



STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

For Employer Reporting as of June 30, 2017
Using a Measurement Date of June 30, 2016

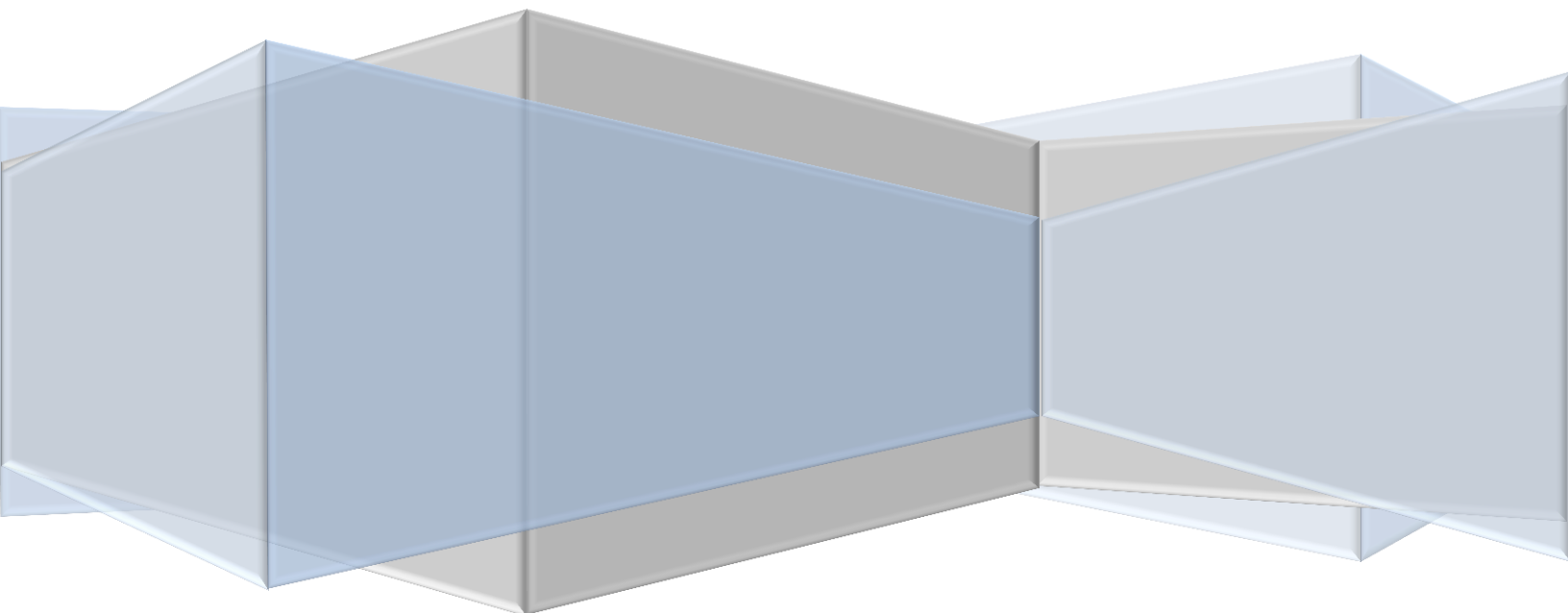


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BROWN
ARMSTRONG

CERTIFIED
PUBLIC
ACCOUNTANTS

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Internal Governance Committee and Board of Retirement of
Stanislaus County Employees' Retirement Association
Modesto, California

Report on the Schedules

We have audited the accompanying schedule of employer allocations of Stanislaus County Employees' Retirement Association (StanCERA) for the years ended June 30, 2016 and 2015, and the related notes to the schedules. We have also audited the total for all participating entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions (specified column totals) included in the accompanying schedule of pension amounts by employer of StanCERA as of and for the year ended June 30, 2016, and the related notes to the schedules.

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 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 the specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

Our audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and the 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 the 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 StanCERA's preparation and fair presentation of the schedule of employer allocations and the 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 StanCERA'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 the specified column totals included in the schedule of pension amounts by employer.

BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

7673 N. INGRAM AVENUE
SUITE 101
FRESNO, CA 93711
TEL 559.476.3592
FAX 559.476.3593

PASADENA OFFICE

260 S. LOS ROBLES AVENUE
SUITE 310
PASADENA, CA 91101
TEL 626.204.6542

STOCKTON OFFICE

5250 CLAREMONT AVENUE
SUITE 150
STOCKTON, CA 95207
TEL 209.451.4833

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 as of June 30, 2016 and 2015, and the net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions for the total of all participating entities in StanCERA as of the year ended June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of StanCERA as of and for the year ended June 30, 2016, and our report thereon, dated November 4, 2016, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of StanCERA's management, the Internal Governance Committee, the Board of Retirement, StanCERA's participating employers, and their auditors and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
February 16, 2017

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
(Pension Trust Fund for the County of Stanislaus, California)**

Schedule of Employer Allocations
For the fiscal years ended June 30, 2016 and 2015

Employer	Employer Allocations			
	June 30, 2016		June 30, 2015	
	Unfunded Liability Amortization		Unfunded Liability Amortization	
	Percentage	Payment Share	Percentage	Payment Share
Stanislaus County	88.2623%	\$ 38,314,244	88.7280%	\$ 24,002,674
City of Ceres	5.8514%	2,540,058	5.6629%	1,531,921
Stanislaus Superior Court	4.8715%	2,114,687	4.5541%	1,231,970
Stanislaus County Council of Governments	0.3621%	157,192	0.3678%	99,508
East Side Mosquito Abatement District	0.2647%	114,888	0.2843%	76,898
Salida Sanitary District	0.2158%	93,658	0.2375%	64,248
Keyes Community Services District	0.1094%	47,478	0.1023%	27,681
Hills Ferry Cemetery District	0.0628%	27,246	0.0631%	17,062
Total	100.0000%	\$ 43,409,451	100.0000%	\$ 27,051,962

The accompanying notes are an integral part of this schedule.

Notes to Schedule of Employer Allocations

Description of System and Applicable Provisions of the Law

The Stanislaus County Employees' Retirement Association (StanCERA) is an integrated public employee retirement system established under and subject to the legislative authority of the State of California as enacted and amended in the County Employees Retirement Law of 1937 (Chapter 677 Statutes of 1937) and the Public Employees' Pension Reform Act of 2013. StanCERA is governed by the Board of Retirement and is a cost sharing multiple employer pension plan. StanCERA was established by the Board of Supervisors on July 1, 1948, and was integrated with Social Security on January 1, 1956. StanCERA provides for retirement, disability, death, beneficiary, cost-of-living, and ad-hoc retirement benefits.

Summary of Significant Accounting Policies

The above schedule includes the allocation percentages for each contributing employer, reflecting a methodology that allocates the Net Pension Liability and other Pension Amounts based on each employer's share of the Unfunded Liability amortization payments, with separate amortization rates for General and Safety employees. Each employer's amortization share as of June 30, 2016, and June 30, 2015, is determined by multiplying the actual pensionable payroll reported to StanCERA by each contributing employer for the respective fiscal year by the employer's amortization rates for both General and Safety classifications from the most recent actuarial valuation report (the report as of June 30, 2015, and June 30, 2014, respectively).

Basis of Accounting

Pensionable payroll for employers contributing to StanCERA is reported on an accrual basis of accounting, and related contributions are recognized when received or due pursuant to legal requirements.

Notes to Schedule of Employer Allocations (continued)

Contribution Rates

The County Employees Retirement Law of 1937 establishes the basic obligations for employer and member contributions to the retirement system. The actual employer and member contribution rates in effect each year are based on recommendations made by an independent actuary and adopted by the Board of Retirement.

StanCERA's policy for contributions states that actuarially determined rates expressed as a percentage of employee pensionable payroll is required to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded liability. Employee pensionable wages are the basis for determining both plan member and employer contributions which are reported in StanCERA's basic financial statements and are the basis for the employer allocation calculation. Plan member contributions reported in StanCERA's basic financial statements include plan member contributions paid by the employer.

Use of Estimates in the Preparation of the Schedule

The preparation of this schedule in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
(Pension Trust Fund of the County of Stanislaus, California)

Schedule of Pension Amounts by Employer
As of and for the fiscal year ended June 30, 2016

Deferred Outflows of Resources

Employer	Net Pension Liability	Differences Between Expected and Actual Experience	Changes in Assumptions	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes in Proportionate Share	Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
Stanislaus County	\$ 650,756,380	\$ 1,137,862	\$ 190,471,648	\$ 96,625,832	\$ 495,703	\$ 72,366	\$ 288,803,411
City of Ceres	43,142,269	75,435	12,627,428	6,405,865	500,566	441,678	20,050,972
Stanislaus Superior Court	35,917,484	62,803	10,512,786	5,333,112	842,862	-	16,751,563
Stanislaus County Council of Governments	2,669,757	4,668	781,418	396,412	31,374	-	1,213,872
East Side Mosquito Abatement District	1,951,628	3,412	571,227	289,782	95,646	-	960,067
Salida Sanitary District	1,591,090	2,782	465,700	236,249	138,144	1,914	844,789
Keyes Community Services District	806,604	1,410	236,087	119,766	44,634	1,436	403,333
Hills Ferry Cemetery District	463,023	810	135,524	68,751	7,948	179	213,212
Total for All Employers	\$ 737,298,235	\$ 1,289,182	\$ 215,801,818	\$ 109,475,769	\$ 2,156,877	\$ 517,573	\$ 329,241,219

Deferred Inflows of Resources

Employer	Differences Between Expected and Actual Experience	Changes in Assumptions	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes in Proportionate Share	Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources
Stanislaus County	\$ 4,536,398	\$ -	\$ -	\$ 1,236,676	\$ 220,478	\$ 5,993,552
City of Ceres	300,743	-	-	426,707	-	727,450
Stanislaus Superior Court	250,379	-	-	291,566	245,822	787,767
Stanislaus County Council of Governments	18,611	-	-	78,512	21,671	118,794
East Side Mosquito Abatement District	13,605	-	-	52,048	8,944	74,597
Salida Sanitary District	11,091	-	-	57,625	6,347	75,063
Keyes Community Services District	5,623	-	-	3,504	12,599	21,726
Hills Ferry Cemetery District	3,228	-	-	10,241	1,710	15,179
Total for All Employers	\$ 5,139,678	\$ -	\$ -	\$ 2,156,879	\$ 517,571	\$ 7,814,128

Pension Expense Excluding That Attributable to Employer-Paid Member Contributions

Employer	Proportionate Share of Allocable Plan Pension Expense	Pension Expense Related to Specific Liabilities of Individual Employers	Net Amortization of Deferred Amounts from Changes in Proportionate Share	Net Amortization of Deferred Amounts from Differences Between Employer Contributions and Proportionate Share of Contributions	Total Pension Expense Excluding That Attributable to Employer-Paid Member Contributions
Stanislaus County	\$ 125,444,845	\$ -	\$ (73,243)	\$ (66,343)	\$ 125,305,259
City of Ceres	8,316,438	-	(77,686)	156,572	8,395,324
Stanislaus Superior Court	6,923,733	-	78,397	(74,928)	6,927,202
Stanislaus County Council of Governments	514,643	-	(9,224)	(6,792)	498,627
East Side Mosquito Abatement District	376,211	-	29,404	(3,159)	402,456
Salida Sanitary District	306,711	-	43,065	(1,791)	347,985
Keyes Community Services District	155,487	-	11,557	(2,990)	164,054
Hills Ferry Cemetery District	89,256	-	(2,270)	(569)	86,417
Total for All Employers	\$ 142,127,324	\$ -	\$ -	\$ -	\$ 142,127,324

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

Summary of Significant Policies

The Total Pension Liability as of the valuation date includes the liability associated with the \$5,000 lump sum death benefit. Measurements as of the reporting date are based on the fair value of assets (fiduciary net position) as of June 30, 2016, and the Total Pension Liability as of the valuation date, June 30, 2015, using update procedures to roll forward to StanCERA's fiscal year end of June 30, 2016. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2015. There were no significant events between the valuation date and the measurement date.

The components of the Net Pension Liability of StanCERA at June 30, 2016 and June 30, 2015, were as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Total Pension Liability	\$ 2,510,211,948	\$ 2,127,759,959
Plan Fiduciary Net Position	<u>(1,772,913,713)</u>	<u>(1,832,604,204)</u>
Net Pension Liability	<u>\$ 737,298,235</u>	<u>\$ 295,155,755</u>
Fiduciary Net Position as a percentage of the Total Pension Liability	70.6%	86.1%

The increase in Net Pension Liability and decrease in Fiduciary Net Position as a percentage of the Total Pension Liability are due to amounts reported as changes in assumptions for fiscal year ending June 30, 2016, which resulted primarily from changes to the assumed earnings rate from 7.75% to 7.25% and from adjustments to assumed life expectancies as a result of adopting updated mortality tables with generational improvements. The changes in assumptions were based on StanCERA's actuarial experience study from July 1, 2012 through June 30, 2015, and were adopted by the StanCERA Board of Retirement on April 20, 2016.

Actuarial Assumptions

The Total Pension Liability was determined based on the June 30, 2015 actuarial valuation rolled forward to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Notes to the Schedule of Pension Amounts by Employer (continued)

Actuarial Assumptions - continued

ACTUARIAL VALUATION ASSUMPTIONS

Valuation Date	June 30, 2015
Investment Rate of Return	7.25%, net of investment expense
Projected Salary Increases	3.25%, plus service-based rates
Attributed to Inflation	3.00%
Cost-of-Living Adjustments	100% of Consumer Price Index (CPI) up to 3.0% annually with banking, 2.7% annual increases assumed

MORTALITY ASSUMPTIONS

<u>Service Type</u>	<u>Table Used</u>
Post- Retirement	California Public Employees' Retirement System (CalPERS) Healthy Annuitant adjusted for 93.4% for males and 107.9% for females
Pre-Retirement	
General Members	CalPERS Pre-Retirement Non-Industrially adjusted by 100.3% for males and 98.8% for females
Safety Members	CalPERS Pre-Retirement Individual Death without adjustment or projection
Non-Service Disabled Retirees	CalPERS Non-Industrially Disabled Annuitant adjusted by 96.4% for males and 110.4% for females
Service Disability Retirees	CalPERS Industrially Disabled Annuitant adjusted by 100.2% for males and 100.1% for females
Active Member Disability	
General Members	CalPERS Public Agency Miscellaneous Non-Industrial Disability
Safety Members	CalPERS Public Agency Police Non-Industrial Disability

The mortality assumptions employ a fully generational mortality improvement projection from base year 2009 using Scale MP-2015. For withdrawals, vested terminations and reciprocal transfers the rates vary by age, gender and classification.

Notes to the Schedule of Pension Amounts by Employer (continued)

Expected Long-Term Rate of Return by Asset Class

The long-term defined benefit pension plan return expectations were determined using a building-block approach. An inflation forecast is the baseline and various real return premiums (e.g., bonds, equities, etc.) are added to create nominal return expectations for each asset class. These expectations are combined to produce the long-term expected rate of return by weighting the expected nominal rates of return by the target asset allocation percentages and including an expected return from rebalancing uncorrelated asset classes. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>2016 Target Allocation</u>	<u>2016 Long-Term Expected Real Rate of Return</u>
Domestic Equities		
U.S. Large Cap	12.00%	5.90%
U.S. Small Cap	3.00%	5.20%
International Equities		
Int'l Development	16.00%	9.20%
Emerging Market Equity	4.00%	11.30%
U.S. Fixed Income		
Core fixed income (1)	0.00%	3.20%
U.S. Treasury (1)	3.00%	2.30%
Short-term Gov/Credit (1)	18.00%	2.50%
Real Estate		
Core (1)	5.00%	4.70%
Value-add (1)	5.00%	6.70%
Risk Parity	14.00%	7.00%
Private Equity	5.00%	8.20%
Private Credit	14.00%	9.10%
Infrastructure	0.00%	4.70%
Cash	1.00%	2.00%

(1) Asset classes added for fiscal year ending June 30, 2016, with the adoption of a new asset allocation by the Board of Retirement on April 20, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to the Schedule of Pension Amounts by Employer (continued)

Basis of Accounting

The net pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources are recognized on a full accrual basis of accounting.

Amortization of Deferred Outflows and Deferred Inflows of Resources

The difference between projected and actual investment earnings on pension plan investments is amortized over 5 years on a straight line basis beginning with the year in which they occur. One-fifth was recognized in pension expense during the measurement period and the remaining difference between projected and actual investment earnings on pension plan investments at June 30, 2016, is to be amortized over the remaining 4 year period.

Current period changes in assumptions, differences between expected and actual experience, the differences between employer contributions and proportionate share of contributions, and the recognition of changes in proportionate share are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan determined as of June 30, 2015 (the beginning of the measurement period ending June 30, 2016) which is 5 years.

Prior period changes of assumptions, differences between expected and actual experience, the differences between employer contributions and the proportionate share of the employer contributions, and the recognition of changes in proportionate share are continued to be recognized based on the expected remaining service lives of all employees calculated as of those prior measurement dates. In addition, the Schedule of Pension Amounts by Employer does not reflect contributions made to StanCERA subsequent to the measurement date as defined in GASB Statement No. 68, paragraphs 54, 55, and 57 and GASB Statement No. 71. Appropriate treatment of such amounts is the responsibility of the employers.

Use of Estimates in the Preparation of the Schedule

The preparation of this schedule in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

Additional Financial and Actuarial Information

The components of the schedule associated with pension expense and deferred outflows and inflows of resources have been determined based on the net increase in fiduciary net position for StanCERA as shown in the StanCERA's Statement of Changes in Fiduciary Net Position and in accordance with requirements promulgated by the Governmental Accounting Standards (GASB) Board Statements No. 67, No. 68, and No. 82. The net pension liability at June 30, 2016 is reported in the Notes to Stanislaus County Employees' Retirement Association Basic Financial Statements and Required Supplementary Information following the Notes. Additional financial and actuarial information required for GASB Statement No. 68 disclosures is located in StanCERA's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016, and the StanCERA GASB 67/68 Report as of June 30, 2016, produced by Cheiron, Inc., which can be found at www.stancera.org.