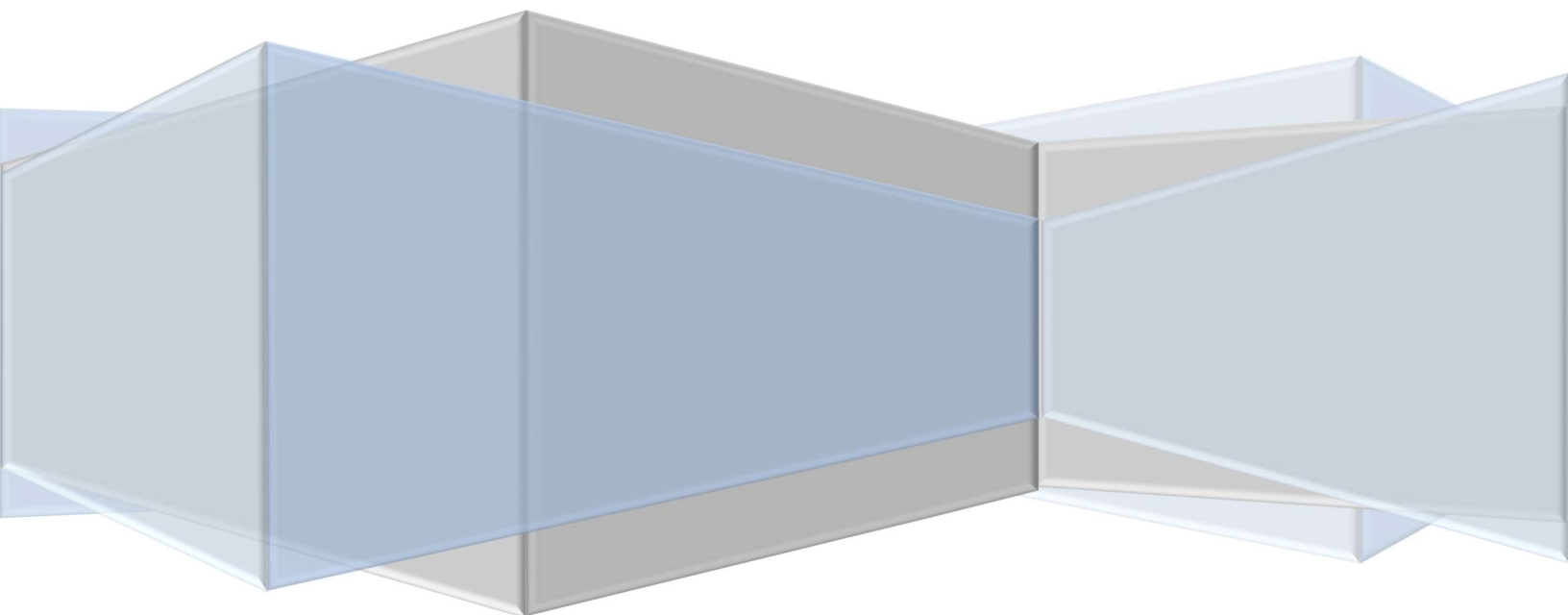




# **STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

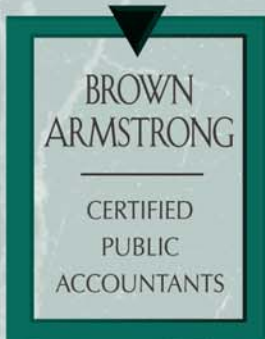
## **Schedule of Employer Allocations and Schedule of Pension Amounts by Employer**

For Employer Reporting as of June 30, 2019  
Using a Measurement Date of June 30, 2018



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# 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 fiscal years ended June 30, 2018 and 2017, and the related notes to the schedule. We have also audited the total for all employers 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 fiscal year ended June 30, 2018, and the related notes to the schedule.

### 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.

An audit involves 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.

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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 as of the fiscal years ended June 30, 2018 and 2017, 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 employers in StanCERA as of and for the fiscal year ended June 30, 2018, 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 fiscal year ended June 30, 2018, and our report thereon, dated November 5, 2018, 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  
March 11, 2019

**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, 2018 and 2017

Employer	Employer Allocations			
	June 30, 2018		June 30, 2017	
	Percentage	Unfunded Liability	Percentage	Unfunded Liability
		Amortization Payment Share		Amortization Payment Share
Stanislaus County	89.4929%	\$ 45,482,918	88.7456%	\$ 43,256,613
City of Ceres	5.1682%	2,626,652	5.5554%	2,707,803
Stanislaus Superior Court	4.3770%	2,224,497	4.6814%	2,281,809
Stanislaus County Council of Governments	0.3090%	157,024	0.3298%	160,750
East Side Mosquito Abatement District	0.2348%	119,335	0.2795%	136,227
Salida Sanitary District	0.2415%	122,724	0.2287%	111,455
Keyes Community Services District	0.1082%	54,980	0.1149%	56,016
Hills Ferry Cemetery District	0.0684%	34,763	0.0647%	31,516
<b>Total</b>	<b>100.0000%</b>	<b>\$ 50,822,893</b>	<b>100.0000%</b>	<b>\$ 48,742,189</b>

The accompanying notes are an integral part of this schedule.

**Notes to the 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 defined benefit 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 members. Each employer's amortized share as of June 30, 2018, and June 30, 2017, is determined by multiplying the actual covered 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, 2017, and June 30, 2016, respectively).

***Basis of Accounting***

Covered 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 the 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 annual covered 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. Annual covered payroll is 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, 2018

**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	\$ 577,861,663	\$ 15,850,012	\$ 96,563,653	\$ -	\$ 4,153,306	\$ 36,184	\$ 116,603,155
City of Ceres	33,371,414	915,336	5,576,535	-	250,284	557,337	7,299,492
Stanislaus Superior Court	28,262,583	775,207	4,722,823	-	421,430	-	5,919,460
Stanislaus County Council of Governments	1,995,234	54,727	333,414	-	-	-	388,141
East Side Mosquito Abatement District	1,516,119	41,585	253,351	-	47,741	5,593	348,270
Salida Sanitary District	1,559,382	42,772	260,581	-	105,467	2,193	411,013
Keyes Community Services District	698,655	19,163	116,749	-	31,741	-	167,653
Hills Ferry Cemetery District	441,663	12,114	73,804	-	21,864	766	108,548
<b>Total for All Employers</b>	<b>\$ 645,706,713</b>	<b>\$ 17,710,916</b>	<b>\$ 107,900,910</b>	<b>\$ -</b>	<b>\$ 5,031,833</b>	<b>\$ 602,073</b>	<b>\$ 131,245,732</b>

**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	\$ 11,014,290	\$ -	\$ 4,298,964	\$ 618,338	\$ 351,317	\$ 16,282,909
City of Ceres	636,073	-	248,264	2,274,406	-	3,158,743
Stanislaus Superior Court	538,697	-	210,258	1,692,113	202,938	2,644,006
Stanislaus County Council of Governments	38,030	-	14,843	190,658	23,981	267,512
East Side Mosquito Abatement District	28,898	-	11,279	200,895	3,508	244,580
Salida Sanitary District	29,722	-	11,601	28,813	4,418	74,554
Keyes Community Services District	13,317	-	5,198	26,211	15,349	60,075
Hills Ferry Cemetery District	8,418	-	3,286	399	562	12,665
<b>Total for All Employers</b>	<b>\$ 12,307,445</b>	<b>\$ -</b>	<b>\$ 4,803,693</b>	<b>\$ 5,031,833</b>	<b>\$ 602,073</b>	<b>\$ 22,745,044</b>

**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	\$ 112,008,958	\$ -	\$ 1,059,619	\$ (152,083)	\$ 112,916,494
City of Ceres	6,468,499	-	(702,575)	280,308	6,046,232
Stanislaus Superior Court	5,478,236	-	(377,430)	(106,328)	4,994,478
Stanislaus County Council of Governments	386,743	-	(56,432)	(11,382)	318,929
East Side Mosquito Abatement District	293,875	-	(2,002)	(2,056)	289,817
Salida Sanitary District	302,260	-	66,312	(2,034)	366,538
Keyes Community Services District	135,423	-	9,577	(6,059)	138,941
Hills Ferry Cemetery District	85,609	-	2,927	(362)	88,174
<b>Total for All Employers</b>	<b>\$ 125,159,603</b>	<b>\$ -</b>	<b>\$ (4)</b>	<b>\$ 4</b>	<b>\$ 125,159,603</b>

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, 2018, and the Total Pension Liability as of the valuation date, June 30, 2017, using update procedures to roll forward to StanCERA's fiscal year end of June 30, 2018. The actuarial assumptions used in the June 30, 2017 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, 2018 and June 30, 2017, were as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total Pension Liability	\$ 2,772,667,458	\$ 2,659,510,907
Plan Fiduciary Net Position	<u>\$ (2,126,960,745)</u>	<u>\$ (1,994,223,311)</u>
Net Pension Liability	<u>\$ 645,706,713</u>	<u>\$ 665,287,596</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	76.7%	75.0%

The decrease in Net Pension Liability and increase in Plan Fiduciary Net Position as a percentage of the Total Pension Liability are due to an investment gain as well as actuarial liability gain. The investment gains are recognized over five years and the actuarial liability gain is recognized over the average remaining service life, which is also five years.

### *Actuarial Assumptions*

The Total Pension Liability was determined based on the June 30, 2017 and 2016 actuarial valuations rolled forward to June 30, 2018 and 2017, respectively, 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**

Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Investment Rate of Return	7.25%, net of investment expenses	7.25%, net of investment expenses
Projected Salary Increases	3.25%, per year plus merit component based on employee classification and years of service	3.25%, per year plus merit component based on employee classification and years of service
Attributed to Inflation	3.00%	3.00%
Cost-of-Living Adjustments	100% of Consumer Price Index (CPI) up to 3.0% annually with banking, 2.7% annual increases assumed	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 Disability 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, 2018, are summarized in the following table:

Asset Class	2018	2018
	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities		
U.S. Large Cap	18.50%	2.40%
U.S. Small Cap	5.50%	2.30%
International Equities		
Int'l Development	18.00%	6.50%
Emerging Market Equity	6.00%	5.20%
U.S. Fixed Income		
U.S. Treasury	3.00%	0.30%
Short-term Gov/Credit	19.00%	0.40%
Real Estate		
Core	7.70%	3.90%
Value-add	1.70%	5.90%
Risk Parity	14.00%	5.10%
Private Equity	0.00%	4.30%
Private Credit	5.00%	4.80%
Infrastructure	0.60%	5.00%
Cash	1.00%	0.10%

### 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, 2018, 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 active and inactive members as of June 30, 2017 (the beginning of the measurement period ending June 30, 2018), which is 5 years. The table below shows the net amount of deferred outflows and deferred inflows of resources to be recognized by each participating employer in each of the next five years.

Recognition of Deferred Outflows and Deferred Inflows of Resources  
as of and for the fiscal year ended June 30, 2018

Employer	Proportionate Share of Recognition for Fiscal Year End					
	2019	2020	2021	2022	2023	Thereafter
Stanislaus County	\$ 68,432,457	\$ 55,714,766	\$ (20,332,206)	\$ (3,494,771)	\$ -	\$ -
City of Ceres	3,611,505	2,827,713	(1,735,806)	(562,665)	-	-
Stanislaus Superior Court	2,955,248	2,368,143	(1,532,869)	(515,067)	-	-
Stanislaus County Council of Governments	152,437	130,725	(125,615)	(36,919)	-	-
East Side Mosquito Abatement District	142,737	100,645	(86,398)	(53,293)	-	-
Salida Sanitary District	213,180	157,385	(34,682)	576	-	-
Keyes Community Services District	86,406	64,632	(30,899)	(12,561)	-	-
Hills Ferry Cemetery District	59,161	47,253	(10,933)	403	-	-
Total for All Employers	\$ 75,653,131	\$ 61,411,262	\$ (23,889,408)	\$ (4,674,297)	\$ -	\$ -

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 active and inactive members 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 Governmental Accounting Standards Board (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.

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

### *Additional Financial and Actuarial Information*

The components of the schedule associated with pension expense and deferred outflows and deferred 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 GASB Statements No. 67, No. 68, and No. 82. The net pension liability, at June 30, 2018, is reported in the Notes to StanCERA's 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, 2018, and the StanCERA GASB 67/68 Report as of June 30, 2018, produced by Cheiron, Inc., which can be found at [www.stancera.org](http://www.stancera.org).