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VIA E-MAIL AND USPS

May 5, 2016

Mr. Richard Stensrud
Chief Executive Officer
Sacramento County Employees' Retirement System
980 9th-Street, Suite 1900
Sacramento, CA 95814-2738

**Re: Sacramento County Employees' Retirement System (SCERS)
Governmental Accounting Standards Board Statement 67 (GASBS 67)
Actuarial Valuation as of June 30, 2015 Addendum**

Dear Richard:

In our Governmental Accounting Standards Board Statement 67 (GASBS 67) report dated November 3, 2015, we provide the Net Pension Liability (NPL) and other elements that are required for completing the Plan's financial reporting requirements under GASBS 67. In this letter, we have provided as an Addendum to that report two additional schedules that the American Institute of Certified Public Accountants (AICPA) State and Local Government Expert Panel recommends be prepared by the Retirement System's actuary (Segal Consulting) for use in allocating the NPL and pension expense by employer before we issue the full companion report for the employer's financial reporting for SCERS under GASBS 68.

These two schedules have been developed based on the assumptions, methods and results shown in our earlier report dated November 3, 2015. Exhibits A1 and A2 show the method used for allocating the NPL along with the NPL amounts allocated amongst all of the employers in SCERS as of June 30, 2014 and June 30, 2015, respectively. Exhibit B is a summary that shows the allocated NPL, deferred outflows and inflows of resources and pension expense by employer. Further information regarding GASBS 68 including additional information that employers will need to disclose will be provided in a separate report that is anticipated to be completed later this year.

Mr. Richard Stensrud
May 5, 2016
Page 2

The undersigned is a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please give us a call if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Andy Yeung". The signature is written in black ink and is positioned above the printed name.

Andy Yeung

MYM/bbf
Enclosures

cc: T. Dang
Kathryn T. Regalia

**AICPA Schedules for Sacramento County Employees' Retirement System
Addendum to GASBS 67 Actuarial Valuation**

EXHIBIT A1

Schedule of Employer Allocations as of June 30, 2014

Actual Employer Contributions by Employer and Membership Class July 1, 2013 to June 30, 2014						
Employer	Miscellaneous	Miscellaneous Percentage⁽¹⁾	Safety	Safety Percentage	Total Contributions	Total Percentage
Carmichael	\$284,000	0.208%	\$0	0.000%	\$284,000	0.136%
County of Sacramento	119,352,000	87.552%	73,046,000	100.000%	192,398,000	91.895%
Elk Grove Cemetery	56,000	0.041%	0	0.000%	56,000	0.027%
Fair Oaks	50,000	0.037%	0	0.000%	50,000	0.024%
Galt Arno	6,000	0.004%	0	0.000%	6,000	0.003%
Mission Oaks	232,000	0.170%	0	0.000%	232,000	0.111%
Orangevale	172,000	0.126%	0	0.000%	172,000	0.082%
SETA	6,405,000	4.698%	0	0.000%	6,405,000	3.059%
Sunrise Park	394,000	0.289%	0	0.000%	394,000	0.188%
Superior Court	<u>9,370,000</u>	<u>6.873%</u>	<u>0</u>	<u>0.000%</u>	<u>9,370,000</u>	<u>4.475%</u>
Total for all Employers	\$136,321,000	100.000%	\$73,046,000	100.000%	\$209,367,000 ⁽²⁾	100.000%

⁽¹⁾ The unrounded percentages are used in the allocation of the Net Pension Liability (NPL) amongst the Miscellaneous employers.

⁽²⁾ Excludes a contribution of \$1,136,000 made by Florin Fire that has previously withdrawn from SCERS as an active employer.

Note: Results may not total due to rounding.

**AICPA Schedules for Sacramento County Employees' Retirement System
Addendum to GASBS 67 Actuarial Valuation**

EXHIBIT A1

Schedule of Employer Allocations as of June 30, 2014 – continued

Allocation of June 30, 2014 Net Pension Liability						
Employer	Miscellaneous	Miscellaneous Percentage	Safety	Safety Percentage	Total NPL	Total Percentage
Carmichael	\$787,256	0.208%	\$0	0.000%	\$787,256	0.102%
County of Sacramento	330,847,195	87.552%	393,041,247	100.000%	723,888,442	93.899%
Elk Grove Cemetery	155,234	0.041%	0	0.000%	155,234	0.020%
Fair Oaks	138,601	0.037%	0	0.000%	138,601	0.018%
Galt Arno	16,632	0.004%	0	0.000%	16,632	0.002%
Mission Oaks	643,111	0.170%	0	0.000%	643,111	0.083%
Orangevale	476,789	0.126%	0	0.000%	476,789	0.062%
SETA	17,754,845	4.698%	0	0.000%	17,754,845	2.303%
Sunrise Park	1,092,179	0.289%	0	0.000%	1,092,179	0.142%
Superior Court	<u>25,973,911</u>	<u>6.873%</u>	<u>0</u>	<u>0.000%</u>	<u>25,973,911</u>	<u>3.369%</u>
Total for all Employers	\$377,885,753	100.000%	\$393,041,247	100.000%	\$770,927,000 ⁽³⁾	100.000%

⁽³⁾ Excludes the following liability totaling \$33,242,102 for Florin Fire, Library Authority and Air Quality that have previously withdrawn from SCERS as active employers. This is based on the latest estimates available as of June 30, 2006 for Library Authority, June 30, 2007 for Air Quality and June 30, 2013 for Florin Fire adjusted with interest at the assumed rates of investment return to June 30, 2014.

Employer	Total NPL
Florin Fire	\$30,461,654
Library Authority	2,940,615
Air Quality	<u>(160,167)</u>
Total	\$33,242,102

Note: Results may not total due to rounding.

**AICPA Schedules for Sacramento County Employees' Retirement System
Addendum to GASBS 67 Actuarial Valuation**

EXHIBIT A1

Schedule of Employer Allocations as of June 30, 2014 – continued

Notes:

Based on the July 1, 2013 through June 30, 2014 employer contributions as provided by SCERS.

The Net Pension Liability (NPL) for each membership class is the Total Pension Liability (TPL) minus the Plan Fiduciary Net Position (plan assets). The Total Pension Liability for each membership class is obtained from internal valuation results. The Plan Fiduciary Net Position for each membership class was estimated by adjusting the valuation value of assets for each membership class by the ratio of the total SCERS Plan Fiduciary Net Position to total SCERS valuation value of assets.

The Safety membership class has only one active employer (County) that was making contributions in 2013/2014, so all of the NPL for Safety is allocated to the County.

For Miscellaneous, the NPL is allocated based on the actual employer contributions within the Miscellaneous membership class.

- First calculate ratio of employer's contributions to the total contributions for the membership class.
- This ratio is multiplied by the NPL for the membership class to determine the employer's proportionate share of the NPL for the membership class.

If the employer is in both membership classes, the employer's total allocated NPL is the sum of its allocated NPL from each membership class. Proportionate share of total plan NPL is then the ratio of the employer's total allocated NPL to the total NPL of all employers.

**AICPA Schedules for Sacramento County Employees' Retirement System
Addendum to GASBS 67 Actuarial Valuation**

EXHIBIT A2

Schedule of Employer Allocations as of June 30, 2015

Actual Employer Contributions by Employer and Membership Class July 1, 2014 to June 30, 2015						
Employer	Miscellaneous	Miscellaneous Percentage⁽¹⁾	Safety	Safety Percentage	Total Contributions	Total Percentage
Carmichael	\$325,000	0.225%	\$0	0.000%	\$325,000	0.147%
County of Sacramento	126,683,000	87.644%	77,281,000	100.000%	203,964,000	91.949%
Elk Grove Cemetery	49,000	0.034%	0	0.000%	49,000	0.022%
Fair Oaks	55,000	0.038%	0	0.000%	55,000	0.025%
Galt Arno	7,000	0.005%	0	0.000%	7,000	0.003%
Mission Oaks	258,000	0.178%	0	0.000%	258,000	0.116%
Orangevale	180,000	0.125%	0	0.000%	180,000	0.081%
SETA	6,771,000	4.684%	0	0.000%	6,771,000	3.052%
Sunrise Park	459,000	0.318%	0	0.000%	459,000	0.207%
Superior Court	<u>9,755,000</u>	<u>6.749%</u>	<u>0</u>	<u>0.000%</u>	<u>9,755,000</u>	<u>4.398%</u>
Total for all Employers	\$144,542,000	100.000%	\$77,281,000	100.000%	\$221,823,000 ⁽²⁾	100.000%

⁽¹⁾ The unrounded percentages are used in the allocation of the NPL amongst the Miscellaneous employers.

⁽²⁾ Excludes a contribution of \$1,136,000 made by Florin Fire that has previously withdrawn from SCERS as an active employer.

Note: Results may not total due to rounding.

**AICPA Schedules for Sacramento County Employees' Retirement System
Addendum to GASBS 67 Actuarial Valuation**

EXHIBIT A2

Schedule of Employer Allocations as of June 30, 2015 – continued

Allocation of June 30, 2015 Net Pension Liability						
Employer	Miscellaneous	Miscellaneous Percentage	Safety	Safety Percentage	Total NPL	Total Percentage
Carmichael	\$1,373,257	0.225%	\$0	0.000%	\$1,373,257	0.119%
County of Sacramento	535,287,118	87.644%	539,116,355	100.000%	1,074,403,473	93.437%
Elk Grove Cemetery	207,045	0.034%	0	0.000%	207,045	0.018%
Fair Oaks	232,397	0.038%	0	0.000%	232,397	0.020%
Galt Arno	29,578	0.005%	0	0.000%	29,578	0.003%
Mission Oaks	1,090,155	0.178%	0	0.000%	1,090,155	0.095%
Orangevale	760,573	0.125%	0	0.000%	760,573	0.066%
SETA	28,610,225	4.684%	0	0.000%	28,610,225	2.488%
Sunrise Park	1,939,461	0.318%	0	0.000%	1,939,461	0.169%
Superior Court	<u>41,218,836</u>	<u>6.749%</u>	<u>0</u>	<u>0.000%</u>	<u>41,218,836</u>	<u>3.585%</u>
Total for all Employers	\$610,748,645	100.000%	\$539,116,355	100.000%	\$1,149,865,000 ⁽³⁾	100.000%

⁽³⁾ Excludes a liability of \$30,813,439 for Florin Fire that has previously withdrawn from SCERS as an active employer. This is based on the latest estimate available as of June 30, 2014 adjusted with interest at the assumed rate of investment return to June 30, 2015. The liabilities for Library Authority and Air Quality that have previously withdrawn from SCERS as active employers have been added to the NPL for Miscellaneous active employers and allocated to each Miscellaneous employer based on its respective actual employer contributions.

Note: Results may not total due to rounding.

**AICPA Schedules for Sacramento County Employees' Retirement System
Addendum to GASBS 67 Actuarial Valuation**

EXHIBIT A2

Schedule of Employer Allocations as of June 30, 2015 – continued

Notes:

Based on the July 1, 2014 through June 30, 2015 employer contributions as provided by SCERS.

The Net Pension Liability (NPL) for each membership class is the Total Pension Liability (TPL) minus the Plan Fiduciary Net Position (plan assets). The Total Pension Liability for each membership class is obtained from internal valuation results. The Plan Fiduciary Net Position for each membership class was estimated by adjusting the valuation value of assets for each membership class by the ratio of the total SCERS Plan Fiduciary Net Position to total SCERS valuation value of assets.

The Safety membership class has only one active employer (County) that was making contributions in 2014/2015, so all of the NPL for Safety is allocated to the County.

For Miscellaneous, the NPL is allocated based on the actual employer contributions within the Miscellaneous membership class.

- First calculate ratio of employer's contributions to the total contributions for the membership class.
- This ratio is multiplied by the NPL for the membership class to determine the employer's proportionate share of the NPL for the membership class.

If the employer is in both membership classes, the employer's total allocated NPL is the sum of its allocated NPL from each membership class. Proportionate share of total plan NPL is then the ratio of the employer's total allocated NPL to the total NPL of all employers.

**AICPA Schedules for Sacramento County Employees' Retirement System
Addendum to GASBS 67 Actuarial Valuation**

EXHIBIT B

Schedule of Pension Amounts by Employer as of June 30, 2015

Deferred Outflows of Resources	Carmichael	County of Sacramento	Elk Grove Cemetery	Fair Oaks	Galt Arno
Differences Between Expected and Actual					
Experience	\$0	\$10,128,416*	\$0	\$0	\$0
Net Difference Between Projected and Actual					
Investment Earnings on Pension Plan Investments	517,399	316,201,929	78,008	87,560	11,144
Changes of Assumptions	0	35,437,972*	0	0	0
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>175,749</u>	<u>569,706</u>	<u>0</u>	<u>19,228</u>	<u>2,728</u>
Total Deferred Outflows of Resources	\$693,148	\$362,338,023	\$78,008	\$106,788	\$13,872
Deferred Inflows of Resources					
Differences Between Expected and Actual					
Experience	\$146,965	\$68,575,250	\$22,158	\$24,871	\$3,165
Net Difference Between Projected and Actual					
Investment Earnings on Pension Plan Investments	504,354	329,412,454	76,041	85,352	10,863
Changes of Assumptions	59,526	23,202,825	8,975	10,074	1,282
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>0</u>	<u>308,186</u>	<u>74,761</u>	<u>0</u>	<u>2,000</u>
Total Deferred Inflows of Resources	\$710,845	\$421,498,715	\$181,935	\$120,297	\$17,310
Net Pension Liability as of June 30, 2014	\$787,256	\$723,888,442	\$155,234	\$138,601	\$16,632
Net Pension Liability as of June 30, 2015	\$1,373,257	\$1,074,403,473	\$207,045	\$232,397	\$29,578
Pension Expense					
Proportionate Share of Plan Pension Expense	\$131,777	\$114,979,897	\$19,869	\$22,301	\$2,838
Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>55,315</u>	<u>35,145</u>	<u>(23,422)</u>	<u>6,355</u>	<u>(32)</u>
Total Employer Pension Expense	\$187,092	\$115,015,042	(\$3,553)	\$28,656	\$2,806

* Applies only to Safety members at the County.

**AICPA Schedules for Sacramento County Employees' Retirement System
Addendum to GASBS 67 Actuarial Valuation**

EXHIBIT B

Schedule of Pension Amounts by Employer as of June 30, 2015 – continued

Deferred Outflows of Resources	Mission Oaks	Orangevale	SETA	Sunrise Park	Superior Court
Differences Between Expected and Actual					
Experience	\$0	\$0	\$0	\$0	\$0
Net Difference Between Projected and Actual					
Investment Earnings on Pension Plan Investments	410,735	286,560	10,779,416	730,727	15,529,936
Changes of Assumptions	0	0	0	0	0
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>83,640</u>	<u>0</u>	<u>0</u>	<u>176,204</u>	<u>1,874,187</u>
Total Deferred Outflows of Resources	\$494,375	\$286,560	\$10,779,416	\$906,931	\$17,404,123
Deferred Inflows of Resources					
Differences Between Expected and Actual					
Experience	\$116,667	\$81,396	\$3,061,838	\$207,559	\$4,411,199
Net Difference Between Projected and Actual					
Investment Earnings on Pension Plan Investments	400,380	279,335	10,507,642	712,303	15,138,392
Changes of Assumptions	47,254	32,968	1,240,153	84,069	1,786,692
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>0</u>	<u>28,312</u>	<u>1,583,520</u>	<u>135,278</u>	<u>769,385</u>
Total Deferred Inflows of Resources	\$564,301	\$422,011	\$16,393,153	\$1,139,209	\$22,105,668
Net Pension Liability as of June 30, 2014	\$643,111	\$476,789	\$17,754,845	\$1,092,179	\$25,973,911
Net Pension Liability as of June 30, 2015	\$1,090,155	\$760,573	\$28,610,225	\$1,939,461	\$41,218,836
Pension Expense					
Proportionate Share of Plan Pension Expense	\$104,610	\$72,984	\$2,745,422	\$186,108	\$3,955,339
Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>26,011</u>	<u>(9,621)</u>	<u>(592,330)</u>	<u>(4,322)</u>	<u>506,901</u>
Total Employer Pension Expense	\$130,621	\$63,363	\$2,153,092	\$181,786	\$4,462,240

**AICPA Schedules for Sacramento County Employees' Retirement System
Addendum to GASBS 67 Actuarial Valuation**

EXHIBIT B

Schedule of Pension Amounts by Employer as of June 30, 2015 – continued

Deferred Outflows of Resources	Total for all Employers
Differences Between Expected and Actual Experience	\$10,128,416
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	344,633,414
Changes of Assumptions	35,437,972
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>2,901,442</u>
Total Deferred Outflows of Resources	\$393,101,244
Deferred Inflows of Resources	
Differences Between Expected and Actual Experience	\$76,651,068
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	357,127,116
Changes of Assumptions	26,473,818
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>2,901,442</u>
Total Deferred Inflows of Resources	\$463,153,444
Net Pension Liability as of June 30, 2014	\$770,927,000
Net Pension Liability as of June 30, 2015	\$1,149,865,000
Pension Expense	
Proportionate Share of Plan Pension Expense	\$122,221,145
Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>0</u>
Total Employer Pension Expense	\$122,221,145

**AICPA Schedules for Sacramento County Employees' Retirement System
Addendum to GASBS 67 Actuarial Valuation**

EXHIBIT B

Schedule of Pension Amounts by Employer as of June 30, 2015 – continued

Notes:

Amounts shown in this exhibit were allocated by employer based on the Employer Allocation Percentage calculated in Exhibit A2.

In determining the pension expense:

- Any differences between projected and actual investment earnings on pension plan investments are recognized over a period of five years beginning with the year in which they occur.
- Differences between expected and actual experience and changes of assumptions are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through SCERS determined as of June 30, 2014 (the beginning of the measurement period ending June 30, 2015) and is 4.74 years.

The average of the expected remaining service lives of all employees was determined by:

- Calculating each active employee's expected remaining service life as the present value of \$1 per year of future service at zero percent interest.
- Setting the remaining service life to zero for each nonactive or retired members.
- Dividing the sum of the above amounts by the total number of active employee, nonactive and retired members.

Note: Results may not total due to rounding.