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VIA E-MAIL AND USPS

March 27, 2017

Mr. Richard Stensrud  
Chief Executive Officer  
Sacramento County Employees' Retirement System  
980 9<sup>th</sup>-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, 2016 Addendum**

Dear Richard:

In our Governmental Accounting Standards Board Statement 67 (GASBS 67) report dated November 3, 2016, 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, 2016. 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, 2015 and June 30, 2016, 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 in 2017.

Mr. Richard Stensrud  
March 27, 2017  
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, 2015**

<b>Actual Employer Contributions by Employer and Membership Class July 1, 2014 to June 30, 2015</b>						
<b>Employer</b>	<b>Miscellaneous</b>	<b>Miscellaneous Percentage<sup>(1)</sup></b>	<b>Safety</b>	<b>Safety Percentage</b>	<b>Total Contributions</b>	<b>Total Percentage</b>
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 <sup>(2)</sup>	100.000%

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

<sup>(2)</sup> 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, 2015 – continued**

<b>Allocation of June 30, 2015 Net Pension Liability</b>						
<b>Employer</b>	<b>Miscellaneous</b>	<b>Miscellaneous Percentage</b>	<b>Safety</b>	<b>Safety Percentage</b>	<b>Total NPL</b>	<b>Total Percentage</b>
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 <sup>(3)</sup>	100.000%

<sup>(3)</sup> 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**

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**EXHIBIT A1**

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

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**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 A2**

**Schedule of Employer Allocations as of June 30, 2016**

<b>Actual Employer Contributions by Employer and Membership Class July 1, 2015 to June 30, 2016</b>						
<b>Employer</b>	<b>Miscellaneous</b>	<b>Miscellaneous Percentage<sup>(1)</sup></b>	<b>Safety</b>	<b>Safety Percentage</b>	<b>Total Contributions</b>	<b>Total Percentage</b>
Carmichael	\$310,000	0.242%	\$0	0.000%	\$310,000	0.149%
County of Sacramento	111,361,000	86.792%	79,576,000	100.000%	190,937,000	91.848%
Elk Grove Cemetery	56,000	0.044%	0	0.000%	56,000	0.027%
Fair Oaks	46,000	0.036%	0	0.000%	46,000	0.022%
Galt Arno	7,000	0.005%	0	0.000%	7,000	0.004%
Mission Oaks	221,000	0.172%	0	0.000%	221,000	0.106%
Orangevale	165,000	0.129%	0	0.000%	165,000	0.079%
SETA	6,351,000	4.950%	0	0.000%	6,351,000	3.055%
Sunrise Park	419,000	0.326%	0	0.000%	419,000	0.202%
Superior Court	<u>9,372,000</u>	<u>7.304%</u>	<u>0</u>	<u>0.000%</u>	<u>9,372,000</u>	<u>4.508%</u>
Total for all Employers	\$128,308,000	100.000%	\$79,576,000	100.000%	\$207,884,000 <sup>(2)</sup>	100.000%

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

<sup>(2)</sup> 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, 2016 – continued**

<b>Allocation of June 30, 2016 Net Pension Liability</b>						
<b>Employer</b>	<b>Miscellaneous</b>	<b>Miscellaneous Percentage</b>	<b>Safety</b>	<b>Safety Percentage</b>	<b>Total NPL</b>	<b>Total Percentage</b>
Carmichael	\$2,457,342	0.242%	\$0	0.000%	\$2,457,342	0.140%
County of Sacramento	882,748,731	86.792%	738,138,909	100.000%	1,620,887,640	92.346%
Elk Grove Cemetery	443,907	0.044%	0	0.000%	443,907	0.025%
Fair Oaks	364,638	0.036%	0	0.000%	364,638	0.021%
Galt Arno	55,488	0.005%	0	0.000%	55,488	0.003%
Mission Oaks	1,751,847	0.172%	0	0.000%	1,751,847	0.100%
Orangevale	1,307,940	0.129%	0	0.000%	1,307,940	0.075%
SETA	50,343,812	4.950%	0	0.000%	50,343,812	2.868%
Sunrise Park	3,321,376	0.326%	0	0.000%	3,321,376	0.189%
Superior Court	<u>74,291,010</u>	<u>7.304%</u>	<u>0</u>	<u>0.000%</u>	<u>74,291,010</u>	<u>4.233%</u>
Total for all Employers	\$1,017,086,091	100.000%	\$738,138,909	100.000%	\$1,755,225,000 <sup>(3)</sup>	100.000%

<sup>(3)</sup> Excludes a liability of \$34,503,755 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, 2015 adjusted with interest at the assumed rate of investment return to June 30, 2016.

Note: Results may not total due to rounding.

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

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**EXHIBIT A2**

**Schedule of Employer Allocations as of June 30, 2016 – continued**

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**Notes:**

Based on the July 1, 2015 through June 30, 2016 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 2015/2016, 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, 2016**

<b>Deferred Outflows of Resources</b>	<b>Carmichael</b>	<b>County of Sacramento</b>	<b>Elk Grove Cemetery</b>	<b>Fair Oaks</b>	<b>Galt Arno</b>
Differences Between Expected and Actual					
Experience	\$0	\$7,420,283*	\$0	\$0	\$0
Net Difference Between Actual and Projected					
Investment Earnings on Pension Plan Investments	1,260,790	721,283,877	227,756	187,085	28,469
Changes of Assumptions	0	21,963,458*	0	0	0
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>212,251</u>	<u>417,379</u>	<u>53,391</u>	<u>12,873</u>	<u>5,356</u>
<b>Total Deferred Outflows of Resources</b>	\$1,473,041	\$751,084,997	\$281,147	\$199,958	\$33,825
<b>Deferred Inflows of Resources</b>					
Differences Between Expected and Actual					
Experience	\$150,042	\$79,743,242	\$27,104	\$22,264	\$3,388
Net Difference Between Actual and Projected					
Investment Earnings on Pension Plan Investments	361,296	218,333,505	65,266	53,612	8,158
Changes of Assumptions	39,642	14,240,585	7,161	5,882	895
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>0</u>	<u>4,861,739</u>	<u>51,339</u>	<u>12,054</u>	<u>1,239</u>
<b>Total Deferred Inflows of Resources</b>	\$550,980	\$317,179,071	\$150,870	\$93,812	\$13,680
<b>Net Pension Liability as of June 30, 2015</b>	\$1,373,257	\$1,074,403,473	\$207,045	\$232,397	\$29,578
<b>Net Pension Liability as of June 30, 2016</b>	\$2,457,342	\$1,620,887,640	\$443,907	\$364,638	\$55,488
<b>Pension Expense</b>					
Proportionate Share of Plan Pension Expense	\$374,062	\$245,588,627	\$67,571	\$55,506	\$8,447
Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>80,265</u>	<u>(1,234,078)</u>	<u>(8,913)</u>	<u>3,080</u>	<u>880</u>
<b>Total Employer Pension Expense</b>	\$454,327	\$244,354,549	\$58,658	\$58,586	\$9,327

\* 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, 2016 – continued**

<b>Deferred Outflows of Resources</b>	<b>Mission Oaks</b>	<b>Orangevale</b>	<b>SETA</b>	<b>Sunrise Park</b>	<b>Superior Court</b>
Differences Between Expected and Actual					
Experience	\$0	\$0	\$0	\$0	\$0
Net Difference Between Actual and Projected					
Investment Earnings on Pension Plan Investments	898,821	671,065	25,829,924	1,704,100	38,116,524
Changes of Assumptions	0	0	0	0	0
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>57,629</u>	<u>22,275</u>	<u>1,453,882</u>	<u>178,419</u>	<u>4,204,567</u>
<b>Total Deferred Outflows of Resources</b>	<b>\$956,450</b>	<b>\$693,340</b>	<b>\$27,283,806</b>	<b>\$1,882,519</b>	<b>\$42,321,091</b>
<b>Deferred Inflows of Resources</b>					
Differences Between Expected and Actual					
Experience	\$106,966	\$79,861	\$3,073,932	\$202,799	\$4,536,118
Net Difference Between Actual and Projected					
Investment Earnings on Pension Plan Investments	257,569	192,303	7,401,907	488,332	10,922,796
Changes of Assumptions	28,261	21,100	812,151	53,581	1,198,469
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>34,261</u>	<u>18,691</u>	<u>991,190</u>	<u>83,842</u>	<u>563,667</u>
<b>Total Deferred Inflows of Resources</b>	<b>\$427,057</b>	<b>\$311,955</b>	<b>\$12,279,180</b>	<b>\$828,554</b>	<b>\$17,221,050</b>
<b>Net Pension Liability as of June 30, 2015</b>	<b>\$1,090,155</b>	<b>\$760,573</b>	<b>\$28,610,225</b>	<b>\$1,939,461</b>	<b>\$41,218,836</b>
<b>Net Pension Liability as of June 30, 2016</b>	<b>\$1,751,847</b>	<b>\$1,307,940</b>	<b>\$50,343,812</b>	<b>\$3,321,376</b>	<b>\$74,291,010</b>
<b>Pension Expense</b>					
Proportionate Share of Plan Pension Expense	\$266,672	\$199,099	\$7,663,477	\$505,589	\$11,308,785
Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>16,701</u>	<u>(3,568)</u>	<u>(197,253)</u>	<u>9,083</u>	<u>1,333,803</u>
<b>Total Employer Pension Expense</b>	<b>\$283,373</b>	<b>\$195,531</b>	<b>\$7,466,224</b>	<b>\$514,672</b>	<b>\$12,642,588</b>

**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, 2016 – continued**

<b>Deferred Outflows of Resources</b>	<b>Total for all Employers</b>
Differences Between Expected and Actual Experience	\$7,420,283
Net Difference Between Actual and Projected Investment Earnings on Pension Plan Investments	790,208,411
Changes of Assumptions	21,963,458
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>6,618,022</u>
<b>Total Deferred Outflows of Resources</b>	<b>\$826,210,174</b>
<b>Deferred Inflows of Resources</b>	
Differences Between Expected and Actual Experience	\$87,945,716
Net Difference Between Actual and Projected Investment Earnings on Pension Plan Investments	238,084,744
Changes of Assumptions	16,407,727
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>6,618,022</u>
<b>Total Deferred Inflows of Resources</b>	<b>\$349,056,209</b>
<b>Net Pension Liability as of June 30, 2015</b>	<b>\$1,149,865,000</b>
<b>Net Pension Liability as of June 30, 2016</b>	<b>\$1,755,225,000</b>
<b>Pension Expense</b>	
Proportionate Share of Plan Pension Expense	\$266,037,835
Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>0</u>
<b>Total Employer Pension Expense</b>	<b>\$266,037,835</b>

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

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**EXHIBIT B**

**Schedule of Pension Amounts by Employer as of June 30, 2016 – continued**

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**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, 2015 (the beginning of the measurement period ending June 30, 2016) and is 4.68 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.