



FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

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Donald C. Kendig, CPA  
Retirement Administrator

DATE: December 16, 2015

TO: Board of Retirement

FROM: Donald C. Kendig, CPA,  
Retirement Administrator

STAFF CONTACT: Becky Van Wyk  
Assistant Retirement Administrator

SUBJECT: Consideration of the Government Accounting Standards Board (GASB) Statement 67  
Actuarial Valuation as of June 30, 2015 – Receive and File: Approve

### Background and Discussion

The objective of Government Accounting Standards Board (GASB) Statement 67 is to improve financial reporting by state and local governmental pension plans. For defined benefit pension plans, GASB 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability for benefits provided through the pension plan (the net pension liability), about which information is required to be presented in each participating entity's Comprehensive Annual Financial Report (CAFR). The valuation provides information required to be disclosed in FCERA's CAFR.

This statement only defines the pension liability and expense reported for financial reporting purposes in our Comprehensive Annual Financial Report, and does not apply to contribution amounts for pension funding purposes and the standard actuarial valuation process.

### Fiscal and Financial Impacts

There are no known financial impacts to FCERA from the adoption of this actuarial report.

### Recommended Action

1. Receive, file, and approve the Government Accounting Standards Board (GASB) Statement 67 Actuarial Valuation as of June 30, 2015.

### Attachment

1. Government Accounting Standards Board (GASB) Statement 67 as of June 30, 2015



**Fresno County Employees'  
Retirement Association**  
Governmental Accounting Standards (GAS) 67  
Actuarial Valuation as of June 30, 2015

This report has been prepared at the request of the Board of Retirement to assist FCERA in administering the Fund. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Board of Retirement and may only be provided to other parties in its entirety. The measurements shown in this actuarial valuation may not be applicable for other purposes.

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*December 7, 2015*

*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, 2015. 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.*

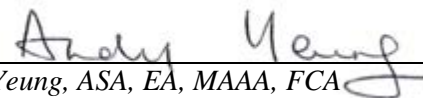
*The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our 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, EA, MAAA, FCA  
Senior Vice President and Actuary*

  
\_\_\_\_\_  
*Andy Yeung, ASA, EA, MAAA, FCA  
Vice President and Actuary*

*JAC/bqb*

## SECTION 1

### VALUATION SUMMARY

Purpose .....	i
Significant Issues in Valuation Year.....	i
Summary of Key Valuation Results.....	iv
Important Information about Actuarial Valuations .....	v

## SECTION 2

### GAS 67 INFORMATION

EXHIBIT 1 General Information – “Financial Statements”, Note Disclosures and Required Supplementary Information for a Cost-sharing Pension Plan .....	1
EXHIBIT 2 Net Pension Liability .....	5
EXHIBIT 3 Schedule of Changes in Net Pension Liability – Last Two Fiscal Years .....	8
EXHIBIT 4 Schedule of Employer’s Contribution – Last Ten Fiscal Years.....	9
EXHIBIT 5 Projection of Pension Plan’s Fiduciary Net Position for use in Calculation of Discount Rate as of June 30, 2015 .....	11

## **SECTION 1: Valuation Summary for the Fresno County Employees' Retirement Association**

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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, 2015. This valuation is based on:

- The benefit provisions of the Retirement Association, as administered by the Board;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2014, provided by FCERA;
- The assets of the Plan as of June 30, 2015, provided by FCERA;
- 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) rules only define 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.

## SECTION 1: Valuation Summary for the Fresno County Employees' Retirement Association

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- The NPL's measured as of June 30, 2015 and 2014 have been determined by rolling forward the TPL as of June 30, 2014 and June 30, 2013, respectively. In addition, we have adjusted the TPL to include \$0.7<sup>1</sup> million and \$1.4<sup>2</sup> million as of June 30, 2015 and June 30, 2014, respectively, that were set aside by the Retirement Board to pay non-vested Supplemental COLA and Retiree Health Insurance benefits.
- The membership data reported by FCERA for use in the actuarial valuation has been maintained in the Wyatt pension administration system. The Association is in the progress of upgrading to the new ARRIVOS pension administration system. As part of that upgrade, FCERA has reviewed and reclassified about 1,420 members who were previously reported in the data file reserved for terminated members and understood by Segal (and the prior actuary) as not owed any liability by FCERA to the data file reserved for vested terminated members owed either a refund of contributions or deferred retirement benefit. Of these members, about 1,350 have very small liabilities (average account balance is about \$2,800 and average service is about one year). The rest have an average account balance of \$13,000 with an average service of about four years, and about half have gone on to work for a reciprocal employer.

Because the TPL as of June 30, 2015 has been determined by rolling forward the liabilities calculated as of June 30, 2014 using membership data provided as of the same date (which excluded those 1,420 members), we have included an additional \$10.3 million which we estimated to be the liability for this group of members when they are included in the upcoming June 30, 2015 funding valuation. (Note that including these members will also have the impact of reducing the expected remaining service lives for use in the deferred inflow/outflow calculations in the upcoming GAS 68 report.)

- The NPL increased from \$878.1 million as of June 30, 2014 to \$1,085.1 million as of June 30, 2015 primarily as a result of -0.1% return on the market value of assets during 2014/2015 that was less than the assumed return of 7.25% (a loss of \$297.1 million). This loss was offset to some extent by the gains from lower than expected active salary increases and lower than expected retiree COLA increases during 2013/2014 (because liabilities are rolled forward from June 30, 2014 to June 30, 2015, they are not reflected until this valuation as of June 30, 2015). Changes in these values during the last two fiscal years ending June 30, 2015 and June 30, 2014 can be found in Exhibit 3.

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<sup>1</sup> The balance in the Supplemental COLA Reserve was \$0.7 million and the balance in the Retiree Health Reserve was \$0 (after limiting that balance to be no less than \$0).

<sup>2</sup> As we previously reported in the June 30, 2014 GAS 67 report, 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).

## SECTION 1: Valuation Summary for the Fresno County Employees' Retirement Association

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- The discount rates used to determine the TPL and NPL as of June 30, 2015 and 2014 were 7.25% and 7.25%, respectively, following the same assumptions used by the Association in the pension funding valuations as of June 30, 2014 and June 30, 2013. The detailed calculations used in this derivation of the TPL and NPL 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.

**SECTION 1: Valuation Summary for the Fresno County Employees' Retirement Association**

**Summary of Key Valuation Results**

	<b>2015</b>	<b>2014</b>
<b>Disclosure elements for plan year ending June 30:</b>		
Service cost <sup>(1)(2)</sup>	\$104,671,060	\$107,568,854
Total Pension Liability	5,117,241,216	4,928,182,936
Plan's Fiduciary Net Position	4,032,119,349	4,050,128,933
Net Pension Liability	1,085,121,867	878,054,003
<b>Schedule of contributions for plan year ending June 30:</b>		
Actuarially determined contributions	\$184,213,000	\$165,309,000
Actual contributions	184,213,000	165,309,000
Contribution deficiency (excess)	0	0
<b>Demographic data for plan year ending June 30:</b>		
Number of retired members and beneficiaries	6,839	6,570
Number of vested terminated members	3,163	1,380
Number of active members	7,001	6,968
<b>Key assumptions as of June 30:</b>		
Investment rate of return	7.25%	7.25%
Inflation rate	3.25%	3.25%
Projected salary increases <sup>(3)</sup>	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%

<sup>(1)</sup> Please note that service cost is always based on the previous year's assumptions, meaning each of these values is based on the assumption as of the preceding June 30.

<sup>(2)</sup> Excludes administrative expense load.

<sup>(3)</sup> Includes inflation at 3.25% plus real across-the-board salary increases of 0.50% plus merit and promotional increases.



## SECTION 1: Valuation Summary for the Fresno County Employees' Retirement Association

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### Important Information about Actuarial Valuations

In order to prepare an actuarial valuation, Segal Consulting (“Segal”) relies on a number of input items. These include:

- **Plan of benefits** Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan description in this report (as well as the plan summary included in our funding valuation report) to confirm that Segal has correctly interpreted the plan of benefits.
- **Participant data** An actuarial valuation for a plan is based on data provided to the actuary by FCERA. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
- **Assets** This valuation is based on the market value of assets as of the valuation date, as provided by FCERA.
- **Actuarial assumptions** In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan’s assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable.

The user of Segal’s actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The valuation is prepared at the request of the Board to assist FCERA in preparing items related to the pension plan in their financial reports. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement of the plan’s assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
- If FCERA is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.

## SECTION 1: Valuation Summary for the Fresno County Employees' Retirement Association

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- Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.

As Segal Consulting has no discretionary authority with respect to the management or assets of FCERA, it is not a fiduciary in its capacity as actuaries and consultants with respect to FCERA.

**SECTION 2: GAS 67 Information for Fresno County Employees' Retirement Association**

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**EXHIBIT 1**

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

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**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 elected by the general public and 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, 2015, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	6,839
Vested terminated members entitled to, but not yet receiving benefits <sup>(1)</sup>	3,163
Active members	7,001
Total	17,003

<sup>(1)</sup> 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

**SECTION 2: GAS 67 Information for Fresno County Employees' Retirement Association**

those involved in active law enforcement, fire suppression, and district attorney investigators. All other employees are classified as General members. The tiers and their basic provisions are listed below:

<u>Tier Name</u>	<u>Governing Code</u>	<u>Effective Date</u>	<u>Basic Provisions</u>	<u>Final Average Salary Period</u>	<u>Plan Sponsors</u>
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	February 26, 2006	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	February 26, 2006	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)*

## SECTION 2: GAS 67 Information for Fresno County Employees' Retirement Association

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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) and California Government Code 7522 et seq.

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 attain the age of 70 regardless of service or at age 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 attain the age of 70 regardless of service or at age 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. However, for members with membership dates on or after January 1, 2013 the maximum amount of pensionable compensation that can be taken into account for 2015 is equal to \$117,020 for those enrolled in Social Security (\$140,424 for those not enrolled in Social Security). This limit is adjusted on an annual basis. Members are exempt from paying member contributions and employers are exempt from paying employer contributions on compensation in excess of the annual cap.

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.

## **SECTION 2: GAS 67 Information for Fresno County Employees' Retirement Association**

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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's actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2015 for 2014-2015 (based on the June 30, 2013 valuation) was 52.47% 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, 2015 for 2014-2015 (based on the June 30, 2013 valuation) was 9.43% of compensation.

**SECTION 2: GAS 67 Information for Fresno County Employees' Retirement Association**

**EXHIBIT 2**

**Net Pension Liability**

The components of the Net Pension Liability as follows:

	June 30, 2015	June 30, 2014
Total Pension Liability	\$5,117,241,216	\$4,928,182,936
Plan's Fiduciary Net Position	<u>4,032,119,349</u>	<u>4,050,128,933</u>
Net Pension Liability	\$1,085,121,867	\$878,054,003
Plan's Fiduciary Net Position as a percentage of the Total Pension Liability	78.79%	82.18%

The Net Pension Liability (NPL) was measured as of June 30, 2015 and 2014. The Plan's Fiduciary Net Position (plan assets) was valued as of the measurement date while the Total Pension Liability (TPL) was determined based upon rolling forward the TPL from actuarial valuations as of June 30, 2014 and 2013, respectively.

*Plan provisions.* The plan provisions used in the measurement of the NPL as of June 30, 2015 and 2014 are the same as those used in the FCERA actuarial valuation as of June 30, 2015 and 2014, respectively.

*Actuarial assumptions.* The TPL's as of June 30, 2015 and June 30, 2014 were determined by actuarial valuations as of June 30, 2014 and June 30, 2013, 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, 2015 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

## SECTION 2: GAS 67 Information for Fresno County Employees' Retirement Association

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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. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting 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	<u>7%</u>	12.68%
<b>Total</b>	100%	

*Discount rate:* The discount rates used to measure the TPL were 7.25% and 7.25% as of June 30, 2015 and June 30, 2014, respectively. 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 Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for



**SECTION 2: GAS 67 Information for Fresno County Employees' Retirement Association**

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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 TPL as of both June 30, 2015 and June 30, 2014.

*Sensitivity of the Net Pension Liability to changes in the discount rate.* The following presents the NPL as of June 30, 2015, calculated using the discount rate of 7.25%, as well as what the NPL 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:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
FCERA's Net Pension Liability as of June 30, 2015	\$1,783,868,013	\$1,085,121,867	\$510,886,988

**SECTION 2: GAS 67 Information for Fresno County Employees' Retirement Association**

**EXHIBIT 3**

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

	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>		
Service cost	\$104,671,060	\$107,568,854
Interest	355,525,811	341,121,326
Change of benefit terms	0	0
Differences between expected and actual experience	-50,048,133	-146,396,595
Changes of assumptions	0	0
Benefit payments, including refunds of employee contributions	-231,396,472	-224,392,602
Other <sup>(1)</sup>	<u>10,306,014</u>	<u>0</u>
<b>Net change in Total Pension Liability</b>	<b>\$189,058,280</b>	<b>\$77,900,983</b>
<b>Total Pension Liability – beginning</b>	<b><u>4,928,182,936</u></b>	<b><u>4,850,281,953</u></b>
<b>Total Pension Liability – ending (a)</b>	<b><u>\$5,117,241,216</u></b>	<b><u>\$4,928,182,936</u></b>
<b>Plan's Fiduciary Net Position</b>		
Contributions – employer	\$184,213,235	\$165,309,213
Contributions – employee	33,109,947	30,153,934
Net investment income	360,796	583,148,339
Benefit payments, including refunds of employee contributions	-231,396,472	-224,392,602
Administrative expense	-4,297,090	-3,541,682
Other	<u>0</u>	<u>0</u>
<b>Net change in Plan's Fiduciary Net Position</b>	<b>-\$18,009,584</b>	<b>\$550,677,202</b>
<b>Plan's Fiduciary Net Position – beginning</b>	<b><u>4,050,128,933</u></b>	<b><u>3,499,451,731</u></b>
<b>Plan's Fiduciary Net Position – ending (b)</b>	<b><u>\$4,032,119,349</u></b>	<b><u>\$4,050,128,933</u></b>
<b>Net Pension Liability – ending (a) – (b)</b>	<b><u>\$1,085,121,867</u></b>	<b><u>\$878,054,003</u></b>
<b>Plan's Fiduciary Net Position as a percentage of the Total Pension Liability</b>	<b>78.79%</b>	<b>82.18%</b>
<b>Covered employee payroll<sup>(2)</sup></b>	<b>\$351,109,000</b>	<b>\$350,326,000</b>
<b>Plan's Net Pension Liability as percentage of covered employee payroll</b>	<b>309.06%</b>	<b>250.64%</b>

<sup>(1)</sup> Estimated liability impact for including a group of about 1,420 members reported for the first time as vested terminated members in the upcoming June 30, 2015 funding valuation.

<sup>(2)</sup> Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included. It should be noted that this payroll is different from that reported in the GAS 68 report. As directed by FCERA, we used total (pensionable and non-pensionable) salaries provided by FCERA in preparing the GAS 68 report.

**SECTION 2: GAS 67 Information for Fresno County Employees' Retirement Association**

**EXHIBIT 4**

**Schedule of Employer's Contributions – Last Ten Fiscal Years**

<b>Year Ended June 30</b>	<b>Actuarially Determined Contributions<sup>(1)</sup></b>	<b>Contributions in Relation to the Actuarially Determined Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered-Employee Payroll<sup>(2)</sup></b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
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%
2015	184,213,000	184,213,000	0	351,109,000	52.47%

See accompanying notes to this schedule on next page.

<sup>(1)</sup> All "Actuarially Determined Contributions" through June 30, 2015 were determined as the "Annual Required Contribution" under GAS 25 and 27.

<sup>(2)</sup> Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included. It should be noted that this payroll is different from that reported in the GAS 68 report. As directed by FCERA, we used total (pensionable and non-pensionable) salaries provided by FCERA in preparing the GAS 68 report.

## SECTION 2: GAS 67 Information for Fresno County Employees' Retirement Association

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### Notes to Exhibit 4

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#### 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
<b>Actuarial cost method</b>	Entry Age Actuarial Cost Method
<b>Amortization method</b>	Level percent of payroll (3.75% payroll growth assumed)
<b>Remaining amortization period</b>	UAAL established as of June 30, 2003 is amortized over a declining period (with 20 years remaining as of the June 30, 2013 valuation which set the rates for the 2014/2015 fiscal year) plus 15 years (declining) for UAAL due to actuarial gains or losses, changes in actuarial assumptions or plan amendments <sup>(1)</sup> established on each subsequent valuation. <sup>(1)</sup>
<b>Asset valuation method</b>	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.
<b>Actuarial assumptions:</b>	
June 30, 2013 valuation (for year ended 2015 ADC)	
<i>Investment rate of return</i>	7.25%, net of pension plan investment expense, including inflation
<i>Inflation rate</i>	3.25%
<i>Administrative expenses</i>	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.
<i>Projected salary increases<sup>(2)</sup></i>	General: 4.75% to 10.75% and Safety: 5.25% to 10.75%, vary by service, including inflation
<i>Cost of living adjustments</i>	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
<i>Other assumptions</i>	Same as those used in the June 30, 2014 funding actuarial valuation and that will be used in the June 30, 2015 funding actuarial valuation.

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<sup>(1)</sup> 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.

<sup>(2)</sup> Includes inflation at 3.25% plus real across-the-board salary increases of 0.50% plus merit and promotional increases.

**SECTION 2: GAS 67 Information for Fresno County Employees' Retirement Association**

**EXHIBIT 5**

**Projection of Pension Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of June 30, 2015**

(\$ 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)
2014	\$4,050	\$217	\$231	\$4	\$0	\$4,032
2015	4,032	224	249	4	290	4,294
2016	4,294	228	263	4	309	4,564
2017	4,564	227	278	4	328	4,838
2018	4,838	228	293	3	347	5,117
2019	5,117	255	308	3	368	5,428
2020	5,428	227	324	3	389	5,717
2021	5,717	210	340	3	408	5,992
2022	5,992	191	357	3	427	6,250
2023	6,250	179	374	3	445	6,497
2031	7,546	79	518	2	529	7,634
2032	7,634	82	535	2	535	7,714
2033	7,714	45	552	2	539	7,744
2049	6,020	2	625	0	412	5,808
2050	5,808	2	616	0	397	5,591
2051	5,591	1	605	0	381	5,368
2078	1,326	0	80	0	93	1,339
2079	1,339	0	67	0	94	1,367
2080	1,367	0	56	0	97	1,407
2100	4,645	0	0	0	337	4,982
2101	4,982	0	0	0	361	5,343
2102	5,343	0	0	0	387	5,730
2122	21,661	0	0	0	1,032	15,265
2123	23,232					
2123	Discounted Value: 11 *					

\* \$32,215 million when discounted with interest at the rate of 7.25% per annum has a value of \$11 million (or 0.27% of the Plan's Fiduciary Net Position) as of June 30, 2014.

## SECTION 2: GAS 67 Information for Fresno County Employees' Retirement Association

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### EXHIBIT 5

#### Projection of Pension Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of June 30, 2015

(\$ in millions) - continued

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Notes:

- (1) Amounts may not total exactly due to rounding.
- (2) Amounts shown in the year beginning July 1, 2014 row are actual amounts, based on the financial statements provided by FCERA.
- (3) Years 2024-2030, 2034-2048, 2052-2077, 2081-2099, and 2103-2121 have been omitted from this table.
- (4) Column (a): Except for the "discounted value" shown for 2123, all of the projected beginning plan fiduciary net position amounts shown have not been adjusted for the time value of money.
- (5) Column (b): Projected total contributions include employee and employer normal cost contributions based on closed group projections (based on covered active members as of June 30, 2014); plus employer contributions to the unfunded actuarial accrued liability; plus employer contributions to fund each year's annual administrative expenses. 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, 2014. The projected benefit payments reflect the cost of living increase assumptions used in the June 30, 2014.
- (7) Column (d): Projected administrative expenses are assumed to be 1.10% of closed group 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.
- (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, 2015 shown earlier in this report, pursuant to paragraph 44 of GASB Statement No. 67.

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