

**Sacramento County Employees' Retirement System**

Cost-Sharing Multiple-Employer  
Defined Benefit Pension Plan  
Schedules of Employer Allocations and  
Pension Amounts by Employer

As of and for the Fiscal Year Ended June 30, 2014

**Sacramento County Employees' Retirement System  
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan  
Schedules of Employer Allocations and Pension Amounts by Employer  
As of and for the Fiscal Year Ended June 30, 2014**

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Walnut Creek

Oakland

LA/Century City

Newport Beach

San Diego

## Independent Auditor's Report

To the Board of Retirement  
Sacramento County Employees' Retirement System

We have audited the accompanying schedule of employer allocations of the Sacramento County Employees' Retirement System (the System) Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan) as of and for the fiscal year ended June 30, 2014, and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of the Plan as of and for the fiscal year ended June 30, 2014, and the related notes.

### Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense for the total of all participating entities for the Sacramento County Employees' Retirement System Cost-Sharing Multiple-Employer Defined Benefit Pension Plan as of and for the fiscal year ended June 30, 2014, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the System as of and for the fiscal year ended June 30, 2014, and our report thereon, dated December 2, 2014, expressed an unmodified opinion on those financial statements.

### **Restriction on Use**

Our report is intended solely for the information and use of the System's management, the Retirement Board, the Sacramento County Employees' Retirement System Cost-Sharing Multiple-Employer Defined Benefit Pension Plan employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.



Sacramento, California  
August 28, 2015

**Sacramento County Employees' Retirement System  
 Cost-Sharing Multiple-Employer Defined Benefit Pension Plan  
 Schedule of Employer Allocations  
 For the Fiscal Year Ended June 30, 2014**

<u>Miscellaneous Employer Name (*)</u>	<u>Employer Contributions</u>	<u>Employer Allocation Percentage</u>	<u>Employer Allocation Factor (**)</u>
Carmichael Recreation and Park District	\$ 284,000	0.208%	0.00208
County of Sacramento	119,352,000	87.552%	0.87552
Elk Grove Consumes Cemetery District	56,000	0.041%	0.00041
Fair Oaks Cemetery District	50,000	0.037%	0.00037
Galt-Arno Cemetery District	6,000	0.004%	0.00004
Mission Oaks Recreation and Park District	232,000	0.170%	0.00170
Orangevale Recreation and Park District	172,000	0.126%	0.00126
Sacramento Employment and Training Agency	6,405,000	4.698%	0.04698
Sunrise Recreation and Park District	394,000	0.289%	0.00289
Superior Court of California, County of Sacramento	9,370,000	6.873%	0.06873
<b>Total</b>	<u>\$ 136,321,000</u>	<u>100.000%</u>	<u>1.00000</u>

(\*) This schedule pertains to the Miscellaneous membership class. The allocation method for the Miscellaneous and Safety membership classes is described in Note 3 to the Schedules of Employer Allocations and Pension Amounts by Employer.

(\*\*) The figures presented in this column have been converted to the employer's allocation factor and do not represent the employer's allocation in a percentage format. For example, .208% has been converted to .00208 in this column.

The accompanying notes are an integral part of this schedule.

**Sacramento County Employees' Retirement System**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
**Schedule of Pension Amounts by Employer**  
**As of and for the Fiscal Year Ended June 30, 2014**

Employer	Deferred Outflows of Resources				Deferred Inflows of Resources				Pension Expense			
	Net Pension Liability	Changes of Assumptions	Changes in Proportions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion	Total Employer Pension Expense
<b>Miscellaneous Membership Class:</b>												
Carmichael Recreation and Park District	\$ 787,256	\$ -	\$ 101,787	\$ 101,787	\$ 144,193	\$ 623,076	\$ 76,124	\$ -	\$ 843,393	\$ 122,937	\$ 28,041	\$ 150,978
County of Sacramento	330,847,195	-	-	-	60,597,713	261,849,771	31,991,487	425,368	354,864,339	51,664,614	(117,182)	51,547,432
Elk Grove Consumes Cemetery District	155,234	-	-	-	28,433	122,860	15,010	41,988	208,291	24,242	(11,567)	12,675
Fair Oaks Cemetery District	138,601	-	14,835	14,835	25,386	109,696	13,402	-	148,484	21,644	4,087	25,731
Galt-Arno Cemetery District	16,632	-	-	-	3,046	13,163	1,608	2,761	20,578	2,597	(761)	1,836
Mission Oaks Recreation and Park District	643,111	-	44,621	44,621	117,792	508,992	62,186	-	688,970	100,427	12,292	112,719
Orangevale Recreation and Park District	476,789	-	-	-	87,328	377,356	46,103	25,085	535,872	74,454	(6,910)	67,544
Sacramento Employment and Training Agency	17,754,845	-	-	-	3,251,963	14,052,113	1,716,816	2,066,133	21,087,025	2,772,571	(569,183)	2,203,388
Sunrise Recreation and Park District	1,092,179	-	-	-	200,043	864,408	105,609	186,714	1,356,774	170,553	(51,436)	119,117
Superior Court of California, County of Sacramento	25,973,911	-	2,586,806	2,586,806	4,757,361	20,557,111	2,511,564	-	27,826,036	4,056,048	712,619	4,768,667
Subtotal	\$ 377,885,753	\$ -	\$ 2,748,049	\$ 2,748,049	\$ 69,213,258	\$ 299,078,546	\$ 36,539,909	\$ 2,748,049	\$ 407,579,762	\$ 59,010,087	\$ -	\$ 59,010,087
<b>Safety Membership Class:</b>												
County of Sacramento	\$ 393,041,247	\$ 48,912,486	\$ -	\$ 48,912,486	\$ 15,581,886	\$ 177,090,942	\$ -	\$ -	\$ 192,672,828	\$ 46,890,968	\$ -	\$ 46,890,968
<b>Total for All Entities</b>	<b>\$ 770,927,000</b>	<b>\$ 48,912,486</b>	<b>\$ 2,748,049</b>	<b>\$ 51,660,535</b>	<b>\$ 84,795,144</b>	<b>\$ 476,169,488</b>	<b>\$ 36,539,909</b>	<b>\$ 2,748,049</b>	<b>\$ 600,252,590</b>	<b>\$ 105,901,055</b>	<b>\$ -</b>	<b>\$ 105,901,055</b>

The accompanying notes are an integral part of this schedule.

**Sacramento County Employees' Retirement System**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
**Notes to the Schedules of Employer Allocations and Pension Amounts by Employer**  
**June 30, 2014**

**Note 1: PLAN DESCRIPTION**

The Sacramento County Employees' Retirement System ("SCERS" or the "System") is a cost-sharing multiple-employer public employee retirement system which operates under the County Employees Retirement Law of 1937 (Section 31450 et seq. of the California Government Code) and the California Public Employees' Pension Reform Act of 2013 ("CalPEPRA"). The System was created by resolution of the Sacramento County (the "County") Board of Supervisors on July 1, 1941, to provide retirement, disability, and death benefits for qualified employees of Sacramento County and participating Special Districts ("Special Districts" or "Member Districts"). SCERS is governed by a nine member Board of Retirement; four are appointed by the County Board of Supervisors, four are elected by the members of the System (two by the Miscellaneous members, one by the Safety members and one by the Retiree members), and the County Director of Finance serves as an Ex-Officio member. An alternate Safety member and an alternate Retiree member are also elected by those respective member groups. The System is legally and fiscally independent of the County.

At June 30, 2014, participating local government employers consisted of the County of Sacramento; Superior Court of California, County of Sacramento; and eleven Special Districts. The System's membership consists of Miscellaneous and Safety members.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES**

**Basis of Presentation and Basis of Accounting**

Employers participating in the Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan) are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Schedule of Employer Allocations, Schedule of Pension Amounts by Employer, the GASBS 67 Actuarial Valuation as of June 2014 Addendum prepared by the System's third-party actuary, and the System's audited financial statements provide employers with the required information for financial reporting related to the System pensions.

The accompanying schedules were prepared by the System's independent actuary and were derived from information provided by the System in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations.

Contributions to the Plan are made pursuant to Section 31584 of the County Employees Retirement Law of 1937. The System's funding policy provides for periodic contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when legally due. Each employer of the System is obligated by state law to make all required contributions to the plan and depending on the participating employer and their employees' tiers, such contribution rates range from 15.01% to 48.45% of covered payroll.

**Use of Estimates in the Preparation of Financial Schedules**

The preparation of the Schedules of Employer Allocations and Pension Amounts by Employer in conformity with U.S generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts during the reporting period. Actual results could differ from those estimates.

**Sacramento County Employees' Retirement System**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
**Notes to the Schedules of Employer Allocations and Pension Amounts by Employer**  
**June 30, 2014**

**Note 3: PROPORTIONATE SHARES**

Pension amounts are determined separately for the Miscellaneous and Safety membership classes based on their benefit provisions, actuarial experience, receipts and expenses. The total pension liability for each membership class was calculated based on the participants in and benefits provided for the respective membership class, and the Plan's fiduciary net position was determined in proportion to the valuation value of assets for each membership class.

Sacramento County is the sole active employer in the Safety membership class that made contributions in fiscal year 2013/2014; therefore 100% of pension amounts for the Safety membership class are allocated to Sacramento County.

For the Miscellaneous membership class, actual or statutorily required contributions for Miscellaneous employers for the fiscal year ended June 30, 2014 are used as the basis for determining each Miscellaneous employer's proportion of pension amounts. The employer's proportion may be applied to the total amounts reported in the Schedule of Pension Amounts by Employer to determine the employer's proportionate share of the Miscellaneous membership class amounts. The Miscellaneous employers' proportions are determined as follows:

- First calculate ratio of employer's contributions to the total contributions for the membership class.
- This ratio is multiplied by the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the Miscellaneous membership class to determine the employer's proportionate share of the pension amounts.

The total contributions reported in the Schedule of Employer Allocations differs from amount reported in the System Comprehensive Annual Financial Report (CAFR) as of and for the fiscal year ended June, 30, 2014 as it excludes employer contributions made by Florin Fire, which has previously withdrawn from SCERS and contributions made by Sacramento County for its Safety membership class.

**Note 4: ACTUARIAL METHODS AND ASSUMPTIONS**

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

The components of the employers' net pension liability as of June 30, 2014 are as follows (dollars expressed in thousands):

Total pension liability	\$ 8,580,928
Less: Plan fiduciary net position	<u>7,810,001</u>
Net pension liability of employers	<u>\$ 770,927</u>

For the measurement period ended June 30, 2014 (the measurement date), the following significant actuarial assumptions were used to measure the total pension liabilities:

Discount Rate:	7.50%
Inflation rate:	3.25%
Real across-the-board salary increase:	0.25%
Miscellaneous projected salary increases*:	4.50% to 8.50%
Safety projected salary increases*:	5.25% to 11.50%



**Sacramento County Employees' Retirement System  
 Cost-Sharing Multiple-Employer Defined Benefit Pension Plan  
 Notes to the Schedules of Employer Allocations and Pension Amounts by Employer  
 June 30, 2014**

**Note 4: ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)**

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)**

Assumed post-retirement benefit increase:	<table border="0"> <tr><td>Miscellaneous Tier 1</td><td style="text-align: right;">3.25%</td></tr> <tr><td>Miscellaneous Tier 2</td><td style="text-align: right;">0.00%</td></tr> <tr><td>Miscellaneous Tier 3</td><td style="text-align: right;">2.00%</td></tr> <tr><td>Miscellaneous Tier 4</td><td style="text-align: right;">2.00%</td></tr> <tr><td>Miscellaneous Tier 5</td><td style="text-align: right;">2.00%</td></tr> <tr><td>Safety Tier 1</td><td style="text-align: right;">3.25%</td></tr> <tr><td>Safety Tier 2</td><td style="text-align: right;">2.00%</td></tr> <tr><td>Safety Tier 3</td><td style="text-align: right;">2.00%</td></tr> <tr><td>Safety Tier 4</td><td style="text-align: right;">2.00%</td></tr> </table>	Miscellaneous Tier 1	3.25%	Miscellaneous Tier 2	0.00%	Miscellaneous Tier 3	2.00%	Miscellaneous Tier 4	2.00%	Miscellaneous Tier 5	2.00%	Safety Tier 1	3.25%	Safety Tier 2	2.00%	Safety Tier 3	2.00%	Safety Tier 4	2.00%
Miscellaneous Tier 1	3.25%																		
Miscellaneous Tier 2	0.00%																		
Miscellaneous Tier 3	2.00%																		
Miscellaneous Tier 4	2.00%																		
Miscellaneous Tier 5	2.00%																		
Safety Tier 1	3.25%																		
Safety Tier 2	2.00%																		
Safety Tier 3	2.00%																		
Safety Tier 4	2.00%																		
Post-Retirement Mortality:																			
a) Service	<p>For Miscellaneous Members and Beneficiaries - RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022</p> <p>For Safety Members - RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022 set back one year for males and set forward two years for females</p>																		
b) Disability	<p>For Miscellaneous Members - RP-2000 Disabled Retiree Mortality Table projected with Scale BB to 2022 with no age adjustment for males and set forward three years for females</p> <p>For Safety Members - RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022 set forward two years</p>																		
c) Employee Contribution Rate	<p>For Miscellaneous Members - RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022 weighted 40% male and 60% female</p> <p>For Safety Members - RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022 set back one year for males and set forward two years for females weighted 70% male and 30% female</p>																		
Pre-Retirement Mortality:	<p>Based upon the actuarial experience study for the period July 1, 2010 through June 30, 2013, which can be found on SCERS' website</p>																		
Other Assumptions:	<p>See analysis of actuarial experience study for the period July 1, 2010 through June 30, 2013</p>																		

\*Includes inflation at 3.25% plus real across-the-board salary increase of 0.25% plus merit and longevity increases.

**Sacramento County Employees' Retirement System**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
**Notes to the Schedules of Employer Allocations and Pension Amounts by Employer**  
**June 30, 2014**

**Note 4: ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)**

**Discount Rate**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and projected arithmetic real rates of return for each major asset class used in the derivation of the long-term expected investment rate of return assumption as of June 30, 2014 are summarized in the table below:

Asset Class	Target Allocation	Real Rate of Return	Long-Term Expected Rate of Return
Domestic Equities	22.5%	6.83%	5.98%
International Equities	22.5%	8.38%	7.23%
Fixed Income	20.0%	1.24%	1.25%
Hedge Funds	10.0%	3.20%	3.20%
Private Equity	10.0%	12.82%	12.82%
Real Assets	15.0%	6.17%	5.64%
Opportunities	0.0%	0.0%	0.0%
<b>Total Portfolio</b>	<b><u>100.00%</u></b>	<b>6.19%</b>	<b>5.67%</b>
<b>Inflation</b>			<b>3.25%</b>
<b>Expense adjustment</b>			<b>(0.40)%</b>
<b>Risk adjustment</b>			<b><u>(1.02)%</u></b>
<b>Total Long-Term Expected Rate of Return</b>			<b><u>7.50%</u></b>

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made based on the current contribution rate and that employer contributions will be made at the end of each pay period based on the actuarially determined contribution rates. For this purpose, only the employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service cost for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments for current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Amortization of Deferred Outflows and Deferred Inflows of Resources**

The Net Difference Between Expected and Actual Investment Earnings on Pension Plan Investments is amortized over a 5-year period on a straight-line basis. One-fifth was recognized in pension expense during the measurement period, and the remaining Net Difference Between Expected and Actual Investment Earnings on Pension Plan Investments at June 30, 2014 is to be amortized over the remaining 4-year period.

**Sacramento County Employees' Retirement System**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
**Notes to the Schedules of Employer Allocations and Pension Amounts by Employer**  
**June 30, 2014**

**Note 4: ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)**

**Amortization of Deferred Outflows and Deferred Inflows of Resources (Continued)**

Changes of Assumptions, Changes in Proportions, and Differences Between Expected and Actual Experience are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through the Plan as of June 30, 2013 (the beginning of the measurement period ending June 30, 2014), which was 4.63 years. The average of the expected remaining service lives of all employees was determined by:

- Calculating each active employee's expected remaining service life as the present value of \$1 per year of future service at zero percent interest.
- Setting the remaining service life to zero for each inactive or retired member.
- Dividing the sum of the above amounts by the total number of active employee, inactive and retired members.

The Schedule of Pension Amounts by Employer does not reflect employer-specific amounts such as differences between actual contributions and allocated contributions during the measurement period and contributions to the Plan subsequent to the measurement date as defined in GASB Statement No. 68 paragraphs 55 and 57, appropriate treatment of such amounts is the responsibility of the employers.

**Note 5: ADDITIONAL FINANCIAL AND ACTUARIAL INFORMATION**

Additional financial and actuarial information required for GASB Statement No. 68 disclosures is located in the System's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014, the GASBS 67 Actuarial Valuation as of June 2014 Addendum, and the GASB 68 Actuarial Valuation report, which can be found on the System's website.