



City and County of San Francisco Postretirement Health Plan

**GASB 74/75 Report
June 30, 2020 Measurement Date
for June 30, 2021 Reporting Date**

Produced by Cheiron

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TABLE OF CONTENTS

<i>Section</i>		<i>Page</i>
Section I	Board Summary	1
Section II	Certification	6
Section III	Determination of Discount Rate	8
Section IV	GASB 74 Reporting Information.....	9
Section V	GASB 75 Reporting Information.....	14
 <i>Appendices</i>		
Appendix A	Membership Information	19
Appendix B	Actuarial Assumptions and Methods	25
Appendix C	Summary of Plan Provisions.....	40
Appendix D	Determination of Discount Rate	46
Appendix E	Glossary of Terms.....	50

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

SECTION I – BOARD SUMMARY

The purpose of this report is to provide accounting and financial reporting information under the Governmental Accounting Standards Board Statements No. 74 and No. 75 (GASB 74 and GASB 75) for the City and County of San Francisco Postretirement Health Plan. This information includes:

- Determination of the discount rate as of the measurement date;
- Sensitivity of the Net OPEB Liability to changes in discount rates and health care cost trend rates;
- Changes in the Net OPEB Liability;
- Schedule of Employer Contributions;
- Disclosure of Deferred Inflows and Outflows; and,
- Calculation of the Annual OPEB Expense for the City and County of San Francisco.

Numbers in the tables in this report may not add due to rounding.

Highlights

The measurement date for GASB 74 and 75 is June 30, 2020. Measurements are based on the fair value of assets as of June 30, 2020 and the Total OPEB Liability as of the valuation date, which is also June 30, 2020. For this plan, valuations are conducted every other year, and each valuation is used as the basis for two years of reporting and disclosure of the Total OPEB Liability under GASB 74 and 75.

The table on the next page provides a summary of the key results during this measurement period. For GASB 74 reporting purposes, only the Net OPEB Liability applies.

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

SECTION I – BOARD SUMMARY

	Measurement Date	
	6/30/2020	6/30/2019
Net OPEB Liability	\$ 3,823,334	\$ 3,915,814
Deferred Outflows	(580,662)	(481,678)
Deferred Inflows	547,780	281,625
Net Impact on Statement of Net Position	\$ 3,790,452	\$ 3,715,761
Contributions Subsequent to Measurement Date (Included in Deferred Outflows Above)		
Contributions to Trust	\$ 39,555	\$ 39,518
Benefit Payments	206,439	196,445
Total	\$ 245,994	\$ 235,963
OPEB Expense (\$ Amount)	\$ 320,685	\$ 330,672
OPEB Expense (% of Payroll)	8.11%	8.79%

Amounts in Thousands

The Net OPEB Liability (NOL) decreased approximately \$92 million since the prior measurement date. This decrease is due to a combination of \$382 million in experience gains offset by \$152 million in assumption changes and \$138 million due to contributions and net investment income being less than service cost, administrative expenses, and interest on the NOL.

Plan changes are recognized immediately, investment gains and losses are recognized over five years, and experience gains and losses and assumption changes are recognized over the average remaining service life, which is seven years. Unrecognized amounts are reported as deferred outflows and deferred inflows of resources.

As of June 30, 2021, the end of the reporting year, the City and County reports a Net OPEB Liability of \$3,823,334,000, Deferred Outflows of \$580,662,000, and Deferred Inflows of \$547,780,000. Consequently, the net impact on the City and County’s Statements of Net Position is \$3,790,452,000 at the end of the reporting year. Contributions of \$245,994,000 between the measurement date (June 30, 2020) and the City and County’s reporting date (June 30, 2021) are reported as deferred outflows to offset the cash outflow reported and are included in the figures above.

For the fiscal year ending June 30, 2021, the Annual OPEB Expense is \$320,685,000, or 8.11% of covered payroll. Volatility in OPEB expense from year to year is to be expected given the immediate recognition of plan changes and the short recognition periods for investment gains and losses, assumption changes, and liability gains and losses. A breakdown of the components of the net OPEB expense is shown in Section V of this report.

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

SECTION I – BOARD SUMMARY

Reconciliation to Prior Valuation Results

The table below compares the Total OPEB Liability and service cost under GASB 74 and 75 as of June 30, 2020 to the prior valuation of June 30, 2018. The service cost shown in this table is for the year beginning on the valuation date, so it differs from the amount shown in the OPEB expense calculation for the measurement year ending on the valuation date.

Comparison of Results to Prior Valuation				
Valuation Date	6/30/2020		6/30/2018	
Discount Rate		7.00%		7.40%
Total OPEB Liability				
Actives	\$	1,614,663	\$	1,485,785
Terminated Vested Members		391,069		302,668
Retirees		<u>2,306,591</u>		<u>2,068,478</u>
Total	\$	4,312,323	\$	3,856,931
Service Cost (at middle of year)	\$	146,242	\$	125,048

Amounts in Thousands

The following table shows the impact of the primary sources contributing to the change in Total OPEB Liability and service cost since the prior actuarial valuation. Note that the expected values as of June 30, 2020 are based on assumptions and methods from the prior valuation.

Reconciliation of Results to Prior Valuation				
	Total OPEB Liability		Service Cost	
Expected Value, June 30, 2020	\$	4,542,520	\$	144,820
Demographic Changes	\$	2,903	\$	(4,240)
Actual Claims and Premiums		(384,825)		(10,566)
Assumption Changes		<u>151,725</u>		<u>16,228</u>
Total Changes	\$	(230,197)	\$	1,422
Actual Value, June 30, 2020	\$	4,312,323	\$	146,242

Amounts in Thousands

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

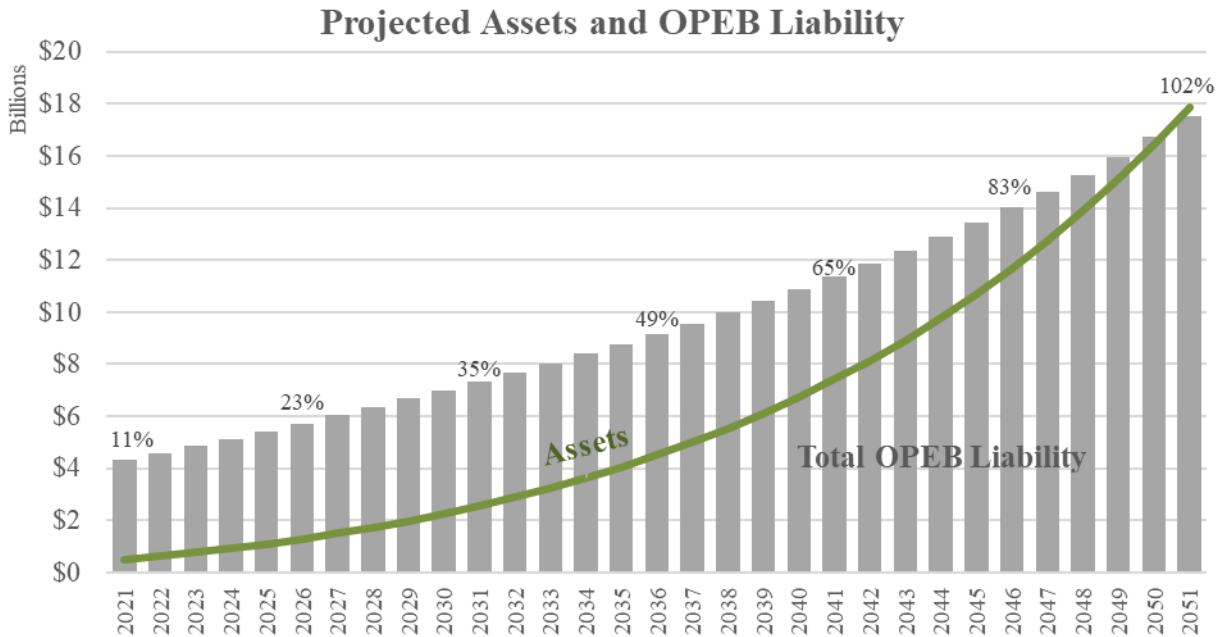
SECTION I – BOARD SUMMARY

Below is a brief description of each of the changes shown in the previous table:

- The *Expected Value* is what the Total OPEB Liability and service cost would have been had experience matched all the assumptions between June 30, 2018 and June 30, 2020.
- The *Demographic Changes* represent the impact of population changes between June 30, 2018 and June 30, 2020.
- The *Actual Claims and Premiums* represent the impact of the difference between actual health care claims, expense costs, and premiums adopted as of the measurement date compared to the projected costs using the assumptions from the June 30, 2018 valuation.
- The *Assumption Changes* represent the impact of changes to the discount rate, health care trend assumptions, SFERS pension assumptions as a result of its most recent experience study (including rates of retirement, mortality, termination, salary increases, etc.), and OPEB-specific demographic assumptions (including participation, plan election, etc.). The assumption changes are described in Appendix B of the report.

Funding Projections

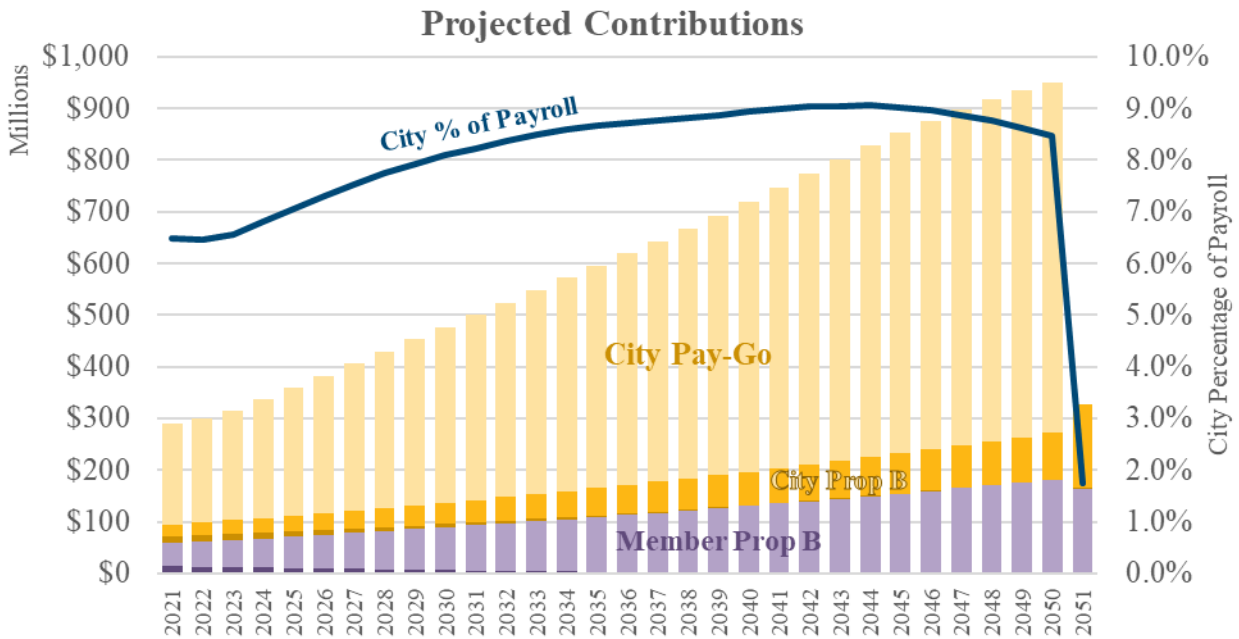
The chart below shows the projected growth of the Total OPEB Liability and the assets in the Retiree Health Care Trust Fund (RHCTF) over the next 30 years. The plan is expected to grow from 11% funded to 102% funded over the 30-year period if all assumptions are met, including the 7.0% discount rate. Benefits cannot be paid from the RHCTF until the plan is 100% funded.



**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

SECTION I – BOARD SUMMARY

Contributions to fund the OPEB plan are defined in the Charter and are not actuarially determined. Until the plan is 100% funded, Pre-Prop B members contribute 1% of pay and Prop B members contribute 2% of pay while the City contributes 1% of pay and pays the benefits on a pay-as-you-go (Pay-Go) basis each year. If the City’s contributions exceed 10% of payroll, there are some potential adjustments that are described in detail in Section III and Appendix C of the report. Once the plan is 100% funded, members pay 50% of the normal cost up to 2% of pay (1% if Pre-Prop B) and the City pays the remainder of the normal cost. The chart below shows the projected contributions over the next 30 years.



Member contributions are shown as purple bars with the darker purple for Pre-Prop B members. City contributions are shown as gold bars with dark gold for Pre-Prop B members, medium gold for Prop B members, and light gold for the pay-as-you-go benefit payments. The blue line represents total City contributions as a percentage of payroll. If all assumptions are met, City contributions do not reach the 10% of payroll threshold and contributions drop significantly in 2051 when the plan is projected to reach 100% funding.

Details of the contribution and disbursement structure both before and after full funding are provided in Appendix C (Summary of Plan Provisions).

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

SECTION II – CERTIFICATION

The purpose of this report is to provide accounting and financial reporting information under GASB No. 74 for the City and County of San Francisco Postretirement Health Plan (Plan) and under GASB No. 75 for the City and County of San Francisco. This report is for the use of the City and County of San Francisco and its auditors in preparing financial reports in accordance with applicable law and accounting requirements. This report is not appropriate for other purposes, including the calculation of actuarially determined contributions.

In preparing our report, we relied on information (some oral and some written) supplied by the City and County of San Francisco (CCSF), the Health Services System (HSS), and the San Francisco Employees' Retirement System (SFERS). 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.

The City and County of San Francisco selected the actuarial assumptions based on our analysis and recommendations. We believe the selected assumptions to be reasonable for the purpose of financial reporting under GASB Statement Nos. 74 and 75.

Medical trend assumptions were developed using the Society of Actuaries (SOA) Long-Term Health Care Cost Trends Model (Model). This Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group. We have reviewed the baseline assumptions for the Model and found them to be reasonable and consistent with the other economic assumptions used in the valuation, except the capacity constraint assumptions were adjusted based on our review of the current economic environment, and our expectations for the future. Further rationale and detail on the parameters used in this Model can be found in Appendix B of this report – Actuarial Assumptions and Methods. We have relied on the SOA as the developer of the Model. We have reviewed the Model and have a basic understanding of the Model and have used the Model in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of the Model that would affect these results.

Cheiron utilizes ProVal, an actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate the liabilities, normal costs, and projected benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal and have a basic understanding of it and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this actuarial valuation.

The funding projections shown in the Board Summary and the projection of future contributions shown in Appendix D – Determination of the Discount Rate are developed using an open group deterministic projection of the liabilities and assets associated with the Plan. The projection uses projected benefit payments for current members, but does not include projected benefit payments for new members. This limitation is not material for the purpose of the projection as it would affect

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

SECTION II – CERTIFICATION

the assets and liabilities by the same amount. The projection uses standard roll-forward techniques that implicitly assume a stable active population.

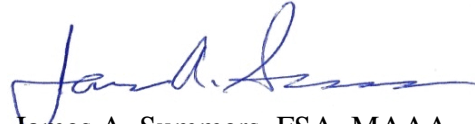
Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and, changes in plan provisions or applicable law.

This report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, collectively 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 exclusively for the City and County of San Francisco for the purposes described herein and for the use by the City’s auditor in completing an audit related to the matters herein. Other users of this report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.



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



James A. Summers, FSA, MAAA
Consulting Actuary

SECTION III – DETERMINATION OF DISCOUNT RATE

The discount rate used to measure the Total OPEB Liability was 7.00%.

Employee and City and County contributions to the Plan are set in Charter Section A8.432(a) and (b) and are not actuarially determined. Employee and City and County contributions to the Retiree Health Care Trust Fund (RHCTF) are a fixed percent of pay that varies depending on the employee's hire date, the year in which the payment is made, and whether the Trust is fully funded.

As described in Charter Section A8.432(d), before the Trust is fully funded, other than limited disbursements described below to stabilize City and County contributions and disbursements for reasonable administrative expenses, no disbursements may be made from the RHCTF. As a result, the City and County pays for all benefits on a pay-as-you-go basis while the contributions accumulate in the Trust.

If the City and County's retiree health care costs (RHCTF contributions plus benefit payments) are projected to exceed 10% of payroll, with approval of the Mayor and by resolution of the Board of Supervisors, the RHCTF Board may authorize stabilization disbursements to the extent necessary to reduce the City's retiree health care costs to 10% of payroll provided that such stabilization disbursement does not exceed 10% of the balance in the RHCTF as of the prior year.

Once the RHCTF is fully funded:

- Benefits for current retirees can be paid from the Trust,
- Employee contributions to the Trust become 50% of normal cost up to 2% of pay, and
- City and County contributions become the remainder of the normal cost not paid by employee contributions.

Details of the contribution and disbursement structure both before and after full funding are provided in Appendix C (Summary of Plan Provisions).

To determine the discount rate, we have assumed that the City and County and employees will contribute to the RHCTF at the rates specified by the Charter and disbursements from the RHCTF will continue to be limited by the Charter until it is fully funded.

A formal cash flow projection as described under Paragraph 37 of GASB Statement 75 is included in Appendix D. In performing the crossover test, we made the following conservative assumptions to simplify the test:

- In projecting when the Plan becomes fully funded, the Total OPEB Liability includes the service cost for new entrants and the assets include contributions for new entrants, but the Total OPEB Liability and assets are only reduced for projected benefit payments for current members.
- All projected administrative expenses are allocated to current members.

The projection shows that for each future period, the amount of the Plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability.

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

SECTION IV – GASB 74 REPORTING INFORMATION

Note Disclosures

The table below shows the changes in the Total OPEB Liability (TOL), the Plan Fiduciary Net Position (i.e., fair value of Plan assets) (FNP), and the Net OPEB Liability (NOL) during the measurement period ending on June 30, 2020.

Change in Net OPEB Liability			
	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at end of prior year	\$ 4,282,416	\$ 366,602	\$ 3,915,814
Changes for the year:			
Service cost	141,642		141,642
Interest	314,907		314,907
Changes of benefits	0		0
Differences between expected and actual experience	(381,922)		(381,922)
Changes of assumptions	151,725		151,725
Contributions - employer		235,963	(235,963)
Contributions - member		60,236	(60,236)
Net investment income		22,746	(22,746)
Benefit payments	(196,445)	(196,445)	0
Administrative expense		(114)	114
Net changes	<u>29,907</u>	<u>122,387</u>	<u>(92,479)</u>
Balance at end of current year	<u>\$ 4,312,323</u>	<u>\$ 488,989</u>	<u>\$ 3,823,334</u>

Amounts in Thousands

During the measurement year, the NOL decreased by approximately \$92 million. The service cost, interest cost, and administrative expenses increased the NOL by approximately \$457 million while contributions and investment income decreased the NOL by approximately \$319 million.

The assumption changes effective at the end of the measurement year increased the NOL by approximately \$152 million. There were actuarial experience gains during the year of approximately \$382 million.

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

SECTION IV – GASB 74 REPORTING INFORMATION

Changes in the discount rate affect the measurement of the TOL. Lower discount rates produce a higher TOL and higher discount rates produce a lower TOL. The table below shows the sensitivity of the NOL to the discount rate.

Sensitivity of Net OPEB Liability to Changes in Discount Rate			
	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Total OPEB Liability	\$ 4,925,888	\$ 4,312,323	\$ 3,811,442
Plan Fiduciary Net Position	488,989	488,989	488,989
Net OPEB Liability	<u>\$ 4,436,900</u>	<u>\$ 3,823,334</u>	<u>\$ 3,322,453</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	9.9%	11.3%	12.8%

Amounts in Thousands

A one percent decrease in the discount rate increases the TOL by approximately 14% and increases the NOL by approximately 16%. A one percent increase in the discount rate decreases the TOL by approximately 12% and decreases the NOL by approximately 13%.

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

SECTION IV – GASB 74 REPORTING INFORMATION

Changes in healthcare trend rates affect the measurement of the TOL. Lower healthcare trends produce a lower TOL and higher healthcare trends produce a higher TOL. The table below shows the sensitivity of the NOL to the healthcare trends.

Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates			
	1% Decrease	Healthcare Trend	1% Increase
Total OPEB Liability	\$ 3,794,778	\$ 4,312,323	\$ 4,986,889
Plan Fiduciary Net Position	<u>488,989</u>	<u>488,989</u>	<u>488,989</u>
Net OPEB Liability	<u>\$ 3,305,789</u>	<u>\$ 3,823,334</u>	<u>\$ 4,497,900</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.9%	11.3%	9.8%

Amounts in Thousands

A one percent decrease in the healthcare trends decreases the TOL by approximately 12% and decreases the NOL by approximately 14%. A one percent increase in the healthcare trends increases the TOL by approximately 16% and increases the NOL by approximately 18%.

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

SECTION IV – GASB 74 REPORTING INFORMATION

Required Supplementary Information

The schedules of Required Supplementary Information generally start with information as of the implementation of GASB 74 and 75, and eventually will build up to 10 years of information. The schedule below shows the changes in NOL and related ratios required by GASB for each measurement year since implementation. The covered payroll represents the pay on which contributions to the Retiree Health Care Trust Fund were made during the measurement year.

Schedule of Changes in Net OPEB Liability and Related Ratios				
	MYE 2020	MYE 2019	MYE 2018	MYE 2017
<u>Total OPEB Liability</u>				
Service cost	\$ 141,642	\$ 133,736	\$ 127,850	\$ 125,193
Interest	314,907	283,520	290,029	272,943
Changes of benefit terms	0	0	0	0
Differences between expected and actual experience	(381,922)	194,068	(385,732)	0
Changes of assumptions	151,725	0	111,119	0
Benefit payments	(196,445)	(185,839)	(178,019)	(165,470)
Net change in TOL	\$ 29,907	\$ 425,485	\$ (34,753)	\$ 232,666
TOL - beginning	<u>4,282,416</u>	<u>3,856,931</u>	<u>3,891,684</u>	<u>3,659,019</u>
TOL - ending	<u>\$ 4,312,323</u>	<u>\$ 4,282,416</u>	<u>\$ 3,856,931</u>	<u>\$ 3,891,684</u>
<u>Plan fiduciary net position</u>				
Contributions - employer	\$ 235,963	\$ 218,625	\$ 203,858	\$ 183,898
Contributions - member	60,236	51,025	41,682	31,686
Net investment income	22,746	26,959	14,105	17,369
Benefit payments	(196,445)	(185,839)	(178,019)	(165,470)
Administrative expense	(114)	(132)	(138)	(109)
Net change in plan fiduciary net position	\$ 122,387	\$ 110,638	\$ 81,488	\$ 67,373
Plan fiduciary net position - beginning	<u>366,602</u>	<u>255,964</u>	<u>174,477</u>	<u>107,103</u>
Plan fiduciary net position - ending	<u>\$ 488,989</u>	<u>\$ 366,602</u>	<u>\$ 255,964</u>	<u>\$ 174,477</u>
Net OPEB liability - ending	<u>\$ 3,823,334</u>	<u>\$ 3,915,814</u>	<u>\$ 3,600,967</u>	<u>\$ 3,717,207</u>
Plan fiduciary net position as a percentage of the TOL	11.3%	8.6%	6.6%	4.5%
Covered payroll	\$ 3,951,792	\$ 3,763,446	\$ 3,583,448	\$ 3,393,658
Net OPEB liability as a percentage of covered payroll	96.7%	104.0%	100.5%	109.5%

Amounts in Thousands

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

SECTION IV – GASB 74 REPORTING INFORMATION

Employee and City and County contributions to the Plan are set by the Charter and are not actuarially determined. Employee and City and County contributions to the Retiree Health Care Trust Fund (RHCTF) are a fixed percent of pay that varies depending on the employee’s hire date, the year in which the payment is being made, and whether the Trust is fully funded. In addition to the contributions to the Trust, the City and County pay plan benefits on a pay-as-you-go basis until the Trust is fully funded. For purposes of the schedule of employer contributions, the combination of the pay-as-you-go amounts and the contributions to the Trust are considered Charter required contributions. The table below shows the Charter required contributions for each of the last 10 measurement years.

Schedule of Employer Contributions					
	MYE 2020	MYE 2019	MYE 2018	MYE 2017	MYE 2016
Charter Required Contribution	\$ 235,963	\$ 218,625	\$ 203,858	\$ 183,898	\$ 168,855
Contributions in Relation to the Charter Required Contribution	<u>235,963</u>	<u>218,625</u>	<u>203,858</u>	<u>183,898</u>	<u>168,855</u>
Contribution Deficiency/(Excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Covered Payroll	\$ 3,951,792	\$ 3,763,446	\$ 3,583,448	\$ 3,393,658	\$ 3,241,700
Actual Contributions as % of Pay	5.97%	5.81%	5.69%	5.42%	5.21%
	MYE 2015	MYE 2014	MYE 2013	MYE 2012	MYE 2011
Charter Required Contribution	\$ 167,241	\$ 166,628	\$ 160,300	\$ 156,252	\$ 145,880
Contributions in Relation to the Charter Required Contribution	<u>167,241</u>	<u>166,628</u>	<u>160,300</u>	<u>156,252</u>	<u>145,880</u>
Contribution Deficiency/(Excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Covered Payroll	\$ 3,017,847	\$ 2,869,603	\$ 2,810,519	\$ 2,673,271	\$ 2,574,138
Actual Contributions as % of Pay	5.54%	5.81%	5.70%	5.84%	5.67%

Amounts in Thousands

For measurement years prior to 2017, covered payroll represents the pay during the measurement year for members eligible to receive future OPEB benefits if they meet the age and service requirements for benefits. For the measurement years ended on or after June 30, 2017, covered payroll is the payroll on which contributions to the RHCTF were made.

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

SECTION V – GASB 75 REPORTING INFORMATION

We understand the City and County elected to use a measurement date as of the end of the prior fiscal year for their reporting under GASB 75. As a result, the schedules in this section are based on the June 30, 2020 measurement date and are intended be used for their 2021 reporting date.

The table below summarizes the current balances of deferred outflows and deferred inflows of resources related to the Plan along with the net recognition over the next five years and the total amount recognized thereafter, if any.

Schedule of Deferred Inflows and Outflows of Resources		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 138,620	\$ 547,780
Changes in assumptions	193,547	0
Net difference between projected and actual earnings on OPEB plan investments	2,502	0
Contributions subsequent to the measurement date		
Contributions to the Trust	\$ 39,555	
Benefit payments	<u>206,439</u>	
Total contributions	<u>\$ 245,994</u>	
Total	<u>\$ 580,662</u>	<u>\$ 547,780</u>
<p>Amounts reported as deferred outflows due to contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability in the measurement year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:</p>		
Measurement year ended June 30:		
2021	\$ (44,993)	
2022	(43,494)	
2023	(43,786)	
2024	(42,791)	
2025	(5,161)	
Thereafter	(32,885)	

Amounts in Thousands

The tables on the following pages provide details on the current balances of deferred inflows and outflows of resources along with the recognition of each base for each of the current and following five years, as well as the total for any years thereafter.

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

SECTION V – GASB 75 REPORTING INFORMATION

Recognition of Experience (Gains) and Losses

Year	Recognition Period	Total Amount	Beginning	Ending	Recognition Year							
			Remaining Amount	Remaining Amount	2020	2021	2022	2023	2024	2025	Thereafter	
2020	7.0	\$ (381,922)	\$ (381,922)	\$ (327,362)	\$ (54,560)	\$ (54,560)	\$ (54,560)	\$ (54,560)	\$ (54,560)	\$ (54,560)	\$ (54,560)	\$ (54,560)
2019	7.0	194,068	166,344	138,620	27,724	27,724	27,724	27,724	27,724	27,724	27,724	0
2018	7.0	(385,732)	(275,523)	(220,418)	(55,105)	(55,105)	(55,105)	(55,105)	(55,105)	(55,105)	0	0
Deferred Outflows			166,344	138,620	27,724	27,724	27,724	27,724	27,724	27,724	27,724	0
Deferred (Inflows)			(657,445)	(547,780)	(109,665)	(109,665)	(109,665)	(109,665)	(109,665)	(109,665)	(54,560)	(54,560)
Net Change in OPEB Expense			\$ (491,101)	\$ (409,160)	\$ (81,941)	\$ (81,941)	\$ (81,941)	\$ (81,941)	\$ (81,941)	\$ (81,941)	\$ (26,836)	\$ (54,560)

Amounts in Thousands

Recognition of Assumption Changes

Year	Recognition Period	Total Amount	Beginning	Ending	Recognition Year							
			Remaining Amount	Remaining Amount	2020	2021	2022	2023	2024	2025	Thereafter	
2020	7.0	\$ 151,725	\$ 151,725	\$ 130,050	\$ 21,675	\$ 21,675	\$ 21,675	\$ 21,675	\$ 21,675	\$ 21,675	\$ 21,675	\$ 21,675
2019	7.0	0	0	0	0	0	0	0	0	0	0	0
2018	7.0	111,119	79,371	63,497	15,874	15,874	15,874	15,874	15,874	15,874	0	0
Deferred Outflows			231,096	193,547	37,549	37,549	37,549	37,549	37,549	37,549	21,675	21,675
Deferred (Inflows)			0	0	0	0	0	0	0	0	0	0
Net Change in OPEB Expense			\$ 231,096	\$ 193,547	\$ 37,549	\$ 37,549	\$ 37,549	\$ 37,549	\$ 37,549	\$ 37,549	\$ 21,675	\$ 21,675

Amounts in Thousands

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

SECTION V – GASB 75 REPORTING INFORMATION

Recognition of Investment (Gains) and Losses												
Year	Recognition Period	Total Amount	Beginning	Ending	Recognition Year							
			Remaining Amount	Remaining Amount	2020	2021	2022	2023	2024	2025	Thereafter	
2020	5.0	\$ 8,003	\$ 8,003	\$ 6,402	\$ 1,601	\$ 1,601	\$ 1,601	\$ 1,601	\$ 1,601	\$ 0	\$ 0	
2019	5.0	(4,977)	(3,982)	(2,986)	(995)	(995)	(995)	(995)	0	0	0	
2018	5.0	1,462	877	585	292	292	292	0	0	0	0	
2017	5.0	(7,494)	(2,998)	(1,499)	(1,499)	(1,499)	0	0	0	0	0	
Net Change in OPEB Expense			\$ 1,901	\$ 2,502	\$ (601)	\$ (601)	\$ 898	\$ 605	\$ 1,601	\$ 0	\$ 0	

Amounts in Thousands

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

SECTION V – GASB 75 REPORTING INFORMATION

The Annual OPEB Expense recognized by the City and County of San Francisco can be calculated two different ways. It is the change in the amounts reported on the City and County’s Statements of Net Position that relate to the Plan and are not attributable to employer contributions. That is, it is the change in NOL plus the changes in deferred outflows and inflows plus employer contributions. Alternatively, Annual OPEB 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 the OPEB expense.

The table below shows the development of OPEB expense using both of these methodologies.

Calculation of OPEB Expense		
Measurement Year Ending	June 30, 2020	June 30, 2019
Change in Net OPEB Liability	\$ (92,479)	\$ 314,847
Change in Deferred Outflows	(88,954)	(150,470)
Change in Deferred Inflows	266,155	(52,330)
Employer Contributions	<u>235,963</u>	<u>218,625</u>
OPEB Expense	\$ 320,685	\$ 330,672
OPEB Expense as % of Payroll	8.11%	8.79%
Operating Expenses		
Service cost	\$ 141,642	\$ 133,736
Employee contributions	(60,236)	(51,025)
Administrative expenses	<u>114</u>	<u>132</u>
Total	\$ 81,520	\$ 82,843
Financing Expenses		
Interest cost	\$ 314,907	\$ 283,520
Expected return on assets	<u>(30,749)</u>	<u>(21,982)</u>
Total	\$ 284,158	\$ 261,537
Changes		
Benefit changes	\$ 0	\$ 0
Recognition of assumption changes	37,549	15,874
Recognition of liability gains and losses	(81,941)	(27,381)
Recognition of investment gains and losses	<u>(601)</u>	<u>(2,202)</u>
Total	\$ (44,993)	\$ (13,708)
OPEB Expense	\$ 320,685	\$ 330,672

Amounts in Thousands

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

SECTION V – GASB 75 REPORTING INFORMATION

Operating expenses 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 Plan for the year.

The financing expenses are the interest on the Total OPEB Liability less the expected return on assets. Financing expenses are the primary source of expenses for the plan. As the funding level improves, the financing expenses will decline.

The remaining components of the annual expense are due to the recognition of changes. These components will drive most of the volatility in OPEB expense from year to year. They include any changes in benefits made during the year and the recognized amounts due to assumption changes, gains or losses on the TOL, and investment gains or losses.

The Total OPEB Expense decreased by approximately \$10 million. The recognition of changes decreased about \$31 million and operating expenses decreased about \$1 million while financing expenses increased about \$23 million.

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX A – MEMBERSHIP INFORMATION

The census data used to develop the Total OPEB Liability as of June 30, 2020 is based on a June 30, 2020 valuation date. The census data used for the previous valuation at June 30, 2018 is shown for comparison purposes.

Schedule of Valuation Data			
Valuation Date	June 30, 2020	June 30, 2018	% Change
Active Employees			
Count	32,879	32,380	2%
Average Age	46.6	46.4	0%
Average Service	10.8	10.8	0%
Total Payroll (\$000's)	\$ 3,591,515	\$ 3,265,545	10%
Vested, Terminated Members			
Count	2,211	2,071	7%
Average Age	50.3	49.1	2%
In-Pay Members with Coverage			
Count	22,728	22,045	3%
Average Age	72.0	71.3	1%
Total Member Count	57,818	56,496	2%

The following table provides a summary of active employees by age and service as of the current valuation date.

Active Employees by Age and Service As of June 30, 2020								
Age Group	Years of Service							Total
	< 5	5-9	10-14	15-19	20-24	25-29	30+	
Under 25	361	1	0	0	0	0	0	362
25 to 29	1,588	222	0	0	0	0	0	1,810
30 to 34	2,396	1,195	146	1	0	0	0	3,738
35 to 39	2,073	1,586	750	97	2	0	0	4,508
40 to 44	1,473	1,277	912	509	120	0	0	4,291
45 to 49	1,186	963	892	812	670	125	1	4,649
50 to 54	1,010	811	741	837	945	523	91	4,958
55 to 59	715	699	650	708	901	547	432	4,652
60 to 64	370	445	404	451	488	281	306	2,745
Over 65	131	185	177	202	198	95	178	1,166
Total	11,303	7,384	4,672	3,617	3,324	1,571	1,008	32,879

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX A – MEMBERSHIP INFORMATION

Key statistics for active participants by employee group are provided as of the valuation date in the following table.

Active Employees by Employee Group As of June 30, 2020						
	Police	Fire	Muni	Craft	Misc.	Total
<i>Pre-Prop B (for vesting schedule)</i>						
Count	1,891	886	1,059	1,854	9,962	15,652
Average age	48.3	50.5	53.4	55.0	52.6	52.3
Average service	19.1	20.9	16.0	18.6	17.2	17.7
Total Payroll (\$000's)	\$272,070	\$128,004	\$84,051	\$195,514	\$1,157,130	\$1,836,770
<i>Post-Prop B (for vesting schedule)</i>						
Count	1,324	772	1,449	1,987	11,695	17,227
Average age	34.6	36.5	44.2	46.0	41.4	41.4
Average service	5.5	4.8	4.8	4.6	4.2	4.4
Total Payroll (\$000's)	\$154,115	\$85,334	\$109,142	\$196,927	\$1,209,227	\$1,754,745
<i>Total Actives</i>						
Count	3,215	1,658	2,508	3,841	21,657	32,879
Average age	42.6	43.9	48.0	50.4	46.5	46.6
Average service	13.5	13.4	9.5	11.3	10.2	10.8
Total Payroll (\$000's)	\$426,185	\$213,338	\$193,193	\$392,441	\$2,366,357	\$3,591,515

A member's vesting schedule is based on their original hire date. However, their contribution schedule is based on their most recent date of hire. The following table provides a summary of the active membership broken into the pre and post-Prop B contribution schedules.

Active Employees by Contribution Schedule As of June 30, 2020			
	Pre- Prop B	Post- Prop B	Total
Count	12,118	20,761	32,879
Average age	53.5	42.6	46.6
Average service	20.0	5.4	10.8
Total Payroll (\$000's)	\$1,477,780	\$2,113,734	\$3,591,515

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX A – MEMBERSHIP INFORMATION

A schedule of inactive participants by status and age group is shown below.

Inactive Members by Status and Age Group As of June 30, 2020					
Age Group	Disabled Retiree	Retiree	Survivor	Term Vested	Total
Under 40	3	6	3	199	211
40 to 44	17	2	9	367	395
45 to 49	35	2	22	597	656
50 to 54	86	316	50	518	970
55 to 59	233	1,053	73	272	1,631
60 to 64	397	2,724	145	149	3,415
65 to 69	477	4,194	258	73	5,002
70 to 74	492	4,098	385	25	5,000
75 to 79	318	2,525	409	4	3,256
80 to 84	166	1,636	398	2	2,202
85 to 90	79	816	372	4	1,271
Over 90	62	491	376	1	930
Total	2,365	17,863	2,500	2,211	24,939

Shown below is the distribution of medical plan elections for participants currently receiving a benefit from the Plan.

Medical Plan Elections for In-Pay Members ¹ As of June 30, 2020						
Medical Plan	Pre-Medicare			Medicare Eligible		
	Retirees & Surviving Spouses	Spouses & Domestic Partners	Total	Retirees & Surviving Spouses	Spouses & Domestic Partners	Total
Blue Shield Access	1,083	335	1,418	0	0	0
Blue Shield Trio	731	187	918	0	0	0
City Health Plan / UHC PPO	872	805	1,677	9,764	2,607	12,371
Kaiser	2,490	1,085	3,575	7,788	2,003	9,791
Total	5,176	2,412	7,588	17,552	4,610	22,162

¹ Assumes Medicare eligibility at age 65.

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX A – MEMBERSHIP INFORMATION

Data Assumptions and Methods

The methodology for preparing the data used for the valuation is based upon the assumptions and practices as outlined below and described in the Data Memo provided to the City and County dated November 16, 2021.

The raw data is adjusted and combined to reflect members covered by the OPEB plan as follows:

- The Active members for the OPEB valuation are the Active members reported by SFERS plus the Active members reported to CalPERS in the City payroll report both adjusted for members reported as In-Pay by HSS.
- The Vested Terminated members for the OPEB valuation are the Vested Terminated members reported by SFERS plus estimated Vested Terminated members in CalPERS adjusted for those currently active, duplicates, and members reported as In-Pay by HSS. The estimated Vested Terminated members in CalPERS equal the Vested Terminated members reported as of the 2019 valuation plus Active members in the 2019 valuation who were not reported in the 2020 City payroll report to CalPERS and were hired before January 10, 2009.
- The In-Pay status members for the OPEB valuation are the members reported as In-Pay by HSS.

The following table provides a summary of the adjustments made to the raw data.

Counts Reconciliation			
Description	SFERS	CalPERS	Total
Active			
Total Raw Data	32,203	685	32,888
Remove: HSS Retired	(9)	(0)	(9)
OPEB Valuation Data	32,194	685	32,879
Vested Terminated			
Total Raw Data	2,575	259	2,834
Add: CalPERS Active in 2019, but not in 2020	N/A	55	55
Remove: Active in CalPERS / SFERS	(493)	(64)	(557)
Remove: Duplicated in SFERS and CalPERS	N/A	(66)	(66)
Remove: HSS Retired	(16)	(39)	(55)
OPEB Valuation Data	2,066	145	2,211
In-Pay			
Total Raw Data	N/A	N/A	25,064
Remove: Waived Coverage	N/A	N/A	(2,336)
OPEB Valuation Data	N/A	N/A	22,728

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX A – MEMBERSHIP INFORMATION

The following table provides the assumptions and methods used to set key data fields used in the valuation. Unless otherwise indicated, for Active and Vested Terminated members, healthcare-related fields are from the HSS data and all other fields are from the retirement or payroll data. For In-Pay participants, the HSS data is used.

“SFERS” refers to the 7/1/2020 SFERS valuation data, “CalPERS” refers to the 6/30/2019 CalPERS Safety valuation data, “HSS” refers to the 6/30/2020 HSS census data, “City Payroll” refers to the Controller’s Office Active Member Payroll reports as of June 26, 2020.

Active Participants	Affected Group	Base Data Set Fields Used
Categorize Prop B <i>(for vesting)</i>	All actives	<ul style="list-style-type: none"> (SFERS) SFERS Hire Dt ¹ (CalPERS) CalPERS Assumption Alignment Date, if available, or HSS HIRE_DT
Categorize Prop B <i>(for contributions)</i>	All actives	<ul style="list-style-type: none"> (SFERS) SFERS Mbrship Dt ¹ (CalPERS) CalPERS Membership Effective Date, if available, or HSS SVC_DT (Applicable to All) If Prop B (vesting), or if Prop B or inactive in the 2018 OPEB valuation
Total Service	CalPERS Actives	<ul style="list-style-type: none"> CalPERS Program Eligibility Service + [1 year of service x CalPERS Pay Part Time Percent], if available, or HSS SVC_DT
Years Service	CalPERS Actives	<ul style="list-style-type: none"> CalPERS [(Service Credit Years) - (Service Credit Purchase Years)] + [1 year of service x CalPERS Pay Part Time Percent], if available, or HSS SVC_DT
Adjust Salary to FYE 2021	All actives	<ul style="list-style-type: none"> (SFERS) HSS ANNUAL_RT (an annualized rate of pay as of the valuation date), if available, or annualized SFERS Rate (pay rate as of the valuation date) (CalPERS) Annualized City Payroll MEM EARNINGS, for the last biweekly pay period ending before the valuation date. <p>To estimate pay for FYE 2021, known bargained inflationary increases are applied along with half a year of merit increases</p>

¹ SFERS Hire Dt is defined as the earliest period of employment and Mbrship Dt is defined as the most recent membership date for the plan

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX A – MEMBERSHIP INFORMATION

Vested Terminated Participants	Affected Group	Base Data Set Fields Used
Date of Termination	All Vested Terminated	The earlier of [the most recent date of hire + the member’s years of service], or the valuation date

In-Pay Participants	Affected Group	Base Data Set Fields Used
Assign Status (Retired, Disabled, Survivor)	All In-Pay	First SFERS classification, then CalPERS classification, then classification in last OPEB valuation, then HSS classification of Survivor, then Disabled if under age 65 and on Medicare, retirement reason “RTD”, or newly retired before age 50. Remaining are considered Retired.
Assign Group (Misc, Safety)	All In-Pay	First SFERS classification, then CalPERS classification, then classification in last OPEB valuation, then HSS “FIR” or “POL” as Safety, and remaining are considered Miscellaneous.
Assign Medical Plan Information	28	Delinquent members missing medical plan information were assumed to participate in a medical plan, and are thus included in the valuation

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Economic Assumptions

Based on Meketa’s 10 and 20-year capital market assumptions for the RHCTF’s asset allocation, an expected return on plan assets of 7.0% was adopted by the City and County.

The wage inflation and price inflation assumptions are the same as those adopted by the City and County of San Francisco Employees’ Retirement System at the December 9, 2020 Board meeting. Please refer to the economic assumption review presentation for SFERS dated December 9, 2020 for the rationale for the wage inflation and price inflation assumptions.

The per person healthcare cost trends were developed using the 2021 Getzen Model of Long-Run Medical Cost Trends published by the Society of Actuaries. Initial trends reflect short-term expectations, including the impact of health insurance tax repeal and Centers for Medicare & Medicaid Services (CMS) rebasing by county. Longer-term trends are based on our review of the current economic environment, and our expectations for the future.

Please refer to the Assumptions and Methods presentation dated October 28, 2021 for further detail on the rationale for these assumptions.

These assumptions have been reviewed and approved by the City and County of San Francisco.

1. Expected Return on Assets and Discount Rate

7.00% per year, net of investment expenses

2. Inflation

Price Inflation: 2.50%, compounded annually

Wage Inflation: Bargained increases through July 1, 2022 followed by 3.25% compounded annually thereafter

3. Per Person Cost Trends

Medical trends were developed using the 2021 Society of Actuaries Long-Term Health Care Cost Trends model with the following parameters:

Inflation:	2.5%
Real GDP per Capita:	1.5%
Excess Medical Cost Growth:	1.1%
Capacity Constraints	
Expected Health Share of GDP in 2030:	20.5%
Resistance Point – Share of GDP:	20.0%
Year Limited to GDP Growth:	2075

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Annual Per Person Cost Increases									
To Year		Medical & Rx			To Year		Medical & Rx		
Beginning	10-County	Non-	Medicare	Vision /	Beginning	10-County	Non-	Medicare	Vision /
January 1	Trend	Medicare	Eligible	Expense	January 1	Trend	Medicare	Eligible	Expense
2021		<i>Actual Premiums Used</i>			2049	4.70%	4.70%	4.70%	3.00%
2022	4.50%	4.00%	1.00%	3.00%	2050	4.69%	4.69%	4.69%	3.00%
2023	5.50%	7.00%	7.50%	3.00%	2051	4.68%	4.68%	4.68%	3.00%
2024	5.50%	6.50%	7.00%	3.00%	2052	4.67%	4.67%	4.67%	3.00%
2025	5.45%	6.28%	6.70%	3.00%	2053	4.66%	4.66%	4.66%	3.00%
2026	5.39%	6.06%	6.39%	3.00%	2054	4.65%	4.65%	4.65%	3.00%
2027	5.34%	5.84%	6.09%	3.00%	2055	4.65%	4.65%	4.65%	3.00%
2028	5.29%	5.62%	5.79%	3.00%	2056	4.64%	4.64%	4.64%	3.00%
2029	5.23%	5.40%	5.48%	3.00%	2057	4.63%	4.63%	4.63%	3.00%
2030	5.18%	5.18%	5.18%	3.00%	2058	4.62%	4.62%	4.62%	3.00%
2031	5.00%	5.00%	5.00%	3.00%	2059	4.61%	4.61%	4.61%	3.00%
2032	4.97%	4.97%	4.97%	3.00%	2060	4.60%	4.60%	4.60%	3.00%
2033	4.94%	4.94%	4.94%	3.00%	2061	4.60%	4.60%	4.60%	3.00%
2034	4.92%	4.92%	4.92%	3.00%	2062	4.59%	4.59%	4.59%	3.00%
2035	4.90%	4.90%	4.90%	3.00%	2063	4.58%	4.58%	4.58%	3.00%
2036	4.88%	4.88%	4.88%	3.00%	2064	4.57%	4.57%	4.57%	3.00%
2037	4.86%	4.86%	4.86%	3.00%	2065	4.57%	4.57%	4.57%	3.00%
2038	4.84%	4.84%	4.84%	3.00%	2066	4.51%	4.51%	4.51%	3.00%
2039	4.83%	4.83%	4.83%	3.00%	2067	4.45%	4.45%	4.45%	3.00%
2040	4.81%	4.81%	4.81%	3.00%	2068	4.40%	4.40%	4.40%	3.00%
2041	4.80%	4.80%	4.80%	3.00%	2069	4.34%	4.34%	4.34%	3.00%
2042	4.78%	4.78%	4.78%	3.00%	2070	4.29%	4.29%	4.29%	3.00%
2043	4.77%	4.77%	4.77%	3.00%	2071	4.24%	4.24%	4.24%	3.00%
2044	4.76%	4.76%	4.76%	3.00%	2072	4.19%	4.19%	4.19%	3.00%
2045	4.75%	4.75%	4.75%	3.00%	2073	4.14%	4.14%	4.14%	3.00%
2046	4.74%	4.74%	4.74%	3.00%	2074	4.09%	4.09%	4.09%	3.00%
2047	4.72%	4.72%	4.72%	3.00%	2075	4.04%	4.04%	4.04%	3.00%
2048	4.71%	4.71%	4.71%	3.00%					

- Deductibles, Co-payments, Out-of-Pocket Maximums, and Annual Maximum are assumed to increase at the above trend rates

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Demographic Assumptions

Rates of retirement, termination, member refunds, mortality, disability, and salary increases are the same as those adopted by the SFERS Board at the December 9, 2020 Board meeting. Please refer to the demographic experience study report for SFERS dated August 2020 for the rationale for these demographic assumptions.

The other demographic assumptions are based on recent Plan experience and our expectations for the future. Please refer to the Assumptions and Methods presentation dated October 28, 2021 for further detail on the rationale for these assumptions.

These assumptions have been reviewed and approved by the City and County of San Francisco.

1. Retirement Rates

Rates of retirement are based on age and service according to the tables on the following pages. Separate rates are used for members hired on or after January 7, 2012 under Charter Sections A8.603 and above (Prop C). Any deferred vested member hired on or after January 10, 2009 is assumed to retire outside of the 180-day retirement window set in place by Proposition B (passed 6/3/2008).

Police Rates of Retirement						
Age	Other than Prop C Years of Service			Prop C Years of Service		
	< 25	25 - 29	30 +	< 25	25 - 29	30 +
50	1.50%	5.00%	5.00%	1.50%	5.00%	5.00%
51	1.50	5.00	15.00	1.50	5.00	10.00
52	2.00	7.50	20.00	2.00	7.50	20.00
53	5.00	20.00	40.00	5.00	15.00	25.00
54	7.50	22.00	50.00	7.50	17.50	30.00
55	7.50	35.00	50.00	7.50	20.00	35.00
56	7.50	26.00	40.00	7.50	24.00	35.00
57	10.00	28.00	45.00	10.00	26.00	40.00
58	10.00	30.00	45.00	10.00	35.00	60.00
59	15.00	25.00	45.00	15.00	25.00	45.00
60	20.00	34.00	45.00	20.00	34.00	45.00
61	10.00	36.00	40.00	10.00	36.00	40.00
62	15.00	36.00	40.00	15.00	36.00	40.00
63	12.50	36.00	40.00	12.50	36.00	40.00
64	12.50	36.00	40.00	12.50	36.00	40.00
65 & over	100.00	100.00	100.00	100.00	100.00	100.00

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Fire Rates of Retirement						
Age	Other than Prop C Years of Service			Prop C Years of Service		
	< 25	25 - 29	30 +	< 25	25 - 29	30 +
50	2.00%	5.00%	5.00%	2.00%	2.00%	2.00%
51	1.00	5.00	5.00	1.00	2.00	2.00
52	2.00	5.00	5.00	2.00	5.00	5.00
53	3.00	5.00	15.00	3.00	5.00	12.50
54	7.50	20.00	35.00	7.50	12.50	20.00
55	7.50	25.00	35.00	7.50	15.00	25.00
56	7.50	20.00	35.00	7.50	15.00	30.00
57	12.50	20.00	35.00	12.50	15.00	30.00
58	12.50	20.00	25.00	12.50	30.00	35.00
59	12.50	25.00	25.00	12.50	25.00	25.00
60	15.00	25.00	35.00	15.00	25.00	35.00
61	15.00	40.00	40.00	15.00	40.00	40.00
62	15.00	40.00	40.00	15.00	40.00	40.00
63	15.00	20.00	25.00	15.00	20.00	25.00
64	20.00	20.00	25.00	20.00	20.00	25.00
65 & over	100.00	100.00	100.00	100.00	100.00	100.00

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Muni Drivers Rates of Retirement						
Age	Other than Prop C Years of Service			Prop C Years of Service		
	< 20	20 - 29	30 +	< 20	20 - 29	30 +
50	0.00%	1.00%	1.50%	0.00%	0.00%	0.00%
51	0.00	1.00	1.50	0.00	0.00	0.00
52	0.00	1.00	1.50	0.00	0.00	0.00
53	0.00	1.00	1.50	0.00	1.00	1.50
54	0.00	1.00	1.50	0.00	1.00	1.50
55	0.00	4.00	5.00	0.00	1.00	5.00
56	0.00	4.00	5.00	0.00	1.00	5.00
57	0.00	4.00	5.00	0.00	2.00	5.00
58	0.00	4.00	5.00	0.00	2.00	5.00
59	0.00	4.00	5.00	0.00	2.00	5.00
60	10.00	10.00	20.00	5.00	10.00	15.00
61	12.50	25.00	30.00	7.50	12.50	20.00
62	20.00	32.50	35.00	10.00	15.00	30.00
63	15.00	30.00	30.00	10.00	20.00	25.00
64	15.00	30.00	30.00	10.00	25.00	25.00
65	27.50	30.00	35.00	27.50	30.00	40.00
66	27.50	30.00	35.00	27.50	30.00	35.00
67	27.50	30.00	35.00	27.50	30.00	35.00
68	27.50	30.00	35.00	27.50	30.00	35.00
69	27.50	30.00	35.00	27.50	30.00	35.00
70 & over	100.00	100.00	100.00	100.00	100.00	100.00

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Craft Rates of Retirement						
Age	Other than Prop C Years of Service			Prop C Years of Service		
	< 20	20 - 29	30 +	< 20	20 - 29	30 +
50	0.00%	1.50%	1.50%	0.00%	0.00%	0.00%
51	0.00	1.50	1.50	0.00	0.00	0.00
52	0.00	1.50	1.50	0.00	0.00	0.00
53	0.00	2.50	4.00	0.00	1.50	1.50
54	0.00	2.50	4.00	0.00	1.50	1.50
55	0.00	2.50	5.00	0.00	1.50	2.50
56	0.00	3.00	5.00	0.00	1.50	2.50
57	0.00	3.00	5.00	0.00	2.00	2.50
58	0.00	3.00	5.00	0.00	2.00	5.00
59	0.00	8.00	20.00	0.00	2.00	10.00
60	7.50	12.00	32.50	5.00	7.50	15.00
61	10.00	20.00	35.00	7.50	12.50	20.00
62	20.00	30.00	37.50	17.50	25.00	30.00
63	10.00	25.00	30.00	10.00	17.50	25.00
64	17.50	25.00	30.00	10.00	17.50	25.00
65	25.00	27.50	30.00	25.00	30.00	40.00
66	27.50	30.00	32.50	27.50	30.00	32.50
67	27.50	30.00	32.50	27.50	30.00	32.50
68	15.00	25.00	30.00	15.00	25.00	30.00
69	15.00	25.00	30.00	15.00	25.00	30.00
70 & over	100.00	100.00	100.00	100.00	100.00	100.00

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Miscellaneous Rates of Retirement						
Age	Other than Prop C Years of Service			Prop C Years of Service		
	< 20	20 - 29	30 +	< 20	20 - 29	30 +
50	0.00%	2.75%	3.50%	0.00%	0.00%	0.00%
51	0.00	2.50	3.50	0.00	0.00	0.00
52	0.00	2.50	3.50	0.00	0.00	0.00
53	0.00	3.25	3.50	0.00	3.25	3.25
54	0.00	4.00	4.00	0.00	4.00	4.00
55	0.00	4.00	5.50	0.00	4.00	4.00
56	0.00	4.25	6.75	0.00	4.25	4.25
57	0.00	4.50	8.75	0.00	4.50	4.50
58	0.00	5.00	10.00	0.00	5.00	7.50
59	0.00	8.75	20.00	0.00	8.75	10.00
60	9.00	11.50	30.00	7.50	10.00	12.50
61	13.25	20.00	35.00	10.00	15.00	15.00
62	20.00	30.00	35.00	17.50	25.00	25.00
63	16.00	22.50	30.00	12.50	17.50	20.00
64	16.00	22.50	30.00	12.50	17.50	20.00
65	20.00	30.00	30.00	25.00	40.00	40.00
66	25.00	30.00	35.00	25.00	30.00	35.00
67	25.00	30.00	35.00	25.00	30.00	35.00
68	20.00	30.00	30.00	20.00	30.00	30.00
69	20.00	30.00	30.00	20.00	30.00	30.00
70	25.00	25.00	30.00	25.00	25.00	30.00
71	25.00	25.00	30.00	25.00	25.00	30.00
72	25.00	25.00	30.00	25.00	25.00	30.00
73	25.00	25.00	30.00	25.00	25.00	30.00
74	25.00	25.00	30.00	25.00	25.00	30.00
75 & over	100.00	100.00	100.00	100.00	100.00	100.00

The assumed retirement age for inactive terminated vested members and actives who are expected to terminate is shown below.

Deferred Retirement Age		
	Non-Prop C	Prop C
Safety	51	55
	Non-Reciprocal	Reciprocal
Miscellaneous	55	60

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

2. Rates of Termination of Employment

Sample rates of termination by service for Police, Fire, Muni Drivers, and Craft members are shown below.

Rates of Termination				
Service	Police	Fire	Muni Drivers	Craft
0	8.00%	2.50%	12.00%	9.50%
1	5.00	1.00	5.00	6.50
2	2.00	1.00	4.00	5.75
3	1.50	1.00	3.50	4.50
4	1.00	1.00	3.25	3.50
5	1.00	1.00	3.00	3.25
10	0.75	0.50	2.50	1.75
15	0.50	0.25	2.50	1.75
20+	0.50	0.25	2.50	1.75

Sample rates of termination by age and service for Miscellaneous members are shown below.

Misc. Rates of Termination by Age and Service Years			
Service	Age		
	Under 30	30 to 39	40 & over
0	38.00%	24.00%	20.00%
1	20.00	12.00	9.00
2	14.00	9.00	6.00
3	10.00	7.00	4.80
4	7.50	6.50	4.60
5	6.75	6.00	4.40
10	3.75	3.75	3.75
15	2.25	2.25	2.25
20+	1.00	1.00	1.00

When members are eligible to retire, it is assumed that their termination rates are zero.

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

3. Member Refunds

The rates of refund of contributions for terminated vested members are shown below.

Vested Terminated Rates of Refund		
Service	Police & Fire	Miscellaneous
5	24.0%	20.0%
6	20.0	15.0
7	16.0	12.0
8	12.0	10.0
9	8.0	9.0
10	4.0	8.5
15	0.0	6.0
20	0.0	0.0

4. Base Rates of Mortality

The mortality rates used in the valuation are developed from a base table that is projected generationally from the base year of that table using the mortality projection scale described below. Base mortality tables are developed by multiplying a published table by an adjustment factor that was developed in the SFERS experience study for the period ending June 30, 2019. The base mortality tables are described below.

Base Mortality Tables			
	Published Table	Adjustment Factor	
		Male	Female
Non-Annuitants			
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979
Healthy Retirees			
Miscellaneous	PubG-2010 Retiree	1.031	0.977
Safety	PubS-2010 Retiree	0.947	1.044
Disabled Retirees			
Miscellaneous	PubG-2010 Disabled	1.045	1.003
Safety	PubS-2010 Disabled	0.916	0.995
Beneficiaries			
Miscellaneous	PubG-2010 Retiree	1.031	0.977
Safety	PubG-2010 Retiree	1.031	0.977

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

5. Mortality Projection Scale

The mortality rates shown in the base tables above are projected generationally from the base year using the MP-2019 projection scale.

6. Rates of Disability

Sample disability rates of active participants are provided below. 100% of safety and 0% of Miscellaneous disabilities are assumed to be duty related.

Rates of Disability at Selected Ages						
Age	Police	Fire	Muni Drivers	Craft	Misc Females	Misc Males
30	0.05%	0.04%	0.01%	0.01%	0.01%	0.01%
35	0.14	0.09	0.06	0.06	0.04	0.04
40	0.35	0.24	0.11	0.11	0.07	0.08
45	0.44	0.42	0.17	0.20	0.15	0.11
50	0.90	0.84	0.45	0.40	0.40	0.28
55	3.30	3.50	1.35	0.75	0.55	0.45
60	5.75	7.30	0.00	0.00	0.00	0.00
65	0.00	0.00	0.00	0.00	0.00	0.00

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

7. Salary Increase Rate

Wage Inflation Component: Bargained increases through July 1, 2022 followed by 3.25% compounded annually thereafter.

Current Bargained Wage Increases			
Date of Increase	Police	Fire	Misc
12/26/2020	0.0%	0.0%	3.0%
6/30/2021	0.0%	0.0%	0.5%
7/1/2021	3.0%	3.0%	
6/30/2022	2.0%	1.0%	
7/1/2022	3.0%	3.0%	

Additional Merit Component:

Salary Merit Increases - Sample Rates					
Years of Service	Police	Fire	Muni Drivers	Craft	Misc
0	7.50%	14.00%	16.00%	3.75%	5.50%
1	6.75	10.00	11.00	3.00	4.50
2	6.00	8.00	6.50	2.40	3.75
3	5.25	6.00	3.50	1.80	3.25
4	4.50	5.00	1.75	1.50	2.75
5	3.75	4.00	1.25	1.20	2.25
10	1.50	1.50	0.30	0.50	1.10
15	0.50	0.50	0.00	0.50	0.55
20 & over	0.50	0.50	0.00	0.50	0.30

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

8. Percent of Retirees Electing Coverage

Future eligible retirees are assumed to elect coverage at retirement at the following rates, which vary by vesting level and Medicare eligibility.

Percent of Retirees Electing Coverage					
	Vesting Level				
	0%	50%	75%	100%	Disabled
Non-Medicare Eligible	20%	65%	75%	85%	90%
Medicare Eligible	15%	75%	90%	94%	97%

Participants currently receiving benefits are assumed to keep their current coverage.

9. Medical Plan Election

Future retirees’ plan elections are assumed to mirror current retiree plan elections. The following rates are used to determine blended claims and contributions for future retirees.

Assumed Plan Elections for Future Retirees		
Medical Plan	Non-Medicare	Medicare Eligible
Blue Shield Access	20%	N/A
Blue Shield Trio	15%	N/A
City Health Plan	7.5%	N/A
City Health Plan – Choice Not Available	7.5%	N/A
Kaiser	50%	45%
UHC PPO	N/A	55%

Participants currently receiving benefits are assumed to continue participation in their current medical plan.

10. Medicare Participation

All in-pay participants, both current and future, are assumed to be eligible for and elect into Medicare at age 65. All participants under age 65 and currently on Medicare are assumed not to be on Medicare until age 65.

11. Future Service Accruals

Actives are assumed to accrue a full year of credited service each year. Members currently terminated and under a reciprocity arrangement are assumed to meet the City’s eligibility requirements for retiree healthcare through earned reciprocity service.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

12. Portion of New Entrant Payroll Eligible for Pre-Prop B Benefits

In order to project payroll for employees eligible for the pre-Proposition B vesting schedule, we assumed the following portion of newly hired employees were originally hired on or before January 9, 2009 and returned to work: 10% in FYE 2021 and decreasing by 0.5% each year thereafter until 0%.

13. Coverage Elections for Spouses and Domestic Partners

The percentage of future retirees who elect to cover a spouse or domestic partner is shown in the following table.

Spousal Coverage Elections					
	Vesting Level				
	0%	50%	75%	100%	Disabled
Pre-Medicare	75%	40%	35%	35%	25%
Medicare Eligible	40%	40%	40%	40%	45%

Actual spouse/domestic partner coverage data is used for participants currently receiving a benefit.

The cost for children is fully paid for by the member. No additional load was added for children.

14. Dependent Age

For participants currently receiving a benefit, actual spouse date of birth is used if available. Otherwise, spouses and domestic partners of male members are assumed to be three years younger than the member and spouses and domestic partners of female members are assumed to be two years older than the member.

15. Surviving Spouse Participation

100% of surviving spouses continue coverage.

16. Deferred Member Benefit

Based on the data provided (date of birth, date of hire, date of termination), service credit and deferred retirement age were estimated. These estimates were used to compute eligibility and vesting for the OPEB benefit, upon which the liabilities are based.

17. Future Increases in Retiree Healthcare Trust Fund Administrative Expense

FYE 2020 expenses increased by 3.25% per year

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Claim and Expense Assumptions

- 1. Average Annual Claims Assumptions:** The following claim assumptions are applicable to the 12-month plan year beginning July 1, 2020 and are based on the premiums in effect on the valuation date. Subsequent years’ costs are based on actual premiums, then adjusted with trends previously listed.

Annual Claims and Expenses - Non-Medicare For the Period July 1, 2020 to June 30, 2021								
Age	Medical & Rx				Expense			
	Blue Shield Access	Blue Shield Trio	Kaiser	City Plan	Blue Shield	Kaiser	City Plan	Vision
40	\$ 8,138	\$ 7,247	\$ 6,169	\$ 7,506	\$ 36	\$ 36	\$ 916	\$ 47
45	9,281	8,265	7,036	8,679	36	36	916	47
50	10,993	9,789	8,334	10,572	36	36	916	47
55	13,367	11,903	10,133	13,147	36	36	916	47
60	16,235	14,457	12,308	15,935	36	36	916	47
64	18,594	16,559	14,097	17,636	36	36	916	47

Annual Claims and Expenses - Medicare Eligible For the Period July 1, 2020 to June 30, 2021					
Age	Medical & Rx		Expense		
	Kaiser	UHC	Kaiser	UHC	Vision
65	\$ 3,615	\$ 4,353	\$ 36	\$ 36	\$ 47
70	3,767	4,537	36	36	47
75	4,287	5,163	36	36	47
80	4,865	5,859	36	36	47
85	5,282	6,361	36	36	47

- 2. Dental, Vision, and Expense:** These benefits are assumed to have no implicit subsidy cost.
- 3. Medicare Part D Subsidy:** Per GASB guidance, the Part D Subsidy has not been reflected in this valuation.
- 4. Annual Limits:** Assumed to increase at the same rate as trend.
- 5. Lifetime Maximums:** Unlimited.
- 6. Geography:** Implicitly assumed to remain the same as current retirees.

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Methodology

The Entry Age Actuarial Cost Method was used to measure the Plan’s Total OPEB Liability and service cost. Under this method, the service cost rate is the percentage of pay contribution that is expected to be sufficient to fund the Plan benefits if it were paid from each member’s hire date at the City until termination or retirement.

A service cost rate is determined for each individual by taking the value, as of age at entry into the Plan, of the member’s projected future benefits and dividing it by the value, also as of the member’s entry age, of the member’s expected future salary.

The Total OPEB Liability is that portion of the present value of projected benefits that is not expected to be paid by future service costs. The difference between the Total OPEB Liability and the Market Value of Assets (or Fiduciary Net Position) as of the same date is the Net OPEB Liability.

The medical claims costs were developed based on actual premiums for the six months ending December 31, 2020 and calendar year 2021 for the HMO plans and actual rates for the six months ending December 31, 2020 and calendar year 2021 for the City Plan. For Non-Medicare adults, the premiums (or rates, as applicable) for active employee only, first dependent of active employee, Non-Medicare retiree, and first dependent of Non-Medicare retirees were blended based upon enrollment data for the period July 1, 2019 to June 30, 2020. The same process was used for Medicare adults, except only Medicare retirees and first dependents of Medicare retirees were included. The resulting per person per month (PPPM) cost was then adjusted using age curves. Expenses and vision costs were based directly on the rates in effect for 2020-2021.

Changes Since Last Valuation

The expected return on assets was reduced from 7.40% to 7.00%. The price inflation assumption was reduced from 2.75% to 2.50%. The wage inflation assumption was reduced from 3.50% to 3.25%.

Per person healthcare cost trends were updated.

Rates of retirement, termination, member refunds, mortality, disability, and salary increases were updated to reflect the changes SFERS adopted due to their most recent experience study.

Participation in the postretirement health plan, anticipated medical plan elections, portion of new entrant payroll eligible for pre-Prop B benefits, dependent age, and the average annual claims by age assumptions were updated to reflect recent experience.

APPENDIX C – SUMMARY OF PLAN PROVISIONS

Eligibility

Former employees of the City and County of San Francisco who were members of the Health Service System and who retire under SFERS or CalPERS are eligible for postretirement health benefits from the City and County of San Francisco. Superior Court members who were separated as of January 1, 2001 are treated as former employees of the City and County. Effective with Proposition B, passed 6/3/2008, employees hired on or after January 10, 2009 must retire within 180 days of separation in order to be eligible for retiree healthcare benefits from the City.

The eligibility requirements to receive a pension benefit, and thus commence postretirement health benefits, are as follows:

City and County of San Francisco's Retirement System (SFERS)

Normal Retirement	Miscellaneous	Age 50 with 20 years of credited service ¹ Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement ²		Any age with 10 years of credited service
Terminated Vested		5 years of credited service at separation

California Public Employees' Retirement System (CalPERS) – the Safety Plan of the City and County of San Francisco

Normal Retirement	Age 50 with 5 years of credited service
Disabled Retirement ²	Any age with 5 years of credited service
Terminated Vested	5 years of credited service at separation

¹ Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012 under Charter Section 8.603.

² No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses / domestic partners of those killed in the line of duty.

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX C – SUMMARY OF PLAN PROVISIONS

Healthcare Benefits for Retirees

The San Francisco Health Service System administers healthcare benefits to the retirees of the City and County of San Francisco.

Medical: PPO – City Health Plan (self-insured) and UHC Medicare Advantage (fully-insured)
HMO – Kaiser (fully-insured) and Blue Shield (flex-funded)

Dental: Delta Dental, DeltaCare USA, and UHC Dental

Vision: Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan.

Premiums: Monthly premiums for January 1, 2020 through December 31, 2021 are as follows.

Medical Premiums / Premium Equivalents ^{1,2}					
	Pre-Medicare		Medicare Eligible		
	Single	Dual	Single	Dual	
January 1, 2020 – December 31, 2020					
Active					
Blue Shield Access+	\$ 891.88	\$ 1,780.98	N/A	N/A	
Blue Shield Trio	753.66	1,504.53	N/A	N/A	
City Plan - Choice Not Available	891.88	1,780.98	N/A	N/A	
City Plan	1,185.11	2,295.01	N/A	N/A	
Kaiser	645.71	1,288.45	N/A	N/A	
Retiree					
Blue Shield Access+	\$ 2,059.22	\$ 2,983.75	N/A	N/A	
Blue Shield Trio	1,738.67	2,519.44	N/A	N/A	
City Plan - Choice Not Available	1,510.84	2,400.05	N/A	N/A	
City Plan ³	1,510.84	2,400.05	\$ 441.82	\$ 880.66	
Kaiser	1,295.75	1,938.49	372.71	742.44	
January 1, 2021 – December 31, 2021					
Active					
Blue Shield Access+	\$ 923.71	\$ 1,844.31	N/A	N/A	
Blue Shield Trio	800.83	1,598.55	N/A	N/A	
City Plan - Choice Not Available	923.71	1,844.31	N/A	N/A	
City Plan	1,298.42	2,517.88	N/A	N/A	
Kaiser	682.48	1,361.98	N/A	N/A	
Retiree					
Blue Shield Access+	\$ 2,133.09	\$ 3,090.39	N/A	N/A	
Blue Shield Trio	1,848.11	2,677.60	N/A	N/A	
City Plan - Choice Not Available	1,747.72	2,535.05	N/A	N/A	
City Plan ³	1,747.72	2,535.05	\$ 429.17	\$ 855.36	
Kaiser	1,370.10	2,049.60	354.32	705.66	

¹ Includes Rx, vision, and expense.

² All claims stabilization amounts are included in the premiums shown.

³ The premiums shown for Medicare eligible retirees is the UHC Medicare Advantage PPO.

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX C – SUMMARY OF PLAN PROVISIONS

The following table summarizes the medical plans that were in effect as of June 30, 2020.

Health Plan Last Modified	1/1/2018	1/1/2018	1/1/2020	1/1/2018
Plan:	Blue Shield Trio (HMO)	Blue Shield Access+ (HMO)	City Health Plan (PPO)	Kaiser (HMO)
In-Network (INN) Benefits				
Deductible (Individual / Family)	None	None	\$250 / \$750	None
Coinsurance	N/A	N/A	15%	N/A
Out-of-Pocket Max (Individual / Family)	\$2,000 / \$4,000	\$2,000 / \$4,000	\$3,750 / \$7,500	\$1,500 / \$3,000
Copays				
Preventive Care	Fully Covered	Fully Covered	Fully Covered	Fully Covered
Office Visit (OV) - Primary Care (PCP)	\$25 per visit	\$25 per visit	DC ¹	\$20 per visit
OV - Specialist Care Provider (SCP)	\$25 per visit	\$25 per visit	DC ¹	\$20 per visit
Hospital Emergency Room (ER)	\$100 per visit	\$100 per visit	DC ¹	\$100 per visit
Outpatient Surgery	\$100 per surgery	\$100 per surgery	DC ¹	\$35 per surgery
Hospital Inpatient	\$200 per admission	\$200 per admission	DC ¹	\$100 per admission
Lifetime Max	Unlimited	Unlimited	Unlimited	Unlimited
Out-of-Network (OON) Benefits				
Deductible (Individual / Family)	Not Covered	Not Covered	\$500 / \$1500	Not Covered
Coinsurance			50%	
Office Visits (PCP) & (SCP)			DC ¹	
Out-of-Pocket Max (Individual / Family)			\$7,500 per person	
Lifetime Max			Unlimited	
Prescription Drugs				
Retail (30 Days) - Generic/Formulary/Non-Form.	\$10 / \$25 / \$50	\$10 / \$25 / \$50	\$10 / \$25 / \$50 (OON \$5 / \$20 / \$45 then 50% coins)	\$5 / \$15 / Physician authorized only
Mail Order (90 Days) - Generic/Form./Non-Form.	\$20 / \$50 / \$100	\$20 / \$50 / \$100	\$20 / \$50 / \$100 (OON no coverage)	\$10 / \$30 / Physician authorized only
Specialty Pharmacy	20% of script up to \$100	20% of script up to \$100	Same as Mail/Retail	20% of script up to \$100
Mental Health and Substance Abuse				
Mental Health Inpatient	\$200 per admission	\$200 per admission	DC ¹	\$100 per admission
Mental Health Outpatient	\$25 per visit	\$25 per visit	DC ¹	\$20 per visit
Substance Abuse Inpatient	\$200 per admission	\$200 per admission	DC ¹	\$100 per admission
Substance Abuse Outpatient	\$25 per visit	\$25 per visit	DC ¹	\$20 per visit
Detail Benefits				
Chiropractic Benefit	\$15 per visit (30 visit limit)	\$15 per visit (30 visit limit)	Deductible and 50% Coins. (\$1000 limit)	\$15 per visit (combined 30 visit limit with acupuncture)
Rehab (speech, occupational, physical)	\$25 per visit	\$25 per visit	DC ¹ (60 visit limit)	\$20 per visit
Hearing Aids	\$2,500 for 36 mos.	\$2,500 for 36 mos.	DC ¹ (up to \$2,500 for 36 mos.)	\$2,500 for 36 mos.
Durable Medical Equipment	Fully Covered	Fully Covered	DC ¹	Fully Covered
Medical Management	PCP referral required	PCP referral required	Required on Some Services	PCP referral required
Medicare Integration	N/A	N/A	Medicare Advantage PPO	Medicare Advantage HMO
Vision Care Services	Not Covered	Not Covered	Not Covered	Not Covered

¹ DC = Deductible and coinsurance applies

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX C – SUMMARY OF PLAN PROVISIONS

Cost-Sharing Provisions

Medical & Vision: Members are required to pay the difference between the cost of coverage and the City contribution.

Dental Coverage: Retirees pay the full cost of dental coverage offered by the City for themselves and their dependents.

City Contribution: The City pays a portion of the retiree or spouse/domestic partner premium as detailed in the following table with the vesting schedule also applied. The City’s contribution is limited by the premium. Medicare Part B premiums are the responsibility of the retiree. The City does not contribute to coverage for dependent children.

City Contribution¹	
Pre-Medicare:	
Retiree/Surviving Spouse	Single Retiree Premium less 50% of the amount the Single Active Premium exceeds the 10-County Amount
Spouse/Domestic Partner	50% of the difference between the Single and Dual Retiree Coverage Premiums
Medicare Eligible:	
Retiree/Surviving Spouse	100% of Single Retiree Premium, up to the 10-County Amount
Spouse/Domestic Partner	50% of the difference between the Single and Dual Retiree Coverage Premiums

¹ For participants terminated on or before 6/30/2001 and not yet retired on or before 1/6/2012, Proposition C (passed 11/8/2011) removes the additional City Contribution put in place by Proposition E (passed 11/7/2000), which decreased the amount the retiree pays for one dependent coverage by half.

Vesting Schedule (based on years of service)¹	
Originally hired on or before January 9, 2009 (with 5 years)	100%
Originally hired on or after January 10, 2009	
Under 10 years	0%
10 to 15 years	50%
15 to 20 years	75%
Over 20 years	100%

¹ Proposition B, passed 6/3/2008, introduced this vesting schedule to the postretirement health benefit plan. Participants retiring under disability or benefiting under the active death benefit receive 100% of the City Contribution, regardless of hire date and service. The participant’s vesting schedule is based on their original hire date.

CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE

APPENDIX C – SUMMARY OF PLAN PROVISIONS

10-County Amount: The 10-County Amount (historical amounts are listed in the table below) is the average of the monthly employer contribution in the 10 most populous counties in California (other than San Francisco).

10-County Amount	
Period Ending	
December 31, 2020	\$ 706.78
December 31, 2021 ¹	\$ 729.19

¹ Calculated amount

Retiree Health Care Trust Fund Contributions

The City and County of San Francisco created the Retiree Health Care Trust Fund (RHCTF) as an irrevocable trust fund established under City Charter Section A8.432.

The employee’s contribution is based on their latest date of hire.

Employees most recently hired before January 10, 2009: Once the plan is fully funded, employees contribute the lesser of 50% of the normal cost or 1% of payroll and the employer contributes the remainder of the normal cost. Prior to becoming fully funded, employee contributions are the lesser of 100% of normal cost or 1% of payroll and employer contributions are 1% of payroll.

Employees most recently hired on or after January 10, 2009: Once the plan is fully funded, employees contribute the lesser of 50% of the normal cost or 2% of payroll and the employer contributes the remainder of the normal cost. Prior to becoming fully funded, employee contributions are the lesser of 100% of normal cost or 2% of payroll and employer contributions are 1% of payroll.

APPENDIX C – SUMMARY OF PLAN PROVISIONS

Disbursements from Retiree Health Care Trust Fund

Other than disbursements described below to stabilize City contributions and disbursements for reasonable administrative expenses, no disbursements may be made from the RHCTF unless it is fully funded.

If City retiree health care costs (RHCTF contributions plus benefit payments) are projected to exceed 10% of payroll, with approval of the Mayor and by resolution of the Board of Supervisors, the RHCTF Board may authorize stabilization disbursements up to the extent necessary to reduce the City's retiree health care costs to 10% of payroll provided that such stabilization disbursement does not exceed 10% of the balance in the RHCTF as of the prior year.

Changes Since Last Measurement Date

The City Plan – Choice Not Available plan was added as an option for active employees and non-Medicare retirees.

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX D – DETERMINATION OF DISCOUNT RATE

FYE	Beginning Fiduciary Net Position	Contributions	Admin Expenses	Benefit Payments	Investment Earnings	Ending Fiduciary Net Position	"Funded" Portion of Benefit Payments	"Unfunded" Portion of Benefit Payments
2021	\$ 488,989	\$ 281,138	\$ 118	\$ 196,542	\$ 37,136	\$ 610,603	\$ 196,542	\$ 0
2022	610,603	282,659	121	202,435	45,498	736,204	202,435	0
2023	736,204	290,077	125	212,708	54,192	867,640	212,708	0
2024	867,640	304,158	129	229,670	63,293	1,005,292	229,670	0
2025	1,005,292	318,701	134	247,213	72,826	1,149,472	247,213	0
2026	1,149,472	333,555	138	265,226	82,809	1,300,473	265,226	0
2027	1,300,473	349,285	143	284,263	93,265	1,458,617	284,263	0
2028	1,458,617	364,868	147	303,164	104,221	1,624,395	303,164	0
2029	1,624,395	379,791	152	321,464	115,709	1,798,279	321,464	0
2030	1,798,279	394,394	157	339,552	127,761	1,980,726	339,552	0
2031	1,980,726	408,760	162	357,418	140,412	2,172,318	357,418	0
2032	2,172,318	423,744	167	375,941	153,701	2,373,655	375,941	0
2033	2,373,655	439,509	173	395,258	167,673	2,585,406	395,258	0
2034	2,585,406	453,851	178	413,195	182,371	2,808,255	413,195	0
2035	2,808,255	467,701	184	430,684	197,845	3,042,934	430,684	0
2036	3,042,934	480,971	190	447,682	214,144	3,290,177	447,682	0
2037	3,290,177	494,539	196	465,082	231,319	3,550,757	465,082	0
2038	3,550,757	509,145	203	483,674	249,422	3,825,448	483,674	0
2039	3,825,448	524,249	209	502,961	268,507	4,115,032	502,961	0
2040	4,115,032	539,775	216	522,801	288,629	4,420,419	522,801	0
2041	4,420,419	556,304	223	543,746	309,854	4,742,608	543,746	0
2042	4,742,608	572,651	230	564,637	332,250	5,082,642	564,637	0
2043	5,082,642	587,570	238	584,230	355,892	5,441,635	584,230	0
2044	5,441,635	602,335	245	603,781	380,856	5,820,799	603,781	0
2045	5,820,799	614,527	253	620,804	407,231	6,221,500	620,804	0

Amounts in Thousands



**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX D – DETERMINATION OF DISCOUNT RATE

FYE	Beginning Fiduciary Net Position	Contributions	Admin Expenses	Benefit Payments	Investment Earnings	Ending Fiduciary Net Position	"Funded" Portion of Benefit Payments	"Unfunded" Portion of Benefit Payments
2046	\$ 6,221,500	\$ 625,617	\$ 262	\$ 636,742	\$ 435,113	\$ 6,645,227	\$ 636,742	\$ 0
2047	6,645,227	633,770	270	649,707	464,608	7,093,627	649,707	0
2048	7,093,627	640,382	279	661,063	495,833	7,568,500	661,063	0
2049	7,568,500	645,386	288	670,641	528,916	8,071,873	670,641	0
2050	8,071,873	648,847	297	678,432	564,003	8,605,994	678,432	0
2051	8,605,994	12,418	307	680,937	579,407	8,516,574	680,937	0
2052	8,516,574	9,918	317	682,811	572,996	8,416,360	682,811	0
2053	8,416,360	7,879	327	682,158	565,933	8,307,687	682,158	0
2054	8,307,687	6,195	338	678,614	558,390	8,193,321	678,614	0
2055	8,193,321	4,821	349	674,566	550,476	8,073,702	674,566	0
2056	8,073,702	3,711	360	669,886	542,225	7,949,392	669,886	0
2057	7,949,392	2,813	372	663,802	533,701	7,821,732	663,802	0
2058	7,821,732	2,099	384	657,751	524,948	7,690,644	657,751	0
2059	7,690,644	1,543	397	652,120	515,946	7,555,616	652,120	0
2060	7,555,616	1,114	410	645,418	506,710	7,417,612	645,418	0
2061	7,417,612	786	423	639,720	497,234	7,275,489	639,720	0
2062	7,275,489	545	437	634,863	487,444	7,128,178	634,863	0
2063	7,128,178	371	451	629,988	477,293	6,975,403	629,988	0
2064	6,975,403	245	465	624,546	466,781	6,817,418	624,546	0
2065	6,817,418	159	481	618,729	455,919	6,654,287	618,729	0
2066	6,654,287	103	496	611,726	444,738	6,486,906	611,726	0
2067	6,486,906	64	512	603,062	433,318	6,316,714	603,062	0
2068	6,316,714	40	529	592,798	421,756	6,145,183	592,798	0
2069	6,145,183	24	546	580,807	410,160	5,974,014	580,807	0
2070	5,974,014	13	564	567,043	398,651	5,805,072	567,043	0

Amounts in Thousands

**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX D – DETERMINATION OF DISCOUNT RATE

FYE	Beginning Fiduciary Net Position	Contributions	Admin Expenses	Benefit Payments	Investment Earnings	Ending Fiduciary Net Position	"Funded" Portion of Benefit Payments	"Unfunded" Portion of Benefit Payments
2071	\$ 5,805,072	\$ 7	\$ 582	\$ 551,518	\$ 387,359	\$ 5,640,337	\$ 551,518	\$ 0
2072	5,640,337	4	601	534,274	376,420	5,481,885	534,274	0
2073	5,481,885	2	621	515,373	365,978	5,331,871	515,373	0
2074	5,331,871	1	641	494,903	356,180	5,192,508	494,903	0
2075	5,192,508	0	662	472,984	347,178	5,066,041	472,984	0
2076	5,066,041	0	683	449,866	339,120	4,954,612	449,866	0
2077	4,954,612	0	705	425,796	332,148	4,860,259	425,796	0
2078	4,860,259	0	728	400,928	326,398	4,785,000	400,928	0
2079	4,785,000	0	752	375,438	322,006	4,730,816	375,438	0
2080	4,730,816	0	776	349,519	319,104	4,699,624	349,519	0
2081	4,699,624	0	802	323,381	317,819	4,693,261	323,381	0
2082	4,693,261	0	828	297,244	318,272	4,713,462	297,244	0
2083	4,713,462	0	855	271,334	320,577	4,761,850	271,334	0
2084	4,761,850	0	882	245,879	324,839	4,839,928	245,879	0
2085	4,839,928	0	911	221,102	331,156	4,949,071	221,102	0
2086	4,949,071	0	941	197,217	339,617	5,090,530	197,217	0
2087	5,090,530	0	971	174,419	350,302	5,265,442	174,419	0
2088	5,265,442	0	1,003	152,883	363,286	5,474,842	152,883	0
2089	5,474,842	0	1,035	132,754	378,636	5,719,689	132,754	0
2090	5,719,689	0	1,069	114,145	396,414	6,000,889	114,145	0
2091	6,000,889	0	1,104	97,135	416,682	6,319,332	97,135	0
2092	6,319,332	0	1,140	81,766	439,501	6,675,927	81,766	0
2093	6,675,927	0	1,177	68,045	464,933	7,071,639	68,045	0
2094	7,071,639	0	1,215	55,948	493,048	7,507,523	55,948	0
2095	7,507,523	0	1,254	45,423	523,921	7,984,766	45,423	0

Amounts in Thousands



**CITY AND COUNTY OF SAN FRANCISCO POSTRETIREMENT HEALTH PLAN
GASB 74 AND 75 REPORTING FOR JUNE 30, 2020 MEASUREMENT DATE**

APPENDIX D – DETERMINATION OF DISCOUNT RATE

FYE	Beginning Fiduciary Net Position	Contributions	Admin Expenses	Benefit Payments	Investment Earnings	Ending Fiduciary Net Position	"Funded" Portion of Benefit Payments	"Unfunded" Portion of Benefit Payments
2096	\$ 7,984,766	\$ 0	\$ 1,295	\$ 36,390	\$ 557,637	\$ 8,504,719	\$ 36,390	\$ 0
2097	8,504,719	0	1,337	28,748	594,295	9,068,928	28,748	0
2098	9,068,928	0	1,381	22,380	634,007	9,679,175	22,380	0
2099	9,679,175	0	1,426	17,157	676,903	10,337,494	17,157	0
2100	10,337,494	0	1,472	12,944	723,129	11,046,207	12,944	0
2101	11,046,207	0	1,520	9,603	772,852	11,807,935	9,603	0
2102	11,807,935	0	1,569	7,001	826,261	12,625,626	7,001	0
2103	12,625,626	0	1,620	5,013	883,566	13,502,559	5,013	0
2104	13,502,559	0	1,673	3,522	945,000	14,442,364	3,522	0
2105	14,442,364	0	1,727	2,427	1,010,823	15,449,032	2,427	0
2106	15,449,032	0	1,783	1,640	1,081,314	16,526,924	1,640	0
2107	16,526,924	0	1,841	1,085	1,156,784	17,680,781	1,085	0
2108	17,680,781	0	1,901	703	1,237,565	18,915,742	703	0
2109	18,915,742	0	1,963	446	1,324,019	20,237,352	446	0
2110	20,237,352	0	2,027	277	1,416,535	21,651,585	277	0
2111	21,651,585	0	2,092	168	1,515,533	23,164,858	168	0
2112	23,164,858	0	2,160	99	1,621,462	24,784,060	99	0
2113	24,784,060	0	2,231	57	1,734,806	26,516,578	57	0
2114	26,516,578	0	2,303	32	1,856,080	28,370,323	32	0
2115	28,370,323	0	2,378	18	1,985,840	30,353,767	18	0
2116	30,353,767	0	2,455	9	2,124,679	32,475,982	9	0
2117	32,475,982	0	2,535	5	2,273,231	34,746,673	5	0
2118	34,746,673	0	2,617	2	2,432,177	37,176,230	2	0
2119	37,176,230	0	2,703	1	2,602,243	39,775,770	1	0
2120	39,775,770	0	2,790	0	2,784,208	42,557,187	0	0

Amounts in Thousands



APPENDIX E – 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 75, these are experience gains on the Total OPEB Liability, assumption changes reducing the Total OPEB 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 75, these are experience losses on the Total OPEB Liability, assumption changes increasing the Total OPEB Liability, or investment losses that are recognized in future reporting periods.

5. Entry Age Actuarial Cost Method

The actuarial cost method required for GASB 74 and 75 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 OPEB Liability.

6. Measurement Date

The date as of which the Total OPEB liability and plan fiduciary net position are measured. The Total OPEB 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 E – GLOSSARY OF TERMS

7. Net OPEB Liability

The liability of employers and nonemployer contributing entities for employees for benefits provided through a defined benefit OPEB plan. It is calculated as the Total OPEB 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 74 and 75. The service cost is the normal cost calculated under the Entry Age Actuarial Cost Method.

11. Total OPEB 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 74 and 75. The Total OPEB Liability is the Actuarial Liability calculated under the Entry Age Actuarial Cost Method.



Classic Values, Innovative Advice