

**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, 2016



Certified  
Public  
Accountants

**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, 2016

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## 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, 2016, 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 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, 2016, 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 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, 2016, 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, 2016, and our report thereon, dated December 2, 2016, 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 Plan employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

*Macias Gini & O'Connell LLP*

Sacramento, California

May 10, 2017

**Sacramento County Employees' Retirement System**  
 Cost-Sharing Multiple-Employer Defined Benefit Pension Plan  
 Schedule of Employer Allocations  
 As of and for the Fiscal Year Ended June 30, 2016

<b>Miscellaneous Employer Name (*)</b>	<b>Employer Contributions</b>	<b>Employer Allocation Percentage</b>	<b>Employer Allocation Factor (**)</b>
Carmichael Recreation and Park District	\$ 310,000	0.2416%	0.002416
County of Sacramento	111,361,000	86.7919%	0.867919
Elk Grove Cosumnes Cemetery District	56,000	0.0436%	0.000436
Fair Oaks Cemetery District	46,000	0.0359%	0.000359
Galt-Arno Cemetery District	7,000	0.0055%	0.000055
Mission Oaks Recreation and Park District	221,000	0.1722%	0.001722
Orangevale Recreation and Park District	165,000	0.1286%	0.001286
Sacramento Employment and Training Agency	6,351,000	4.9498%	0.049498
Sunrise Recreation and Park District	419,000	0.3266%	0.003266
Superior Court of California, County of Sacramento	9,372,000	7.3043%	0.073043
<b>Total</b>	<b>\$ 128,308,000</b>	<b>100.0000%</b>	<b>1.000000</b>

(\*) 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, .2416% has been converted to .002416 in this column.

**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, 2016**

<u>Employer</u>	Deferred Outflows of Resources					Deferred Inflows of Resources				Pension Expense			
	Net Pension Liability	Net Difference Between Projected and Actual Differences Between Expected and Actual Experience	Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Changes of Assumptions	Changes in Proportions	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion	Total Pension Expense
<b>Miscellaneous Membership Class:</b>													
Carmichael Recreation and Park District	\$ 2,457,342	\$ -	\$ 899,494	\$ -	\$ 212,251	\$ 1,111,745	\$ 150,042	\$ 39,642	\$ -	\$ 189,684	\$ 374,062	\$ 80,265	\$ 454,327
County of Sacramento	882,748,731	-	323,124,278	-	417,379	323,541,657	53,899,561	14,240,585	4,861,739	73,001,885	134,374,496	(1,234,078)	133,140,418
Elk Grove Cosumnes Cemetery District	443,907	-	162,490	-	53,391	215,881	27,104	7,161	51,339	85,604	67,571	(8,913)	58,658
Fair Oaks Cemetery District	364,638	-	133,473	-	12,873	146,346	22,264	5,882	12,054	40,200	55,506	3,080	58,586
Galt-Arno Cemetery District	55,488	-	20,311	-	5,356	25,667	3,388	895	1,239	5,522	8,447	880	9,327
Mission Oaks Recreation and Park District	1,751,847	-	641,252	-	57,629	698,881	106,966	28,261	34,261	169,488	266,672	16,701	283,373
Orangevale Recreation and Park District	1,307,940	-	478,762	-	22,275	501,037	79,861	21,100	18,691	119,652	199,099	(3,568)	195,531
Sacramento Employment and Training Agency	50,343,812	-	18,428,017	-	1,453,882	19,881,899	3,073,932	812,151	991,190	4,877,273	7,663,477	(197,253)	7,466,224
Sunrise Recreation and Park District	3,321,376	-	1,215,768	-	178,419	1,394,187	202,799	53,581	83,842	340,222	505,589	9,083	514,672
Superior Court of California, County of Sacramento	74,291,010	-	27,193,728	-	4,204,567	31,398,295	4,536,118	1,198,469	563,667	6,298,254	11,308,785	1,333,803	12,642,588
Subtotal	\$ 1,017,086,091	\$ -	\$ 372,297,573	\$ -	\$ 6,618,022	\$ 378,915,595	\$ 62,102,035	\$ 16,407,727	\$ 6,618,022	\$ 85,127,784	\$ 154,823,704	\$ -	\$ 154,823,704
<b>Safety Membership Class:</b>													
County of Sacramento	\$ 738,138,909	\$ 7,420,283	\$ 179,826,094	\$ 21,963,458	\$ -	\$ 209,209,835	\$ 25,843,681	\$ -	\$ -	\$ 25,843,681	\$ 111,214,131	\$ -	\$ 111,214,131
<b>Total for All Entities</b>	<b>\$ 1,755,225,000</b>	<b>\$ 7,420,283</b>	<b>\$ 552,123,667</b>	<b>\$ 21,963,458</b>	<b>\$ 6,618,022</b>	<b>\$ 588,125,430</b>	<b>\$ 87,945,716</b>	<b>\$ 16,407,727</b>	<b>\$ 6,618,022</b>	<b>\$ 110,971,465</b>	<b>\$ 266,037,835</b>	<b>\$ -</b>	<b>\$ 266,037,835</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  
As of and for the Fiscal Year Ended June 30, 2016

**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, 2016, participating local government employers consisted of the County of Sacramento; Superior Court of California, County of Sacramento; and eleven Special Districts, three of the eleven Special Districts have withdrawn from the System and are excluded from the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer. 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 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 2016 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 14.87% to 43.65% of covered payroll.

**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 (Continued)  
As of and for the Fiscal Year Ended June 30, 2016

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES  
(CONTINUED)**

**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.

**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 2015/2016; therefore 100% of pension amounts for the Safety membership class is allocated to Sacramento County.

For the Miscellaneous membership class, legally or statutorily required contributions for the Miscellaneous employers for the fiscal year ended June 30, 2016 are used as the basis for determining each Miscellaneous employer's proportion of pension amounts. The legally or statutorily required contributions are based on employer reporting to the Plan and may include adjustments. The employer's proportion may be applied to the total pension amounts in the current measurement period to determine the employer's proportionate share of the Miscellaneous membership class pension amounts. The Miscellaneous employers' proportions are determined as follows:

- First calculate the ratio of the 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 related pension amounts.

Total contributions reported in the Schedule of Employer Allocations differ from the amount reported in the System Comprehensive Annual Financial Report (CAFR) as of and for the fiscal year ended June, 30, 2016 as the Schedule of Employer Allocations excludes employer contributions made by Sacramento County for its Safety membership class and employer contributions made by Florin Fire, which had previously withdrawn from SCERS.

**Note 4: ACTUARIAL METHODS AND ASSUMPTIONS**

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

The components of the Plan's net pension liability as of June 30, 2016 are as follows (dollars expressed in thousands):

Total pension liability	\$ 9,436,090
Less: Plan fiduciary net position	<u>7,680,865</u>
Net pension liability of employers	<u>\$ 1,755,225</u>



**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 (Continued)  
As of and for the Fiscal Year Ended June 30, 2016

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

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

For the measurement period ended June 30, 2016 (the measurement date), the following significant actuarial assumptions were used to measure the total pension liability:

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%																		
Assumed post-retirement benefit increase:	<table> <tr> <td>Miscellaneous Tier 1</td> <td>3.25%</td> </tr> <tr> <td>Miscellaneous Tier 2</td> <td>0.00%</td> </tr> <tr> <td>Miscellaneous Tier 3</td> <td>2.00%</td> </tr> <tr> <td>Miscellaneous Tier 4</td> <td>2.00%</td> </tr> <tr> <td>Miscellaneous Tier 5</td> <td>2.00%</td> </tr> <tr> <td>Safety Tier 1</td> <td>3.25%</td> </tr> <tr> <td>Safety Tier 2</td> <td>2.00%</td> </tr> <tr> <td>Safety Tier 3</td> <td>2.00%</td> </tr> <tr> <td>Safety Tier 4</td> <td>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 For Miscellaneous Members and Beneficiaries - RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022

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

b) Disability 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

For Safety Members - RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022 set forward two years

**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 (Continued)  
As of and for the Fiscal Year Ended June 30, 2016

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

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

c) Employee Contribution Rate For Miscellaneous Members - RP-2000 Combined  
Healthy Mortality Table projected with Scale BB to  
2022 weighted 40% male and 60% female

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

Pre-Retirement Mortality: Based upon the actuarial experience study for the period  
July 1, 2010 through June 30, 2013, which can be found  
on SCERS' website

Other Assumptions: See analysis of actuarial experience study for the period  
July 1, 2010 through June 30, 2013

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

**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. Refer to the System's audited financial statements as of and for the year ended June 30, 2016 for information related to 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, which can be found on the System's website.

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made based on the current contribution rates 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.

**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 (Continued)  
As of and for the Fiscal Year Ended June 30, 2016

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

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 Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Pension Amounts by Employer represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth was recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments at June 30, 2016 is to be amortized over the remaining periods.

The Differences Between Expected and Actual Experience, Changes of Assumptions, and Changes in Proportions are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through the Plan as of the beginning of the related measurement period. The average of the expected remaining service lives for the measurement period ending June 30, 2016 was 4.68 years, which was determined by:

- Calculating each active member'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 member, inactive and retired members.

Balances of deferred outflows of resources and deferred inflows of resources arising from Differences Between Expected and Actual Experience, Changes of Assumptions, and Changes in Proportions reported in the Schedule of Pension Amounts by Employer represent the unamortized balances relating to the current and the prior measurement periods, which have different amortization periods and remaining amortization years.

The Schedule of Pension Amounts by Employer does not reflect employer-specific amounts such as differences between employer contributions and proportionate share of contributions during the measurement period and contributions to the Plan subsequent to the measurement date. 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 as of and for the fiscal year ended June 30, 2016, the GASBS 67 Actuarial Valuation as of June 2016 Addendum, and the GASB 68 Actuarial Valuation report, which can be found on the System's website.