



**Stanislaus County
Employees'
Retirement Association**

**GASB 67/68 Report
as of June 30, 2018**

Produced by Cheiron

September 2018

TABLE OF CONTENTS

<i>Section</i>	<i>Page</i>
Letter of Transmittal	i
Section I Board Summary	1
Section II Certification	3
Section III Determination of Discount Rate	4
Section IV Projection of Total Pension Liability	5
Section V GASB 67 Reporting Information	6
Section VI GASB 68 Collective Information	11
Section VII GASB 68 Reporting Information for Participating Employers	15
 <i>Appendices</i>	
Appendix A Membership Information	26
Appendix B Actuarial Assumptions and Methods	27
Appendix C Summary of Plan Provisions	30
Appendix D Glossary of Terms	31

September 21, 2018

Board of Retirement
Stanislaus County Employees' Retirement Association
832 12th Street, Suite 600
Modesto, CA 95353

Dear Members of the Board:

The purpose of this report is to provide accounting and financial reporting information under GASB 67 for the Stanislaus County Employees' Retirement Association (StanCERA) and under GASB 68 for the County of Stanislaus and other participating employers. This information includes:

- Determination of the discount rate as of June 30, 2018,
- Projection of StanCERA's Total Pension Liability from the valuation date to the measurement date,
- Note disclosures and required supplementary information under GASB 67 for StanCERA,
- 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 A. Schmidt, ASA, EA, FCA, MAAA
Consulting Actuary



Jonathan Chipko, FSA, EA, FCA, MAAA
Consulting Actuary

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

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 Stanislaus County Employees' Retirement Association (StanCERA) and the participating employers. This information includes:

- Determination of the discount rate as of June 30, 2018,
- Projection of StanCERA's Total Pension Liability from the valuation date to the measurement date,
- Note disclosures and required supplementary information under GASB 67 for StanCERA,
- 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 Stanislaus County Employees' Retirement Association is June 30, 2018. Measurements are based on the fair value of assets as of June 30, 2018 and the Total Pension Liability (TPL) as of the valuation date, June 30, 2017, updated to June 30, 2018. To the best of our knowledge, 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				
	6/30/2018		6/30/2017	
Net Pension Liability	\$	645,706,713	\$	665,287,596
Deferred Outflows		(125,611,826)		(185,752,405)
Deferred Inflows		17,111,138		9,477,702
Net Impact on Statement of Net Position	\$	537,206,025	\$	489,012,893
Pension Expense (\$ Amount)	\$	125,159,603	\$	136,166,310
Pension Expense (% of Payroll ¹)		46.70%		53.26%

¹Aggregate covered payroll was provided by StanCERA for the FYE 2017 and 2018.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION I – BOARD SUMMARY

The Net Pension Liability (NPL) decreased approximately \$20 million since the prior measurement date. The drivers of this decrease were an investment gain as well as an actuarial liability gain. The investment gains are recognized over five years, and the actuarial gains 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 the end of the reporting year, StanCERA and its participating employers would report a Net Pension Liability of \$645,706,713, Deferred Inflows of \$17,111,138, and Deferred Outflows of \$125,611,826. Consequently, the net impact on the aggregate of participating employers' Statements of Net Position due to StanCERA would be \$537,206,025 ($\$645,706,713 + \$17,111,138 - \$125,611,826$) at the end of the measurement year. 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 June 30, 2018, the collective annual pension expense is \$125,159,603 or 46.70% of covered-employee payroll. This amount is not related to participating employers' contributions to StanCERA (\$76,966,471), but instead represents the change in the net impact on participating employer's Statements of Net Position plus employer contributions ($\$537,206,025 - \$489,012,893 + \$76,966,471$). The collective pension expense is less 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.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION II – CERTIFICATION

The purpose of this report is to provide accounting and financial reporting information under GASB 67 for the Stanislaus County Employees' Retirement Association (StanCERA) and under GASB 68 for the employers that participate in StanCERA. This report is for the use of StanCERA, 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 StanCERA.

In preparing our report, we relied on information (some oral and some written) supplied by StanCERA. 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 StanCERA 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 A. Schmidt, ASA, EA, FCA, MAAA
Consulting Actuary

Jonathan Chipko, FSA, EA, FCA, MAAA
Consulting Actuary

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION III – DETERMINATION OF DISCOUNT RATE

The discount rate used to measure the Total Pension Liability is 7.25%. This discount rate is intended to be used for accounting and financial reports, but is not appropriate for estimating the price to settle the plan's liability.

We have assumed that the employees will continue to contribute to StanCERA at the current 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, the expected Administrative Expenses, and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percent of payroll over a closed period (19 years remaining as of the June 30, 2017 actuarial valuation).

We have not performed a formal cash flow projection as described under Paragraph 41 of GASB Statement 67. However, Paragraph 43 allows 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 StanCERA's investments is applied to all periods of projected benefit payments to determine the Total Pension Liability.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION IV – PROJECTION OF TOTAL PENSION LIABILITY

The Total Pension Liability (TPL) at the end of the measurement year, June 30, 2018, is measured as of a valuation date of June 30, 2017 and projected to June 30, 2018. 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 June 30, 2016 and projected to June 30, 2017, it will not match the amounts measured as of June 30, 2017 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	6.25%	7.25%	8.25%
Valuation Collective Total Pension Liability, 6/30/2017			
Actives	\$ 1,179,868,543	\$ 992,076,847	\$ 842,072,248
Deferred Vested	176,024,894	145,934,062	122,757,738
Retirees	<u>1,668,684,343</u>	<u>1,510,150,808</u>	<u>1,376,638,838</u>
Total	\$ 3,024,577,780	\$ 2,648,161,717	\$ 2,341,468,824
Service Cost	74,538,744	58,007,036	45,762,557
Benefit Payments	123,172,116	123,172,116	123,172,116
Interest	187,539,351	189,670,821	190,041,308
Collective Total Pension Liability, 6/30/2018	\$ 3,163,483,759	\$ 2,772,667,458	\$ 2,454,100,573

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

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 6/30/2017	\$ 2,659,510,907	\$ 1,994,223,311	\$ 665,287,596	
Changes for the year:				
Service cost	58,007,036		58,007,036	
Interest	190,493,637		190,493,637	
Changes of benefits	0		0	
Differences between expected and actual experience	(12,172,006)		(12,172,006)	
Changes of assumptions	0		0	
Contributions - employer		76,966,471	(76,966,471)	
Contributions - member		26,746,289	(26,746,289)	
Net investment income		154,988,199	(154,988,199)	
Benefit payments	(123,172,116)	(123,172,116)	0	
Administrative expense		(2,791,409)	2,791,409	
Net changes	<u>113,156,551</u>	<u>132,737,434</u>	<u>(19,580,883)</u>	
Balances at 6/30/2018	<u>\$ 2,772,667,458</u>	<u>\$ 2,126,960,745</u>	<u>\$ 645,706,713</u>	

During the measurement year, the collective NPL decreased by approximately \$20 million. The service cost and interest cost increased the collective NPL by approximately \$249 million while contributions and investment gains offset by administrative expenses decreased the collective NPL by approximately \$256 million.

There were no changes in benefits or assumptions during the year. There was an actuarial experience gain of approximately \$12 million.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION V – GASB 67 REPORTING INFORMATION

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 6.25%	Discount Rate 7.25%	1% Increase 8.25%
Total Pension Liability	\$ 3,163,483,759	\$ 2,772,667,458	\$ 2,454,100,573
Plan Fiduciary Net Position	<u>2,126,960,745</u>	<u>2,126,960,745</u>	<u>2,126,960,745</u>
Collective Net Pension Liability	<u>\$ 1,036,523,014</u>	<u>\$ 645,706,713</u>	<u>\$ 327,139,828</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.2%	76.7%	86.7%

A one percent decrease in the discount rate increases the TPL by approximately 14% and increases the collective NPL by approximately 61%. A one percent increase in the discount rate decreases the TPL by approximately 11% and decreases the collective NPL by approximately 49%.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION V – GASB 67 REPORTING INFORMATION

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 on the next page shows the changes in collective NPL and related ratios required by GASB for the five years since implementation.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION V – GASB 67 REPORTING INFORMATION

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

	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014
<u>Total Pension Liability</u>					
Service cost (MOY)	\$ 58,007,036	\$ 57,465,280	\$ 55,351,509	\$ 48,242,363	\$ 46,209,346
Interest (includes interest on service cost)	190,493,637	179,875,553	171,938,615	154,850,353	147,384,248
Changes of benefit terms	0	0	0	0	0
Differences between expected and actual experience	(12,172,006)	28,801,984	(6,424,597)	2,148,638	0
Changes of assumptions ¹	0	0	269,752,272	0	0
Benefit payments, including refunds of member contributions	(123,172,116)	(116,843,858)	(108,165,810)	(101,858,156)	(94,782,471)
Net change in total pension liability	\$ 113,156,551	\$ 149,298,959	\$ 382,451,989	\$ 103,383,198	\$ 98,811,123
Total pension liability - beginning	<u>2,659,510,907</u>	<u>2,510,211,948</u>	<u>2,127,759,959</u>	<u>2,024,376,761</u>	<u>1,925,565,638</u>
Total pension liability - ending	<u>\$ 2,772,667,458</u>	<u>\$ 2,659,510,907</u>	<u>\$ 2,510,211,948</u>	<u>\$ 2,127,759,959</u>	<u>\$ 2,024,376,761</u>
<u>Plan fiduciary net position</u>					
Contributions - employer	\$ 76,966,471	\$ 63,024,560	\$ 58,196,310	\$ 53,849,031	\$ 46,763,996
Contributions - member	26,746,289	25,463,745	23,916,508	22,960,235	21,867,911
Net investment income	154,988,199	252,309,705	(31,322,276)	68,722,781	274,896,108
Benefit payments, including refunds of member contributions	(123,172,116)	(116,843,858)	(108,165,810)	(101,858,156)	(94,782,471)
Administrative expense	(2,791,409)	(2,644,554)	(2,315,223)	(2,378,966)	(2,249,260)
Net change in plan fiduciary net position	\$ 132,737,434	\$ 221,309,598	\$ (59,690,491)	\$ 41,294,925	\$ 246,496,284
Plan fiduciary net position - beginning	<u>1,994,223,311</u>	<u>1,772,913,713</u>	<u>1,832,604,204</u>	<u>1,791,309,279</u>	<u>1,544,812,995</u>
Plan fiduciary net position - ending	<u>\$ 2,126,960,745</u>	<u>\$ 1,994,223,311</u>	<u>\$ 1,772,913,713</u>	<u>\$ 1,832,604,204</u>	<u>\$ 1,791,309,279</u>
Net pension liability - ending	<u>\$ 645,706,713</u>	<u>\$ 665,287,596</u>	<u>\$ 737,298,235</u>	<u>\$ 295,155,755</u>	<u>\$ 233,067,482</u>
Plan fiduciary net position as a percentage of the total pension liability	76.71%	74.98%	70.63%	86.13%	88.49%
Covered payroll	\$ 268,009,042	\$ 255,646,515	\$ 245,751,576	\$ 237,263,160	\$ 221,863,110
Net pension liability as a percentage of covered payroll²	240.93%	260.24%	300.02%	124.40%	105.05%

¹In 2016, amounts reported as changes of assumptions resulted primarily from changes to the assumed earnings rate from 7.75% to 7.25% and from adjustments to assumed life expectancies as a result of adopting updated mortality tables with generational improvements.

²Aggregate covered payroll was provided by StanCERA beginning with FYE 2015. For previous years' amounts, payroll is based on individual member pay data provided to the Actuary.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION V – GASB 67 REPORTING INFORMATION

Because an Actuarially Determined Contribution (ADC) is calculated using historical data, the full 10 years of information in the following schedule is required.

Table V-4 Schedule of Collective Employer Contributions										
	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010	FYE 2009
Actuarially Determined Contribution	\$ 76,966,471	\$ 63,024,560	\$ 58,196,310	\$ 53,849,031	\$ 46,763,996	\$ 39,077,000	\$ 41,614,000	\$ 47,657,000	\$ 31,814,000	\$ 23,411,000
Contributions in Relation to the Actuarially Determined Contribution	<u>76,966,471</u>	<u>63,024,560</u>	<u>58,196,310</u>	<u>53,849,031</u>	<u>46,763,996</u>	<u>39,077,000</u>	<u>41,614,000</u>	<u>47,657,000</u>	<u>31,814,000</u>	<u>23,411,000</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 Payroll ¹	\$ 268,009,042	\$ 255,646,515	\$ 245,751,576	\$ 237,263,160	\$ 221,863,110	\$ 217,491,487	\$ 215,057,000	\$ 221,541,000	\$ 231,538,000	\$ 248,316,000
Contributions as a Percentage of Covered Payroll	28.72%	24.65%	23.68%	22.70%	21.08%	17.97%	19.35%	21.51%	13.74%	9.43%

¹Aggregate covered payroll was provided by StanCERA beginning with FYE 2015. For previous years' amounts, payroll was based on individual member pay data provided to the Actuary.

The notes below summarize the key methods and assumptions used to determine the ADC for FYE 2018.

Notes to Schedule

Valuation Date 6/30/2016 (to determine FY 2017-18 contribution)
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:

Actuarial cost method Entry Age
Asset valuation method 5-year smoothed market, 80% / 120% corridor around market
Amortization method The unfunded liability is being amortized over a closed period as a level percentage of payroll, with 20 years remaining as of the June 30, 2016 actuarial valuation
Discount rate 7.25%, net of investment expenses
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 Rates of ordinary death for active Members are specified by the CalPERS Pre-Retirement Non-Industrial Mortality table, adjusted by 100.3% for males and 98.8% for females, with generational mortality improvements projected from 2009 using Scale MP-2015. Duty related mortality rates are only applicable for Safety Active Members, and are based on the CalPERS Pre-Retirement Industrial Death table without adjustment or projection. Rates of mortality for healthy retired Members and their beneficiaries are specified by the CalPERS Healthy Annuitant table, adjusted by 93.4% for males and 107.9% for females, with generational mortality improvements projected from 2009 using Scale MP-2015. Separate mortality assumptions are used for disabled retirees.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2018 can be found in the June 30, 2016 actuarial valuation report



**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION VI – GASB 68 COLLECTIVE AMOUNTS

Employers that participate in StanCERA are 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 up to 12 months prior to their reporting date. We understand that some or all of the employers have elected to implement GASB 68 based on the 2014 measurement date. As a result, the GASB 68 schedules are based on deferred inflows and outflows equal to \$0 as of June 30, 2013.

Because StanCERA is a cost-sharing multiple-employer pension plan, each employer participating in StanCERA 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 StanCERA. As of the measurement date, this recognition period was five years.

During the year, there was an experience gain of approximately \$12.2 million. Approximately \$2.4 million of that gain is recognized as a decrease in collective pension expense in the current year and an identical amount will be recognized in each of the next four years. Unrecognized experience gains from prior years were approximately \$3.9 million, of which \$1.3 million is recognized as a decrease in collective pension expense in the current year. Unrecognized experience losses from prior years are approximately \$23.9 million, of which \$6.2 million is recognized as an increase in collective pension expense in the current year. The unrecognized experience gains from this year and prior periods result in a deferred inflow of resources of \$12.3 million, and the unrecognized experience losses from prior periods result in a deferred outflow of resources as of June 30, 2018 of approximately \$17.7 million.

There are no assumption changes since the last measurement date. Unrecognized losses due to assumption changes from prior periods are approximately \$161.9 million, of which \$54.0 million is recognized as an increase in collective pension expense in the current year. The unrecognized losses due to assumption changes from prior periods result in a collective deferred outflow of resources as of June 30, 2018 of approximately \$107.9 million.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of approximately \$11.2 million. Approximately \$2.2 million of that gain is recognized in the current year and an identical amount will be recognized in each of the next four years. Unrecognized investment gains from prior periods are approximately \$131.2 million of which \$56.2 million is recognized as a decrease in collective pension expense in the current year. Unrecognized investment losses from prior periods are approximately \$125.5 million of which \$46.4 million is recognized as an increase in collective pension expense in the current year. The combination of unrecognized investment gains this year and prior periods and unrecognized investment losses from prior periods results in a collective deferred inflow of resources as of June 30, 2018 of approximately \$4.8 million.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION VI – GASB 68 COLLECTIVE AMOUNTS

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

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	\$ 17,710,916	\$ 12,307,445
Changes in assumptions	107,900,910	0
Net difference between projected and actual earnings on pension plan investments	0	4,803,693
Total	<u>\$ 125,611,826</u>	<u>\$ 17,111,138</u>
Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:		
Measurement year ended June 30:		
2019	75,653,132	
2020	61,411,268	
2021	(23,889,411)	
2022	(4,674,301)	
2023	0	
Thereafter \$	0	

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

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION VI – GASB 68 COLLECTIVE AMOUNTS

Table VI-2 Calculation of Collective Pension Expense		
	Measurement Year Ending	
	2018	2017
Change in Net Pension Liability	\$ (19,580,883)	\$ (72,010,639)
Change in Deferred Outflows	60,140,579	140,814,365
Change in Deferred Inflows	7,633,436	4,338,024
Employer Contributions	<u>76,966,471</u>	<u>63,024,560</u>
Pension Expense	\$ 125,159,603	\$ 136,166,310
Pension Expense as % of Payroll¹	46.70%	53.26%
Operating Expenses		
Service cost	\$ 58,007,036	\$ 57,465,280
Employee contributions	(26,746,289)	(25,463,745)
Administrative expenses	<u>2,791,409</u>	<u>2,644,554</u>
Total	\$ 34,052,156	\$ 34,646,089
Financing Expenses		
Interest cost	\$ 190,493,637	\$ 179,875,553
Expected return on assets	<u>(143,788,712)</u>	<u>(127,432,152)</u>
Total	\$ 46,704,925	\$ 52,443,401
Changes		
Benefit changes	\$ 0	\$ 0
Recognition of assumption changes	53,950,454	53,950,454
Recognition of liability gains and losses	2,470,805	4,905,206
Recognition of investment gains and losses	<u>(12,018,737)</u>	<u>(9,778,840)</u>
Total	\$ 44,402,522	\$ 49,076,820
Pension Expense	\$ 125,159,603	\$ 136,166,310

¹Aggregate covered payroll was provided by StanCERA for the FYE 2017 and 2018.

The components of the collective pension expense are classified in three general categories: operating, financing, and changes. Operating expenses are items directly attributable to the operation of the plan during the measurement year. Service cost less employee contributions represent the increase in employer-provided benefits attributable to the year, and administrative expenses are the cost of operating StanCERA for the year.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION VI – GASB 68 COLLECTIVE AMOUNTS

Financing expenses are 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 the interest on Net Pension Liability, adjusted for cash flows.

Changes in expenses 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 decreased from the prior year by about \$11 million. The operating expenses decreased by \$0.6 million, and the financing expenses by \$5.7 million. The recognition of assumption changes remained the same, the recognition of investment gains and losses decreased by \$2.2 million, and the recognition of liability gains and losses decreased by \$2.4 million.

SECTION VII – GASB 68 REPORTING INFORMATION FOR EMPLOYERS

Proportionate Shares

Because StanCERA is a Cost-sharing Multiple-employer Pension Plan, each employer participating in StanCERA 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 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 StanCERA’s GASB 67 reporting requirements, StanCERA is following the advice of the AICPA¹ and making a determination of each employer’s proportionate share, which will be reviewed by StanCERA’s auditor.

Proportionate shares for each participating employer are determined based on the ratio of each participating employer’s assigned Unfunded Liability amortization payments to StanCERA during the measurement year to the sum of the actual Unfunded Liability amortization payments for all participating employers. Separate amortization rates are used for General and Safety employees. In Table VII-1, each employer’s amortization share as of June 30, 2018 is determined by multiplying the actual pensionable payroll for the current fiscal year by the employer’s amortization rate from the most recent actuarial valuation report (the report as of June 30, 2017).

¹http://www.aicpa.org/interestareas/governmentauditquality/resources/gasbmatters/downloadabledocuments/aicpas_lgep_cs_er_reporting_whitepaper.pdf

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION VII – GASB 68 REPORTING INFORMATION FOR EMPLOYERS

**Table VII-1
Determination of Employers' Proportionate Share as of June 30, 2018**

Employer	Unfunded Liability Amortization Rate (from the June 30, 2017 Actuarial Valuation)		Pensionable Payroll		Amortization Share	Proportionate Share
	General	Safety	General	Safety	(Rate x Pay)	
Stanislaus County	17.41%	24.15%	\$ 189,088,253	\$ 52,019,267	\$ 45,482,918	89.4929%
City of Ceres	19.82%	25.24%	5,316,703	6,231,702	2,626,652	5.1682%
Stanislaus Superior Court	17.41%	24.15%	12,777,123	0	2,224,497	4.3770%
Stan. Council of Governments	17.41%	24.15%	901,920	0	157,024	0.3090%
East Side Mosquito District	19.82%	25.24%	602,093	0	119,335	0.2348%
Salida Sanitary District	19.82%	25.24%	619,194	0	122,724	0.2415%
Keyes Comm. Services District	19.82%	25.24%	277,397	0	54,980	0.1082%
Hills Ferry Cemetery District	19.82%	25.24%	175,392	0	34,763	0.0684%
Total			\$ 209,758,074	\$ 58,250,968	\$ 50,822,893	100.0000%

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION VII – GASB 68 REPORTING INFORMATION FOR 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 June 30, 2018.

Table VII-2 Schedule of Employers' Proportionate Share of Collective Amounts at June 30, 2018							
Employer	Proportionate Share	Share of NPL @ 6.25%	Share of NPL @ 7.25%	Share of NPL @ 8.25%	Share of Deferred Outflows	Share of Deferred Inflows	Pension Expense
Stanislaus County	89.4929%	\$ 927,614,505	\$ 577,861,663	\$ 292,766,919	\$ 112,413,666	\$ 15,313,253	\$ 112,008,958
City of Ceres	5.1682%	53,569,582	33,371,414	16,907,241	6,491,870	884,338	6,468,499
Stanislaus Superior Court	4.3770%	45,368,612	28,262,583	14,318,910	5,498,030	748,954	5,478,236
Stan. Council of Governments	0.3090%	3,202,856	1,995,234	1,010,862	388,141	52,873	386,743
East Side Mosquito District	0.2348%	2,433,756	1,516,119	768,124	294,937	40,177	293,875
Salida Sanitary District	0.2415%	2,503,203	1,559,382	790,043	303,353	41,323	302,260
Keyes Comm. Services District	0.1082%	1,121,518	698,655	353,965	135,912	18,514	135,423
Hills Ferry Cemetery District	0.0684%	708,982	441,663	223,764	85,918	11,704	85,609
Total	100.0000%	\$1,036,523,014	\$ 645,706,713	\$ 327,139,828	\$ 125,611,826	\$ 17,111,138	\$ 125,159,603

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION VII – GASB 68 REPORTING INFORMATION FOR EMPLOYERS

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 StanCERA's active and inactive members (five years).

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 StanCERA's active and inactive members (five years).

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		
	6/30/2017	6/30/2018	Net Pension Liability	Deferred Outflows	Deferred Inflows	Net Effect	Actual	Proportionate Share	Difference
Stanislaus County	88.7456%	89.4929%	\$ 4,971,694	\$ 1,388,128	\$ (70,827)	\$ 3,654,393	\$ 68,667,118	\$ 68,879,527	\$ (212,409)
City of Ceres	5.5554%	5.1682%	(2,575,994)	(719,233)	36,698	(1,893,458)	4,265,800	3,977,781	288,019
Stanislaus Superior Court	4.6814%	4.3770%	(2,025,135)	(565,430)	28,850	(1,488,555)	3,305,021	3,368,822	(63,802)
Stan. Council of Governments	0.3298%	0.3090%	(138,380)	(38,637)	1,971	(101,715)	227,154	237,826	(10,673)
East Side Mosquito District	0.2795%	0.2348%	(297,384)	(83,031)	4,237	(218,589)	187,708	180,717	6,991
Salida Sanitary District	0.2287%	0.2415%	85,157	23,776	(1,213)	62,594	182,609	185,874	(3,266)
Keys Comm. Services District	0.1149%	0.1082%	(44,574)	(12,445)	635	(32,764)	78,515	83,278	(4,763)
Hills Ferry Cemetery District	0.0647%	0.0684%	24,616	6,873	(351)	18,093	52,547	52,645	(98)
Total	100.0000%	100.0000%	\$ 0	\$ 0	\$ 0	\$ 0	\$76,966,471	\$ 76,966,471	\$ 0

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION VII – GASB 68 REPORTING INFORMATION FOR 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			
	6/30/2017	Current Year Net Effect	Recognition	6/30/2018	6/30/2017	Current Year Net Effect	Recognition	6/30/2018
Stanislaus County	\$ 1,867,701	\$ 3,654,393	\$ 1,368,788	\$ 4,153,307	\$ (927,507)	\$ 0	\$ (309,169)	\$ (618,338)
City of Ceres	375,425	0	125,141	250,284	(1,208,664)	(1,893,458)	(827,716)	(2,274,406)
Stanislaus Superior Court	632,146	0	210,716	421,430	(791,704)	(1,488,555)	(588,146)	(1,692,113)
Stan. Council of Governments	15,687	0	15,687	0	(161,062)	(101,715)	(72,119)	(190,658)
East Side Mosquito District	102,469	0	54,728	47,741	(39,036)	(218,589)	(56,730)	(200,895)
Salida Sanitary District	123,591	62,594	80,718	105,467	(43,219)	0	(14,406)	(28,813)
Keyes Comm. Services District	49,624	0	17,883	31,741	(1,753)	(32,764)	(8,306)	(26,211)
Hills Ferry Cemetery District	11,620	18,093	7,849	21,864	(5,321)	0	(4,922)	(399)
Total	\$ 3,178,263	\$ 3,735,080	\$ 1,881,510	\$ 5,031,833	\$(3,178,266)	\$ (3,735,080)	\$ (1,881,514)	\$ (5,031,832)

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION VII – GASB 68 REPORTING INFORMATION FOR 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	6/30/2018	Current Year		Recognition	6/30/2018
	6/30/2017	Difference			6/30/2017	Difference		
Stanislaus County	\$ 54,275	\$ 0	\$ 18,091	\$ 36,184	\$ (309,086)	\$ (212,409)	\$ (170,175)	\$ (351,320)
City of Ceres	549,626	288,019	280,308	557,337	0	0	0	0
Stanislaus Superior Court	0	0	0	0	(245,464)	(63,802)	(106,328)	(202,938)
Stan. Council of Governments	0	0	0	0	(24,690)	(10,673)	(11,382)	(23,981)
East Side Mosquito District	0	6,991	1,398	5,593	(6,962)	0	(3,454)	(3,508)
Salida Sanitary District	3,084	0	891	2,193	(4,077)	(3,266)	(2,925)	(4,418)
Keyes Comm. Services District	719	0	719	0	(17,364)	(4,763)	(6,778)	(15,349)
Hills Ferry Cemetery District	1,036	0	270	766	(1,096)	(98)	(632)	(562)
Total	\$ 608,741	\$ 295,010	\$ 301,677	\$ 602,073	\$ (608,739)	\$ (295,010)	\$ (301,674)	\$ (602,074)

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION VII – GASB 68 REPORTING INFORMATION FOR 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 June 30, 2018**

Employer	Proportionate Shares	Experience	Assumption Changes	Investment Return	Proportion Change	Contribution Difference
Stanislaus County	89.4929%	\$ 15,850,012	\$ 96,563,653	\$ 0	\$ 4,153,307	\$ 36,184
City of Ceres	5.1682%	915,336	5,576,535	0	250,284	557,337
Stanislaus Superior Court	4.3770%	775,207	4,722,823	0	421,430	0
Stan. Council of Governments	0.3090%	54,727	333,414	0	0	0
East Side Mosquito District	0.2348%	41,585	253,351	0	47,741	5,593
Salida Sanitary District	0.2415%	42,772	260,581	0	105,467	2,193
Keyes Comm. Services District	0.1082%	19,163	116,749	0	31,741	0
Hills Ferry Cemetery District	0.0684%	12,114	73,804	0	21,864	766
Total	100.0000%	\$17,710,916	\$ 107,900,910	\$ 0	\$ 5,031,833	\$ 602,073

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION VII – GASB 68 REPORTING INFORMATION FOR EMPLOYERS

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 June 30, 2018**

Employer	Proportionate Shares	Experience	Assumption Changes	Investment Return	Proportion Change	Contribution Difference
Stanislaus County	89.4929%	\$ 11,014,289	\$ 0	\$ 4,298,964	\$ 618,338	\$ 351,320
City of Ceres	5.1682%	636,073	0	248,264	2,274,406	0
Stanislaus Superior Court	4.3770%	538,697	0	210,258	1,692,113	202,938
Stan. Council of Governments	0.3090%	38,030	0	14,843	190,658	23,981
East Side Mosquito District	0.2348%	28,898	0	11,279	200,895	3,508
Salida Sanitary District	0.2415%	29,722	0	11,601	28,813	4,418
Keyes Comm. Services District	0.1082%	13,317	0	5,198	26,211	15,349
Hills Ferry Cemetery District	0.0684%	8,418	0	3,286	399	562
Total	100.0000%	\$ 12,307,445	\$ 0	\$ 4,803,693	\$ 5,031,832	\$ 602,074

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION VII – GASB 68 REPORTING INFORMATION FOR 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 June 30, 2018						
Employer	Recognition for Measurement Year Ending					
	2019	2020	2021	2022	2023	Thereafter
Stanislaus County	\$ 68,432,458	\$ 55,714,766	\$ (20,332,207)	\$ (3,494,771)	\$ 0	\$ 0
City of Ceres	3,611,505	2,827,713	(1,735,806)	(562,665)	0	0
Stanislaus Superior Court	2,955,248	2,368,143	(1,532,869)	(515,067)	0	0
Stan. Council of Governments	152,437	130,725	(125,615)	(36,919)	0	0
East Side Mosquito District	142,737	100,645	(86,398)	(53,293)	0	0
Salida Sanitary District	213,180	157,385	(34,682)	576	0	0
Keyes Comm. Services District	86,406	64,632	(30,899)	(12,561)	0	0
Hills Ferry Cemetery District	59,161	47,253	(10,933)	403	0	0
Total	\$75,653,131	\$61,411,262	\$ (23,889,408)	\$ (4,674,297)	\$ 0	\$ 0

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION VII – GASB 68 REPORTING INFORMATION FOR 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 June 30, 2018									
Employer	Collective			Employer Pension Expense	Change in Employer			Employer Contributions	Employer Pension Expense
	Pension Expense	Change in Proportion	Contribution Difference		Net Pension Liability	Deferred Outflows	Deferred Inflows		
Stanislaus County	\$ 112,008,958	\$ 1,059,619	\$ (152,084)	\$ 112,916,493	\$ (12,551,806)	\$ (50,165,906)	\$ (6,635,275)	\$ 68,667,118	\$ 112,916,493
City of Ceres	6,468,499	(702,575)	280,308	6,046,232	(3,587,973)	(3,944,849)	(1,423,555)	4,265,800	6,046,232
Stanislaus Superior Court	5,478,236	(377,430)	(106,328)	4,994,478	(2,882,191)	(3,408,499)	(1,163,148)	3,305,021	4,994,478
Stan. Council of Governments	386,743	(56,432)	(11,382)	318,929	(198,885)	(240,158)	(50,502)	227,154	318,929
East Side Mosquito District	293,875	(2,002)	(2,056)	289,817	(343,359)	(273,376)	(172,092)	187,708	289,817
Salida Sanitary District	302,260	66,312	(2,034)	366,538	37,869	(140,479)	(5,582)	182,609	366,538
Keyes Comm. Services District	135,423	9,577	(6,059)	138,941	(65,761)	(96,120)	(30,067)	78,515	138,941
Hills Ferry Cemetery District	85,609	2,927	(362)	88,174	11,222	(24,289)	(116)	52,547	88,174
Total	\$ 125,159,603	\$ (4)	\$ 3	\$ 125,159,602	\$ (19,580,883)	\$ (58,293,676)	\$ (9,480,338)	\$ 76,966,471	\$ 125,159,602

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

SECTION VII – GASB 68 REPORTING INFORMATION FOR 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 June 30, 2018									
Employer	Proportionate Shares	Proportionate Share of NPL	Covered 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
Stanislaus County	89.4929%	\$ 577,861,663	\$ 241,107,519	239.7%	76.7%	\$ 68,667,118	\$ 68,667,118	\$ 0	28.5%
City of Ceres	5.1682%	33,371,414	11,548,404	289.0%	76.7%	4,265,800	4,265,800	0	36.9%
Stanislaus Superior Court	4.3770%	28,262,583	12,777,123	221.2%	76.7%	3,305,021	3,305,021	0	25.9%
Stan. Council of Governments	0.3090%	1,995,234	901,920	221.2%	76.7%	227,154	227,154	0	25.2%
East Side Mosquito District	0.2348%	1,516,119	602,093	251.8%	76.7%	187,708	187,708	0	31.2%
Salida Sanitary District	0.2415%	1,559,382	619,194	251.8%	76.7%	182,609	182,609	0	29.5%
Keyes Comm. Services District	0.1082%	698,655	277,397	251.9%	76.7%	78,515	78,515	0	28.3%
Hills Ferry Cemetery District	0.0684%	441,663	175,392	251.8%	76.7%	52,547	52,547	0	30.0%
Total	100.0000%	\$ 645,706,713	\$ 268,009,042	240.9%	76.7%	\$ 76,966,471	\$ 76,966,471	\$ 0	28.7%

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

APPENDIX A – MEMBERSHIP INFORMATION

	<u>General Members</u>		<u>Safety Members</u>		<u>Total</u>	
	<u>7/1/2016</u>	<u>7/1/2017</u>	<u>7/1/2016</u>	<u>7/1/2017</u>	<u>7/1/2016</u>	<u>7/1/2017</u>
Active Participants						
Number	3,521	3,552	727	757	4,248	4,309
Average Age	45.15	45.02	38.11	37.73	43.94	43.74
Average Service	10.62	10.59	10.29	10.06	10.56	10.50
Average Pay (does not reflect impact of furloughs)	\$ 56,364	\$ 56,801	\$ 71,555	\$ 71,843	\$ 58,964	\$ 59,444
Service Retired						
Number	2,552	2,614	367	390	2,919	3,004
Average Age	69.64	69.90	64.76	64.84	69.02	69.24
Average Annual Total Benefit	\$ 29,368	\$ 30,139	\$ 53,226	\$ 55,279	\$ 32,368	\$ 33,403
Beneficiaries						
Number	334	338	94	93	428	431
Average Age	73.11	72.84	66.90	66.26	71.75	71.42
Average Annual Total Benefit	\$ 16,980	\$ 17,694	\$ 27,902	\$ 29,212	\$ 19,379	\$ 20,179
Duty Disabled						
Number	102	101	123	125	225	226
Average Age	68.02	68.86	57.58	58.33	62.31	63.04
Average Annual Total Benefit	\$ 24,834	\$ 25,421	\$ 37,475	\$ 38,340	\$ 31,744	\$ 32,566
Ordinary Disabled						
Number	72	78	7	7	79	85
Average Age	64.57	64.04	58.00	59.00	63.99	63.62
Average Annual Total Benefit	\$ 16,412	\$ 17,127	\$ 23,013	\$ 23,703	\$ 16,996	\$ 17,669
Total In Pay						
Number	3,060	3,131	591	615	3,651	3,746
Average Age	69.84	70.04	63.52	63.66	68.82	68.99
Average Annual Total Benefit	\$ 27,560	\$ 28,319	\$ 45,562	\$ 47,535	\$ 30,474	\$ 31,474
Terminated Vested						
Number	399	416	80	80	479	496
Average Age	49.88	49.75	42.48	43.19	48.64	48.69
Average Service	10.23	10.46	9.27	9.71	10.07	10.34
Transfers						
Number	398	424	153	151	551	575
Average Age	46.51	46.42	41.22	41.76	45.04	45.20
Average Service	6.80	6.96	7.32	7.22	6.95	7.03
Total Inactives						
Number	797	840	233	231	1,030	1,071
Average Age	48.20	48.07	41.65	42.26	46.72	46.81
Average Service	8.52	8.69	7.99	8.08	8.40	8.56

Please refer to the June 30, 2017 actuarial valuation report for a more complete summary of the data.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability as of June 30, 2018 is provided below, including any assumptions that differ from those used in the June 30, 2017 actuarial valuation. Please refer to the June 30, 2017 actuarial valuation report for a complete description of all other assumptions.

Key Actuarial Assumptions

Expected Return on Assets	7.25 percent per year, net of investment expenses
Discount Rate	7.25 percent per year
Price Inflation	3.00% per year
Salary Increases	3.25% per year plus merit component based on employee classification and years of service
Administrative Expenses	An allowance of \$2,546,160 for administrative expenses has been included in the annual cost calculated.
Postretirement COLA	100% of CPI up to 3% annually with banking, 2.7% annual increases assumed. Increases are assumed to occur on April 1.
Mortality Rates for Healthy Members and Inactives	<p>Rates of ordinary death for active Members are specified by the CalPERS Pre-Retirement Non-Industrial Mortality table, adjusted by 100.3% for males and 98.8% for females, with generational mortality improvements projected from 2009 using Scale MP-2015. Duty related mortality rates are only applicable for Safety Active Members, and are based on the CalPERS Pre-Retirement Industrial Death table without adjustment or projection.</p> <p>Rates of mortality for retired Members and their beneficiaries are specified by the CalPERS Healthy Annuitant table, adjusted by 93.4% for males and 107.9% for females, with generational mortality improvements projected from 2009 using Scale MP-2015. Separate mortality assumptions are used for disabled retirees.</p>

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Contribution Allocation Procedure

The contribution allocation procedure primarily consists of an actuarial cost method, an asset smoothing method, and an amortization method as described below. Please refer to the June 30, 2017 actuarial valuation report for a complete description of the method used in this valuation, including their impact on future expected plan contributions and funded status.

1. Actuarial Cost Method

The Entry Age actuarial cost method was used for active employees, whereby the normal cost is computed as the level annual percentage of total payroll required to fund the retirement benefits between each member's date of hire and assumed retirement. The actuarial liability is the difference between the present value of future benefits and the present value of future normal costs. The normal cost and actuarial liability are calculated on an individual basis. The sum of the individual amounts is the normal cost and actuarial liability for the System.

2. Asset Valuation Method

For the purposes of determining contribution rates, an actuarial value of assets is used that dampens the volatility in the market value of assets, resulting in a smoother pattern of contribution rates.

The actuarial value of assets is calculated by recognizing 20% of each of the past five years of actual investment earnings compared to the expected earnings on the actuarial value of assets. The actuarial value of assets is limited to no less than 80% and no more than 120% of the market value.

3. Amortization Method

The Unfunded Actuarial Liability (UAL) is the difference between the actuarial liability and the actuarial value of assets. The UAL for each valuation group is amortized as a level percent of payroll, assuming pay increases of 3.25%, over a closed period of 19 years.

4. Contributions

The total employer contribution rate is the sum of the employer normal cost rate, the administrative expense rate, and the UAL rate. The total employer contribution rate is determined separately for each valuation group.

The total normal cost rate is determined by dividing the normal cost for members as of the valuation date by the total salary expected to be paid during the year. The total normal cost rate is determined separately for each valuation group. The employer's normal cost rate is the total normal cost rate less the employee contribution rate.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

The UAL rate is determined by dividing the UAL payments by the total expected payroll for the fiscal year. The UAL rate is determined separately for each valuation group.

The administrative expense rate is determined by dividing the expected annual administrative expense by the total expected payroll for the fiscal year. The administrative expense rate is determined separately for each valuation group.

The increase in Plan cost due to the change in assumptions as a result of the Actuarial Experience Study Report for the period covering July 1, 2012 through June 30, 2015 is phased-in over three years, beginning with the cost calculated in the June 30, 2015 actuarial valuation. For this valuation, the phase-in is in its third and final year.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

APPENDIX C - SUMMARY OF PLAN PROVISIONS

The plan provisions are the same as those summarized in the June 30, 2017 actuarial valuation report.

APPENDIX D – 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 D – 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. The Net Pension Liability is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling StanCERA's benefit obligations in the event of a plan termination or other similar action. However, it is an appropriate measure for assessing the need for or the amount of future contributions.

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.



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