CITY OF ALAMEDA, CALIFORNIA

POLICE AND FIRE RETIREMENT SYSTEM PENSION PLANS 1079 AND 1082

BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013

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CITY OF ALAMEDA, CALIFORNIA
POLICE AND FIRE RETIREMENT
SYSTEM PENSION PLANS 1079 AND 1082

Basic Financial Statements
For the Years Ended June 30, 2014 and June 30, 2013

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council,
and City Auditor of the City of Alameda
Alameda, California

Report on Financial Statements

We have audited the accompanying basic financial statements of the City of Alameda Police and Fire Retirement System Pension Plans 1079 and 1082 (Plan), a component unit of the City of Alameda, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements 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 Plan'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 financial statements.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plans as of June 30, 2014, and changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has opted not to present the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America (GAAP) require to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by the missing MD&A.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plan's basic financial statements as a whole. The Supplemental Information as listed in the Table of Contents is presented for purposes of additional analysis and is not required part of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Statistical Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Summarized Comparative Information

We have previously audited the Plan's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 3, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
October 15, 2014

CITY OF ALAMEDA
POLICE AND FIRE RETIREMENT SYSTEM
PENSION TRUST FUNDS
STATEMENTS OF NET POSITION
JUNE 30, 2014
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2013

			TOTALS	
	Plan #1079	Plan #1082	2014	2013
ASSETS				
Restricted cash and investments (Note 2)	$74,755	$182	$74,937	$52,169
Total Assets	74,755	182	74,937	52,169
NET POSITION HELD IN (DUE TO) TRUST FOR EMPLOYEE PENSION BENEFITS	$74,755	$182	$74,937	$52,169

See accompanying notes to basic financial statements

CITY OF ALAMEDA
POLICE AND FIRE RETIREMENT SYSTEM
PENSION TRUST FUNDS
STATEMENTS OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

			TOTALS	
	Plan #1079	Plan #1082	2014	2013
ADDITIONS				
Employer contributions (Note 3)	$1,878,271	$46,176	$1,924,447	$1,918,875
Total Additions	1,878,271	46,176	1,924,447	1,918,875
DEDUCTIONS				
Retirement and other benefits	1,840,595	46,069	1,886,664	1,860,527
Contractual services	14,919	96	15,015	7,096
Total Deductions	1,855,514	46,165	1,901,679	1,867,623
CHANGE IN NET POSITION	22,757	11	22,768	51,252
NET POSITION HELD IN TRUST FOR PENSION BENEFITS				
Beginning of year	51,998	171	52,169	917
End of year	$74,755	$182	$74,937	$52,169

See accompanying notes to basic financial statements

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Plans are governed by ordinances of the City of Alameda, California, and are used to account for contributions and investment income restricted to pay benefits of police and fire retirees.

A. Reporting Entity

These financial statements present only the accounts of the Plans. These financial statements are also included in the basic financial statements of the City as pension trust funds, which are used to account for assets held in a trustee capacity for the benefit of the Plans' participants. The Plans are administered by a Pension Board composed of the following City personnel: the Mayor, City Manager, a fire department retiree representative, a police department retiree representative, and a member of the public appointed by the Mayor. The Plans are dependent on the City for administrative duties and operations, and are financed by direct City contributions.

B. Plan Description

The Plans are single employer defined benefit pension plans covering retired employees or beneficiaries described below.

Police and fire employees who entered service before 1953 participate in Plan 1079, a closed plan consisting of twenty-eight participants at June 30, 2014, all of whom are retired employees or beneficiaries currently receiving benefits. Employees with twenty-five or more years of service receive monthly pension benefits equal to one-half the monthly salary paid to current City employees of the rank held by the retiree one year prior to the date of retirement. Employees retired after ten but before twenty-five years of service receive monthly pension benefits in the proportion that the number of years service bears to twenty-five. Qualified surviving spouses receive the retiree's monthly pension benefits for life or until remarriage. Upon remarriage, the qualified surviving spouse receives one-half of the retiree's monthly pension benefits. Employees who became disabled from service-related causes receive monthly pension benefits equal to one-half the monthly salary paid to current City employees of the rank held by the disabled employee on the date of their disability, reduced by any workers' compensation benefits received. During the fiscal year ended June 30, 2014, the participants of the Plan received pension benefits totaling $1,840,595.

Plan 1082 is a closed plan and effective December 31, 1990, all but two participants in Plan 1082 and the related plan assets were transferred to PERS. During the fiscal year ended June 30, 2014, the participant received pension benefits totaling $46,069. These benefits are adjusted annually by a maximum of 2% per year cost-of-living adjustment. Upon the death of a retiree, the qualified spouse receives one-half of the retiree's monthly pension benefit for life or until remarriage.

C. Fund Accounting

The accounts of the Plans are organized on the basis of fund accounting, and the Plans are considered separate accounting entities. The operations of the Plans are accounted for with a separate set of self-balancing accounts that comprise the respective assets, liabilities, net position, additions and deductions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting refers to due time at which deductions and additions are recognized in the accounts and reported in the financial statements. The Plans are accounted for using the accrual basis of accounting under which additions are recognized when they are earned, and deductions are recognized when they are incurred. Contributions are recorded as additions when due. Benefits and refunds are recognized as deductions and payable when due in accordance with the terms of the Plan and City ordinance.

NOTE 2 - RESTRICTED CASH AND INVESTMENTS

A. City of Alameda Pooled Cash

The Plans pool cash with the City of Alameda. Disclosures regarding risks and categorization are included in the City's Comprehensive Annual Financial Report.

B. Composition

The Plans held $74,937 and $52,169 in restricted cash and investment balances at June 30, 2014 and June 30, 2013, respectively.

NOTE 3 - FUNDING STATUS AND PROGRESS

A. Plan Description

The City of Alameda sponsors the City of Alameda Police and Fire Retirement System Pension Plans 1079 and 1082. Plan 1079 provides pension benefits to a closed group of retirees and surviving spouses based on 50% of current salary for employees at the rank/position the retiree held one year before retirement. The benefits include wage increases to current employees and 9% CalPERS contributions for certain years. Plan 1082 provides pension benefits to a closed group of retirees and surviving spouses with benefits increased each year based on a cost-living adjustment (not to exceed 2%).

B. Funding Policy and Actuarial Methods

Plans 1079 and 1082 did not have allocated assets as of June 30, 2014. The City's policy is to fund the plans on a pay-as-you-go basis.

The actuarial method used to determine the liabilities were calculated using the Unit Credit Funding Method. The Actuarial Accrued Liability and the Actuarial Present Value of Benefits being paid were determined by multiplying the accrued pension benefits by present value cost of factors based on the applicable actuarial assumptions. Future cost-of-living increases are included in the calculation of the Actuarial Accrued Liability, but not the Actuarial Value of Benefits being paid.

NOTE 3 - FUNDING STATUS AND PROGRESS (Continued)

C. *Annual Pension Cost*

For fiscal year ending June 30, 2014, actual pension costs incurred were $1,840,595 for Plan 1079 and $46,069 for Plan 1082. Actual contributions made by the City during the year were $1,878,272 for Plan 1079 and $46,176 for Plan 1082.

Government Accounting Standards Board Statement No. 27 requires the City to determine the plans' annual pension cost based on the most recent actuarial valuation. The annual pension cost equals the plan's annual required contribution, adjusted for historical differences between the annual required contribution and amounts contributed. The actuary has determined the City's annual required contribution as the greater of (a) a 15-year amortization of the unfunded actuarial liability or, (b) actual benefit payments made for the year.

The annual required contributions were determined by an actuarial valuation dated January 1, 2013, using the projected unit credit actuarial cost method. The actuarial assumptions were as follows:

Assumptions	
Funding Policy	-- Pay-as-you-go
Interest Rate	-- 4.0% -- Net of expenses -- Assets in City investments
CPI Increase (Plan 1082)	-- 2%
Salary Increase (Plan 1079)	-- 2%
Mortality	-- CalPERS 1997-2007 Experience Study -- Scale AA

Net Pension Obligations of the City at June 30, 2014 were as follows:

	Plan 1079 (000's omitted)	Plan 1082 (000's omitted)	Total (000's omitted)
Annual Required Contribution (ARC)	$1,815	$78	$1,893
Interest on Net Pension Obligation	11	11	22
Amortization of Net Pension Obligation	(25)	(24)	(49)
Annual Pension Cost	1,801	65	1,866
Contributions	1,815	45	1,860
(Decrease) Increase in Net OPEB obligations	(14)	20	6
Net Pension Obligation at June 30, 2013	266	292	558
Net Pension Obligation at June 30, 2014	$252	$312	$564

NOTE 3 - FUNDING STATUS AND PROGRESS (Continued)

D. Trend Information

The following tables provide three years of historical information of the Annual Pension Cost:

Plan 1079:

Fiscal Year Ending	Annual Pension Cost (APC) (000's omitted)	Percentage of APC Contributed	Net Pension Obligation (000's omitted)
6/30/2012	$1,900	101%	$294
6/30/2013	1,801	101%	280
6/30/2014	1,801	101%	252

Plan 1082:

Fiscal Year Ending	Annual Pension Cost (APC) (000's omitted)	Percentage of APC Contributed	Net Pension Obligation (000's omitted)
6/30/2012	$62	69%	$272
6/30/2013	65	69%	292
6/30/2014	65	69%	312

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Plan 1079						
6/30/2010	$ -	$19,424,000	$19,424,000	0%	N/A	N/A
1/1/2011	-	14,141,000	14,141,000	0%	N/A	N/A
1/1/2013	-	12,755,000	12,755,000	0%	N/A	N/A
Plan 1082						
6/30/2010	$ -	$817,000	$817,000	0%	N/A	N/A
1/1/2011	-	812,000	812,000	0%	N/A	N/A
1/1/2013	-	887,000	887,000	0%	N/A	N/A

Audited financial statements are available from the City of Alameda at 2263 Santa Clara Avenue, Room 220, Alameda, California 94501.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF ALAMEDA
POLICE AND FIRE RETIREMENT SYSTEM
PENSION TRUST FUNDS
STATEMENTS OF CHANGES IN NET POSITION
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Plan #1079		
	Budget	Actual	Variance Positive (Negative)
ADDITIONS			
Employer contributions	$1,875,853	$1,878,271	$2,418
Total Additions	1,875,853	1,878,271	2,418
DEDUCTIONS			
Retirement and other benefits	1,860,853	1,840,595	20,258
Contractual services	15,000	14,919	81
Total Deductions	1,875,853	1,855,514	20,339
CHANGE IN NET POSITION	$ -	22,757	$22,757
NET POSITION HELD IN TRUST FOR PENSION BENEFITS			
Beginning of year		51,998	
End of year		$74,755	

See accompanying notes to basic financial statements

Plan #1082			TOTAL		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
$46,175	$46,176	$1	$1,922,028	$1,924,447	$2,419
46,175	46,176	1	1,922,028	1,924,447	2,419
46,075	46,069	6	1,906,928	1,886,664	20,264
100	96	4	15,100	15,015	85
46,175	46,165	10	1,922,028	1,901,679	20,349
$ -	11	$11	$ -	22,768	$22,768
	171			52,169	
	$182			$74,937	

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SUPPLEMENTAL INFORMATION

CITY OF ALAMEDA
POLICE AND FIRE RETIREMENT SYSTEM
PENSION PLANS 1079 AND 1082
REVENUES BY SOURCE
LAST TEN YEARS

FISCAL YEAR	EMPLOYER CONTRIBUTIONS 1079	1082	TOTAL
2004-2005	$3,163,419	1,257,520	$4,420,939
2005-2006	3,098,781	40,222	3,139,003
2006-2007	3,020,348	42,246	3,062,594
2007-2008	2,738,432	41,865	2,780,297
2008-2009	2,464,114	42,284	2,506,398
2009-2010	2,176,763	42,675	2,219,438
2010-2011	2,032,646	44,004	2,076,650
2011-2012	1,913,783	44,400	1,958,183
2012-2013	1,873,980	44,895	1,918,875
2013-2014	1,878,271	46,176	1,924,447

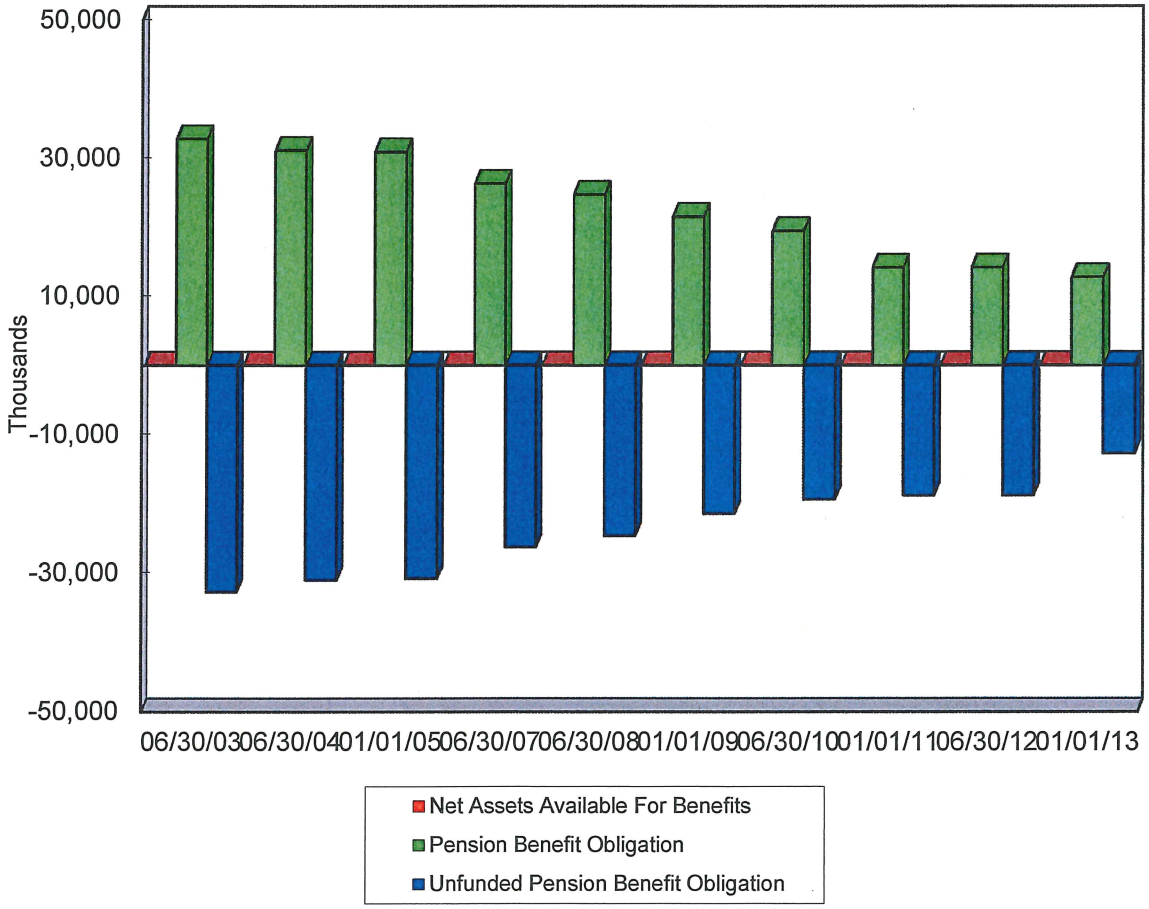
SOURCE: CITY OF ALAMEDA

CITY OF ALAMEDA
POLICE AND FIRE RETIREMENT SYSTEM
PENSION PLANS 1079 AND 1082
EXPENSES BY TYPE
LAST TEN YEARS

FISCAL	BENEFITS AND REFUNDS			ADMINISTRATIVE			
YEAR	1079	1082	SUBTOTAL	1079	1082	SUBTOTAL	TOTAL
2004-2005	$3,149,827	$1,250,679	$4,400,506	$13,592	$6,841	$20,433	$4,420,939
2005-2006	3,092,205	40,222	3,132,427	6,576		6,576	3,139,003
2006-2007	3,016,190	40,967	3,057,157	4,158	1,279	5,437	3,062,594
2007-2008	2,732,961	41,786	2,774,747	5,471	79	5,550	2,780,297
2008-2009	2,458,116	42,200	2,500,316	5,998	84	6,082	2,506,398
2009-2010	2,165,710	42,579	2,208,289	11,053	96	11,149	2,219,438
2010-2011	2,023,933	43,431	2,067,364	8,713	96	8,809	2,076,173
2011-2012	1,897,882	44,257	1,942,139	15,901	96	15,997	1,958,136
2012-2013	1,815,375	45,152	1,860,527	7,000	96	7,096	1,867,623
2013-2014	1,840,595	46,069	1,886,664	14,919	96	15,015	1,901,679

SOURCE: CITY OF ALAMEDA

CITY OF ALAMEDA
POLICE AND FIRE RETIREMENT SYSTEM
PENSION PLANS 1079 AND 1082
FUNDING ANALYSIS - PLAN 1079
LAST TEN ACTUARIAL VALUATIONS

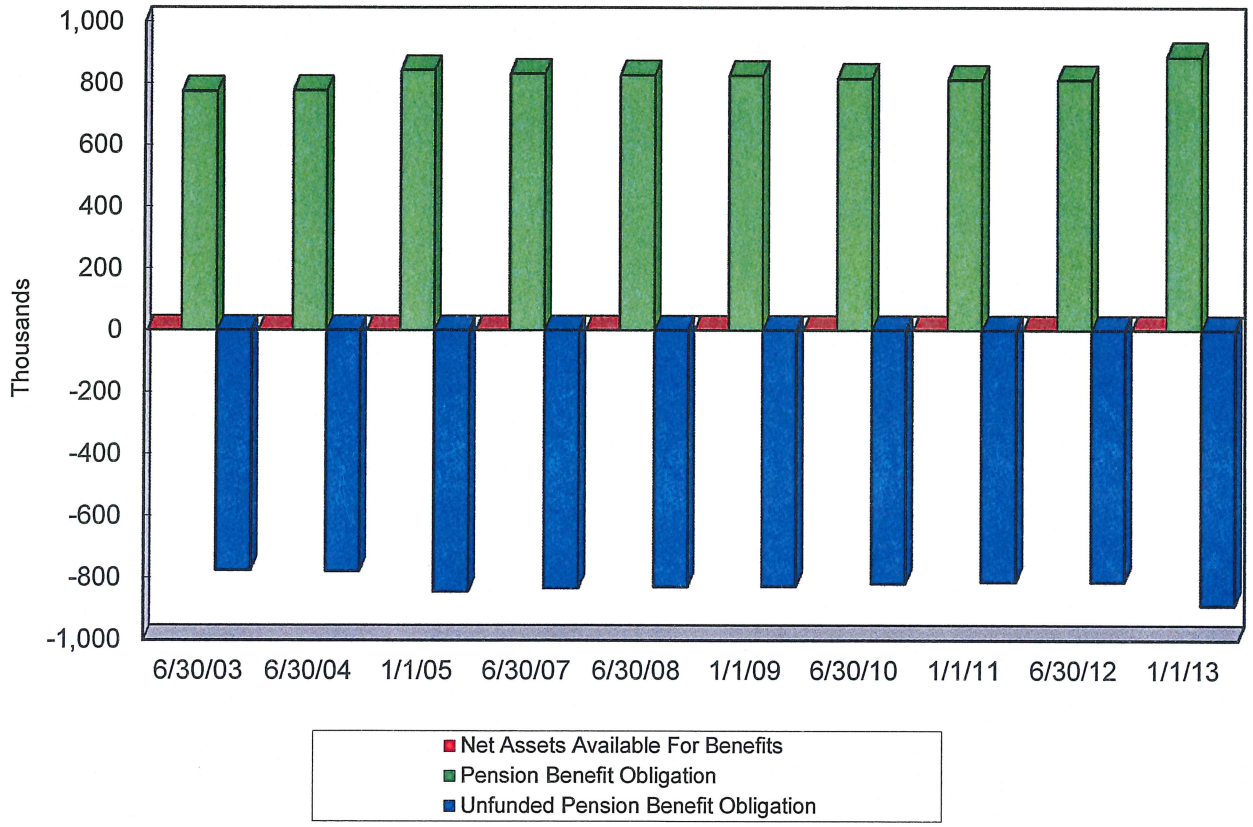


ACTUARIAL VALUATION DATE		ACTUARIAL VALUE OF ASSETS (000's omitted)	ACTUARIAL ACCRUED LIABILITY (000's omitted)	FUNDED RATIO	(1) UNFUNDED ACTUARIAL ACCRUED LIABILITY (000's omitted)
06/30/03		$ -	$32,740	0.0%	($32,740)
06/30/04		-	31,069	0.0%	(31,069)
01/01/05	(2)	-	30,839	0.0%	(30,839)
06/30/07	(2)	-	26,299	0.0%	(26,299)
06/30/08		-	24,680	0.0%	(24,680)
01/01/09		-	21,447	0.0%	(21,447)
06/30/10		-	19,424	0.0%	(19,424)
01/01/11		-	14,141	0.0%	(18,814)
06/30/12		-	14,141	0.0%	(18,814)
01/01/13		-	12,755	0.0%	(12,755)

SOURCE: PLAN ACTUARIAL REPORTS

Note: (1) Annual covered payroll data by plan is not included as both plans are treated as a single entity for funding purposes.
(2) Revised economic assumptions

CITY OF ALAMEDA
POLICE AND FIRE RETIREMENT SYSTEM
PENSION PLANS 1079 AND 1082
FUNDING ANALYSIS - PLAN 1082
LAST TEN ACTUARIAL VALUATIONS



ACTUARIAL VALUATION DATE		ACTUARIAL VALUE OF ASSETS (000's omitted)	ACTUARIAL ACCRUED LIABILITY (000's omitted)	FUNDED RATIO	UNFUNDED[1] ACTUARIAL ACCRUED LIABILITY (000's omitted)
06/30/03		$ -	$775	0.0%	($775)
06/30/04		-	778	0.0%	(778)
01/01/05	(2)	-	843	0.0%	(843)
06/30/07	(2)	-	832	0.0%	(832)
06/30/08		-	827	0.0%	(827)
01/01/09		-	826	0.0%	(826)
06/30/10		-	817	0.0%	(817)
01/01/11		-	812	0.0%	(812)
06/30/12		-	812	0.0%	(812)
01/01/13		-	887	0.0%	(887)

SOURCE: PLAN ACTUARIAL REPORTS

Note: (1) Annual covered payroll data by plan is not included as both plans are treated as a single entity for funding purposes.
(2) Revised economic assumptions.

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