CalPERS

GASB 68 ACCOUNTING VALUATION REPORT

Prepared for the CITY OF XYZ MISCELLANEOUS PLAN, a Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Measurement Date of June 30, 2014

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ACTUARIAL CERTIFICATION

This report provides disclosure and reporting information as required under Government Accounting Standards Board Statement 68 (GASB 68) for the MISCELLANEOUS PLAN of the CITY OF XYZ (the "Plan"), a Cost-Sharing Multiple-Employer Defined Benefit Pension Plan participating in the California Public Employees' Retirement System (CalPERS), for the measurement period ending June 30, 2014. This information should be used for the fiscal year beginning after June 15, 2014 and ending on or before June 30, 2015.

Determinations for purposes other than financial accounting requirements may be significantly different from the results in this report. Thus, the use of this report for purposes other than those expressed here may not be appropriate.

This accounting valuation report relies on liabilities and related validation work performed by the CalPERS Actuarial Office as part of the June 30, 2013 annual funding valuation for the Plan. The census data and benefit provisions underlying the liabilities were prepared as of June 30, 2013 and certified as part of the annual funding valuation by the CalPERS Actuarial Office. The June 30, 2013 liabilities used for this accounting valuation are based on the actuarial assumptions recommended by the CalPERS Chief Actuary and adopted by the CalPERS Board in February 2014 as laid out in the 2014 report titled "CalPERS Experience Study and Review of Actuarial Assumptions." These liabilities were validated as part of the June 30, 2013 funding valuation that included the estimated impact of the change in actuarial assumptions on contribution requirements. The undersigned is relying upon these prescribed assumptions and methods and is not able to render an opinion on their reasonability, as this would require a substantial amount of additional work beyond the scope of this report. This report also relies on asset information for the measurement period as supplied by the CalPERS Financial Office that was validated by CalPERS independent auditors, Macias Gini & O'Connell LLP (MGO).

With the provided liability and asset information, the total pension liability, net pension liability and pension expense were developed for the measurement period using standard actuarial techniques. In addition, the results are based on CalPERS understanding of the financial accounting and reporting requirements under U.S. Generally Accepted Accounting Principles as set forth in GASB 68 including any guidance or interpretations provided by audit partners of MGO prior to the issuance of this report. The information in this report is not intended to supersede the advice and interpretations of the employer's auditor. This report may not provide all the information necessary to complete the required disclosures under GASB 68. The employer should supplement and update the information in this report with its own financial data as necessary to complete the disclosure information required by GASB 68.

The undersigned is familiar with the near-term and long-term aspects of pension valuations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. The information provided in this report is dependent upon various factors as documented throughout this report, which may be subject to change. Each section of this report is considered to be an integral part of the actuarial opinions.

[Signature]

Introduction

This is the GASB 68 accounting valuation report to be used for your fiscal year beginning after June 15, 2014 and ending on or before June 30, 2015 for your MISCELLANEOUS PLAN (Plan). GASB Statement No. 68 replaced GASB 27 effective for fiscal years beginning after June 15, 2014.

Statement 68 was issued by GASB in June 2012, requiring public employers to comply with new accounting and financial reporting standards. Statement 68 outlines a different approach to the recognition and calculation of pension obligations. Under the new GASB standards, employers are required to record the net pension liability (NPL) and pension expense (PE) in their financial statements as part of their financial positon.

NPL is the plan's total pension liability (TPL) based on entry age normal actuarial funding method less the plan's fiduciary net position (FNP). This may be a negative liability (net pension asset).

Pension expense is the change in net pension liability from the previous fiscal year to the current fiscal year less adjustments. This may be a negative expense (pension income).

Under the new GASB standards, each participating cost-sharing employer is required to report its proportionate share of the collective NPL and PE in their financial statements, determined in conformity with either paragraph 48 or paragraph 49 of GASB 68. To assist public agency cost-sharing employers and their auditors as they prepare to implement the standards, CalPERS has calculated the employer's share of NPL, PE and Outflows/Inflows according to paragraph 49 of GASB 68, which states:

> "To the extent that different contribution rates are assessed based on separate relationships that constitute the collective net pension liability…the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those separate relationships."

This report provides the collective **(hereinafter referred to as "aggregate")** net pension liability, pension expense, outflows/inflows, and fiduciary net position of the Miscellaneous Risk Pool. This report also documents pension expense components and proportionate shares for the CITY OF XYZ.

This report may not provide all the information necessary to complete the required disclosures under GASB 68. **The employer should supplement and update the information in this report with its own financial data as necessary to complete the disclosure information required by GASB 68.** For example, no adjustments have been made for any differences between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contributions. Adequate treatment of any such difference is the responsibility of the employer and its auditor.

Purpose of the Report

The Plan is a CalPERS cost-sharing multiple-employer plan. This GASB 68 report provides reportable financial and accounting pension information to be used in the employer's financial reports. The pension expense is for the measurement period of 2013-14 and the net pension liability is measured as of June 30, 2014. Liabilities are based on the results of the actuarial calculations performed as of June 30, 2013. Fiduciary net position is based on fair value of assets as of June 30, 2014. Since GASB 68 allows a measurement date of up to 12 months before the employer's fiscal year-end, this report can be used for fiscal years beginning after June 15, 2014 and ending on or before June 30, 2015.

The following pension information is disclosed in this report:

- Summary of Significant Accounting Policies
- General Information about the Pension Plan
    - Plan Description, Benefits Provided and Employees Covered
    - Contribution Description
    - Actuarial Methods and Assumptions
    - Discount Rate
    - Pension Plan Fiduciary Net Position
    - Allocation of Net Pension Liability and Pension Expense to Individual Employers
- Changes in the Aggregate and Plan Net Pension Liability
    - Sensitivity of the Net Pension Liability
    - Subsequent Events
    - Recognition of Gains and Losses
- Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
- Schedules of Required Supplementary Information (10-Year History)
    - Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date
    - Schedule of Plan Contributions
    - Notes to Schedule

The use of this report for other purposes may be inappropriate.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	June 30, 2013 to June 30, 2014

General Information about the Pension Plan

Plan Description, Benefits Provided and Employees Covered

The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions and membership information is listed in the June 30, 2013 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report is a publically available valuation report that can be obtained at the CalPERS website.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ending June 30, 2014 (the measurement date), the average active employee contribution rate is 7.346 percent of annual pay, and the average employer's contribution rate is 14.062 percent of annual payroll. It is the responsibility of the employer and its auditor to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions (EPMC) or cost sharing whether by contract amendment or by resolution of the governing board.

Actuarial Methods and Assumptions used to Determine Total Pension Liability

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Investment Rate of Return:	7.50% Net of Pension Plan Investment Expenses, including Inflation

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the PERF. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

[1]An expected inflation of 2.5% used for this period
[2]An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

The plan fiduciary net position (assets) disclosed in your GASB report may differ from the plan assets reported in your actuarial valuation report due to several reasons. First, CalPERS must keep Reserves for Deficiencies and Fiduciary Self Insurance. These amounts are excluded for rate setting purposes in your actuarial valuation report while required to be included for GASB reporting purposes. In addition, differences may result from early CAFR closing and final reconciled reserves.

Allocation of Net Pension Liability and Pension Expense to Individual Employers

A key aspect of GASB 68 pertaining to cost-sharing employers is the establishment of an approach to allocate the net pension liability and pension expense to the individual employers within the risk pool. Paragraph 49 of GASB 68 indicates that for pools where contribution rates within the pool are based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer's share by reflecting these relationships. Employer liability and asset-related information are used where available, and proportional allocations of individual employer amounts as of the valuation date are used where not available.

(1) In determining a cost-sharing employer's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date. The risk pool's FNP subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date. Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date.

    Note: for purposes of FNP in this step (2) and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period.

(3) The individual employer's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the employer's individual TPL and FNP from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The employer's TPL as of the measurement date is equal to the TPL generated in (2) multiplied by the TPL ratio generated in (4).

    The employer's FNP as of the measurement date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

(6) The employer's NPL at the measurement date is the difference between the TPL and FNP calculated in (5).

Please see Appendix D for the calculation of the employer's proportionate share of TPL and FNP.

The employer's proportion of aggregate contributions is equal to the employer's proportion of FNP calculated in (4).

The employer's proportionate share of plan pension expense is developed as the sum of the related proportionate shares of the components of the aggregate pension expense (see Appendix C). **To complete the disclosure information required by GASB 68 the employer will need to use this information to calculate its total recognized employer pension expense.**

Changes in the Aggregate and Plan Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period for the entire risk pool.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2013 (VD)	**$ 12,374,543,647**	**$ 9,044,595,633**	**$ 3,329,948,014**
• Receivables for Employee Service Buybacks (BOY)		(31,749,071)	31,749,071
• Adjustment to Beginning of Year Assets		421,110	(421,110)
Adjusted Balance at: 6/30/2013 (VD)	**$ 12,374,543,647**	**$ 9,013,267,672**	**$ 3,361,275,975**
Changes Recognized for the Measurement Period:			
• Service Cost	338,865,574		338,865,574
• Interest on the Total Pension Liability	921,452,818		921,452,818
• Changes of Benefit Terms	0		0
• Differences between Expected and Actual Experience	0		0
• Changes of Assumptions	0		0
• Contributions from the Employer[3]		315,587,787	(315,587,787)
• Contributions from Employees		159,785,531	(159,785,531)
• Net Investment Income[1]		1,572,490,187	(1,572,490,187)
• Benefit Payments, including Refunds of Employee Contributions	(515,877,706)	(515,877,706)	0
Preliminary Balance at: 6/30/2014 (MD)	**$ 13,118,984,333**	**$ 10,545,253,471**	**$ 2,573,730,862**
Changes Recognized at the end of the Measurement Period:			
• GASB 68 Reserves[2]		32,091,974	(32,091,974)
• Receivables for Employee Service Buybacks (EOY)		14,629,161	(14,629,161)
Balance at: 6/30/2014 (MD)	**$ 13,118,984,333**	**$ 10,591,974,606**	**$ 2,527,009,727**
Net Changes during 2013-14	**744,440,686**	**1,547,378,973**	**(802,938,287)**

[1] Net of administrative expenses
[2] Deficiency reserves, fiduciary self-insurance and OPEB expense.
[3] Also includes all contributions made towards side funds.

The following table shows the Plan's proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Plan Net Pension Liability (c) = (a) - (b)**
Balance at: 6/30/2013 (VD)	$ 1,740,422	$ 1,273,905	$ 466,517
Balance at: 6/30/2014 (MD)	$ 1,845,124	$ 1,491,849	$ 353,275
Net Changes during 2013-14	$ 104,702	$ 217,944	$ (113,242)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.5%)	**Current Discount Rate (7.5%)**	**Discount Rate + 1% (8.5%)**
Plan's Net Pension Liability	$ 598,054	$ 353,275	$ 150,132

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, deferred inflows and deferred outflows of resources related to pensions are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active and inactive) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active and inactive).

The EARSL for the Plan was 3.3 years, which was obtained by dividing the total service years 282,552 (the sum of remaining service lifetimes of the active employees) by 86,144 (the total number of participants). Note that inactive employees entitled to but not receiving benefits and inactive employees receiving benefits have remaining service lifetimes equal to 0.

Pension Expense and Deferred Outflows and Deferred Inflows

To implement Paragraph 137 of GASB 68 and Questions 267 and 268 of the GASB 68 Implementation Guide, the employer should consult its auditor on the adjusting entries concerning the net pension obligation (NPO) and the initial net pension liability (NPL). As of the start of the measurement period (June 30, 2013), the NPL for the plan is $466,517 (the NPL of the aggregate plan as of June 30, 2013 is $3,329,948,014).

For the measurement period ending June 30, 2014 (the measurement date), the CITY OF XYZ recognized a pension expense of $28,910 for the Plan (the pension expense for the aggregate plan for the measurement period is $228,080,003). See Appendix C-2 for the complete breakdown of the proportionate share of plan pension expense and the development of aggregate pension expense.

Note that no adjustments have been made for contributions subsequent to the measurement date. Adequate treatment of any contributions made after the measurement date is the responsibility of the employer and its auditor.

As of June 30, 2014, the CITY OF XYZ reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 0	$ 0
Changes of Assumptions	0	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	(103,358)
Adjustment due to Differences in Proportions	6,800	0
Total	**$ 6,800**	**$ (103,358)**

The amounts above are net of inflows and outflows recognized in the 2013-14 measurement period expense.

In addition to the figures shown in the table above, each employer is required to recognize an employer-specific type of deferred inflows and deferred outflows. This is derived from the difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contributions.

This deferral and the corresponding amortization amount will need to be calculated separately by each employer. The employer's pension expense needs to be adjusted for the amortization of this additional type of deferral. This item is required to be amortized over the plan's Expected Average Remaining Service Lives (EARSL). See page 10 for details on the EARSL.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	**Deferred Outflows/(Inflows) of Resources**
2015	$ (22,883)
2016	(22,883)
2017	(24,951)
2018	(25,841)
2019	0
Thereafter	$ 0

The deferred inflows and deferred outflows and schedules of future amortizations for the Risk Pool in aggregate are summarized in Appendix A.

Schedules of Required Supplementary Information

Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date

	6/30/2014
Plan's Proportion of the Net Pension Liability (Asset)	0.014 %
Plan's Proportionate Share of the Net Pension Liability (Asset)	$353,275
Plan's Covered-Employee Payroll [1]	$270,626
Plan's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	130.54 %
Plan's Proportion of the Fiduciary Net Position [2]	0.014%
Plan's Share of Risk Pool FNP [2]	$1,491,849
Plan's Additional Payments to Side Fund During Measurement Period	$0
Plan's Proportionate Share of the Fiduciary Net Position (*sum of the two preceding lines*)	$1,491,849
Plan's Proportionate Share of the Fiduciary Net Position as a percentage of the Plan's Total Pension Liability	80.85%
Plan's Proportionate Share of Aggregate Employer Contributions [2,3]	$45,523

[1] Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. If pensionable earnings are different than total earnings, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

[2] The term Fiduciary Net Position (FNP) as used in this line denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all employers' additional side fund contributions made during the measurement period.

[3] The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the Measurement Period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of Fiduciary Net Position shown on line 5 of the table above as well as any additional side fund payments made by the employer during the measurement period.

Schedule of Plan Contributions

	Fiscal Year 2013-14
Actuarially Determined Contribution [1]	$25,170
Contributions in Relation to the Actuarially Determined Contribution [1]	(25,170)
Contribution Deficiency (Excess)	$0
Covered-Employee Payroll [2]	$270,626
Contributions as a percentage of Covered-Employee Payroll	9.30%

[1] Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined.

[2] Payroll from prior year ($262,744) was assumed to increase by the 3.00 percent payroll growth assumption

Notes to Schedule

Change in Benefit Terms: None

Change in Assumptions: None

APPENDICES

- **APPENDIX A – AGGREGATE DEFERRED OUTFLOWS OF RESOURCES AND AGGREGATE DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**
- **APPENDIX B – PLAN DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO EFFECTS OF ADJUSTMENT DUE TO DIFFERENCES IN PROPORTIONS**
- **APPENDIX C – INTEREST, TOTAL PROJECTED EARNINGS AND EMPLOYER'S SHARE OF AGGREGATE PENSION EXPENSE**
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- **APPENDIX E – SCHEDULE OF AGGREGATE PENSION AMOUNTS**

APPENDIX A

AGGREGATE DEFERRED OUTFLOWS OF RESOURCES AND AGGREGATE DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

- **SCHEDULE OF DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE**
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- **SUMMARY OF DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

Miscellaneous Risk Pool
Schedule of differences between expected and actual experience

Measurement Period	Differences between Expected and Actual Experience	Recognition Period (Years)	Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience						
			2013	2014	2015	2016	2017	2018	Thereafter
2013-14	$0	3.3	$0	$0	$0	$0	$0	$0	$0
Net Increase (Decrease) in Pension Expense			$0	$0	$0	$0	$0	$0	$0

Miscellaneous Risk Pool

Deferred outflows of resources and deferred inflows of resources arising from differences between expected and actual experience

Measurement Period	Experience Losses (a)	Experience Gains (b)	Amounts Recognized in Pension Expense Through June 30, 2014 (c)	Balances at June 30, 2014: Deferred Outflows of Resources (a) - (c)	Balances at June 30, 2014: Deferred Inflows of Resources (b) - (c)
2013-14			$0		
				$0	$0

Miscellaneous Risk Pool
Schedule of changes of assumptions

			Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Changes of Assumptions						
Measurement Period	**Changes of Assumptions**	**Recognition Period (Years)**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Thereafter**
2013-14	$0	3.3	$0	$0	$0	$0	$0	$0	$0
Net Increase (Decrease) in Pension Expense			$0	$0	$0	$0	$0	$0	$0

Miscellaneous Risk Pool
Deferred outflows of resources and deferred inflows of resources arising from changes of assumptions

				Balances at June 30, 2014	
Measurement Period	Increases in the Total Pension Liability (a)	Decreases in the Total Pension Liability (b)	Amounts Recognized in Pension Expense Through June 30, 2014 (c)	Deferred Outflows of Resources (a) - (c)	Deferred Inflows of Resources (b) - (c)
2013-14			$0		
				$0	$0

Miscellaneous Risk Pool
Schedule of differences between projected and actual earnings on pension plan investments

			Increase (Decrease) in Pension Expense Arising from the Recognition of Differences between Projected and Actual Earnings on Pension Plan Investments						
Measurement Period	**Differences between Projected and Actual Earnings on Pension Plan Investments**	**Recognition Period (Years)**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Thereafter**
2013-14	$(917,286,614)	5	$(183,457,324)	$(183,457,324)	$(183,457,324)	$(183,457,324)	$(183,457,318)	$0	$0
Net Increase (Decrease) in Pension Expense			$(183,457,324)	$(183,457,324)	$(183,457,324)	$(183,457,324)	$(183,457,318)	$0	$0

Miscellaneous Risk Pool

Deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual earnings on pension plan investments

				Balances at June 30, 2014	
Measurement Period	**Investment earnings less than projected (a)**	**Investment earnings greater than projected (b)**	**Amounts Recognized in Pension Expense Through June 30, 2014 (c)**	**Deferred Outflows of Resources (a) - (c)**	**Deferred Inflows of Resources (b) - (c)**
2013-14	$(917,286,614)		$(183,457,324)	0	(733,829,290)
				$ 0	$(733,829,290)

Miscellaneous Risk Pool
Summary of recognized deferred outflows of resources and deferred Inflows of resources

	Net Increase (Decrease) in Pension Expense						
	2013-14	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**Thereafter**
Differences between Expected and Actual Experience	$0	$0	$0	$0	$0	$0	$0
Changes of Assumptions	0	0	0	0	0	0	0
Differences between Projected and Actual Earnings on Pension Plan Investments	(183,457,324)	(183,457,324)	(183,457,324)	(183,457,324)	(183,457,318)	0	0
Grand Total	$(183,457,324)	$(183,457,324)	$(183,457,324)	$(183,457,324)	$(183,457,318)	$0	$0

APPENDIX B

PLAN DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO DIFFERENCES IN PROPORTIONS

- **SCHEDULE OF EFFECTS OF ADJUSTMENT DUE TO DIFFERENCES IN PROPORTIONS**
- **DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES ARISING FROM DIFFERENCES IN PROPORTIONS**

Schedule of effects of adjustment due to differences in proportions

This deferred inflow/outflow item captures the expense adjustment that arises from the CalPERS allocation methodology. It is essentially a balancing item to reconcile the NPL from one year to the next. It is primarily a liability driven amount determined by the liability gain/loss at the next Valuation Date.

Because there is a liability component in this calculation, the recognition in the Pension Expense is reflected over the expected average remaining service lifetime of the membership as of the Valuation Date, with the first portion recognized in pension expense in the year measured.

			Increase (Decrease) in Pension Expense Arising from the Recognition of Effects of Adjustment due to Differences in Proportions						
Measurement Period	**Effects of Adjustment due to Differences in Proportions**	**Recognition Period (Years)**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**Thereafter**
2013-14	$9,756	3.3	$2,956	$2,956	$2,956	$888	$0	$0	$0
Net Increase (Decrease) in pension expense			$2,956	$2,956	$2,956	$888	$0	$0	$0

Deferred outflows of resources and deferred inflows of resources arising from effects of adjustment due to differences in proportions

				Balances at June 30, 2014	
Measurement Period	Outflows (a)	Inflows (b)	Amounts Recognized in Pension Expense Through June 30, 2014 (c)	Deferred Outflows of Resources (a) - (c)	Deferred Inflows of Resources (b) - (c)
2013-14	9,756		$2,956	6,800	
				$6,800	$0

APPENDIX C

TOTAL INTEREST, TOTAL PROJECTED EARNINGS AND TOTAL PENSION EXPENSE

- **INTEREST ON TOTAL PENSION LIABILITY AND TOTAL PROJECTED EARNINGS**
- **RISK POOL AND EMPLOYER'S PROPORTIONATE SHARE OF PENSION EXPENSE**

Interest on Total Pension Liability and Total Projected Earnings

Total Interest on the Total Pension Liability	Amount for Period (a)	Portion of Period (b)	Interest Rate (c)	Interest on the Total Pension Liability (a) X (b) X (c)
Beginning Total Pension Liability	12,374,543,647	100%	7.50%	928,090,773
Service Cost	338,865,574	50%	7.50%	12,707,458
Benefit Payments, including Refunds of Employee Contributions	(515,877,706)	50%	7.50%	(19,345,413)
Total Interest on the Total Pension Liability				**$921,452,818**

Total Projected Earnings on Pension Plan Investments	Amount for Period (a)	Portion of Period (b)	Projected Rate of Return (c)	Projected Earnings (a) X (b) X (c)
Beginning Plan Fiduciary Net Position after Adjustments	9,013,267,672	100%	7.50%	3,703,725,209
Employer Contributions	315,587,787	50%	7.50%	45,107,173
Employee Contributions	159,785,531	50%	7.50%	27,916,388
Benefit Payments, including Refunds of Employee Contributions	(515,877,706)	50%	7.50%	(19,345,413)
Total Projected Earnings				**$3,659,055,710**

Risk Pool and Employer's Proportionate Share of Pension Expense for the Measurement Period Ended June 30, 2014

The CITY OF XYZ's share of the Miscellaneous Risk Pool pension expense is developed in the table below. In order to complete the disclosure information required by GASB 68 the employer will need to use this information to calculate total recognized employer pension expense. Total recognized employer pension expense will be the sum of (1) the proportionate share of pension expense shown below and (2) the net amortization of the employer-specific deferral described on page 11.

Pension Expense Component	**Risk Pool Amounts**	**Employer's Share**	**Percentage of Employer's share**
Service Cost	$338,865,574	39,265	0.0116%
Interest on the Total Pension Liability	921,452,818	128,320	0.0139%
Recognized Differences between Expected and Actual Experience	0	0	N/A
Recognized Changes of Assumptions	0	0	N/A
Employee Contributions	(159,785,531)	(18,701)	0.0117%
Projected Earnings on Pension Plan Investments	(674,444,580)	(94,994)	0.0141%
Recognized Differences between Projected and Actual Earnings	(183,457,324)	(25,839)	0.0141%
Other Changes in Fiduciary Net Position	(14,550,954)	(2,097)	0.0141%
Recognized Portion of Adjustment due to Differences in Proportions	0	2,956	N/A
Subtotal: Employer's Share of Expense Components	$228,080,003	28,910	0.0127%
Changes of Benefit Terms		0	
Employer's Proportionate Share of Pension Expense		**$28,910**	

APPENDIX D

DEVELOPMENT OF THE EMPLOYER'S PROPORTIONS

- **DEVELOPMENT OF THE EMPLOYER'S TOTAL PENSION LIABILITY, FIDUCIARY NET POSITION AND NET PENSION LIABILITY PROPORTIONS**
- **MISCELLANEOUS RISK POOL AGGREGATE BALANCES AND DATA**

Development of the Employer's Total Pension Liability, Fiduciary Net Position and Net Pension Liability Proportions

Miscellaneous Risk Pool	
At the valuation date: 6/30/2013	
1. Aggregate TPL	12,374,543,647
2. Aggregate FNP	9,044,595,633
3. Aggregate NPL [(1)-(2)]	3,329,948,014
4. Funded Ratio [(2)/(1)]	73.09%
At the measurement date: 6/30/2014	
5. Aggregate TPL	13,118,984,333
6. Aggregate FNP	10,591,974,606
7. Aggregate NPL [(5)-(6)]	2,527,009,727
8. Funded Ratio [(6)/(5)]	80.74%

Proportions for CITY OF XYZ **Miscellaneous Plan**	
At the valuation date: 6/30/2013	
9. Plan TPL	1,740,422
10. Plan FNP[1]	1,273,905
11. Plan NPL [(9)-(10)]	466,517
12. Funded Ratio [(10)/(9)]	73.20%
13. Plan TPL % [(9)/(1)]	**0.0141%**
14. Plan FNP % [(10)/(2)]	**0.0141%**
At the measurement date: 6/30/2014	
15. Plan TPL [(13)X(5)]	1,845,124
16. Plan FNP [(14)X(6)]	1,491,849
17. Plan NPL [(15)-(16)]	353,275
18. NPL% [(17)/(7)]	**0.0140%**

Miscellaneous Risk Pool Aggregate Balances

	Measurement Date 6/30/2013	Measurement Date 6/30/2014
Aggregate Deferred Outflows of Resources		
Differences between Expected and Actual Experience	NA	0
Changes of Assumptions	NA	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	NA	(917,286,614)
Aggregate Deferred Inflows of Resources		
Differences between Expected and Actual Experience	NA	0
Changes of Assumptions	NA	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	NA	0
Aggregate Net Pension Liability		
1% Decrease (6.5%)	NA	4,267,409,990
Current Discount Rate (7.5%)	NA	2,527,009,727
1% Increase (8.5%)	NA	1,082,642,793
Aggregate Employer Contributions	NA	315,587,787

Supplementary Miscellaneous Risk Pool Data

Valuation Date	6/30/2013
Measurement Date	6/30/2014
Measurement Period	7/1/2013 to 6/30/2014
Aggregate Covered-Employee Payroll during Measurement Period	1,966,928,633
Accrued Liability at Valuation Date (6.5%)	13,371,794,326
Accrued Liability at Valuation Date (7.5%)	11,805,627,557
Accrued Liability at Valuation Date (8.5%)	10,505,857,876
Normal Cost % during Measurement Period	17.228%
Expected Liability at Measurement Date	13,118,984,333
Expected Average Remaining Service Lifetime	3.3

APPENDIX E

SCHEDULE OF AGGREGATE PENSION AMOUNTS

- **SCHEDULE OF AGGREGATE PENSION AMOUNTS AS OF THE MEASUREMENT DATE JUNE 30, 2014**

Schedule of Aggregate Pension Amounts
As of the Measurement Date June 30, 2014

	Deferred Outflows of Resources				Deferred Inflows of Resources				
Net Pension Liability	**Differences Between Expected and Actual Experience**	**Changes of Assumptions**	**Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments**	**Total Deferred Outflows of Resources Excluding Employer Specific Amounts[1]**	**Differences Between Expected and Actual Experience**	**Changes of Assumptions**	**Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments**	**Total Deferred Inflows of Resources Excluding Employer Specific Amounts[1]**	**Aggregate Plan Pension Expense**
$2,527,009,727	$0	$0	$0	$0	$0	$0	$(733,829,290)	$(733,829,290)	$228,080,003

[1] Employer specific amounts that are excluded from this schedule are the differences between actual employer contributions and proportionate share of contributions as defined in paragraph 55 of GASB 68.