



# COUNTY OF YOLO

CalPERS Agent Multiple-Employer Defined Benefit  
Miscellaneous Pension Plan Schedule of Employer  
Allocations and Pension Amounts by Employer

For the Year Ended June 30, 2015

**COUNTY OF YOLO**

**CalPERS Agent Multiple-Employer Defined Benefit Miscellaneous Pension Plan Schedules of  
Employer Allocations and Pension Amounts by Employer  
For the Year Ended June 30, 2015**

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## **Independent Auditor's Report**

To the Honorable Board of Supervisors  
County of Yolo, California

We have audited the accompanying schedule of employer allocations of the County of Yolo (County) CalPERS agent multiple-employer defined benefit miscellaneous pension plan (the Plan) for the year ended June 30, 2015, and the related notes. We have also audited the net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense/(credit) (specified column totals) included in the accompanying schedule of pension amounts by employer of the Plan as of and for the year ended June 30, 2015, and the related notes.

### **Management's Responsibility for the Schedules**

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations for the year ended June 30, 2015, net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense/(credit) for the total of all participating entities of the Plan as of and for the year ended June 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

The financial schedules referred to above as of and for the year ended June 30, 2014 were audited by other auditors whose report thereon, dated February 19, 2016, expressed an unqualified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Restriction on Use**

Our report is intended solely for the information and use of County's management and the Plan employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California  
September 13, 2016

**COUNTY OF YOLO**

**CalPERS Agent Multiple-Employer Defined Benefit Miscellaneous Pension Plan  
Schedule of Employer Allocations**

**For the Year Ended June 30, 2015  
(With Comparative Totals for the Year Ended June 30, 2014)**

| Employer            | 2014                      |                                      | 2015                      |                                      |
|---------------------|---------------------------|--------------------------------------|---------------------------|--------------------------------------|
|                     | Employer<br>Contributions | Employer<br>Allocation<br>Percentage | Employer<br>Contributions | Employer<br>Allocation<br>Percentage |
| County of Yolo      | \$ 12,307,488             | 92.0594%                             | \$ 14,357,878             | 93.0079%                             |
| First 5 Yolo        | 102,512                   | 0.7668%                              | 79,185                    | 0.5129%                              |
| Yolo Habitat JPA    | 1,110                     | 0.0083%                              | -                         | 0.0000%                              |
| Yolo County LAFCO   | 32,469                    | 0.2429%                              | 27,370                    | 0.1773%                              |
| Yolo Superior Court | 925,489                   | 6.9226%                              | 972,841                   | 6.3019%                              |
| <b>Total</b>        | <b>\$ 13,369,068</b>      | <b>100.0000%</b>                     | <b>\$ 15,437,274</b>      | <b>100.0000%</b>                     |

The accompanying notes are an integral part of this schedule.

**COUNTY OF YOLO**

**CalPERS Agent Multiple-Employer Defined Benefit Miscellaneous Pension Plan  
Schedule of Pension Amounts by Employer**

**For the Year Ended June 30, 2015  
(With Comparative Net Pension Liability Total for the Year Ended June 30, 2014)**

| Employer            | As of and for the Year Ended June 30, 2015 |   |                       |                                      |   |  |                        |                       |                                     |   |   |  |
|---------------------|--|---|-----------------------|--------------------------------------|---|--|------------------------|-----------------------|-------------------------------------|---|---|--|
|                     | Deferred Outflows of Resources             |   |                       |                                      | Deferred Inflows of Resources                       |  |                        |                       | Pension Expenses                    |   |   |  |
|                     | Net Pension Liability as of June 30, 2014  | Net Pension Liability as of June 30, 2015 | Changes in Proportion | Total Deferred Outflows of Resources | Differences Between Expected and Actual Experiences | Net Difference Between Projected and Actual Earnings on Pension Plan Investments | Changes of Assumptions | Changes in Proportion | Total Deferred Inflows of Resources | Proportionate Share of Pension Expenses | Net Amortization of Deferred Amounts from Changes in Proportion | Total Employer Pension Expense/ (Credit) |
| County of Yolo      | \$ 149,431,120                             | \$ 157,075,681                            | \$ 538,318            | \$ 538,318                           | \$ 4,486,558  | \$ 3,586,317   | \$ 5,988,237           | \$ 200,240            | \$ 14,261,352                       | \$ 6,624,277                            | \$ (32,841)   | \$ 6,591,436                             |
| First 5 Yolo        | 1,244,672                                  | 866,207                                   | -                     | -                                    | 24,742  | 19,777   | 33,023                 | 197,680               | 275,222                             | 36,530                                  | (101,139)   | (64,609)                                 |
| Yolo Habitat JPA    | 13,473                                     | -   | -                     | -                                    | -   | -  | -                      | 30,640                | 30,640                              | -                                       | (28,104)  | (28,104)                                 |
| Yolo County LAFCO   | 394,276                                    | 299,432                                   | -                     | -                                    | 8,553   | 6,837  | 11,415                 | 33,937                | 60,742                              | 12,628                                  | (8,554)   | 4,074                                    |
| Yolo Superior Court | 11,236,787                                 | 10,642,916                                | -                     | -                                    | 303,994   | 242,997  | 405,743                | 75,821                | 1,028,555                           | 448,839                                 | 170,638   | 619,477                                  |
| <b>Total</b>        | <b>\$ 162,320,328</b>                      | <b>\$ 168,884,236</b>                     | <b>\$ 538,318</b>     | <b>\$ 538,318</b>                    | <b>\$ 4,823,847</b>                                 | <b>\$ 3,855,928</b>  | <b>\$ 6,438,418</b>    | <b>\$ 538,318</b>     | <b>\$ 15,656,511</b>                | <b>\$ 7,122,274</b>                     | <b>\$ -</b>   | <b>\$ 7,122,274</b>                      |

The accompanying notes are an integral part of this schedule.

## COUNTY OF YOLO

### CalPERS Agent Multiple-Employer Defined Benefit Miscellaneous Pension Plan Schedules of Employer Allocations and Pension Amounts by Employer For the Year Ended June 30, 2015

#### NOTE 1: PLAN DESCRIPTION

The County of Yolo (County) miscellaneous pension plan is an agent multiple-employer defined benefit pension plan (Plan) administered by the California Public Employees' Retirement System (CalPERS), which is treated as a cost-sharing multiple-employer defined benefit pension plan for those local governments that participate in the Plan. At June 30, 2015, participating local government employers consisted of the County of Yolo, First 5 Yolo, Yolo Habitat JPA, Yolo County LAFCO, and Yolo County Courts. First 5 Yolo, although a legally separate entity, is considered part of the County's reporting entity as a discretely-presented component unit of the County, and, therefore, included in the County's basic financial statements. Yolo Habitat JPA, Yolo County LAFCO, and Yolo County Courts are not considered to be part of the County's reporting entity.

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

##### Basis of Presentation and Basis of Accounting

Employers participating in the Plan are required to report pension information in their financial statements for years beginning on or after June 15, 2014, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68.) The schedule of employer allocations and schedule of pension amounts by employer (schedules) present selected information to provide employers with the required information for financial reporting related to the Plan.

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, 2014                 |
| Measurement Date   | June 30, 2015                 |
| Measurement Period | July 1, 2014 to June 30, 2015 |

The accompanying schedules were prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations.

##### Use of Estimates in the Preparation of Financial Schedules

The preparation of the schedules in conformity with U.S generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts during the reporting period. Actual results could differ from those estimates.

#### NOTE 3: PROPORTIONATE SHARES

For the Plan, employer contributions are used as the basis for determining each employer's proportion of pension amounts. The employer's proportion may be applied to the total amounts reported in the schedule of pension amounts by employer to determine the employer's proportionate share of the amounts.

**COUNTY OF YOLO**

**CalPERS Agent Multiple-Employer Defined Benefit Miscellaneous Pension Plan Schedules of  
Employer Allocations and Pension Amounts by Employer  
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**NOTE 4: ACTUARIAL METHODS AND ASSUMPTIONS**

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

The components of the Plan net pension liability as of June 30, 2014 and 2015 are as follows:

|                                    | <u>2014</u>           | <u>2015</u>           |
|------------------------------------|-----------------------|-----------------------|
| Total pension liability            | \$ 597,368,338        | \$ 604,424,800        |
| Less: Plan fiduciary net position  | <u>435,048,010</u>    | <u>435,540,564</u>    |
| Net pension liability of employers | <u>\$ 162,320,328</u> | <u>\$ 168,884,236</u> |

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability using standard roll-forward procedures. The June 30, 2015 total pension liabilities for the Plan were based on the following actuarial methods and assumptions:

|                                   |   |
|-----------------------------------|---|
| Actuarial Cost Method:            | Entry age normal in accordance with the requirements of GASB Statement No. 68   |
| Actuarial Assumptions:            |   |
| Discount Rate:                    | 7.50%   |
| Inflation:                        | 2.75%   |
| Salary Increases:                 | Varies by entry age and service   |
| Investment Rate of Return:        | 7.50% net of pension plan investment and administrative expenses; includes inflation                                      |
| Mortality Rate Table*:            | Derived using CalPERS' membership data for all funds  |
| Post Retirement Benefit Increase: | Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter |

\* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long- term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.



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**CalPERS Agent Multiple-Employer Defined Benefit Miscellaneous Pension Plan Schedules of  
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**NOTE 4: ACTUARIAL METHODS AND ASSUMPTIONS** (continued)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this actuarial valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Plan. However, employers may determine the impact for their own financial reporting purposes. Refer to the Sensitivity of the Net Pension Liability to Changes in the Discount Rate section that follows.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require CalPERS Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as it has changed its methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

| Asset Class                   | Strategic Allocation | Real Return Years 1-10 <sup>(1)</sup> | Real Return Years 11-60 <sup>(2)</sup> |
|-------------------------------|----------------------|---------------------------------------|--|
| Global Equity                 | 47.0%                | 5.25%                                 | 5.71%                                  |
| Global Fixed Income           | 19.0                 | 0.99                                  | 2.43                                   |
| Inflation Sensitive           | 6.0                  | 0.45                                  | 3.36                                   |
| Private Equity                | 12.0                 | 6.83                                  | 6.95                                   |
| Real Estate                   | 11.0                 | 4.50                                  | 5.13                                   |
| Infrastructure and Foresrland | 3.0                  | 4.50                                  | 5.09                                   |
| Liquidity                     | 2.0                  | (0.55)                                | (1.05)                                 |

<sup>(1)</sup> An expected inflation rate of 2.5% used for this period

<sup>(2)</sup> An expected inflation rate of 3.0% used for this period

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**NOTE 4: ACTUARIAL METHODS AND ASSUMPTIONS** (continued)

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

The following presents the net pension liability as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

|                              | Discount Rate<br>-1% (6.50%) | Rate (7.50%)   | Discount Rate<br>+1 (8.50%) |
|------------------------------|------------------------------|----------------|-----------------------------|
| Plan's Net Pension Liability | \$ 248,003,702               | \$ 168,884,236 | \$ 103,372,350              |

**Amortization of Deferred Outflows and Deferred Inflows of Resources**

The net difference between projected and actual earnings on pension plan investments is amortized over a 5-year period on a straight-line basis. One-fifth was recognized in pension expense during the measurement period, and the remaining net difference between projected and actual earnings on pension plan investments at June 30, 2015 is to be amortized over the remaining 4-year period.

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years of all employees that are provided with pensions through the plan by the total number of participants (active, inactive, and retired) in the plan. The EARSL for the 2015 measurement period is 2.6 years, which was obtained by dividing the total service years of 11,438 (the sum of remaining service lifetimes of the active employees) by 4,326 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0, and total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund. The EARSL is used to amortize deferred outflows of resources and deferred inflows of resources related to changes of proportion.

The schedule of pension amounts by employer does not reflect employer-specific amounts such as differences between actual contributions and allocated contributions during the measurement period, employer-paid member contributions, and contributions to the plan subsequent to the measurement date as defined in GASB Statement No. 68 paragraphs 55 and 57. Appropriate treatment of such amounts is the responsibility of the employers.

Deferred outflows of resources and deferred inflows of resources will be recognized as pension expense as follows:

| Fiscal Year<br>Ending<br>June 30 | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
|----------------------------------|--------------------------------------|-------------------------------------|
| 2017                             | \$ 4,628,016                         | \$ 14,494,912                       |
| 2018                             | 4,628,016                            | 11,679,346                          |
| 2019                             | 4,628,016                            | 7,455,998                           |
| 2020                             | 4,628,017                            | -                                   |
| Total                            | <u>\$ 18,512,065</u>                 | <u>\$ 33,630,256</u>                |

**COUNTY OF YOLO**

**CalPERS Agent Multiple-Employer Defined Benefit Miscellaneous Pension Plan Schedules of  
Employer Allocations and Pension Amounts by Employer  
For the Year Ended June 30, 2015**

**NOTE 5: ADDITIONAL FINANCIAL AND ACTUARIAL INFORMATION**

Additional financial and actuarial information required for GASB 68 disclosures is located in the separately issued financial report for the CalPERS Agent Multiple-Employer Defined Benefit Pension Plan Schedule of Changes in Fiduciary Net Position by Rate Plan for the fiscal year ended June 30, 2015 and the CalPERS' GASB 68 Accounting Valuation Report for the Plan, which are available upon request from the County.