

San Francisco City and County Employees' Retirement System

July 1, 2023

Actuarial Valuation Report

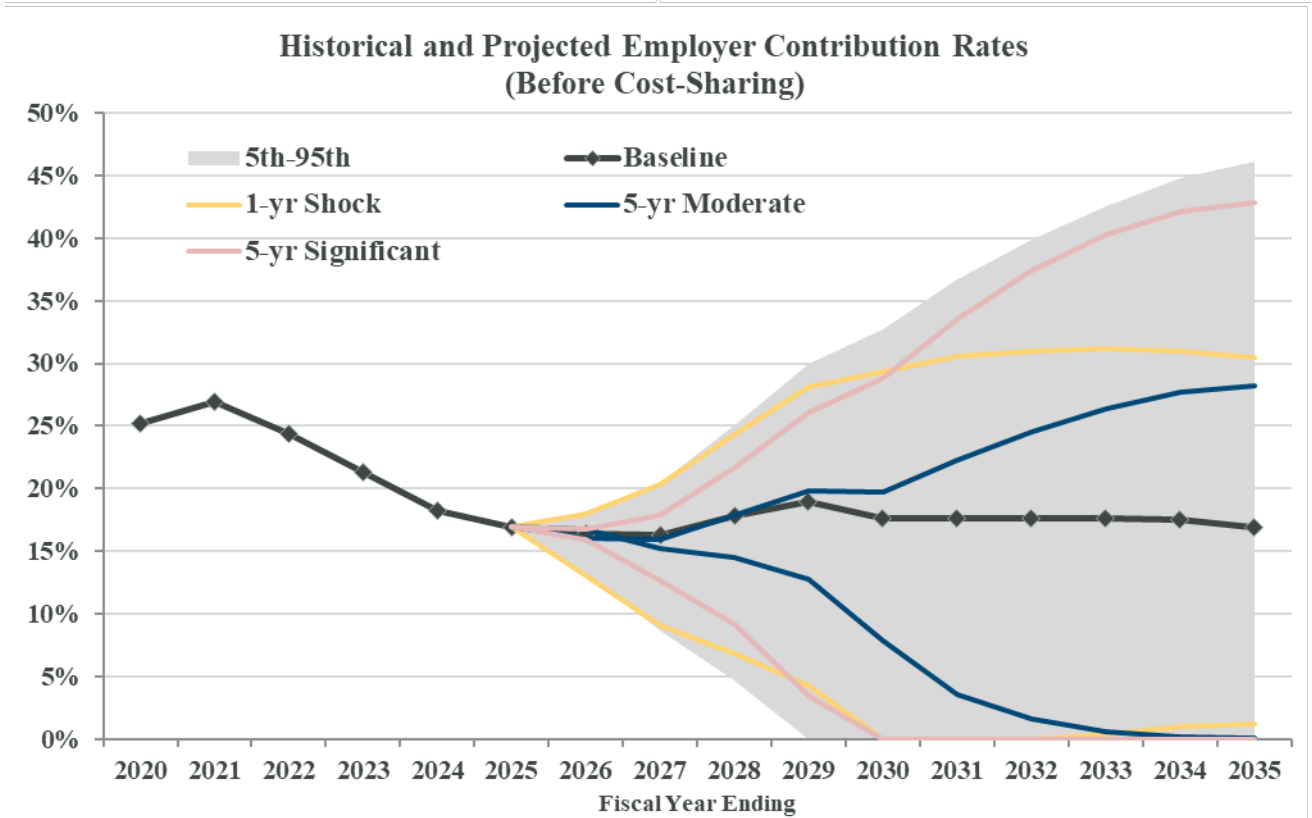
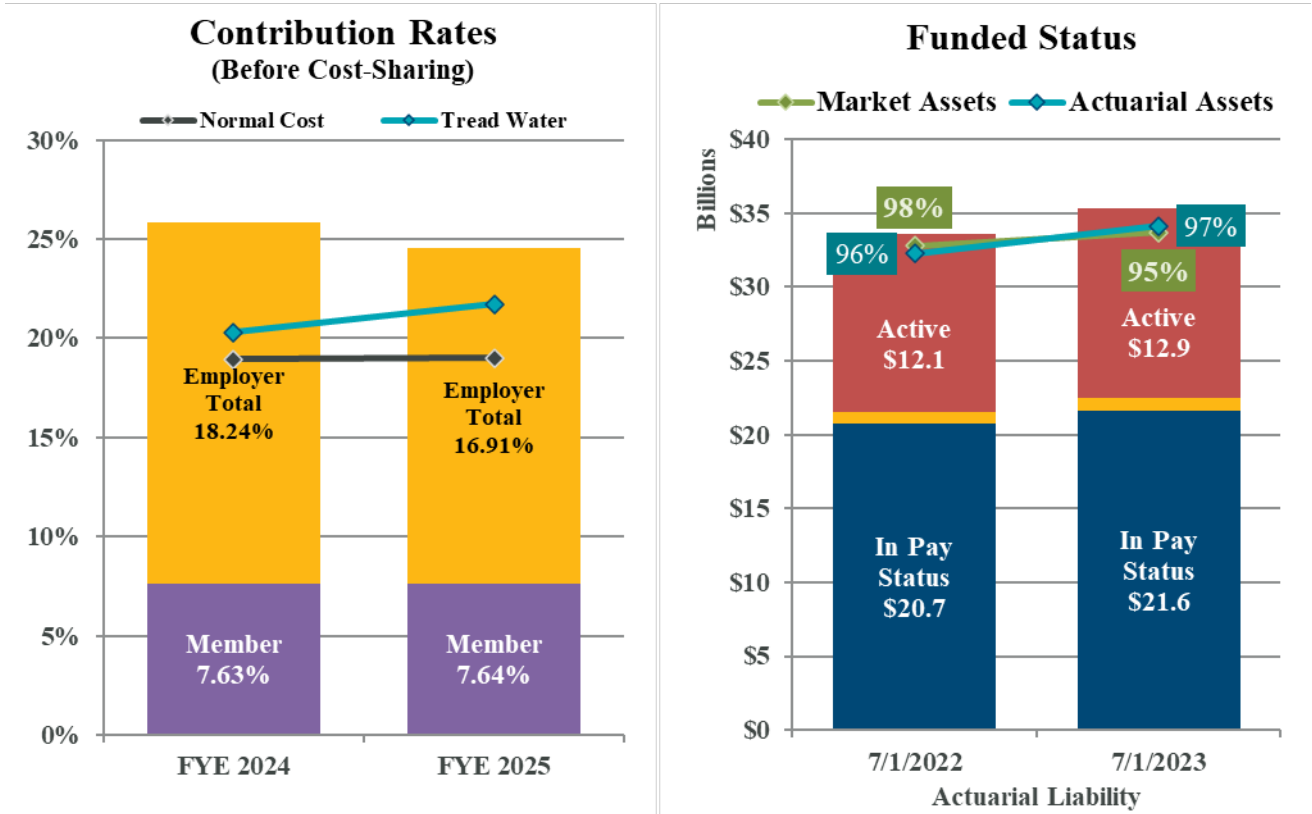
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February 2024**

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**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
JULY 1, 2023 ACTUARIAL VALUATION REPORT**

SECTION I – BOARD SUMMARY



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Key Findings of the July 1, 2023 Valuation

The key results of the July 1, 2023 actuarial valuation are as follows:

- The employer contribution rate decreased from 18.24% for FYE 2024 to 16.91% for FYE 2025 before any cost-sharing adjustments.¹ See Table I-4 for details on the components of the decrease in contribution rates. After the cost-sharing adjustments, the estimated employer contribution rate decreased from 16.12% to 15.27%. The actual aggregate employer contribution rates after cost-sharing adjustments will depend upon the proportion of the actual payroll for each employee group defined in the Charter. See Table VI-2 for more details.
- The average cost-sharing adjustment for employee contribution rates will decrease by 0.47% of pay in FYE 2025. The average employee contribution rate after cost-sharing adjustments is estimated to be 9.28% of pay in FYE 2025 compared to 9.75% in FYE 2024.
- Based on the Market Value of Assets, the funded ratio decreased from 97.6% to 95.3%, and the Unfunded Actuarial Liability (UAL) increased from \$0.8 billion to \$1.7 billion. Based on the smoothed Actuarial Value of Assets, the funded ratio increased from 96.1% to 96.6%, and the Unfunded Actuarial Liability decreased from \$1.3 billion to \$1.2 billion.
- The return on the Market Value of Assets for the year ended June 30, 2023 was approximately 5.2% resulting in an actuarial loss of about \$0.6 billion that will be recognized over the next five years. The return on the Actuarial Value of Assets was 8.2%, which recognizes 20% of the FYE 2023 loss as well as deferred investment gains and losses from previous years, and results in an actuarial gain of about \$0.3 billion.
- Because actual investment returns were less than expected, a Supplemental COLA was not payable on July 1, 2023.

¹ The cost-sharing adjustments depend on the employer contribution rate, the employee group, and the level of pay based on the applicable table in the Charter. The FYE 2025 average cost-sharing adjustment is estimated to be 1.64%, details of the calculation can be found in Table VI-2 of this report.

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Funded Status

This report measures assets and liabilities for funding purposes. Table I-1 below summarizes the Actuarial Liability, assets, and related ratios as of July 1, 2023 compared to July 1, 2022.

Table I-1				
Summary of Key Valuation Results				
(Amounts in millions)				
Valuation Date	July 1, 2022	July 1, 2023	% Change	
Actuarial Liability	\$ 33,591.6	\$ 35,352.0	5.2%	
Actuarial Value of Assets	\$ 32,275.5	\$ 34,137.0	5.8%	
Unfunded Actuarial Liability (actuarial value)	1,316.1	1,215.0	-7.7%	
Funding Ratio (actuarial value)	96.1%	96.6%	0.5%	
Market Value of Assets	\$ 32,798.5	\$ 33,688.4	2.7%	
Unfunded Liability (market value)	793.1	1,663.6	109.8%	
Funding Ratio (market value)	97.6%	95.3%	-2.3%	
Expected Payroll	\$ 3,984.1	\$ 4,258.6	6.9%	
Interest on UAL (MVA basis)	\$ 55.2	\$ 115.7	109.8%	
Interest Cost as Percent of Payroll	1.4%	2.7%	1.3%	

The Actuarial Liability increased by approximately \$1.8 billion. The Actuarial Value of Assets, which is used as the basis to set contribution rates, increased by approximately \$1.9 billion reflecting smoothed investment returns and contributions offset by benefits and expenses paid during the year. The Unfunded Actuarial Liability decreased by approximately \$0.1 billion based on the Actuarial Value of Assets.

The Market Value of Assets increased approximately \$0.9 billion, and the UAL based on the Market Value of Assets increased approximately \$0.9 billion.

The interest cost on the UAL – based on the Market Value of Assets – increased by \$61 million. As a result, approximately 2.7% of payroll is necessary to pay the interest on the UAL, which is an increase from 1.4% of payroll in the prior year.

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Contributions

The San Francisco City and County Employees' Retirement System (SFERS) funding policy sets employer contributions equal to the sum of:

- The employer normal cost under the Entry Age Normal Cost Method,
- The expected administrative expenses, and
- An amortization payment on the Unfunded Actuarial Liability.

The Charter requires employees to pay a portion of the employer contribution rate, depending on the employer contribution rate, the employee group, and the level of pay received by the employee. Unless explicitly identified, the figures shown in this report are before applying the cost-sharing adjustments. Table I-2 summarizes the employer and member contribution rates both before and after the cost-sharing adjustments.

Table I-2				
Summary Of Contributions				
(Amounts in millions)				
	FYE 2024	FYE 2025	Change	
<u>Contribution Rates Before Adjustments</u>				
Net Employer Contribution Rate	18.24%	16.91%	-1.33%	
Est. Aggregate Employee Contribution Rate	<u>7.63%</u>	<u>7.64%</u>	<u>0.01%</u>	
Total Contribution Rate	25.87%	24.55%	-1.32%	
Estimated Payroll	\$ 4,113.6	\$ 4,397.0	\$ 283.4	
Estimated Net Employer Contributions	750.1	743.6	(6.5)	
<u>Contribution Rates After Adjustments</u>				
Net Employer Contribution Rate	16.12%	15.27%	-0.85%	
Est. Aggregate Employee Contribution Rate	<u>9.75%</u>	<u>9.28%</u>	<u>-0.47%</u>	
Total Contribution Rate	25.87%	24.55%	-1.32%	
Estimated Payroll	\$ 4,113.6	\$ 4,397.0	\$ 283.4	
Estimated Net Employer Contributions	663.1	671.4	8.3	
<u>Total Contribution Rate</u>				
Normal Cost Rate	18.33%	18.40%	0.07%	
Administrative Expense Rate	0.60%	0.60%	0.00%	
UAL Rate				
Interest on Market Value UAL	1.38%	2.72%	1.34%	
Principal on UAL	<u>5.56%</u>	<u>2.83%</u>	<u>-2.73%</u>	
Total UAL Rate	6.94%	5.55%	-1.39%	
Total Contribution Rate	25.87%	24.55%	-1.32%	

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The net employer contribution rate before applying the cost-sharing adjustments decreased 1.33% of payroll from 18.24% to 16.91% for the fiscal year ending June 30, 2025. The cost-sharing adjustment is estimated to decrease the employer contribution and increase the aggregate employee contributions by about 1.64% of payroll. Thus, the estimated employer contribution rate after cost-sharing is 15.27% for FYE 2025. The cost-sharing adjustments will remain at this level as long as the employer contribution rate before adjustment is between 15.01% and 17.50%.

SFERS Membership

As shown in Table I-3 below, membership in SFERS increased in total by 2.3%. Active membership increased 2.5%, terminated vested membership increased 4.6%, and members receiving benefits increased by 1.2%. Total payroll increased by 6.9%. The average pay per active member increased 4.3%.

Table I-3 Membership Total			
	July 1, 2022	July 1, 2023	% Change
Actives	33,199	34,016	2.5%
Terminated Vested	12,085	12,641	4.6%
Members Receiving Benefits	31,719	32,104	1.2%
Total SFERS Members	77,003	78,761	2.3%
Active Member Payroll (thousands) ¹	\$ 3,984,150	\$ 4,258,570	6.9%
Average Pay per Active	\$ 120,000	\$ 125,200	4.3%

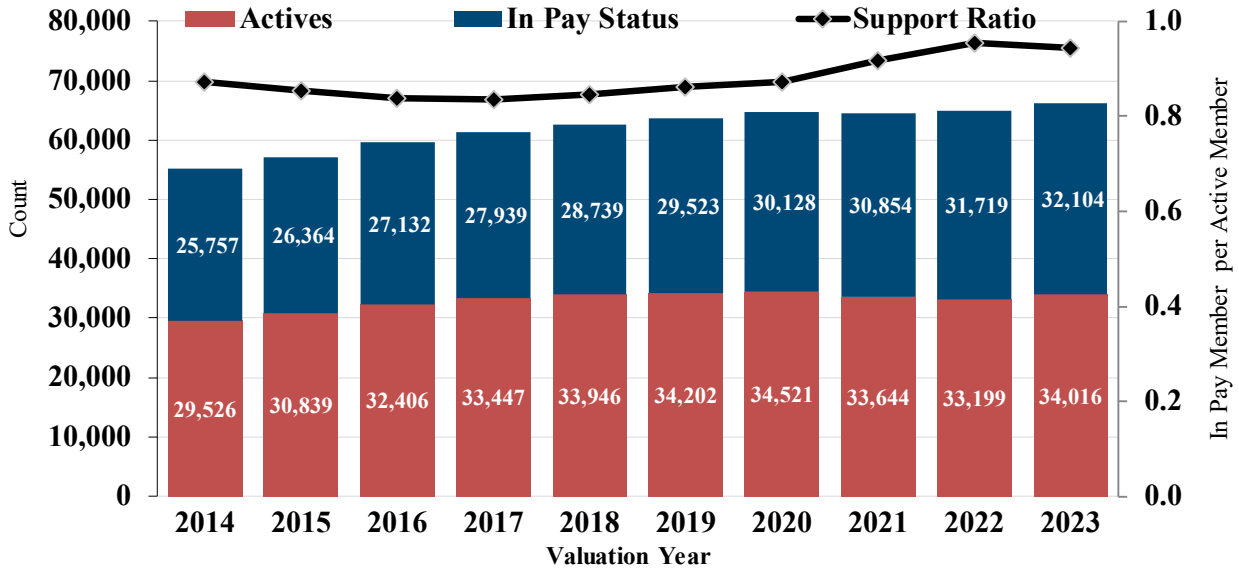
¹ Active member payroll is projected for the fiscal year beginning on the valuation date.

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The chart below shows the historical trend in membership counts over the last 10 years. This trend can be an important indicator of growing plan maturity and sensitivity to investment returns, assumption changes, and other changes to the System. In particular, if the support ratio (the ratio of retirees to active members) grows, it indicates that any losses on retiree liabilities or assets are likely to place a relatively greater burden on employers and active members. For SFERS, the support ratio remained relatively stable, between 0.84 and 0.96, prior to the pandemic. However, in both 2021 and 2022 it increased due to declining active membership. This trend has reversed in 2023 as active members increased and the support ratio declined to 0.94.

Historical Membership Counts



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Contribution Reconciliation

The SFERS contribution rate for FYE 2024 before cost-sharing adjustments decreased from 18.24% to 16.91% of payroll. Table I-4 shows sources for the change in the net employer contribution rate.

Table I-4 Net Employer Contribution Rate Reconciliation (Before Cost-Sharing Adjustment)			
	Normal Cost ¹	UAL Payment	Total
FYE 2024 Net Employer Contribution Rate	11.30%	6.94%	18.24%
Fully paid 2018 Supplemental COLA	0.00%	-1.33%	-1.33%
Payroll growth more than assumed	0.00%	-0.19%	-0.19%
Investment gain on actuarial value of assets	0.00%	-0.57%	-0.57%
Salary increases and Old Safety Basic COLAs	0.00%	0.39%	0.39%
Other experience and programming changes	0.06%	0.31%	0.37%
FYE 2025 Net Employer Contribution Rate	11.36%	5.55%	16.91%

¹ Includes administrative expenses and is net of employee contributions.

- The amortization schedule for the 2018 Supplemental COLA was completed resulting in a 1.33% decrease in the employer contribution rate.
- Payroll grew by almost 7%, more than the expected growth rate of 3.25%, resulting in a 0.19% reduction in the employer contribution rate. The dollar amount of amortization payments increase at the expected payroll growth rate. When payroll growth is more than assumed, the amortization payments decrease as a percentage of payroll.
- Investment gains on the smoothed Actuarial Value of Assets reduced the contribution rate by 0.57% of payroll.
- Salary increases for active members were higher than expected, primarily for the Police membership. Also, Basic COLA increases for the Old Safety members were slightly higher than assumed. As a result, the employer contribution rates increased by 0.39% of payroll.
- Finally, other plan experience including retirements, terminations, disabilities and member mortality as well as minor programming changes increased the contribution rate by 0.37% of payroll.

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Historical and Projected Trends

Each valuation is a snapshot of the long-term progress of a pension fund. It is important to judge a current year's valuation result in the context of historical and projected future trends. **The baseline projections on the next page include the cost and liability for assumed future Supplemental COLAs.**

Supplemental COLAs are granted if there are excess returns (the actual return on the Market Value of Assets minus the expected return on Actuarial Value of Assets). For members who were hired after Proposition C (Prop C) passed in 2012, the Supplemental COLA is only payable if the System was 100% funded based on the Market Value of Assets. For non-Prop C Retirees, the projections assume 50% of a full Supplemental COLA each year (0.75% for most members). For the Prop C Retirees, the probability is slightly lower than 50% in the short term since the System is only 95% funded based on the Market Value of Assets.

The top chart on page 9 compares the Market Value of Assets to the Actuarial Liability for the historical period from 2013 to 2023 and the projected period from 2024 to 2033 assuming all assumptions are met. The light gray bars represent the historical Actuarial Liability in years when no Supplemental COLA was paid, while the black bars represent the historical Actuarial Liability in years when a Supplemental COLA was paid. The medium gray bars represent the projected Actuarial Liability with an assumed level of Supplemental COLA. The gray bar with a black outline is the current valuation year.

At the top of the bars, the funding ratios based on the Market Value of Assets are shown. The System was 84% funded as of July 1, 2013. Since then, investment returns and contributions offset by some assumption changes and the impact of actual Supplemental COLAs have increased the funding ratio to 95% as of July 1, 2023.

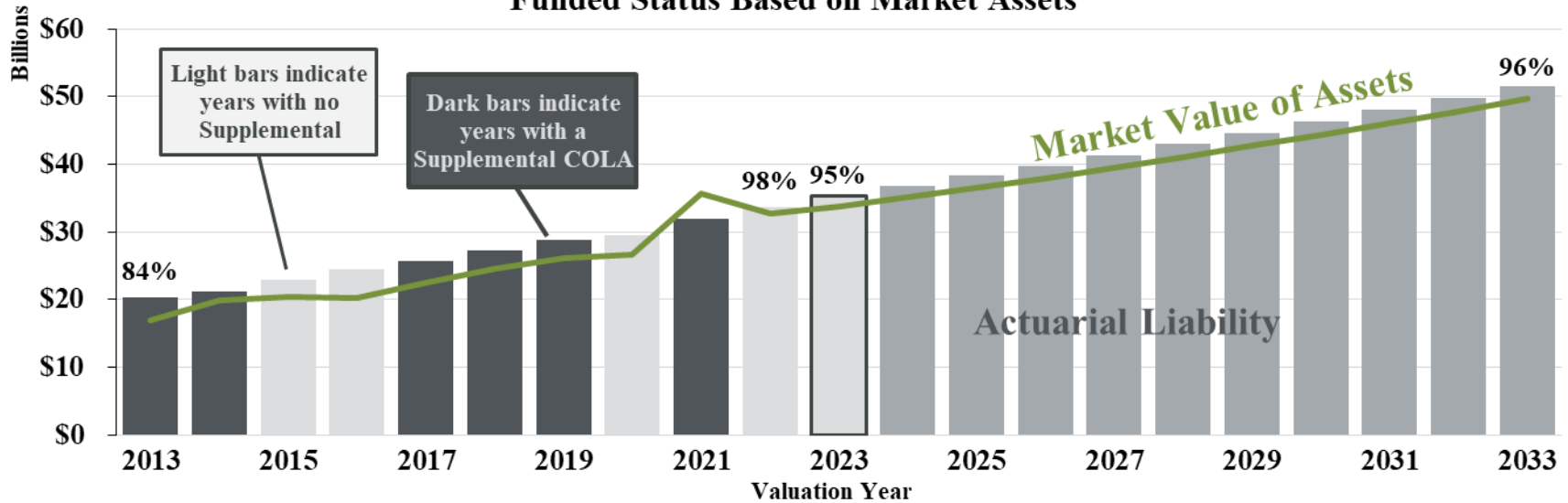
The bottom chart on page 9 shows historical and projected contribution rates for the fiscal years ending 2015 through 2035. The dark and light gray bars represent historical member and employer contribution rates while the purple and gold bars represent member and employer contribution rates currently in effect and projected for the future. The rates determined by the current valuation are a darker shade. The blue line represents the baseline projection from the 2022 actuarial valuation.

Since 2021, the employer contribution rate has decreased primarily due to the completion of the amortization payments for certain charter amendments and investment returns on the actuarial value of assets. After FYE 2025, employer contributions are expected to decline gradually over the next two years and then increase as deferred asset gains and losses are recognized in the smoothed Actuarial Value of Assets and as some amortization credits are fully amortized. After FYE 2030, employer contributions are expected to remain relatively level.

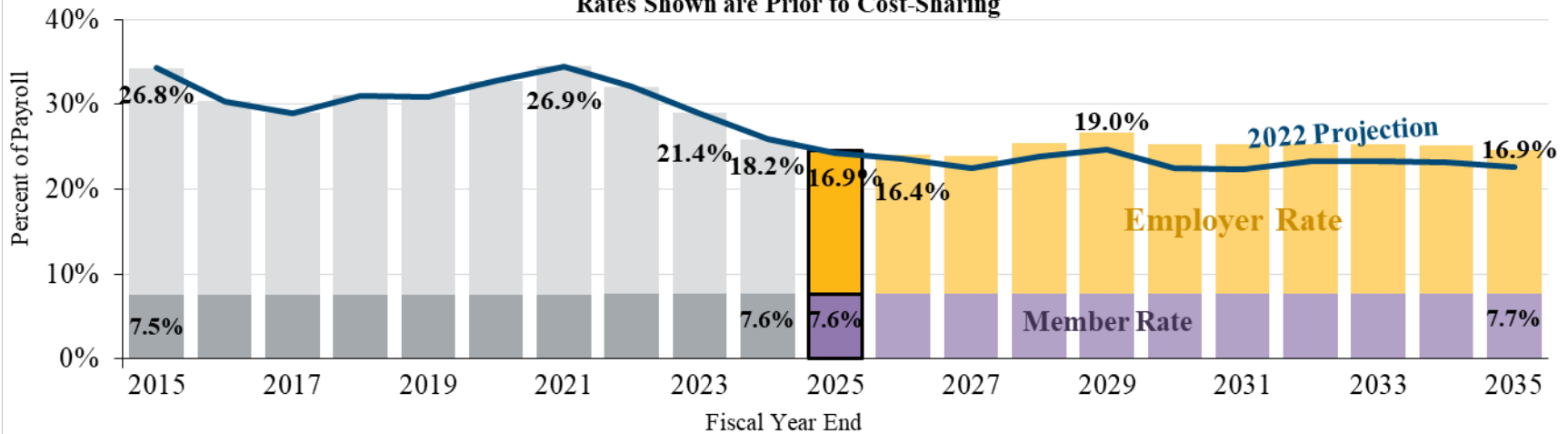
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Funded Status Based on Market Assets



**Employer Contribution Rates
Rates Shown are Prior to Cost-Sharing**



SECTION II – ASSESSMENT AND DISCLOSURE OF RISK

Actuarial valuations are based on a set of assumptions about future economic and demographic experience. These assumptions represent a reasonable estimate of future experience, but actual future experience will undoubtedly be different and may be significantly different. This section of the report is intended to identify the primary risks to the plan, provide some background information about those risks, and provide an assessment of those risks.

Identification of Risks

The fundamental risk to the System is that the contributions needed to pay the benefits become unaffordable. While SFERS cannot determine on its own what contribution level is unaffordable, we can project expected contribution rates and illustrate the potential impact of key sources of risk on those contribution rates so the employers can assess affordability. While there are several factors that could lead to contribution amounts becoming unaffordable, we believe the primary risks for this System are:

- Investment risk,
- Interest rate risk, and
- Supplemental COLA risk.

Investment risk is the potential for investment returns to be different than expected. Interest rate risk is the potential for interest rates to be different than expected. For public plans, short-term fluctuations in interest rates have little or no effect, but longer-term trends can have a powerful effect on economic assumptions, particularly the discount rate. Supplemental COLA risk is the potential for the cost of future Supplemental COLAs to increase contribution rates.

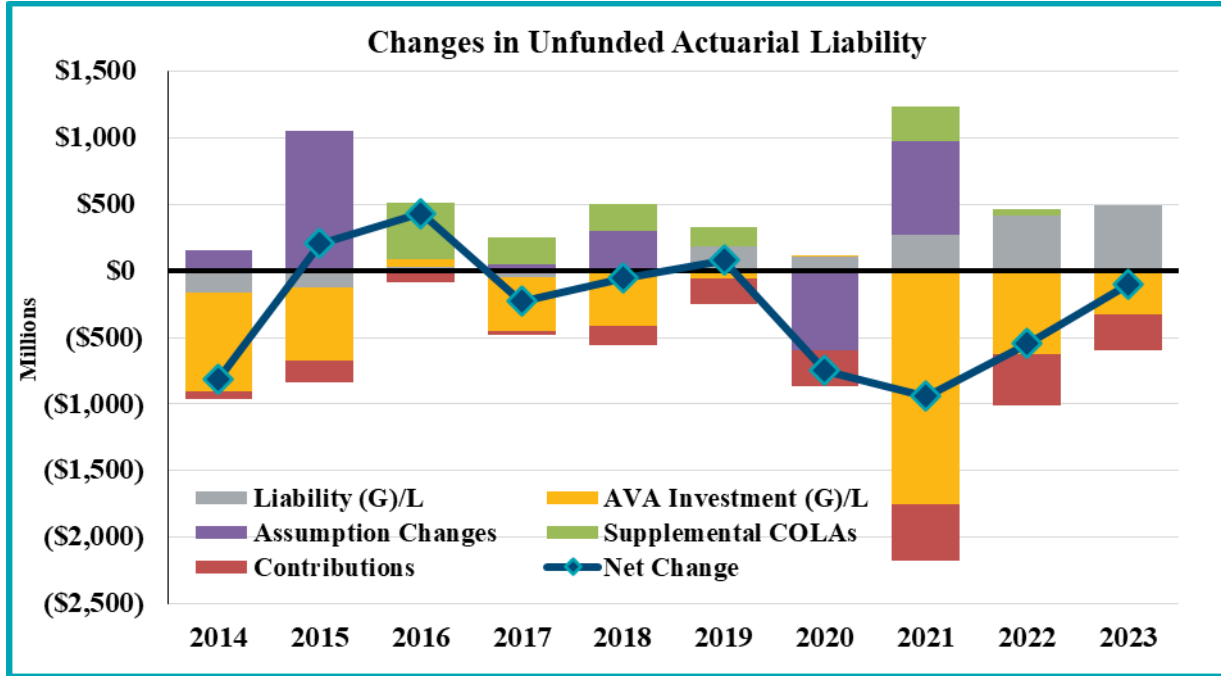
Other risks that we have not identified may also turn out to be important.

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The chart below shows the components of changes in the Unfunded Actuarial Liability for the last 10 years, including investment gains and losses on the Actuarial Value of Assets, liability gains and losses, assumption changes, benefit changes, and contributions compared to the tread water level of contributions (normal cost plus interest on the UAL, explained in more detail below). The net UAL change is shown by the dark blue line.

SFERS Historical Changes in UAL 2014-2023



**Table II-1
Changes in Unfunded Actuarial Liability
(Amounts in millions)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Discount Rate	7.50%	7.50%	7.50%	7.50%	7.40%	7.40%	7.40%	7.20%	7.20%	7.20%	
Source											
AVA (G)/L	\$(749.2)	\$ (545.5)	\$ 51.5	\$(405.7)	\$ (408.9)	\$(58.6)	\$ 6.4	\$(1,750.1)	\$(628.0)	\$(322.5)	\$(4,810.6)
Liability (G)/L	(157.9)	(127.6)	34.5	(45.5)	6.5	185.4	112.3	270.0	412.9	492.7	1,183.3
Assumptions/Methods	153.1	1,048.4	0.0	50.2	297.7	0.0	(591.4)	701.6	0.0	0.0	1,659.6
Supplemental COLAs	0.0	0.0	429.3	200.1	200.8	141.0	0.0	264.1	48.0	0.0	1,283.3
Contributions ¹	(56.9)	(168.2)	(83.7)	(27.4)	(147.5)	(186.2)	(274.2)	(427.6)	(378.9)	(271.3)	(2,021.9)
Total UAL Change	\$(810.9)	\$207.1	\$431.6	\$(228.3)	\$(51.4)	\$ 81.6	\$(746.9)	\$(942.0)	\$(546.0)	\$(101.1)	\$(2,706.3)

¹ Actual contributions (greater)/less than normal cost, administrative expenses and interest on the UAL; also includes rate implementation delay, payroll growth not as anticipated.

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The totals above support the identification of investment returns, Supplemental COLAs, and interest rates that drive assumption changes as the primary risks to the System.

On a smoothed asset basis, recent market experience has produced gains in eight of the last 10 years. Over the 10-year period, investment gains reduced the UAL by approximately \$4.8 billion.

On the liability side (gray bars), gains early in the period have been offset by more recent losses primarily due to salary increases and Old Safety Basic COLAs with a net experience loss increasing the UAL by approximately \$1.2 billion over the 10-year period. The liability loss in 2023 includes programming modifications of \$115 million to help mitigate future losses.

Assumption and method changes (purple bars) over the last 10 years have increased the UAL by about \$1.7 billion. The significant changes increasing the UAL have included reductions in the discount rate, decreases in mortality rates, and increases in retirement rates. The assumption changes lowering the UAL in 2020 were primarily due to reductions in wage inflation and assumed Old Safety COLAs. In 2021, the discount rate was reduced from 7.4% to 7.2% which increased the UAL by about \$700 million.

Benefit changes (green bars) are all Supplemental COLAs. While our projections include an assumed level of Supplemental COLAs, the Actuarial Liability for determining contribution rates in each valuation does not. In 2016, the benefit increase is a result of the 2013 and 2014 retroactive Supplemental COLAs. The 2022 increase is due to Proposition A that increased pre-96 retiree benefits for prior Supplemental COLAs that were not granted due to SFERS not being 100% funded. Over the 10-year period, Supplemental COLAs increased the UAL by about \$1.3 billion.

Each year, absent any contributions, the UAL is expected to increase for active member benefits attributable to the current year of service (the normal cost), administrative expenses, and interest on the UAL. This expected increase is referred to as the tread water level. If contributions are greater than the tread water level, the UAL is expected to decrease. Conversely, if contributions are less than the tread water level, the UAL is expected to increase. Over the 10-year period, contributions have decreased the UAL by about \$2.0 billion, and during 2023, contributions decreased the UAL by about \$271 million.

In general, the amortization methods used to determine contributions to the System are designed to collect more than the tread water level. However, the System may temporarily pay less than this threshold due to asset smoothing, the one-year delay between the valuation date and when contribution rates become effective or due to unexpected reductions in payroll.

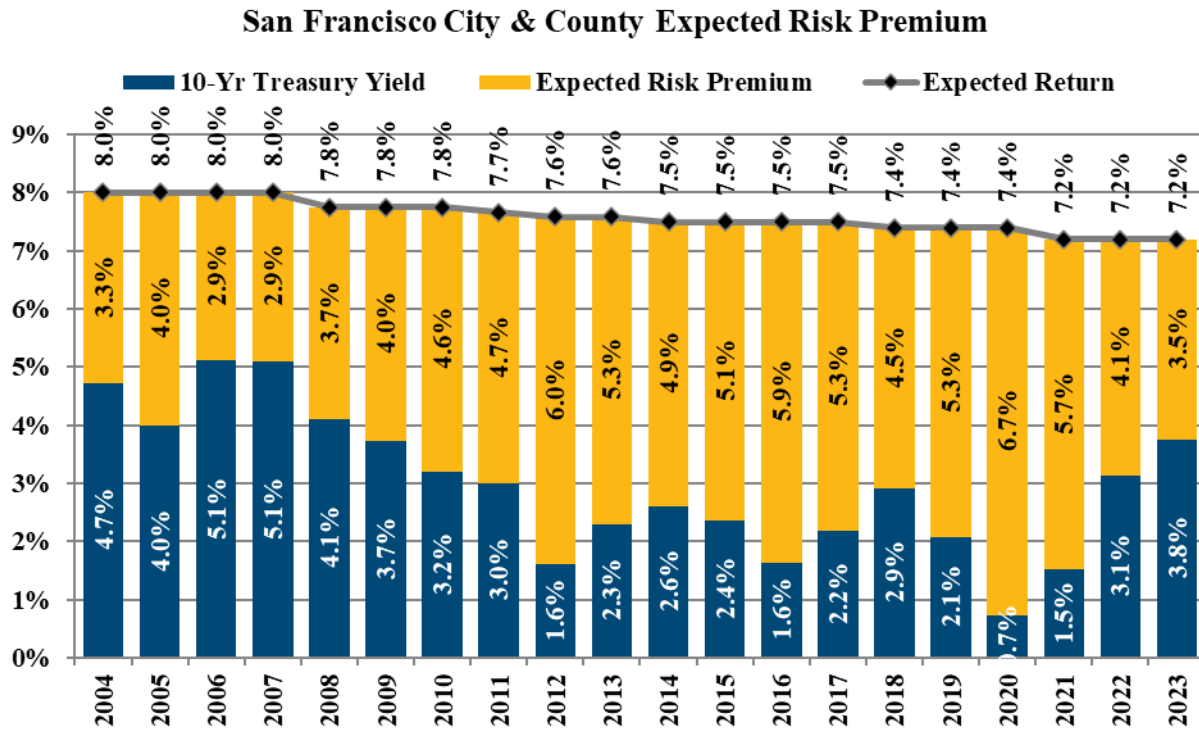
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The chart below shows the yield on a 10-year Treasury security compared to the System’s assumed rate of return. The difference is a simple measure of the investment risk premium. From 2007 to 2020, the yield on the 10-year Treasury declined from about 5.1% to 0.7%. During this period, the System reduced its expected rate of return from 8.0% to 7.2%. Meanwhile, its expected risk premium grew from 2.9% to 6.7%. As interest rates declined, the System faced a choice:

- maintain the same risk premium and reduce the expected rate of return;
- maintain the same expected rate of return and increase the risk premium; or
- some combination of the two strategies.

In the last three years, the yield on the 10-year Treasury has rebounded to 3.8% as the Federal Reserve increased rates to combat inflation. The expected risk premium has contracted to 3.5%, the lowest level since 2007. If interest rates remain at the current level, there will be less pressure to reduce the discount rate further.



SECTION II – ASSESSMENT AND DISCLOSURE OF RISK

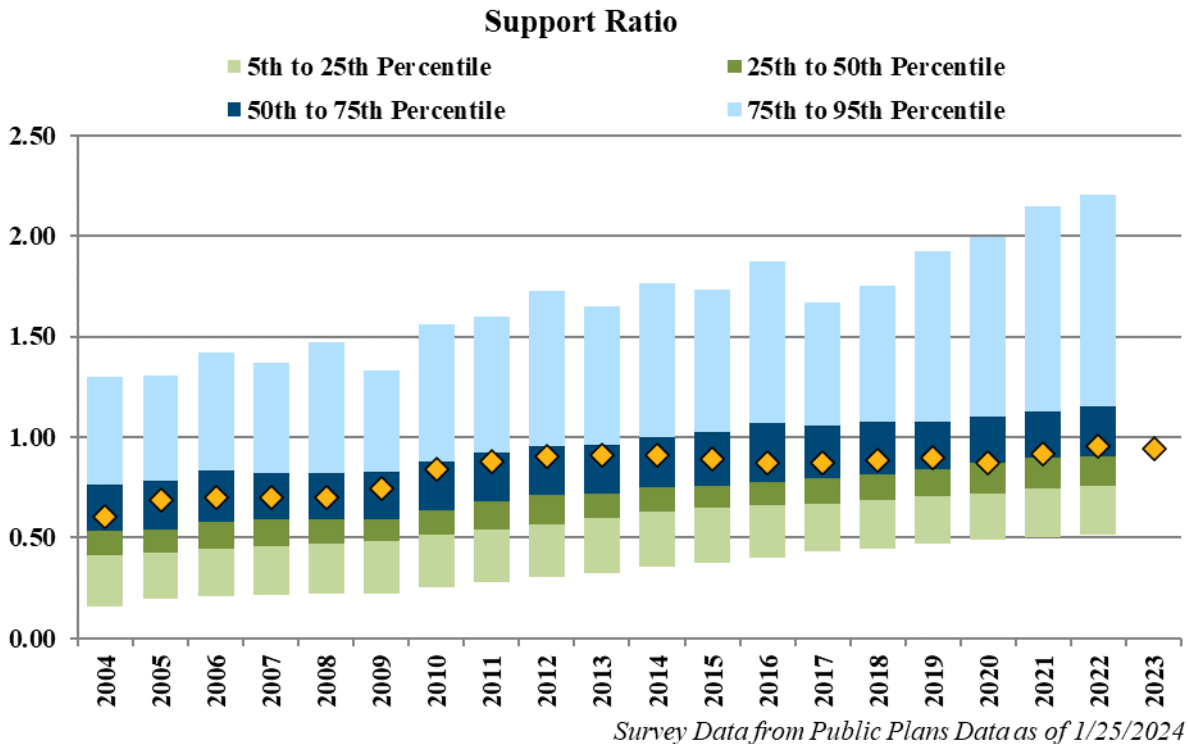
Plan Maturity Measures

The future financial condition of a mature pension plan is more sensitive to each of the risks identified above than a less mature plan. Before assessing each of these risks, it is important to understand the maturity of SFERS compared to other public plans and how the maturity has changed over time.

Plan maturity can be measured in a variety of ways, but all of the measures get at one basic dynamic – the larger the plan is compared to the contribution or revenue base that supports it; the more sensitive the plan will be to risk. The measures below have been selected as the most important in understanding the primary risks identified for SFERS.

Support Ratio (Inactives per Active)

One simple measure of plan maturity is the ratio of the number of members receiving benefits to the number of active members. The revenue base supporting the plan is usually proportional to the number of active members, so a relatively high number of inactives compared to actives indicate a larger plan relative to its revenue base as well.

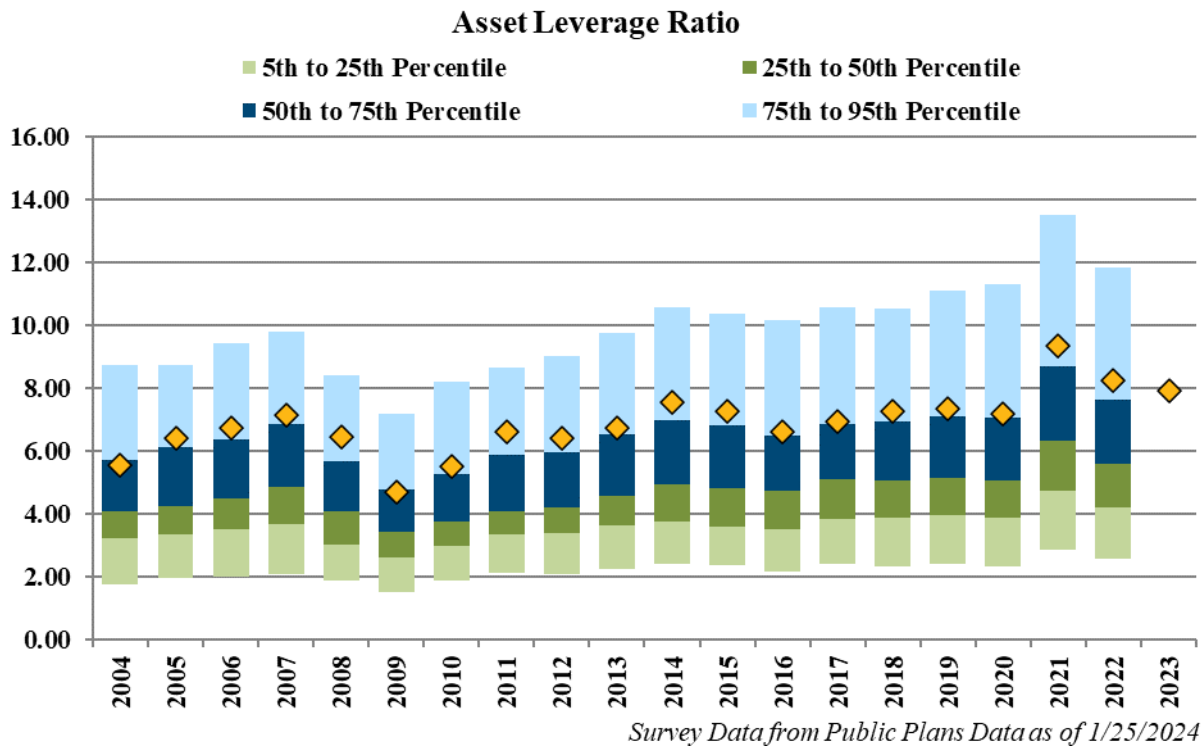


The chart above compares the distribution from the 5th to 95th percentile of support ratios for the plans in Public Plans Data to SFERS (yellow diamonds). Like many other plans, SFERS support ratio increased during the Great Recession, but SFERS has stabilized in recent years while other plans have continued to increase. The support ratio for SFERS increased slightly in 2021 and 2022 due to declines in the active membership, but decreased slightly in 2023.

SECTION II – ASSESSMENT AND DISCLOSURE OF RISK

Leverage Ratios

Leverage or volatility ratios measure the size of the plan compared to its revenue base more directly. An asset leverage ratio of 5.0, for example, means that if the system experiences a 10% loss on assets compared to the expected return, the loss would be equivalent to 50% of payroll. The same investment loss for a system with an asset leverage ratio of 10.0 would be equivalent to 100% of payroll. Plans with higher asset leverage ratios are more sensitive to variations in investment returns.

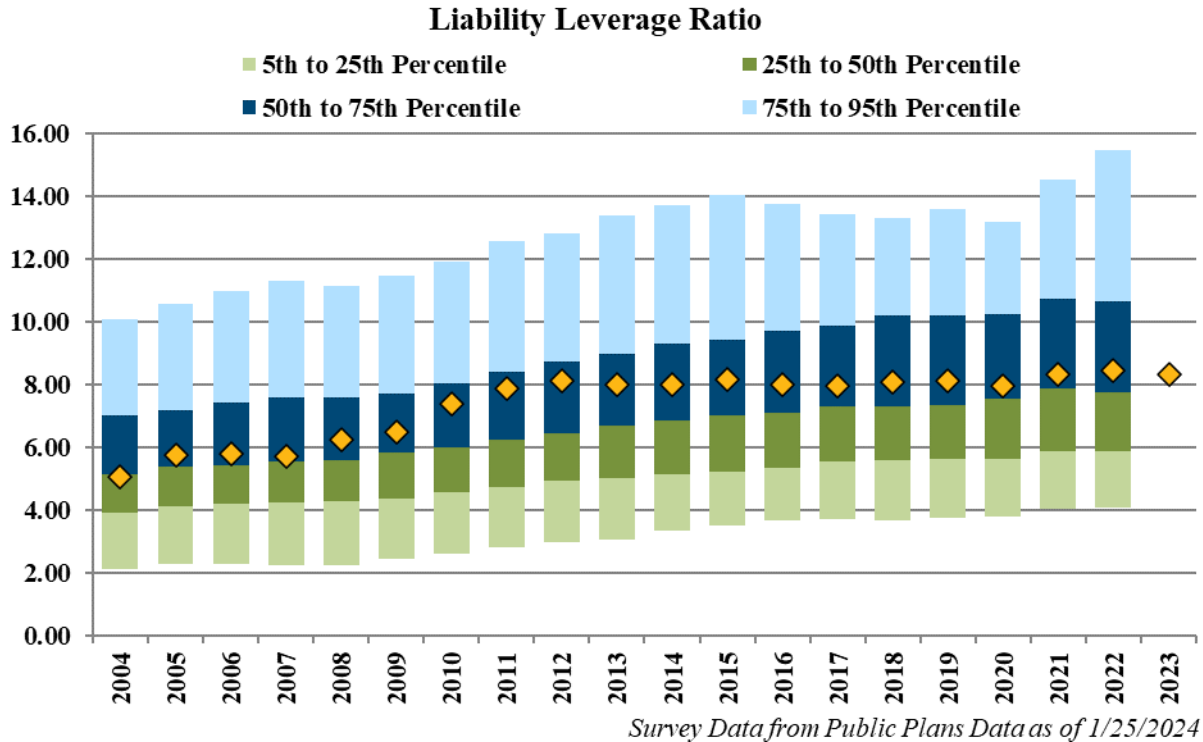


The chart above compares the distribution from the 5th to 95th percentile of asset leverage ratios for the plans in the Public Plans Database to SFERS (yellow diamonds).

SFERS' asset leverage ratio has consistently been at the 75th percentile or above compared to other plans while its absolute level has fluctuated with investment returns and the growth of the system. It reached a low during this period of 4.7 in 2009, a peak of 9.3 in 2021 and has since decreased to 7.9 as of June 30, 2023. SFERS' asset leverage ratio decreased in 2023 primarily due to payroll increasing more than expected. This level indicates that SFERS is more sensitive to investment returns than 75% of public plans. For example, an investment loss of 10% (compared to the assumed return) would increase SFERS UAL by about 79% of payroll compared to only 56% of payroll for the median plan in 2022.

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The chart above compares the distribution from the 5th to 95th percentile of liability leverage ratios for the plans in the Public Plans Database to SFERS (yellow diamonds).

SFERS' Actuarial Liability leverage ratio has consistently been between the 50th and 75th percentiles and has recently been holding relatively constant around 8.0 while other plans have been increasing. SFERS remains in the 50th to 75th percentile which means that it is slightly more sensitive to the impact of assumption changes than most public plans. For example, an assumption change that increases the Actuarial Liability by 5% would add a liability equivalent to about 42% of payroll for SFERS compared to about 39% of payroll for the median plan in 2022.

Assessment of Risks

The fundamental risk to the System is that the contributions needed to fund the benefits become unaffordable. Assessing this risk, however, is complex because there is no bright line of what is unaffordable and the contribution amounts themselves are affected not just by the experience of the System, but also by the interaction of that experience and decisions by the Board related to assumptions, asset smoothing methods, and amortization periods.

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SECTION II – ASSESSMENT AND DISCLOSURE OF RISK

Investment Risk – Stress Testing

To assess the potential impact of investment risk, we developed six hypothetical scenarios. The scenarios are balanced between positive and negative scenarios and are based on a lognormal distribution of one and five year expected returns as shown in the table below using the 10-year capital market assumptions from SFERS' investment consultant Wilshire (Geometric return = 7.7%, standard deviation = 14.7).

Table II-1 Distribution of Expected Average Annual Returns		
Percentile	1 Year	5 Year
5%	-13.7%	-2.4%
25%	-1.6%	3.4%
50%	7.7%	7.7%
75%	18.0%	12.2%
95%	34.4%	18.9%

The scenarios include a one-year shock using the 5th and 95th percentile returns for one year, a five-year moderate scenario using the 25th and 75th percentile returns for five years, and a five-year significant scenario using the 5th and 95th percentile returns for five years. The table below summarizes the theoretical scenarios.

Table II-2 Theoretical Scenarios						
FYE	1-Yr Shock		5-Yr Moderate		5-Yr Significant	
	Neg	Pos	Neg	Pos	Neg	Pos
2024	-13.7%	34.4%	3.4%	12.2%	-2.4%	18.9%
2025	7.2%	7.2%	3.4%	12.2%	-2.4%	18.9%
2026	7.2%	7.2%	3.4%	12.2%	-2.4%	18.9%
2027	7.2%	7.2%	3.4%	12.2%	-2.4%	18.9%
2028	7.2%	7.2%	3.4%	12.2%	-2.4%	18.9%
2029+	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%

The charts on pages 19-24 show the projections under each of these theoretical scenarios. The contribution charts include a blue line representing the 2023 baseline projections shown in the Board Summary (on page 9) to facilitate the comparison between the scenario and the projections assuming all assumptions are met. Supplemental COLAs for future years, where the return differs from the assumption are calculated based on actual returns in excess of the expected return on the Actuarial Value of Assets. In years, where the return equals the assumed

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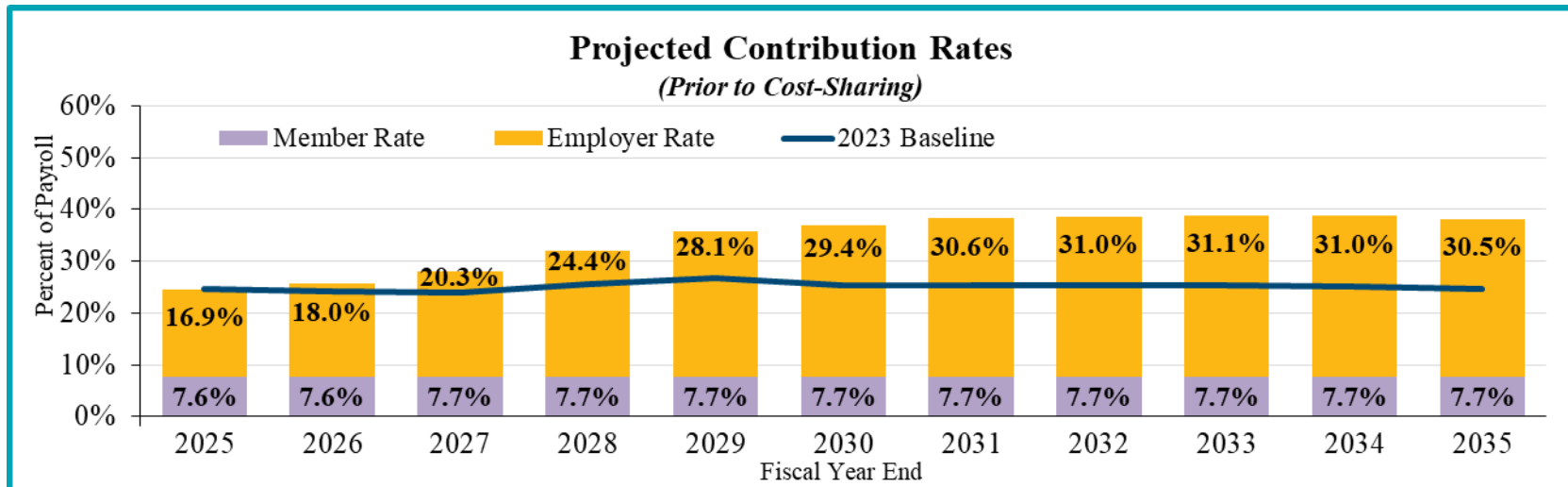
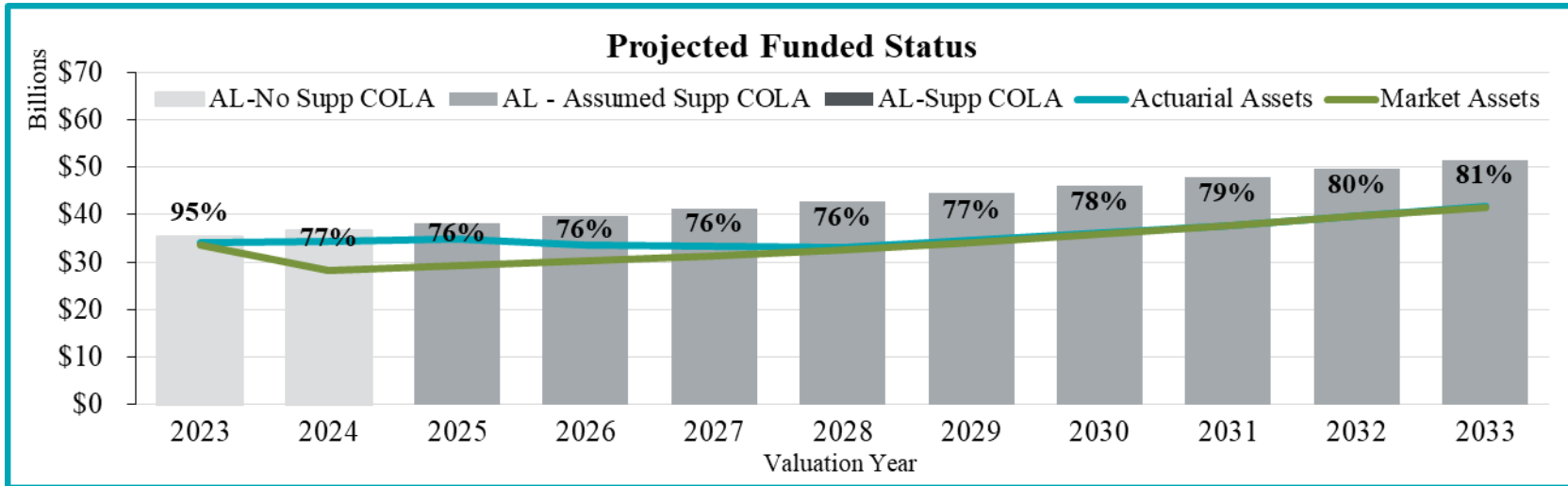
SECTION II – ASSESSMENT AND DISCLOSURE OF RISK

return, a partial Supplemental COLA is assumed based on the probability of the return exceeding the amount necessary to generate a Supplemental COLA. The liability projections are shown as black bars in years a Supplemental COLA is payable, medium gray bars in years when a Supplemental COLA is assumed to be payable, and light gray bars in years when no Supplemental COLA is payable. The contribution rates are shown before any cost-sharing adjustments.

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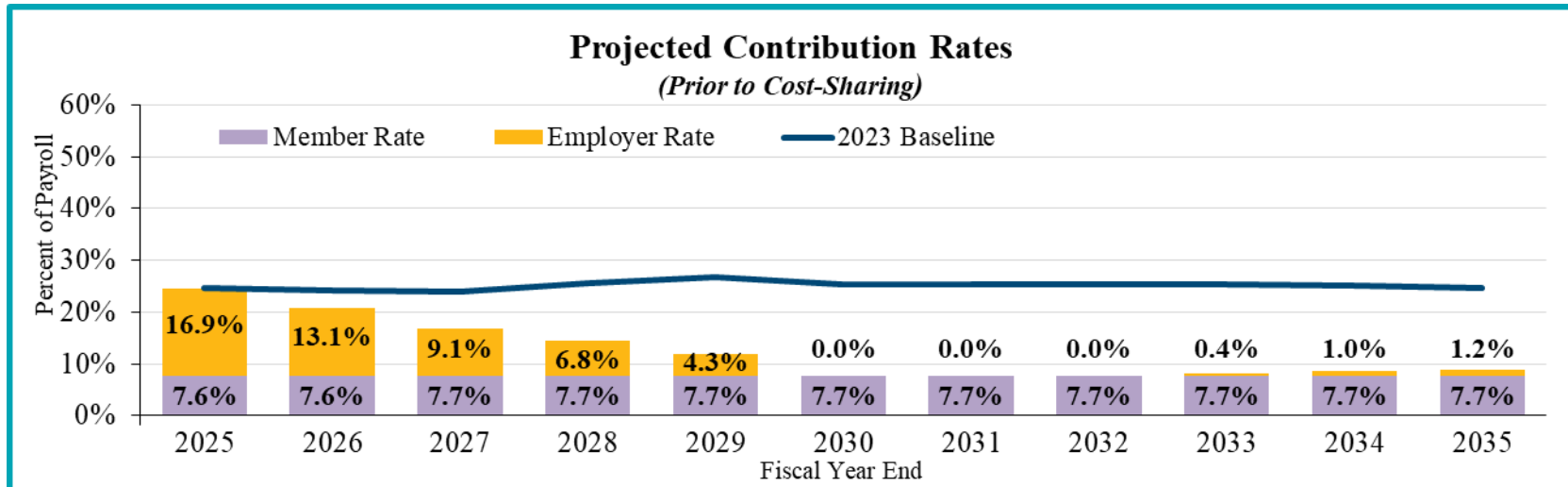
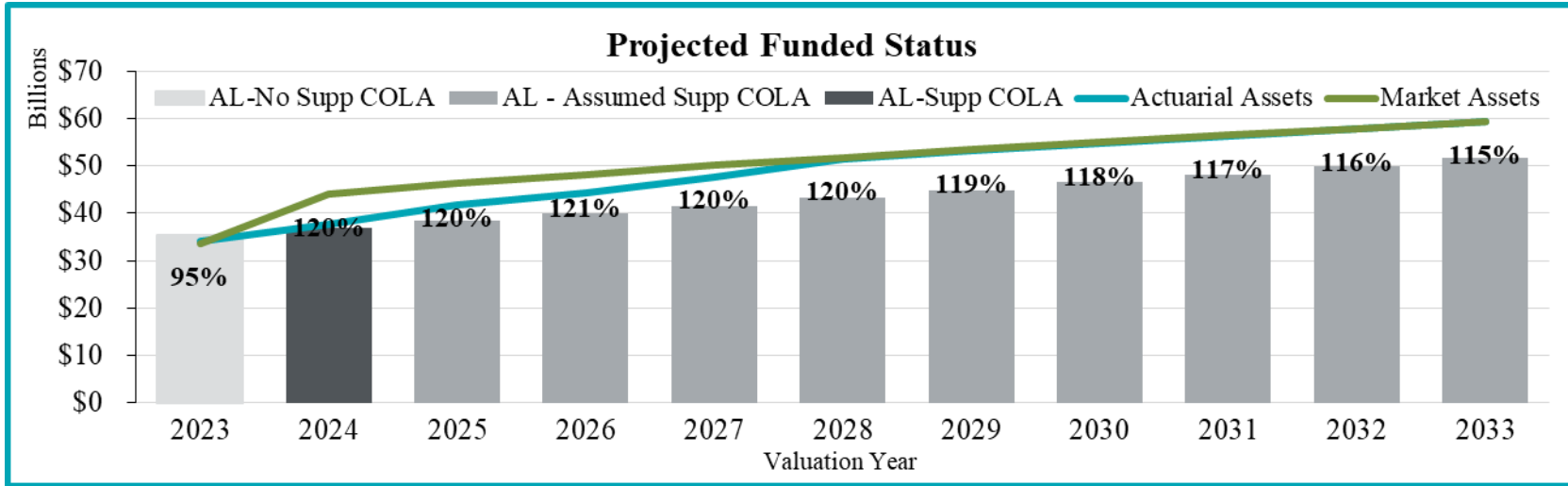
One-Year Negative Shock Scenario: -13.7% return FYE 2024, 7.2% thereafter



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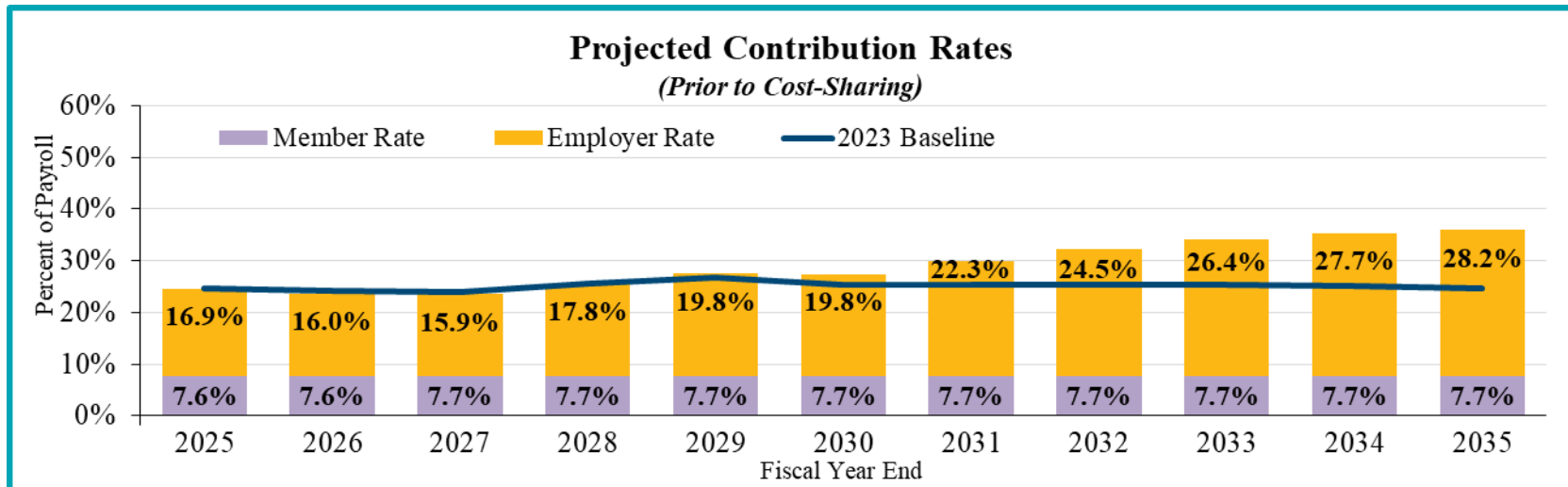
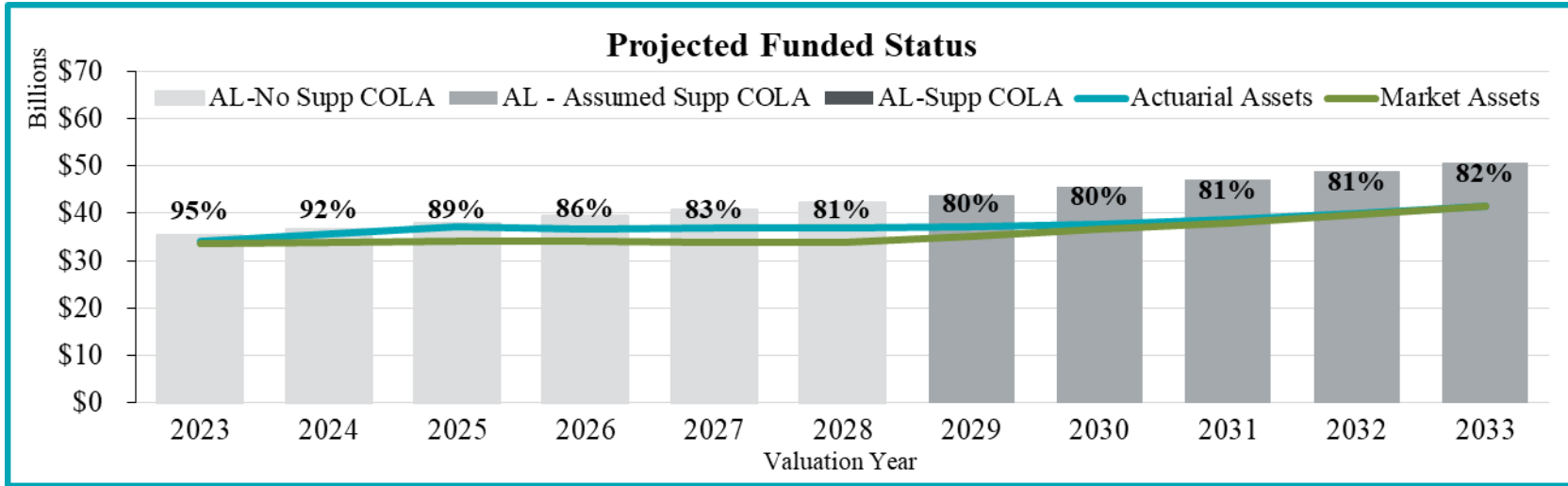
One-Year Positive Shock Scenario: 34.4% return FYE 2024, 7.2% thereafter



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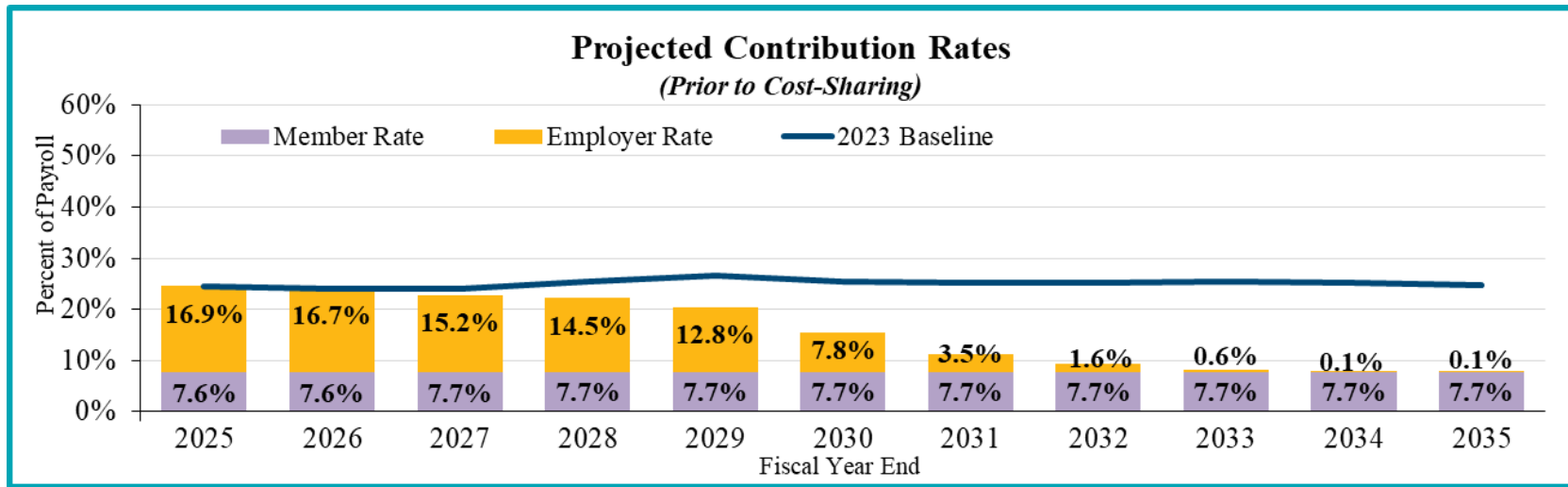
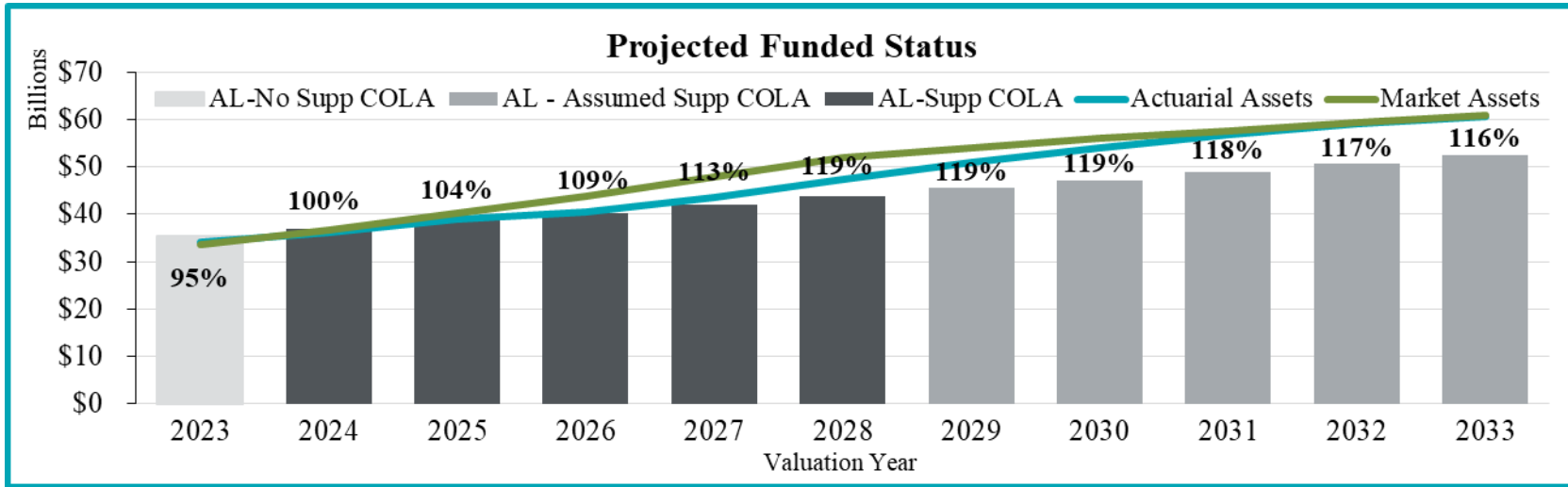
Five-Year Moderate Negative Scenario: 3.4% return FYE 2024-2028, 7.2% thereafter



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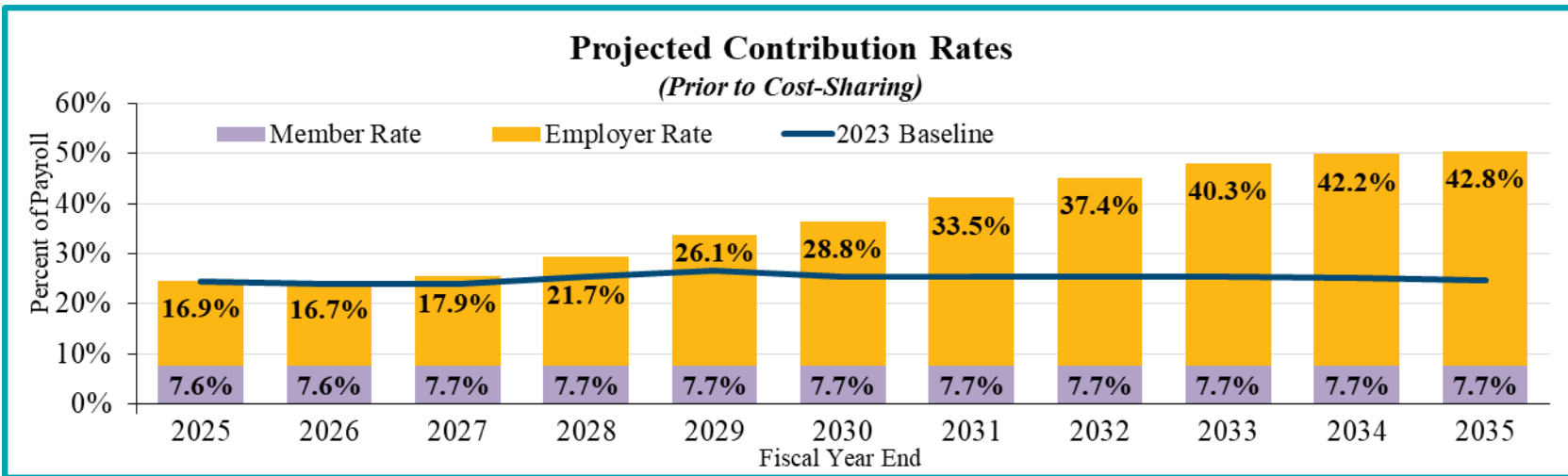
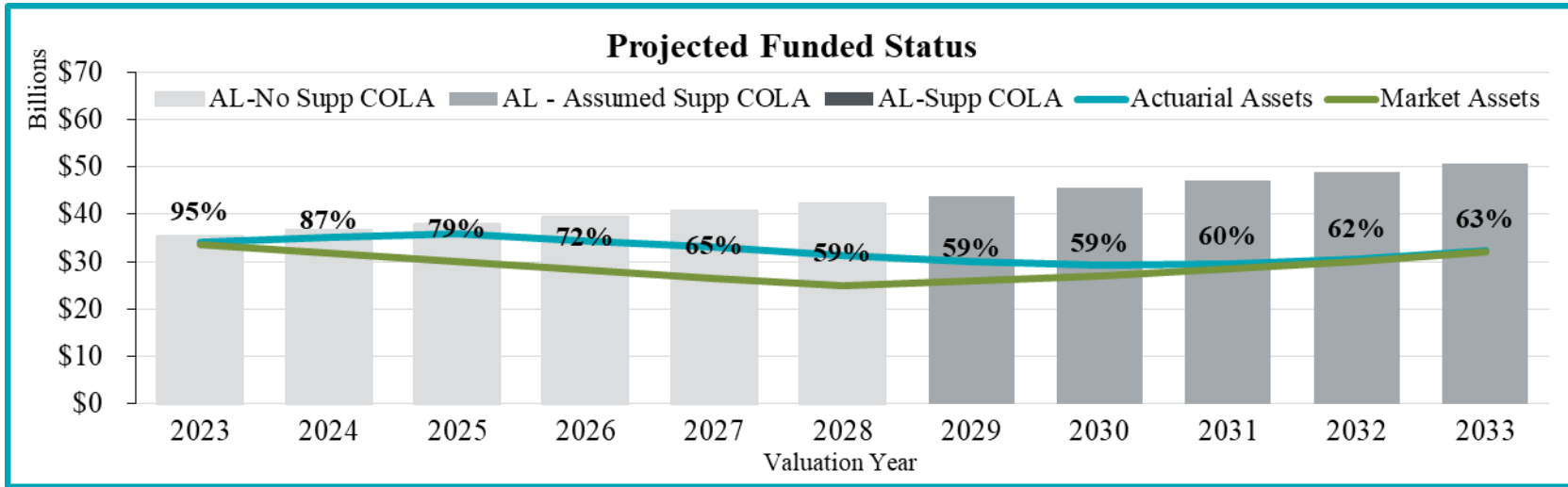
Five-Year Moderate Positive Scenario: 12.2% return FYE 2024-2028, 7.2% thereafter



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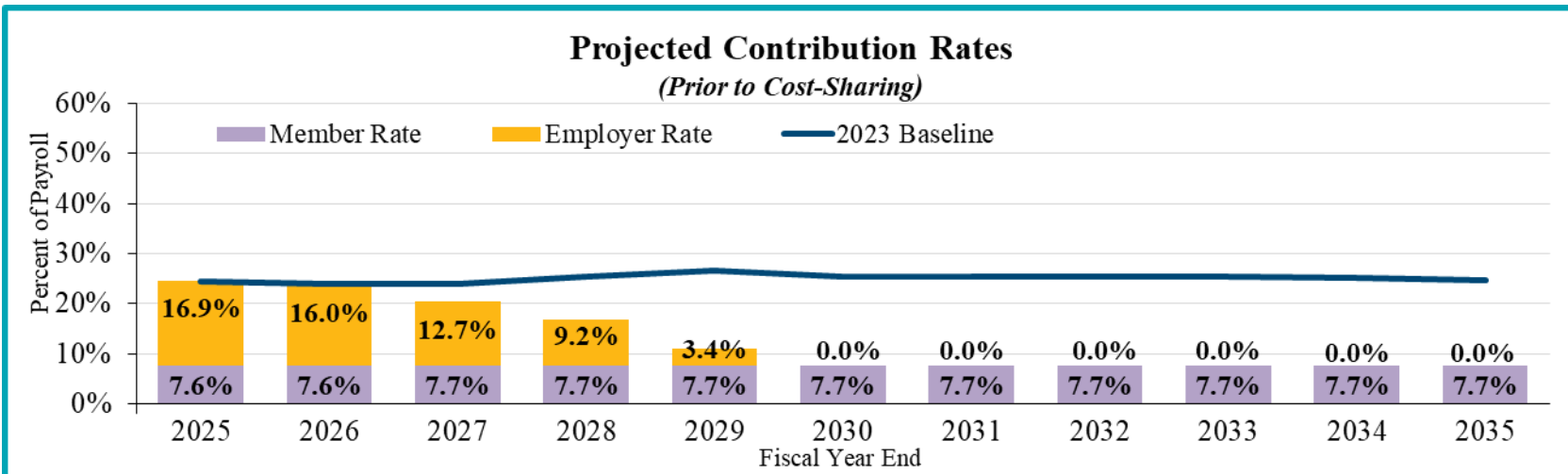
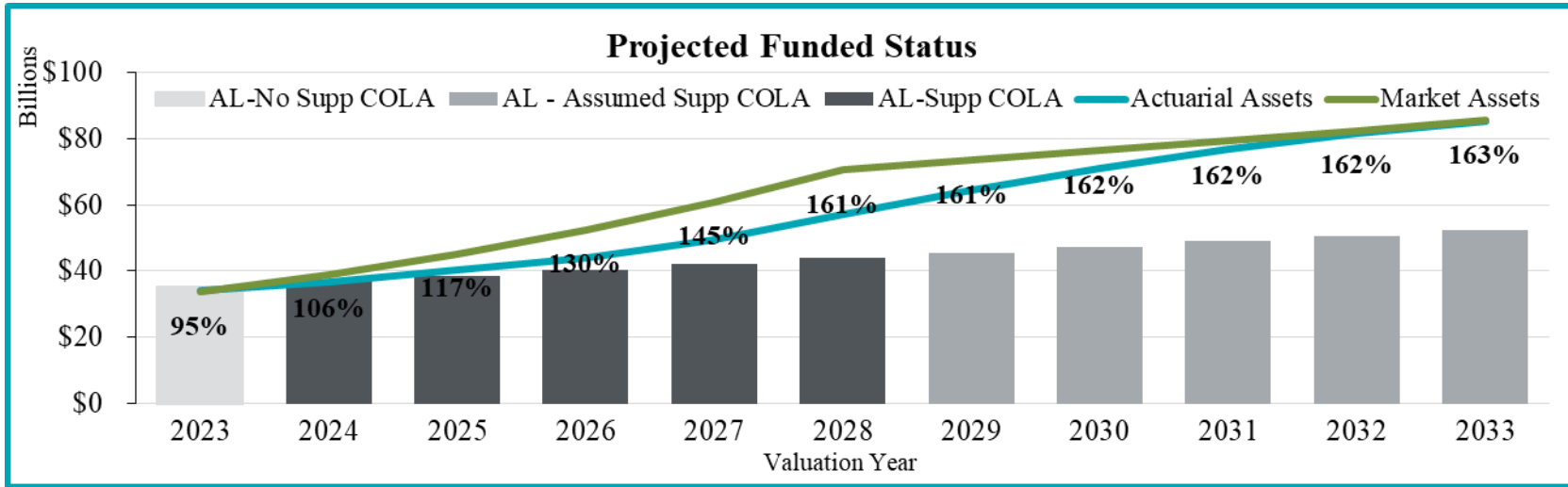
Five-Year Significant Negative Scenario: -2.4% return FYE 2024–2028, 7.2% thereafter



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Five-Year Significant Positive Scenario: 18.9% return FYE 2024-2028, 7.2% thereafter



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The scenarios show that actual future investment returns have a significant impact on future contribution rates.

All positive economic scenarios result in the payment of Supplemental COLAs to all retirees. The employer contribution rates decrease in FYE 2026 and continue to decline quickly and steadily reaching 0.0% in FYE 2030 for both the one-year shock and five-year significant. The contribution rate for the five-year moderate scenario does not decrease as quickly but does reach 0.1% in FYE 2034.

The five-year negative economic scenarios show decreases in the employer contribution rates next year before contributions rise again. The completion of payments on amortization layers creates some downward pressure on contribution rates but is somewhat offset by net deferred asset losses.

- The one-year negative shock (-13.7%) shows employer rates increasing immediately reaching a peak in FYE 2033 of 31.1%. The funded status declines but stays at or above 76% throughout the 10-year period.
- The five-year moderate negative scenario (3.4%) produces decreases in the rate in FYE 2026 and FYE 2027 before it increases to 28.2% in FYE 2035. The funded status remains at or above 80% throughout the 10-year period.
- The five-year significant negative scenario (-2.4%) produces a slight decrease in the rate in FYE 2026 before the employer rate escalates to 42.8% in FYE 2035. The funded status declines significantly each year, dropping to 59% funded in 2028 before it gradually increases to 63% at the end of the 10-year period.

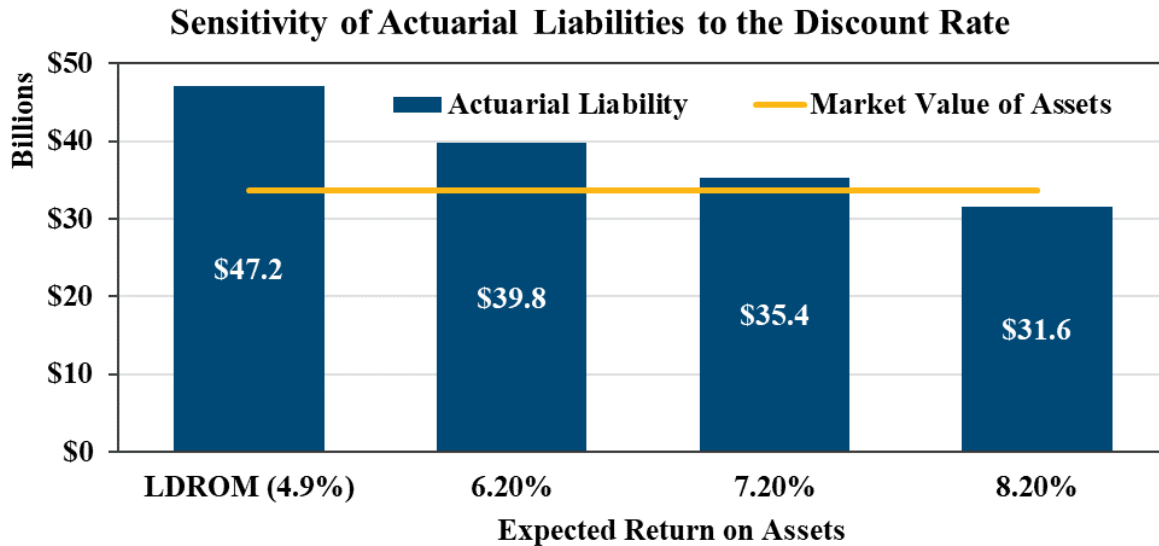
The investment returns used in the projections above were selected solely to illustrate the impact of investment volatility on the pattern of funded status and employer contribution rates. They are not intended to be predictive of actual future contribution rates or funded status or even to represent a realistic pattern of investment returns.

Interest Rate and Discount Rate Change Risk – Sensitivity Testing

As shown above, assumption changes over the last decade have increased the UAL by approximately \$1.7 billion, with decreases in the discount rate from 7.66% to 7.20% accounting for approximately \$1.3 billion of the increase. The reductions in discount rates have been largely driven by declines in interest rates that affect expectations of future investment returns. If interest rates revert to the low levels reached during the pandemic or if there is a desire or need to reduce investment risk that reduces expected returns, the discount rate and expected returns may need to be reduced further. Conversely, if interest rates continue to rise, expectations of future investment returns would also increase, and the discount rate could be increased, or investment risk could be reduced without affecting the discount rate.

SECTION II – ASSESSMENT AND DISCLOSURE OF RISK

The chart below compares the Market Value of Assets (gold line) to the Actuarial Liability (blue bar) using discount rates equal to the current expected rate of return and 100 basis points above and below the expected rate of return. In addition, the chart shows the low-default-risk obligation measure (LDROM), which is the Actuarial Liability using a discount rate derived from low-default-risk fixed income securities that approximately match the benefit payments of the plan.



SFERS invests in a diversified portfolio with the objective of maximizing investment returns at a reasonable level of risk. If investments return 7.20% annually, SFERS would need approximately \$35.4 billion in assets today to pay all benefits attributable to past service compared to current assets of \$33.7 billion. If investment returns are only 6.20%, SFERS would need approximately \$39.8 billion in assets today, and if investment returns are 8.20%, only \$31.6 billion in assets would be needed. The lowest risk portfolio for a pension plan with fixed cash flows would be composed entirely of low-default-risk fixed income securities whose cash flows match the benefit cash flows of SFERS. As of June 30, 2023, using the FTSE Pension Liability Index, we estimate that such a portfolio would have an expected return of 4.9%, and SFERS would need \$47.2 billion to pay all benefits attributed to past service. This amount is the LDROM. The \$11.8 billion difference between the LDROM and the Actuarial Liability at 7.20% represents the expected savings from bearing the risk of investing in SFERS’ diversified portfolio. Alternatively, it also represents the cost of eliminating the investment risk.

Because SFERS invests in a diversified portfolio and not the LDROM portfolio, the reported funded status is higher, and expected employer contributions are lower. Benefit security for members of SFERS depends on a combination of the plan’s assets, the investment returns generated on those assets, and the ability of SFERS to make any needed future contributions. An LDROM portfolio would generate more predictable but lower expected investment returns, potentially changing the level of reliance on future SFERS contributions to secure benefits.

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Supplemental COLA Risk – Stress Testing

Supplemental COLA risk is the potential for the cost of future Supplemental COLAs to increase contribution rates. Supplemental COLAs are granted if there are excess returns (the actual return on the Market Value of Assets minus the expected return on Actuarial Value of Assets). For members who were hired after Proposition C passed in 2012, the Supplemental COLA is only payable if the System is also 100% funded.

In determining the Actuarial Liability in the funding valuation and whether the System is 100% funded, there are no future Supplemental COLAs assumed. In the projections, however, Supplemental COLAs are assumed to be granted each year in the future with 50% probability (multiplied by the probability of being 100% funded for members with that requirement). If the Actuarial Liability were determined with the same assumption, it would affect the funded status as shown in the table below.

Table II-3				
Impact of Anticipating Future Supplemental COLAs				
(Amounts in millions)				
	Future Supplemental COLAs			
	None	Assumed	% Difference	
Actuarial Liability	\$ 35,352.0	\$ 37,831.1	7.0%	
Actuarial Value of Assets	\$ 34,137.0	\$ 34,137.0	0.0%	
Unfunded Actuarial Liability (actuarial value)	1,215.0	3,694.1	204.0%	
Funding Ratio (actuarial value)	96.6%	90.2%	-6.3%	
Market Value of Assets	\$ 33,688.4	\$ 33,688.4	0.0%	
Unfunded Liability (market value)	1,663.6	4,142.7	149.0%	
Funding Ratio (market value)	95.3%	89.0%	-6.2%	

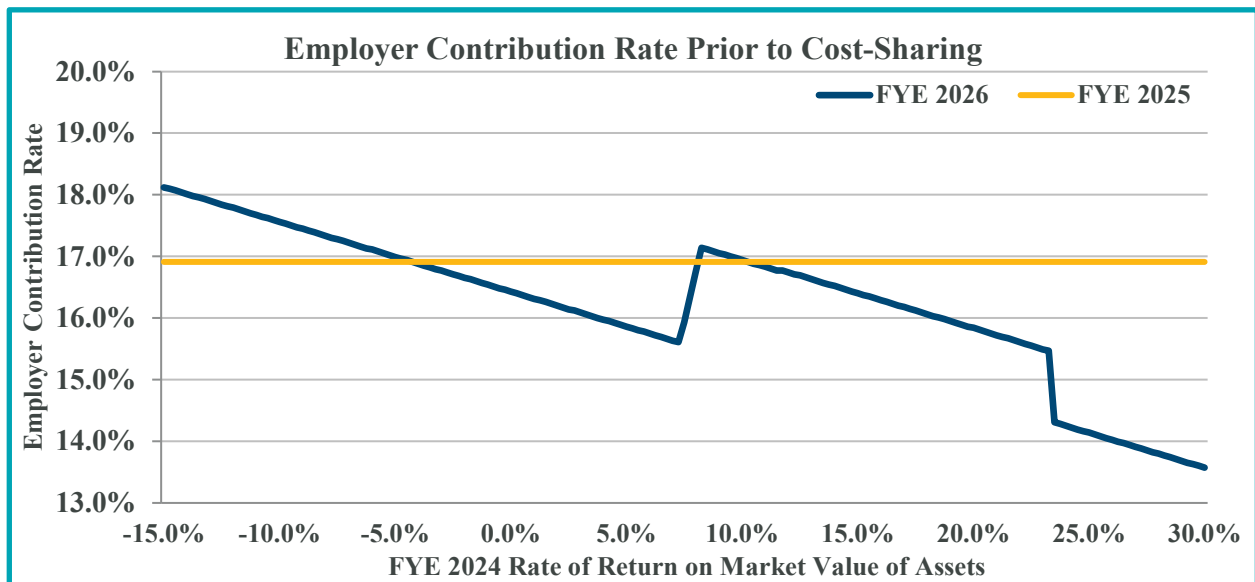
While current contributions rates do not anticipate any future Supplemental COLAs, when a Supplemental COLA is granted, the increase in Actuarial Liability is amortized over five years, increasing contribution rates. The higher-than-expected investment returns that generate a Supplemental COLA are smoothed into the Actuarial Value of Assets over five years and then amortized over 20 years providing a reduction in contribution rates. In most cases, the gain from the investment returns is sufficient to offset the loss due to the Supplemental COLA in contribution rates. However, the worst situation for near-term contribution rates is for investment returns to be just large enough to generate a Supplemental COLA. Then, the five-year amortization of the Supplemental COLA creates an increase in contribution rates that is not entirely offset by the investment gains until after the five-year period.

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To illustrate the impact of the Supplemental COLA on the employer contribution rate, the chart below shows the estimated FYE 2026 contribution rate assuming actual rates of investment return vary from -15% to 30% with all other actuarial assumptions being met. The expected employer contribution rate for FYE 2026 ranges from 13.6% to 18.1%, a relatively narrow range compared to the extremely wide range of investment returns.

There is some downward pressure on the FYE 2026 employer contribution rate due to the completion of payments on the UAL from the 2019 Supplemental COLA of approximately 0.9% of pay. As shown in the chart, a return of approximately 7.3% starts to generate a Supplemental COLA, and a return of approximately 8.25% or greater generates a full Supplemental COLA for the non-Prop C retirees. A return of 23.4% reaches 100% funding based on the Actuarial Value of Assets, which extends the amortization of the Supplemental COLA from five years to 20 years.



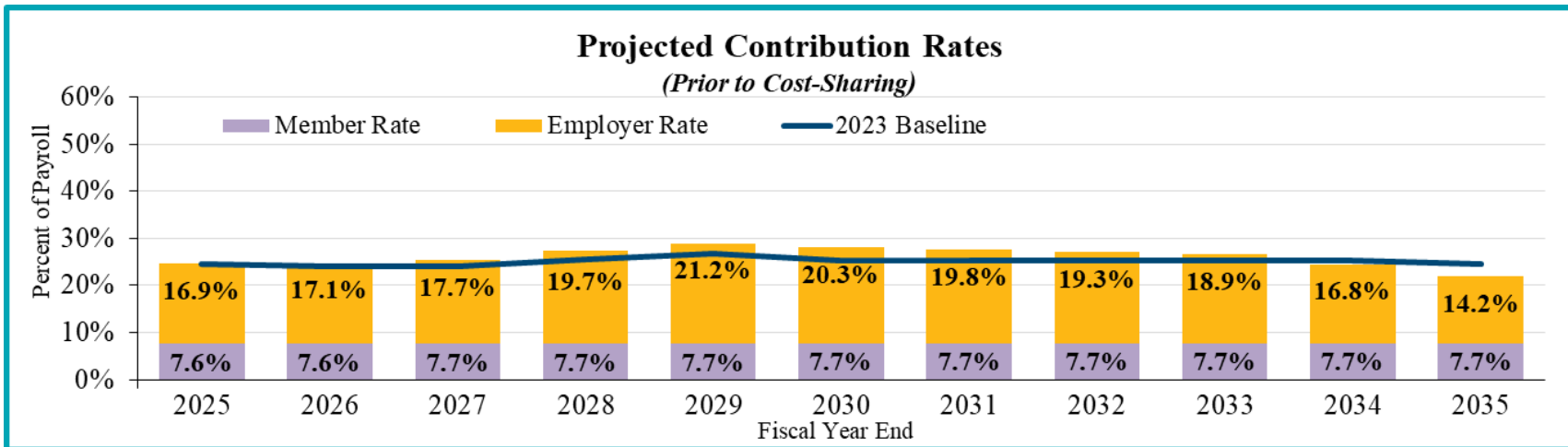
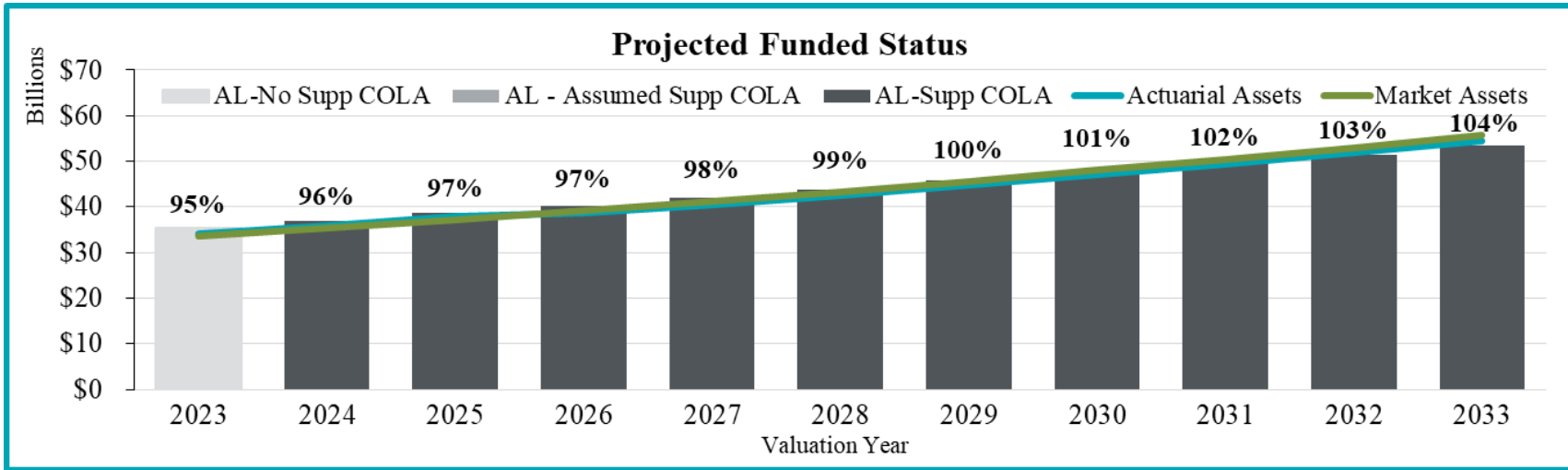
The impact of future Supplemental COLAs on contribution rates and funded status is the worst when the investment returns are just large enough to generate a Supplemental COLA. To illustrate this potential risk and how the amortization method manages it, the projections on the following page assume 8.25% returns each year, which produces a full Supplemental COLA in each year.

These projections illustrate that the five-year amortization period manages the risk of future Supplemental COLAs relatively well. The contributions remain very close to the baseline level, and the funded status also remains relatively stable.

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Supplemental COLA Risk Stress Test: 8.25% return FYE 2024-2033



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SECTION III – CERTIFICATION

The purpose of this report is to present the July 1, 2023 Actuarial Valuation of the San Francisco City and County Employees' Retirement System (SFERS or the System). This report is for the use of the System and its auditors in setting contribution levels and preparing financial reports in accordance with applicable law and annual report requirements.

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 the Actuarial Standard of Practice No. 23.

All demographic assumptions and the price and wage inflation assumptions were adopted at the December 9, 2020 Board meeting based on our recommendations. Please refer to the demographic experience study report dated August 2020 for the rationale for the demographic assumptions and the December 9, 2020 Board presentation for the rationale for the economic assumptions. The discount rate and amortization policy changes were adopted at the November 10, 2021 Board meeting. We believe all the assumptions are reasonable for the purposes of the measurement.

The measures, including funding ratios, in this report are for the purpose of establishing contribution rates. These measures are not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations.

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.

Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal 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 valuation.

Deterministic projections in this report were developed using P-scan, a proprietary tool used to illustrate the impact of changes in assumptions, methods, plan provisions, or actual experience (particularly investment experience) on the future financial status of the System. P-scan uses standard roll-forward techniques that implicitly assume a stable active population. Assumed Supplemental COLAs are included in these projections.

Stochastic projections in this presentation were developed using R-scan, our proprietary tool for assessing the probability of different outcomes based on the range of potential investment returns. We relied on Cheiron colleagues for the development of the model. The stochastic projections of investment returns assume that each future year's investment return is independent from all other years and is identically distributed according to a lognormal distribution. The

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standard deviation used in the stochastic projection of investment returns was provided by the System's investment consultant.

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, 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. 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



Anne D. Harper, FSA, EA, MAAA
Principal Consulting Actuary

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SECTION IV – ASSETS

SFERS uses and discloses two different asset measurements which are presented in this section of the report: Market value and Actuarial Value of Assets. The market value represents the value of the assets if they were liquidated on the valuation date. The Actuarial Value of Assets is a value that attempts to smooth annual investment return performance over multiple years to reduce the impact of investment volatility on SFERS contribution rates.

This section includes the following information on SFERS assets:

- Statement of changes in the Market Value of Assets during the year,
- Development of the Actuarial Value of Assets, and
- Discussion of investment performance for the year.

Changes in the Market Value of Assets

Table IV-1			
Change in Market Value of Assets			
(Amounts in thousands)			
		FYE 2022	FYE 2023
1.	Market Value, Beginning of Year	\$ 35,673,834	\$ 32,798,524
2.	Additions		
a.	Employer Contributions	768,463	672,651
b.	Member Contributions	<u>423,471</u>	<u>413,916</u>
c.	Total Additions: (2a. + 2b.)	\$ 1,191,934	\$ 1,086,567
3.	Net Investment Income	(2,308,320)	1,670,666
4.	Benefits and Administrative Expenses	<u>(1,758,924)</u>	<u>(1,867,329)</u>
5.	Net Increase/(Decrease): (2c.+3.+4.)	\$ (2,875,310)	\$ 889,904
6.	Market Value, End of Year	\$ 32,798,524	\$ 33,688,428
7.	Estimated Rate of Return on Market Value	-6.5%	5.2%

Actuarial Value of Assets

To determine on-going contribution requirements, most pension funds utilize an Actuarial Value of Assets that differs from the Market Value of Assets. The Actuarial Value of Assets is intended to smooth year-to-year investment returns to reduce the volatility of contribution rates.

The actuarial value is calculated by recognizing 20% of the variance of each of the prior five years of actual investment returns compared to the expected return on the Actuarial Value of Assets. The expected return on the Actuarial Value of Assets is determined using SFERS actual cash flows and the assumed rate of return. See Appendix B for further explanation of the asset valuation method.

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SECTION IV – ASSETS

Table IV-2	
Development of Actuarial Value of Assets for 7/1/2023	
(Amounts in thousands)	
	Total
1. Actuarial Value of Assets (AVA) as of 7/1/2022	\$ 32,275,474
2. Non-Investment Cash Flow for FYE 2023	(780,762)
3. Expected Return on AVA for FYE 2023	<u>2,319,837</u>
4. Expected Actuarial Value as of 7/1/2023: (1+2+3)	\$ 33,814,549
5. Actual Return on Market Value of Assets in FYE 2023	1,670,666
6. Actual Return Above Expected in 2022-2023: (5 - 3)	(649,171)
7. Recognition of Returns Above / (Below) Expected	
a. 2022-2023 (20% of 6.)	(129,834)
b. 2021-2022	(895,904)
c. 2020-2021	1,491,276
d. 2019-2020	(182,627)
e. 2018-2019	<u>39,545</u>
f. Total: (7a. + 7b. + 7c. + 7d. + 7e.)	\$ 322,456
8. Actuarial Value as of 7/1/2023: (4 + 7f.)	\$ 34,137,005
9. Market Value as of 7/1/2023	\$ 33,688,428
10. Ratio of Actuarial Value to Market Value: (8 / 9)	101.3%
11. Estimated Rate of Return on Actuarial Value	8.2%

Investment Performance

The internal rate of return on the Market Value of Assets, net of investment expenses, was 5.2% for the plan year ending June 30, 2023. This return compares to an assumed rate of return of 7.20% and resulted in actual investment returns that are approximately \$649 million less than the expected return on the Actuarial Value of Assets.

On an Actuarial Value of Assets basis, the return for the plan year ending June 30, 2023 was 8.2% compared to the assumed return of 7.20%. This return produced an investment gain on the Actuarial Value of Assets of \$322 million for the plan year ending June 30, 2023.

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SECTION V – MEASURES OF LIABILITY

This section presents detailed information on liability measures for SFERS for funding purposes, including:

- Present value of all future benefits,
- Normal cost,
- Actuarial Liability, and
- Analysis of changes in the Unfunded Actuarial Liability during the year.

These measures are developed for the purpose of establishing contribution rates and are not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations.

Present Value of Future Benefits

The present value of future benefits represents the amount of money today that is expected to be needed to pay all benefits of SFERS both earned as of the valuation date and those to be earned in the future by current plan members under the current plan provisions if all assumptions are met. Table V-1 below shows the present value of future benefits as of July 1, 2022 and July 1, 2023.

Table V-1			
Present Value of Future Benefits			
(Amounts in thousands)			
	July 1, 2022	July 1, 2023	% Change
Present Value of Future Benefits			
Actives	\$ 18,692,979	\$ 19,984,387	6.9%
Terminated Vested	797,020	888,810	11.5%
Members Receiving Benefits	<u>20,715,121</u>	<u>21,580,088</u>	4.2%
Total	\$ 40,205,120	\$ 42,453,285	5.6%

Normal Cost

Under the Entry Age Actuarial Cost Method, the present value of future benefits for each individual is spread over the individual's expected working career as a level percentage of the individual's expected pay. The normal cost is the amount attributed to the next year of service. Table V-2 on the next page shows the normal cost as of the valuation date separately for each tier of benefits for Police, Fire, and Miscellaneous employees.

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SECTION V – MEASURES OF LIABILITY

Table V-2				
Normal Cost by Group as of July 1, 2023				
(Amounts in thousands)				
	Police	Fire	Miscellaneous	Total
Normal Cost by Benefit Tier				
New	\$ 52,079	\$ 35,894	\$ 235,859	\$ 323,832
Prop D	870	2,995	28,618	32,483
Prop C	52,597	44,055	331,516	428,168
Total	\$ 105,546	\$ 82,944	\$ 595,993	\$ 784,483

Actuarial Liability

The Actuarial Liability is calculated by taking the present value of all future benefits and subtracting the present value of future normal costs as determined under the Entry Age Actuarial Cost Method. The Actuarial Liability represents the amount of money today that is expected to be needed to pay for benefits attributed to service prior to the valuation date if all assumptions are met. Table V-3 below shows the Actuarial Liability as of the valuation date separately for Police, Fire, and Miscellaneous employees.

Table V-3				
Actuarial Liability by Group as of July 1, 2023				
(Amounts in thousands)				
	Police	Fire	Miscellaneous	Total
Actuarial Liability				
Actives	\$ 1,843,512	\$ 1,371,045	\$ 9,668,512	\$ 12,883,069
Terminated Vested	62,207	20,067	806,536	888,810
Members Receiving Benefits				
Retirees	2,822,667	2,005,935	12,663,013	17,491,615
Disabled	926,954	1,088,713	481,823	2,497,490
Beneficiaries	422,230	358,812	809,941	1,590,983
Total Members Receiving Benefits	4,171,851	3,453,460	13,954,777	21,580,088
Total Actuarial Liability	\$ 6,077,570	\$ 4,844,572	\$ 24,429,825	\$ 35,351,967

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SECTION V – MEASURES OF LIABILITY

Changes in Unfunded Actuarial Liability

The Unfunded Actuarial Liability (UAL) is the difference between the Actuarial Liability and the Actuarial Value of Assets. The UAL of any retirement plan is expected to change at each subsequent valuation for a variety of reasons. Table V-4 below presents key changes in the UAL since the last valuation.

Table V-4	
Development of 2023 Experience Gain/(Loss)	
(Amounts in millions)	
Item	Cost
1. Unfunded Actuarial Liability (UAL) at July 1, 2022	\$ 1,316.1
2. Middle of year expected actuarial liability payment	(266.1)
3. Interest to end of year on 1. and 2.	<u>85.3</u>
4. Expected UAL at July 1, 2023 (1+2+3)	\$ 1,135.3
5. Actual Unfunded Liability at July 1, 2023	<u>1,215.0</u>
6. Experience Gain/(Loss): (4-5)	\$ (79.7)
7. Portion of difference due to:	
a. Investment experience on actuarial value	\$ 322.5
b. Salaries more than expected	(209.1)
c. Old Safety Basic COLA more than expected	(13.7)
d. Retirements, terminations, mortality, and disability experience	(66.3)
e. Programming changes	(115.4)
f. New entrants	(56.8)
g. Contributions (rate delay, payroll changes)	90.5
h. Other experience	<u>(31.4)</u>
i. Total gain/(loss)	(79.7)

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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SECTION V – MEASURES OF LIABILITY

Table V-5 below shows a five-year history of sources of liability gain and loss. Higher salary increases than expected, new entrants, terminations, and retirements have been the primary sources of losses while COLAs for the old safety groups have been the primary sources of gains.

Table V-5						
Historical Sources of Liability (Gain) or Loss						
(Amounts in Thousands)						
Source	Year Ending June 30,					Total
	2019	2020	2021	2022	2023	
Salary Increases	\$ 45,993	\$ 114,500	\$ 169,789	\$ 240,602	\$ 209,096	\$ 779,980
Retirement	32,398	3,918	39,765	52,504	34,733	163,318
Termination	47,547	19,838	29,126	(5,829)	18,789	109,471
Mortality	1,112	4,590	(1,492)	12,143	(25,459)	(9,106)
Disability	10,387	10,327	16,369	9,370	38,251	84,704
New Entrants	41,251	45,006	24,142	34,713	56,841	201,953
Old Safety COLAs	(22,131)	(86,577)	(19,826)	83,279	13,674	(31,581)
Other	28,851	691	12,171	(13,886)	32,255	60,082
Total	\$ 185,408	\$ 112,293	\$ 270,044	\$ 412,896	\$ 378,180	\$ 1,358,821

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SECTION VI – CONTRIBUTIONS

The contribution allocation procedure employed by SFERS has three components to the total contribution: the normal cost determined under the Entry Age Actuarial Cost Method, administrative expenses, and the contribution toward the Unfunded Actuarial Liability.

The normal cost shown in the prior section is divided by the projected payroll for the year for each benefit tier to determine the normal cost rate for that tier. The aggregate normal cost rate is the weighted average of the normal cost rate for each tier based on the expected payroll for that tier for the fiscal year to which the contribution rate applies. Finally, the normal cost rate is reduced by the member contribution rate to produce the employer normal cost rate.

Assumed administrative expenses of 0.60% of payroll are added to the contribution rate.

The difference between the Actuarial Liability determined under the Entry Age Actuarial Cost Method and the Actuarial Value of Assets is the Unfunded Actuarial Liability (UAL). The UAL is made up of unamortized portion of prior Charter amendments, plus the impact of accumulated experience, assumption changes, and method changes.

Table VI-1 on the following page develops the employer's contribution rate for FYE 2024 prior to any cost-sharing adjustments. The employer pays the composite contribution rate on the payroll for all employees. The contribution rates shown for Police, Fire, and Miscellaneous are for illustrative purposes only.

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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SECTION VI – CONTRIBUTIONS

Table VI-1					
Development of the Net Employer Contribution Rate as of July 1, 2023 for FYE 2025					
(Amounts in millions)					
	FYE 2025				FYE 2024
	Police	Fire	Misc.	TOTAL	TOTAL
1. Total Normal Cost Rate	29.13%	30.29%	16.42%	18.40%	18.33%
2. Member Contribution Rate	<u>8.37%</u>	<u>8.46%</u>	<u>7.50%</u>	7.64%	7.63%
3. Employer Normal Cost Rate (1 - 2)	20.76%	21.83%	8.92%	10.76%	10.70%
4. UAL Components					
a. Proposition balance	\$ 34.4	\$ 27.4	\$ 408.1	\$ 469.9	\$ 530.5
b. Other UAL	<u>63.4</u>	<u>48.1</u>	<u>633.6</u>	745.1	785.6
c. Total UAL (4a+4b)	\$ 97.8	\$ 75.5	\$ 1,041.7	\$ 1,215.0	\$ 1,316.1
5. Amortization Payments					
a. Proposition balance	2.03%	2.30%	2.45%	2.40%	2.49%
b. Other UAL	<u>3.15%</u>	<u>3.15%</u>	<u>3.15%</u>	3.15%	4.45%
c. Total Amortization (5a+5b)	5.18%	5.45%	5.60%	5.55%	6.94%
6. Administrative Expenses	<u>0.60%</u>	<u>0.60%</u>	<u>0.60%</u>	0.60%	0.60%
7. Net Employer Contribution Rate (3+ 5c+6)	26.54%	27.88%	15.12%	16.91%	18.24%

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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SECTION VI – CONTRIBUTIONS

Table VI-2 shows the estimated member and employer contributions adjusted for the cost-sharing provisions under Proposition C. The adjustments are based on the applicable table in the Charter for an employer contribution rate of 16.91% and the hourly pay rates shown in the table below.

Table VI-2							
Employee and Employer Contribution Rates By Employee Group for FYE 2025							
(Amounts in thousands)							
Hire Date	Hourly Pay	Estimated Payroll FYE 2025	Base Rates		Adjusted Rates		Cost Sharing Adjustment
			Employee	Employer	Employee	Employer	
Police and Fire							
11/2/1976 - 6/30/2010	All	\$ 259,685	7.50%	16.91%	9.50%	14.91%	2.00%
> 6/30/2010	< \$68	272,597	9.00%	16.91%	10.50%	15.41%	1.50%
> 6/30/2010	>= \$68	125,447	9.00%	16.91%	11.00%	14.91%	2.00%
Miscellaneous							
>= 11/2/1976	< \$34	\$ 203,351	7.50%	16.91%	7.50%	16.91%	0.00%
>= 11/2/1976	\$34 - \$68	2,054,539	7.50%	16.91%	9.00%	15.41%	1.50%
>= 11/2/1976	>= \$68	1,481,352	7.50%	16.91%	9.50%	14.91%	2.00%
Estimated Total Plan		\$ 4,396,971	7.64%	16.91%	9.28%	15.27%	1.64%
Estimated Contribution Amounts			\$ 335,929	\$ 743,528	\$ 408,039	\$ 671,417	\$ 72,110

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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SECTION VI – CONTRIBUTIONS

Table VI-3 below provides the amortization schedules for the changes to the Actuarial Liability due to changes to the Charter. Each Charter change prior to 2014 is amortized over 20 years from the date it was first recognized in the valuation. Effective with the July 1, 2014 valuation, any new changes to active member benefits are amortized over a closed 15-year period, and any new changes to inactive or retired member benefits, including Supplemental COLAs which are shown in Table VI-4, are amortized over a closed five-year period. However, the Board elected to amortize the increase in the Unfunded Actuarial Liability due to Proposition A over a 10-year period. All amortization payments increase each year at the ultimate assumed wage inflation rate.

Table VI-3									
Development of the Proposition Amortization Rate as of July 1, 2023 for FYE 2025									
(dollars in thousands)									
Propositions	Remaining Period	Police		Fire		Miscellaneous		Total	
		Balance	Payment	Balance	Payment	Balance	Payment	Balance	Payment
5.0% Credited Interest on EE ctrbs	1	(72)	(79)	(34)	(38)	(6,562)	(7,284)	(6,668)	(7,401)
2004 Prop E - New Safety LOD Bfts	2	1,572	888	2,207	1,248	0	0	3,779	2,136
2003 Prop F - Misc 3+3 Early Ret Bfts	2	0	0	0	0	4,754	2,688	4,754	2,688
Liability of 2003 Prop F (extended) - Misc 3+3 Early Ret Bfts	3	0	0	0	0	3,892	1,494	3,892	1,494
Liability of 2003 Prop F (extended) - Misc 3+3 Early Ret Bfts	4	0	0	0	0	2,203	646	2,203	646
2008 Prop B	5	21,814	5,213	17,801	4,254	376,937	90,072	416,552	99,539
2022 Prop A Pre96 Supplemental COLAs	9	<u>11,038</u>	<u>1,574</u>	<u>7,418</u>	<u>1,058</u>	<u>26,978</u>	<u>3,848</u>	<u>45,434</u>	<u>6,480</u>
Proposition Total		\$ 34,352	\$ 7,596	\$ 27,392	\$ 6,522	\$ 408,202	\$ 91,464	\$ 469,946	\$ 105,582
Expected FYE 2025 Payroll Amortization Rate			\$ 373,922 2.03%		\$ 283,807 2.30%		\$ 3,739,242 2.45%		\$ 4,396,971 2.40%

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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SECTION VI – CONTRIBUTIONS

Effective July 1, 2014, any new sources of UAL due to actuarial gains and losses, assumption changes, or method changes are amortized over a closed, layered 20-year period. In addition, the UAL as of July 1, 2013 not attributable to Propositions was re-amortized over a closed 19-year period as of July 1, 2014.

Effective with the July 1, 2021 valuation, the remaining amortization periods for assumption changes prior to July 1, 2021 and all prior actuarial gains and losses (including the gain for 2021) were reduced to five years. Furthermore, if the System becomes fully funded based on the Actuarial Value of Assets, any unexpected changes in the surplus would be amortized over a rolling 20-year period.

Table VI-4 on the next page shows all the Non-Proposition amortizations under the new amortization policy. All amortization schedules are determined on a level percent of pay basis which means that for the duration of the amortization schedule, the payment amount increases each year at the assumed wage inflation rate.

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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SECTION VI – CONTRIBUTIONS

Table VI-4			
Development of the Non-Proposition Amortization Rate as of July 1, 2023 for FYE 2025			
(dollars in thousands)			
Amortization Bases	Remaining Period	Outstanding Balance	Amortization Payment
2013 Non-Proposition UAL	3	\$ 1,590,172	\$ 610,542
2014 Actuarial Gain	3	(535,869)	(205,745)
2014 Assumption Change	3	94,794	36,396
2015 Actuarial Gain	3	(487,175)	(187,049)
2015 Assumption Change	3	770,768	295,934
2013 Supplemental COLA	10	170,525	22,281
2016 Actuarial Loss	3	17,668	6,784
2017 Actuarial Gain	3	(257,419)	(98,835)
2017 Assumption and Method Change	3	32,632	12,529
2018 Actuarial Gain	3	(257,200)	(98,751)
2018 Assumption Change	3	195,272	74,974
2019 Actuarial Loss	3	114,215	43,852
2019 Supplemental COLA	1	34,604	38,407
2020 Actuarial Loss	3	103,103	39,586
2020 Assumption Changes	3	(391,527)	(150,326)
2021 Actuarial Gain	3	(1,057,156)	(405,892)
2021 Supplemental COLA	3	175,219	67,275
2021 Assumption Change	18	695,820	57,929
2022 Actuarial Gain	19	(343,083)	(27,513)
2023 Actuarial Loss	20	79,653	6,169
Total Non-Proposition UAL		\$ 745,016	\$ 138,547
Expected FYE 2025 Payroll			\$ 4,396,971
Amortization Rate			3.15%

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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SECTION VII – ACTUARIAL SECTION OF THE ANNUAL REPORT

The Government Finance Officers Association (GFOA) maintains a checklist of items to be included in a System's Annual Comprehensive Financial Report in order to receive recognition for excellence in financial reporting. We understand that SFERS includes these exhibits in their Annual Report. The following Tables VII-1 through VII-3 are exhibits listed by the GFOA, and they recommend showing 10 years of experience in each of these exhibits. Table VII-1 presents an Analysis of Financial Experience for the valuation year, Table VII-2 presents the Schedule of Funded Liabilities by Type, Table VII-3 shows the Schedule of Funding Progress and Table VII-4 shows the Retirees added and removed from the Rolls.

In the table below, non-recurring items include changes in assumptions and methods, Supplemental COLAs, and changes in plan provisions.

Table VII-1						
Analysis of Financial Experience						
(Amounts in thousands)						
	(A)	(B)	(C)	(D)	(E)	(F)
Gain or (Loss) for Year Ending	Investment Income	Contribution Income ¹	Combined Liability Experience	(A)+(B)+(C) Gain or (Loss) From Experience	Non- Recurring Items ²	(D)+(E) Composite Gain or (Loss) During Year
July 1, 2023	\$ 322,456	\$ 91,497	\$ (378,180)	\$ 35,773	\$ (115,426)	\$ (79,653)
July 1, 2022	628,041	128,903	(412,896)	344,048	(48,037)	296,011
July 1, 2021	1,750,143	113,249	(270,044)	1,593,348	(965,694)	627,654
July 1, 2020	(6,409)	(37,023)	(112,293)	(155,725)	591,355	435,630
July 1, 2019	58,561	(46,222)	(185,408)	(173,069)	(140,998)	(314,067)
July 1, 2018	408,925	19,028	(35,783)	392,170	(498,554)	(106,384)
July 1, 2017	405,685	(55,038)	45,496	396,143	(250,285)	145,858
July 1, 2016	(51,452)	58,461	(34,514)	(27,505)	(429,336)	(456,841)
July 1, 2015	545,506	97,444	127,610	770,560	(1,048,350)	(277,790)
July 1, 2014	749,173	(41,626)	157,931	865,478	(153,100)	712,378

¹ Due to Payroll Changes, One-Year Lag, and Expenses.

² Includes Assumption, Method, and Benefit Changes as well as Supplemental COLAs.

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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SECTION VII – ACTUARIAL SECTION OF THE ANNUAL REPORT

Table VII-2
Schedule of Funded Liabilities by Type
(Amounts in millions)

Valuation Date July 1,	(A)	(B)	(C)	Actuarial Value of Assets	Portion of Actuarial Liabilities Covered by Reported Assets		
	Active Member Contributions	Retirees, Beneficiaries, and Inactives	Remaining Active Members' Liabilities		(A)	(B)	(C)
2023	\$ 4,437	\$ 22,469	\$ 8,446	\$ 34,137	100%	100%	86%
2022	4,232	21,512	7,847	32,275	100%	100%	83%
2021 ¹	4,104	20,228	7,573	30,043	100%	100%	75%
2020 ²	3,916	18,621	6,963	26,696	100%	100%	60%
2019	3,675	18,074	7,050	25,248	100%	100%	50%
2018 ¹	3,496	17,024	6,816	23,866	100%	100%	49%
2017 ³	3,325	15,847	6,535	22,185	100%	100%	46%
2016 ⁴	3,175	14,941	6,288	20,655	100%	100%	40%
2015 ⁵	2,995	13,931	6,045	19,653	100%	100%	45%
2014 ⁶	2,825	12,901	5,397	18,012	100%	100%	42%

¹ Reflects revised discount rate.

² Reflects revised demographic and wage inflation assumptions.

³ Reflects revised wage inflation assumption.

⁴ Reflects 2013 and 2014 Retroactive Supplemental COLA benefits for Post96 Retirees.

⁵ Reflects revised demographic assumptions.

⁶ Reflects revised discount rate and wage inflation.

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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SECTION VII – ACTUARIAL SECTION OF THE ANNUAL REPORT

Table VII-3
Schedule of Funding Progress
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AL)	Unfunded AL	Funded Ratio	Covered Payroll	Unfunded AL as a % of Covered Payroll
July 1, 2023	\$ 34,137,005	\$ 35,351,967	\$ 1,214,962	97%	\$ 4,258,568	29%
July 1, 2022	32,275,474	33,591,565	1,316,091	96%	3,984,150	33%
July 1, 2021	30,043,222	31,905,275	1,862,053	94%	3,828,797	49%
July 1, 2020	26,695,844	29,499,918	2,804,074	90%	3,703,103	76%
July 1, 2019	25,247,549	28,798,581	3,551,032	88%	3,549,936	100%
July 1, 2018	23,866,027	27,335,417	3,469,390	87%	3,385,517	102%
July 1, 2017	22,185,244	25,706,090	3,520,846	86%	3,242,468	109%
July 1, 2016	20,654,703	24,403,882	3,749,179	85%	3,062,422	122%
July 1, 2015	19,653,338	22,907,892	3,254,554	86%	2,820,968	115%
July 1, 2014	18,012,088	21,122,567	3,110,479	85%	2,640,153	118%

Table VII-4
Schedule of Retirees and Beneficiaries Added to and Removed from Retirement Payroll

FYE	Added to Rolls		Removed from Rolls		Rolls at End of Year		% Increase in Annual Allowance	Average Annual Allowance
	Member Count ¹	Annual Allowance	Member Count ¹	Annual Allowance	Member Count ¹	Annual Allowance		
2023	2,044	\$103,581,459	1,543	\$61,862,676	32,104	\$1,888,105,484	5.2%	\$58,812
2022	1,872	103,981,941	1,007	45,948,001	31,719	1,795,472,441	6.1%	56,606
2021	1,722	97,495,262	996	43,909,238	30,854	1,691,633,291	6.5%	54,827
2020	1,470	74,777,425	816	34,764,875	30,128	1,587,981,080	4.9%	52,708
2019	1,770	83,661,179	957	36,959,870	30,778	1,513,436,081	6.3%	49,173
2018	1,797	84,574,963	959	36,284,323	29,965	1,424,324,641	6.9%	47,533
2017	1,769	80,214,008	928	35,082,179	29,127	1,332,430,263	6.8%	45,746
2016	1,657	72,049,646	856	30,384,191	28,286	1,247,230,245	7.8%	44,094
2015	1,564	63,136,134	931	29,314,643	27,485	1,157,081,680	4.8%	42,099
2014	1,588	65,923,470	770	25,170,856	26,852	1,103,959,803	5.6%	41,113

¹ Member count as of FYE 2020 reflects combining records for members who have both a Safety and Miscellaneous benefit. Member count as of FYE 2023 reflects combining records for beneficiaries and QDROs who have both a Safety and Miscellaneous benefit.

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APPENDIX A – MEMBERSHIP INFORMATION

Table A-1			
Active Member Data - By Group			
	July 1, 2022	July 1, 2023	% Change
Total			
Count	33,199	34,016	2.5%
Average Current Age	47.3	47.2	-0.1
Average Service	10.9	11.0	0.1
Annual Pensionable Earnings	\$ 3,708,897,220	\$ 4,038,465,958	8.9%
Average Pensionable Earnings	\$ 111,717	\$ 118,723	6.3%
Police			
Count	2,269	2,221	-2.1%
Average Current Age	41.4	41.5	0.1
Average Service	13.0	13.2	0.2
Annual Pensionable Earnings	\$ 315,938,119	\$ 343,677,600	8.8%
Average Pensionable Earnings	\$ 139,241	\$ 154,740	11.1%
Fire			
Count	1,664	1,699	2.1%
Average Current Age	42.9	42.5	-0.4
Average Service	12.3	12.1	-0.2
Annual Pensionable Earnings	\$ 237,555,937	\$ 258,174,078	8.7%
Average Pensionable Earnings	\$ 142,762	\$ 151,956	6.4%
Miscellaneous			
Count	29,266	30,096	2.8%
Average Current Age	48.0	47.9	-0.1
Average Service	10.7	10.8	0.1
Annual Pensionable Earnings	\$ 3,155,403,164	\$ 3,436,614,280	8.9%
Average Pensionable Earnings	\$ 107,818	\$ 114,188	5.9%

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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APPENDIX A – MEMBERSHIP INFORMATION

Table A-2				
Active Member Data - By Charter				
July 1, 2023				
Member Counts				
	Police	Fire	Miscellaneous	Total
Old	0	1	3	4
New	945	620	11,011	12,576
Prop D	16	50	1,340	1,406
Prop C ¹	1,260	1,028	17,742	20,030
Total	2,221	1,699	30,096	34,016
Annual Pensionable Earnings				
Old	\$ 0	\$ 185,124	\$ 278,317	\$ 463,441
New	171,229,202	117,167,637	1,348,000,516	1,636,397,355
Prop D	2,557,579	8,356,246	153,407,669	164,321,494
Prop C ¹	169,890,819	132,465,071	1,934,927,778	2,237,283,668
Total	\$ 343,677,600	\$ 258,174,078	\$ 3,436,614,280	\$ 4,038,465,958

¹ Police includes Sherriffs Plan (Charter A8.608) and Miscellaneous Safety Plan (Charter A8.610) members.

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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APPENDIX A – MEMBERSHIP INFORMATION

Table A-3				
Non-Active Member Data - Total System				
	July 1, 2022	July 1, 2023	Change	
Retired				
Count	24,964	25,379	1.7%	
Average Age	71.6	71.9	0.3	
Average Annual Benefit ¹	\$ 57,831	\$ 59,601	3.1%	
Disabled				
Count	2,485	2,507	0.9%	
Average Age	69.9	69.8	-0.1	
Average Annual Benefit ¹	\$ 75,773	\$ 78,892	4.1%	
Beneficiaries				
Count	4,270	4,218	-1.2%	
Average Age	77.8	78.1	0.3	
Average Annual Benefit ¹	\$ 40,159	\$ 42,128	4.9%	
Total Payees				
Count	31,719	32,104	1.2%	
Average Age	72.3	72.6	0.3	
Average Annual Benefit ¹	\$ 56,857	\$ 58,812	3.4%	
Inactives				
Count	12,085	12,641	4.6%	
Average Age	47.6	48.1	0.5	
Total Contribution Balance with Interest	\$ 420,865,353	\$ 466,779,572	10.9%	
Average Contribution Balance with Interest	\$ 34,825	\$ 36,926	6.0%	

¹ Benefits provided in June 30 valuation data, plus estimated Basic COLAs effective July 1, 2023 and January 6, 2024 for Old Safety payees. If applicable, limited by Section 415(b) of the Internal Revenue Code.

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APPENDIX A – MEMBERSHIP INFORMATION

Table A-4 Non-Active Member Data - Old Safety						
Charter Section	July 1, 2023			Total	July 1, 2022	Change
	Prop H	8.559/ 8.585	8.595/ 8.596			
Retired						
Count	3	513	310	826	868	-4.8%
Average Age	90.7	82.0	75.2	79.5	78.8	0.7
Average Annual Benefit ¹	\$ 31,980	\$ 109,211	\$ 155,548	\$ 126,321	\$ 121,688	3.8%
Disabled						
Count	27	319	137	483	515	-6.2%
Average Age	85.4	81.6	75.7	80.1	79.6	0.5
Average Annual Benefit ¹	\$ 52,015	\$ 112,581	\$ 162,760	\$ 123,428	\$ 118,295	4.3%
Beneficiaries						
Count	76	577	66	719	740	-2.8%
Average Age	84.1	82.5	72.6	81.8	81.7	0.1
Average Annual Benefit ¹	\$ 42,550	\$ 101,601	\$ 133,837	\$ 98,318	\$ 92,801	5.9%
Payee Total						
Count	106	1,409	513	2,028	2,123	-4.5%
Average Age	84.6	82.1	75.0	80.4	80.0	0.4
Average Annual Benefit ¹	\$ 44,662	\$ 106,857	\$ 154,681	\$ 115,704	\$ 110,796	4.4%
Inactives						
Count	0	0	2	2	2	0.0%
Average Age	N/A	N/A	77.5	77.5	76.5	1.0
Total Contribution	N/A	N/A	\$ 3,152	\$ 3,152	\$ 3,031	4.0%
Balance with Interest	N/A	N/A	\$ 1,576	\$ 1,576	\$ 1,515	4.0%

¹ Benefits provided in June 30 valuation data, plus estimated Basic COLAs effective July 1, 2023 and January 6, 2024 for Old Safety payees. If applicable, limited by Section 415(b) of the Internal Revenue Code.

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
JULY 1, 2023 ACTUARIAL VALUATION REPORT**

APPENDIX A – MEMBERSHIP INFORMATION

Table A-5			
Non-Active Member Data - New Safety (includes Prop D and C)			
	July 1, 2022	July 1, 2023	Change
Retired			
Count	2,172	2,275	4.7%
Average Age	64.1	64.5	0.4
Average Annual Benefit ¹	\$ 119,041	\$ 121,771	2.3%
Disabled			
Count	699	766	9.6%
Average Age	64.5	64.2	-0.3
Average Annual Benefit ¹	\$ 118,658	\$ 121,516	2.4%
Beneficiaries			
Count	171	184	7.6%
Average Age	64.5	65.4	0.9
Average Annual Benefit ¹	\$ 78,048	\$ 79,352	1.7%
Payee Average			
Count	3,042	3,225	6.0%
Average Age	64.2	64.5	0.3
Average Annual Benefit ¹	\$ 116,649	\$ 119,290	2.3%
Inactives			
Count	474	494	4.2%
Average Age	41.4	42.0	0.6
Total Contribution Balance with Interest	\$ 32,598,500	\$ 38,358,210	17.7%
Average Contribution Balance with Interest	\$ 68,773	\$ 77,648	12.9%

¹ Benefits provided in June 30 valuation data.

If applicable, limited by Section 415(b) of the Internal Revenue Code.

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
JULY 1, 2023 ACTUARIAL VALUATION REPORT**

APPENDIX A – MEMBERSHIP INFORMATION

Table A-6			
Non-Active Member Data - Miscellaneous			
	July 1, 2022	July 1, 2023	Change
Retired			
Count	21,924	22,278	1.6%
Average Age	72.1	72.4	0.3
Average Annual Benefit ¹	\$ 49,238	\$ 50,779	3.1%
Disabled			
Count	1,271	1,258	-1.0%
Average Age	69.0	69.2	0.2
Average Annual Benefit ¹	\$ 34,958	\$ 35,840	2.5%
Beneficiaries			
Count	3,359	3,315	-1.3%
Average Age	77.7	78.0	0.3
Average Annual Benefit ¹	\$ 26,633	\$ 27,875	4.7%
Payee Average			
Count	26,554	26,851	1.1%
Average Age	72.7	72.9	0.2
Average Annual Benefit ¹	\$ 45,695	\$ 47,251	3.4%
Inactives			
Count	11,609	12,145	4.6%
Average Age	47.9	48.4	0.5
Total Contribution Balance with Interest	\$ 388,263,822	\$ 428,418,210	10.3%
Average Contribution Balance with Interest	\$ 33,445	\$ 35,275	5.5%

¹ Benefits provided in June 30 valuation data.

If applicable, limited by Section 415(b) of the Internal Revenue Code.

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
JULY 1, 2023 ACTUARIAL VALUATION REPORT**

APPENDIX A – MEMBERSHIP INFORMATION

Table A-7												
Distribution of Active Members as of July 1, 2023												
Count By Age/Service - Total System												
Age	Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up		
Under 25	102	130	1	0	0	0	0	0	0	0	0	233
25 to 29	334	816	212	0	0	0	0	0	0	0	0	1,362
30 to 34	413	1,307	1,339	96	0	0	0	0	0	0	0	3,155
35 to 39	353	1,346	2,107	712	138	0	0	0	0	0	0	4,656
40 to 44	295	1,101	1,860	946	685	97	1	0	0	0	0	4,985
45 to 49	234	853	1,342	838	803	519	85	0	0	0	0	4,674
50 to 54	197	730	1,144	732	875	861	496	77	1	0	0	5,113
55 to 59	127	529	935	637	719	912	566	277	58	2	0	4,762
60 to 64	61	335	680	492	537	581	358	248	98	13	0	3,403
65 to 69	17	92	272	222	223	189	118	76	57	22	0	1,288
70 and up	2	30	72	57	63	62	44	14	24	17	0	385
Total Count	2,135	7,269	9,964	4,732	4,043	3,221	1,668	692	238	54	0	34,016

Table A-8												
Distribution of Active Members as of July 1, 2023												
Average Salary By Age/Service - Total System												
Age	Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up		
Under 25	\$ 75,007	\$ 73,493	\$ 67,151	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 74,128
25 to 29	89,838	91,965	112,629	0	0	0	0	0	0	0	0	94,660
30 to 34	100,233	103,015	118,110	130,400	0	0	0	0	0	0	0	109,891
35 to 39	104,516	106,611	118,580	132,245	146,455	0	0	0	0	0	0	116,969
40 to 44	106,991	108,568	120,267	130,017	144,934	150,722	156,085	0	0	0	0	122,737
45 to 49	102,994	102,931	118,213	129,630	139,106	148,688	144,160	0	0	0	0	124,154
50 to 54	111,176	100,005	113,094	119,492	135,606	143,833	165,223	165,345	202,575	0	0	126,957
55 to 59	101,989	97,101	110,465	111,361	125,930	130,603	146,122	140,958	135,862	114,949	0	121,389
60 to 64	113,175	105,715	106,519	108,984	122,404	122,148	127,879	134,313	117,462	133,991	0	116,783
65 to 69	111,293	91,535	108,354	99,961	114,174	116,510	114,938	128,406	124,559	114,669	0	110,561
70 and up	49,892	95,106	98,674	95,460	104,477	113,645	122,239	138,727	122,843	141,853	0	108,590
Avg. Salary	\$ 100,871	\$ 101,958	\$ 116,013	\$ 122,139	\$ 133,110	\$ 134,981	\$ 144,957	\$ 139,866	\$ 124,546	\$ 127,889	\$ 0	\$ 118,723

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
JULY 1, 2023 ACTUARIAL VALUATION REPORT**

APPENDIX A – MEMBERSHIP INFORMATION

Table A-9												
Distribution of Active Members as of July 1, 2023												
Count By Age/Service - Police												
Age	Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up		
Under 25	3	9	0	0	0	0	0	0	0	0	0	12
25 to 29	7	100	69	0	0	0	0	0	0	0	0	176
30 to 34	7	82	310	23	0	0	0	0	0	0	0	422
35 to 39	2	32	212	120	65	0	0	0	0	0	0	431
40 to 44	0	22	86	77	173	25	1	0	0	0	0	384
45 to 49	2	9	33	32	91	94	15	0	0	0	0	276
50 to 54	1	3	14	11	58	99	113	8	0	0	0	307
55 to 59	4	5	16	5	17	55	44	19	1	0	0	166
60 to 64	1	0	4	1	4	11	13	1	0	1	1	36
65 to 69	0	0	1	1	0	1	4	1	0	1	1	9
70 and up	0	0	0	0	1	0	1	0	0	0	0	2
Total Count	27	262	745	270	409	285	191	29	1	2	2	2,221

Table A-10												
Distribution of Active Members as of July 1, 2023												
Average Salary By Age/Service - Police												
Age	Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up		
Under 25	\$ 91,019	\$ 102,693	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 99,775
25 to 29	92,073	109,975	126,698	0	0	0	0	0	0	0	0	115,819
30 to 34	107,894	111,526	137,146	151,817	0	0	0	0	0	0	0	132,482
35 to 39	150,140	110,958	139,033	154,926	168,074	0	0	0	0	0	0	145,805
40 to 44	0	117,987	137,402	154,326	172,463	181,305	156,085	0	0	0	0	158,386
45 to 49	134,780	114,289	137,268	152,897	174,212	186,760	177,340	0	0	0	0	169,527
50 to 54	180,692	178,829	143,236	160,835	169,821	180,127	200,057	273,089	0	0	0	185,554
55 to 59	152,085	147,751	170,538	154,268	171,294	174,230	205,875	206,423	197,134	0	0	183,851
60 to 64	209,922	0	161,151	164,170	163,293	177,040	189,668	143,664	0	209,930	0	178,850
65 to 69	0	0	102,492	118,546	0	150,237	173,443	222,519	0	161,838	0	161,045
70 and up	0	0	0	0	200,360	0	164,697	0	0	0	0	182,529
Avg. Salary	\$ 120,060	\$ 112,661	\$ 137,664	\$ 154,378	\$ 171,710	\$ 181,056	\$ 197,933	\$ 223,205	\$ 197,134	\$ 185,884	\$ 185,884	\$ 154,740

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
JULY 1, 2023 ACTUARIAL VALUATION REPORT**

APPENDIX A – MEMBERSHIP INFORMATION

Table A-11												
Distribution of Active Members as of July 1, 2023												
Count By Age/Service - Fire												
Age	Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up		
Under 25	10	14	0	0	0	0	0	0	0	0	0	24
25 to 29	29	82	11	0	0	0	0	0	0	0	0	122
30 to 34	19	124	114	3	0	0	0	0	0	0	0	260
35 to 39	5	96	169	44	3	0	0	0	0	0	0	317
40 to 44	1	40	118	53	50	14	0	0	0	0	0	276
45 to 49	2	13	44	45	41	65	7	0	0	0	0	217
50 to 54	0	1	17	19	39	110	72	12	1	0	0	271
55 to 59	0	1	6	3	21	63	54	13	0	0	0	161
60 to 64	0	0	1	6	4	18	5	6	1	1	1	42
65 to 69	0	0	0	0	1	2	1	1	1	0	0	6
70 and up	0	1	0	0	0	0	0	1	0	1	1	3
Total Count	66	372	480	173	159	272	139	33	3	2	2	1,699

Table A-12												
Distribution of Active Members as of July 1, 2023												
Average Salary By Age/Service - Fire												
Age	Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up		
Under 25	\$ 76,406	\$ 89,409	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 83,991
25 to 29	77,455	96,923	144,736	0	0	0	0	0	0	0	0	96,606
30 to 34	77,216	102,049	144,082	150,529	0	0	0	0	0	0	0	119,224
35 to 39	87,232	102,147	150,805	164,322	167,885	0	0	0	0	0	0	137,104
40 to 44	108,524	105,819	148,556	168,230	184,028	178,841	0	0	0	0	0	153,957
45 to 49	76,623	107,237	145,066	163,956	185,715	187,827	189,769	0	0	0	0	168,017
50 to 54	0	115,912	154,478	165,579	178,406	182,135	209,159	226,084	202,575	0	0	187,660
55 to 59	0	213,427	134,737	157,735	171,382	180,156	213,076	204,495	0	0	0	190,114
60 to 64	0	0	195,041	166,519	187,330	179,530	222,829	208,661	216,402	214,063	0	189,800
65 to 69	0	0	0	0	209,052	169,685	149,654	183,497	241,092	0	0	187,111
70 and up	0	45,000	0	0	0	0	0	171,536	0	185,124	0	133,887
Avg. Salary	\$ 78,413	\$ 101,239	\$ 148,012	\$ 165,285	\$ 181,350	\$ 182,603	\$ 209,768	\$ 211,468	\$ 220,023	\$ 199,593	\$ 199,593	\$ 151,956

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
JULY 1, 2023 ACTUARIAL VALUATION REPORT**

APPENDIX A – MEMBERSHIP INFORMATION

**Table A-13
Distribution of Active Members as of July 1, 2023
Count By Age/Service - Miscellaneous**

Age	Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up		
Under 25	89	107	1	0	0	0	0	0	0	0	0	197
25 to 29	298	634	132	0	0	0	0	0	0	0	0	1,064
30 to 34	387	1,101	915	70	0	0	0	0	0	0	0	2,473
35 to 39	346	1,218	1,726	548	70	0	0	0	0	0	0	3,908
40 to 44	294	1,039	1,656	816	462	58	0	0	0	0	0	4,325
45 to 49	230	831	1,265	761	671	360	63	0	0	0	0	4,181
50 to 54	196	726	1,113	702	778	652	311	57	0	0	0	4,535
55 to 59	123	523	913	629	681	794	468	245	57	2	2	4,435
60 to 64	60	335	675	485	529	552	340	241	97	11	11	3,325
65 to 69	17	92	271	221	222	186	113	74	56	21	21	1,273
70 and up	2	29	72	57	62	62	43	13	24	16	16	380
Total Count	2,042	6,635	8,739	4,289	3,475	2,664	1,338	630	234	50	50	30,096

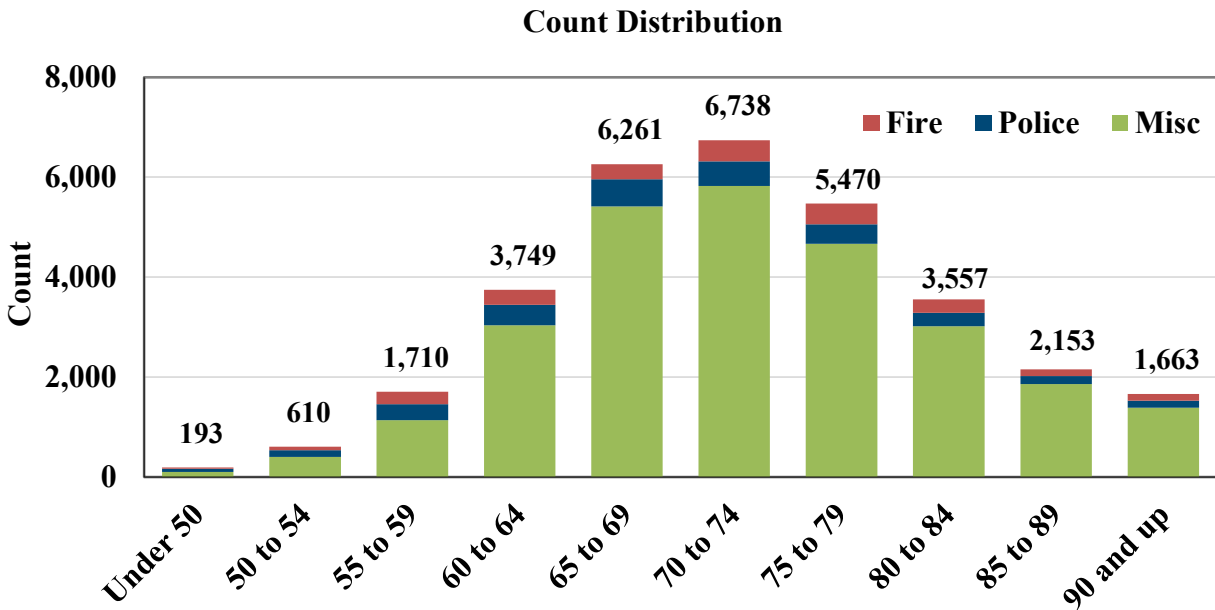
**Table A-14
Distribution of Active Members as of July 1, 2023
Average Salary By Age/Service - Miscellaneous**

Age	Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up		
Under 25	\$ 74,310	\$ 68,954	\$ 67,151	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 71,365
25 to 29	90,990	88,484	102,599	0	0	0	0	0	0	0	0	90,937
30 to 34	101,224	102,490	108,426	122,500	0	0	0	0	0	0	0	105,055
35 to 39	104,502	106,848	112,912	124,703	125,463	0	0	0	0	0	0	112,156
40 to 44	106,986	108,475	117,362	125,241	130,394	130,753	0	0	0	0	0	117,580
45 to 49	102,947	102,741	116,782	126,622	131,497	131,680	131,192	0	0	0	0	118,883
50 to 54	110,821	99,657	112,083	117,597	130,910	131,860	142,395	137,435	0	0	0	119,363
55 to 59	100,360	96,395	109,252	110,799	123,396	123,650	132,779	132,509	134,787	114,949	114,949	116,556
60 to 64	111,563	105,715	106,064	108,158	121,604	119,183	124,120	132,423	116,442	119,808	119,808	115,189
65 to 69	111,293	91,535	108,376	99,877	113,747	115,757	112,560	126,390	122,478	112,423	112,423	109,843
70 and up	49,892	96,834	98,674	95,460	102,930	113,645	121,251	136,203	122,843	139,149	139,149	108,001
Avg. Salary	\$ 101,343	\$ 101,575	\$ 112,410	\$ 118,369	\$ 126,360	\$ 125,190	\$ 130,661	\$ 132,279	\$ 123,012	\$ 122,701	\$ 122,701	\$ 114,188

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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APPENDIX A – MEMBERSHIP INFORMATION

Table A-15				
Distribution of Retirees, Disabled Members, and Beneficiaries as of July 1, 2023				
Age	Count			Total
	Police	Fire	Misc	
Under 50	68	25	100	193
50 to 54	129	75	406	610
55 to 59	325	249	1,136	1,710
60 to 64	412	300	3,037	3,749
65 to 69	546	300	5,415	6,261
70 to 74	491	420	5,827	6,738
75 to 79	392	410	4,668	5,470
80 to 84	268	273	3,016	3,557
85 to 89	164	130	1,859	2,153
90 and up	141	135	1,387	1,663
Total	2,936	2,317	26,851	32,104

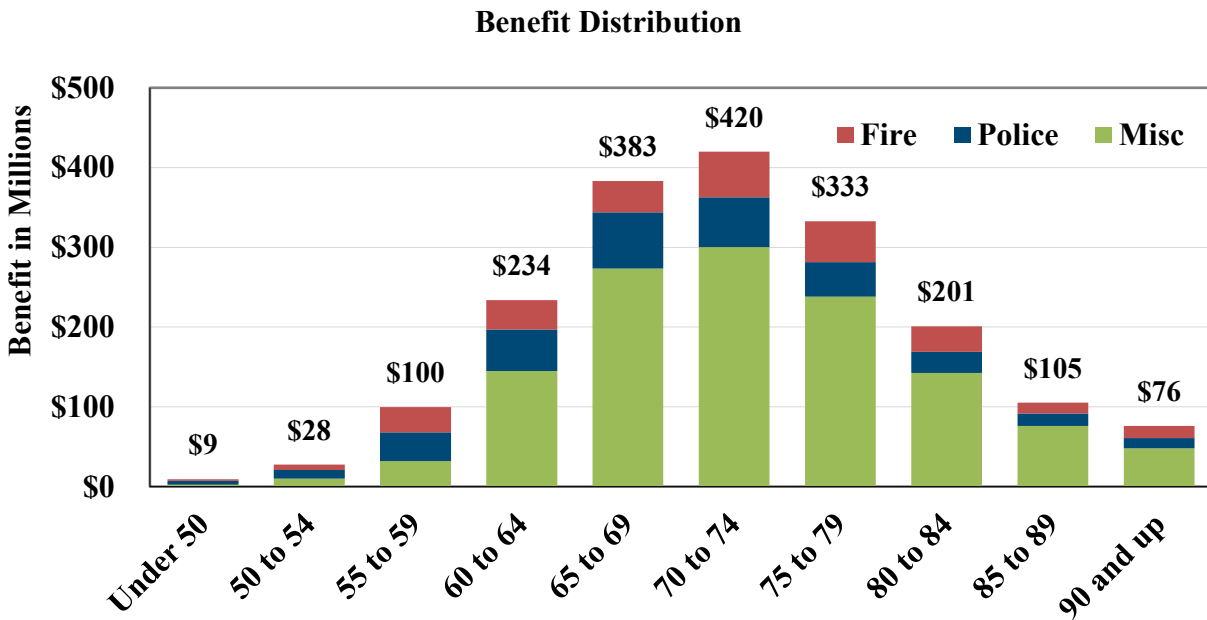


**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
JULY 1, 2023 ACTUARIAL VALUATION REPORT**

APPENDIX A – MEMBERSHIP INFORMATION

Table A-16 Distribution of Retirees, Disabled Members, and Beneficiaries as of July 1, 2023 Annual Benefit ¹				
Age	Police	Fire	Misc	Total
Under 50	\$ 4,824,756	\$ 1,794,487	\$ 2,652,640	\$ 9,271,883
50 to 54	10,903,147	6,490,926	10,193,269	27,587,342
55 to 59	35,990,461	31,522,394	32,254,762	99,767,617
60 to 64	51,891,903	36,641,341	145,125,403	233,658,648
65 to 69	70,347,851	39,180,413	273,417,072	382,945,336
70 to 74	62,493,374	57,383,373	300,042,243	419,918,991
75 to 79	43,117,897	51,189,551	238,319,567	332,627,015
80 to 84	26,582,927	31,853,991	142,550,785	200,987,704
85 to 89	15,337,082	13,735,673	76,250,863	105,323,618
90 and up	13,091,028	14,986,193	47,940,110	76,017,331
Total	\$ 334,580,428	\$ 284,778,342	\$ 1,268,746,713	\$ 1,888,105,484

¹ Benefits used in the July 1, 2023 actuarial valuation



**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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APPENDIX A – MEMBERSHIP INFORMATION

Table A-17 Summary and Reconciliation of Participant Data Total System								
	Active	Vested Terminated	Reciprocal	Non-Vested Terminated	Disabled	Retired	Beneficiaries	Totals
Participants as of 7/1/2022	33,199	3,006	1,019	8,060	2,485	24,964	4,270	77,003
New Entrants	3,308	1	5	5	0	0	0	3,319
Returned to Work	308	(94)	(9)	(201)	0	(4)	0	0
Vested Terminations	(432)	433	(1)	0	0	0	0	0
Reciprocal	(58)	(1)	69	(10)	0	0	0	0
Non Vested Terminations	(848)	0	0	848	0	0	0	0
Refund/Withdrawal	(364)	(36)	(6)	(275)	0	0	0	(681)
Changes in Inactive Status	0	(75)	142	(65)	0	0	0	2
Retirements	(1,026)	(106)	(33)	(1)	0	1,166	0	0
Disabilities	(24)	(12)	(4)	(4)	104	(60)	0	0
Benefit Ceased ¹	(47)	(11)	(2)	(2)	(82)	(736)	(836)	(1,716)
New Continuants & Dissolutions	0	0	0	0	0	30	783	813
New Split Benefits	0	0	0	0	0	16	0	16
Other Adjustments	0	1	0	0	0	3	1	5
Participants as of 7/1/2023	34,016	3,106	1,180	8,355	2,507	25,379	4,218	78,761

¹ Includes deaths and benefits that were terminated or suspended

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
JULY 1, 2023 ACTUARIAL VALUATION REPORT**

APPENDIX A – MEMBERSHIP INFORMATION

Table A-18 Summary and Reconciliation of Participant Data Police								
	Active	Vested Terminated	Reciprocal	Non-Vested Terminated	Disabled	Retired	Beneficiaries	Totals
Participants as of 7/1/2022	2,269	141	25	210	569	1,802	522	5,538
New Entrants	115	0	0	0	0	0	0	115
Returned to Work	10	(4)	0	(6)	0	0	0	0
Vested Terminations	(36)	36	0	0	0	0	0	0
Reciprocal	(6)	0	16	(10)	0	0	0	0
Non Vested Terminations	(20)	0	0	20	0	0	0	0
Refund/Withdrawal	(15)	0	0	(14)	0	0	0	(29)
Changes in Inactive Status	0	(18)	18	0	0	0	0	0
Retirements	(81)	(1)	(1)	0	0	83	0	0
Disabilities	(15)	(5)	0	(1)	42	(21)	0	0
Benefit Ceased ¹	0	(9)	0	0	(16)	(44)	(64)	(133)
New Continuants & Dissolutions	0	0	0	0	0	9	53	62
New Split Benefits	0	0	0	0	0	1	0	1
Transferred In (From Fire)	0	0	0	0	0	0	0	0
Transferred In (From Misc)	0	1	0	0	0	0	0	1
Transferred Out (To Fire)	0	0	0	0	0	0	0	0
Transferred Out (To Misc)	0	0	0	0	0	0	0	0
Other Adjustments	0	0	0	0	0	0	0	0
Participants as of 7/1/2023	2,221	141	58	199	595	1,830	511	5,555

¹ Includes deaths and benefits that were terminated or suspended

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
JULY 1, 2023 ACTUARIAL VALUATION REPORT**

APPENDIX A – MEMBERSHIP INFORMATION

Table A-19 Summary and Reconciliation of Participant Data Fire								
	Active	Vested Terminated	Reciprocal	Non-Vested Terminated	Disabled	Retired	Beneficiaries	Totals
Participants as of 7/1/2022	1,664	44	20	36	645	1,238	389	4,036
New Entrants	124	0	0	3	0	0	0	127
Returned to Work	1	(1)	0	0	0	0	0	0
Vested Terminations	(1)	1	0	0	0	0	0	0
Reciprocal	0	(1)	1	0	0	0	0	0
Non Vested Terminations	(5)	0	0	5	0	0	0	0
Refund/Withdrawal	(1)	0	0	(1)	0	0	0	(2)
Changes in Inactive Status	0	0	0	0	0	0	0	0
Retirements	(63)	(3)	(3)	0	0	69	0	0
Disabilities	(7)	(1)	0	(2)	30	(20)	0	0
Benefit Ceased ¹	(13)	0	0	0	(21)	(23)	(34)	(91)
New Continuants & Dissolutions	0	0	0	0	0	5	37	42
New Split Benefits	0	0	0	0	0	2	0	2
Transferred In (From Misc)	0	1	0	0	0	0	0	1
Transferred In (From Police)	0	0	0	0	0	0	0	0
Transferred Out (To Misc)	0	(1)	0	0	0	0	0	(1)
Transferred Out (To Police)	0	0	0	0	0	0	0	0
Other Adjustments	0	0	0	0	0	0	0	0
Participants as of 7/1/2023	1,699	39	18	41	654	1,271	392	4,114

¹ Includes deaths and benefits that were terminated or suspended

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Table A-20								
Summary and Reconciliation of Participant Data								
Miscellaneous								
	Active	Vested Terminated	Reciprocal	Non-Vested Terminated	Disabled	Retired	Beneficiaries	Totals
Participants as of 7/1/2022	29,266	2,821	974	7,814	1,271	21,924	3,359	67,429
New Entrants	3,069	1	5	2	0	0	0	3,077
Returned to Work	297	(89)	(9)	(195)	0	(4)	0	0
Vested Terminations	(395)	396	(1)	0	0	0	0	0
Reciprocal	(52)	0	52	0	0	0	0	0
Non Vested Terminations	(823)	0	0	823	0	0	0	0
Refund/Withdrawal	(348)	(36)	(6)	(260)	0	0	0	(650)
Changes in Inactive Status	0	(57)	124	(65)	0	0	0	2
Retirements	(882)	(102)	(29)	(1)	0	1,014	0	0
Disabilities	(2)	(6)	(4)	(1)	32	(19)	0	0
Benefit Ceased ¹	(34)	(2)	(2)	(2)	(45)	(669)	(738)	(1,492)
New Continuants & Dissolutions	0	0	0	0	0	16	693	709
New Split Benefits	0	0	0	0	0	13	0	13
Transferred In (From Fire)	0	1	0	0	0	0	0	1
Transferred In (From Police)	0	0	0	0	0	0	0	0
Transferred Out (To Fire)	0	(1)	0	0	0	0	0	(1)
Transferred Out (To Police)	0	(1)	0	0	0	0	0	(1)
Other Adjustments	0	1	0	0	0	3	1	5
Participants as of 7/1/2023	30,096	2,926	1,104	8,115	1,258	22,278	3,315	69,092

¹ Includes deaths and benefits that were terminated or suspended

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Data Assumptions and Methods

In preparing our valuation results, we relied on information supplied by the SFERS staff. This information includes, but is not limited to, plan provisions, employee data, and financial information. Our methodology for obtaining the data used for the valuation is based upon the following assumptions and practices:

- Valuation Salary for the fiscal year ending 6/30/2023 is equal to “Cvd Pay” reported for full-time members hired before the beginning of the previous plan year, and the maximum of “Cvd Pay” and “Calc Pay,” which is an annualized pay rate, reported for new hires. A minimum of \$45,000 annual pay is used for all active members. Valuation Salary projected forward is the Valuation Salary for the prior fiscal year increased for merit according to our assumptions and for wage inflation in accordance with the latest Memorandum of Understanding (MOUs):
 - Miscellaneous active members
 - 2.50% as of July 1, 2023
 - 2.25% as of January 6, 2024
 - Police and Fire active members
 - 2.50% as of July 1, 2023
 - 2.25% as of January 6, 2024
 - 3.00% as of January 4, 2025
 - 3.00% as of July 1, 2025
- Salary used to determine benefit amounts for active part-time members (“Sch” = “P”) is calculated as the greater of “Cvd Pay” and “Calc Pay.” The annual projected service for part-time members is the same as the service accrual in the previous year. For all other members, Valuation Salary is used to determine benefit amounts.
- Service for members on the “Active” data file was calculated using the field “Yrs Svc.” Any service available for buyback is added to the “Yrs Svc” field and is reflected in the projected benefit.
- Benefits in the valuation data for members in pay status for the Miscellaneous and New Safety Charters include the Basic COLAs effective July 1, 2023.
- The Basic COLAs effective July 1, 2023 and January 6, 2024 for the Old Safety Charter retirees were estimated based on data provided by SFERS and included in the July 1, 2023 benefit.
- No Supplemental COLA benefits were granted as of July 1, 2023. Thus, there were no adjustments made to the benefits provided in the valuation data for a Supplemental COLA.

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- Records on the “Active” data file are considered to be Active if they have a status of “AM” or “RT” which mean active, no “Job End Date” or the “Job End Date” is after 6/30/2023, and do not have a retiree record and their “Cvd Pay” is greater than \$0.
- For accounts having duplicate records based on Social Security Number in the “Active” data file, the records are added together for fields “Cvd Pay,” “Contribs,” “Interest,” “Shortage,” “Short Int,” and “Yrs Svc.” The other data in the record is determined by the record which is considered open (“Plan Stat” = “O”) with the most recent “Membership Date.”
- Records on the “Active” data file are considered to be Inactive if they have a status of “VM,” which means vested or they have a status of “AM” but their “Job End Date” is prior to 6/30/2023, or their “Cvd Pay” is \$0. If these inactive members have less than five years of service (non-vested), they are assumed to receive a lump sum distribution on the valuation date. If these inactive members have five or more years of service (vested), they are assumed to have elected a deferred benefit and to retire at age 55 for non-reciprocal Miscellaneous and Safety Prop C members. The assumed retirement age for reciprocal Miscellaneous members is 60. The assumed retirement age for Safety non-Prop C members is 51.
- For Safety members, the deferred benefit is estimated using Final Average Compensation multiplied by years of service (including service purchased) multiplied by the appropriate age factor. For Miscellaneous members, the deferred benefit at retirement is 200% of the member’s contribution account balance with interest as of the valuation date projected with the assumed interest crediting rate to the assumed retirement age and then divided by the appropriate annuity factor from Table 12 of the Operating Tables. When there are deferred vested Miscellaneous Prop C members, their deferred benefit will be calculated the same except 200% will be replaced by 150%.
- Members on the “Inactive” data file are assumed to have elected a refund and receive a lump sum distribution on the valuation date if their “Withdrawal Date” is on or after the valuation date. If their “Withdrawal Date” is before the valuation date, they are assumed to have taken a full refund prior to the valuation date.
- Records on the “Retiree” file are considered in pay status if their benefit is not suspended or terminated.
- Members may retire and receive benefits under multiple Charter sections (e.g., a police officer can have two benefits, one for the service during the academy training which is considered Miscellaneous service and a second benefit for all other service as a police officer). For retired or disabled members who are reported with a Safety benefit and a Miscellaneous benefit with less than two years of service, their benefits are added together and valued as a single record under the Safety Charter section. Effective with the July 1, 2023 valuation, beneficiaries and QDROs who are reported with a Safety benefit and a Miscellaneous benefit with less than two years of service, their benefits are added together and valued as a single record under the Safety Charter section if both benefits are linked to

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the same member. For all other members who are reported with multiple benefits, we value each component of the member's benefit separately under the applicable Charter section. Consequently, the in-pay member counts reported in this valuation are slightly higher than the actual number of members due to some individual members being reported under multiple groups.

- We assume any member reported in last year's "Retiree" file and not in this year's file is deceased without a beneficiary and is removed from the valuation data.
- We assume all deceased members with payments continuing to a beneficiary have been reported in the "Retiree" file.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

All demographic assumptions and the price and wage inflation assumptions were adopted at the December 9, 2020 Board meeting based on our recommendations. Please refer to the demographic experience study report dated August 2020 for the rationale for the demographic assumptions and the presentation dated December 9, 2020 for the rationale for the price and wage inflation assumptions. The discount rate was adopted at the November 10, 2021 Board meeting. Please refer to the October 13, 2021 Board presentation for the rationale for the discount rate. We believe all assumptions are reasonable for the purpose of the measurement.

1. Discount Rate

SFERS assets are assumed to earn 7.20% net of investment expenses.

2. Price Inflation

Consumer Price Inflation: 2.50% compounded annually.

3. Wage Inflation

Bargained future increases as of July 1, 2023 followed by 3.25% compounded annually thereafter.

4. Amortization Payment Increase Rate

Amortization payments increase at the rate of 3.25% compounded annually.

5. Administrative Expenses

Administrative expenses are assumed to equal 0.60% of payroll.

6. Interest Credited to Member Contributions

4.50%, compounded annually.

7. 401(a)(17) Maximum Compensation Limit

The compensation limit in Section 401(a)(17) of the Internal Revenue Code is assumed to increase with price inflation. In the valuation, compensation limits are only applied to members of new plans created by Proposition C for whom compensation is limited to a percentage of the 401(a)(17) compensation limit.

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8. 415(b) Maximum Benefit Limit

The 415(b) limits have been applied to active members' current and future benefits. The 415(b) limit is assumed to increase with price inflation. The 415(b) limit has also been applied to the retiree members who were in excess of the 415(b) limit in 2021. The projected increase in the 415(b) limit for retirees is the same increase as their Basic COLA which depends on their Charter.

9. Salary Increase Rate

Bargained increases as of July 1, 2023, followed by 3.25% wage inflation compounded annually thereafter, plus an additional merit component based on service. The table below shows the bargained wage increases reflected in this valuation. Muni Drivers and Craft are included with Miscellaneous members.

Table B-1 Current Bargained Wage Increases			
Date of Increase	Police	Fire	Misc
7/1/2023	2.50%	2.50%	2.50%
1/6/2024	2.25%	2.25%	2.25%
7/1/2024	N/A	N/A	3.25%
1/4/2025	3.00%	3.00%	N/A
7/1/2025	3.00%	3.00%	N/A

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The additional merit component:

Table B-2					
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

Extra covered wages in the last year before service retirement are assumed to be as follows:

Table B-3	
Safety	3.0%
Muni Drivers	4.5%
Craft Workers	3.0%
Miscellaneous	2.0%

10. Cost-of-Living Increase in Benefits

Basic COLA

Old Plans – Miscellaneous	2.0% per year
New Plans – Police, Fire, and Miscellaneous	2.0% per year
Old Plans – Police and Fire, Charters 8.559 and 8.585	3.6% per year
Old Plans – Police and Fire, Charters 8.595 and 8.596	2.5% per year
Old Plans – Police and Fire, pre-7/1/75 dates of retirement	1.9% per year

Old Safety COLA assumptions are based on the following formula rounded up to one decimal place:

$$(\text{Wage Inflation} + \text{Ultimate Merit}) \div 2 \times \text{Factor}$$

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For retirements after 6/30/75, the Factor represents the ratio of the average salary for the last position held to the average pension benefit.

For Charters 8.559 and 8.585, the factor is 1.9
 For Charters 8.595 and 8.596, the factor is 1.3
 For pre-7/1/75 dates of retirement, the factor is 1.0

Supplemental COLA

For purposes of the actuarial valuation and the determination of contribution rates for FYE 2025, future Supplemental COLAs are assumed to be 0%.

For purposes of the projections, in years when the return equals the assumption, future Supplemental COLAs are assumed to be granted approximately:

- 50% of the time for members who are eligible for a Supplemental COLA regardless of the System's funded status, and
- 33.3% of the time for members who are eligible for a Supplemental COLA only if the System is also 100% funded.

In years when the return differs from the assumption, Supplemental COLAs are estimated based on the investment return.

11. Rates of Termination of Employment

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

Table B-4			
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

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

Table B-5 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

When members are eligible to retire, it is assumed that their termination rates are zero. 20% of Miscellaneous, Muni Drivers, and Craft and 40% of Safety terminating employees are assumed to subsequently work for a reciprocal employer and receive pay increases equal to the wage inflation assumption.

In estimating termination benefits for Miscellaneous members, it is assumed that employee contribution rates are, on average, not changed by the floating contribution rate provisions of Proposition C.

12. Member Refunds

Non-vested terminated members are assumed to receive a refund of their contributions with interest. Sample rates of refund for terminated vested members are shown below. Muni Drivers and Craft members are included with Miscellaneous members.

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Table B-6 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

In estimating refund amounts, it is assumed that future employee contribution rates are, on average, not changed by the floating contribution rate provisions of Proposition C.

13. Rates of Disability

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

Table B-7 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

Table B-8 Level of duty disability benefits (if projected to be disabled before service retirement eligibility)	
Police	55% of pay
Fire	55% of pay

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14. Base Rates of Mortality for Healthy Lives

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 on the following page. Base mortality tables are developed by multiplying a published table by an adjustment factor that was developed in the experience study for the period ending June 30, 2019. The base mortality tables for healthy lives are described on the following page.

Table B-9			
	Published Table	Adjustment Factor	
		Male	Female
Non-Annuitants			
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979
Retirees			
Miscellaneous	PubG-2010 Retiree	1.031	0.977
Safety	PubS-2010 Retiree	0.947	1.044
Beneficiaries			
Miscellaneous	PubG-2010 Retiree	1.031	0.977
Safety	PubG-2010 Retiree	1.031	0.977

Muni Drivers and Craft members are included with Miscellaneous members for mortality assumptions. For active members, 25% of Safety deaths and 0% of Miscellaneous (including Muni Drivers and Craft) deaths are assumed to be duty related.

15. Base Rates of Mortality for Retired Disabled Lives

For disabled annuitant mortality, separate base tables are developed for males and females and for Miscellaneous (including Muni Drivers and Craft) and Safety members by multiplying a published table by an adjustment factor that was developed in the experience study for the period ending June 30, 2019. The base mortality tables for disabled annuitant lives are described below.

Table B-10			
	Published Table	Adjustment Factor	
		Male	Female
Disabled Annuitants			
Miscellaneous	PubG-2010 Disabled	1.045	1.003
Safety	PubS-2010 Disabled	0.916	0.995

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16. 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.

17. Rates of Retirement

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).

Table B-11						
Police Rates of Retirement						
Age	Other than Prop C			Prop C		
	Years of Service			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

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Table B-12						
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

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Table B-13						
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

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Table B-14 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

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

Table B-15						
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

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APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

The assumed retirement age for inactive terminated vested members and actives who are expected to terminate is shown below. Muni Drivers and Craft members are included with Miscellaneous members.

Table B-16		
Deferred Retirement Age		
	Non-Prop C	Prop C
Safety	51	55
	Non-Reciprocal	Reciprocal
Miscellaneous	55	60

18. Family Composition

The percentage assumed to be married (including assumption for Domestic Partners, 1994 Proposition H) is shown below. Spouses of male members are assumed to be three years younger than the member and spouses of female members are assumed to be two years older than the member. Muni Drivers and Craft members are included with Miscellaneous members.

Table B-17	
Percentage Married	
Safety Males	80%
Safety Females	60
Miscellaneous Males	75
Miscellaneous Females	55

19. Deferred Member Benefit Amount

The benefit was estimated based on information provided by SFERS staff. The data used to estimate the deferred benefit were date of birth, date of hire, date of termination, and last pay. Based on the data provided, service credit, highest average salary, and deferred retirement age were estimated. The estimates were used to compute the retirement benefit, upon which the liabilities are based. For those members without sufficient data or service, accumulated member contribution balances, with interest, were used as the Actuarial Liability.

20. Timing of Contributions

Employer and employee contributions are made throughout the year.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

21. Changes Since Last Valuation

None.

B. 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. This contribution allocation procedure, combined with reasonable assumptions, produces a Reasonable Actuarially Determined Contribution as defined in Actuarial Standard of Practice No. 4. The contribution allocation procedure was selected to balance benefit security, intergenerational equity, and the stability of actuarially determined contributions. The selection also considered the demographics of plan members, the funding goals and objectives of the Board, and the need to accumulate assets to make benefit payments when due. All components of the contribution allocation procedure were established prior to the July 1, 2008 actuarial valuation except the amortization method, which was most recently modified by the Board at their November 10, 2021 meeting.

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 termination of employment. The normal costs calculated relate only to current member payroll. The Actuarial Liability is the difference between the present value of future benefits and the present value of future normal cost.

2. Asset Valuation Method

For the purposes of determining the Employer's contribution to SFERS, we use a smoothed Actuarial Value of Assets to dampen the volatility in asset values that could occur because of fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process.

The actuarial value is calculated by recognizing 20% of each of the past five years of actual investment returns compared to the expected return (7.20% for the years ending 2022-2023, 7.40% for the years ending 2019-2021) on the actuarial asset value. The expected return on Actuarial Value of Assets is determined using SFERS actual cash flows and the assumed return. The balance of the actual investment experience is recognized in a similar fashion in future years.

This asset smoothing method started with the market value as of July 1, 2004.

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APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

3. Amortization Method

Any Charter change prior to July 1, 2014 has been amortized over 20 years from the date it was first recognized in the valuation. After July 1, 2014, any changes to active member benefits are amortized over a closed 15-year period, and any new changes to inactive or retired member benefits, including Supplemental COLAs, are amortized over a closed five-year period.

The UAL not attributable to Charter changes as of July 1, 2013, was amortized over a closed 19-year period as of July 1, 2014. Any sources of UAL due to actuarial gains and losses, assumption changes, or method changes are amortized over closed, layered 20-year periods.

If the System becomes 100% funded based on the Actuarial Value of Assets, any subsequent unexpected changes in the UAL are amortized over a rolling 20-year period until the System is no longer 100% funded.

Effective with the July 1, 2021 valuation, the remaining amortization periods for assumption changes prior to July 1, 2021 and all prior actuarial gains and losses (including the gain for 2021) were reduced to five years.

All amortization payment amounts increase each year at the assumed wage inflation rate.

4. Changes Since Last Valuation

None.

**APPENDIX C – SUMMARY OF PLAN PROVISIONS
(OLD POLICE AND FIRE)**

I. Old Police and Fire Members – Charter Sections 8.559 and 8.595 (Police) and 8.585 and 8.596 (Fire)

1. Membership Requirement

Charter Sections 8.559 and 8.585

Police Officers and Firefighters who became members before November 2, 1976 and retired on or before December 31, 2002 without electing membership in another Section.

Charter Sections 8.595 and 8.596

Active members on November 5, 2002 in Section 8.559 (Police) or Section 8.585 (Fire) who elected to switch to Section 8.595 (Police) or Section 8.596 (Fire) by December 31, 2002.

2. Final Compensation

Monthly salary earnable at the final rank held at termination date, or monthly salary at next lower rank if final rank held for less than one year.

3. Credited Service

One year of service credit is given for each fiscal year with 10 or more full months worked. A partial year (fraction with the numerator equal to months including partial months, and the denominator equal to 10) is given for each fiscal year with less than 10 full months worked.

4. Member Contributions

a. Member:

7.0% of salary, excluding overtime and most premium pay. These contributions are credited with interest annually as determined by the Board.

Charter Sections 8.585, 8.595, and 8.596

Depending on the employer contribution rate, the member contribution rate can increase or decrease by up to 6% of pay.

b. Employer:

The Employer contributes the remaining amounts necessary to maintain the soundness of the Retirement System. Any decrease in the member contribution rate is paid by the City.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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**APPENDIX C – SUMMARY OF PLAN PROVISIONS
(OLD POLICE AND FIRE)**

5. Service Retirement

Eligibility

Age 50 with 25 years of Credited Service.

Benefit – Member

Charter Sections 8.559 and 8.585

55% of Final Compensation plus an additional 4% of Final Compensation for each year of credited service in excess of 25 years, subject to a maximum of 75% of Final Compensation.

Charter Sections 8.595 and 8.596

A specified percent of Final Compensation based on the member's age at retirement (factors shown in Table C-1 below) for each year of Credited Service, subject to a maximum of 90% of Final Compensation.

Table C-1 San Francisco City and County Employees' Retirement System Sections 8.595 (Police) and 8.596 (Fire) – Service Retirement Factors	
Retirement Age	Retirement Factors
50	2.40%
51	2.52%
52	2.64%
53	2.76%
54	2.88%
55 or above	3.00%

Benefit – Survivor

75% of the service retirement benefit paid to a qualified survivor.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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APPENDIX C – SUMMARY OF PLAN PROVISIONS
(OLD POLICE AND FIRE)

6. Non-Industrial Disability

Eligibility

10 years of Credited Service.

Benefit – Member

At least 10 but less than 25 years of Credited Service:

1.5% of Final Compensation for each year of Credited Service between 10 and 25 years, subject to a minimum of 33.3% and a maximum of 75% of Final Compensation for Charter Sections 8.559 and 8.585 or 90% of Final Compensation for Charter Sections 8.595 and 8.596.

At least 25 years of Credited Service:

Service retirement benefit determined at date of disability.

Benefit – Survivor

75% of the disability retirement benefit paid to a qualified survivor.

7. Industrial Disability

Eligibility

No age or service requirement.

Benefit – Member

If Not Eligible for Service Retirement:

Final Compensation times a percentage of disability, subject to a minimum of 50% and a maximum of 90%, as determined by the Workers' Compensation Appeals Board. Once the member becomes eligible for service retirement, assuming that member earned service and salary increases during the period of disability, the benefit is recalculated using the service and salary rate for the current rank held. The recalculated benefit is based on a minimum of 55% of Final Compensation.

If Eligible for Service Retirement:

Service retirement benefit determined at date of disability, but not less than 55% of Final Compensation.

APPENDIX C – SUMMARY OF PLAN PROVISIONS
(OLD POLICE AND FIRE)

Benefit – Survivor

If Not Eligible for Service Retirement:

100% of the disability retirement benefit paid to a qualified survivor. Once the member would have become eligible for service retirement, assuming that member earned service and salary increases from the date of disability to the eligible service retirement date, the benefit is recalculated at 100% of the service retirement benefit, using the service and salary at the eligible service retirement date, not less than 55% of Final Compensation.

If Eligible for Service Retirement:

100% of the disability retirement benefit paid to a qualified survivor, not less than 55% of Final Compensation.

8. Death while an Active Employee

If Death is due to a Non-Work-Related Cause:

- a. Less than 10 Years of Credited Service, or No Qualified Survivor – Lump sum benefit equal to the accumulated refund of all employee contributions with interest, plus six months' salary to a designated beneficiary.
- b. At least 10 but less than 25 years of Credited Service – Monthly continuation allowance to a qualified survivor equal to the non-industrial disability benefit the member would have been entitled to on the date of death, subject to a minimum of 33.3% of compensation at the time of death.
- c. At Least 25 Years of Credited Service but Less than Age 50 – Monthly continuation allowance to a qualified survivor equal to 75% of the monthly service retirement benefit the member would have received had the member been age 50 and retired on the date of death.
- d. Eligible for Service Retirement – Monthly continuation allowance to a qualified survivor equal to 75% of the monthly service retirement benefit the member would have received had the member been retired on the date of death.

If Death is due to a Work-Related Cause:

- a. No Qualified Survivor – Lump sum benefit equal to the accumulated refund of all employee contributions with interest, plus six months' salary to a designated beneficiary. If the death is of a violent nature, an additional lump sum equivalent benefit equal to 12 months' salary is payable.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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**APPENDIX C – SUMMARY OF PLAN PROVISIONS
(OLD POLICE AND FIRE)**

- b. Qualified Survivor and Not Eligible for Service Retirement – Monthly continuation allowance to a qualified survivor equal to the salary at the date of death. Once the member would have become eligible for service retirement, assuming that member earned service and salary increases from the date of death to the eligible service retirement date, the benefit is recalculated at 100% of the service retirement benefit, using the service and salary at the eligible service retirement date, such allowance shall not be less than 55% of Final Compensation.
- c. Qualified Survivor and Eligible for Service Retirement – Monthly continuation allowance to a qualified survivor equal to 100% of the monthly service retirement benefit the member would have received had the member been retired on the date of death, but such allowance shall not be less than 55% of Final Compensation.

9. Withdrawal Benefits

Less than five years of Credited Service:

Lump sum benefit equal to the accumulated employee contributions with interest.

Five or more years of Credited Service:

The member may choose one of the following:

- a. Lump sum benefit equal to the accumulated employee contributions with interest.

- b. **Charter Sections 8.559 and 8.585:** Retirement benefit first payable at age 50 equal to 55% of Final Compensation at termination, multiplied by a service fraction, the numerator being the Credited Service of the member at termination, and a denominator of 25.

Charter Sections 8.595 and 8.596: A specified percent of Final Compensation based on the member's age at retirement (factors shown in Table C-1) for each year of Credited Service, subject to a maximum of 90% of Final Compensation.

Cost-of-living adjustments are prorated if the member's accrued service is less than 25 years. COLA will be multiplied by a fraction where the denominator is 25 and the numerator is equal to service at date of termination.

10. Additional Post-retirement Death Benefit

A death benefit payable as a lump sum equal to \$100 for each full year of Credited Service, subject to a maximum of \$3,000, will be paid to a qualified survivor upon the member's death.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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**APPENDIX C – SUMMARY OF PLAN PROVISIONS
(OLD POLICE AND FIRE)**

11. Post-retirement Cost-of-Living Benefit

Basic

Monthly benefits are adjusted by 50% of the actual dollar increase or decrease (50% of the percentage increase or decrease, applied to the monthly benefits excluding Supplemental COLA amounts, for members under Proposition H) in the salary rank or position the member's Final Compensation used to calculate the monthly benefit was based on. A member's monthly benefit will never decrease below its original amount.

Supplemental

Effective July 1 of each fiscal year, if the Retirement System was fully funded based on the Market Value of Assets for the previous year and there are sufficient "excess" investment earnings on the Retirement fund for the previous fiscal year-end, the adjustment could be increased to 3.5% of that member's current monthly benefit less the amount of the Basic COLA above. If "excess" earnings are insufficient to fund a 3.5% increase, then to the extent of "excess" earnings, benefits are increased in increments of 0.5% up to a maximum of 3.5%. For members who worked after November 6, 1996, and before Proposition C passed in 2012, the Supplemental COLA is payable if there are "excess" investment earnings regardless of whether or not the System was fully funded.

12. Changes in this Valuation

None.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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**APPENDIX C – SUMMARY OF PLAN PROVISIONS
(NEW POLICE AND FIRE)**

II. New Police and Fire Members – Charter Sections (Police) 8.586, 8.597, 8.602, and 8.605; (Fire) 8.588, 8.598, 8.601, and 8.604; (Sheriff's Department) 8.608; (Miscellaneous Safety) 8.610

1. Membership Requirement

Charter Sections 8.586 and 8.588

Police Officers and Firefighters who became members on or after November 2, 1976.

Charter Sections 8.597 and 8.598

Active members on January 1, 2003 in Section 8.586 (Police) or Section 8.588 (Fire) who had elected to switch to Section 8.597 (Police) or Section 8.598 (Fire) by December 31, 2002; or, new members becoming active on or after January 1, 2003 in Section 8.597 (Police) or Section 8.598 (Fire).

Charter Sections 8.601 and 8.602

Persons who become members of the fire or police department on or after July 1, 2010 and prior to January 7, 2012.

Charter Sections 8.604 and 8.605

Persons who become members of the fire or police department on or after January 7, 2012.

Charter Section 8.608

Sheriff, undersheriffs, and all deputized personnel of the sheriff's department hired on or after January 7, 2012.

Charter Section 8.610

Miscellaneous Safety members hired on or after January 7, 2012.

2. Final Compensation

Charter Sections 8.586, 8.588, 8.597, and 8.598

Average monthly total compensation earnable during any 12 months of Credited Service which average compensation is the highest.

(Pre 1998 – three- year average of monthly compensation)

Charter Sections 8.601 and 8.602

Average monthly total compensation earnable during the higher of any two consecutive fiscal years of earnings or the twenty-four months of earnings immediately prior to retirement.

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**APPENDIX C – SUMMARY OF PLAN PROVISIONS
(NEW POLICE AND FIRE)**

Charter Sections 8.604, 8.605, 8.608, and 8.610

Average monthly total compensation earnable during the higher of any three consecutive fiscal years of earnings or the thirty-six months of earnings immediately prior to retirement. Compensation for any fiscal year shall not include remuneration that exceeds 75% of the IRC 401(a)(17) compensation limit.

3. Credited Service

One year of service credit is given for each fiscal year with 10 or more full months worked. A partial year (fraction with the numerator equal to months including partial months, and the denominator equal to 10) is given for each fiscal year with less than 10 full months worked.

4. Member Contributions

a. Member:

Charter Sections 8.586, 8.588, 8.597, and 8.598

7.5% of salary, excluding overtime and most premium pay. These contributions are credited with interest annually as determined by the Board.

Depending on the employer contribution rate, the member contribution rate can increase or decrease by up to 6% of pay.

Charter Sections 8.601, 8.602, 8.604, 8.605, 8.608, and 8.610

9.0% of salary, excluding overtime and most premium pay. These contributions are credited with interest annually as determined by the Board.

Depending on the employer contribution rate, the member contribution rate can increase or decrease by up to 4% of pay if the base pay rate is less than \$48 per hour or up to 5% of pay if the base pay rate is at or greater than \$48 per hour.

b. Employer:

The Employer contributes the remaining amounts necessary to maintain the soundness of the Retirement System. Any decrease in the member contribution rate is paid by the City.

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**APPENDIX C – SUMMARY OF PLAN PROVISIONS
(NEW POLICE AND FIRE)**

5. Service Retirement

Eligibility

Age 50 with five years of Credited Service. *(Pre 1998 – 50 with 25 years of Credited Service)*

Benefit – Member

Charter Sections 8.586 and 8.588

The monthly service retirement benefit is the greater of i) and ii) below, subject to a maximum of 75% of Final Compensation *(Pre 1998 – 70%)*

- i) 2% of Final Compensation for each of the first 25 years of service plus an additional 3% of Average Compensation for each year of Credited Service in excess of 25 years; *(Pre 1998 – benefit is calculated under i) only);*
- ii) A specified percent of Final Compensation based on the member's age at retirement (factors shown in Table C-2 below) for each year of Credited Service.

Table C-2	
San Francisco City and County Employees' Retirement System	
Sections 8.586 (Police) and 8.588 (Fire) – Service Retirement Factors	
Retirement Age	Retirement Factors
50	2.00%
51	2.14%
52	2.28%
53	2.42%
54	2.56%
55 or above	2.70%

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Charter Sections 8.597, 8.598, 8.601, and 8.602

A specified percent of Final Compensation based on the member's age at retirement (factors shown in Table C-3 below) for each year of Credited Service, subject to a maximum of 90% of Final Compensation.

Table C-3 San Francisco City and County Employees' Retirement System Sections 8.597 and 8.601 (Police), 8.598 and 8.602 (Fire) Service Retirement Factors	
Retirement Age	Retirement Factors
50	2.40%
51	2.52%
52	2.64%
53	2.76%
54	2.88%
55 or above	3.00%

Charter Sections 8.604, 8.605, and 8.608

A specified percent of Final Compensation based on the member's age at retirement (factors shown in Table C-4 below) for each year of Credited Service, subject to a maximum of 90% of Final Compensation.

Table C-4 San Francisco City and County Employees' Retirement System Sections 8.605 (Police), 8.604 (Fire) and 8.608 (Sheriff's Department) – Service Retirement Factors	
Retirement Age	Retirement Factors
50	2.20%
51	2.30%
52	2.40%
53	2.50%
54	2.60%
55	2.70%
56	2.80%
57	2.90%
58 and above	3.00%

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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**APPENDIX C – SUMMARY OF PLAN PROVISIONS
(NEW POLICE AND FIRE)**

Charter Sections 8.610

A specified percent of Final Compensation based on the member's age at retirement (factors shown in Table C-5 below) for each year of Credited Service, subject to a maximum of 90% of Final Compensation.

Table C-5 San Francisco City and County Employees' Retirement System Section 8.610 (Miscellaneous Safety) – Service Retirement Factors	
Retirement Age	Retirement Factors
50	1.800%
51	1.912%
52	2.020%
53	2.132%
54	2.244%
55	2.356%
56	2.468%
57	2.590%
58 or above	2.700%

Benefit – Survivor

50% of the service retirement benefit paid to a qualified survivor.

6. Non-Industrial Disability

Eligibility

10 years of Credited Service.

Benefit – Member

1.5% of Average Compensation for each year of Credited Service, subject to a minimum of 33.3% of Final Compensation, subject to a maximum of 75% of Final Compensation for Charter Sections 8.586 and 8.588 or 90% of Final Compensation for all other Charter Sections.

Benefit – Survivor

50% of the disability retirement benefit paid to a qualified survivor.

APPENDIX C – SUMMARY OF PLAN PROVISIONS
(NEW POLICE AND FIRE)

7. Industrial Disability

Eligibility

No age or service requirement.

Benefit – Member

Less than age 50 with 25 Years of Service:

Final Compensation times a percentage of disability, subject to a minimum of 50% and a maximum of 90%, as determined by the Workers' Compensation Appeals Board. If the member is age 50 with five years of service, the disability benefit is the service retirement allowance, but not less than 50% of Final Compensation. Once the member becomes eligible for qualified service retirement, assuming that member earned service and salary increases during the period of disability, the benefit is recalculated using the service and salary rate for the rank held at retirement. The recalculated benefit is based on a minimum of 50% of Final Compensation (not to exceed 90% of Final Compensation for Charter Sections 8.597, 8.598, 8.601, 8.602, 8.608, and 8.610).

Age 50 with 25 Years of Service:

The service retirement allowance, but not less than 50% of Final Compensation.

Benefit – Survivor

75% of the disability retirement benefit paid to a qualified survivor.

8. Death while an Active Employee

If Death is Due to a Non-Work-Related Cause:

- a. Less than 10 Years of Credited Service, or No Qualified Survivor – Lump sum benefit equal to the accumulated refund of all employee contributions with interest, plus six months' salary to a designated beneficiary.
- b. At least 10 but less than 25 years of Credited Service – Monthly continuation allowance to a qualified survivor equal to the non-industrial disability benefit the member would have been entitled to on the date of death, subject to a minimum of 33.3% of Average Compensation at the time of death.
- c. At Least 25 Years of Credited Service but Less than Age 50 – Monthly continuation allowance to a qualified survivor equal to 50% of the monthly service retirement benefit the member would have received had the member been age 50 and retired on the date of death.

APPENDIX C – SUMMARY OF PLAN PROVISIONS
(NEW POLICE AND FIRE)

- d. Age 50 with 25 Years of Credited Service – Monthly continuation allowance to a qualified survivor equal to 50% of the monthly service retirement benefit the member would have received had the member been retired on the date of death.

If Death is Due to a Work-Related Cause:

- a. No Qualified Survivor – Lump sum benefit equal to the accumulated refund of all employee contributions with interest, plus six months' salary to a designated beneficiary. For Charter Sections 8.586 and 8.588, if the death is of a violent nature, an additional lump sum equivalent benefit equal to 12 months' salary is payable.
- b. Qualified Survivor and Less than Age 50 with 25 Years of Service – Monthly continuation allowance to a qualified survivor equal to 100% (*Pre 1998 – 75%*) of Final Compensation at the date of death. Once the member would have completed 25 years of service and attained age 50, assuming that member earned service and salary increases from the date of death to the eligible service retirement date, the benefit is recalculated at 100% of the service retirement benefit, using the service and salary at the eligible service retirement date. Such allowance shall not be less than 50% of Final Compensation (For Chapter Sections 8.597, 8.598, 8.601, 8.602, 8.608, and 8.610 not to exceed 90% of Final Compensation).
- c. Qualified Survivor and Age 50 with 25 Years of Service – Monthly continuation allowance to a qualified survivor equal to 100% (*Pre 1998 – 75%*) of the monthly service retirement benefit the member would have received had the member been retired on the date of death, not less than 50% of Final Compensation.

9. **Withdrawal Benefits**

Less than five years of Credited Service:

Lump sum benefit equal to the accumulated employee contributions with interest.

Five or more years of Credited Service:

The member may choose one of the following:

- a. Lump sum benefit equal to the accumulated refund all of employee contributions with interest.
- b. **Charter Sections 8.586 and 8.588:** Retirement benefit first payable at age 50 equal to 2% of Final Compensation at termination for each year of credited service of the member at the date of termination.

Charter Sections 8.597, 8.598, 8.601, 8.602, 8.604, 8.605, 8.608, and 8.610: A specified percent of Final Compensation at termination based on the member's age at retirement (factors shown in Table C-3, C-4, and C-5) for each year of Credited Service, subject to a maximum of 90% of Final Compensation, payable at age 50.

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**APPENDIX C – SUMMARY OF PLAN PROVISIONS
(NEW POLICE AND FIRE)**

10. Additional Post-retirement Death Benefit

A death benefit payable as a lump sum equal to \$100 for each full year of Credited Service, subject to a maximum of \$3,000, will be paid to a qualified survivor upon the member's death.

11. Post-retirement Cost-of-Living Benefit

Basic

Monthly benefits are increased or decreased each July 1 by a maximum of 2% per year of the initial monthly benefit. A member's monthly benefit will never decrease below its original amount. Effective July 1, 2009, monthly benefits are increased or decreased by a maximum of 2% of the prior year's monthly benefit.

Supplemental

Effective July 1 of each fiscal year, if the Retirement System was fully funded based on the Market Value of Assets for the previous year and there are sufficient "excess" investment earnings on the Retirement fund for the previous fiscal year-end, the adjustment could be increased to 3.5% of that member's current monthly benefit less the amount of the Basic COLA above. If "excess" earnings are insufficient to fund a 3.5% increase, then to the extent of "excess" earnings, benefits are increased in increments of 0.5% up to a maximum of 3.5%. For members who worked after November 6, 1996, and before Proposition C passed in 2012, the Supplemental COLA is payable if there are "excess" investment earnings regardless of whether or not the System was fully funded.

12. Changes in this Valuation

None.

APPENDIX C – SUMMARY OF PLAN PROVISIONS
(MISCELLANEOUS)

III. Miscellaneous Members – Charter Sections 8.509, 8.587, 8.600, and 8.603

1. Membership Requirement

Charter Section 8.509

Employees and Officers, other than Police Officers or Firefighters, who became members before November 2, 1976 and continued as a member without interruption.

Charter Section 8.587

Active Employees and Officers, other than Police Officers or Firefighters, who were members under Section A8.584, and members under A8.587, whose accumulated contributions were in the retirement fund on November 7, 2000 and were not retired. After November 7, 2000, all full-time employees, certified Civil Service employees, or temporary employees who work more than 1,040 hours in any 12-month period; excluding all Police Officers and Firefighters.

Charter Section 8.600

Employees and Officers, other than Police Officers or Firefighters, who become employed on or after July 1, 2010, and prior to January 7, 2012.

Charter Section 8.603

Employees and Officers, other than Police Officers or Firefighters, who become employed on or after January 7, 2012.

2. Average Final Compensation

Charter Sections 8.509 and 8.587

Average monthly compensation earned during any year of Credited Service which average compensation is the highest.

Charter Section 8.600

Average monthly compensation earned during the higher of any two consecutive fiscal years of earnings or the twenty-four months of earnings immediately prior to retirement.

Charter Section 8.603

Average monthly compensation earned during the higher of any three consecutive fiscal years of earnings or the 36 consecutive months of earnings immediately prior to retirement. Compensation for any fiscal year shall not include remuneration that exceeds 85% of the IRC 401(a)(17) compensation limit.

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**APPENDIX C – SUMMARY OF PLAN PROVISIONS
(MISCELLANEOUS)**

3. Credited Service

One year of service credit is given for each fiscal year with 10 or more full months worked. A partial year (fraction with the numerator equal to months including partial months, and the denominator equal to 10) is given for each fiscal year with less than 10 full months worked. (Exception: for Charter 8.509 members, in the year of retirement, the denominator in the fraction is equal to 12).

4. Member Contributions

a. Member:

Charter 8.509

8.0% of salary.

Charter 8.587, 8.600, and 8.603

7.5% of salary, excluding overtime and most premium pay.

Depending on the employer contribution rate and the base rate of pay of the member beginning on July 1, 2012, the member contribution rate can increase or decrease by up to maximum percentage of pay shown in the following table:

Hourly Rate of Pay*	Maximum Increase / Decrease in Contribution Rate
< \$24	0%
\$24 - \$48	4%
>= \$48	5%

**Adjusted each fiscal year by the percentage increase in the cost-of-living during the previous calendar year, based on the San Francisco-Oakland-San José CPI-U Index, but not to exceed 3.5%.*

These contributions are credited with interest annually as determined by the Board.

If the member elects Social Security, the contributions to the System may be reduced by the amount contributed to Social Security (excluding the Medicare portion). Retirement benefits are actuarially reduced by the shortage, which is the difference between contributions paid at the 8%/7.5% rate and contributions actually paid, plus plan interest.

b. Employer:

The Employer contributes the remaining amounts necessary to maintain the soundness of the Retirement System. Any decrease in the member contribution rate is paid by the City.

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**APPENDIX C – SUMMARY OF PLAN PROVISIONS
(MISCELLANEOUS)**

5. Service Retirement

Eligibility

Charter Section 8.509, 8.587, and 8.600

Age 50 with 20 years of Credited Service, or age 60 with 10 years of Credited Service.

Charter Section 8.603

Age 53 with 20 years of Credited Service, age 60 with 10 years of Credited Service, or age 65.

Benefit – Member

Charter Section 8.509, 8.587, and 8.600

The monthly service retirement benefit is the greater of i), subject to a maximum of 75% of Average Final Compensation, and ii) below.

- i) A specified percent of Average Final Compensation based on the member’s age at retirement (factors shown in Table C-6 below) for each year of Credited Service, effective January 11, 2009.

Table C-6			
San Francisco City and County Employees' Retirement System			
Section 8.509, 8.587, and 8.600 Member Service Retirement Factors			
Retirement Age	Retirement Factors	Retirement Age	Retirement Factors
50	1.0%	57	1.7%
51	1.1%	58	1.8%
52	1.2%	59	1.9%
53	1.3%	60	2.1%
54	1.4%	61	2.2%
55	1.5%	62 or above	2.3%
56	1.6%		

- ii) The actuarial equivalent of twice the member’s accumulated contributions with interest.

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**APPENDIX C – SUMMARY OF PLAN PROVISIONS
(MISCELLANEOUS)**

Charter Section 8.603

The monthly service retirement benefit is a specified percent of Average Final Compensation based on the member's age at retirement subject to a maximum of 75% of Average Final Compensation (factors shown in Table C-7 below).

Table C-7 San Francisco City and County Employees' Retirement System Section 8.603 Member Service Retirement Factors			
Retirement Age	Retirement Factors	Retirement Age	Retirement Factors
53	1.000%	60	1.756%
54	1.108%	61	1.864%
55	1.216%	62	1.972%
56	1.324%	63	2.080%
57	1.432%	64	2.188%
58	1.540%	65 or above	2.300%
59	1.648%		

Benefit – Survivor

50% of the service retirement benefit paid to a qualified survivor.

6. Disability

Eligibility

10 years of Credited Service.

Benefit – Member

1.8% of Average Final Compensation for each year of Credited Service, maximum of 75% of Average Final Compensation. If the benefit is less than 40% of Average Final Compensation, additional Credited Service had the member worked to age 60 can be added to the current Credited Service, in order to adjust the benefit to 40% of Average Final Compensation.

Benefit – Survivor

50% of the disability retirement benefit paid to a qualified survivor.

APPENDIX C – SUMMARY OF PLAN PROVISIONS
(MISCELLANEOUS)

7. Death while an Active Employee

If Not Eligible for Service Retirement:

Lump sum benefit equal to the accumulated refund of all employee contributions with interest, plus six months' salary to a designated beneficiary. If the death is of a violent nature and job-related, an additional lump sum equivalent benefit equal to 12 months' salary is payable.

If Eligible for Service Retirement:

A qualified spouse may elect i) or ii) below:

- i) Lump sum benefit equal to the accumulated refund of all employee contributions with interest, plus six months' salary to a designated beneficiary.
- ii) A benefit equal to 50% of the service retirement benefit the member would have received had the member retired for service on the date of death.

8. Withdrawal Benefits

Charter 8.509 members with less than 10 years of Credited Service or less than \$1,000 in accumulated contributions and Charter 8.587, 8.600, and 8.603 members with less than five years of Credited Service:

Lump sum benefit equal to the accumulated employee contributions with interest.

Charter 8.509 members with 10 or more years of Credited Service or accumulated contributions exceeding \$1,000 and Charter 8.587 and 8.600 members with five or more years of Credited Service:

The member may choose one of the following:

- i) Lump sum benefit equal to the accumulated refund all of employee contributions with interest.
- ii) A deferred retirement benefit payable on or after age 50 equal to the actuarial equivalent of twice the member's accumulated contributions with interest as of the retirement date.

Charter 8.603 members with five or more years of Credited Service:

The member may choose one of the following:

- i) Lump sum benefit equal to the accumulated refund all of employee contributions with interest.
- ii) A deferred retirement benefit payable on or after age 53 equal to the actuarial equivalent of 150% of the member's accumulated contributions with interest as of the retirement date.

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**APPENDIX C – SUMMARY OF PLAN PROVISIONS
(MISCELLANEOUS)**

9. Additional Post-retirement Death Benefit

A death benefit payable as a lump sum equal to \$100 for each full year of Credited Service, subject to a maximum of \$3,000, will be paid to a qualified survivor upon the member's death.

10. Post-retirement Cost-of-Living Benefit

Basic

Monthly benefits are adjusted each July 1 by the accumulated change in the Consumer Price Index to the nearest 1%, with a maximum increase or decrease of 2% per year of the prior year's monthly benefit. A member's monthly benefit will never decrease below its original amount.

Supplemental

Effective July 1 of each fiscal year, if the Retirement System was fully funded based on the Market Value of Assets for the previous year and there are sufficient "excess" investment earnings on the Retirement fund for the previous fiscal year-end, the adjustment could be increased to 3.5% of that member's current monthly benefit less the amount of the Basic COLA above. If "excess" earnings are insufficient to fund a 3.5% increase, then to the extent of "excess" earnings, benefits are increased in increments of 0.5% up to a maximum of 3.5%. For members who worked after November 6, 1996, and before Proposition C passed in 2012, the Supplemental COLA is payable if there are "excess" investment earnings regardless of whether or not the System was fully funded.

11. Changes in this Valuation

None.

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**APPENDIX C – SUMMARY OF PLAN PROVISIONS
(COST SHARING PROVISIONS)**

IV. Cost Sharing Provisions – Adjusted Contribution Rates

The table below shows the adjustment to the employee contribution rate based on the calculated net employer contribution rate. There are three different adjustment schedules which apply to different groups of employees.

Net Employer Contribution Rate	Adjustment to Employee Contribution Rate		
	Group 1	Group 2	Group 3
0.00% – 0.00%	-4.00%	-5.00%	-6.00%
0.01% – 1.00%	-4.00%	-4.50%	-5.00%
1.01% – 2.50%	-3.75%	-4.25%	-4.75%
2.51% – 4.00%	-3.50%	-4.00%	-4.50%
4.01% – 5.50%	-2.50%	-3.00%	-3.50%
5.51% – 7.00%	-2.00%	-2.50%	-3.00%
7.01% – 8.50%	-1.50%	-2.00%	-2.00%
8.51% – 10.00%	-1.00%	-1.50%	-1.50%
10.01% – 11.00%	-0.50%	-0.50%	-0.50%
11.01% – 12.00%	0.00%	0.00%	0.00%
12.01% – 13.00%	0.50%	0.50%	0.50%
13.01% – 15.00%	1.00%	1.50%	1.50%
15.01% – 17.50%	1.50%	2.00%	2.00%
17.51% – 20.00%	2.00%	2.50%	3.00%
20.01% – 22.50%	2.50%	3.00%	3.50%
22.51% – 25.00%	3.50%	4.00%	4.50%
25.01% – 27.50%	3.50%	4.00%	4.50%
27.51% – 30.00%	3.75%	4.25%	4.75%
30.01% – 32.50%	3.75%	4.25%	4.75%
32.51% – 35.00%	4.00%	4.50%	5.00%
35.01% +	4.00%	5.00%	6.00%

Group 1: Miscellaneous members earning between \$24 per hour and \$48 per hour, and Police or Fire members hired after June 30, 2010 earning less than \$48 per hour.

Group 2: Miscellaneous members earning \$48 per hour or more, and Police or Fire members hired after June 30, 2010 earning \$48 per hour or more.

There is no adjustment for Miscellaneous members earning less than \$24 per hour.

The hourly rates shown above are for the fiscal year ending 2013. Each fiscal year these hourly rates are adjusted by the percentage increase, not to exceed 3.5%, in the cost-of-living during the previous calendar year determined by the CPI-U for San Francisco-Oakland-Hayward, CA.

Group 3: Police and Fire members hired before July 1, 2010.

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**APPENDIX C – SUMMARY OF PLAN PROVISIONS
(COST SHARING PROVISIONS)**

Note: The summary of major plan provisions is designed to outline principal plan benefits. If the SFERS staff should find the plan summary not in accordance with the actual provisions, the actuary should immediately be alerted so the proper provisions are valued.

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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APPENDIX D – PROJECTION DETAILS

Historical and Projected Employer Contribution Rates By Scenario Before Cost-Sharing Adjustments							
FYE	Baseline	1-Year Shock		5-Year Moderate		5-Year Significant	
		Negative	Positive	Negative	Positive	Negative	Positive
2015	26.76%						
2016	22.80%						
2017	21.40%						
2018	23.46%						
2019	23.31%						
2020	25.19%						
2021	26.90%						
2022	24.42%						
2023	21.35%						
2024	18.24%						
2025	16.91%	16.91%	16.91%	16.91%	16.91%	16.91%	16.91%
2026	16.43%	17.97%	13.07%	16.04%	16.72%	16.70%	15.96%
2027	16.31%	20.32%	9.11%	15.91%	15.17%	17.89%	12.68%
2028	17.81%	24.37%	6.83%	17.82%	14.51%	21.69%	9.19%
2029	18.97%	28.11%	4.26%	19.82%	12.75%	26.08%	3.39%
2030	17.66%	29.35%	0.00%	19.76%	7.82%	28.81%	0.00%
2031	17.62%	30.60%	0.00%	22.25%	3.54%	33.50%	0.00%
2032	17.64%	30.96%	0.00%	24.54%	1.62%	37.39%	0.00%
2033	17.65%	31.13%	0.41%	26.41%	0.56%	40.32%	0.00%
2034	17.48%	31.02%	0.95%	27.69%	0.12%	42.17%	0.00%
2035	16.94%	30.49%	1.18%	28.19%	0.08%	42.80%	0.00%

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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APPENDIX D – PROJECTION DETAILS

Historical and Projected Funded Ratio Based on Market Assets By Scenario Before Cost-Sharing Adjustments							
Valuation	Baseline	1-Year Shock		5-Year Moderate		5-Year Significant	
		Negative	Positive	Negative	Positive	Negative	Positive
2013	84.1%						
2014	94.3%						
2015	88.9%						
2016	82.6%						
2017	87.2%						
2018	89.8%						
2019	90.6%						
2020	90.2%						
2021	111.8%						
2022	97.6%						
2023	95.3%	95.3%	95.3%	95.3%	95.3%	95.3%	95.3%
2024	95.5%	77.0%	119.5%	92.5%	99.5%	87.1%	105.6%
2025	95.5%	76.5%	120.2%	89.5%	103.9%	79.3%	117.1%
2026	95.4%	76.1%	120.5%	86.4%	108.6%	72.0%	130.2%
2027	95.4%	75.9%	120.4%	83.4%	113.4%	65.1%	144.6%
2028	95.5%	76.2%	120.0%	80.5%	118.6%	59.1%	160.7%
2029	95.8%	76.9%	119.3%	80.5%	118.8%	59.1%	161.3%
2030	95.9%	77.8%	118.2%	80.4%	118.6%	59.4%	161.6%
2031	96.1%	78.8%	117.0%	80.6%	117.8%	60.2%	162.0%
2032	96.2%	79.9%	115.8%	81.0%	116.9%	61.5%	162.4%
2033	96.4%	81.0%	114.7%	81.7%	115.8%	63.2%	162.8%

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
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APPENDIX D – PROJECTION DETAILS

Historical and Projected UAL Based on Market Assets By Scenario Before Cost-Sharing Adjustments							
<i>(Amounts in millions)</i>							
FYE	Baseline	1-Year Shock		5-Year Moderate		5-Year Significant	
		Negative	Positive	Negative	Positive	Negative	Positive
2013	3,213						
2014	1,202						
2015	2,543						
2016	4,249						
2017	3,296						
2018	2,777						
2019	2,720						
2020	2,880						
2021	(3,769)						
2022	793						
2023	1,664	1,664	1,664	1,664	1,664	1,664	1,664
2024	1,670	8,435	(7,215)	2,760	172	4,709	(2,068)
2025	1,732	8,970	(7,777)	3,988	(1,511)	7,847	(6,620)
2026	1,817	9,492	(8,204)	5,336	(3,463)	11,034	(12,170)
2027	1,910	9,934	(8,469)	6,776	(5,651)	14,205	(18,792)
2028	1,930	10,198	(8,632)	8,211	(8,149)	17,235	(26,671)
2029	1,884	10,271	(8,665)	8,561	(8,574)	17,899	(27,938)
2030	1,893	10,257	(8,457)	8,928	(8,768)	18,448	(29,103)
2031	1,895	10,145	(8,210)	9,174	(8,731)	18,755	(30,331)
2032	1,887	9,971	(7,921)	9,291	(8,565)	18,827	(31,626)
2033	1,868	9,740	(7,610)	9,283	(8,303)	18,687	(32,991)

APPENDIX E – GLOSSARY OF TERMS

1. Actuarial Liability

The Actuarial Liability is the difference between the present value of all future system benefits and the present value of total future normal costs. This is also referred to by some actuaries as the “accrued liability” or “actuarial accrued liability.”

2. Actuarial Assumptions

Estimates of future experience with respect to rates of mortality, disability, turnover, retirement rate or rates of investment income, and salary increases. Demographic actuarial assumptions (rates of mortality, disability, turnover, and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

3. Accrued Service

Service credited under the System which was rendered before the date of the actuarial valuation.

4. Actuarial Equivalent

A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.

5. Actuarial Cost Method

A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of a retirement system benefit between future normal cost and actuarial accrued liability. Sometimes referred to as the “actuarial funding method.”

6. Actuarial Gain (Loss)

The difference between actual experience and actuarial assumption anticipated experience during the period between two actuarial valuation dates.

7. Actuarial Present Value

The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payment.

APPENDIX E – GLOSSARY OF TERMS

8. Amortization

Paying off an interest-discounted amount with periodic payments of interest and principal – as opposed to paying off with a lump sum payment.

9. Normal Cost

The actuarial present value of retirement system benefits allocated to the current year by the actuarial funding method.

10. Unfunded Actuarial Liability (UAL)

The Unfunded Actuarial Liability represents the difference between Actuarial Liability and valuation assets. This value is sometimes referred to as “unfunded actuarial accrued liability.”

Most retirement systems have Unfunded Actuarial Liabilities. They typically arise each time new benefits are added and each time experience losses are realized.

The existence of unfunded actuarial accrued liability is not in itself an indicator of poor funding. Also, Unfunded Actuarial Liabilities do not represent a debt that is payable today. What is important is the ability of the plan sponsor to amortize the Unfunded Actuarial Liability and the trend in its amount (after due allowance for devaluation of the dollar).



Classic Values, Innovative Advice