	0
Tracy Public Cemetery District	18,545	18,545	16,994	2,469	0	0
SJC Mosquito & Vector Control District	303,706	303,706	302,873	228,889	0	0
SJC Historical Society & Museum	17,155	17,155	17,179	13,587	0	0
Mountain House Community Services District	82,356	82,356	89,874	98,538	0	0
Local Agency Formation Commission	(43,046)	(43,046)	(39,678)	(18,976)	0	0
San Joaquin County Law Library	13,190	13,190	10,970	(4,006)	0	0
Total	\$54,351,116	\$54,351,116	\$54,351,114	\$41,270,184	\$ 0	\$ 0

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SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below shows the calculation of the pension expense for each participating employer. The calculation is shown first as the sum of the proportionate share of the collective pension expense and the amounts recognized for proportion changes and contribution differences. The right side of the table shows the calculation as the sum of the changes in NPL and deferred amounts not attributable to contributions.

Table VII-9 Schedule of Employers' Pension Expense for the Measurement Year Ending December 31, 2015									
Employer	Collective Pension Expense	Change in Proportion	Contribution Difference	Employer Pension Expense	Change in Employer			Employer Contributions	Employer Pension Expense
					Net Pension Liability	Deferred Outflows	Deferred Inflows		
County of San Joaquin	\$ 205,873,435	\$ (862,912)	\$ (125,793)	\$ 204,884,730	\$ 203,624,013	\$ 161,946,299	\$ (22,277,519)	\$ 140,929,496	\$ 204,884,729
Superior Courts	8,124,373	817,289	143,502	9,085,164	11,672,129	9,286,990	(763,536)	5,936,490	9,085,164
Manteca-Lathrop Rural Fire Protection District	2,300,455	111,550	(12,199)	2,399,806	2,832,683	2,214,876	(230,290)	1,551,709	2,399,806
Waterloo-Morada Rural Fire Protection District	965,648	37,070	(16,361)	986,357	972,820	723,242	(101,938)	634,840	986,357
Tracy Public Cemetery District	83,741	(282)	(1,935)	81,524	14,535	50,488	(59,464)	58,012	81,524
SJC Mosquito & Vector Control District	1,154,174	20,131	(2,584)	1,171,721	1,224,669	950,541	(107,323)	790,269	1,171,721
SJC Historical Society & Museum	62,915	1,261	295	64,471	71,287	56,744	(5,656)	44,272	64,471
Mountain House Community Services District	628,931	(62,540)	(11,037)	555,354	551,918	491,951	(84,869)	410,518	555,354
Local Agency Formation Commission	0	(66,860)	23,814	(43,046)	(98,812)	(27,738)	(28,028)	0	(43,046)
San Joaquin County Law Library	22,579	5,294	2,298	30,171	(20,730)	571	(35,523)	15,950	30,171
Total	\$ 219,216,251	\$ 1	\$ 0	\$ 219,216,252	\$ 220,844,512	\$ 175,693,962	\$ (23,694,146)	\$ 150,371,556	\$ 219,216,252

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SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below summarizes the information needed for each employer's schedules of required supplementary information.

Table VII-10 Schedule of Employers' RSI Information at December 31, 2015									
Employer	Proportionate Shares	Proportionate Share of NPL	Covered- Employee Payroll	Share of NPL as a % of Payroll	Plan Fiduciary Net Position as % of TPL	Contractually Required Contribution	Actual Contributions	Contribution Deficiency	Contributions as a % of Payroll
County of San Joaquin	93.9134%	\$ 1,444,707,254	\$ 371,658,710	388.7%	61.1%	\$ 140,929,496	\$ 140,929,496	\$ 0	37.9%
Superior Courts	3.7061%	57,012,413	16,838,659	338.6%	61.1%	5,936,490	5,936,490	0	35.3%
Manteca-Lathrop Rural Fire Protection District	1.0494%	16,143,338	2,537,964	636.1%	61.1%	1,551,709	1,551,709	0	61.1%
Waterloo-Morada Rural Fire Protection District	0.4405%	6,776,387	1,054,884	642.4%	61.1%	634,840	634,840	0	60.2%
Tracy Public Cemetery District	0.0382%	587,646	173,412	338.9%	61.1%	58,012	58,012	0	33.5%
SJC Mosquito & Vector Control District	0.5265%	8,099,359	2,392,175	338.6%	61.1%	790,269	790,269	0	33.0%
SJC Historical Society & Museum	0.0287%	441,504	130,306	338.8%	61.1%	44,272	44,272	0	34.0%
Mountain House Community Services District	0.2869%	4,413,497	1,303,509	338.6%	61.1%	410,518	410,518	0	31.5%
Local Agency Formation Commission	0.0000%	0	0	N/A	61.1%	0	0	0	N/A
San Joaquin County Law Library	0.0103%	158,449	46,852	338.2%	61.1%	15,950	15,950	0	34.0%
Total	100.0000%	\$ 1,538,339,848	\$ 396,136,470	388.3%	61.1%	\$ 150,371,556	\$ 150,371,556	\$ 0	38.0%

APPENDIX A – GLOSSARY OF TERMS

1. Actuarially Determined Contribution

A target or recommended contribution 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.

2. Actuarial Valuation Date

The date as of which an actuarial valuation is performed. This date may be up to 24 months prior to the measurement date and up to 30 months prior to the employer's reporting date.

3. Deferred Inflow of Resources

An acquisition of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 68, these are experience gains on the Total Pension Liability, assumption changes reducing the Total Pension Liability, or investment gains that are recognized in future reporting periods.

4. Deferred Outflow of Resources

A consumption of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 68, these are experience losses on the Total Pension Liability, assumption changes increasing the Total Pension Liability, or investment losses that are recognized in future reporting periods.

5. Entry Age Actuarial Cost Method

The actuarial cost method required for GASB 67 and 68 calculations. Under this method, 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 of the individual between entry age and assumed exit ages. The portion of this actuarial present value allocated to a valuation year is called the Service Cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future service costs is called the Total Pension Liability.

6. Measurement Date

The date as of which the Total Pension Liability and Plan Fiduciary Net Position are measured. The Total Pension Liability may be projected from the Actuarial Valuation Date to the Measurement Date. The Measurement Date must be the same as the Reporting Date for the plan.

APPENDIX A – GLOSSARY OF TERMS

7. Net Pension Liability

The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit pension plan. It is calculated as the Total Pension Liability less the Plan Fiduciary Net Position.

8. Plan Fiduciary Net Position

The fair or market value of assets.

9. Reporting Date

The last day of the plan or employer's fiscal year.

10. Service Cost

The portion of the actuarial present value of projected benefit payments that is attributed to the current period of employee service in conformity with the requirements of GASB 67 and 68. The Service Cost is the normal cost calculated under the entry age actuarial cost method.

11. Total Pension Liability

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 67 and 68. The Total Pension Liability is the actuarial liability calculated under the entry age actuarial cost method. This measurement generally is not appropriate for estimating the cost to settle the Plan's liabilities.



Classic Values, Innovative Advice