



**Stanislaus County
Employees'
Retirement Association**

**GASB 67/68 Report
as of June 30, 2020**

Produced by Cheiron

September 2020

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September 24, 2020

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, 2020,
- 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 B. Chipko, FSA, EA, MAAA
Consulting Actuary

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2020**

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, 2020,
- 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, 2020. Measurements are based on the fair value of assets as of June 30, 2020 and the Total Pension Liability (TPL) as of the valuation date, June 30, 2019, updated to June 30, 2020. 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	
		6/30/2020	6/30/2019
Net Pension Liability	\$	815,325,220	\$ 660,227,944
Deferred Outflows		(150,901,342)	(97,027,303)
Deferred Inflows		32,497,557	45,426,464
Net Impact on Statement of Net Position	\$	696,921,435	\$ 608,627,105
Pension Expense (\$ Amount)	\$	180,978,939	\$ 160,010,461
Pension Expense (% of Payroll)		60.26%	56.75%

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2020**

SECTION I – BOARD SUMMARY

The Net Pension Liability (NPL) increased approximately \$155 million since the prior measurement date. The drivers of this increase were an Actuarial Liability loss and an investment loss. The investment losses are recognized over five years, and the Actuarial Liability losses 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 \$815,325,220, Deferred Inflows of \$32,497,557, and Deferred Outflows of \$150,901,342. Consequently, the net impact on the aggregate of participating employers' Statements of Net Position due to StanCERA would be \$696,921,435 ($\$815,325,220 + \$32,497,557 - \$150,901,342$) 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, 2020, the collective annual pension expense is \$180,978,939 or 60.26% of covered-employee payroll. This amount is not related to participating employers' contributions to StanCERA (\$92,684,609), but instead represents the change in the net impact on participating employer's Statements of Net Position plus employer contributions ($\$696,921,435 - \$608,627,105 + \$92,684,609$). The collective pension expense is more 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, 2020**

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.

This report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. 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 B. Chipko, FSA, EA, MAAA
Consulting Actuary

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2020**

SECTION III – DETERMINATION OF DISCOUNT RATE

The discount rate used to measure the Total Pension Liability is 7.00%. 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 (17 years remaining as of the June 30, 2019 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
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SECTION IV – PROJECTION OF TOTAL PENSION LIABILITY

The Total Pension Liability (TPL) at the end of the measurement year, June 30, 2020 is measured as of a valuation date of June 30, 2019 and projected to June 30, 2020. 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, 2018 and projected to June 30, 2019, it will not match the amounts measured as of June 30, 2019 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	6.00%	7.00%	8.00%
Valuation Collective Total Pension Liability, 6/30/2019			
Actives	\$ 1,233,216,696	\$ 1,036,485,113	\$ 879,077,874
Deferred Vested	200,590,233	165,253,282	138,118,415
Retirees	<u>1,870,315,256</u>	<u>1,695,484,441</u>	<u>1,547,895,386</u>
Total	\$ 3,304,122,185	\$ 2,897,222,836	\$ 2,565,091,675
Service Cost	82,448,361	63,771,013	49,966,274
Benefit Payments	139,985,594	139,985,594	139,985,594
Interest	196,546,357	200,183,204	201,675,832
Collective Total Pension Liability, 6/30/2020	\$ 3,443,131,309	\$ 3,021,191,459	\$ 2,676,748,187

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2020**

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 6/30/2019	\$ 2,868,469,377	\$ 2,208,241,433	\$ 660,227,944
Changes for the year:			
Service cost	63,771,013		63,771,013
Interest	198,170,462		198,170,462
Changes of benefits	0		0
Differences between expected and actual experience	30,766,201		30,766,201
Changes of assumptions	0		0
Contributions - employer		92,684,609	(92,684,609)
Contributions - member		29,645,645	(29,645,645)
Net investment income		18,496,771	(18,496,771)
Benefit payments	(139,985,594)	(139,985,594)	0
Administrative expense		(3,216,625)	3,216,625
Net changes	<u>152,722,082</u>	<u>(2,375,194)</u>	<u>155,097,276</u>
Balances at 6/30/2020	<u>\$ 3,021,191,459</u>	<u>\$ 2,205,866,239</u>	<u>\$ 815,325,220</u>

During the measurement year, the collective NPL increased by approximately \$155 million. The service cost and interest cost increased the collective NPL by approximately \$262 million while contributions and investment earnings offset by administrative expenses decreased the collective NPL by approximately \$138 million.

There were no changes in benefits or assumptions during the year. There was an actuarial experience loss of approximately \$31 million.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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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 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Total Pension Liability	\$ 3,443,131,309	\$ 3,021,191,459	\$ 2,676,748,187
Plan Fiduciary Net Position	<u>2,205,866,239</u>	<u>2,205,866,239</u>	<u>2,205,866,239</u>
Collective Net Pension Liability	\$ 1,237,265,070	\$ 815,325,220	\$ 470,881,948
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.1%	73.0%	82.4%

A one percent decrease in the discount rate increases the TPL by approximately 14% and increases the collective NPL by approximately 52%. A one percent increase in the discount rate decreases the TPL by approximately 11% and decreases the collective NPL by approximately 42%.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2020**

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 seven years since implementation.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2020**

SECTION V – GASB 67 REPORTING INFORMATION

Table V-3 Schedule of Changes in Collective Net Pension Liability and Related Ratios							
	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014
<u>Total Pension Liability</u>							
Service cost (MOY)	\$ 63,771,013	\$ 59,957,490	\$ 58,007,036	\$ 57,465,280	\$ 55,351,509	\$ 48,242,363	\$ 46,209,346
Interest (includes interest on service cost)	198,170,462	198,460,567	190,493,637	179,875,553	171,938,615	154,850,353	147,384,248
Changes of benefit terms	0	0	0	0	0	0	0
Differences between expected and actual experience	30,766,201	15,206,475	(12,172,006)	28,801,984	(6,424,597)	2,148,638	0
Changes of assumptions ¹	0	(46,047,924)	0	0	269,752,272	0	0
Benefit payments, including refunds of member contributions	(139,985,594)	(131,774,689)	(123,172,116)	(116,843,858)	(108,165,810)	(101,858,156)	(94,782,471)
Net change in total pension liability	\$ 152,722,082	\$ 95,801,919	\$ 113,156,551	\$ 149,298,959	\$ 382,451,989	\$ 103,383,198	\$ 98,811,123
Total pension liability - beginning	<u>2,868,469,377</u>	<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>1,925,565,638</u>
Total pension liability - ending	<u>\$3,021,191,459</u>	<u>\$2,868,469,377</u>	<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	\$ 92,684,609	\$ 88,589,381	\$ 76,966,471	\$ 63,024,560	\$ 58,196,310	\$ 53,849,031	\$ 46,763,996
Contributions - member	29,645,645	27,742,863	26,746,289	25,463,745	23,916,508	22,960,235	21,867,911
Net investment income	18,496,771	99,280,524	154,988,199	252,309,705	(31,322,276)	68,722,781	274,896,108
Benefit payments, including refunds of member contributions	(139,985,594)	(131,774,689)	(123,172,116)	(116,843,858)	(108,165,810)	(101,858,156)	(94,782,471)
Administrative expense	(3,216,625)	(2,557,391)	(2,791,409)	(2,644,554)	(2,315,223)	(2,378,966)	(2,249,260)
Net change in plan fiduciary net position	\$ (2,375,194)	\$ 81,280,688	\$ 132,737,434	\$ 221,309,598	\$ (59,690,491)	\$ 41,294,925	\$ 246,496,284
Plan fiduciary net position - beginning	<u>2,208,241,433</u>	<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>	<u>1,544,812,995</u>
Plan fiduciary net position - ending	<u>\$2,205,866,239</u>	<u>\$2,208,241,433</u>	<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>\$ 815,325,220</u>	<u>\$ 660,227,944</u>	<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	73.01%	76.98%	76.71%	74.98%	70.63%	86.13%	88.49%
Covered payroll²	\$ 300,352,383	\$ 281,979,654	\$ 268,009,042	\$ 255,646,515	\$ 245,751,576	\$ 237,263,160	\$ 221,863,110
Net pension liability as a percentage of covered payroll	271.46%	234.14%	240.93%	260.24%	300.02%	124.40%	105.05%

¹In 2016 and 2019, amounts reported as changes of assumptions resulted primarily from changes to the assumed earnings rate 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, 2020**

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 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016
Actuarially Determined Contribution	\$ 92,684,609	\$ 88,589,381	\$ 76,966,471	\$ 63,024,560	\$ 58,196,310
Contributions in Relation to the Actuarially Determined Contribution	<u>92,684,609</u>	<u>88,589,381</u>	<u>76,966,471</u>	<u>63,024,560</u>	<u>58,196,310</u>
Contribution Deficiency/(Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 300,352,383	\$ 281,979,654	\$ 268,009,042	\$ 255,646,515	\$ 245,751,576
Contributions as a Percentage of Covered Payroll	30.86%	31.42%	28.72%	24.65%	23.68%
	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011
Actuarially Determined Contribution	\$ 53,849,031	\$ 46,763,996	\$ 39,077,000	\$ 41,614,000	\$ 47,657,000
Contributions in Relation to the Actuarially Determined Contribution	<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>
Contribution Deficiency/(Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll ¹	\$ 237,263,160	\$ 221,863,110	\$ 217,491,487	\$ 215,057,000	\$ 221,541,000
Contributions as a Percentage of Covered Payroll	22.70%	21.08%	17.97%	19.35%	21.51%

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.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2020**

SECTION VI – GASB 68 COLLECTIVE INFORMATION

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. The employers 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 loss of approximately \$30.8 million. Approximately \$6.2 million of that loss was recognized as an increase 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 \$8.6 million, of which \$3.7 million was recognized as a decrease in collective pension expense in the current year. Unrecognized experience losses from prior years are approximately \$23.7 million, of which \$8.8 million was recognized as an increase in collective pension expense in the current year. The unrecognized experience gains from prior periods result in a deferred inflow of resources of \$4.9 million, and the unrecognized experience losses from this year and prior periods result in a deferred outflow of resources as of June 30, 2020 of approximately \$39.5 million.

Unrecognized gains due to assumption changes from prior periods are approximately \$36.8 million, of which \$9.2 million was recognized as a decrease in collective pension expense in the current year. Unrecognized losses due to assumption changes from prior periods are approximately \$54.0 million, of which \$54.0 million was recognized as an increase in collective pension expense in the current year. The unrecognized gains due to assumption changes from prior periods result in a deferred inflow of resources of \$27.6 million.

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 \$135.4 million. Approximately \$27.1 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 gains from prior periods are approximately \$56.7 million of which \$27.2 million was recognized as a decrease in collective pension expense in the current year. Unrecognized investment losses from prior periods are approximately \$76.1 million of which \$43.5 million was recognized as an increase in collective pension expense in the current year. The combination of unrecognized investment losses from this year and prior periods and unrecognized investment gains from prior periods results in a collective deferred outflow of resources as of June 30, 2020 of approximately \$111.4 million.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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SECTION VI – GASB 68 COLLECTIVE INFORMATION

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	\$ 39,497,242	\$ 4,868,803
Changes in assumptions	0	27,628,754
Net difference between projected and actual earnings on pension plan investments	111,404,100	0
Total	<u>\$ 150,901,342</u>	<u>\$ 32,497,557</u>
Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:		
Measurement year ended June 30:		
2021	14,024,542	
2022	33,239,652	
2023	37,913,956	
2024	33,225,635	
2025	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, 2020**

SECTION VI – GASB 68 COLLECTIVE INFORMATION

**Table VI-2
Calculation of Collective Pension Expense**

	Measurement Year Ending	
	2020	2019
Change in Net Pension Liability	\$ 155,097,276	\$ 14,521,231
Change in Deferred Outflows	(53,874,039)	28,584,523
Change in Deferred Inflows	(12,928,907)	28,315,326
Employer Contributions	<u>92,684,609</u>	<u>88,589,381</u>
Pension Expense	\$ 180,978,939	\$ 160,010,461
Pension Expense as % of Payroll	60.26%	56.75%
Operating Expenses		
Service cost	\$ 63,771,013	\$ 59,957,490
Employee contributions	(29,645,645)	(27,742,863)
Administrative expenses	<u>3,216,625</u>	<u>2,557,391</u>
Total	\$ 37,341,993	\$ 34,772,018
Financing Expenses		
Interest cost	\$ 198,170,462	\$ 198,460,567
Expected return on assets	<u>(153,858,737)</u>	<u>(153,563,576)</u>
Total	\$ 44,311,725	\$ 44,896,991
Changes		
Benefit changes	\$ 0	\$ 0
Recognition of assumption changes	44,740,871	44,740,869
Recognition of liability gains and losses	11,235,610	5,512,098
Recognition of investment gains and losses	<u>43,348,740</u>	<u>30,088,485</u>
Total	\$ 99,325,221	\$ 80,341,452
Pension Expense	\$ 180,978,939	\$ 160,010,461

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.

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.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2020**

SECTION VI – GASB 68 COLLECTIVE INFORMATION

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 from the prior year by about \$21.0 million. The operating expenses increased by \$2.6 million, while the financing expenses decreased by \$0.6 million. The recognition of investment gains and losses increased by \$13.3 million, and the recognition of liability gains and losses increased by \$5.7 million.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2020**

**SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING
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, 2020 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, 2019).

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, 2020**

SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

**Table VII-1
Determination of Employers' Proportionate Share as of June 30, 2020**

Employer	Unfunded Liability Amortization Rate (from the June 30, 2019 Actuarial Valuation)		Pensionable Payroll		Amortization Share (Rate x Pay)	Proportionate Share
	General	Safety	General	Safety		
Stanislaus County	17.50%	23.30%	\$ 208,357,076	\$ 60,165,419	\$ 50,481,031	88.8039%
City of Ceres	17.94%	27.83%	6,701,990	7,326,292	3,241,244	5.7019%
Stanislaus Superior Court	17.50%	23.30%	14,903,129	0	2,608,047	4.5880%
Stan. Council of Governments	17.50%	23.30%	1,105,366	0	193,439	0.3403%
East Side Mosquito District	17.94%	27.83%	665,234	0	119,343	0.2099%
Salida Sanitary District	17.94%	27.83%	571,200	0	102,473	0.1803%
Keyes Comm. Services District	17.94%	27.83%	362,566	0	65,044	0.1144%
Hills Ferry Cemetery District	17.94%	27.83%	194,112	0	34,824	0.0613%
Total			\$ 232,860,672	\$ 67,491,711	\$ 56,845,446	100.0000%

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2020**

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 June 30, 2020.

Table VII-2 Schedule of Employers' Proportionate Share of Collective Amounts at June 30, 2020							
Employer	Proportionate Share	Share of NPL @ 6.00%	Share of NPL @ 7.00%	Share of NPL @ 8.00%	Share of Deferred Outflows	Share of Deferred Inflows	Pension Expense
Stanislaus County	88.8039%	1,098,739,635	724,040,593	418,161,534	134,006,277	28,859,098	160,716,356
City of Ceres	5.7019%	70,547,617	46,489,029	26,849,218	8,604,244	1,852,978	10,319,238
Stanislaus Superior Court	4.5880%	56,765,721	37,407,121	21,604,064	6,923,354	1,490,988	8,303,314
Stan. Council of Governments	0.3403%	4,210,413	2,774,552	1,602,411	513,517	110,589	615,871
East Side Mosquito District	0.2099%	2,597,019	1,711,368	988,381	316,742	68,212	379,875
Salida Sanitary District	0.1803%	2,230,789	1,470,031	849,000	272,075	58,593	326,305
Keyes Comm. Services District	0.1144%	1,415,431	932,732	538,689	172,631	37,177	207,040
Hills Ferry Cemetery District	0.0613%	758,443	499,794	288,651	92,503	19,921	110,940
Total	100.0000%	\$ 1,237,265,070	\$ 815,325,220	\$ 470,881,948	\$ 150,901,342	\$ 32,497,557	\$ 180,978,939

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2020**

SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING 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		
	6/30/2019	6/30/2020	Net Pension Liability	Deferred Outflows	Deferred Inflows	Net Effect	Actual	Share	Difference
Stanislaus County	88.9027%	88.8039%	\$ (652,305)	\$ (95,863)	\$ 44,881	\$ (601,324)	\$ 82,421,316	\$ 82,307,547	\$ 113,769
City of Ceres	5.5842%	5.7019%	777,088	114,201	(53,467)	716,354	5,281,755	5,284,784	(3,029)
Stanislaus Superior Court	4.5127%	4.5880%	497,152	73,062	(34,206)	458,296	4,126,485	4,252,370	(125,885)
Stan. Council of Governments	0.3685%	0.3403%	(186,184)	(27,362)	12,810	(171,633)	300,600	315,406	(14,806)
East Side Mosquito District	0.2503%	0.2099%	(266,732)	(39,199)	18,352	(245,885)	206,310	194,545	11,765
Salida Sanitary District	0.2082%	0.1803%	(184,204)	(27,071)	12,674	(169,807)	182,768	167,110	15,658
Keyes Comm. Services District	0.1075%	0.1144%	45,556	6,695	(3,134)	41,995	102,249	106,031	(3,782)
Hills Ferry Cemetery District	0.0659%	0.0613%	(30,370)	(4,463)	2,090	(27,997)	63,125	56,816	6,310
Total	100.0000%	100.0000%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 92,684,609	\$ 92,684,609	\$ 0

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2020**

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 Net		Recognition	6/30/2020	Current Year Net		Recognition	6/30/2020	
	6/30/2019	Effect			6/30/2019	Effect			
Stanislaus County	\$ 2,996,598	\$ 0	\$ 1,132,860	\$ 1,863,738	\$ (2,845,641)	\$ (601,324)	\$ (1,063,552)	\$ (2,383,413)	
City of Ceres	1,912,965	716,354	715,369	1,913,950	(1,628,465)	0	(624,888)	(1,003,577)	
Stanislaus Superior Court	793,905	458,296	448,171	804,030	(1,209,362)	0	(455,825)	(753,537)	
Stan. Council of Governments	255,710	0	63,928	191,782	(118,545)	(171,633)	(85,320)	(204,858)	
East Side Mosquito District	91,233	0	28,963	62,270	(144,165)	(245,885)	(105,907)	(284,143)	
Salida Sanitary District	59,016	0	23,248	35,768	(157,519)	(169,807)	(84,146)	(243,180)	
Keyes Comm. Services District	13,860	41,995	17,686	38,169	(22,666)	0	(7,305)	(15,361)	
Hills Ferry Cemetery District	14,017	0	5,199	8,818	(10,944)	(27,997)	(8,485)	(30,456)	
Total	\$ 6,137,303	\$ 1,216,646	\$ 2,435,424	\$ 4,918,524	\$ (6,137,307)	\$ (1,216,646)	\$ (2,435,428)	\$ (4,918,524)	

**STANISLAUS 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 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			
	6/30/2019	Current Year Difference	Recognition	6/30/2020	6/30/2019	Current Year Difference	Recognition	6/30/2020
Stanislaus County	\$ 18,093	\$ 113,769	\$ 40,847	\$ 91,015	\$ (236,943)	\$ 0	\$ (91,488)	\$ (145,455)
City of Ceres	406,211	0	171,419	234,792	0	(3,029)	(606)	(2,423)
Stanislaus Superior Court	0	0	0	0	(166,004)	(125,885)	(111,674)	(180,214)
Stan. Council of Governments	0	0	0	0	(25,939)	(14,806)	(13,798)	(26,947)
East Side Mosquito District	8,079	11,765	4,722	15,122	(821)	0	(526)	(295)
Salida Sanitary District	8,782	15,658	5,891	18,549	(1,960)	0	(653)	(1,307)
Keyes Comm. Services District	0	0	0	0	(13,135)	(3,782)	(6,445)	(10,471)
Hills Ferry Cemetery District	3,699	6,310	2,331	7,677	(58)	0	(20)	(38)
Total	\$ 444,863	\$ 147,501	\$ 225,210	\$ 367,155	\$ (444,859)	\$ (147,501)	\$ (225,211)	\$ (367,149)

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2020**

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 June 30, 2020						
Employer	Proportionate Shares	Experience	Assumption Changes	Investment Return	Proportion Change	Contribution Difference
Stanislaus County	88.8039%	\$ 35,075,091	\$ 0	\$ 98,931,186	\$ 1,863,738	\$ 91,015
City of Ceres	5.7019%	2,252,093	0	6,352,150	1,913,950	234,792
Stanislaus Superior Court	4.5880%	1,812,133	0	5,111,220	804,030	0
Stan. Council of Governments	0.3403%	134,409	0	379,108	191,782	0
East Side Mosquito District	0.2099%	82,905	0	233,837	62,270	15,122
Salida Sanitary District	0.1803%	71,214	0	200,862	35,768	18,549
Keyes Comm. Services District	0.1144%	45,185	0	127,446	38,169	0
Hills Ferry Cemetery District	0.0613%	24,212	0	68,291	8,818	7,677
Total	100.0000%	\$ 39,497,242	\$ 0	\$ 111,404,100	\$ 4,918,524	\$ 367,155

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING 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, 2020							
Employer	Proportionate Shares	Experience	Assumption Changes	Investment Return	Proportion Change	Contribution Difference	
Stanislaus County	88.8039%	\$ 4,323,687	\$ 24,535,411	\$ 0	\$ 2,383,413	\$ 145,455	
City of Ceres	5.7019%	277,614	1,575,364	0	1,003,577	2,423	
Stanislaus Superior Court	4.5880%	223,381	1,267,607	0	753,537	180,214	
Stan. Council of Governments	0.3403%	16,569	94,021	0	204,858	26,947	
East Side Mosquito District	0.2099%	10,220	57,993	0	284,143	295	
Salida Sanitary District	0.1803%	8,778	49,815	0	243,180	1,307	
Keyes Comm. Services District	0.1144%	5,570	31,607	0	15,361	10,471	
Hills Ferry Cemetery District	0.0613%	2,985	16,936	0	30,456	38	
Total	100.0000%	\$ 4,868,803	\$ 27,628,754	\$ 0	\$ 4,918,524	\$ 367,149	

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2020**

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 June 30, 2020						
Employer	Recognition for Measurement Year Ending					
	2021	2022	2023	2024	2025	Thereafter
Stanislaus County	\$ 12,764,086	\$ 29,469,129	\$ 32,931,700	\$ 29,408,149	\$ 0	\$ 0
City of Ceres	905,951	2,181,643	2,769,256	2,037,158	0	0
Stanislaus Superior Court	356,716	1,415,062	1,939,989	1,590,876	0	0
Stan. Council of Governments	19,775	114,485	152,865	75,780	0	0
East Side Mosquito District	(30,068)	(1,748)	50,383	22,917	0	0
Salida Sanitary District	(16,440)	7,058	3,621	29,073	0	0
Keyes Comm. Services District	16,744	36,273	49,122	45,652	0	0
Hills Ferry Cemetery District	7,782	17,753	17,021	16,028	0	0
Total	\$ 14,024,546	\$ 33,239,657	\$ 37,913,957	\$ 33,225,631	\$ 0	\$ 0

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2020**

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 June 30, 2020										
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	\$ 160,716,356	\$ 69,308	\$ (50,641)	\$ 160,735,023	\$ 137,080,125	\$ (46,686,446)	\$ (12,079,972)	\$ 82,421,316	\$ 160,735,023	
City of Ceres	10,319,238	90,481	170,813	10,580,533	9,620,580	(3,015,610)	(1,306,192)	5,281,755	10,580,533	
Stanislaus Superior Court	8,303,314	(7,654)	(111,674)	8,183,985	7,613,015	(2,554,928)	(1,000,587)	4,126,485	8,183,985	
Stan. Council of Governments	615,871	(21,392)	(13,798)	580,682	341,612	(92,044)	30,514	300,600	580,682	
East Side Mosquito District	379,875	(76,944)	4,196	307,126	58,817	(51,963)	93,962	206,310	307,126	
Salida Sanitary District	326,305	(60,898)	5,238	270,645	95,437	(56,584)	49,023	182,768	270,645	
Keyes Comm. Services District	207,040	10,381	(6,445)	210,975	222,987	(92,636)	(21,625)	102,249	210,975	
Hills Ferry Cemetery District	110,940	(3,286)	2,311	109,965	64,704	(27,341)	9,477	63,125	109,965	
Total	\$ 180,978,939	\$ (4)	\$ (1)	\$ 180,978,934	\$ 155,097,276	\$ (52,577,552)	\$ (14,225,399)	\$ 92,684,609	\$ 180,978,934	

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2020**

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 June 30, 2020									
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	88.8039%	\$ 724,040,593	\$ 268,522,495	269.6%	73.0%	\$ 82,421,316	\$ 82,421,316	\$ 0	30.7%
City of Ceres	5.7019%	46,489,029	14,028,282	331.4%	73.0%	5,281,755	5,281,755	0	37.7%
Stanislaus Superior Court	4.5880%	37,407,121	14,903,129	251.0%	73.0%	4,126,485	4,126,485	0	27.7%
Stan. Council of Governments	0.3403%	2,774,552	1,105,366	251.0%	73.0%	300,600	300,600	0	27.2%
East Side Mosquito District	0.2099%	1,711,368	665,234	257.3%	73.0%	206,310	206,310	0	31.0%
Salida Sanitary District	0.1803%	1,470,031	571,200	257.4%	73.0%	182,768	182,768	0	32.0%
Keyes Comm. Services Distric	0.1144%	932,732	362,566	257.3%	73.0%	102,249	102,249	0	28.2%
Hills Ferry Cemetery District	0.0613%	499,794	194,112	257.5%	73.0%	63,125	63,125	0	32.5%
Total	100.0000%	\$ 815,325,220	\$ 300,352,383	271.5%	73.0%	\$ 92,684,609	\$ 92,684,609	\$ 0	30.9%

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2020**

APPENDIX A – MEMBERSHIP INFORMATION

	<u>General Members</u>		<u>Safety Members</u>		<u>Total</u>	
	<u>7/1/2018</u>	<u>7/1/2019</u>	<u>7/1/2018</u>	<u>7/1/2019</u>	<u>7/1/2018</u>	<u>7/1/2019</u>
Active Participants						
Number	3,658	3,690	794	814	4,452	4,504
Average Age	44.80	44.72	37.44	37.42	43.49	43.40
Average Service	10.44	10.30	9.82	9.87	10.33	10.22
Average Pay (does not reflect impact of furloughs)	\$ 57,933	\$ 59,727	\$ 74,100	\$ 78,151	\$ 60,817	\$ 63,057
Service Retired						
Number	2,694	2,797	413	434	3,107	3,231
Average Age	70.13	70.27	64.81	64.75	69.42	69.53
Average Annual Total Benefit	\$ 30,912	\$ 31,900	\$ 56,445	\$ 57,721	\$ 34,306	\$ 35,368
Beneficiaries						
Number	348	368	96	101	444	469
Average Age	72.59	72.79	67.11	67.16	71.41	71.58
Average Annual Total Benefit	\$ 18,617	\$ 19,160	\$ 30,886	\$ 31,349	\$ 21,270	\$ 21,785
Duty Disabled						
Number	96	89	127	130	223	219
Average Age	68.65	69.24	58.71	58.98	62.99	63.15
Average Annual Total Benefit	\$ 25,940	\$ 26,767	\$ 39,182	\$ 39,697	\$ 33,482	\$ 34,442
Ordinary Disabled						
Number	75	75	7	7	82	82
Average Age	64.04	64.23	60.00	61.00	63.70	63.95
Average Annual Total Benefit	\$ 17,686	\$ 18,551	\$ 24,414	\$ 25,147	\$ 18,261	\$ 19,114
Total In Pay						
Number	3,213	3,329	643	672	3,856	4,001
Average Age	70.21	70.39	63.90	63.96	69.15	69.31
Average Annual Total Benefit	\$ 29,123	\$ 30,054	\$ 48,871	\$ 49,931	\$ 32,416	\$ 33,392
Terminated Vested						
Number	396	381	74	66	470	447
Average Age	49.60	50.35	43.62	43.06	48.66	49.27
Average Service	10.48	10.73	9.75	9.74	10.37	10.58
Transfers						
Number	470	502	165	173	635	675
Average Age	46.34	46.10	41.42	41.75	45.06	44.98
Average Service	7.17	7.26	7.21	7.39	7.18	7.29
Total Deferred						
Number	866	883	239	239	1,105	1,122
Average Age	47.83	47.93	42.10	42.11	46.59	46.69
Average Service	8.69	8.76	7.99	8.04	8.54	8.60

Please refer to the June 30, 2019 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, 2020

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, 2020 is provided below, including any assumptions that differ from those used in the June 30, 2019 actuarial valuation. Please refer to the June 30, 2019 actuarial valuation report for a complete description of all other assumptions.

Key Actuarial Assumptions

Expected Return on Assets	7.00 percent per year, net of investment expenses
Discount Rate	7.00 percent per year
Price Inflation	2.75% per year
Salary Increases	3.00% per year plus merit component based on employee classification and years of service
Administrative Expenses	An allowance of \$2,903,330 for administrative expenses has been included in the annual cost calculated.
Postretirement COLA	100% of CPI up to 3% annually with banking, 2.6% 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 97.2% for males and 101.6% for females, with generational mortality improvements projected from 2009 using SOA Scale MP-2018. Duty related mortality rates are only applicable for Safety Active Members, and are based on the CalPERS Pre-Retirement Individual Death table without adjustment or projection.</p> <p>Rates of mortality for current nonservice-connected disabled Members are specified by the CalPERS Non-Industrially Disabled Annuitant Mortality table, adjusted by 104.5% for females (no adjustment for males), with generational mortality improvements projected from 2009 using SOA Scale MP-2018.</p> <p>Rates of mortality for current service-connected disabled Members are specified by the CalPERS Industrially Disabled Annuitant Mortality table, adjusted by 101.9% for males (no adjustment for females), with generational mortality improvements projected from 2009 using SOA Scale MP-2018.</p> <p>Rates of mortality for future General disabled retirees, both nonservice- and service-connected, are specified by mortality tables consisting of blends of the mortality assumptions for current nonservice- and service-connected disabled retirees. The blend for future disabled General</p>

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

retirees is 75% and 25%, respectively. The proportions reflect the expected splits in future disabled retirees between nonservice- and service-connected disablements.

Future disabled Safety retirees are assumed to follow the same rates of mortality as the service-connected disabled retirees above.

Rates of mortality for retired Members and their beneficiaries are specified by the CalPERS Healthy Annuitant table, adjusted by 97.2% for males and 104.1% for females, with generational mortality improvements projected from 2009 using SOA Scale MP-2018.

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, 2019 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 3.00%, over a closed period of 17 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.

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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.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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APPENDIX C - SUMMARY OF PLAN PROVISIONS

The plan provisions are the same as those summarized in the June 30, 2019 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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