



GASB 68 ACCOUNTING VALUATION REPORT

**Prepared for
MISCELLANEOUS
RISK POOL
Cost-Sharing Multiple-Employer
Defined Benefit Pension Plan**

Measurement Date of June 30, 2017

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Actuarial Certification

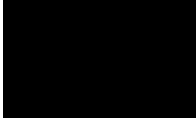
This report provides disclosure and reporting information as required under Governmental Accounting Standards Board Statement 68 (GASB 68) for the MISCELLANEOUS RISK POOL, which is part of the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (PERF C) administered by the California Public Employees' Retirement System (CalPERS), for the measurement period ended June 30, 2017.

This report is to be viewed solely for the purpose of financial accounting requirements. Any usage of the contents provided in this report for purposes other than financial accounting requirements would be inappropriate.

This accounting valuation report relies on liabilities and related validation work performed by the CalPERS Actuarial Office as part of the June 30, 2016 annual funding valuation. The census data and benefit provisions underlying the liabilities were prepared as of June 30, 2016 and certified as part of the annual funding valuation by the CalPERS Actuarial Office. The June 30, 2016 liabilities, which were rolled forward to June 30, 2017 and used for this accounting valuation, are based on actuarial assumptions adopted by the CalPERS Board of Administration and consistent with the requirements of GASB 68. The assumptions and methods are internally consistent and reasonable for PERF C.

With the provided liability and asset information, the total pension liability, net pension liability, deferred inflows and outflows and pension expense were developed for the measurement period using standard actuarial techniques.

The undersigned is an actuary for CalPERS, who is a member of the American Academy of Actuaries and the Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



CHEUK KIU (JET) AU, ASA, MAAA
Senior Pension Actuary, CalPERS

Introduction

This is the GASB 68 Accounting Valuation Report for the MISCELLANEOUS RISK POOL for the measurement date June 30, 2017. The public agency cost-sharing multiple-employer defined benefit pension plan (PERF C or the Plan) is administered by the California Public Employees' Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. Each employer should combine information provided for their participation in the miscellaneous and/or safety pools to report them as one Plan in their financial statements.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	June 30, 2016 to June 30, 2017

Changes in the Miscellaneous Risk Pool Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Risk Pool Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) – (b)
Balance at: 06/30/2016	\$14,397,353,530	\$10,923,476,287	\$3,473,877,243
Changes Recognized for the Measurement Period:			
Service Cost	\$391,832,080		\$391,832,080
Interest on Total Pension Liability	1,077,608,396		1,077,608,396
Changes of Benefit Terms	1,932,029		1,932,029
Changes of Assumptions	907,027,295		907,027,295
Differences between Expected and Actual Experience	(102,359,669)		(102,359,669)
Net Plan to Plan Resource Movement		\$(26,049,676)	26,049,676
Contributions – Employer		456,855,300	(456,855,300)
Contributions – Employees		168,218,719	(168,218,719)
Net Investment Income		1,225,227,907	(1,225,227,907)
Benefit Payments, including Refunds of Employee Contributions	(656,846,259)	(656,846,259)	0
Administrative Expense		(16,382,497)	16,382,497
Other Miscellaneous Income	0	0	0
Net Changes during 2016-17	\$1,619,193,872	\$1,151,023,494	\$468,170,378
Balance at: 06/30/2017	\$16,016,547,402	\$12,074,499,781	\$3,942,047,621

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
Risk Pool's Net Pension Liability/(Asset)	\$6,145,073,915	\$3,942,047,621	\$2,117,461,486

Pension Expense/(Income) for Measurement Period Ended June 30, 2017

Description	Amount
Service Cost	\$391,832,080
Interest on Total Pension Liability	1,077,608,396
Changes of Benefit Terms	1,932,029
Recognized Changes of Assumptions	174,989,828
Recognized Differences between Expected and Actual Experience	(21,232,141)
Net Plan to Plan Resource Movement	26,049,676
Employee Contributions	(168,218,719)
Projected Earnings on Pension Plan Investments	(776,525,126)
Recognized Differences between Projected and Actual Earnings on Plan Investments	(3,070,912)
Administrative Expense	16,382,497
Other Miscellaneous Income	0
Total Pension Expense/(Income)	\$719,747,608

Note: Employers should also include changes in proportion and differences between actual and proportionate share of contributions in the pension expense computation.

Deferred Outflows and Deferred Inflows of Resources Related to Pensions

The following table presents deferred outflows and deferred inflows of resources related to pensions as of June 30, 2017. Note that no adjustments have been made for contributions subsequent to the measurement date. Appropriate treatment of any contributions made after the measurement date is the responsibility of the employer. Employers are also responsible for determining the difference between the employers' actual and allocated contributions and changes in proportion.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$668,335,902	\$(50,961,251)
Differences between Expected and Actual Experience	5,386,488	(77,171,360)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	151,150,027	0
Total	\$824,872,417	\$(128,132,611)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Periods Ended June 30:	Deferred Outflows/(Inflows) of Resources
2018	\$162,080,465
2019	390,163,188
2020	234,236,710
2021	(89,740,557)
2022	0
Thereafter	0

Note: For employers with June 30th year-end, the fiscal year will be one year later than the measurement period. For example, the 2018 measurement period presented in the above table will be listed as year 2019 in the employer's fiscal year ending June 30, 2018 financial statements.

Expected Average Remaining Service Lifetime (EARSL)

The EARSL for PERF C for the measurement date ending June 30, 2017 is 3.8 years, which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of the active employees) by 130,595 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Required Supplementary Information

Summary of Changes of Benefits or Assumptions

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Changes of Assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Employers should refer to CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017, which may be accessed on the CalPERS website at www.calpers.ca.gov, to obtain the required supplementary information for proper financial reporting.

APPENDICES

- **APPENDIX A – RISK POOL DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**
- **APPENDIX B – INTEREST AND TOTAL PROJECTED EARNINGS**
- **APPENDIX C – SCHEDULE OF COLLECTIVE PENSION AMOUNTS**

APPENDIX A

RISK POOL DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

- **SCHEDULE OF CHANGES OF ASSUMPTIONS**
- **DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES ARISING FROM CHANGES OF ASSUMPTIONS**
- **SCHEDULE OF DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE**
- **DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES ARISING FROM DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE**
- **SCHEDULE OF DIFFERENCES BETWEEN PROJECTED AND ACTUAL EARNINGS ON PENSION PLAN INVESTMENTS**
- **DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES ARISING FROM DIFFERENCES BETWEEN PROJECTED AND ACTUAL EARNINGS ON PENSION PLAN INVESTMENTS**
- **SUMMARY OF RECOGNIZED DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

Schedule of Changes of Assumptions

**Increase (Decrease) in Pension Expense Arising from the Recognition
 of the Effects of Changes of Assumptions**

Measurement Date	Changes of Assumptions	Remaining Recognition Period (Years)	Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Changes of Assumptions						
			2017	2018	2019	2020	2021	2022	Thereafter
2014	\$0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2015	(242,065,946)	1.8	(63,701,565)	(50,961,251)	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0
2017	907,027,295	3.8	238,691,393	238,691,393	238,691,393	190,953,116	0	0	0
Net Increase (Decrease) in Pension Expense			\$174,989,828	\$187,730,142	\$238,691,393	\$190,953,116	\$0	\$0	\$0

Deferred Outflows of Resources and Deferred Inflows of Resources arising from Changes of Assumptions

Measurement Date	Increase in Total Pension Liability (a)	Decrease in Total Pension Liability (b)	Amounts Recognized in Pension Expense through June 30, 2017 (c)	Balances at June 30, 2017	
				Deferred Outflows of Resources (a) – (c)	Deferred Inflows of Resources (b) – (c)
2014	\$0	\$0	\$0	\$0	\$0
2015	0	(242,065,946)	(191,104,695)	0	(50,961,251)
2016	0	0	0	0	0
2017	907,027,295	0	238,691,393	668,335,902	0
				\$668,335,902	\$(50,961,251)

Schedule of Differences between Expected and Actual Experience

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience

Measurement Date	Differences between Expected and Actual Experience	Remaining Recognition Period (Years)	Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience						
			2017	2018	2019	2020	2021	2022	Thereafter
2014	\$0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2015	25,585,821	1.8	6,733,111	5,386,488	0	0	0	0	0
2016	(3,805,440)	2.7	(1,028,497)	(1,028,497)	(719,949)	0	0	0	0
2017	(102,359,669)	3.8	(26,936,755)	(26,936,755)	(26,936,755)	(21,549,404)	0	0	0
Net Increase (Decrease) in Pension Expense			\$(21,232,141)	\$(22,578,764)	\$(27,656,704)	\$(21,549,404)	\$0	\$0	\$0

Deferred Outflows of Resources and Deferred Inflows of Resources arising from Differences between Expected and Actual Experience

Measurement Date	Experience Losses (a)	Experience Gains (b)	Amounts Recognized in Pension Expense through June 30, 2017 (c)	Balances at June 30, 2017	
				Deferred Outflows of Resources (a) – (c)	Deferred Inflows of Resources (b) – (c)
2014	\$0	\$0	\$0	\$0	\$0
2015	25,585,821	0	20,199,333	5,386,488	0
2016	0	(3,805,440)	(2,056,994)	0	(1,748,446)
2017	0	(102,359,669)	(26,936,755)	0	(75,422,914)
				\$5,386,488	\$(77,171,360)

Schedule of Differences between Projected and Actual Earnings on Pension Plan Investments

**Increase (Decrease) in Pension Expense Arising from the Recognition of the Differences
 between Projected and Actual Earnings on Pension Plan Investments**

Measurement Date	Differences between Projected and Actual Earnings on Pension Plan Investments	Remaining Recognition Period (Years)	Increase (Decrease) in Pension Expense Arising from the Recognition of the Differences between Projected and Actual Earnings on Pension Plan Investments						
			2017	2018	2019	2020	2021	2022	Thereafter
2014	\$(910,997,066)	2.0	\$(182,199,413)	\$(182,199,414)	\$0	\$0	\$0	\$0	\$0
2015	571,477,513	3.0	114,295,503	114,295,503	114,295,501	0	0	0	0
2016	772,867,770	4.0	154,573,554	154,573,554	154,573,554	154,573,554	0	0	0
2017	(448,702,781)	5.0	(89,740,556)	(89,740,556)	(89,740,556)	(89,740,556)	(89,740,557)	0	0
Net Increase (Decrease) in Pension Expense			\$(3,070,912)	\$(3,070,913)	\$179,128,499	\$64,832,998	\$(89,740,557)	\$0	\$0

Deferred Outflows of Resources and Deferred Inflows of Resources arising from Differences between Projected and Actual Earnings on Pension Plan Investments

Measurement Date	Investment Earnings less than Projected (a)	Investment Earnings greater than Projected (b)	Amounts Recognized in Pension Expense through June 30, 2017 (c)	Balances at June 30, 2017	
				Deferred Outflows of Resources (d) = (a) – (c)	Deferred Inflows of Resources (e) = (b) – (c)
2014	\$0	\$(910,997,066)	\$(728,797,652)	\$0	\$(182,199,414)
2015	571,477,513	0	342,886,509	228,591,004	0
2016	772,867,770	0	309,147,108	463,720,662	0
2017	0	(448,702,781)	(89,740,556)	0	(358,962,225)
				\$692,311,666	\$(541,161,639)
				Net Deferred Outflows/(Inflows) of Resources	
				(d) + (e)	
				\$151,150,027	

Note: GASB 68 paragraph 33 requires that deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual pension plan investment earnings in different measurement periods should be aggregated and reported as a net deferred outflow or inflow.

Summary of Recognized Deferred Outflows of Resources and Deferred Inflows of Resources

	Net Increase (Decrease) in Pension Expense						
	2017	2018	2019	2020	2021	2022	Thereafter
Changes of Assumptions	\$174,989,828	\$187,730,142	\$238,691,393	\$190,953,116	\$0	\$0	\$0
Differences between Expected and Actual Experience	(21,232,141)	(22,578,764)	(27,656,704)	(21,549,404)	0	0	0
Net Differences between Projected and Actual Earnings on Pension Plan Investments	(3,070,912)	(3,070,913)	179,128,499	64,832,998	(89,740,557)	0	0
Grand Total	\$150,686,775	\$162,080,465	\$390,163,188	\$234,236,710	\$(89,740,557)	\$0	\$0

APPENDIX B

INTEREST AND TOTAL PROJECTED EARNINGS

- **RISK POOL INTEREST ON TOTAL PENSION LIABILITY AND TOTAL PROJECTED EARNINGS**

Risk Pool Interest on Total Pension Liability and Total Projected Earnings

Interest on Total Pension Liability	Amount for Period (a)	Portion of Period (b)	Interest Rate (c)	Interest on the Total Pension Liability (a) X (b) X (c)
Beginning Total Pension Liability	\$14,397,353,530	100%	7.15%	\$1,029,410,777
Changes of Benefit Terms	1,932,029	100%	7.15%	138,140
Changes of Assumptions	907,027,295	100%	7.15%	64,852,452
Difference between Expected and Actual Experience	(102,359,669)	100%	7.15%	(7,318,716)
Service Cost	391,832,080	50%	7.15%	14,007,997
Benefit Payments, including Refunds of Employee Contributions	(656,846,259)	50%	7.15%	(23,482,254)
Total Interest on Total Pension Liability				\$1,077,608,396

Projected Earnings on Pension Plan Investments	Amount for Period (a)	Portion of Period (b)	Projected Rate of Return (c)	Projected Earnings (a) X (b) X (c)
Beginning Plan Fiduciary Net Position excluding Receivables ¹	\$10,897,593,482	100%	7.15%	\$779,177,934
Net Plan to Plan Resource Movement	(26,049,676)	50%	7.15%	(931,276)
Employer Contributions	456,855,300	50%	7.15%	16,332,577
Employee Contributions	168,218,719	50%	7.15%	6,013,819
Benefit Payments, including Refunds of Employee Contributions	(656,846,259)	50%	7.15%	(23,482,254)
Administrative Expense	(16,382,497)	50%	7.15%	(585,674)
Other Miscellaneous Income	0	50%	7.15%	0
Total Projected Earnings				\$776,525,126

¹ Contribution receivables for employee service buybacks, totaling \$(25,882,805) as of June 30, 2016, were excluded for purposes of calculating projected earnings on pension plan investments.

APPENDIX C

SCHEDULE OF COLLECTIVE PENSION AMOUNTS

- **SCHEDULE OF COLLECTIVE PENSION AMOUNTS FOR PERF C**

Schedule of Collective Pension Amounts for PERF C, as of the Measurement Date June 30, 2017

	Miscellaneous	Safety	Total
Total Pension Liability	\$16,016,547,402	\$21,144,800,930	\$37,161,348,332
Plan Fiduciary Net Position	\$12,074,499,781	\$15,169,595,595	\$27,244,095,376
Net Pension Liability	\$3,942,047,621	\$5,975,205,335	\$9,917,252,956
Deferred Outflows of Resources			
Changes of Assumptions	668,335,902	895,547,724	\$1,563,883,626
Differences Between Expected and Actual Experience	5,386,488	61,751,204	\$67,137,692
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	151,150,027	195,264,464	\$346,414,491
Total Deferred Outflows of Resources Excluding Employer Specific Amounts¹	824,872,417	1,152,563,392	\$1,977,435,809
Deferred Inflows of Resources			
Changes of Assumptions	(50,961,251)	(68,708,811)	(\$119,670,062)
Differences Between Expected and Actual Experience	(77,171,360)	(16,100,237)	(\$93,271,597)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	0	0	\$0
Total Deferred Inflows of Resources Excluding Employer Specific Amounts¹	(128,132,611)	(84,809,048)	(\$212,941,659)
Plan Pension Expense	\$719,747,608	\$821,201,709	\$1,540,949,317

¹ No adjustments have been made for employer specific amounts such as changes in proportion, differences between employer contributions and proportionate share of contributions, and contributions to the Plan subsequent to the measurement date as defined in paragraphs 54, 55, and 57 of GASB 68. Appropriate treatment of such amounts is the responsibility of the employer.