



**City and County of San Francisco  
Employees' Retirement System**

**GASB 67/68 Report  
as of  
June 30, 2014**

**Produced by [Cheiron](#)**

**October 2014**

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## LETTER OF TRANSMITTAL

October 29, 2014

Retirement Board  
City and County of San Francisco  
Employees' Retirement System  
1145 Market Street, 5<sup>th</sup> Floor  
San Francisco, CA 94103

Dear Members of the Board:

The purpose of this report is to provide accounting and financial disclosure information under the Government Accounting Standards Board Statement 67 (GASB 67) for the City and County of San Francisco Employees' Retirement System. 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 Annual Pension Expense for the City and County of San Francisco.

Although the City and County of San Francisco is not required to report under GASB 68 until June 30, 2015, we have included information under GASB 68 as of the measurement date of June 30, 2014 in the event the City elects to use a June 30, 2014 measurement date for its reporting date of June 30, 2015. If the System is reported as a cost-sharing plan, these amounts represent the collective amounts that would need to be allocated to the individual employers.

If you have any questions about the report or would like additional information, please let us know.

Sincerely,  
Cheiron



William R. Hallmark, ASA, FCA, EA, MAAA  
Consulting Actuary



Janet Cranna, FSA, FCA, EA, MAAA  
Principal Consulting Actuary



Anne Harper, ASA, EA, MAAA  
Consulting Actuary



**SECTION I  
BOARD SUMMARY**

**Highlights**

This report is the first report under GASB 67. The reporting date for the City and County of San Francisco Employees' Retirement System ("System") is 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 year measurements are also based on the census data as of June 30, 2013. Because the beginning and ending values are based on the same census data 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.

The beginning and end of year measurements, however, are based on different assumptions and contribution methods that result in different discount rates. The discount rate is 7.52% as of June 30, 2013 and 7.58% as of June 30, 2014. A detailed description of these changes is provided in the next section.

The City is 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. Information is provided in this report in the event the City elects to use the 2014 measurement date for its 2015 reporting.

The table below provides a summary of the key results during this reporting period. For GASB 67 reporting purposes, only the Net Pension Liability applies.

**CITY AND COUNTY OF SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING FOR JUNE 30, 2014 MEASUREMENT DATE**

**SECTION I  
BOARD SUMMARY**

**Table I-1  
Summary of Results**

	<b>Measurement Date</b>	
	<b>6/30/2014</b>	<b>6/30/2013</b>
Discount Rate	<b>7.58%</b>	<b>7.52%</b>
Net Pension Liability	\$ 1,770,435	\$ 3,773,872
Deferred Inflows	1,575,346	0
Deferred Outflows	<u>0</u>	<u>0</u>
Net Impact on Statement of Net Position	\$ 3,345,781	\$ 3,773,872
Pension Expense (\$ Amount)	\$ 104,791	N/A
Pension Expense (% of Payroll)	4.13%	N/A

*Amounts in Thousands*

Under GASB Statement 27, the City reported a Net Pension Obligation of \$0. If the System continues to be reported as a single employer plan and the City elects to use June 30, 2014 as its initial measurement date under GASB 68, the Net Pension Obligation would be replaced with a Net Pension Liability of \$3,773,871,771 as of the beginning of the reporting year. As of the end of the reporting year, the City would report a Net Pension Liability of \$1,770,435,094 and Deferred Inflows of \$1,575,345,574. Consequently, the net impact on the City's Statement of Net Position due to the System would be \$3,345,780,668 at the end of the reporting year. In addition, any contributions between the measurement date and the reporting date would be reported as deferred outflows to offset the cash outflow reported.

For the measurement year ending June 30, 2014, the annual pension expense is \$104,790,548 or 4.13% of payroll. This amount is not related to the City's contribution to the System (\$532,881,651), but instead represents the change in the net impact on the City's Statement of Net Position plus employer contributions (\$3,345,780,668 – \$3,773,871,771 + \$532,881,651). A breakdown of the components of the net pension expense is shown in the report.

**SECTION II  
CERTIFICATION**

The purpose of this report is to provide accounting and financial reporting information under GASB 67 for the City and County of San Francisco Employees' Retirement System and under GASB 68 for the City and County of San Francisco. This report is for the use of the System, the City and County of San Francisco 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 the System.

In preparing our report, we relied on information (some oral and some written) supplied by the System. 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. The schedules provided for financial reporting purposes have been prepared in accordance with our understanding of generally accepted accounting principles as promulgated by the GASB. 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.

This report was prepared for the System for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. This report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

William R. Hallmark, ASA, FCA, EA, MAAA  
Consulting Actuary

Janet Cranna, FSA, FCA, EA, MAAA  
Principal Consulting Actuary

Anne Harper, ASA, EA, MAAA  
Consulting Actuary

**SECTION III  
DETERMINATION OF DISCOUNT RATE**

**Determination as of June 30, 2013**

The discount rate used to measure the Total Pension Liability was 7.52%.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for the July 1, 2013 actuarial valuation. That policy includes contributions equal to the employer portion of the Entry Age normal cost for members as of the valuation date plus an amortization payment on the unfunded actuarial liability. The amortization payment is based on 20-year closed amortizations of Charter amendments as a level percentage of payroll and an open 15-year amortization as a level percentage of payroll of the remainder of the unfunded actuarial liability. The unfunded actuarial liability is based on an actuarial value of assets that smoothes investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For a Supplemental COLA to be granted the market value of assets must exceed the actuarial liability at the beginning of the year and the actual investment earnings during the year must exceed the expected investment earnings on the actuarial value of assets. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. In most cases, the large majority of members receive a 1.50% Supplemental COLA.

Because the probability of a Supplemental COLA depends on the current funded level of the System, we developed an assumption as of June 30, 2013 of the probability and amount of Supplemental COLA for each future year. The table below shows the net assumed Supplemental COLA for members with a 2.00% basic COLA for sample years. Appendix B contains complete information on the assumption.

<b>Assumed Supplemental COLA for Members with a 2.00% Basic COLA</b>	
<b>FYE</b>	<b>Assumption</b>
2015	0.000%
2020	0.255%
2025	0.319%
2030	0.349%
2035+	0.375%

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

**SECTION III**  
**DETERMINATION OF DISCOUNT RATE**

Based on these assumptions, the System's fiduciary net position was projected to be available to make projected future benefit payments for current members until FYE 2072 when only a portion of the projected benefit payments can be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.58% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 4.39% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2013 is 7.52%.

Appendix D shows the details of this calculation.

**Determination as of June 30, 2014**

The discount rate used to measure the Total Pension Liability was 7.58%.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for the July 1, 2014 actuarial valuation. That policy includes contributions equal to the employer portion of the Entry Age normal cost for members as of the valuation date plus an amortization payment on the unfunded actuarial liability. The amortization payment is based on 15-year closed amortizations of Charter amendments as a level percentage of payroll and closed 20-year amortization as a level percentage of payroll of experience gains and losses and assumption changes. Supplemental COLAs are amortized over a closed 5-year period from the date they are granted. The unfunded actuarial liability is based on an actuarial value of assets that smoothes investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For a Supplemental COLA to be granted the market value of assets must exceed the actuarial liability at the beginning of the year and the actual investment earnings during the year must exceed the expected investment earnings on the actuarial value of assets. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. In most cases, the large majority of members receive a 1.50% Supplemental COLA.

Because the probability of a Supplemental COLA depends on the current funded level of the System, we developed an assumption as of June 30, 2014 of the probability and amount of Supplemental COLA for each future year. The table below shows the net assumed Supplemental COLA for members with a 2.00% basic COLA for sample years. Appendix B contains complete information on the assumption.



**SECTION III  
DETERMINATION OF DISCOUNT RATE**

<b>Assumed Supplemental COLA for Members with a 2.00% Basic COLA</b>	
<b>FYE</b>	<b>Assumption</b>
2015	0.000%
2020	0.364%
2025	0.375%
2030	0.375%
2035+	0.375%

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the System's fiduciary net position was projected to be available to make projected future benefit payments for current members until FYE 2083 when only a portion of the projected benefit payments can be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.58% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 4.31% to the extent they are not available. Since the payments discounted at the municipal bond rate are relatively few and far in the future, the municipal bond rate does not affect the single equivalent rate when rounded to two decimal places. Consequently, the single equivalent rate used to determine the Total Pension Liability as of June 30, 2014 is 7.58%.

Appendix E shows the details of this calculation.

**SECTION IV  
 PROJECTION OF TOTAL PENSION LIABILITY**

The Total Pension Liability (TPL) at the beginning of the measurement year is measured as of June 30, 2013 using a discount rate of 7.52% and the Supplemental COLA assumptions for 2013.

The TPL at the end of the measurement year, June 30, 2014, is measured as of a valuation date of June 30, 2013 using the Supplemental COLA assumptions for 2014 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. The table below shows the projection of the TPL to the end of the fiscal year at discount rates equal to the rate used for disclosure and plus and minus one percent from the rate used for disclosure.

<b>Table IV-1                      Projection of Total Pension Liability                      2014 Assumptions</b>			
<b>Discount Rate</b>	<b>6.58%</b>	<b>7.58%</b>	<b>8.58%</b>
<b>Total Pension Liability, 6/30/2013</b>			
<b>Actives</b>	\$ 9,602,314	\$ 8,250,788	\$ 7,134,865
<b>Deferred Vested</b>	433,493	392,042	357,786
<b>Retirees</b>	13,201,553	12,068,342	11,099,084
<b>Total</b>	\$ 23,237,360	\$ 20,711,172	\$ 18,591,735
<b>Service Cost</b>	626,684	503,655	408,625
<b>Interest</b>	1,514,584	1,548,740	1,567,276
<b>Benefit Payments</b>	(1,072,526)	(1,072,526)	(1,072,526)
<b>Total Pension Liability, 6/30/2014</b>	\$ 24,306,102	\$ 21,691,042	\$ 19,495,110

*Amounts in Thousands*

CITY AND COUNTY OF SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING FOR JUNE 30, 2014 MEASUREMENT DATE

**SECTION V  
NOTE DISCLOSURES**

The table below shows the changes in the Total Pension Liability, the Plan Fiduciary Net Position (i.e., fair value of System assets), and the Net Pension Liability during the Measurement Year.

<b>Table V-1 Change in Net Pension Liability</b>			
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances at 6/30/2013</b>	\$ 20,785,417	\$ 17,011,545	\$ 3,773,872
<b>Changes for the year:</b>			
Service cost	509,200		509,200
Interest	1,542,266		1,542,266
Changes of benefits	0		0
Changes of assumptions	(73,315)		(73,315)
Differences between expected and actual experience	0		0
Contributions - employer		532,882	(532,882)
Contributions - member		289,020	(289,020)
Net investment income		3,175,431	(3,175,431)
Benefit payments	(1,072,526)	(1,072,526)	0
Administrative expense		(15,745)	15,745
<b>Net changes</b>	<u>905,625</u>	<u>2,909,062</u>	<u>(2,003,437)</u>
<b>Balances at 6/30/2014</b>	<u>\$ 21,691,042</u>	<u>\$ 19,920,607</u>	<u>\$ 1,770,435</u>

*Amounts in Thousands*

There were no changes in benefits during the year, but the discount rate changed and the Supplemental COLA assumption changed. The net effect of these two changes is a reduction in the TPL of approximately \$73 million. Because the beginning and end of year TPL are both based on the same census data, 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 \$2.0 billion. The NPL remaining as of June 30, 2014, is approximately \$1.8 billion.

**SECTION V  
 NOTE DISCLOSURES**

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. The table below shows the sensitivity of the NPL to the discount rate.

<b>Table V-2</b>			
<b>Sensitivity of Net Pension Liability to Changes in Discount Rate</b>			
	<b>1% Decrease 6.58%</b>	<b>Discount Rate 7.58%</b>	<b>1% Increase 8.58%</b>
Total Pension Liability	\$ 24,306,102	\$ 21,691,042	\$ 19,495,110
Plan Fiduciary Net Position	<u>19,920,607</u>	<u>19,920,607</u>	<u>19,920,607</u>
Net Pension Liability	<u>\$ 4,385,495</u>	<u>\$ 1,770,435</u>	<u>\$ (425,497)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.0%	91.8%	102.2%

*Amounts in Thousands*

A one percent decrease in the discount rate increases the TPL by approximately 12% and increases the NPL by approximately 148%. A one percent increase in the discount rate decreases the TPL by approximately 10% and decreases the NPL by approximately 124%.

**SECTION VI  
 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. The schedule below shows the changes in NPL and related ratios required by GASB.

<b>Table VI-1</b>	
<b>Schedule of Changes in Net Pension Liability and Related Ratios</b>	
	<b>FYE 2014</b>
<b><u>Total Pension Liability</u></b>	
Service cost (MOY)	\$ 509,200
Interest (includes interest on service cost)	1,542,266
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes of assumptions	(73,315)
Benefit payments, including refunds of member contributions	<u>(1,072,526)</u>
<b>Net change in total pension liability</b>	<b>905,625</b>
<b>Total pension liability - beginning</b>	<b><u>20,785,417</u></b>
<b>Total pension liability - ending</b>	<b><u>\$ 21,691,042</u></b>
<b><u>Plan fiduciary net position</u></b>	
Contributions - employer	\$ 532,882
Contributions - member	289,020
Net investment income	3,175,431
Benefit payments, including refunds of member contributions	(1,072,526)
Administrative expense	<u>(15,745)</u>
<b>Net change in plan fiduciary net position</b>	<b>\$ 2,909,062</b>
<b>Plan fiduciary net position - beginning</b>	<b><u>17,011,545</u></b>
<b>Plan fiduciary net position - ending</b>	<b><u>\$ 19,920,607</u></b>
<b>Net pension liability - ending</b>	<b><u>\$ 1,770,435</u></b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	91.84%
<b>Covered employee payroll</b>	\$ 2,535,963
<b>Net pension liability as a percentage of covered employee payroll</b>	69.81%

*Amounts in Thousands*

**SECTION VI  
 REQUIRED SUPPLEMENTARY INFORMATION**

Because an Actuarially Determined Contribution (ADC) has historically been calculated, we believe a full 10-year schedule is required showing the following:

1. The Actuarially Determined Contribution (formerly referred to as the ARC),
2. Actual contributions related to the ADC,
3. The difference between the ADC and actual contributions,
4. The covered employee payroll, and
5. The actual contributions as a percentage of covered-employee payroll.

In our valuation reports, we provide the contribution rates applicable to each year, but we do not maintain the dollar amounts and actual covered payroll for each year so we have not provided the schedule. The following information on key methods and assumptions used to calculate the ADC should be presented as notes to the schedule of employer contributions.

<b>Notes to Schedule of Employer Contributions</b>	
Valuation date:	July 1, 2012
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year
Actuarial cost method	Entry age
Asset valuation method	5-year recognition of the difference between the actual investment earnings and the expected return on the actuarial value of assets.
Amortization method	Unfunded actuarial accrued liabilities due to net actuarial gains and losses (including Supplemental COLAs) and assumption changes are amortized as a level percentage of payroll over an open 15-year period beginning with the valuation date. Additional liabilities due to Charter amendments are amortized as a level percentage of payroll over a closed 20-year period beginning with the year the amendment is first reflected in the valuation.
Discount rate	7.58%
Salary increases	3.83% plus merit component based on employee classification and years of service
Amortization payment growth rate	3.83%
Price inflation	3.33%
Mortality	Active members: Sex distinct RP-2000 Employee Mortality projected using Scale AA to 2030 for females and 2005 for males. Healthy Annuitants: Sex distinct RP-2000 Annuitant Mortality projected using Scale AA to 2020.
A complete description of the methods and assumptions used to determine contribution rates for the fiscal year ending June 30, 2014 can be found in the July 1, 2012 actuarial valuation report.	

**SECTION VII  
EMPLOYER REPORTING AMOUNTS**

The City and County of San Francisco is 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 City elects to use the 2014 measurement date for its 2015 reporting. These schedules also assume the System continues to be reported as a single employer plan. If the System is reported as a cost-sharing plan, these schedules would represent the collective amounts that would need to be allocated to each participating employer.

The impact of experience gains or losses and assumption changes on the TPL are recognized in expense over the average expected remaining service life of all active and inactive members of the System. As of the measurement date, this recognition period was 5 years. There were no experience gains or losses to recognize, but there were assumption changes during the measurement year that reduced the TPL approximately \$73 million. Approximately \$15 million of that gain is 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 \$59 million.

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 \$1.8 billion. Approximately \$363 million of that gain is 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 \$1.5 billion.

The table below summarizes the current balances of deferred outflows and deferred inflows of resources along with the net recognition over the next five years.

SECTION VII  
 EMPLOYER REPORTING AMOUNTS

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 0	\$ 0
Changes in assumptions	0	58,652
Net difference between projected and actual earnings on pension plan investments	0	1,516,694
<b>Total</b>	<b>\$ 0</b>	<b>\$ 1,575,346</b>

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

<b>Year ended June 30:</b>	
2016	(393,836)
2017	(393,836)
2018	(393,836)
2019	(393,836)
2020	0
Thereafter	0

*Amounts in Thousands*

The annual pension expense recognized by the City can be calculated two different ways. First, it is the change in the amounts reported on the City's Statement of Net Position that relate to the System 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, 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 the table below, we believe it helps to understand the level and volatility of pension expense.



SECTION VII  
 EMPLOYER REPORTING AMOUNTS

<b>Table VII-2</b>	
<b>Calculation of Pension Expense</b>	
Change in Net Pension Liability	\$ (2,003,437)
Change in Deferred Outflows	0
Change in Deferred Inflows	1,575,346
Employer Contributions	<u>532,882</u>
<b>Pension Expense</b>	<b>\$ 104,791</b>
<b>Pension Expense as % of Payroll</b>	<b>4.13%</b>
<b>Operating Expenses</b>	
Service cost	\$ 509,200
Employee contributions	(289,020)
Administrative expenses	<u>15,745</u>
Total	\$ 235,925
<b>Financing Expenses</b>	
Interest cost	\$ 1,542,266
Expected return on assets	<u>(1,279,564)</u>
Total	\$ 262,702
<b>Changes</b>	
Benefit changes	\$ 0
Recognition of assumption changes	(14,663)
Recognition of liability gains and losses	0
Recognition of investment gains and losses	<u>(379,173)</u>
Total	\$ (393,836)
<b>Pension Expense</b>	<b>\$ 104,791</b>

*Amounts in Thousands*

First, there are components referred 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 the System for the year.

Second, there are the financing expenses: the interest on the Total Pension Liability less the expected return on assets.

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 benefit provisions 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 assumption change and an investment gain recognized that effectively reduces the operating and financing expense by about 75 percent.

**CITY AND COUNTY OF SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING FOR JUNE 30, 2014 MEASUREMENT DATE**

**APPENDIX A  
MEMBERSHIP INFORMATION**

The census data used to develop the Total Pension Liability both as of June 30, 2013 and June 30, 2014 is the same census data used in our July 1, 2013 actuarial valuation. Please refer to the actuarial valuation report for a more complete summary of the census data.

<b>ACTIVE MEMBER DATA</b>			
	<b>July 1, 2013</b>	<b>July 1, 2012</b>	<b>% Change</b>
<b>Total</b>			
Count	28,717	28,097	2.2%
Average Current Age	47.9	47.8	0.1
Average Service	12.2	12.2	0.0
Annual Pensionable Earnings*	\$ 2,449,531,019	\$ 2,323,991,126	5.4%
Average Pensionable Earnings	\$ 85,299	\$ 82,713	3.1%
<b>Police</b>			
Count	1,967	1,883	4.5%
Average Current Age	42.3	42.5	-0.2
Average Service	13.8	14.1	-0.3
Annual Pensionable Earnings*	\$ 241,398,947	\$ 226,328,638	6.7%
Average Pensionable Earnings	\$ 122,724	\$ 120,196	2.1%
<b>Fire</b>			
Count	1,358	1,336	1.6%
Average Current Age	45.2	45.1	0.1
Average Service	14.8	14.7	0.1
Annual Pensionable Earnings*	\$ 176,144,261	\$ 169,513,902	3.9%
Average Pensionable Earnings	\$ 129,709	\$ 126,882	2.2%
<b>Miscellaneous</b>			
Count	25,392	24,878	2.1%
Average Current Age	48.4	48.4	0.0
Average Service	11.9	11.9	0.0
Annual Pensionable Earnings*	\$ 2,031,987,811	\$ 1,928,148,586	5.4%
Average Pensionable Earnings	\$ 80,025	\$ 77,504	3.3%

\* Fiscal Year ending June 30, 2013 and June 30, 2012, excludes DROP members

**CITY AND COUNTY OF SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING FOR JUNE 30, 2014 MEASUREMENT DATE**

**APPENDIX A  
MEMBERSHIP INFORMATION**

<b>Active DROP Member Data - TOTAL SYSTEM</b>			
	<b>July 1, 2013</b>	<b>July 1, 2012</b>	<b>%Change</b>
<b>Total Active DROP</b>			
Count	72	185	-61.1%
Average Current Age	57.3	57.2	0.1
Total Annual Benefit*	\$ 7,760,263	\$ 20,718,754	-62.5%
Average Annual Benefit	\$ 107,781	\$ 111,993	-3.8%
Total DROP Account Balance	\$ 15,879,699	\$ 27,666,179	-42.6%

\* Benefits provided in June 30, valuation data.

<b>Non-Active Member Data - TOTAL SYSTEM</b>			
	<b>July 1, 2013</b>	<b>July 1, 2012</b>	<b>Change</b>
<b>Retired</b>			
Count	19,525	18,711	4.4%
Average Age	69.8	69.7	0.1
Total Annual Benefit*	\$ 795,092,010	\$ 740,008,701	7.4%
Average Annual Benefit	\$ 40,722	\$ 39,549	3.0%
<b>Disabled</b>			
Count	2,672	2,676	-0.1%
Average Age	67.5	67.2	0.3
Total Annual Benefit*	\$ 140,408,629	\$ 135,535,618	3.6%
Average Annual Benefit	\$ 52,548	\$ 50,649	3.8%
<b>Beneficiaries</b>			
Count	3,837	3,803	0.9%
Average Age	77.2	77.0	0.2
Total Annual Benefit*	\$ 110,047,161	\$ 106,705,968	3.1%
Average Annual Benefit	\$ 28,681	\$ 28,058	2.2%
<b>Payee Total</b>			
Count	26,034	25,190	3.4%
Average Age	70.7	70.5	0.2
Total Annual Benefit*	\$1,045,547,799	\$ 982,250,287	6.4%
Average Annual Benefit	\$ 40,161	\$ 38,994	3.0%
<b>Inactives</b>			
Count	5,973	5,558	7.5%
Average Age	47.8	47.0	0.8
Total Contribution Balance with Interest	\$ 176,568,594	\$ 182,611,394	-3.3%
Average Contribution Balance with Interest	\$ 29,561	\$ 32,856	-10.0%

\* Benefits provided in June 30, valuation data

**APPENDIX B  
 ACTUARIAL ASSUMPTIONS AND METHODS**

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability as of June 30, 2013 and June 30, 2014 is provided below, including any assumptions that differ from those used in the July 1, 2013 actuarial valuation. Please refer to the July 1, 2013 actuarial valuation report for a complete description of all other assumptions.

**Key Actuarial Assumptions**

<b>Expected Return on Assets</b>	7.58 percent net of investment expenses
<b>Municipal Bond Yield</b>	4.39 percent as of June 30, 2013 4.31 percent as of June 30, 2014 Bond Buyer 20-Bond GO Index, July 3, 2013 and July 2, 2014
<b>Discount Rate</b>	7.52 percent as of June 30, 2013 7.58 percent as of June 30, 2014
<b>Administrative Expenses</b>	0.45 percent of payroll

**Basic COLA**

<b>Old Miscellaneous and all New Plans</b>	<b>Old Police &amp; Fire, pre 7/1/75 Retirements</b>	<b>Old Police &amp; Fire, Charters A8.595 and A8.596</b>	<b>Old Police &amp; Fire, Charters A8.559 and A8.585</b>
2.00%	3.00%	4.00%	5.00%

**CITY AND COUNTY OF SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM  
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**APPENDIX B  
ACTUARIAL ASSUMPTIONS AND METHODS**

**Supplemental COLA**

<b>FYE</b>	<b>June 30, 2013</b>		<b>June 30, 2014</b>	
	<b>Old Miscellaneous and all New Plans</b>	<b>Old Police &amp; Fire, pre 7/1/75 Retirements</b>	<b>Old Miscellaneous and all New Plans</b>	<b>Old Police &amp; Fire, pre 7/1/75 Retirements</b>
2014	0.000%	0.000%	0.000%	0.000%
2015	0.000%	0.000%	0.000%	0.000%
2016	0.053%	0.018%	0.000%	0.000%
2017	0.131%	0.044%	0.244%	0.081%
2018	0.191%	0.064%	0.308%	0.103%
2019	0.221%	0.074%	0.338%	0.113%
2020	0.255%	0.085%	0.364%	0.121%
2021	0.274%	0.091%	0.364%	0.121%
2022	0.293%	0.098%	0.368%	0.123%
2023	0.308%	0.103%	0.375%	0.125%
2024	0.315%	0.105%	0.375%	0.125%
2025	0.319%	0.106%	0.375%	0.125%
2026	0.323%	0.108%	0.375%	0.125%
2027	0.330%	0.110%	0.375%	0.125%
2028	0.338%	0.113%	0.375%	0.125%
2029	0.345%	0.115%	0.375%	0.125%
2030	0.349%	0.116%	0.375%	0.125%
2031	0.356%	0.119%	0.375%	0.125%
2032	0.360%	0.120%	0.375%	0.125%
2033	0.368%	0.123%	0.375%	0.125%
2034	0.371%	0.124%	0.375%	0.125%
2035+	0.375%	0.125%	0.375%	0.125%

**APPENDIX B  
 ACTUARIAL ASSUMPTIONS AND METHODS**

**Contribution Allocation Procedure**

The contribution allocation procedure primarily consists of an actuarial cost method, an asset smoothing method, and an amortization method as described below.

**1. Actuarial Cost Method**

The Entry Age actuarial cost method was used for active employees, whereby the normal cost is computed as the level annual percentage of pay required to fund the retirement benefits between each member's date of hire and assumed retirement. The actuarial liability is the difference between the present value of future benefits and the present value of future normal costs. The normal cost and actuarial liability are calculated on an individual basis. The sum of the individual amounts is the normal cost and actuarial liability for the System.

**2. Asset Valuation Method**

For the purposes of determining contribution rates, an actuarial value of assets is used that dampens the volatility in the market value of assets, resulting in a smoother pattern of contribution rates.

The actuarial value of assets is calculated by recognizing 20% of each of the past five years of actual investment earnings compared to the expected earnings on the actuarial value of assets.

**3. Amortization Method**

The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets. Effective with the July 1, 2014 actuarial valuation, the Board adopted changes to the amortization methods. The table below summarizes the amortization methods for the July 1, 2013 and July 1, 2014 actuarial valuations. The amortization is based on level percent of pay, assuming pay increases 3.83% a year.

<b>Source</b>	<b>2013 Method</b>	<b>2014 Method</b>
Charter amendments	20-year closed	15-year closed No change to existing amortizations
Actuarial gains and losses and assumption changes	15-year open	20-year closed Remaining portion of 2013 amortization is re-amortized over 19 years
Supplemental COLAs	15-year open	5-year closed Remaining portion of 2013 amortization is re-amortized over 19 years

**APPENDIX B**  
**ACTUARIAL ASSUMPTIONS AND METHODS**

**4. Contributions**

The normal cost for members as of the valuation date is divided by the total salary expected to be paid during the year (including new entrants) to determine the total normal cost rate. The employer's normal cost rate is the total normal cost rate less the employee contribution rate.

The total employer contribution rate is the sum of the employer normal cost rate, the administrative expense rate, and the UAL rate. The UAL payments are adjusted for interest from the valuation date to the date of expected payment in the following fiscal year. The UAL rate is determined by dividing the UAL payments by the total expected payroll for the fiscal year (including new entrants).

**CITY AND COUNTY OF SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM  
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**APPENDIX C  
SUMMARY OF PLAN PROVISIONS**

The plan provisions are the same as those summarized in the July 1, 2013 actuarial valuation report.



**CITY AND COUNTY OF SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING FOR JUNE 30, 2014 MEASUREMENT DATE**

**APPENDIX D  
DETERMINATION OF DISCOUNT RATE – JUNE 30, 2013**

<b>FYE</b>	<b>Projected Beginning Fiduciary Net Position</b>	<b>Normal Cost Contribution</b>	<b>UAL Contribution</b>	<b>Projected Admin Expenses</b>	<b>Projected Benefit Payments</b>	<b>Projected Investment Earnings</b>	<b>Projected Ending Fiduciary Net Position</b>	<b>"Funded" Portion of Benefit Payments</b>	<b>"Unfunded" Portion of Benefit Payments</b>
2014	\$ 17,011,545	\$ 475,644	\$ 381,565	\$ 10,919	\$ 1,118,027	\$ 1,279,364	\$ 18,019,173	\$ 1,118,027	\$ 0
2015	18,019,173	468,453	348,202	10,697	1,162,309	1,352,594	19,015,416	1,162,309	0
2016	19,015,416	461,294	325,520	10,518	1,221,737	1,424,795	19,994,769	1,221,737	0
2017	19,994,769	452,313	323,603	10,306	1,286,525	1,496,221	20,970,076	1,286,525	0
2018	20,970,076	442,499	311,107	10,079	1,354,884	1,566,784	21,925,503	1,354,884	0
2019	21,925,503	430,770	308,277	9,815	1,429,452	1,635,899	22,861,182	1,429,452	0
2020	22,861,182	418,129	313,520	9,534	1,508,577	1,703,615	23,778,335	1,508,577	0
2021	23,778,335	403,856	277,988	9,222	1,592,057	1,768,188	24,627,087	1,592,057	0
2022	24,627,087	388,717	283,834	8,894	1,676,703	1,829,040	25,443,081	1,676,703	0
2023	25,443,081	372,526	244,583	8,544	1,764,563	1,885,573	26,172,656	1,764,563	0
2024	26,172,656	355,412	250,215	8,177	1,854,080	1,937,131	26,853,156	1,854,080	0
2025	26,853,156	337,633	263,644	7,801	1,944,272	1,985,209	27,487,570	1,944,272	0
2026	27,487,570	319,553	265,447	7,421	2,034,149	2,029,362	28,060,361	2,034,149	0
2027	28,060,361	301,087	270,834	7,034	2,123,551	2,068,981	28,570,679	2,123,551	0
2028	28,570,679	282,663	277,482	6,646	2,210,955	2,103,987	29,017,210	2,210,955	0
2029	29,017,210	264,591	170,923	6,262	2,295,423	2,130,068	29,281,108	2,295,423	0
2030	29,281,108	246,936	174,766	5,882	2,376,491	2,146,556	29,466,993	2,376,491	0
2031	29,466,993	229,276	178,817	5,495	2,454,902	2,157,236	29,571,924	2,454,902	0
2032	29,571,924	212,086	183,119	5,114	2,528,878	2,161,972	29,595,109	2,528,878	0
2033	29,595,109	195,037	187,601	4,733	2,598,695	2,160,679	29,534,998	2,598,695	0
2034	29,534,998	178,277	192,326	4,357	2,663,013	2,153,295	29,391,526	2,663,013	0
2035	29,391,526	162,002	197,178	3,990	2,721,280	2,139,841	29,165,275	2,721,280	0
2036	29,165,275	146,267	202,153	3,633	2,772,915	2,120,383	28,857,530	2,772,915	0
2037	28,857,530	130,887	207,150	3,283	2,818,736	2,094,977	28,468,525	2,818,736	0
2038	28,468,525	115,569	212,150	2,933	2,858,816	2,063,629	27,998,124	2,858,816	0
2039	27,998,124	100,337	217,137	2,581	2,893,043	2,026,331	27,446,306	2,893,043	0
2040	27,446,306	85,917	222,094	2,241	2,918,998	1,983,198	26,816,275	2,918,998	0

**CITY AND COUNTY OF SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM  
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**APPENDIX D  
DETERMINATION OF DISCOUNT RATE – JUNE 30, 2013**

<b>FYE</b>	<b>Projected Beginning Fiduciary Net Position</b>	<b>Normal Cost Contribution</b>	<b>UAL Contribution</b>	<b>Projected Admin Expenses</b>	<b>Projected Benefit Payments</b>	<b>Projected Investment Earnings</b>	<b>Projected Ending Fiduciary Net Position</b>	<b>"Funded" Portion of Benefit Payments</b>	<b>"Unfunded" Portion of Benefit Payments</b>
2041	26,816,275	72,514	226,990	1,922	2,936,071	1,934,501	26,112,288	2,936,071	0
2042	26,112,288	60,154	231,796	1,620	2,943,809	1,880,581	25,339,389	2,943,809	0
2043	25,339,389	48,669	236,486	1,333	2,943,184	1,821,777	24,501,804	2,943,184	0
2044	24,501,804	38,238	241,033	1,064	2,933,432	1,758,442	23,605,020	2,933,432	0
2045	23,605,020	29,287	245,410	828	2,912,695	1,691,076	22,657,270	2,912,695	0
2046	22,657,270	22,038	249,577	634	2,880,444	1,620,329	21,668,135	2,880,444	0
2047	21,668,135	16,211	253,499	476	2,838,024	1,546,866	20,646,211	2,838,024	0
2048	20,646,211	11,633	257,150	349	2,786,318	1,471,298	19,599,625	2,786,318	0
2049	19,599,625	8,172	260,506	250	2,726,123	1,394,206	18,536,137	2,726,123	0
2050	18,536,137	5,532	263,548	174	2,658,795	1,316,117	17,462,365	2,658,795	0
2051	17,462,365	3,666	266,262	119	2,584,827	1,237,511	16,384,857	2,584,827	0
2052	16,384,857	2,337	268,639	78	2,505,376	1,158,832	15,309,211	2,505,376	0
2053	15,309,211	1,470	270,675	51	2,421,039	1,080,481	14,240,747	2,421,039	0
2054	14,240,747	905	272,367	32	2,332,743	1,002,819	13,184,063	2,332,743	0
2055	13,184,063	555	273,718	20	2,241,134	926,169	12,143,350	2,241,134	0
2056	12,143,350	321	274,734	12	2,146,889	850,819	11,122,322	2,146,889	0
2057	11,122,322	187	275,420	7	2,050,367	777,037	10,124,593	2,050,367	0
2058	10,124,593	97	275,788	4	1,952,130	705,075	9,153,419	1,952,130	0
2059	9,153,419	45	275,846	2	1,852,521	635,166	8,211,954	1,852,521	0
2060	8,211,954	20	275,608	1	1,751,935	567,536	7,303,182	1,751,935	0
2061	7,303,182	8	275,086	0	1,650,846	502,392	6,429,822	1,650,846	0
2062	6,429,822	2	274,294	0	1,549,690	439,926	5,594,354	1,549,690	0
2063	5,594,354	0	273,246	0	1,448,922	380,308	4,798,987	1,448,922	0
2064	4,798,987	0	271,959	0	1,349,009	323,689	4,045,625	1,349,009	0
2065	4,045,625	0	270,446	0	1,250,425	270,196	3,335,842	1,250,425	0
2066	3,335,842	0	268,726	0	1,153,621	219,932	2,670,877	1,153,621	0
2067	2,670,877	0	266,813	0	1,059,046	172,975	2,051,619	1,059,046	0

CITY AND COUNTY OF SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM  
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**APPENDIX D**  
**DETERMINATION OF DISCOUNT RATE – JUNE 30, 2013**

<b>FYE</b>	<b>Projected Beginning Fiduciary Net Position</b>	<b>Normal Cost Contribution</b>	<b>UAL Contribution</b>	<b>Projected Admin Expenses</b>	<b>Projected Benefit Payments</b>	<b>Projected Investment Earnings</b>	<b>Projected Ending Fiduciary Net Position</b>	<b>"Funded" Portion of Benefit Payments</b>	<b>"Unfunded" Portion of Benefit Payments</b>
2068	2,051,619	0	264,725	0	967,126	129,378	1,478,596	967,126	0
2069	1,478,596	0	262,479	0	878,273	89,165	951,967	878,273	0
2070	951,967	0	260,086	0	792,877	52,335	471,512	792,877	0
2071	471,512	0	257,568	0	711,285	18,859	36,653	711,285	0
2072	36,653	0	254,939	0	633,815	(11,319)	(353,541)	280,274	353,541
2073	(353,541)	0	252,217	0	560,742	(38,278)	(700,344)	0	560,742
2074	(700,344)	0	249,414	0	492,332	(62,124)	(1,005,386)	0	492,332
2075	(1,005,386)	0	246,546	0	428,805	(82,990)	(1,270,634)	0	428,805
2076	(1,270,634)	0	243,627	0	370,317	(101,028)	(1,498,353)	0	370,317
2077	(1,498,353)	0	240,668	0	316,985	(116,415)	(1,691,085)	0	316,985
2078	(1,691,085)	0	237,682	0	268,846	(129,344)	(1,851,593)	0	268,846
2079	(1,851,593)	0	234,678	0	225,849	(140,022)	(1,982,786)	0	225,849
2080	(1,982,786)	0	231,668	0	187,892	(148,666)	(2,087,676)	0	187,892
2081	(2,087,676)	0	228,658	0	154,761	(155,496)	(2,169,275)	0	154,761
2082	(2,169,275)	0	225,657	0	126,212	(160,731)	(2,230,561)	0	126,212
2083	(2,230,561)	0	222,671	0	101,915	(164,583)	(2,274,389)	0	101,915
2084	(2,274,389)	0	219,705	0	81,492	(167,256)	(2,303,432)	0	81,492
2085	(2,303,432)	0	216,764	0	64,539	(168,936)	(2,320,144)	0	64,539
2086	(2,320,144)	0	213,852	0	50,636	(169,794)	(2,326,722)	0	50,636
2087	(2,326,722)	0	210,971	0	39,367	(169,981)	(2,325,098)	0	39,367
2088	(2,325,098)	0	208,123	0	30,336	(169,627)	(2,316,938)	0	30,336
2089	(2,316,938)	0	205,311	0	23,173	(168,847)	(2,303,647)	0	23,173
2090	(2,303,647)	0	202,536	0	17,550	(167,734)	(2,286,395)	0	17,550
2091	(2,286,395)	0	199,797	0	13,175	(166,365)	(2,266,138)	0	13,175
2092	(2,266,138)	0	197,097	0	9,803	(164,804)	(2,243,648)	0	9,803
2093	(2,243,648)	0	194,435	0	7,225	(163,103)	(2,219,542)	0	7,225
2094	(2,219,542)	0	191,811	0	5,274	(161,301)	(2,194,305)	0	5,274

CITY AND COUNTY OF SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM  
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**APPENDIX D**  
**DETERMINATION OF DISCOUNT RATE – JUNE 30, 2013**

<b>FYE</b>	<b>Projected Beginning Fiduciary Net Position</b>	<b>Normal Cost Contribution</b>	<b>UAL Contribution</b>	<b>Projected Admin Expenses</b>	<b>Projected Benefit Payments</b>	<b>Projected Investment Earnings</b>	<b>Projected Ending Fiduciary Net Position</b>	<b>"Funded" Portion of Benefit Payments</b>	<b>"Unfunded" Portion of Benefit Payments</b>
2095	(2,194,305)	0	189,225	0	3,810	(159,429)	(2,168,320)	0	3,810
2096	(2,168,320)	0	186,678	0	2,725	(157,514)	(2,141,881)	0	2,725
2097	(2,141,881)	0	184,167	0	1,928	(155,574)	(2,115,216)	0	1,928
2098	(2,115,216)	0	181,695	0	1,350	(153,623)	(2,088,494)	0	1,350
2099	(2,088,494)	0	179,259	0	937	(151,673)	(2,061,845)	0	937
2100	(2,061,845)	0	176,859	0	644	(149,731)	(2,035,361)	0	644
2101	(2,035,361)	0	174,496	0	439	(147,804)	(2,009,109)	0	439
2102	(2,009,109)	0	172,168	0	298	(145,896)	(1,983,134)	0	298
2103	(1,983,134)	0	169,875	0	201	(144,008)	(1,957,469)	0	201
2104	(1,957,469)	0	167,616	0	136	(142,145)	(1,932,133)	0	136
2105	(1,932,133)	0	165,392	0	91	(140,305)	(1,907,138)	0	91
2106	(1,907,138)	0	163,201	0	62	(138,491)	(1,882,491)	0	62
2107	(1,882,491)	0	161,043	0	42	(136,702)	(1,858,192)	0	42
2108	(1,858,192)	0	158,917	0	28	(134,939)	(1,834,242)	0	28
2109	(1,834,242)	0	156,824	0	19	(133,201)	(1,810,639)	0	19
2110	(1,810,639)	0	154,762	0	13	(131,489)	(1,787,379)	0	13
2111	(1,787,379)	0	152,731	0	9	(129,801)	(1,764,458)	0	9
2112	(1,764,458)	0	150,730	0	6	(128,138)	(1,741,871)	0	6
2113	(1,741,871)	0	148,760	0	4	(126,499)	(1,719,614)	0	4
2114	(1,719,614)	0	146,820	0	3	(124,884)	(1,697,681)	0	3
2115	(1,697,681)	0	144,908	0	2	(123,293)	(1,676,068)	0	2
2116	(1,676,068)	0	143,026	0	1	(121,724)	(1,654,768)	0	1
							Discount Rate:	7.58%	4.39%
							Present Value:	24,949,331	261,918
							Total Present Value:		\$ 25,211,249
							GASB Discount Rate:		7.52%

*Amounts in Thousands*

CITY AND COUNTY OF SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING FOR JUNE 30, 2014 MEASUREMENT DATE

**APPENDIX E**  
**DETERMINATION OF DISCOUNT RATE – JUNE 30, 2014**

FYE	Projected Beginning Fiduciary Net Position	Normal Cost Contribution	UAL Contribution	Projected Admin Expenses	Projected Benefit Payments	Projected Investment Earnings	Projected Ending Fiduciary Net Position	"Funded" Portion of Benefit Payments	"Unfunded" Portion of Benefit Payments
2015	\$ 19,669,222	\$ 468,453	\$ 289,086	\$ 10,697	\$ 1,162,309	\$ 1,475,468	\$ 20,729,223	\$ 1,162,309	\$ 0
2016	20,729,223	461,294	254,661	10,518	1,221,737	1,552,065	21,764,988	1,221,737	0
2017	21,764,988	452,313	232,046	10,306	1,286,015	1,627,016	22,327,730	1,286,015	0
2018	22,780,043	442,499	206,465	10,079	1,355,538	1,700,062	23,320,953	1,355,538	0
2019	23,763,452	430,770	187,176	9,815	1,431,388	1,770,638	24,280,062	1,431,388	0
2020	24,710,832	418,129	199,405	9,534	1,511,881	1,839,450	25,228,272	1,511,881	0
2021	25,646,401	403,856	173,151	9,222	1,596,722	1,905,713	26,119,320	1,596,722	0
2022	26,523,175	388,717	189,972	8,894	1,682,568	1,969,053	26,990,738	1,682,568	0
2023	27,379,456	372,526	156,006	8,544	1,771,475	2,028,798	27,784,240	1,771,475	0
2024	28,156,766	355,412	165,720	8,177	1,861,986	2,084,088	28,536,410	1,861,986	0
2025	28,891,822	337,633	182,355	7,801	1,953,107	2,136,387	29,249,656	1,953,107	0
2026	29,587,289	319,553	186,458	7,421	2,043,891	2,185,219	29,907,655	2,043,891	0
2027	30,227,208	301,087	194,010	7,034	2,134,165	2,229,974	30,509,992	2,134,165	0
2028	30,811,079	282,663	202,445	6,646	2,222,330	2,270,594	31,055,143	2,222,330	0
2029	31,337,805	264,591	97,079	6,262	2,307,430	2,302,775	31,423,968	2,307,430	0
2030	31,688,560	246,936	101,771	5,882	2,388,985	2,325,860	31,721,323	2,388,985	0
2031	31,968,259	229,276	106,359	5,495	2,467,801	2,343,656	31,944,978	2,467,801	0
2032	32,174,253	212,086	110,821	5,114	2,542,006	2,356,050	32,094,005	2,542,006	0
2033	32,306,092	195,037	115,129	4,733	2,611,947	2,362,981	32,167,522	2,611,947	0
2034	32,362,560	178,277	(268,063)	4,357	2,676,190	2,350,004	31,763,955	2,676,190	0
2035	31,942,231	162,002	(173,319)	3,990	2,734,262	2,318,916	31,349,575	2,734,262	0
2036	31,511,577	146,267	(84,415)	3,633	2,785,576	2,287,099	30,925,050	2,785,576	0
2037	31,071,318	130,887	(39,924)	3,283	2,831,040	2,253,131	30,450,201	2,831,040	0
2038	30,581,088	115,569	42,805	2,933	2,870,728	2,217,017	29,967,249	2,870,728	0
2039	30,082,818	100,337	103,233	2,581	2,904,533	2,179,685	29,458,622	2,904,533	0
2040	29,558,959	85,917	114,200	2,241	2,930,036	2,138,912	28,879,794	2,930,036	0

CITY AND COUNTY OF SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING FOR JUNE 30, 2014 MEASUREMENT DATE

**APPENDIX E**  
**DETERMINATION OF DISCOUNT RATE – JUNE 30, 2014**

<b>FYE</b>	<b>Projected Beginning Fiduciary Net Position</b>	<b>Normal Cost Contribution</b>	<b>UAL Contribution</b>	<b>Projected Admin Expenses</b>	<b>Projected Benefit Payments</b>	<b>Projected Investment Earnings</b>	<b>Projected Ending Fiduciary Net Position</b>	<b>"Funded" Portion of Benefit Payments</b>	<b>"Unfunded" Portion of Benefit Payments</b>
2041	28,965,712	72,514	121,400	1,922	2,946,628	2,093,107	28,231,668	2,946,628	0
2042	28,304,182	60,154	125,761	1,620	2,953,861	2,042,408	27,516,870	2,953,861	0
2043	27,577,023	48,669	127,655	1,333	2,952,711	1,986,986	26,737,620	2,952,711	0
2044	26,786,289	38,238	128,085	1,064	2,942,417	1,927,069	25,897,961	2,942,417	0
2045	25,936,199	29,287	127,820	828	2,921,128	1,863,090	25,005,152	2,921,128	0
2046	25,034,440	22,038	126,954	634	2,888,318	1,795,663	24,068,105	2,888,318	0
2047	24,090,142	16,211	125,553	476	2,845,338	1,725,421	23,095,303	2,845,338	0
2048	23,111,514	11,633	123,651	349	2,793,076	1,652,949	22,094,690	2,793,076	0
2049	22,106,323	8,172	121,272	250	2,732,333	1,578,802	21,073,813	2,732,333	0
2050	21,081,985	5,532	118,438	174	2,664,471	1,503,482	20,039,259	2,664,471	0
2051	20,044,791	3,666	115,220	119	2,589,987	1,427,447	18,997,352	2,589,987	0
2052	19,001,018	2,337	111,682	78	2,510,041	1,351,124	17,953,705	2,510,041	0
2053	17,956,042	1,470	107,885	51	2,425,232	1,274,897	16,913,542	2,425,232	0
2054	16,915,011	905	103,885	32	2,336,490	1,199,120	15,881,495	2,336,490	0
2055	15,882,399	555	99,741	20	2,244,464	1,124,105	14,861,762	2,244,464	0
2056	14,862,317	321	95,501	12	2,149,831	1,050,138	13,858,114	2,149,831	0
2057	13,858,435	187	91,212	7	2,052,949	977,484	12,874,175	2,052,949	0
2058	12,874,362	97	86,913	4	1,954,385	906,396	11,913,283	1,954,385	0
2059	11,913,380	45	82,640	2	1,854,477	837,110	10,978,651	1,854,477	0
2060	10,978,696	20	78,419	1	1,753,621	769,855	10,073,349	1,753,621	0
2061	10,073,369	8	74,275	0	1,652,290	704,847	9,200,200	1,652,290	0
2062	9,200,208	2	70,227	0	1,550,920	642,283	8,361,798	1,550,920	0
2063	8,361,800	0	66,294	0	1,449,962	582,341	7,560,473	1,449,962	0
2064	7,560,474	0	62,490	0	1,349,884	525,183	6,798,263	1,349,884	0
2065	6,798,263	0	58,828	0	1,251,156	470,944	6,076,880	1,251,156	0
2066	6,076,880	0	55,322	0	1,154,229	419,740	5,397,712	1,154,229	0
2067	5,397,712	0	51,981	0	1,059,548	371,657	4,761,803	1,059,548	0

CITY AND COUNTY OF SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM  
 GASB 67 AND 68 REPORTING FOR JUNE 30, 2014 MEASUREMENT DATE

**APPENDIX E**  
**DETERMINATION OF DISCOUNT RATE – JUNE 30, 2014**

<b>FYE</b>	<b>Projected Beginning Fiduciary Net Position</b>	<b>Normal Cost Contribution</b>	<b>UAL Contribution</b>	<b>Projected Admin Expenses</b>	<b>Projected Benefit Payments</b>	<b>Projected Investment Earnings</b>	<b>Projected Ending Fiduciary Net Position</b>	<b>"Funded" Portion of Benefit Payments</b>	<b>"Unfunded" Portion of Benefit Payments</b>
2068	4,761,803	0	48,814	0	967,539	326,761	4,169,839	967,539	0
2069	4,169,839	0	45,828	0	878,611	285,088	3,622,144	878,611	0
2070	3,622,144	0	43,020	0	793,152	246,648	3,118,660	793,152	0
2071	3,118,660	0	40,401	0	711,509	211,424	2,658,976	711,509	0
2072	2,658,976	0	37,974	0	633,996	179,374	2,242,328	633,996	0
2073	2,242,328	0	35,740	0	560,888	150,429	1,867,609	560,888	0
2074	1,867,609	0	33,698	0	492,450	124,496	1,533,353	492,450	0
2075	1,533,353	0	31,855	0	428,900	101,455	1,237,763	428,900	0
2076	1,237,763	0	30,198	0	370,394	81,164	978,732	370,394	0
2077	978,732	0	28,721	0	317,047	63,460	753,865	317,047	0
2078	753,865	0	27,416	0	268,897	48,158	560,542	268,897	0
2079	560,542	0	26,273	0	225,890	35,062	395,987	225,890	0
2080	395,987	0	25,283	0	187,925	23,964	257,310	187,925	0
2081	257,310	0	24,436	0	154,788	14,654	141,612	154,788	0
2082	141,612	0	23,718	0	126,234	6,920	46,015	126,234	0
2083	46,015	0	23,118	0	101,934	555	0	69,689	32,245
2084	(32,245)	0	22,623	0	81,507	(4,635)	0	0	81,507
2085	(95,765)	0	22,222	0	64,552	(8,834)	0	0	64,552
2086	(146,929)	0	21,901	0	50,647	(12,207)	0	0	50,647
2087	(187,882)	0	21,651	0	39,376	(14,901)	0	0	39,376
2088	(220,507)	0	21,461	0	30,343	(17,045)	0	0	30,343
2089	(246,434)	0	21,322	0	23,180	(18,749)	0	0	23,180
2090	(267,041)	0	21,225	0	17,555	(20,105)	0	0	17,555
2091	(283,478)	0	21,163	0	13,180	(21,191)	0	0	13,180
2092	(296,685)	0	21,131	0	9,807	(22,067)	0	0	9,807
2093	(307,429)	0	21,124	0	7,229	(22,786)	0	0	7,229
2094	(316,320)	0	21,137	0	5,277	(23,387)	0	0	5,277

CITY AND COUNTY OF SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING FOR JUNE 30, 2014 MEASUREMENT DATE

**APPENDIX E**  
**DETERMINATION OF DISCOUNT RATE – JUNE 30, 2014**

FYE	Projected Beginning Fiduciary Net Position	Normal Cost Contribution	UAL Contribution	Projected Admin Expenses	Projected Benefit Payments	Projected Investment Earnings	Projected Ending Fiduciary Net Position	"Funded" Portion of Benefit Payments	"Unfunded" Portion of Benefit Payments
2095	(323,846)	0	21,168	0	3,813	(23,902)	0	0	3,813
2096	(330,393)	0	21,214	0	2,727	(24,356)	0	0	2,727
2097	(336,262)	0	21,273	0	1,930	(24,769)	0	0	1,930
2098	(341,687)	0	21,345	0	1,352	(25,156)	0	0	1,352
2099	(346,850)	0	21,427	0	938	(25,529)	0	0	938
2100	(351,890)	0	21,520	0	645	(25,897)	0	0	645
2101	(356,911)	0	21,623	0	440	(26,266)	0	0	440
2102	(361,994)	0	21,737	0	299	(26,641)	0	0	299
2103	(367,197)	0	21,861	0	202	(27,028)	0	0	202
2104	(372,565)	0	21,997	0	136	(27,427)	0	0	136
2105	(378,132)	0	22,143	0	92	(27,842)	0	0	92
2106	(383,922)	0	22,303	0	62	(28,274)	0	0	62
2107	(389,955)	0	22,475	0	42	(28,724)	0	0	42
2108	(396,246)	0	22,661	0	28	(29,193)	0	0	28
2109	(402,807)	0	22,862	0	19	(29,683)	0	0	19
2110	(409,647)	0	23,079	0	13	(30,193)	0	0	13
2111	(416,773)	0	23,314	0	9	(30,724)	0	0	9
2112	(424,192)	0	23,568	0	6	(31,277)	0	0	6
2113	(431,908)	0	23,842	0	4	(31,852)	0	0	4
2114	(439,922)	0	24,137	0	3	(32,448)	0	0	3
2115	(448,235)	0	24,457	0	2	(33,066)	0	0	2
2116	(456,847)	0	24,801	0	1	(33,706)	0	0	1
							Discount Rate:	7.58%	4.31%
							Present Value:	25,035,889	17,810
							Total Present Value:		\$ 25,053,699
							GASB Discount Rate:		7.58%

*Amounts in Thousands*



**APPENDIX F  
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. 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.

**4. 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.

**5. 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.

**6. 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.

**APPENDIX F  
GLOSSARY OF TERMS**

**7. 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.

**8. Plan Fiduciary Net Position**

The fair or market value of assets.

**9. Reporting Date**

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

**10. 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.

**11. 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.