COUNTY OF YOLO, CALIFORNIA

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

For the Year Ended June 30, 2016

County of Yolo, California
CalPERS Agent Multiple-Employer Defined Benefit Miscellaneous Pension Plan Schedule of Employer Allocations and Pension Amounts By Employer

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For the Year Ended June 30, 2016

INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Supervisors
County of Yolo, California

Report on Schedules

We have audited the accompanying schedule of employer allocations of the County of Yolo, California, (County) CalPERS agent multiple-employer defined benefit miscellaneous pension plan (the Plan) as of and for the year ended June 30, 2016, and the related notes. We have also audited the totals for all entities of the columns titled 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, 2016, 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.

Auditors' 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.

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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 and 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, 2016, 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, 2015 were audited by other auditors whose report thereon, dated September 13, 2016, expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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, Board of Supervisors, Plan employers, and their auditors and is not intended to be and should not be used by anyone other than these specified parties

Vavrinek, Trine, Day & Co. LLP

Sacramento, California
August 31, 2017

COUNTY OF YOLO
CALPERS AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT
MISCELLANEOUS PENSION PLAN
SCHEDULE OF EMPLOYER ALLOCATIONS
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	2016		2015	
Employer	Employer Contributions	Employer Allocation Percentage	Employer Contributions	Employer Allocation Percentage
County of Yolo	$ 16,256,485	92.9019%	$ 14,357,878	93.0079%
First 5 Yolo	86,150	0.4923%	79,185	0.5129%
Yolo Habitat JPA	-	0.0000%	-	0.0000%
Yolo County LAFCO	48,648	0.2780%	27,370	0.1773%
Yolo Superior Court	1,107,282	6.3278%	972,841	6.3019%
Total	$ 17,498,565	100.0000%	$ 15,437,274	100.0000%

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, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

As of and for the Year Ended June 30, 2016

			Deferred Outflow of Resources				Deferred Inflows of Resources					Pension Expense (Credit)		
Employer	Net Pension Liability as of June 30, 2015	Net Pension Liability as of June 30, 2016	Changes in Proportion	Differences Between Expected and Actual Experiences	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	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	$ 157,075,681	$ 192,912,438	$ 709,579	$ 3,715,465	$ 35,677,503	$ 40,102,547	$ 1,680,541	$ 13,853,527	$ 2,243,030	$ 414,389	$ 18,191,487	$ 16,467,928	$ (96,065)	$ 16,371,863
First 5 Yolo	866,207	1,022,270	-	19,689	189,060	208,749	8,905	73,412	11,886	136,949	231,152	87,266	(134,404)	(47,138)
Yolo Habitat JPA	-	-	-	-	-	-	-	-	-	3,681	3,681	-	(32,810)	(32,810)
Yolo County LAFCO	299,432	577,272	90,028	11,118	106,762	207,908	5,029	41,455	6,712	-	53,196	49,279	55,403	104,682
Yolo Superior Court	10,642,916	13,139,788	-	253,070	2,430,091	2,683,161	114,467	943,601	152,779	244,588	1,455,435	1,121,675	207,876	1,329,551
Total	$ 168,884,236	$ 207,651,768	$ 799,607	$ 3,999,342	$ 38,403,416	$ 43,202,365	$ 1,808,942	$ 14,911,995	$ 2,414,407	$ 799,607	$ 19,934,951	$ 17,726,148	$ -	$ 17,726,148

The accompanying notes are an integral part of this schedule

COUNTY OF YOLO
CALPERS AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT
MISCELLANEOUS PENSION PLAN
NOTES TO THE SCHEDULES OF EMPLOYER ALLOCATIONS AND PENSION AMOUNTS BY EMPLOYER
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS 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, 2016, 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 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, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

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.

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, 2015 and 2016 are as follows:

	2015	2016
Total pension liability	$ 604,424,800	$ 637,173,238
Less: Plan fiduciary net position	435,540,564	429,521,470
Net pension liability of employers	$ 168,884,236	$ 207,651,768

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability using standard roll-forward procedures. The June 30, 2016 total pension liabilities for the Plan were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount Rate:	7.65%
Inflation:	2.75%
Salary Increases:	Varies by Entry Age and Service
Investment Rate of Return:	7.65%
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, 2015 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 on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

NOTE 4: ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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.

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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 (PERF) 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. The target allocation shown below was adopted by the Board effective on July 1, 2015.

Asset Class	Target Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	(0.55%)	(1.05%)
Total	100.0%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

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 7.65 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 (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	(6.65%)	(7.65%)	(8.65%)
Net Pension Liability	$ 290,595,257	$ 207,651,768	$ 138,900,215

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, 2016 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 2016 measurement period is 2.8 years, which was obtained by dividing the total service years of 12,336 (the sum of remaining service lifetimes of the active employees) by 4,462 (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.

NOTE 4: ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

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

Employer Fiscal Year Ending June 30		
2018	$	1,300,369
2019		5,079,345
2020		10,757,859
2021		6,129,841
Total	$	23,267,414

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, 2016 and the CalPERS' GASB 68 Accounting Valuation Report for the Miscellaneous Plan, which are available upon request from the County.

NOTE 6: SUBSEQUENT EVENT

On December 21, 2016, the California Public Employee's Retirement System (CalPERS) Board of Administration voted to lower the discount rate from 7.65 percent to 7.37 percent in FY 2017-2018, to 7.25 percent in FY 2018-19, and 7.00 percent in FY 2019-2020. The board approved separate timeless for implementing the new rate for state, school, and public agencies. The new discount rate for the state would go into effect July 1, 2017. The new discount rate for the school districts and public agencies would take effect July 1, 2018.