



# **GASB 68 Accounting Report**

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**Prepared for  
Schools Pool,  
a Cost-Sharing Multiple-Employer  
Defined Benefit Pension Plan**

**Measurement Date of June 30, 2018**

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## Actuarial Certification

This report provides disclosure and reporting information as required under Governmental Accounting Standards Board Statement 68 (GASB 68) for the Schools Pool, a Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan or PERF B) administered by the California Public Employees' Retirement System (CalPERS), for the measurement period ended June 30, 2018.

This report is to be viewed solely for the purpose of financial accounting requirements. Any usage of the contents provided in this report for purposes other than financial accounting requirements would be inappropriate.

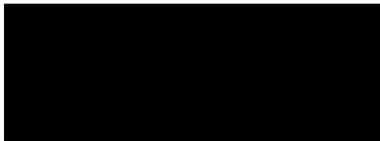
This accounting report relies on liabilities and related validation work performed by the CalPERS Actuarial Office as part of the June 30, 2017 annual funding valuation. The census data and benefit provisions underlying the liabilities were prepared as of June 30, 2017 and certified as part of the annual funding valuation by the CalPERS Actuarial Office. The June 30, 2017 liabilities, which were rolled forward to June 30, 2018 and used for this accounting report, are based on actuarial assumptions adopted by the CalPERS Board of Administration and consistent with the requirements of GASB 68. The assumptions and methods are internally consistent and reasonable. The asset information used in this accounting report is provided by the CalPERS Financial Office.

With the provided liability and asset information, the total pension liability, net pension liability, deferred inflows and outflows and pension expense were developed for the measurement period using standard actuarial techniques.

The undersigned are actuaries for CalPERS, who are members of the American Academy of Actuaries and the Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



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## Introduction

This is the GASB 68 accounting report for the Schools Pool for the measurement date June 30, 2018. The Schools Pool cost-sharing multiple-employer defined benefit pension plan (the Plan or PERF B) is administered by the California Public Employees' Retirement System (CalPERS).

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	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	June 30, 2017 to June 30, 2018

## Changes in the Collective Net Pension Liability

The following table shows the changes in the Plan's net pension liability recognized over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) – (b)
<b>Balance at: 06/30/2017</b>	<b>\$84,871,025,628</b>	<b>\$60,998,386,333</b>	<b>\$23,872,639,295</b>
<b>Beginning of Year Adjustment</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Adjusted Balance at: 06/30/2017</b>	<b>\$84,871,025,628</b>	<b>\$60,998,386,333</b>	<b>\$23,872,639,295</b>
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	\$2,172,695,946		\$2,172,695,946
Interest on Total Pension Liability	6,165,715,263		6,165,715,263
Changes of Benefit Terms	0		0
Changes of Assumptions	450,064,132		450,064,132
Differences between Expected and Actual Experience	1,852,901,572		1,852,901,572
Net Plan to Plan Resource Movement		\$1,491	(1,491)
Contributions – Employer		2,070,831,846	(2,070,831,846)
Contributions – Employees		952,979,369	(952,979,369)
Net Investment Income		5,095,064,007	(5,095,064,007)
Benefit Payments, including Refunds of Employee Contributions	(4,053,118,756)	(4,053,118,756)	0
Administrative Expense		(92,448,142)	92,448,142
Other Miscellaneous Income/(Expense) <sup>1</sup>		(175,560,587)	175,560,587
<b>Net Changes during 2017-18</b>	<b>\$6,588,258,157</b>	<b>\$3,797,749,228</b>	<b>\$2,790,508,929</b>
<b>Balance at: 06/30/2018</b>	<b>\$91,459,283,785</b>	<b>\$64,796,135,561</b>	<b>\$26,663,148,224</b>

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

	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
Plan's Net Pension Liability/(Asset)	\$38,820,268,756	\$26,663,148,224	\$16,577,076,391

<sup>1</sup> During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

## Collective Pension Expense/(Income) for the Measurement Period Ended June 30, 2018

Description	Amount
Service Cost	\$2,172,695,946
Interest on Total Pension Liability	6,165,715,263
Changes of Benefit Terms	0
Recognized Changes of Assumptions	993,770,037
Recognized Differences between Expected and Actual Experience	960,221,469
Net Plan to Plan Resource Movement	(1,491)
Employee Contributions	(952,979,369)
Projected Earnings on Pension Plan Investments	(4,308,177,147)
Recognized Differences between Projected and Actual Earnings on Plan Investments	(179,754,522)
Administrative Expense	92,448,142
Other Miscellaneous (Income)/Expense <sup>1</sup>	175,560,587
<b>Total Pension Expense/(Income)</b>	<b>\$5,119,498,915</b>

<sup>1</sup> During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

## Collective Deferred Outflows and Deferred Inflows of Resources Related to Pensions

The following table presents deferred outflows and deferred inflows of resources related to pensions as of June 30, 2018. Note that no adjustments have been made for contributions subsequent to the measurement date. Appropriate treatment of any contributions made after the measurement date is the responsibility of the employer. Employers are also responsible for determining the difference between the employers' actual and allocated contributions and changes in proportion.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$2,662,197,746	\$0
Differences between Expected and Actual Experience	1,747,938,359	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	218,697,668	0
<b>Total</b>	<b>\$4,628,833,773</b>	<b>\$0</b>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Periods Ended June 30:	Deferred Outflows/(Inflows) of Resources
2019	\$2,758,814,511
2020	2,061,256,914
2021	(33,860,280)
2022	(157,377,372)
2023	0
Thereafter	0

Note: For employers with June 30 year-end, the fiscal year will be one year later than the measurement period. For example, the 2019 measurement period presented in the above table will be listed as year 2020 in the employer's fiscal year ending June 30, 2019 financial statements.

### Expected Average Remaining Service Lifetime (EARSL)

The EARSL for PERF B for the measurement period ending June 30, 2018 is 4.0 years, which was obtained by dividing the total service years of 3,068,312 (the sum of remaining service lifetimes of the active employees) by 759,978 (the total number of participants: active, inactive, and retired) in PERF B. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

## Required Supplementary Information

### Summary of Changes of Benefits or Assumptions

**Benefit Changes:** There were no changes to benefit terms that applied to all members of the Schools Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

**Changes of Assumptions:** In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Employers should refer to CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018, which may be accessed on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov), to obtain the required supplementary information for proper financial reporting.

## Appendices

- **Appendix A – Collective Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**
- **Appendix B – Collective Interest and Projected Earnings**
- **Appendix C – Schedule of Collective Pension Amounts**

## **Appendix A**

### **Collective Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

- Schedule of Changes of Assumptions
- Deferred Outflows of Resources and Deferred Inflows of Resources Arising from Changes of Assumptions
- Schedule of Differences Between Expected and Actual Experience
- Deferred Outflows of Resources and Deferred Inflows of Resources Arising from Differences Between Expected and Actual Experience
- Schedule of Differences Between Projected and Actual Earnings on Pension Plan Investments
- Deferred Outflows of Resources and Deferred Inflows of Resources Arising from Differences Between Projected and Actual Earnings on Pension Plan Investments
- Summary of Recognized Deferred Outflows of Resources and Deferred Inflows of Resources

**Schedule of Changes of Assumptions**

**Increase (Decrease) in Pension Expense arising from the Recognition  
 of the Effects of Changes of Assumptions**

Measurement Date	Changes of Assumptions	Remaining Recognition Period (Years)	Increase (Decrease) in Pension Expense arising from the Recognition of the Effects of Changes of Assumptions						
			2018	2019	2020	2021	2022	2023	Thereafter
2014	\$0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2015	(1,217,973,543)	0.9	(281,070,819)	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0
2017	4,649,299,293	3.0	1,162,324,823	1,162,324,823	1,162,324,824	0	0	0	0
2018	450,064,132	4.0	112,516,033	112,516,033	112,516,033	112,516,033	0	0	0
<b>Net Increase (Decrease) in Pension Expense</b>			<b>\$993,770,037</b>	<b>\$1,274,840,856</b>	<b>\$1,274,840,857</b>	<b>\$112,516,033</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Deferred Outflows of Resources and Deferred Inflows of Resources arising from Changes of Assumptions**

Measurement Date	Increase in Total Pension Liability (a)	Decrease in Total Pension Liability (b)	Amounts Recognized in Pension Expense through June 30, 2018 (c)	Balances at June 30, 2018	
				Deferred Outflows of Resources (a) – (c)	Deferred Inflows of Resources (b) – (c)
2014	\$0	\$0	\$0	\$0	\$0
2015	0	(1,217,973,543)	(1,217,973,543)	0	0
2016	0	0	0	0	0
2017	4,649,299,293	0	2,324,649,646	2,324,649,647	0
2018	450,064,132	0	112,516,033	337,548,099	0
				<b>\$2,662,197,746</b>	<b>\$0</b>

**Schedule of Differences between Expected and Actual Experience**

**Increase (Decrease) in Pension Expense arising from the Recognition of the Effects of Differences between Expected and Actual Experience**

Measurement Date	Differences between Expected and Actual Experience	Remaining Recognition Period (Years)	Increase (Decrease) in Pension Expense arising from the Recognition of the Effects of Differences between Expected and Actual Experience						
			2018	2019	2020	2021	2022	2023	Thereafter
2014	\$0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2015	1,132,907,408	0.9	261,440,171	0	0	0	0	0	0
2016	400,103,239	1.9	102,590,574	92,331,517	0	0	0	0	0
2017	531,861,325	3.0	132,965,331	132,965,331	132,965,332	0	0	0	0
2018	1,852,901,572	4.0	463,225,393	463,225,393	463,225,393	463,225,393	0	0	0
<b>Net Increase (Decrease) in Pension Expense</b>			<b>\$960,221,469</b>	<b>\$688,522,241</b>	<b>\$596,190,725</b>	<b>\$463,225,393</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Deferred Outflows of Resources and Deferred Inflows of Resources arising from Differences between Expected and Actual Experience**

Measurement Date	Experience Losses (a)	Experience Gains (b)	Amounts Recognized in Pension Expense through June 30, 2018 (c)	Balances at June 30, 2018	
				Deferred Outflows of Resources (a) – (c)	Deferred Inflows of Resources (b) – (c)
2014	\$0	\$0	\$0	\$0	\$0
2015	1,132,907,408	0	1,132,907,408	0	0
2016	400,103,239	0	307,771,722	92,331,517	0
2017	531,861,325	0	265,930,662	265,930,663	0
2018	1,852,901,572	0	463,225,393	1,389,676,179	0
				<b>\$1,747,938,359</b>	<b>\$0</b>

**Schedule of Differences between Projected and Actual Earnings on Pension Plan Investments**

**Increase (Decrease) in Pension Expense arising from the Recognition of the Differences  
 between Projected and Actual Earnings on Pension Plan Investments**

Measurement Date	Differences between Projected and Actual Earnings on Pension Plan Investments	Remaining Recognition Period (Years)	Increase (Decrease) in Pension Expense arising from the Recognition of the Differences between Projected and Actual Earnings on Pension Plan Investments						
			2018	2019	2020	2021	2022	2023	Thereafter
2014	\$(4,876,029,679)	1.0	\$(975,205,935)	\$0	\$0	\$0	\$0	\$0	\$0
2015	3,026,130,396	2.0	605,226,079	605,226,080	0	0	0	0	0
2016	3,999,135,208	3.0	799,827,042	799,827,042	799,827,040	0	0	0	0
2017	(2,261,121,678)	4.0	(452,224,336)	(452,224,336)	(452,224,336)	(452,224,334)	0	0	0
2018	(786,886,860)	5.0	(157,377,372)	(157,377,372)	(157,377,372)	(157,377,372)	(157,377,372)	0	0
<b>Net Increase (Decrease) in Pension Expense</b>			<b>\$(179,754,522)</b>	<b>\$795,451,414</b>	<b>\$190,225,332</b>	<b>\$(609,601,706)</b>	<b>\$(157,377,372)</b>	<b>\$0</b>	<b>\$0</b>

**Deferred Outflows of Resources and Deferred Inflows of Resources arising from Differences between Projected and Actual Earnings on Pension Plan Investments**

Measurement Date	Investment Earnings less than Projected (a)	Investment Earnings greater than Projected (b)	Amounts Recognized in Pension Expense through June 30, 2018 (c)	Balances at June 30, 2018	
				Deferred Outflows of Resources (d) = (a) – (c)	Deferred Inflows of Resources (e) = (b) – (c)
2014	\$0	\$(4,876,029,679)	\$(4,876,029,679)	\$0	\$0
2015	3,026,130,396	0	2,420,904,316	605,226,080	0
2016	3,999,135,208	0	2,399,481,126	1,599,654,082	0
2017	0	(2,261,121,678)	(904,448,672)	0	(1,356,673,006)
2018	0	(786,886,860)	(157,377,372)	0	(629,509,488)
				<b>\$2,204,880,162</b>	<b>\$(1,986,182,494)</b>
				<b>Net Deferred Outflows/(Inflows) of Resources</b>	
				<b>(d) + (e)</b>	
				<b>\$218,697,668</b>	

**Note:** GASB 68 paragraph 33 requires that deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual pension plan investment earnings in different measurement periods should be aggregated and reported as a net deferred outflow or inflow.

**Summary of Recognized Deferred Outflows of Resources and Deferred Inflows of Resources**

	Net Increase (Decrease) in Pension Expense						
	2018	2019	2020	2021	2022	2023	Thereafter
Changes of Assumptions	\$993,770,037	\$1,274,840,856	\$1,274,840,857	\$112,516,033	\$0	\$0	\$0
Differences between Expected and Actual Experience	960,221,469	688,522,241	596,190,725	463,225,393	0	0	0
Net Differences between Projected and Actual Earnings on Pension Plan Investments	(179,754,522)	795,451,414	190,225,332	(609,601,706)	(157,377,372)	0	0
<b>Grand Total</b>	<b>\$1,774,236,984</b>	<b>\$2,758,814,511</b>	<b>\$2,061,256,914</b>	<b>\$(33,860,280)</b>	<b>\$(157,377,372)</b>	<b>\$0</b>	<b>\$0</b>

## **Appendix B**

### **Collective Interest and Projected Earnings**

- Collective Interest on Total Pension Liability and Projected Earnings

**Collective Interest on Total Pension Liability and Total Projected Earnings**

<b>Interest on Total Pension Liability</b>	<b>Amount for Period (a)</b>	<b>Portion of Period (b)</b>	<b>Interest Rate (c)</b>	<b>Interest on the Total Pension Liability (a) X (b) X (c)</b>
Beginning Total Pension Liability	\$84,871,025,628	100%	7.15%	\$6,068,278,332
Changes of Benefit Terms	0	100%	7.15%	0
Changes of Assumptions	450,064,132	100%	7.15%	32,179,585
Difference between Expected and Actual Experience	1,852,901,572	100%	7.15%	132,482,462
Service Cost	2,172,695,946	50%	7.15%	77,673,880
Benefit Payments, including Refunds of Employee Contributions	(4,053,118,756)	50%	7.15%	(144,898,996)
<b>Total Interest on Total Pension Liability</b>				<b>\$6,165,715,263</b>

<b>Projected Earnings on Pension Plan Investments</b>	<b>Amount for Period (a)</b>	<b>Portion of Period (b)</b>	<b>Projected Rate of Return (c)</b>	<b>Projected Earnings (a) X (b) X (c)</b>
Beginning Plan Fiduciary Net Position excluding Receivables <sup>1</sup>	\$60,902,883,244	100%	7.15%	\$4,354,556,152
Net Plan to Plan Resource Movement	1,491	50%	7.15%	53
Employer Contributions	2,070,831,846	50%	7.15%	74,032,238
Employee Contributions	952,979,369	50%	7.15%	34,069,012
Benefit Payments, including Refunds of Employee Contributions	(4,053,118,756)	50%	7.15%	(144,898,996)
Administrative Expense	(92,448,142)	50%	7.15%	(3,305,021)
Other Miscellaneous Income/(Expense) <sup>2</sup>	(175,560,587)	50%	7.15%	(6,276,291)
<b>Total Projected Earnings</b>				<b>\$4,308,177,147</b>

<sup>1</sup> Included any beginning of year adjustment. Contribution receivables for employee service buybacks, totaling \$(95,503,089) as of June 30, 2017, were excluded for purposes of calculating projected earnings on pension plan investments.

<sup>2</sup> During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

## **Appendix C**

### **Schedule of Collective Pension Amounts**

- Schedule of Collective Pension Amounts for PERF B, as of the Measurement Date June 30, 2018

**Schedule of Collective Pension Amounts for PERF B, as of the Measurement Date June 30, 2018**

Total Pension Liability	
Plan Fiduciary Net Position	\$64,796,135,561
<b>Net Pension Liability</b>	<b>\$26,663,148,224</b>
Deferred Outflows of Resources	
Changes of Assumptions	2,662,197,746
Differences Between Expected and Actual Experience	1,747,938,359
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	218,697,668
<b>Total Deferred Outflows of Resources Excluding Employer Specific Amounts<sup>1</sup></b>	<b>4,628,833,773</b>
Deferred Inflows of Resources	
Changes of Assumptions	0
Differences Between Expected and Actual Experience	0
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	0
<b>Total Deferred Inflows of Resources Excluding Employer Specific Amounts<sup>1</sup></b>	<b>0</b>
<b>Plan Pension Expense</b>	<b>\$5,119,498,915</b>

<sup>1</sup> No adjustments have been made for employer specific amounts such as changes in proportion, differences between employer contributions and proportionate share of contributions, and contributions to the Plan subsequent to the measurement date as defined in paragraphs 54, 55, and 57 of GASB 68. Appropriate treatment of such amounts is the responsibility of the employer.