



**San Joaquin County Employees'  
Retirement Association**

**GASB 67/68 Report  
as of  
December 31, 2014**

**Produced by [Cheiron](#)**

**September 2015**

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**LETTER OF TRANSMITTAL**

September 10, 2015

Retirement Board of San Joaquin  
County Employees' Retirement Association  
6 South El Dorado Street, Suite 400  
Stockton, CA 95202

Dear Members of the Board:

The purpose of this report is to provide accounting and financial reporting information under GASB 67 for the San Joaquin County Employees' Retirement Association (SJCERA, the System, the Fund, the Plan) and under GASB 68 for the County of San Joaquin and the other participating employers. This report is for the use of SJCERA and their auditors in preparing financial reports in accordance with applicable law and accounting requirements. This report is not appropriate for other purposes, including the measurement of funding requirements for SJCERA, nor is it intended to benefit any other party, and Cheiron assumes no duty or liability to any such party.

In preparing our report, we relied on information (some oral and some written) supplied by SJCERA. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future actuarial measurements may differ significantly from the current measurements 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.

To the best of our knowledge, this report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices that are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Sincerely,  
Cheiron



Robert T. McCrory, FSA, FCA, EA, MAAA  
Principal Consulting Actuary



Graham A. Schmidt, ASA, EA, MAAA  
Consulting Actuary



**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2014 MEASUREMENT DATE**

**SECTION I  
BOARD SUMMARY**

The purpose of this report is to provide accounting and financial reporting information under the Government Accounting Standards Board Statements 67 and 68 for the San Joaquin County Employees' Retirement Association (the Plan) and the Plan's participating employers. This information includes:

- Projection of the Total Pension Liability from the valuation date to the measurement date,
- Calculation of the Net Pension Liability at the discount rate as well as discount rates 1% higher and lower than the discount rate,
- Changes in the Net Pension Liability,
- Schedule of Employer Contributions,
- Disclosure of Deferred Inflows and Outflows, and
- Calculation of the Proportionate Share and Annual Pension Expense for the participating employers.

**Highlights**

This report is the first report under GASB Statements 67 and 68. The San Joaquin County Employees' Retirement Association (SJCERA) is a cost-sharing multiple-employer pension plan with a reporting date of December 31, 2014. Measurements as of the reporting date are based on the fair value of assets as of December 31, 2014, and the Total Pension Liability as of the valuation date, January 1, 2014, updated to December 31, 2014. There were no significant events between the valuation date and the measurement date so the updated procedures only include the addition of service cost and interest cost offset by actual benefit payments.

Beginning of the year measurements are also based on the actuarial valuation as of January 1, 2014. Because the beginning and ending values are based on the same actuarial valuation and there were no significant events, no liability gains or losses due to experience are reported this year. In future years, liability gains and losses will be reported reflecting the liability gains and losses between actuarial valuation dates as well as any significant events during the update period.

Table I-1 below provides a summary of the key results during this reporting period.

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2014 MEASUREMENT DATE**

**SECTION I  
BOARD SUMMARY**

**Table I-1  
Summary of Results**

	<b>Measurement Date</b>	
	<b>12/31/2014</b>	<b>12/31/2013</b>
Net Pension Liability	\$ 1,317,495,335	\$ 1,251,105,621
Deferred Inflows	0	0
Deferred Outflows	(52,323,714)	0
Net Impact on Statement of Net Position	\$ 1,265,171,621	\$ 1,251,105,621
Pension Expense (\$ Amount)	\$ 150,752,133	N/A
Pension Expense (% of Payroll)	40.09%	N/A

Under GASB Statement 27, we assume San Joaquin County and the other participating employers will report a Net Pension Obligation of \$0 as of June 30, 2014. The SJCERA participating employers are not required to implement GASB 68 until their reporting date of June 30, 2015, assuming a July 1 – June 30 fiscal year. However, the amounts reported as of June 30, 2015, can be based on the Plan's December 31, 2014 measurement dates.

Assuming the County and the other employers elect to use December 31, 2014 as their initial measurement date under GASB 68, a Net Pension Liability of \$1,251,105,621 would be recognized as of the beginning of the reporting year, to be split among the participating employers based on their Proportionate Shares. As of the end of the reporting year, the employers would report a total Net Pension Liability of \$1,317,495,335 and Deferred Outflows of \$52,323,714. Consequently, the net impact on the County and other employers' Statement of Net Position due to SJCERA would be \$1,265,171,621 at the end of the reporting year. In addition, any contributions between the measurement date and the reporting date by each employer would be reported as deferred outflows to match the cash outflow reported.

For the measurement year ending December 31, 2014, the collective annual pension expense is \$150,752,133 or 40.09% of payroll. This amount is not expected to be the same as the employers' contribution to SJCERA (\$136,686,133), but instead represents the change in the net impact on the employers' Statement of Net Position plus employer contributions (\$1,265,171,621 – \$1,251,105,621 + \$136,686,133). A breakdown of the components of the net pension expense, in total and for each employer, is shown in this report.

**SECTION II**  
**DETERMINATION OF DISCOUNT RATE**

The discount rate used to measure the Total Pension Liability was 7.50%.

We have assumed that the employees will continue to contribute to the Plan at the required rates and the employers will continue the historical and legally required practice of contributing to the Plan based on an actuarially determined contribution, reflecting a payment equal to annual Normal Cost, a portion of the expected Administrative Expenses, an amortization payment for the extraordinary losses of 2008 over a closed period (25 years remaining as of January 1, 2014) and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (19 years remaining as of January 1, 2014). The cost impact of assumption changes adopted as of January 1, 2013 is being phased-in over a three-year period.

We have not performed a formal cash flow projection as described under Paragraph 41 of GASB Statement 67. However, Paragraph 43 allows for alternative methods to confirm the sufficiency of the Net Position if the evaluations “can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan...” In our professional judgment, adherence to the actuarial funding policy described above will result in the pension plan’s projected Fiduciary Net Position being greater than or equal to the benefit payments projected for each future period.

Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**SECTION III  
 PROJECTION OF TOTAL PENSION LIABILITY**

The Total Pension Liability (TPL) for SJCERA at the beginning of the measurement year is measured as of December 31, 2013, based on a valuation date of January 1, 2014. The TPL at the end of the measurement year, December 31, 2014, is measured as of a valuation date of January 1, 2014 and projected to December 31, 2014. In future years, both the beginning and end of year TPL will be measured as of a valuation date one year prior and projected to the appropriate date. There were no significant events during the projection period of which we are aware. Table III-1 below shows the projection of the TPL at discount rates equal to the rate used for disclosure and plus and minus one percent from the rate used for disclosure.

<b>Table III-1                      Projection of Total Pension Liability</b>			
<b>Discount Rate</b>	<b>6.50%</b>	<b>7.50%</b>	<b>8.50%</b>
<b>Total Pension Liability, 12/31/2013</b>	\$ 4,080,834,114	\$ 3,592,617,984	\$ 3,190,967,244
<b>Service Cost</b>	114,784,548	90,429,416	72,029,180
<b>Interest</b>	263,620,046	266,668,435	267,325,269
<b>Benefit Payments</b>	(165,870,971)	(165,870,971)	(165,870,971)
<b>Change in Benefits</b>	0	0	0
<b>Change in Assumptions</b>	0	0	0
<b>Other Significant Events</b>	0	0	0
<b>Total Pension Liability, 12/31/2014</b>	\$ 4,293,367,737	\$ 3,783,844,864	\$ 3,364,450,722

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2014 MEASUREMENT DATE

**SECTION IV  
NOTE DISCLOSURES**

Table IV-1 below shows the changes in the Total Pension Liability, the Plan Fiduciary Net Position (i.e., fair value of Plan assets), and the Net Pension Liability during the Measurement Year.

<b>Table IV-1 Change in Net Pension Liability</b>			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 12/31/2013</b>	<b>\$ 3,592,617,984</b>	<b>\$ 2,341,512,363</b>	<b>\$ 1,251,105,621</b>
<b>Changes for the year:</b>			
Service cost	90,429,416		90,429,416
Interest	266,668,435		266,668,435
Changes of benefits			
Changes of assumptions			
Differences between expected and actual experience			
Contributions - employer		136,686,133	(136,686,133)
Contributions - member		27,367,908	(27,367,908)
Transfer from healthcare plan		19,968,779	(19,968,779)
Net investment income		110,728,303	(110,728,303)
Benefit payments	(165,870,971)	(165,870,971)	
Administrative expense		(4,042,986)	4,042,986
<b>Net changes</b>	<b>191,226,880</b>	<b>124,837,166</b>	<b>66,389,714</b>
<b>Balances at 12/31/2014</b>	<b>\$ 3,783,844,864</b>	<b>\$ 2,466,349,529</b>	<b>\$ 1,317,495,335</b>

There were no changes in benefits or changes in assumptions during the year. Because the beginning and end of year TPL are both based on the same actuarial valuation, there are no differences between expected and actual experience reported this year.

Service cost, interest cost and administrative expenses exceeded total contributions and investment income, resulting in an increase in the Net Pension Liability (NPL) of approximately \$66.3 million. The NPL remaining as of December 31, 2014, is approximately \$1.32 billion.

The TPL as of December 31, 2013 was based upon the same data, actuarial methods and assumptions, and plan provisions as were used in the actuarial valuation as of January 1, 2014, and which are summarized in the Actuarial Valuation Report as of January 1, 2014. The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial



**SECTION IV  
NOTE DISCLOSURES**

experience study for the period January 1, 2010 – December 31, 2012. A summary of the key assumptions is as follows:

- Inflation: 3.00%
- Amortization growth rate: 3.25%
- Salary increases: 3.25% plus merit component
- COLA increases: 2.60%
- Investment rate of return: 7.50%, net of investment expense
- Post-Retirement Mortality: Sex distinct RP-2000 Combined Mortality, projected with generational improvements using Scale BB.

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. Table IV-2 below shows the sensitivity of the NPL to the discount rate.

<b>Table IV-2</b>			
<b>Sensitivity of Net Pension Liability to Changes in Discount Rate</b>			
	<b>1% Decrease 6.50%</b>	<b>Discount Rate 7.50%</b>	<b>1% Increase 8.50%</b>
Total Pension Liability	\$ 4,293,367,737	\$ 3,783,844,864	\$ 3,364,450,722
Plan Fiduciary Net Position	<u>2,466,349,529</u>	<u>2,466,349,529</u>	<u>2,466,349,529</u>
Net Pension Liability	<u>\$ 1,827,018,208</u>	<u>\$ 1,317,495,335</u>	<u>\$ 898,101,193</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.4%	65.2%	73.3%

A one percent reduction in the discount rate increases the TPL by approximately 13% and increases the NPL by approximately 39%. A one percent increase in the discount rate decreases the TPL by approximately 11% and decreases the NPL by approximately 32%.

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
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**SECTION V  
REQUIRED SUPPLEMENTARY INFORMATION**

The schedules of Required Supplementary Information generally start with one year of information as of the implementation of GASB 67, but eventually will need to build up to 10 years of information. Table V-1 below shows the schedule of changes in NPL required by GASB.

<b>Table V-1</b>	
<b>Schedule of Changes in Net Pension Liability and Related Ratios</b>	
	<b>FYE 2014</b>
<b><u>Total Pension Liability</u></b>	
Service cost (MOY)	\$ 90,429,416
Interest (includes interest on service cost)	266,668,435
Changes of benefit terms	
Differences between expected and actual experience	
Changes of assumptions	
Benefit payments, including refunds of member contributions	(165,870,971)
<b>Net change in total pension liability</b>	<b>191,226,880</b>
<b>Total pension liability - beginning</b>	<b>3,592,617,984</b>
<b>Total pension liability - ending</b>	<b>\$ 3,783,844,864</b>
<b><u>Plan fiduciary net position</u></b>	
Contributions - employer	\$ 136,686,133
Contributions - member	27,367,908
Transfer from healthcare plan	19,968,779
Net investment income	110,728,303
Benefit payments, including refunds of member contributions	(165,870,971)
Administrative expense	(4,042,986)
<b>Net change in plan fiduciary net position</b>	<b>\$ 124,837,166</b>
<b>Plan fiduciary net position - beginning</b>	<b>2,341,512,363</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 2,466,349,529</b>
<b>Net pension liability - ending</b>	<b>\$ 1,317,495,335</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>65.18%</b>
Covered employee payroll	\$ 376,030,944
Net pension liability as a percentage of covered employee payroll	350.37%

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2014 MEASUREMENT DATE**

**SECTION V  
REQUIRED SUPPLEMENTARY INFORMATION**

**Table V-2  
Schedule of Employer Contributions  
Last 10 Fiscal Years**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially Determined Contribution	\$ 136,686,133	\$ 119,494,000	\$ 108,063,000	\$ 112,892,000	\$ 104,452,000	\$ 97,806,000	\$ 94,163,000	\$ 85,869,000	\$ 73,612,000	\$ 62,509,000
Contributions in Relation to the										
Actuarially Determined Contribution	<u>136,686,133</u>	<u>119,494,000</u>	<u>108,063,000</u>	<u>112,892,000</u>	<u>104,452,000</u>	<u>97,806,000</u>	<u>94,163,000</u>	<u>85,869,000</u>	<u>73,612,000</u>	<u>62,509,000</u>
Contribution Deficiency/(Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-Employee Payroll <sup>1</sup>	\$ 376,030,944	\$ 362,650,568	\$ 356,419,000	\$ 367,344,000	\$ 385,442,000	\$ 377,559,000	\$ 367,361,000	\$ 340,828,000	\$ 309,692,000	\$ 296,473,000
Contributions as a Percentage of Covered-Employee Payroll	36.35%	32.95%	30.32%	30.73%	27.10%	25.90%	25.63%	25.19%	23.77%	21.08%

<sup>1</sup>Payroll reported by plan sponsor for FYE 2013 and FYE2014. Previous year's amounts are based on projected payroll from the actuarial valuation reports and can be updated with actual amounts by the Plan for the final disclosure.

**Notes to Schedule**

Valuation Date 1/1/2013  
Timing Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year

**Key Methods and Assumptions Used to Determine Contribution Rates for the Year Ending December 31, 2014:**

Actuarial cost method Entry Age Normal  
Asset valuation method Actuarial value: Excess earnings smoothed over five years, 80% / 120% corridor around market value  
Amortization method Level percentage of payroll (20 years as of 1/1/2013) with separate periods for Extraordinary Actuarial Gains or Losses (26 years for 2008 losses as of 1/1/2013). Cost impact of assumption changes adopted as of 1/1/2013 to be phased-in over three year period  
Discount rate 7.50%  
Amortization growth rate 3.25%  
Price inflation 3.00%  
Salary increases 3.25% plus merit component based on employee classification and years of service  
Mortality Healthy: RP 2000 Combined Healthy Table, with Generational Projection using Projection Scale BB  
Disabled: RP 2000 Combined Healthy Table, with Generational Projection using Scale BB, Set-Forward 8 Years for males and females

A complete description of the methods and assumptions used to determine contribution rates for the year ending December 31, 2014 can be found in the January 1, 2013 Actuarial Valuation Report.

**SECTION VI  
EMPLOYER REPORTING AMOUNTS**

The SJCERA participating employers are not required to implement GASB 68 until their reporting date of June 30, 2015. However, the amounts reported as of June 30, 2015, can be based on the December 31, 2014 measurement date. The schedules in this section are provided for the use of the employers, assuming they are using the December 31, 2014 measurement date for their 2015 reporting. First, the collective amounts for SJCERA are developed, and then the collective amounts are allocated to individual employers based on their proportionate share.

The impact of experience gains or losses and assumption changes on the TPL are recognized in the collective pension expense over the average expected remaining service life of all active and inactive (i.e. retirees, beneficiaries, disabled members) members of the Plan. As of the measurement date, this recognition period was 4.86 years. However, there were no experience gains or losses, and there were no assumption changes during the measurement year.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of approximately \$65.4 million. Approximately \$13.1 million of that loss was recognized in the current year and an identical amount will be recognized in each of the next four years, resulting in a deferred outflow of resources of approximately \$52.3 million. Table VI-1 below summarizes the current balances of collective deferred outflows and deferred inflows of resources along with the net recognition over the next five years.

<b>Table VI-1</b>		
<b>Schedule of Collective Deferred Inflows and Outflows</b>		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 0	\$ 0
Changes in assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	52,323,714	0
<b>Total</b>	<b>\$ 52,323,714</b>	<b>\$ 0</b>
Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:		
<b>Year ended December 31:</b>		
2015	13,080,928	
2016	13,080,928	
2017	13,080,928	
2018	13,080,930	
2019	0	
Thereafter	\$ 0	

**SECTION VI  
EMPLOYER REPORTING AMOUNTS**

The collective annual pension expense recognized in aggregate by the participating employers of SJCERA can be calculated two different ways. First, it is the change in the amounts reported on the employers' Statement of Net Position that relate to SJCERA and are not attributable to employer contributions. That is, it is the change in NPL plus the changes in deferred outflows and inflows plus employer contributions.

Alternatively, the collective annual pension expense can be calculated by its individual components. While GASB does not require or suggest the organization of the individual components shown in Table VI-2 below, we believe it helps to understand the level and volatility of pension expense.

<b>Table VI-2 Calculation of Collective Pension Expense</b>	
Change in Net Pension Liability	\$ 66,389,714
Change in Deferred Outflows	(52,323,714)
Change in Deferred Inflows	0
Employer Contributions	<u>136,686,133</u>
<b>Pension Expense</b>	<b>\$ 150,752,133</b>
<b>Pension Expense as % of Payroll</b>	<b>40.09%</b>
<b>Operating Expenses</b>	
Service cost	\$ 90,429,416
Employee contributions	(27,367,908)
Transfers	(19,968,779)
Administrative expenses	<u>4,042,986</u>
Total	\$ 47,135,715
<b>Financing Expenses</b>	
Interest cost	\$ 266,668,435
Expected return on assets	<u>(176,132,945)</u>
Total	\$ 90,535,490
<b>Changes</b>	
Benefit changes	\$ 0
Recognition of assumption changes	0
Recognition of liability gains and losses	0
Recognition of investment gains and losses	<u>13,080,928</u>
Total	\$ 13,080,928
<b>Pension Expense</b>	<b>\$ 150,752,133</b>

## SECTION VI EMPLOYER REPORTING AMOUNTS

First, there are components that we refer to as operating expenses. These are items directly attributable to the operation of the plan during the measurement year. Service cost less employee contributions represents the increase in employer-provided benefits attributable to the year, and administrative expenses are the cost of operating SJCERA for the year.

Second, there are the financing expenses: the interest on the Total Pension Liability less the expected return on assets. Since the discount rate is equal to the long-term expected return on assets, the financing expense is just the interest on the Net Pension Liability.

The final category is changes. This category will drive most of the volatility in pension expense from year to year. It includes any changes in benefits made during the year and the recognized amounts due to assumption changes, gains or losses on the TPL, and investment gains or losses. For the first year, there is an investment gain recognized that effectively eliminates the financing expense.

### PROPORTIONATE SHARES

Because SJCERA is a Cost-sharing Multiple-employer Pension Plan, each employer participating in SJCERA must reflect a portion of the collective Net Pension Liability, Pension Expense and Deferred Outflows and Inflows in their financial statements. GASB 68 requires that the Proportionate Share for each employer shall be determined based on the “employer’s projected long-term contribution effort to the pension ... as compared to the total projected long-term contribution effort of all employers ...” Although not required as part of the Plan’s GASB 67 reporting requirements, SJCERA is following the advice of the AICPA<sup>1</sup> and making a determination of each employer’s Proportionate Share, which will be reviewed by the Plan’s auditor.

The following schedules include the proportionate shares for each employer, reflecting a methodology that allocates the NPL and Pension Expense based on each employer’s share of the Unfunded Liability amortization payments. In Table VI-3a, each employer’s amortization share as of December 31, 2014 is determined by multiplying the actual pensionable payroll for the current Plan year by the employer’s amortization rate from the most recent actuarial valuation report (the report as of January 1, 2014). Because this is the first report under the new standards, we have also included the Proportionate Shares as of December 31, 2013 in Table VI-3b – using the prior year’s payroll amounts and the amortization rates from the actuarial valuation as of January 1, 2013.

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<sup>1</sup>[http://www.aicpa.org/interestareas/governmentauditquality/resources/gasbmatters/downloadabledocuments/aicpaslgep\\_cs\\_er\\_reporting\\_whitepaper.pdf](http://www.aicpa.org/interestareas/governmentauditquality/resources/gasbmatters/downloadabledocuments/aicpaslgep_cs_er_reporting_whitepaper.pdf)

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2014 MEASUREMENT DATE**

**SECTION VI  
EMPLOYER REPORTING AMOUNTS**

**Table VI-3a  
Determination of Employers' Proportionate Share (As of December 31, 2014)**

Employer	Unfunded Liability Amortization Rate (from the January 1, 2014 Actuarial Valuation)				Pensionable Payroll				Amortization Share (Rate x Pay)	Proportionate Share
	General	General	Safety	Safety	General	General	Safety	Safety		
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2		
County of San Joaquin	20.09%	20.09%	38.40%	38.40%	\$ 258,539,429	\$ 34,582,364	\$ 59,519,191	\$ 1,197,326	\$ 82,203,311	94.2002%
Superior Courts	20.09%	20.09%			\$ 13,825,160	\$ 1,123,279	\$ 0	\$ 0	\$ 3,003,141	3.4414%
Manteca-Lathrop Rural Fire Protection District		20.09%	38.40%	38.40%	\$ 0	\$ 10,800	\$ 2,157,503	\$ 132,726	\$ 881,618	1.0103%
Waterloo-Morada Rural Fire Protection District			38.40%	38.40%	\$ 0	\$ 0	\$ 705,326	\$ 295,718	\$ 384,401	0.4405%
Tracy Public Cemetery District	20.09%	20.09%			\$ 114,584	\$ 74,187	\$ 0	\$ 0	\$ 37,924	0.0435%
SJC Mosquito & Vector Control District	20.09%	20.09%			\$ 2,010,554	\$ 255,875	\$ 0	\$ 0	\$ 455,326	0.5218%
SJC Historical Society & Museum	20.09%				\$ 122,075	\$ 0	\$ 0	\$ 0	\$ 24,525	0.0281%
Mountain House Community Services District	20.09%	20.09%			\$ 882,709	\$ 390,492	\$ 0	\$ 0	\$ 255,786	0.2931%
Local Agency Formation Commission	20.09%				\$ 32,629	\$ 0	\$ 0	\$ 0	\$ 6,555	0.0075%
San Joaquin County Law Library	20.09%				\$ 59,018	\$ 0	\$ 0	\$ 0	\$ 11,857	0.0136%
<b>Total</b>					<b>\$ 275,586,158</b>	<b>\$ 36,436,997</b>	<b>\$ 62,382,020</b>	<b>\$ 1,625,770</b>	<b>\$ 87,264,444</b>	<b>100.0000%</b>

**Table VI-3b  
Determination of Employers' Proportionate Share (As of December 31, 2013)**

Employer	Unfunded Liability Amortization Rate (from the January 1, 2013 Actuarial Valuation)				Pensionable Payroll				Amortization Share (Rate x Pay)	Proportionate Share
	General	General	Safety	Safety	General	General	Safety	Safety		
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2		
County of San Joaquin	16.92%	16.92%	32.32%	32.32%	\$ 270,869,483	\$ 9,936,433	\$ 60,239,792	\$ 281,627	\$ 67,072,884	94.2535%
Superior Courts	16.92%	16.92%			\$ 13,996,760	\$ 235,958	\$ 0	\$ 0	\$ 2,408,176	3.3841%
Manteca-Lathrop Rural Fire Protection District	16.92%		32.32%	32.32%	\$ 48,445	\$ 0	\$ 2,118,337	\$ 70,046	\$ 715,482	1.0054%
Waterloo-Morada Rural Fire Protection District			32.32%	32.32%	\$ 0	\$ 0	\$ 856,276	\$ 81,902	\$ 303,219	0.4261%
Tracy Public Cemetery District	16.92%	16.92%			\$ 129,362	\$ 32,184	\$ 0	\$ 0	\$ 27,334	0.0384%
SJC Mosquito & Vector Control District	16.92%	16.92%			\$ 2,122,917	\$ 58,106	\$ 0	\$ 0	\$ 369,029	0.5186%
SJC Historical Society & Museum	16.92%				\$ 118,785	\$ 0	\$ 0	\$ 0	\$ 20,098	0.0282%
Mountain House Community Services District	16.92%	16.92%			\$ 1,133,007	\$ 176,239	\$ 0	\$ 0	\$ 221,524	0.3113%
Local Agency Formation Commission	16.92%				\$ 109,957	\$ 0	\$ 0	\$ 0	\$ 18,605	0.0261%
San Joaquin County Law Library	16.92%				\$ 34,952	\$ 0	\$ 0	\$ 0	\$ 5,914	0.0083%
<b>Total</b>					<b>\$ 288,563,668</b>	<b>\$ 10,438,920</b>	<b>\$ 63,214,405</b>	<b>\$ 433,575</b>	<b>\$ 71,162,265</b>	<b>100.0000%</b>

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**SECTION VI  
EMPLOYER REPORTING AMOUNTS**

Tables VI-4a and VI-4b present the collective Net Pension Liability as of December 31, 2014, and December 31, 2013, respectively (including the NPL amounts under the alternative discount rates for December 31, 2014); allocated using the Proportionate Share amounts shown in the previous schedules. For Table VI-4b, the Proportionate Share of the collective Net Pension Liability is only shown for the current discount rate (7.5%), as implementation of GASB 68 does not require the interest rate sensitivity results as of the beginning of year.

<b>Table VI-4a</b>						
<b>Schedule of Employers' Proportionate Share of Collective Net Pension Liability</b>						
<b>December 31, 2014</b>						
<b>Employer</b>	<b>Proportionate Share</b>	<b>Share of NPL @ 6.5%</b>	<b>Share of NPL @ 8.5%</b>	<b>Share of NPL @ 7.5%</b>	<b>Payroll</b>	<b>Share NPL @ 7.5% as % Payroll</b>
County of San Joaquin	94.2002%	\$ 1,721,054,806	\$ 846,013,120	\$ 1,241,083,241	\$ 353,838,310	350.7%
Superior Courts	3.4414%	62,875,005	30,907,254	45,340,284	14,948,438	303.3%
Manteca-Lathrop Rural Fire Protection District	1.0103%	18,458,365	9,073,516	13,310,655	2,301,028	578.5%
Waterloo-Morada Rural Fire Protection District	0.4405%	8,048,015	3,956,136	5,803,567	1,001,044	579.8%
Tracy Public Cemetery District	0.0435%	794,753	390,674	573,110	188,771	303.6%
SJC Mosquito & Vector Control District	0.5218%	9,533,381	4,686,292	6,874,691	2,266,428	303.3%
SJC Historical Society & Museum	0.0281%	513,392	252,366	370,216	122,075	303.3%
Mountain House Community Services District	0.2931%	5,354,990	2,632,335	3,861,579	1,273,202	303.3%
Local Agency Formation Commission	0.0075%	137,026	67,358	98,812	32,629	302.8%
San Joaquin County Law Library	0.0136%	248,474	122,142	179,179	59,018	303.6%
<b>Total</b>	<b>100.0000%</b>	<b>\$ 1,827,018,207</b>	<b>\$ 898,101,193</b>	<b>\$ 1,317,495,334</b>	<b>\$ 376,030,943</b>	<b>350.4%</b>



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 EMPLOYER REPORTING AMOUNTS**

<b>Table VI-4b</b>				
<b>Schedule of Employers' Proportionate Share of Collective Net Pension Liability</b>				
<b>December 31, 2013</b>				
<b>Employer</b>	<b>Proportionate Share</b>	<b>Share of NPL @ 7.5%</b>	<b>Payroll</b>	<b>Share NPL @ 7.5% as % Payroll</b>
County of San Joaquin	94.2535%	\$ 1,179,210,836	\$ 341,327,334	345.5%
Superior Courts	3.3841%	42,338,665	14,232,718	297.5%
Manteca-Lathrop Rural Fire Protection District	1.0054%	12,578,616	2,236,828	562.3%
Waterloo-Morada Rural Fire Protection District	0.4261%	5,330,961	938,178	568.2%
Tracy Public Cemetery District	0.0384%	480,425	161,546	297.4%
SJC Mosquito & Vector Control District	0.5186%	6,488,234	2,181,023	297.5%
SJC Historical Society & Museum	0.0282%	352,812	118,785	297.0%
Mountain House Community Services District	0.3113%	3,894,692	1,309,246	297.5%
Local Agency Formation Commission	0.0261%	326,539	109,957	297.0%
San Joaquin County Law Library	0.0083%	103,842	34,952	297.1%
<b>Total</b>	<b>100.0000%</b>	<b>\$ 1,251,105,622</b>	<b>\$ 362,650,567</b>	<b>345.0%</b>

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EMPLOYER REPORTING AMOUNTS**

This schedule presents the allocation of the Collective Deferred Inflows and Outflows (Table VI-1) based on the Proportionate Shares (Table VI-3a). Deferred Inflows represent gains (or reductions in the unfunded liability) that will be recognized as reductions to future years' Pension Expense, while Deferred Outflows represent losses (or increases in the unfunded liability). As stated previously, experience gains or losses and assumption changes will be recognized in each employer's expense over the average expected remaining service life of *all* active and inactive members of the Plan (not just those of the individual employer), while investment gains or losses will be recognized over a five-year period.

**Table VI-5  
Schedule of Employers' Proportionate Share of Deferred Outflows and Deferred Inflows at 12/31/2014**

Employer	Proportionate Shares	Proportionate Share of Deferred Outflows			Proportionate Share of Deferred Inflows		
		Experience	Assumption Changes	Investment Return	Experience	Assumption Changes	Investment Return
County of San Joaquin	94.2002%	\$ 0	\$ 0	\$ 49,289,044	\$ 0	\$ 0	\$ 0
Superior Courts	3.4414%	0	0	1,800,668	0	0	0
Manteca-Lathrop Rural Fire Protection District	1.0103%	0	0	528,626	0	0	0
Waterloo-Morada Rural Fire Protection District	0.4405%	0	0	230,486	0	0	0
Tracy Public Cemetery District	0.0435%	0	0	22,761	0	0	0
SJC Mosquito & Vector Control District	0.5218%	0	0	273,025	0	0	0
SJC Historical Society & Museum	0.0281%	0	0	14,703	0	0	0
Mountain House Community Services District	0.2931%	0	0	153,361	0	0	0
Local Agency Formation Commission	0.0075%	0	0	3,924	0	0	0
San Joaquin County Law Library	0.0136%	0	0	7,116	0	0	0
<b>Total</b>	<b>100.0000%</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 52,323,714</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

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GASB 68 requires that each employer disclose the change in Proportionate Share and the impact on the employer's share of the Net Pension Liability and Deferred Inflows and Outflows (Table VI-6), with the impact for each employer to be recognized over the same expected service period as the experience and assumption changes (4.86 years for the 2014 changes). If the Proportionate Share for an employer increases, a portion of the resulting increase in the Net Pension Liability will be recognized in the current year as an increase in the employer's Pension Expense, with the remainder acting as Deferred Outflows to be recognized in future years' Pension Expense. The reverse will be true for reductions in the Proportionate Share; i.e. reductions in the Net Pension Liability will be recognized as offsets to current and future years' Pension Expense.

<b>Employer</b>	<b>Proportionate Shares</b>		<b>Impact of Change in Proportion</b>			<b>Recognition of Proportion Change for FYE 2014</b>		
	<b>12/31/2013*</b>	<b>12/31/2014**</b>	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>	<b>Net Pension Liability</b>	<b>Pension Expense</b>	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>
	County of San Joaquin	94.2535%	94.2002%			\$ (666,839)	\$ (137,210)	\$ 0
Superior Courts	3.3841%	3.4414%			716,884	147,507	569,377	0
Manteca-Lathrop Rural Fire Protection District	1.0054%	1.0103%			61,304	12,614	48,690	0
Waterloo-Morada Rural Fire Protection District	0.4261%	0.4405%			180,159	37,070	143,089	0
Tracy Public Cemetery District	0.0384%	0.0435%			63,806	13,129	50,677	0
SJC Mosquito & Vector Control District	0.5186%	0.5218%			40,035	8,238	31,797	0
SJC Historical Society & Museum	0.0282%	0.0281%			(1,251)	(257)	0	994
Mountain House Community Services District	0.3113%	0.2931%			(227,701)	(46,852)	0	180,849
Local Agency Formation Commission	0.0261%	0.0075%			(232,706)	(47,882)	0	184,824
San Joaquin County Law Library	0.0083%	0.0136%			66,309	13,644	52,665	0
<b>Total</b>	<b>100.0000%</b>	<b>100.0000%</b>			<b>\$ 0</b>	<b>\$ 1</b>	<b>\$ 896,295</b>	<b>\$ 896,296</b>

\* From Table VI-3b

\*\* From Table VI-3a

Note: The Change in Proportion, this year does not affect the Deferred Outflows or Inflows, because there are no deferred amounts as of December 31, 2013.

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The Statement also requires that the employers disclose the difference between their actual contributions and their Proportionate Share of the total contributions, with this difference to be recognized over the same expected service period (Table VI-7). If an employer contributes an amount greater than their Proportionate Share of the total contributions, the difference increases the current year pension expense and results in Deferred Outflows to be recognized in future years' Pension Expense. The reverse will be true for contributions less than the Proportionate Share; the difference will be recognized as a decrease to current and future years' Pension Expense.

<b>Table VI-7 Schedule of Employers' Differences Between Actual Contributions and Proportionate Share of Contributions</b>						
<b>Employer</b>	<b>Contributions</b>			<b>Recognition of Contribution Difference for FYE 2014</b>		
	<b>Actual</b>	<b>Proportionate Share*</b>	<b>Difference</b>	<b>Pension Expense</b>	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>
County of San Joaquin	\$ 128,428,697	\$ 128,758,612	\$ (329,915)	\$ (67,884)	\$ 0	\$ 262,031
Superior Courts	5,047,948	4,703,917	344,031	70,788	273,243	0
Manteca-Lathrop Rural Fire Protection District	1,347,206	1,380,940	(33,734)	(6,941)	0	26,793
Waterloo-Morada Rural Fire Protection District	549,362	602,102	(52,740)	(10,852)	0	41,888
Tracy Public Cemetery District	49,501	59,458	(9,957)	(2,049)	0	7,908
SJC Mosquito & Vector Control District	702,065	713,228	(11,163)	(2,297)	0	8,866
SJC Historical Society & Museum	38,759	38,409	350	72	278	0
Mountain House Community Services District	367,300	400,627	(33,327)	(6,857)	0	26,470
Local Agency Formation Commission	125,985	10,251	115,734	23,814	91,920	0
San Joaquin County Law Library	29,310	18,589	10,721	2,206	8,515	0
<b>Total</b>	<b>\$ 136,686,133</b>	<b>\$ 136,686,133</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 373,956</b>	<b>\$ 373,956</b>

\* Based on total employer contribution, multiplied by Proportionate Share from Table VI-3a

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Table VI-8 presents the Schedule of Deferred Outflows and Inflows to be recognized in future years for each employer. These Deferred Outflows and Inflows include amounts based on each employer's share of the Collective Pension Expense (Table VI-5), as well as the amounts based on changes in the employer's Proportionate Share (Table VI-6) and the differences between the actual and allocated contributions (Table VI-7). Positive amounts – as shown below for most employers - would represent increases in the employer's Pension Expense in future years; negative amounts will be recognized as reductions or offsets in future years' Pension Expense.

<b>Table VI-8</b>					
<b>Schedule of Employers' Recognition of Deferred Outflows and Inflows at 12/31/2014</b>					
<b>Employer</b>	<b>Recognition for FYE</b>				
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Thereafter</b>
County of San Joaquin	\$ 12,117,166	\$ 12,117,166	\$ 12,117,166	\$ 12,145,885	\$ 0
Superior Courts	668,462	668,462	668,462	637,902	0
Manteca-Lathrop Rural Fire Protection District	137,830	137,830	137,830	137,035	0
Waterloo-Morada Rural Fire Protection District	83,839	83,839	83,839	80,168	0
Tracy Public Cemetery District	16,770	16,770	16,770	15,219	0
SJC Mosquito & Vector Control District	74,197	74,197	74,197	73,364	0
SJC Historical Society & Museum	3,491	3,491	3,491	3,515	0
Mountain House Community Services District	(15,369)	(15,369)	(15,369)	(7,852)	0
Local Agency Formation Commission	(23,087)	(23,087)	(23,087)	(19,719)	0
San Joaquin County Law Library	17,629	17,629	17,629	15,409	0
<b>Total</b>	<b>\$ 13,080,928</b>	<b>\$ 13,080,928</b>	<b>\$ 13,080,928</b>	<b>\$ 13,080,926</b>	<b>\$ 0</b>

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Table VI-9 presents the Pension Expense for each employer, based on each employer's share of the collective Pension Expense, and adjusted for changes in the employer's Proportionate Share and the differences between the actual and allocated contributions, as computed in the prior schedules. Note that in any given year, the employer's Pension Expense can differ greatly from their Actuarially Determined Contribution – the Actuarially Determined Contribution is determined based on the actuarial funding policies adopted by the Board.

<b>Table VI-9 Schedule of Employers' Pension Expense for the Measurement Year Ending 12/31/2014</b>						
<b>Employer</b>	<b>Proportionate Shares</b>	<b>Collective Pension Expense</b>	<b>Change in Proportion</b>	<b>Contribution Difference</b>	<b>Prior Periods</b>	<b>Employer Pension Expense</b>
County of San Joaquin	94.2002%	\$ 142,008,812	\$ (137,210)	\$ (67,884)		\$ 141,803,718
Superior Courts	3.4414%	5,187,984	147,507	70,788		5,406,279
Manteca-Lathrop Rural Fire Protection District	1.0103%	1,523,049	12,614	(6,941)		1,528,722
Waterloo-Morada Rural Fire Protection District	0.4405%	664,063	37,070	(10,852)		690,281
Tracy Public Cemetery District	0.0435%	65,576	13,129	(2,049)		76,656
SJC Mosquito & Vector Control District	0.5218%	786,625	8,238	(2,297)		792,566
SJC Historical Society & Museum	0.0281%	42,361	(257)	72		42,176
Mountain House Community Services District	0.2931%	441,854	(46,852)	(6,857)		388,145
Local Agency Formation Commission	0.0075%	11,306	(47,882)	23,814		(12,762)
San Joaquin County Law Library	0.0136%	20,501	13,644	2,206		36,351
<b>Total</b>	<b>100.0000%</b>	<b>\$ 150,752,131</b>	<b>\$ 1</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 150,752,132</b>

Note: There are no Prior Periods to disclose in this schedule.

**APPENDIX A  
GLOSSARY OF TERMS**

**1. Actuarially Determined Contribution**

A target or recommended contribution for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

**2. Actuarial Valuation Date**

The date as of which an actuarial valuation is performed. This date may be up to 24 months prior to the measurement date and up to 30 months prior to the employer's reporting date.

**3. Average Expected Remaining Service Life**

The average amount of time each member is expected to continue working as an active employee. Inactive members (i.e. retirees, beneficiaries, disabled members and terminated vested members) are included in the calculation of the average, with a 0 included in calculation for each inactive member (since no future active service is assumed for these members).

**4. Cost-sharing Pension Plan**

A multiple-employer plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

**5. Deferred Inflow of Resources**

An acquisition of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 68, these are experience gains on the Total Pension Liability, assumption changes reducing the Total Pension Liability, or investment gains that are recognized in future reporting periods.

**6. Deferred Outflow of Resources**

A consumption of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 68, these are experience losses on the Total Pension Liability, assumption changes increasing the Total Pension Liability, or investment losses that are recognized in future reporting periods.

**7. Entry Age Actuarial Cost Method**

The actuarial cost method required for GASB 67 and 68 calculations. Under this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age

**APPENDIX A  
GLOSSARY OF TERMS**

and assumed exit ages. The portion of this actuarial present value allocated to a valuation year is called the Service Cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future service costs is called the Total Pension Liability.

**8.**

**9. Measurement Date**

The date as of which the Total Pension Liability and Plan Fiduciary Net Position are measured. The Total Pension Liability may be projected from the Actuarial Valuation Date to the Measurement Date. The Measurement Date must be the same as the Reporting Date for the plan.

**10. Net Pension Liability**

The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit pension plan. It is calculated as the Total Pension Liability less the Plan Fiduciary Net Position.

**11. Plan Fiduciary Net Position**

The fair or market value of assets.

**12. Proportionate Share**

The portion of the Net Pension Liability, Deferred Inflows and Outflows allocated to each employer in a Cost-Sharing Pension Plan, based on the employer's share of the projected long-term contribution effort.

**13. Reporting Date**

The last day of the plan or employer's fiscal year.

**14. Service Cost**

The portion of the actuarial present value of projected benefit payments that is attributed to the current period of employee service in conformity with the requirements of GASB 67 and 68. The Service Cost is the normal cost calculated under the entry age actuarial cost method.

**15. Total Pension Liability**

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB 67 and 68. The Total Pension Liability is the actuarial liability calculated under the entry age actuarial cost method.