Marin County Employees' Retirement Association

GASB 67/68 Report as of June 30, 2014

Produced by Cheiron

Revised
April 2015

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LETTER OF TRANSMITTAL

April 21, 2015

Board of Retirement
Marin County Employees' Retirement Association
1 McInnis Parkway, Suite 100
San Rafael, CA 94903-2764

Dear Members of the Board:

The purpose of this report is to provide accounting and financial reporting information under GASB 67 for the Marin County Employees' Retirement Association (MCERA) and under GASB 68 for the County of Marin and the other participating employers. This report is for the use of MCERA, the participating employers 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 MCERA, nor is it intended to benefit any third 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 MCERA. 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, MAAA
Consulting Actuary

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 Marin 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 67. The Marin County Employees' Retirement Association (MCERA) is a cost-sharing multiple-employer pension plan with a reporting date of June 30, 2014. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2014, and the Total Pension Liability as of the valuation date, June 30, 2013, updated to June 30, 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 June 30, 2013. 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.

SECTION I
BOARD SUMMARY

Table I-1
Summary of Collective Results

	Measurement Date 6/30/2014		Measurement Date 6/30/2013	
Collective Net Pension Liability	$	247,139,442	$	436,034,122
Collective Deferred Inflows		144,585,392		0
Collective Deferred Outflows		0		0
Collective Net Impact on Statement of Net Position	$	391,724,834	$	436,034,122
Collective Pension Expense ($ Amount)	$	30,087,467		N/A
Collective Pension Expense (% of Payroll)		13.78%		N/A

Under GASB Statement 27, Marin County and the other participating employers (i.e. Special Districts) each reported a Net Pension Obligation no greater than $0; the County actually reported a Net Pension Asset of $65,802,900 as of June 30, 2013. If the County and the other employers elect to use June 30, 2014 as their initial measurement date under GASB 68, any Net Pension Asset would be reversed and a Net Pension Liability of $436,034,122 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 $247,139,442 and Deferred Inflows of $144,585,392. Consequently, the net impact on the County and other employers' Statement of Net Position due to MCERA would be $391,724,834 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 June 30, 2014, the collective annual pension expense is $30,087,467 or 13.78% of payroll. This amount is not expected to be the same as the employers' contribution to MCERA ($74,396,755), but instead represents the change in the net impact on the employers' Statement of Net Position plus employer contributions ($391,724,834 – 436,034,122 + $74,396,755). A breakdown of the components of the net pension expense, in total and for each employer, is shown in this report.

If the County and the other employers elect to use June 30, 2015 as their initial measurement date under GASB 68, any Net Pension Assets would be eliminated and a Net Pension Liability of $247,139,442 would be recognized as of the beginning of the reporting year, to be split among the participating employers based on their Proportionate Shares. The NPL and Deferred Inflows and Outflows at the end of the reporting year and the collective annual pension expense would be determined by the measurements as of June 30, 2015.

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 from 2008 amortized over a closed period (25 years remaining as of the June 30, 2013 actuarial valuation) and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (17 years remaining as of the June 30, 2013 actuarial valuation).

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 MCERA at the beginning of the measurement year is measured as of a valuation date of June 30, 2013. The TPL at the end of the measurement year, June 30, 2014, is measured as of a valuation date of June 30, 2013 and projected to June 30, 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.

Table III-1
Projection of Total Pension Liability

Discount Rate	6.50%	7.50%	8.50%
Total Pension Liability, 6/30/2013			
Actives	$ 864,552,763	$ 740,762,844	$ 639,440,570
Deferred Vested	98,033,555	83,367,415	71,762,337
Retirees	1,467,363,256	1,332,448,104	1,218,285,707
Total	$ 2,429,949,574	$ 2,156,578,363	$ 1,929,488,614
Service Cost	61,175,725	49,014,858	39,671,027
Interest	156,405,934	159,521,975	161,105,862
Benefit Payments	(109,342,861)	(109,342,861)	(109,342,861)
Change in Benefits	0	0	0
Change in Assumptions	0	0	0
Other Significant Events	0	0	0
Total Pension Liability, 6/30/2014	$ 2,538,188,372	$ 2,255,772,335	$ 2,020,922,642

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.

Table IV-1
Change in Collective Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at 6/30/2013	**$ 2,156,578,363**	**$ 1,720,544,241**	**$ 436,034,122**
Changes for the year:			
Service cost	49,014,858		49,014,858
Interest	159,521,975		159,521,975
Changes of benefits			
Changes of assumptions			
Differences between expected and actual experience			
Contributions - employer		74,396,755	(74,396,755)
Contributions - member		18,536,135	(18,536,135)
Net investment income		309,002,468	(309,002,468)
Benefit payments	(109,342,861)	(109,342,861)	
Administrative expense		(4,503,845)	4,503,845
Net changes	**99,193,972**	**288,088,652**	**(188,894,680)**
Balances at 6/30/2014	**$ 2,255,772,335**	**$ 2,008,632,893**	**$ 247,139,442**

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.

Total contributions and investment income exceeded the service cost, interest cost and administrative expenses, resulting in a decrease in the Net Pension Liability (NPL) of approximately $188.9 million. The NPL remaining as of June 30, 2014, is approximately $247.1 million.

The TPL as of June 30, 2013 was based upon the same data, actuarial methods and assumptions, and plan provisions as were used in the actuarial valuation as of June 30, 2013, and which are summarized in the Actuarial Valuation Report as of June 30, 2013. The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2011. A summary of the key assumptions is as follows:

- Inflation: 3.25%
- Amortization growth rate: 3.25%
- Salary increases: 3.25% plus merit component

SECTION IV
NOTE DISCLOSURES

- COLA increases:
  - 3.0% for those with a 4% COLA cap,
  - 2.7% for those with a 3% COLA cap, and
  - 1.9% for those with a 2% COLA cap
- Investment rate of return: 7.50%, net of investment expense
- Post-Retirement Mortality: Sex distinct RP-2000 Combined Mortality, projected to 2010 using Scale AA, with ages set back one year for male members and two years for female members.

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.

Table IV-2
Sensitivity of Net Pension Liability to Changes in Discount Rate

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Total Pension Liability	$ 2,538,188,372	$ 2,255,772,335	$ 2,020,922,642
Plan Fiduciary Net Position	2,008,632,893	2,008,632,893	2,008,632,893
Collective Net Pension Liability	$ 529,555,479	$ 247,139,442	$ 12,289,749
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.1%	89.0%	99.4%

A one percent decrease in the discount rate increases the TPL by approximately 13% and increases the NPL by approximately 114%. A one percent increase in the discount rate decreases the TPL by approximately 10% and decreases the NPL by approximately 95%.

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.

Table V-1
Schedule of Changes in Collective Net Pension Liability and Related Ratios

		FYE 2014
Total Pension Liability		
Service cost (MOY)	$	49,014,858
Interest (includes interest on service cost)		159,521,975
Changes of benefit terms		
Differences between expected and actual experience		
Changes of assumptions		
Benefit payments, including refunds of member contributions		(109,342,861)
Net change in total pension liability		**99,193,972**
Total pension liability - beginning		**2,156,578,363**
Total pension liability - ending	**$**	**2,255,772,335**
Plan fiduciary net position		
Contributions - employer	$	74,396,755
Contributions - member		18,536,135
Net investment income		309,002,468
Benefit payments, including refunds of member contributions		(109,342,861)
Administrative expense		(4,503,845)
Net change in plan fiduciary net position	$	288,088,652
Plan fiduciary net position - beginning		**1,720,544,241**
Plan fiduciary net position - ending	**$**	**2,008,632,893**
Net pension liability - ending	**$**	**247,139,442**
Plan fiduciary net position as a percentage of the total pension liability		**89.04%**
Covered employee payroll	$	218,340,721
Net pension liability as a percentage of covered employee payroll		113.19%

SECTION V
REQUIRED SUPPLEMENTARY INFORMATION

Table V-2 below shows the schedule of the NPL and the related ratios. The ratios include the relationship between the Plan Fiduciary Net Position and the TPL (sometimes referred to as the funded ratio), and the NPL as a percentage of payroll.

Table V-2
Schedule of the Collective Net Pension Liability

	6/30/2014	6/30/2013
Total pension liability	$ 2,255,772,335	$ 2,156,578,363
Plan fiduciary net position	2,008,632,893	1,720,544,241
Collective net pension liability	**$ 247,139,442**	**$ 436,034,122**
Plan fiduciary net position as a percentage of the total pension liability	89.04%	79.78%
Covered employee payroll	$ 218,340,721	$ 211,001,594
Net pension liability as a percentage of covered employee payroll	113.19%	206.65%

If an Actuarially Determined Contribution is calculated, the following schedule (Table V-3) is required. An Actuarially Determined Contribution is a contribution amount determined in accordance with Actuarial Standards of Practice. The full 10 years of information should be shown in this schedule if it is available. Because prior contribution amounts were determined in accordance with Actuarial Standards of Practice, the full 10-year schedule is provided.

SECTION V
REQUIRED SUPPLEMENTARY INFORMATION

Table V-3
Schedule of Employer Contributions
Last 10 Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially Determined Contribution	$ 74,076,755	$ 69,853,000	$ 64,690,000	$ 64,757,000	$ 56,271,000	$ 54,555,000	$ 58,090,000	$ 57,215,000	$ 43,627,000	$ 32,081,000
Contributions in Relation to the Actuarially Determined Contribution	74,076,755	69,853,000	64,690,000	64,757,000	56,271,000	54,555,000	58,090,000	57,215,000	43,627,000	32,081,000
Contribution Deficiency/(Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-Employee Payroll[1]	$ 218,340,721	$ 211,001,594	$216,515,000	$215,969,000	$ 219,556,000	$ 214,449,000	$197,238,000	$186,123,000	$177,518,000	$ 180,022,000
Contributions as a Percentage of Covered-Employee Payroll	33.93%	33.11%	29.88%	29.98%	25.63%	25.44%	29.45%	30.74%	24.58%	17.82%

[1]Payroll amounts are based on projected payroll from the actuarial valuation reports, which can be updated with actual amounts by Plan for the final disclosure, if available.

Notes to Schedule

Valuation Date	6/30/2012 (to determine FY2013-14 contribution)
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 FY2013-14):

Actuarial cost method	Entry Age
Asset valuation method	5-year smoothed market, 80% / 120% corridor around market
Amortization method	Level percentage of payroll (17 years remaining as of 6/30/12) with separate periods for Extraordinary Actuarial Gains or Losses (27 years as of 6/30/12)
Discount rate	7.50%
Amortization growth rate	3.50%
Price inflation	3.25%
Salary increases	3.25% plus merit component based on employee classification and years of service
Healthy Mortality	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with ages set back one year for male members and two years for female members
Disabled Mortality	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with ages set forward three years for all members

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2014 can be found in the June 30, 2012 actuarial valuation report.

SECTION VI
EMPLOYER REPORTING AMOUNTS

The MCERA 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 either the June 30, 2014 or 2015 measurement dates. The schedules in this section are provided in the event the employers either elect to implement GASB 68 early or elect to use the 2014 measurement date for their 2015 reporting. First, the collective amounts for MCERA 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 members of the Plan. As of the measurement date, this recognition period was four 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 gain of approximately $180.7 million. Approximately $36.1 million of that gain was recognized in the current year and an identical amount will be recognized in each of the next four years, resulting in a deferred inflow of resources of approximately $144.6 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.

Table VI-1
Schedule of Collective Deferred Inflows and Outflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ 0
Changes in assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	0	144,585,392
Total	**$ 0**	**$ 144,585,392**

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

Year ended June 30:	
2015	(36,146,348)
2016	(36,146,348)
2017	(36,146,348)
2018	(36,146,348)
2019	0
Thereafter	$ 0

SECTION VI
EMPLOYER REPORTING AMOUNTS

The collective annual pension expense recognized in aggregate by the participating employers of MCERA 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 MCERA 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.

Table VI-2
Calculation of Collective Pension Expense

Change in Net Pension Liability	$	(188,894,680)
Change in Deferred Outflows		0
Change in Deferred Inflows		144,585,392
Employer Contributions		74,396,755
Pension Expense	**$**	**30,087,467**
Pension Expense as % of Payroll		**13.78%**
Operating Expenses		
Service cost	$	49,014,858
Employee contributions		(18,536,135)
Administrative expenses		4,503,845
Total	$	34,982,568
Financing Expenses		
Interest cost	$	159,521,975
Expected return on assets		(128,270,728)
Total	$	31,251,247
Changes		
Benefit changes	$	0
Recognition of assumption changes		0
Recognition of liability gains and losses		0
Recognition of investment gains and losses		(36,146,348)
Total	$	(36,146,348)
Pension Expense	**$**	**30,087,467**

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 MCERA 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 MCERA is a Cost-sharing Multiple-employer Pension Plan, each employer participating in MCERA 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, MCERA is following the advice of the AICPA[1] 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 Amounts based on each employer's share of the Unfunded Liability. In Table VI-3, each employer's amortization share as of June 30, 2014 is determined by calculating the proportion of Unfunded Liability for each employer, from the most recent actuarial valuation report (the report as of June 30, 2013). Because this is the first report under the new standards, we have also included the Proportionate Shares as of June 30, 2013 in Table VI-3 – using the prior year's Unfunded Liabilities from the Actuarial Valuation as of June 30, 2012.

[1]http://www.aicpa.org/interestareas/governmentalauditquality/resources/gasbmatters/downloadabledocuments/aicpaslgep_cs_er_reporting_whitepaper.pdf

SECTION VI
EMPLOYER REPORTING AMOUNTS

Table VI-3
Determination of Employers' Proportionate Share

Employer	June 30, 2013 Unfunded Liability (from the June 30, 2012 Actuarial Valuation)	June 30, 2013 Proportionate Share	June 30, 2014 Unfunded Liability (from the June 30, 2013 Actuarial Valuation)	June 30, 2014 Proportionate Share
County	$ 356,332,462	59.8933%	$ 308,486,198	57.4629%
LAFCO	396,214	0.0666%	402,897	0.0750%
Marin City	339,722	0.0571%	325,503	0.0606%
Mosquito District	6,122,906	1.0292%	7,338,767	1.3670%
South Marin Fire	8,873,216	1.4914%	8,352,522	1.5559%
Tamalpais CSD	2,120,928	0.3565%	2,233,810	0.4161%
Courts	16,348,327	2.7479%	15,792,965	2.9418%
City of San Rafael	170,467,711	28.6527%	161,296,968	30.0453%
Novato Fire	33,943,565	5.7053%	32,615,500	6.0754%
Total	**$ 594,945,051**	**100.0000%**	**$ 536,845,130**	**100.0000%**

SECTION VI
EMPLOYER REPORTING AMOUNTS

Tables VI-4a and VI-4b present the collective Net Pension Liability as of June 30, 2014, and June 30, 2013, respectively (including the NPL amounts under the alternative discount rates for June 30, 2014); allocated using the Proportionate Share amounts shown in the previous schedules. The payroll amounts shown in these schedules are the projected payroll amounts from the actuarial valuation reports; these may be updated for the actual covered payroll amounts by employer, if the information is available.

Table VI-4a
Schedule of Employers' Proportionate Share of Collective Net Pension Liability

Employer	June 30, 2014 Proportionate Share	Share of NPL @ 6.50%	Share of NPL @ 8.50%	Share of NPL @ 7.50%	Payroll	Share NPL as % Payroll
County	57.4629%	$ 304,297,935	$ 7,062,046	$ 142,013,489	$ 160,513,845	88%
LAFCO	0.0750%	397,167	9,217	185,355	192,619	96%
Marin City	0.0606%	320,911	7,448	149,767	274,241	55%
Mosquito District	1.3670%	7,239,023	168,001	3,378,396	3,371,543	100%
South Marin Fire	1.5559%	8,239,354	191,216	3,845,243	4,640,149	83%
Tamalpais CSD	0.4161%	2,203,480	51,138	1,028,347	760,797	135%
Courts	2.9418%	15,578,463	361,540	7,270,348	8,399,071	87%
City of San Rafael	30.0453%	159,106,532	3,692,492	74,253,787	31,429,178	236%
Novato Fire	6.0754%	32,172,614	746,651	15,014,710	8,759,278	171%
Total	**100.0000%**	**$ 529,555,479**	**$ 12,289,749**	**$ 247,139,442**	**$ 218,340,721**	**113%**

SECTION VI
EMPLOYER REPORTING AMOUNTS

Table VI-4b
Schedule of Employers' Proportionate Share of Collective Net Pension Liability

	June 30, 2013			
Employer	**Proportionate Share**	**Share of NPL**	**Payroll**	**Share NPL as % Payroll**
County	59.8933%	$ 261,155,224	$ 153,653,409	170%
LAFCO	0.0666%	290,399	177,152	164%
Marin City	0.0571%	248,975	288,314	86%
Mosquito District	1.0292%	4,487,663	3,104,760	145%
South Marin Fire	1.4914%	6,503,013	4,275,859	152%
Tamalpais CSD	0.3565%	1,554,462	749,696	207%
Courts	2.7479%	11,981,782	8,233,872	146%
City of San Rafael	28.6527%	124,935,549	31,182,284	401%
Novato Fire	5.7053%	24,877,055	9,336,248	266%
Total	**100.0000%**	**$ 436,034,122**	**$ 211,001,594**	**207%**

SECTION VI
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-3). 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 6/30/2014

		Proportionate Share of Deferred Outflows			Proportionate Share of Deferred Inflows		
Employer	Proportionate Shares	Experience	Assumption Changes	Investment Return	Experience	Assumption Changes	Investment Return
County	57.4629%	$ 0	$ 0	$ 0	$ 0	$ 0	$ 83,082,959
LAFCO	0.0750%	0	0	0	0	0	108,439
Marin City	0.0606%	0	0	0	0	0	87,619
Mosquito District	1.3670%	0	0	0	0	0	1,976,482
South Marin Fire	1.5559%	0	0	0	0	0	2,249,604
Tamalpais CSD	0.4161%	0	0	0	0	0	601,620
Courts	2.9418%	0	0	0	0	0	4,253,413
City of San Rafael	30.0453%	0	0	0	0	0	43,441,115
Novato Fire	6.0754%	0	0	0	0	0	8,784,141
Total	**100.0000%**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 144,585,392**

SECTION VI
EMPLOYER REPORTING AMOUNTS

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 (four years for the FY2014 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 Outflow 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.

Table VI-6
Schedule of Employers' Changes in Proportion

	Proportionate Shares		Impact of Change in Proportion			Recognition of Proportion Change for FYE 2014		
Employer	**6/30/2013**	**6/30/2014**	**Deferred Outflows**	**Deferred Inflows**	**Net Pension Liability**	**Pension Expense**	**Deferred Outflows**	**Deferred Inflows**
County	59.8933%	57.4629%			$ (10,597,372)	$ (2,649,344)	$ 0	$ 7,948,028
LAFCO	0.0666%	0.0750%			36,627	9,157	27,470	0
Marin City	0.0571%	0.0606%			15,261	3,815	11,446	0
Mosquito District	1.0292%	1.3670%			1,472,923	368,231	1,104,692	0
South Marin Fire	1.4914%	1.5559%			281,242	70,311	210,931	0
Tamalpais CSD	0.3565%	0.4161%			259,876	64,969	194,907	0
Courts	2.7479%	2.9418%			845,470	211,368	634,102	0
City of San Rafael	28.6527%	30.0453%			6,072,211	1,518,053	4,554,158	0
Novato Fire	5.7053%	6.0754%			1,613,762	403,441	1,210,321	0
Total	**100.0000%**	**100.0000%**			**$ 0**	**$ 1**	**$ 7,948,027**	**$ 7,948,028**

Note that the Change in Proportion, this year does not affect the Deferred Outflows or Inflows, because there are no deferred amounts as of June 30, 2013.

SECTION VI
EMPLOYER REPORTING AMOUNTS

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, a portion of the excess will be recognized in the current year as an increase to the employer's Pension Expense, with the remainder acting as Deferred Outflow 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 an offset to current and future years' Pension Expense.

Table VI-7
Schedule of Employers' Differences Between Actual Contributions and Proportionate Share of Contributions

	Contributions			Recognition of Contribution Difference for FYE 2014		
Employer	**Actual**	**Proportionate Share**	**Difference**	**Pension Expense**	**Deferred Outflows**	**Deferred Inflows**
County	$ 47,167,333	$ 42,750,533	$ 4,416,800	$ 1,104,200	$ 3,312,600	$ 0
LAFCO	43,313	55,798	(12,485)	(3,121)	0	9,364
Marin City	51,359	45,084	6,275	1,569	4,706	0
Mosquito District	865,130	1,017,004	(151,874)	(37,969)	0	113,905
South Marin Fire	1,889,301	1,157,539	731,762	182,941	548,821	0
Tamalpais CSD	330,830	309,565	21,265	5,316	15,949	0
Courts	2,156,006	2,188,604	(32,598)	(8,150)	0	24,448
City of San Rafael	17,548,222	22,352,728	(4,804,506)	(1,201,127)	0	3,603,379
Novato Fire	4,345,261	4,519,900	(174,639)	(43,660)	0	130,979
Total	**$ 74,396,755**	**$ 74,396,755**	**$ 0**	**$ (1)**	**$ 3,882,076**	**$ 3,882,075**

SECTION VI
EMPLOYER REPORTING AMOUNTS

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 would represent increases in the employer's Pension Expense in future years; negative amounts – as currently shown below – will recognized as reductions or offsets in future years' Pension Expense.

Table VI-8
Schedule of Employers' Proportionate Share of Deferred Outflows and Deferred Inflows at 6/30/2014

	Proportionate Share of Recognition for FYE					
Employer	**2015**	**2016**	**2017**	**2018**	**2019**	**Thereafter**
County	$ (22,315,884)	$ (22,315,884)	$ (22,315,880)	$ (20,770,740)	$ 0	$ 0
LAFCO	(21,074)	(21,074)	(21,076)	(27,110)	0	0
Marin City	(16,521)	(16,521)	(16,521)	(21,905)	0	0
Mosquito District	(163,859)	(163,859)	(163,858)	(494,121)	0	0
South Marin Fire	(309,149)	(309,149)	(309,153)	(562,401)	0	0
Tamalpais CSD	(80,120)	(80,120)	(80,119)	(150,405)	0	0
Courts	(860,135)	(860,135)	(860,135)	(1,063,353)	0	0
City of San Rafael	(10,543,353)	(10,543,353)	(10,543,352)	(10,860,279)	0	0
Novato Fire	(1,836,254)	(1,836,254)	(1,836,255)	(2,196,035)	0	0
Total	**$ (36,146,349)**	**$ (36,146,349)**	**$ (36,146,349)**	**$ (36,146,349)**	**$ 0**	**$ 0**

SECTION VI
EMPLOYER REPORTING AMOUNTS

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.

Table VI-9
Schedule of Employers' Pension Expense for the Measurement Year Ending 6/30/2014

Employer	Proportionate Shares	Collective Pension Expense	Change in Proportion	Contribution Difference	Prior Periods	Employer Pension Expense
County	57.4629%	$ 17,289,129	$ (2,649,344)	$ 1,104,200		$ 15,743,985
LAFCO	0.0750%	22,566	9,157	(3,121)		28,602
Marin City	0.0606%	18,234	3,815	1,569		23,618
Mosquito District	1.3670%	411,296	368,231	(37,969)		741,558
South Marin Fire	1.5559%	468,131	70,311	182,941		721,383
Tamalpais CSD	0.4161%	125,194	64,969	5,316		195,479
Courts	2.9418%	885,113	211,368	(8,150)		1,088,331
City of San Rafael	30.0453%	9,039,870	1,518,053	(1,201,127)		9,356,796
Novato Fire	6.0754%	1,827,934	403,441	(43,660)		2,187,715
Total	**100.0000%**	**$ 30,087,467**	**$ 1**	**$ (1)**	**$ 0**	**$ 30,087,467**

There are currently 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. **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.

4. **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.

5. **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.

6. **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 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.

APPENDIX A
GLOSSARY OF TERMS

7. 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.

8. 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.

9. Plan Fiduciary Net Position

The fair or market value of assets.

10. 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.

11. Reporting Date

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

12. 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.

13. 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.