Segal Consulting

Fresno County Employees' Retirement Association

Governmental Accounting Standards (GAS) 67
Actuarial Valuation as of June 30, 2014

75 THE SEGAL GROUP Founded in 1939

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December 10, 2014

Board of Retirement
Fresno County Employees' Retirement Association
1111 "H" Street
Fresno, CA 93721

Dear Board Members:

We are pleased to submit this Governmental Accounting Standards (GAS) 67 Actuarial Valuation as of June 30, 2014. It contains various information that will need to be disclosed in order to comply with GAS 67.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Association. The census and financial information on which our calculations were based was prepared by FCERA. That assistance is gratefully acknowledged.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and expectations for the Association.

We look forward to reviewing this report with you and to answering any questions.

Sincerely,

Segal Consulting, a Member of The Segal Group, Inc.

By:

Paul Angelo, FSA, MAAA, FCA, EA	*Andy Yeung, ASA, MAAA, FCA, EA*
Senior Vice President and Actuary	*Vice President and Associate Actuary*

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Purpose

This report has been prepared by Segal Consulting to present certain disclosure information required by Governmental Accounting Standards (GAS) 67 as of June 30, 2014. This valuation is based on:

- The benefit provisions of the Retirement Association, as administered by the Board of Retirement;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2013, provided by the Retirement Association;
- The assets of the Plan as of June 30, 2014, provided by the Retirement Association;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- The Governmental Accounting Standards Board (GASB) approved two new Statements affecting the reporting of pension liabilities for accounting purposes. Statement 67 replaces Statement 25 and is for plan reporting. Statement 68 replaces Statement 27 and is for employer reporting. Statement 67 is effective with the plan year ending June 30, 2014 for Plan reporting and Statement 68 is effective with the fiscal year ending June 30, 2015 for employer reporting. The information contained in this valuation is intended to be used (along with other information) in order to comply with Statement 67.
- It is important to note that the new GASB rules only redefine pension liability and expense for financial reporting purposes, and do not apply to contribution amounts for pension funding purposes. Employers and plans can still develop and adopt funding policies under current practices.
- When measuring pension liability GASB uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as FCERA uses for funding. This means that the Total Pension Liability (TPL) measure for financial reporting shown in this report is determined on generally the same basis as FCERA's Actuarial Accrued Liability (AAL) measure for funding. We note that the same is generally true for the Normal Cost component of the annual plan cost for funding and financial reporting.

- The Net Pension Liability (NPL) is equal to the difference between the TPL and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of assets and therefore, the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) calculated on a market value basis.
- The NPLs measured as of June 30, 2014 and 2013 have been determined by rolling forward the TPL as of June 30, 2013 and June 30, 2012, respectively. In addition, we have adjusted the TPL to include $1.4[1] million and $9.1[2] million as of June 30, 2014 and June 30, 2013, respectively, that were set aside by the Retirement Board to pay non-vested Supplemental COLA and Retiree Health Insurance benefits.
- The NPL decreased from $1,350.8 million as of June 30, 2013 to $878.1 million as of June 30, 2014 primarily as a result of (i) the favorable investment results during 2013/2014, (ii) the gains from lower than expected active salary increases and (iii) lower than expected retiree COLA increases during 2012/2013 (because liabilities for both (ii) and (iii) are rolled forward from June 30, 2013 to June 30, 2014, these gains are first reported in the June 30, 2014 results). Changes in these values during the last two fiscal years ending June 30, 2013 and June 30, 2014 can be found in Exhibit 3.
- The discount rates originally used to determine the TPL and NPL as of June 30, 2014 and 2013 were 7.25% and 7.75%, respectively, following the same assumptions used by the Association in the pension funding valuations as of June 30, 2013 and June 30, 2012. However, as the Retirement Board had approved a new discount rate of 7.25% (together with other new actuarial assumptions) for use in the pension funding valuation as of June 30, 2013, we have estimated the impact of this assumption change by (1) revaluing the TPL as of June 30, 2012 (before the roll forward) using the new actuarial assumptions and (2) using this revalued TPL in rolling forward the results from June 30, 2012 to June 30, 2013. The detailed calculations of the discount rate of 7.25% used in calculation of the TPL and NPL as of June 30, 2014 can be found in Exhibit 5 of Section 2. Various other information that is required to be disclosed can be found throughout Exhibits 1 through 4 in Section 2.

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[1] *There was a correction to allocate proceeds for the issuance of Pension Obligation Bonds. After the correction, the balance in the Supplemental COLA Reserve was $1.4 million and the balance in the Retiree Health Reserve was $0 (after limiting that balance to be no less than $0).*

[2] *There was a correction to allocate proceeds for the issuance of Pension Obligation Bonds. After the correction, the balance in the Supplemental COLA Reserve was $2.1 million and the balance in the Retiree Health Reserve was $7.0 million.*

Summary of Key Valuation Results

	2014	2013
Disclosure elements for plan year ending June 30:		
Service cost[1]	$107,568,854	$98,293,207
Total pension liability	4,928,182,936	4,850,281,953
Plan fiduciary net position	4,050,128,933	3,499,451,731
Net pension liability	878,054,003	1,350,830,222
Schedule of contributions for plan year ending June 30:		
Actuarially determined contributions	$165,309,000	$158,572,420
Actual contributions	165,309,000	158,572,420
Contribution deficiency (excess)	0	0
Demographic data for plan year ending June 30:		
Number of retired members and beneficiaries	6,570	6,363
Number of vested terminated members[1]	1,380	1,295
Number of active members	6,968	6,866
Key assumptions as of June 30:		
Investment rate of return	7.25%	7.25%
Inflation rate	3.25%	3.25%
Projected salary increases[2]	General: 4.75% to 10.75% and Safety: 5.25% to 10.75%	General: 4.75% to 10.75% and Safety: 5.25% to 10.75%

(1) *Please note that service cost is always based on the previous year's assumptions, meaning the 2014 service cost and 2013 service cost are based on those assumptions shown as of June 30, 2013 and June 30, 2012, respectively.*

(2) *Includes inflation at 3.25% plus real across-the-board salary increases of 0.50% plus merit and longevity increases.*

EXHIBIT 1

General Information – "Financial Statements", Note Disclosures and Required Supplementary Information for a Cost-Sharing Pension Plan

Plan Description

Plan administration. The Fresno County Employees' Retirement Association (FCERA) was established by the County of Board of Supervisors on January 1, 1945. FCERA is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq.) FCERA is a cost-sharing multiple employer define benefit public employee retirement system whose main function is to provide service retirement, disability, death and survivor benefits to the General and Safety members employed by the County of Fresno. FCERA also provides retirement benefits to the employee members of the Superior Court County of Fresno, Clovis Veterans Memorial District, Fresno-Madera Area Agency on Aging and Fresno Mosquito and Vector Control District.

The management of FCERA is vested with the FCERA Board of Retirement. The Board consists of nine members and two alternates. The County Treasurer is a member of the Board of Retirement by law. Four members are appointed by the Board of Supervisors, one of whom may be a County Supervisor. Two active members elected by the General members; one active member and one alternate are elected by the Safety members; one retired member and one alternate are elected by the retired members. All members of the Board of Retirement serve terms of three years except for the County Treasurer whose term runs concurrent with her term as County Treasurer.

Plan membership. At June 30, 2014, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	6,570
Vested terminated members entitled to, but not yet receiving benefits[1]	1,380
Active members	6,968
Total	14,918

[1] *Includes terminated members due a refund of member contributions.*

Benefits provided. FCERA provides service retirement, disability, death and survivor benefits to eligible employees. All regular full-time employees and permanent part-time employees who work 50% or more for the County of Fresno or the other participating agencies become members of FCERA effective on the first day of the first full pay period after employment in a permanent position. There are separate retirement benefits for General and Safety members. Safety membership is extended to those involved in active law enforcement, fire suppression, and certain probation officers. All other employees are classified as General members. The tiers and their basic provisions are listed below:

Tier Name	Governing Code	Effective Date	Basic Provisions	Final Average Salary Period	Plan Sponsors
Pre-Ventura General	§31676.12	Various	2.0% at 57; maximum 3% COLA	Highest 1-year	All
General Tier 1	§31676.14 and the Settlement Agreement	January 1, 2001	2.5% at 55; maximum 3% COLA	Highest 1-year	All
General Tier 2	§31676.16	September 12, 2005	2.0% at 55; maximum 3% COLA	Highest 1-year	County and FMAAA
General Tier 3	§31676.15	December 17, 2007	2.0% at 55; maximum 3% COLA	Highest 3-years	County
General Tier 4	§31676.1	June 11, 2012	2.0% at 61; no COLA	Highest 3-years	County
General Tier 5	§7522.20(a)	January 1, 2013	2.5% at 67; no COLA	Highest 3-years	All
Pre-Ventura Safety	§31664	Various	2.0% at 50; maximum 3% COLA	Highest 1-year	All
Safety Tier 1	§31664 and the Settlement Agreement	January 1, 2001	2.5% at 50; maximum 3% COLA	Highest 1-year	County and NCFPD
Safety Tier 2	§31664.2	September 12, 2005	3.0% at 55; maximum 3% COLA	Highest 1-year	County
Safety Tier 4	§31664	June 11, 2012	2.0% at 50; no COLA	Highest 3-years	County
Safety Tier 5	§7522.25(d)	January 1, 2013	2.7% at 57; no COLA	Highest 3-years	All

Note: FMAAA – Fresno-Madera Area Agency on Aging
NCFPD – North Central Fire Protection District
NCFPD withdrew active membership from FCERA as of August 31, 2007

Any new member who becomes a member on or after January 1, 2013 is placed into Tier 5 and is subject to the provisions of California Public Employees' Pension Reform Act of 2013 (PEPRA), California Government Code 7522 et seq. and Assembly Bill (AB) 197.

General members enrolled in Tiers 1, 2, 3, or 4 are eligible to retire once they attain the age of 70 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General members enrolled in General Tier 5 are eligible to retire once they have attained the age of 52, and have acquired five years of retirement service credit.

Safety members enrolled in Tiers 1, 2, or 4 are eligible to retire once they attain the age of 70 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit. A member with 20 years of service is eligible to retire regardless of age. Safety members enrolled in Safety Tier 5 are eligible to retire once they have attained the age of 50, and have acquired five years of retirement service credit.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

For members enrolled in Tier 1, 2, 3, or 4, the maximum monthly retirement allowance is 100% of final compensation. There is no maximum for members enrolled in Tier 5.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving spouses or domestic partners may also be eligible if marriage or domestic partnership was at least two years prior to the date of death and the surviving spouse or domestic partner has attained age 55 on or prior to the date of death. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

FCERA provides an annual cost-of-living benefit to all retirees in Tier 1, 2, or 3. The cost-of-living adjustment, based upon the Consumer Price Index for the West Region (with 1982-84 as the base period), is capped at 3.0%.

The County of Fresno and the other participating agencies contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from FCERA' actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2014 for 2013-2014 (based on the June 30, 2012 valuation) was 47.19% of compensation.

Members are required to make contributions to FCERA regardless of the retirement plan or tier in which they are included. The average member contribution rate as of June 30, 2014 for 2013-2014 (based on the June 30, 2012 valuation) was 8.61% of compensation.

EXHIBIT 2

Net Pension Liability

The components of the net pension liability as follows:

	June 30, 2014	June 30, 2013
Total pension liability	$4,928,182,936	$4,850,281,953
Plan fiduciary net position	4,050,128,933	3,499,451,731
Net pension liability	$878,054,003	$1,350,830,222
Plan fiduciary net position as a percentage of the total pension liability	82.18%	72.15%

The net pension liability was measured as of June 30, 2014 and 2013. Plan fiduciary net position (plan assets) was valued as of the measurement date while the total pension liability was determined based upon rolling forward the total pension liability from actuarial valuations as of June 30, 2013 and 2012, respectively.

Actuarial assumptions. The total pension liabilities as of June 30, 2014 and June 30, 2013 were determined by actuarial valuations as of June 30, 2013 and June 30, 2012, respectively. The actuarial assumptions used were based on the results of an experience study for the period from July 1, 2009 through June 30, 2012. They are the same assumptions used in the June 30, 2014 funding valuation for FCERA. The assumptions are outlined on page 10 of this report. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	General: 4.75% to 10.75% and Safety: 5.25% to 10.75%, vary by service, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Administrative expenses	1.10% of payroll allocated to both the employer and member based on the components of the total contribution rate (before expenses) for the employer and member.
Other assumptions	See analysis of actuarial experience during the period July 1, 2009 through June 30, 2012

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 inflation) are developed for each major asset class. This information is 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 and deducting expected investment expenses. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	24%	6.10%
Small Cap U.S. Equity	5%	6.88%
Developed International Equity	19%	6.87%
Emerging International Equity	5%	8.22%
U.S. Core Fixed Income	19%	0.63%
TIPS	4%	-0.11%
Emerging Market Debt	3%	3.85%
Real Estate	6%	4.93%
Commodities	4%	3.93%
Hedge Funds	4%	3.46%
Private Equity	7%	12.68%
Total	100%	

Discount rate: The discount rate used to measure the total pension liability was 7.25% as of June 30, 2014 and June 30, 2013. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only 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 costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all 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 as of both June 30, 2014 and June 30, 2013.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability as of June 30, 2014, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability as of June 30, 2014	$1,557,810,198	$878,054,003	$320,682,156

EXHIBIT 3

Schedule of Changes in Net Pension Liability – Last Two Fiscal Years

	2014	2013
Total pension liability		
Service cost	$107,568,854	$98,293,207
Interest	341,121,326	336,460,778
Change of benefit terms	0	0
Differences between expected and actual experience	-146,396,595	-143,645,760
Changes of assumptions	0	265,552,249
Benefit payments, including refunds of employee contributions	-224,392,602	-212,956,631
Net change in total pension liability	$77,900,983	$343,703,843
Total pension liability – beginning	4,850,281,953	4,506,578,110
Total pension liability – ending (a)	$4,928,182,936	$4,850,281,953
Plan fiduciary net position		
Contributions – employer	$165,309,213	$158,572,420
Contributions – employee	30,153,934	30,515,683
Net investment income	583,148,339	378,483,400
Benefit payments, including refunds of employee contributions	-224,392,602	-212,956,631
Administrative expense	-3,541,682	-3,675,804
Other	0	0
Net change in plan fiduciary net position	$550,677,202	$350,939,068
Plan fiduciary net position – beginning	3,499,451,731	3,148,512,663
Plan fiduciary net position – ending (b)	$4,050,128,933	$3,499,451,731
Net pension liability – ending (a) – (b)	$878,054,003	$1,350,830,222
Plan fiduciary net position as a percentage of the total pension liability	82.18%	72.15%
Covered employee payroll	$350,326,000	$346,808,000
Plan net pension liability as percentage of covered employee payroll	250.64%	389.50%

Notes to Schedule:

Benefit changes: All members with membership dates on or after January 1, 2013 enter the new tiers created by the California Public Employees' Pension Reform Act of 2013 (PEPRA).

EXHIBIT 4

Schedule of Contributions – Last Ten Fiscal Years

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2005	$56,296,000	$56,296,000	0	$343,244,000	16.40%
2006	56,664,000	56,664,000	0	366,623,000	15.46%
2007	69,997,000	69,997,000	0	370,720,000	18.88%
2008	97,305,000	97,305,000	0	394,449,000	24.67%
2009	113,959,000	113,959,000	0	399,799,000	28.50%
2010	126,138,000	126,138,000	0	392,713,000	32.12%
2011	130,290,000	130,290,000	0	385,204,000	33.82%
2012	157,869,000	157,869,000	0	346,742,000	45.53%
2013	158,572,000	158,572,000	0	346,808,000	45.72%
2014	165,309,000	165,309,000	0	350,326,000	47.19%

Notes to Exhibit 4

Methods and assumptions used to establish "actuarially determined contribution" rates:	
Valuation date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percent of payroll (3.75% payroll growth assumed)
Remaining amortization period	20 years (declining) for UAAL established as of June 30, 2003 plus 15 years (declining) for UAAL due to actuarial gains or losses, changes in actuarial assumptions or plan amendments* established on each subsequent valuation.
Asset valuation method	The actuarial value of assets is determined by recognizing any difference between the actual and the expected market return over 10 six-month interest crediting periods. The actuarial value of assets is further adjusted, if necessary, to be within 30% of the market value of assets. The valuation value of assets is the actuarial value of assets reduced by the value of the non-valuation reserves. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in equal amounts over a period of four and a half years from that date.
Actuarial assumptions:	
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Inflation rate	3.25%
Administrative expenses	1.10% of payroll allocated to both the employer and member based on the components of the total contribution rate (before expenses) for the employer and member.
Projected salary increases	General: 4.75% to 10.75% and Safety: 5.25% to 10.75%, vary by service, including inflation
Cost of living adjustments	3.00% of retirement income for General Tiers 1, 2 and 3, and Safety Tiers 1 and 2 0.00% for General Tiers 4 and 5 and Safety Tiers 4 and 5
Other assumptions	Same as those used in the June 30, 2013 funding actuarial valuation and that will be used in the June 30, 2014 funding actuarial valuation.
Other information:	All members with membership dates on or after January 1, 2013 enter the Tier 5 created by the California Public Employees' Pension Reform Act of 2013 (CalPEPRA).

** Prior to the Board's most recent review of actuarial funding policy in April 2011, a 30-year amortization period was used for plan amendments.*

EXHIBIT 5

Projection of Pension Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of June 30, 2014

($ in millions)

Year Beginning July 1,	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Ending Plan Fiduciary Net Position (f) = (a) + (b) - (c) - (d) + (e)
2013	$3,499	$195	$224	$4	$583	$4,050
2014	4,050	215	236	4	293	4,318
2015	4,318	217	250	4	312	4,592
2016	4,592	215	264	4	331	4,870
2017	4,870	208	279	4	350	5,145
2018	5,145	204	294	4	370	5,420
2019	5,420	224	309	5	390	5,720
2020	5,720	196	326	5	410	5,996
2021	5,996	178	342	5	429	6,255
2022	6,255	159	359	5	446	6,495
2038	7,550	28	624	9	525	7,470
2039	7,470	25	633	10	519	7,372
2040	7,372	24	640	10	512	7,257
2041	7,257	22	644	10	503	7,128
2042	7,128	20	647	11	494	6,983
2087	2,334	57	11	57	169	2,492
2088	2,492	59	9	59	180	2,664
2089	2,664	61	7	61	193	2,850
2090	2,850	64	5	64	206	3,052
2091	3,052	66	4	66	221	3,269
2115	16,308	160	0 *	160	1,182	17,491
2116	17,491					
2116	Discounted Value: 13 **					

* Less than $1 million, when rounded.

** $17,491 million when discounted with interest at the rate of 7.25% per annum has a value of $13 million as of June 30, 2013.

EXHIBIT 5

Projection of Pension Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of June 30, 2014

($ in millions) - continued

Notes:

(1) Amounts may not total exactly due to rounding.

(2) Amounts shown in the year beginning July 1, 2013 row are actual amounts, based on the unaudited financial statements provided by FCERA.

(3) Years 2023-2037, 2043-2086, and 2092-2114 have been omitted from this table.

(4) Column (a): Except for the "discounted value" shown for 2116, none of the projected beginning plan fiduciary net position amounts shown have been adjusted for the time value of money.

(5) Column (b): Projected total contributions include employee and employer normal cost rates applied to closed group projected payroll (based on covered active members as of June 30, 2013), plus employer contributions to the unfunded actuarial accrued liability. Contributions are assumed to occur halfway through the year, on average.

(6) Column (c): Projected benefit payments have been determined in accordance with paragraph 39 of GASB Statement No. 67, and are based on the closed group of active, inactive vested, retired members, and beneficiaries as of June 30, 2013. The projected benefit payments reflect the cost of living increase assumptions used in the June 30, 2013 valuation report.

(7) Column (d): Projected administrative expenses are assumed to be 1.10% of projected payroll and are assumed to occur halfway through the year, on average.

(8) Column (e): Projected investment earnings are based on the assumed investment rate of return of 7.25% per annum and reflect the assumed timing of benefit payments made at the beginning of each month.

(9) As illustrated in this Exhibit, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected "cross-over date" when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.25% per annum was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014 shown earlier in this report, pursuant to paragraph 44 of GASB Statement No. 67.