




# MEMORANDUM

**TO:** Mayor Edwin Lee  
Members of the Board of Supervisors

**FROM:** Ben Rosenfield, Controller 

**DATE:** March 5, 2015

**SUBJECT:** Report on Retiree (Postemployment) Medical Benefit Costs

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I am providing with this letter an updated valuation of the City's retiree (or postemployment) medical benefits liability as required by Governmental Accounting Standards Board Statement Number 45 (GASB-45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The actuarial and analytical work was performed by Cheiron, Inc., the actuarial consulting firm that also provides services to the San Francisco Employee Retirement System. This letter briefly summarizes the analysis and the attached package includes Cheiron's most recent Postretirement Health Plan Actuarial Valuation Report and a slide presentation illustrating the findings.

## Executive Summary

- The City's unfunded actuarial liability for other post-employment health benefits (OPEB) reported in the valuation report is \$3.98 billion. This number represents the accrued future cost of providing retiree health benefits earned by employees and retirees as of the valuation date, net of a modest balance of \$17.9 million in the Retiree Health Care Trust Fund.
- This unfunded liability estimate has decreased by approximately 10%, or \$437 million, from the prior study performed two years ago. This reduction is largely due to lower than previously projected medical inflation, likely due at least in part to cost-containment efforts pursued by the City's Health Service System. In addition, an increase in the discount rate, changes in the demographics of the participants, and the benefits of recent ballot measures have contributed to the reduction.
- Until recently, the City paid for retiree medical benefits on a 'pay-as-you-go' basis, which means paying the cost of the retiree health benefits as they become due each year. As a sound financial management practice, it is preferable to set aside funds for these benefits as they are earned, investing those funds in an interest bearing account. Over

time, pre-funded assets will earn investment income that will be used to pay all or a portion of future benefit costs, reducing costs to future taxpayers and employees accordingly.

- As a result of Proposition B (2008), Proposition C (2011), and Proposition A (2012) the City has taken important steps in this direction in recent years, which will slow the rate of growth of the City's unfunded liability in coming years. Beginning in 2009, the City and newly-hired employees contribute to a Retiree Health Care Trust Fund, which will be used to pay for future costs of a lower retiree health benefit level. Beginning in 2016, additional contributions to this fund on behalf of pre-2009 hires will also be required by both employees and the City.
- Given the scale of the overall benefit costs and previously accumulated liability, these pre-funded contributions are modest and will phase in gradually, as the workforce changes over many years. For fiscal year 2014, the City's pay-as-you-go expense was \$160.7 million and contributions to the Retiree Health Care Trust Fund were \$5.9 million. The City's unfunded liability is projected to continue to grow for many years, albeit at a slower rate, given that the City's and employees' prefunding contributions are less than the interest due on the accumulated liability.
- With these updates, the baseline valuation projects that the OPEB costs will be fully funded by fiscal year 2043, with employer contributions never exceeding 10% of payroll. This means that no early withdrawal from the Retiree Health Care Trust Fund would be needed. Per the Charter, withdrawals can only occur if employer contributions exceed 10% of payroll and certain approvals are provided. The peak projected employer contribution rate is 9.33% in fiscal year 2029.
- As with all long-term projections, the City's unfunded actuarial liability for OPEB reported in the valuation report incorporates assumptions about the probability of events far into the future including the rate of return on investments, employee counts and wage rates, mortality rates and healthcare cost trends. The most significant driver of these projections is the future medical inflation assumption. To the extent that medical inflation exceeds these assumptions, the unfunded liability will increase, while to the extent that the City can control future inflationary increases, future costs will be lower than projected. The attached table depicts this sensitivity to certain changes in assumptions.
- As always, please feel free to call me with questions or comments at (415) 554-7500.

cc: Department Heads  
Labor Organizations

**Sensitivity Analysis Given Key Assumption Changes**

Scenario	Key Assumptions			Projected Results	
	Investment Return	Payroll Growth	Health Inflation	Contributions > ARC <sup>1</sup>	Full Funding
Valuation (baseline)	7.5%	3.83%	Valuation rate	FY 2021	FY 2043
3% payroll growth	7.5%	3.00%	Valuation rate	FY 2022	FY 2047
Health Trend +1%	7.5%	3.83%	Valuation rate	FY 2022	FY 2052
Health Trend -1%	7.5%	3.83%	Valuation rate	FY 2022	FY 2040
6.5% Return	6.5%	3.83%	Valuation rate	FY 2021	FY 2046
Short Term Shock	7.5%	0% for 3 years	10% for 3 years	FY 2026	FY 2052
Long Term Pessimistic	6.5%	3.00%	+1%	FY 2022 > FY 2046	Never

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<sup>1</sup> The Annual Required Contribution (ARC) is the actuarially determined amount that if contributed annually to an OPEB plan is expected to be sufficient to fully fund benefit payments as they come due. This column shows the fiscal year in which the employer contributions are first expected to exceed the ARC.



City and County of San Francisco  
Postretirement Health Plan



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# July 1, 2012 Actuarial Valuation Results with Sensitivity Testing

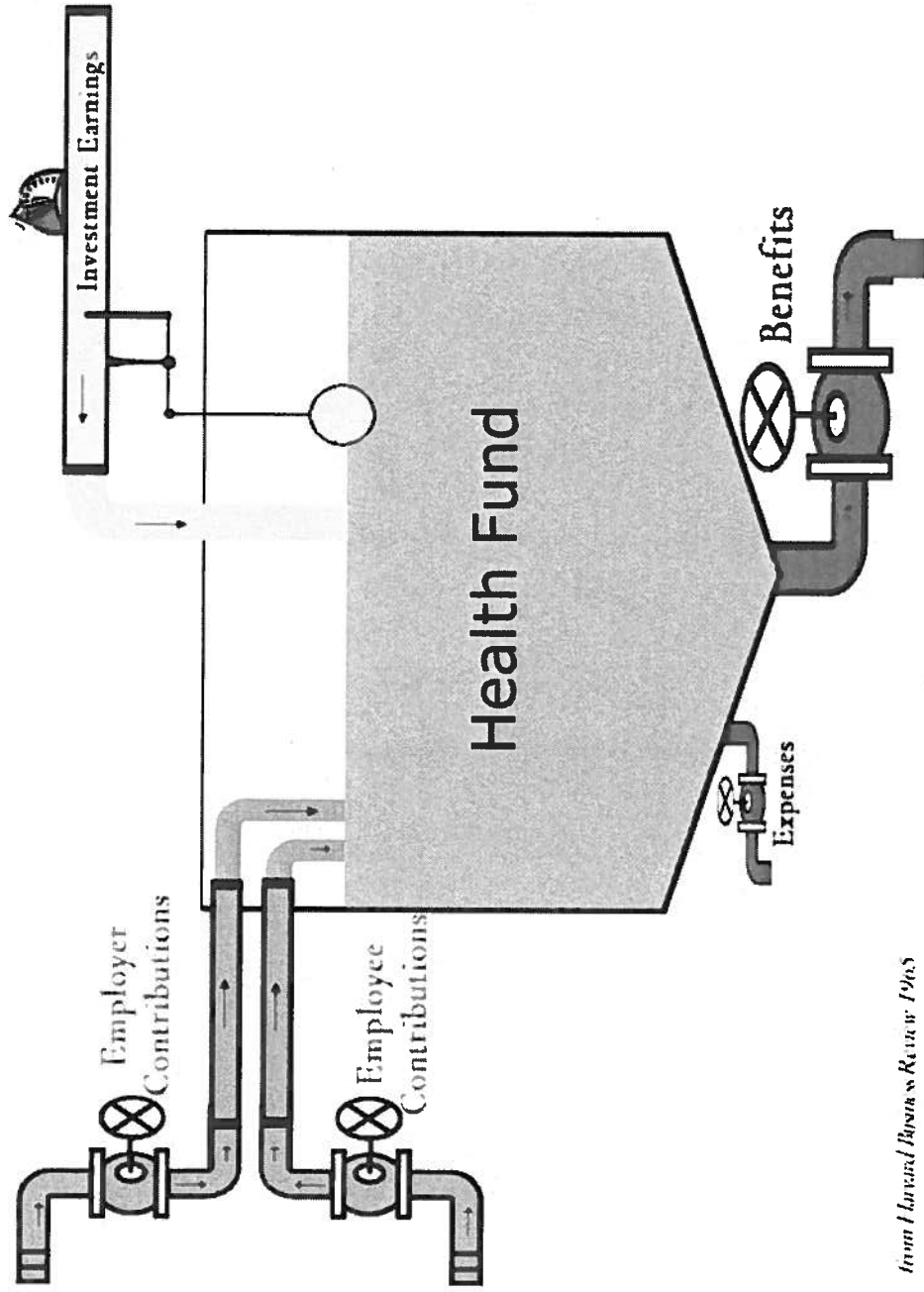
January 26, 2015

Bill Hallmark, ASA, FCA  
Michael Schionning, FSA  
Rosson Cain, FSA

# Agenda

- Introduction
- July 1, 2012 Actuarial Valuation Highlights
- Sensitivity Testing Projection Scenarios
  - Baseline Valuation
  - 6.5% Investment Returns
  - Short Term Shock
  - Long Term Pessimistic
- Questions
- Appendix

# Introduction



from Harvard Business Review 1968



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# July 1, 2012 Actuarial Valuation Highlights

## Summary of Key Valuation Results GASB 45 Basis

	July 1, 2010	July 1, 2012
Discount Rate	4.25%	4.45%
Actuarial Liability	\$ 4,420,146	\$ 3,997,762
Assets	<u>(3,195)</u>	<u>(17,852)</u>
Unfunded Actuarial Liability (UAL)	\$ 4,416,951	\$ 3,979,911
Funded Ratio	0.1%	0.4%
	<b>FYE 2012</b>	<b>FYE 2014</b>
Annual Required Contribution (ARC)	\$ 397,862	\$ 341,377
Net OPEB Obligation (NOO), end of year	\$ 1,348,883	\$ 1,793,753

*Dollar Amounts in Thousands*

The July 1, 2012 actuarial valuation results determine the ARC for Fiscal Year Ending (FYE) 2014 and 2015, whereas the July 1, 2010 actuarial valuation is the basis for the FYE 2012 and 2013 ARC.





# July 1, 2012 Actuarial Valuation Highlights



Reconciliation with Prior Results GASB 45 Basis			
	Actuarial Liability July 1, 2012	% of Liability	% of Total Normal Cost
	Total Normal Cost as of July 1, 2012		
Expected July 1, 2012 valuation results *	\$ 4,974,193		\$ 235,495
<u>(Gain)/Loss due to:</u>			
Demographic Changes	\$ (131,296)	-3%	\$ 6,740 3%
Health Cost Changes	(838,737)	-17%	(39,892) -17%
Discount Rate Change from 4.25% to 4.45%	(105,288)	-2%	(8,848) -4%
Implementation of Proposition C	(14,879)	0%	0 0%
Other Assumption Changes	113,769	2%	(3,266) -1%
Total (Gain)/Loss	\$ (976,430)	-20%	\$ (45,267) -19%
July 1, 2012 valuation results	\$ 3,997,762		\$ 190,227

*Dollar Amounts in Thousands*

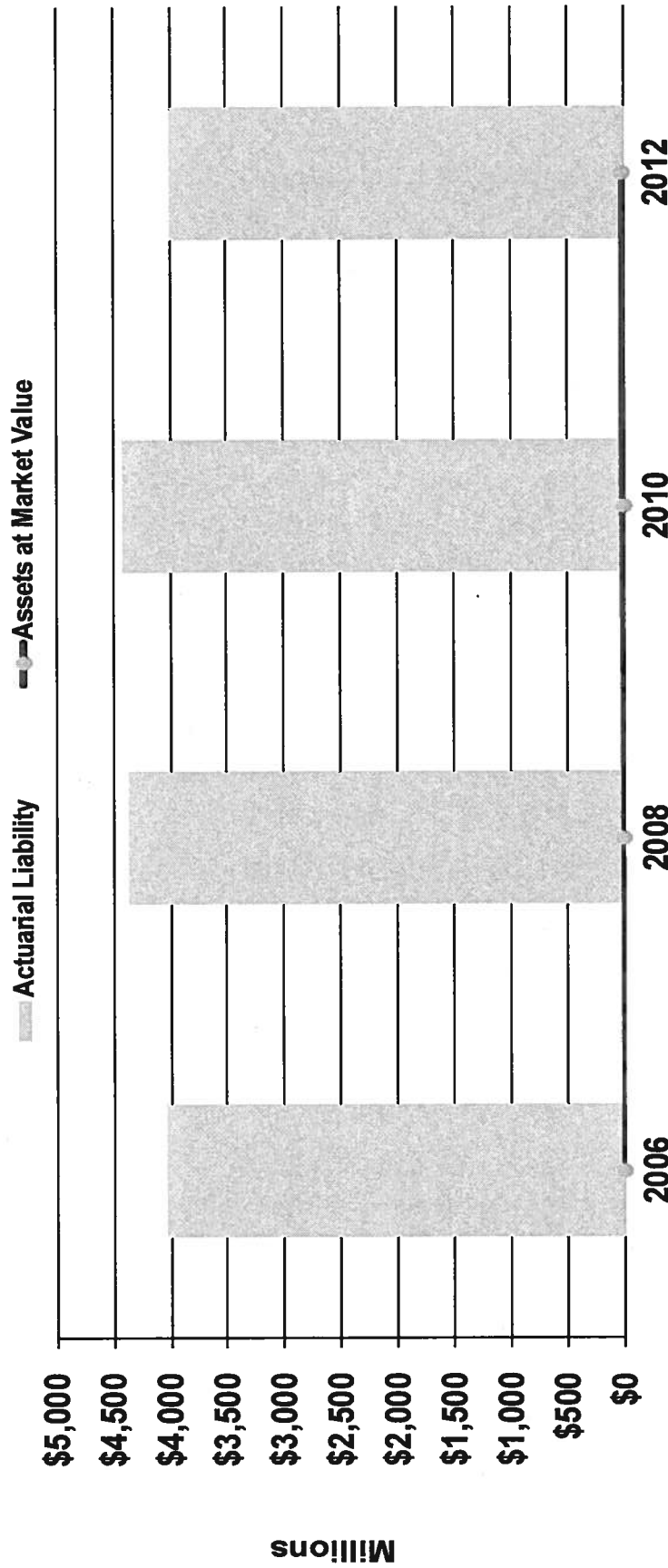
\* Actuarial Liability as of July 1, 2010 is projected to July 1, 2012 with expected benefits earned and interest reduced by expected benefits paid. The Total Normal Cost as of July 1, 2010 is projected to July 1, 2012 with anticipated salary increases and population changes.

- Demographic changes are differences between actual and projected census
- Health cost changes include the change in expected and actual healthcare claims, expense costs, and premiums.
- Proposition C removed an additional subsidy for certain terminated vested participants

# July 1, 2012 Actuarial Valuation Highlights



## Historical Trends (GASB 45 Basis)



Funded Ratio	2006	2008	2010	2012
	0.0%	0.0%	0.1%	0.4%
UAL/(Surplus) <i>(in millions)</i>	\$4,036.3	\$4,364.3	\$4,417.0	\$3,979.9
Discount Rate	4.50%	4.25%	4.25%	4.45%

# July 1, 2012 Actuarial Valuation Highlights



<b>Annual Required Contribution GASB 45 Basis</b>	<b>FYE 2014</b>	<b>FYE 2015</b>
Total Normal Cost	\$ 198,304	\$ 202,191
Less Expected Employee Contributions	<u>(11,791)</u>	<u>(14,246)</u>
Employer Normal Cost	\$ 186,513	\$ 187,944
Unfunded Actuarial Liability Amortization	<u>154,864</u>	<u>162,445</u>
Annual Required Contribution	\$ 341,377	\$ 350,389

*Dollar Amounts in Thousands*

- 2012 valuation results are used to determine the Annual Required Contribution (ARC) for FYE 2014 and FYE 2015
- Unfunded liability amortized as a level percentage of payroll over 30-years

# July 1, 2012 Actuarial Valuation Highlights



	FYE 2013	FYE 2014
<b>Projected UAL Amortization Rates at Expected Return on Assets</b>		
Actuarial Liability, beginning of year	\$ 2,793,329	\$ 2,941,582
Normal Cost	98,620	100,536
Projected Benefit Payments	(161,324)	(163,885)
Interest	<u>210,956</u>	<u>222,124</u>
Actuarial Liability, end of year	\$ 2,941,582	\$ 3,100,358
Market Value of Assets, beginning of year *	\$ 17,852	\$ 31,205
Contributions	13,234	17,686
Net Investment Earnings	<u>120</u>	<u>96</u>
Market Value of Assets, end of year	\$ 31,205	\$ 48,988
Projected Unfunded Actuarial Liability (UAL)	\$ 2,910,376	\$ 3,051,370
Amortization Factor	18.2865	18.2865
Projected Amortization Payment (following year)	\$ 159,155	\$ 166,865
Payroll	\$ 2,551,761	\$ 2,649,493
UAL Rate	6.24%	6.30%

\* Actual market value of assets used through FYE 2014.

Dollar Amounts in Thousands

# July 1, 2012 Actuarial Valuation Highlights



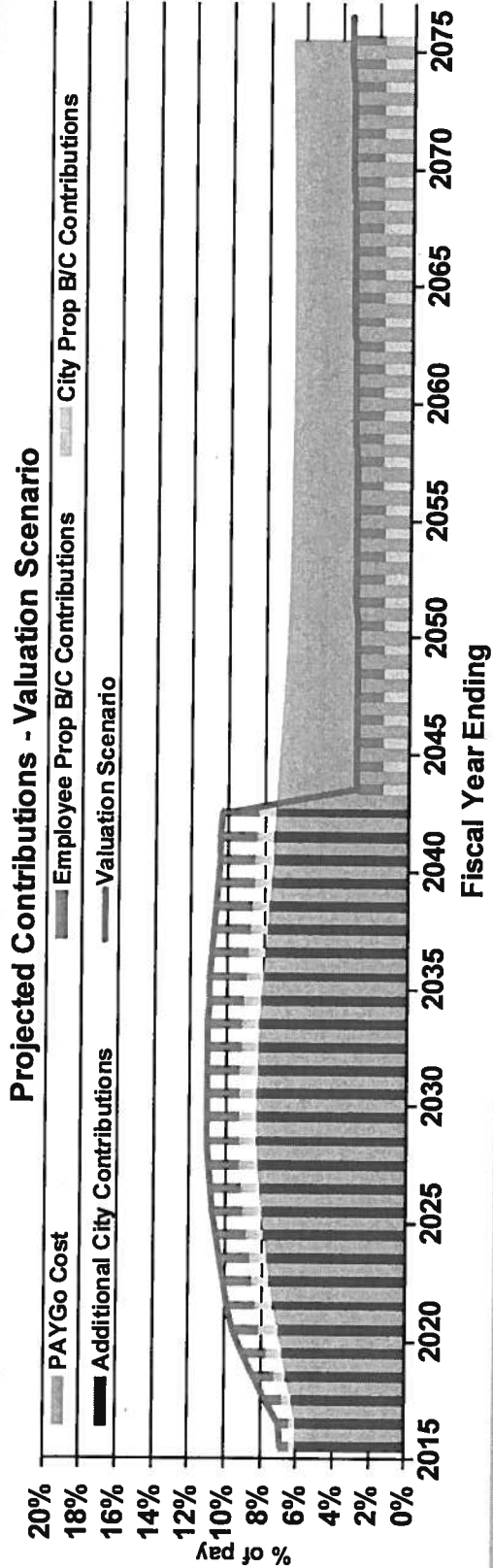
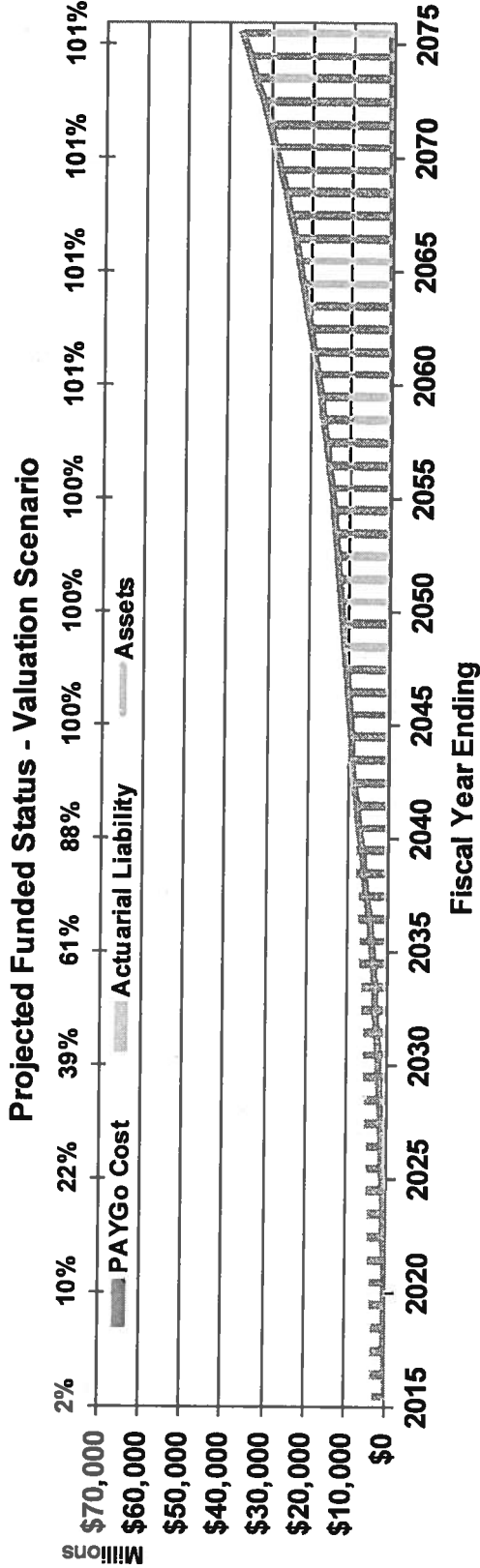
- **Contribution Policy Established in Charter**
  - **Hired before 1/10/2009**
    - If no UAL, employees contribute lower of 50% of normal cost or 1% of pay and City contributes remainder of normal cost
    - If there is a UAL, City and employees contribute 1% of pay (phased in from 2017 to 2020) and City also contributes the pay-as-you-go cost
  - **Hired on or after 1/10/2009**
    - If no UAL, employees contribute lower of 50% of normal cost or 2% of pay and City contributes remainder of normal cost
    - If there is a UAL, employees contribute 2% of pay and City contributes 1% of pay plus the pay-as-you-go cost
  - **Disbursements regulated to control asset growth**
    - Administrative expenses are paid from the trust
    - If no UAL, benefits are paid from the trust
    - If there is a UAL, stabilization disbursements may be made
      - To reduce total City contribution to 10% of pay
      - Maximum stabilization disbursement is 10% of assets

## Baseline Valuation Projections



- Baseline valuation projections assume all assumptions are met each and every year
- Outlook
  - Projected to be fully funded by FYE 2043
  - No stabilization disbursements necessary
  - Peak City contribution rate of 9.33% reached in FYE 2029

# Baseline Valuation Projections



## Sensitivity Testing Scenarios



- There is significant uncertainty in these projections
- The sensitivity testing scenarios were designed to illustrate some of the potential variations in the projections, if future experience for key assumptions turns out to be different than expected
- We will discuss three of the scenarios in detail; the remainder are provided in the appendix



# Sensitivity Testing Scenarios



Scenario	Key Assumptions			Projected Full Funding Date
	Investment Return	Payroll Growth	Health Inflation	
Valuation	7.50%	3.83%	Valuation	2043
6.50% Return	6.50%	3.83%	Valuation	2046
Short Term Shock	7.50%	0.00% 3 years	10% 3 years	2052
Long Term Pessimistic	6.50%	3.00%	+1%	Never

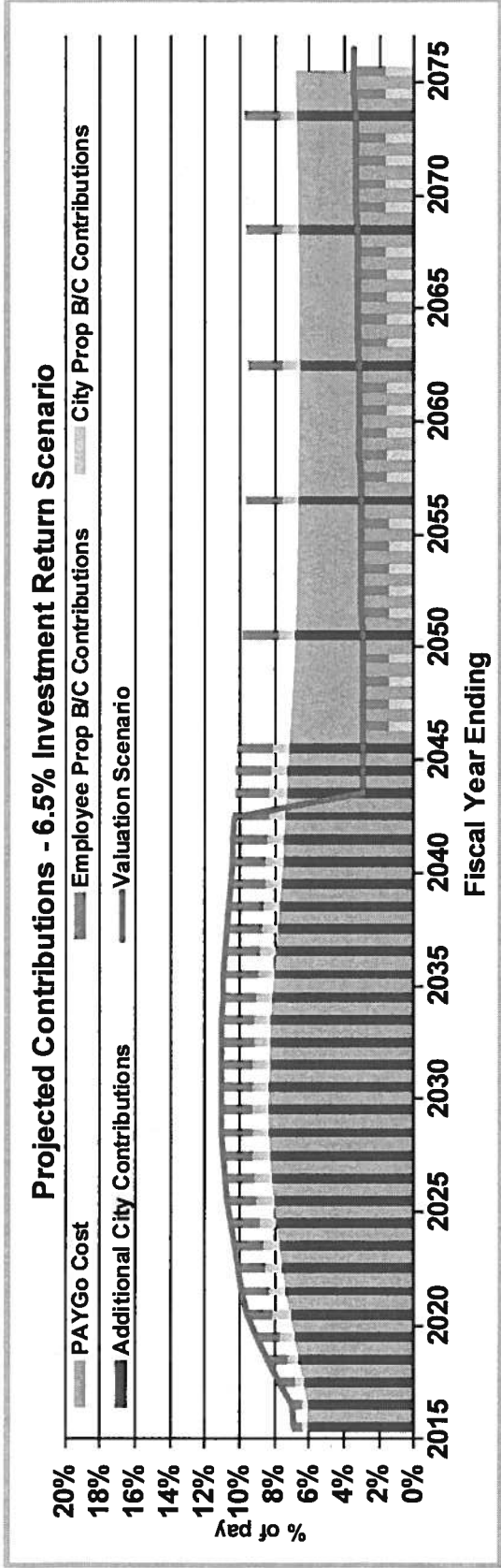
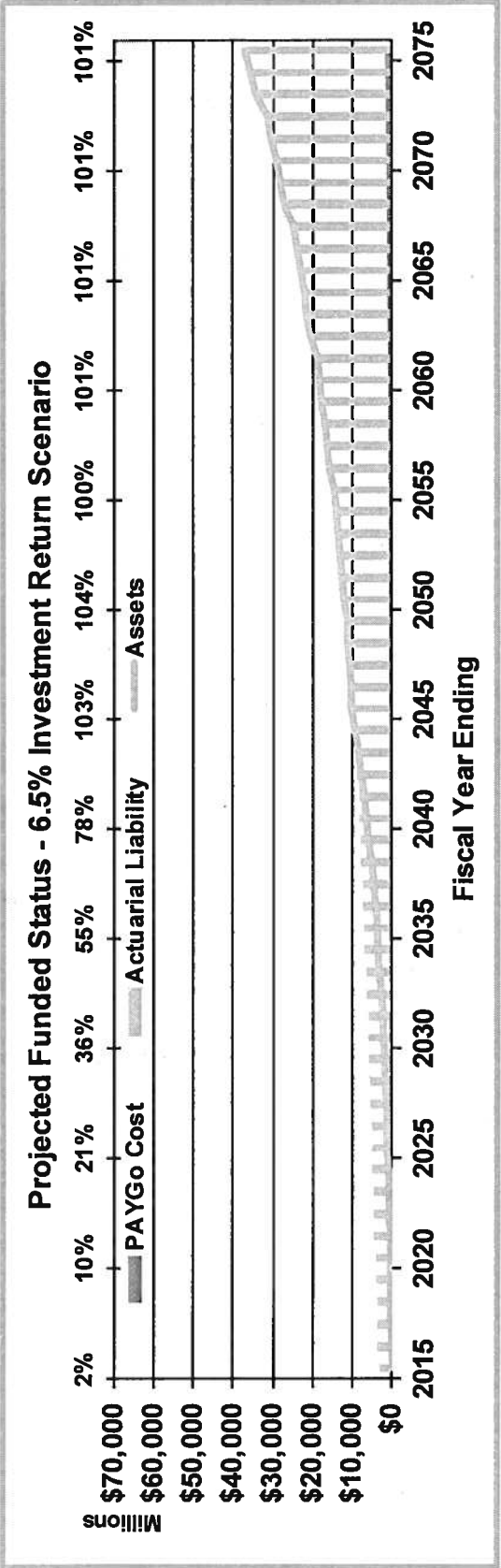
**Additional Scenarios in the Appendix**

3% Payroll Growth	7.50%	3.00%	Valuation	2047
Health Trend +1%	7.50%	3.83%	+1%	2052
Health Trend -1%	7.50%	3.83%	-1%	2040

## Sensitivity Testing – 6.5% Return

- Assume the Plan actually earns 6.5% each year on assets
- While the discount rate for determining the funded status remains at 7.5%
- Outlook
  - The initial projected date the plan becomes fully funded is FYE 2046 or three years later than the valuation baseline
  - The lower than expected actual returns, however, cause a UAL to develop periodically
  - When a UAL develops again, City contributions spike for a year, eliminating the UAL for a few years
  - No stabilization disbursements are required under this scenario

# Sensitivity Testing – 6.5% Return

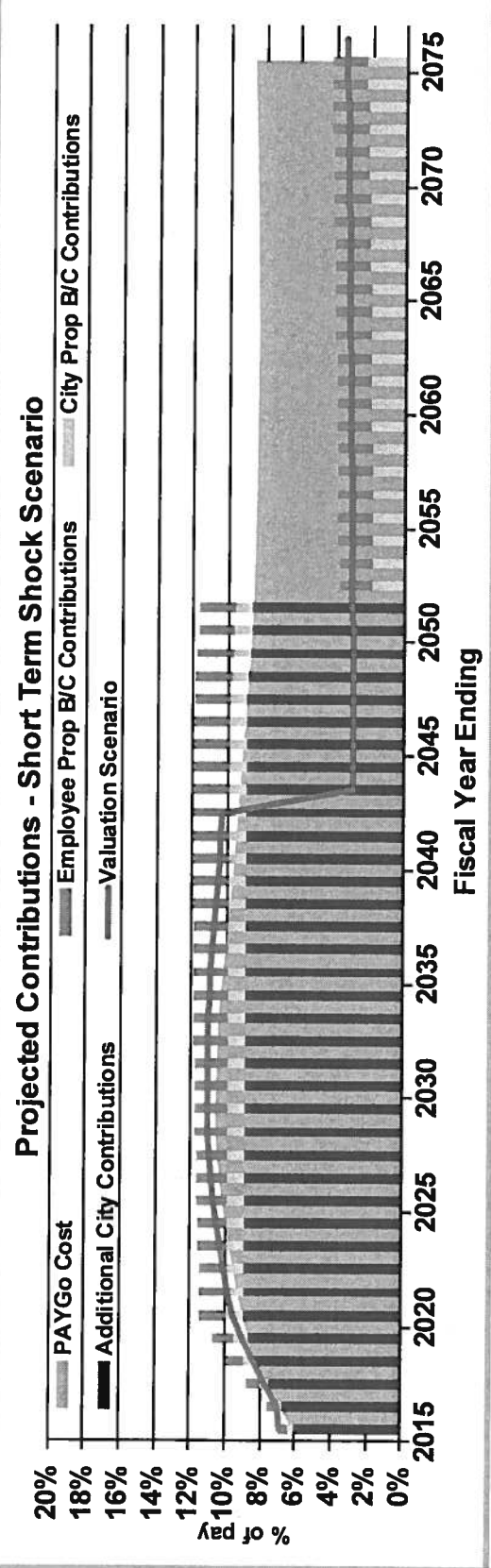
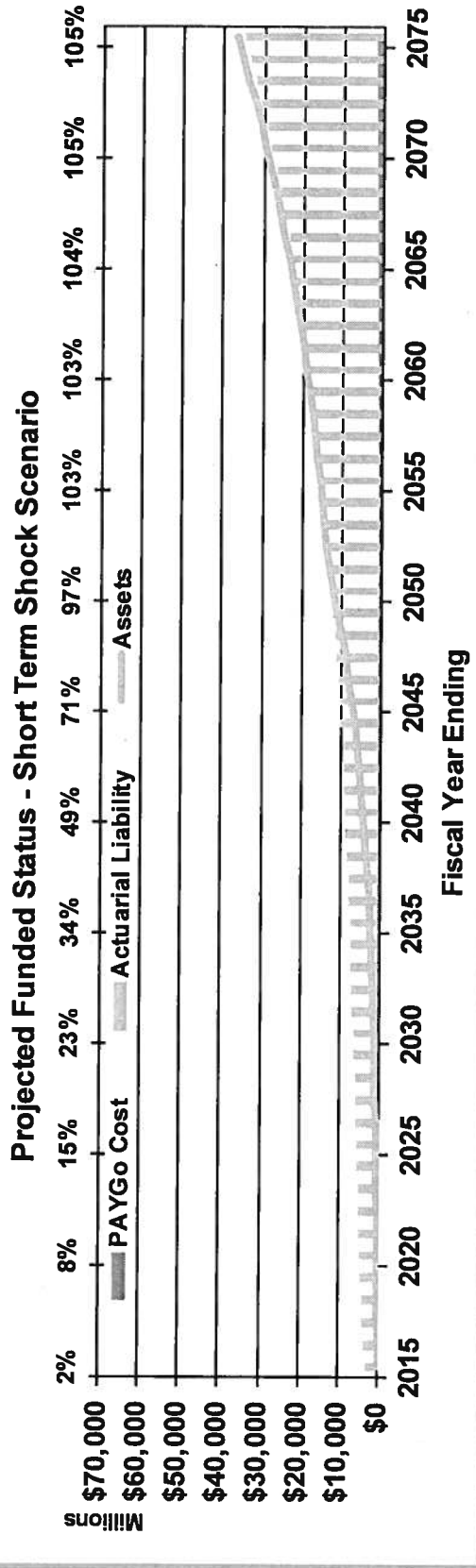


## Sensitivity Testing – Short Term Shock



- Illustrates the potential combined effect of several key variables
- Initial 3-year adverse experience commencing FYE 2016
  - 0% payroll growth
  - Spike in medical inflation to 10% for 10 County average, non-Medicare, and Medicare eligible
- Return to valuation assumptions after 3-year period
- Outlook
  - Pushes the date for fully funding to FYE 2052
  - The plan remains just over fully funded thereafter
  - Stabilization disbursements are required from FYE 2020 through FYE 2046

# Sensitivity Testing – Short Term Shock

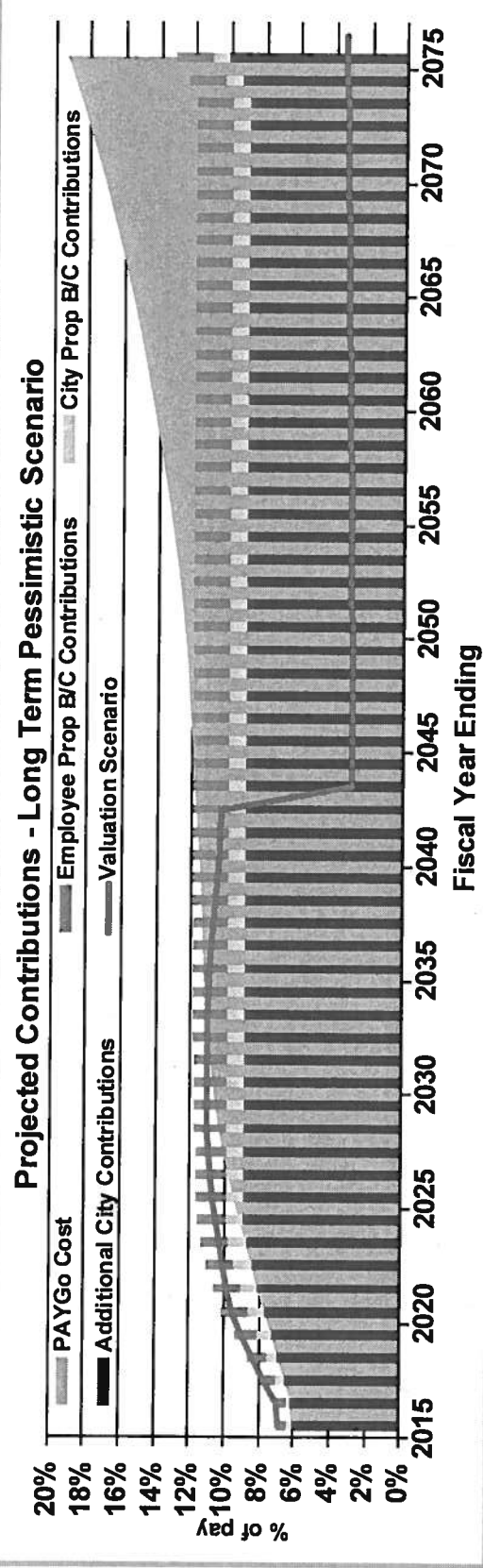
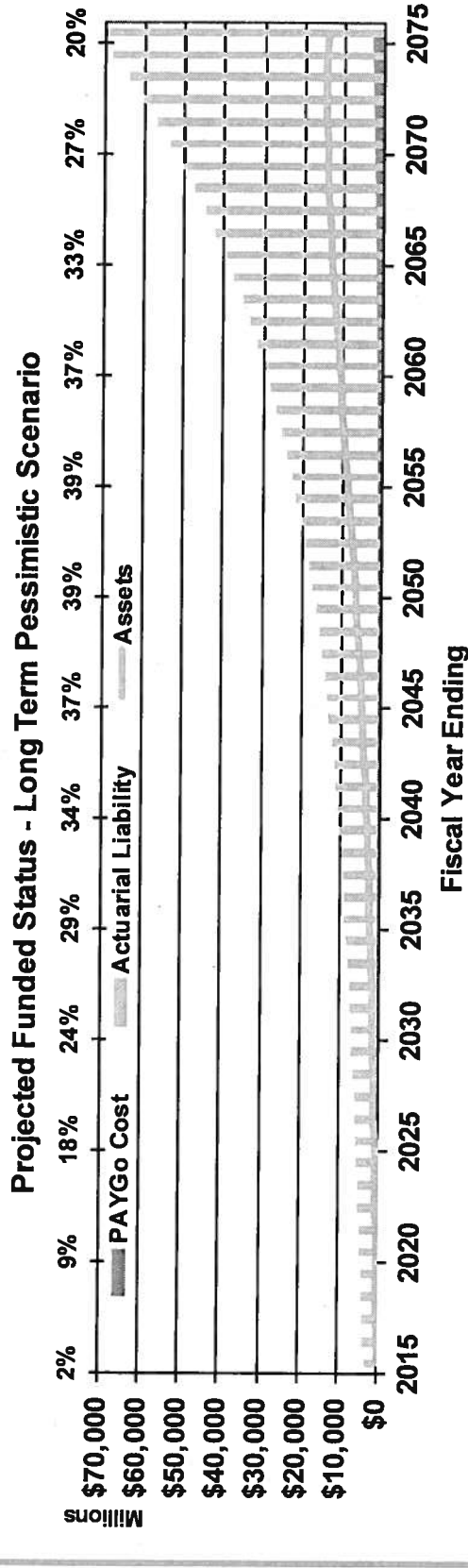


## Sensitivity Testing – Pessimistic

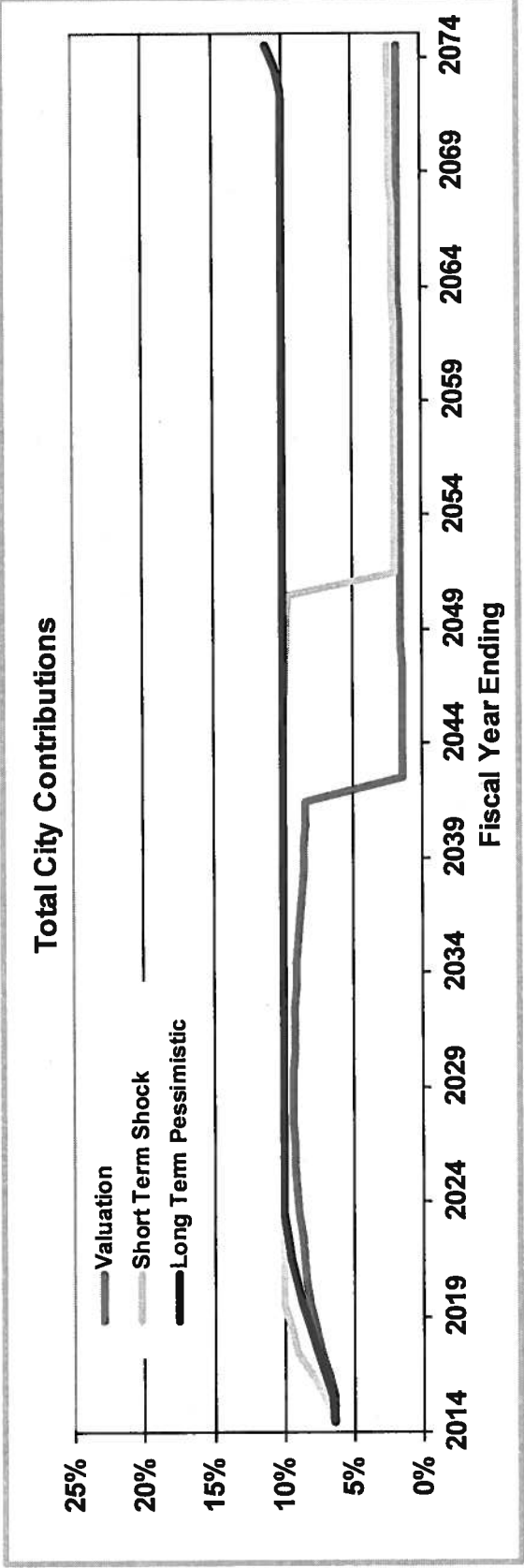
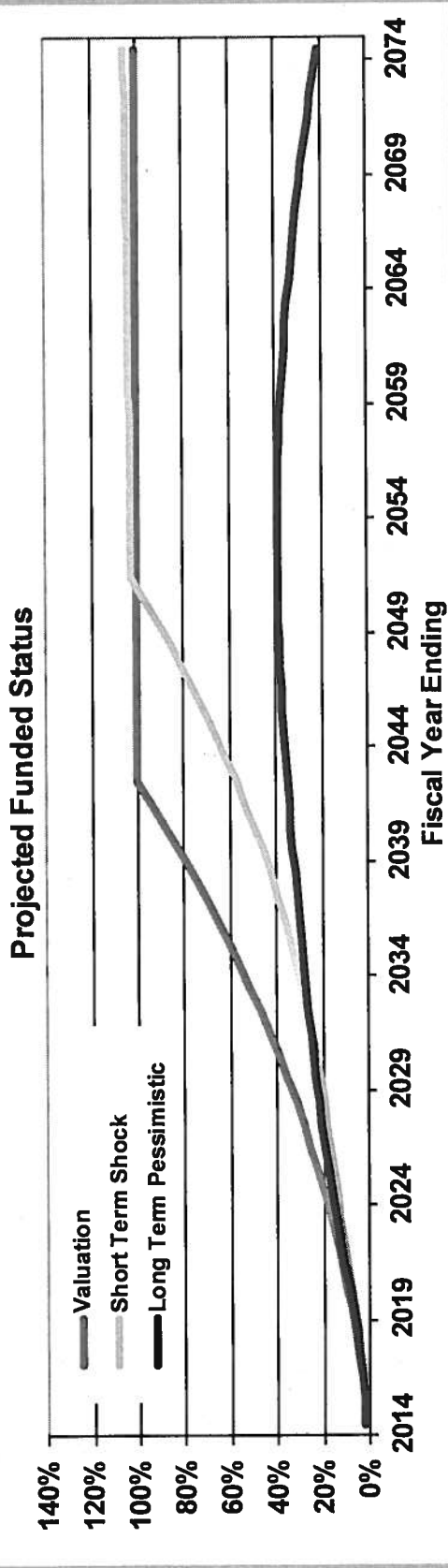


- Illustrates the combined effect of several key assumptions
- Adverse experience for the duration of the projection
  - 3% payroll growth
  - 1% increase in medical inflation
  - 6.5% investment return
- Outlook
  - The plan never reaches full funding under this scenario
  - Stabilization disbursements are required beginning in FYE 2024, but they are insufficient to hold City contributions at 10% after FYE 2073
  - The funded status reaches a high of 39% in FYE 2054 and drops again to 18% by FYE 2077

# Sensitivity Testing – Pessimistic

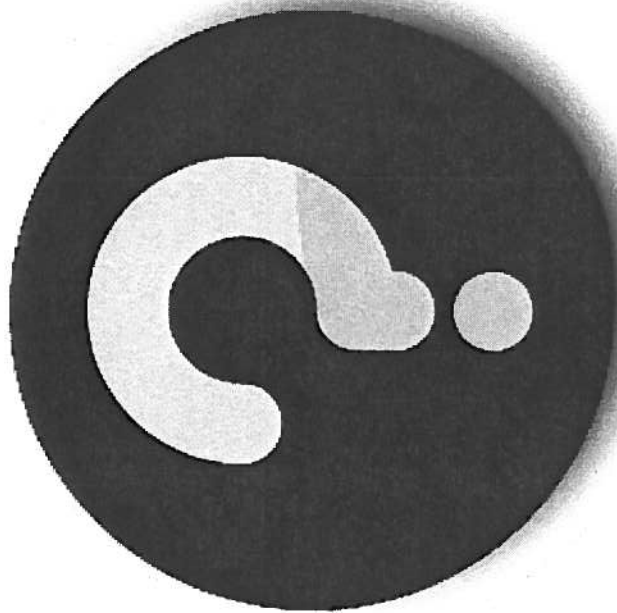


# Sensitivity Testing – Summary





# Questions



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# Required Disclosures



The purpose of this presentation is to discuss the results of the July 1, 2012 actuarial valuation for City and County of San Francisco Postretirement Health Plan and present sensitivity analysis to key drivers of the valuation results. Unless indicated otherwise, the assumptions and methods used follow those listed in the July 1, 2012 Actuarial Valuation Report. This presentation is for the use of the City and County of San Francisco and its auditors in preparing financial reports in accordance with applicable law and accounting requirements.

In preparing our presentation, we relied on information (some oral and some written) supplied by the City and County of San Francisco. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

We hereby certify that, to the best of our knowledge, this report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. 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 presentation was prepared for the City and County of San Francisco for the purposes described herein. This presentation is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

Bill Hallmark, ASA, FCA, MAAA Consulting Actuary	Michael Schionning, FSA, MAAA Principal Consulting Actuary	Rosson Cain, FSA, MAAA Consulting Actuary
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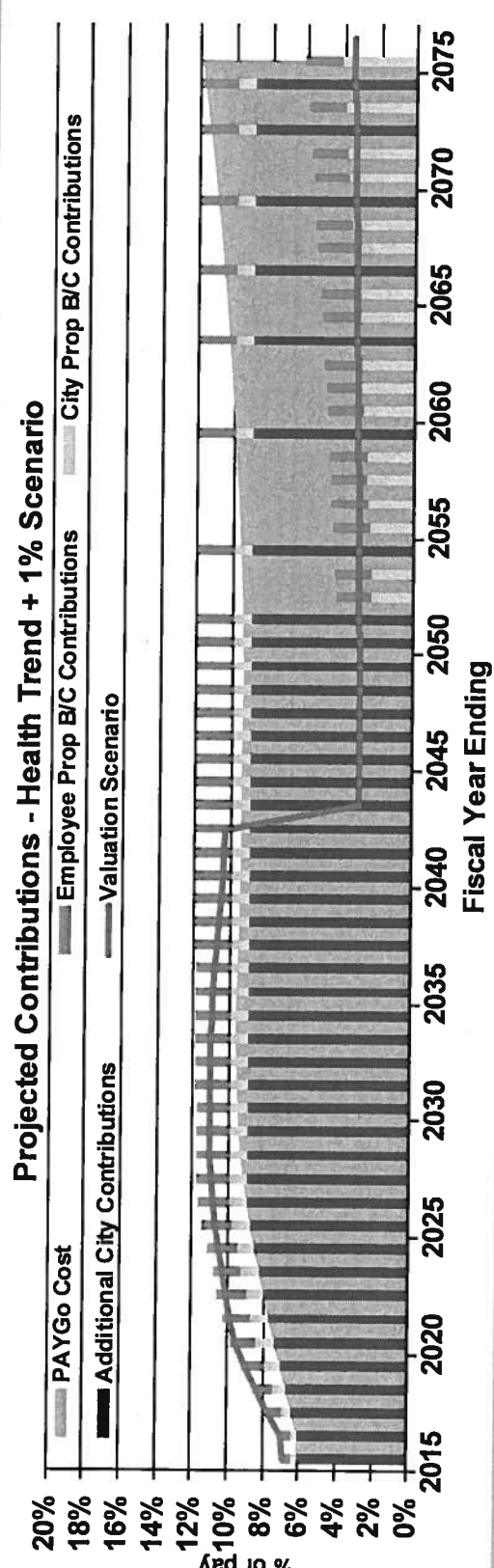
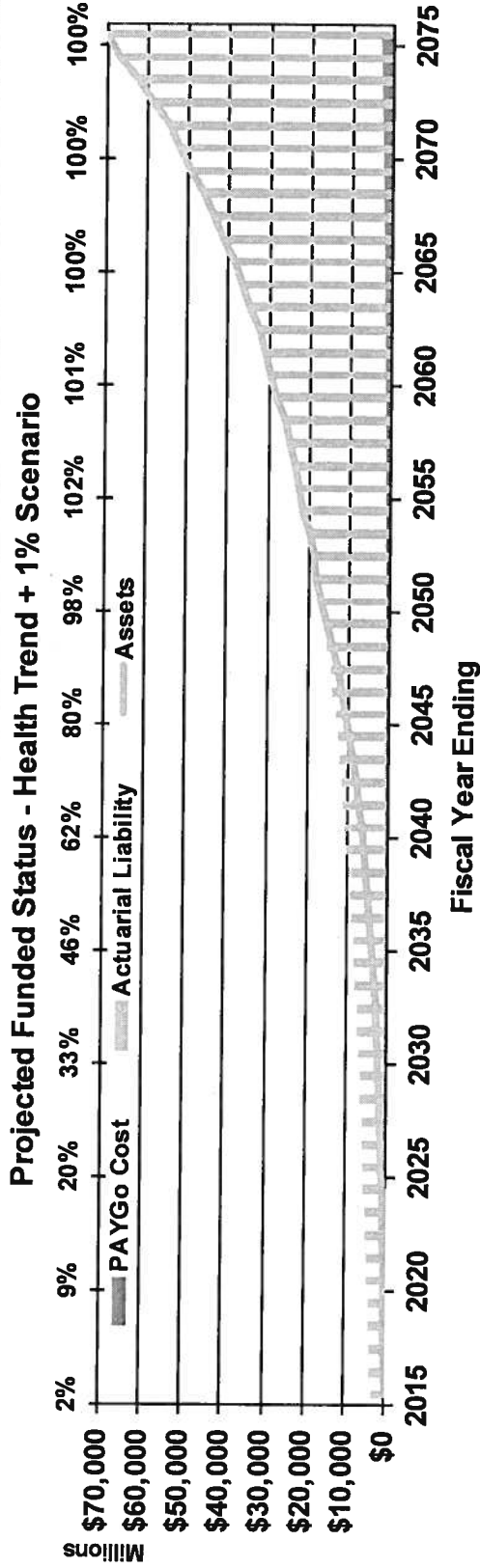
# Additional Sensitivity Scenarios

## Sensitivity Testing – Trend Plus 1%



- Assume medical inflation is 1% higher than the valuation assumption
- Outlook
  - Trend rates have a major impact on results
  - The pay as you go costs are higher in all future years
  - The plan initially becomes 100% funded in FYE 2052, but the continued unexpected health trend causes a UAL to develop periodically
  - When a UAL develops again, City contributions spike for a year, eliminating the UAL for a few years
  - Stabilization disbursements would be required from FYE 2026 through FYE 2051 and each time the contribution spiked

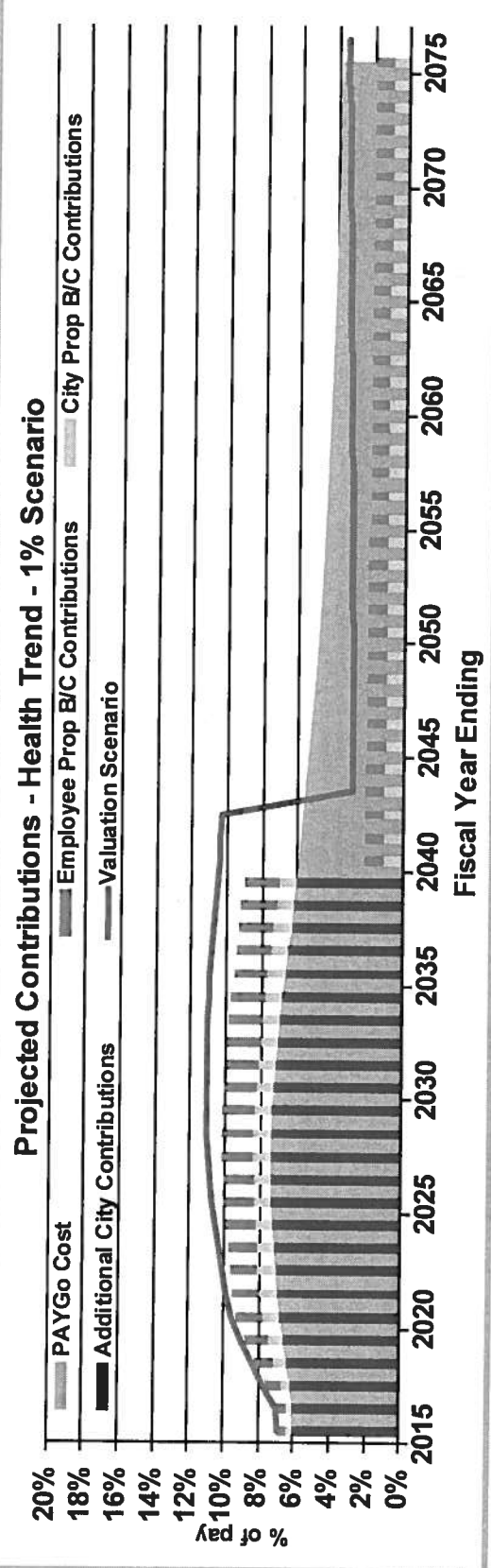
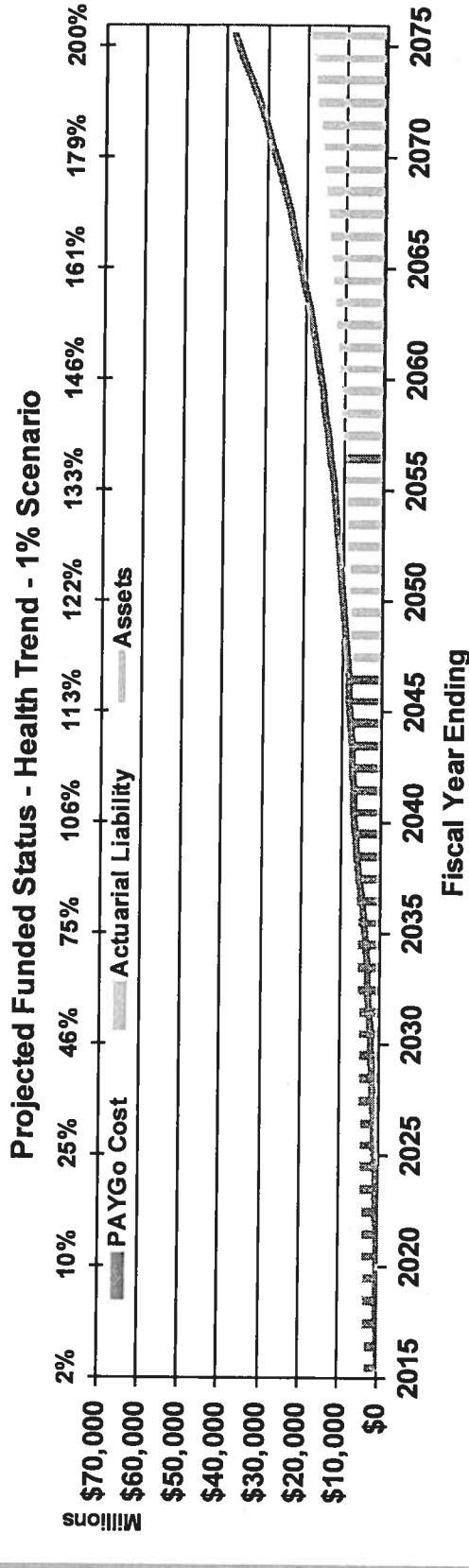
# Sensitivity Testing – Trend Plus 1%



## Sensitivity Testing – Trend Minus 1%

- Assume medical inflation is 1% lower than the valuation assumption
- Outlook
  - This scenario produces lower pay as you go costs for all future years
  - The plan becomes fully funded in the FYE 2040 and remains fully funded thereafter
  - It reaches 200% funding by the FYE 2076

# Sensitivity Testing – Trend Minus 1%



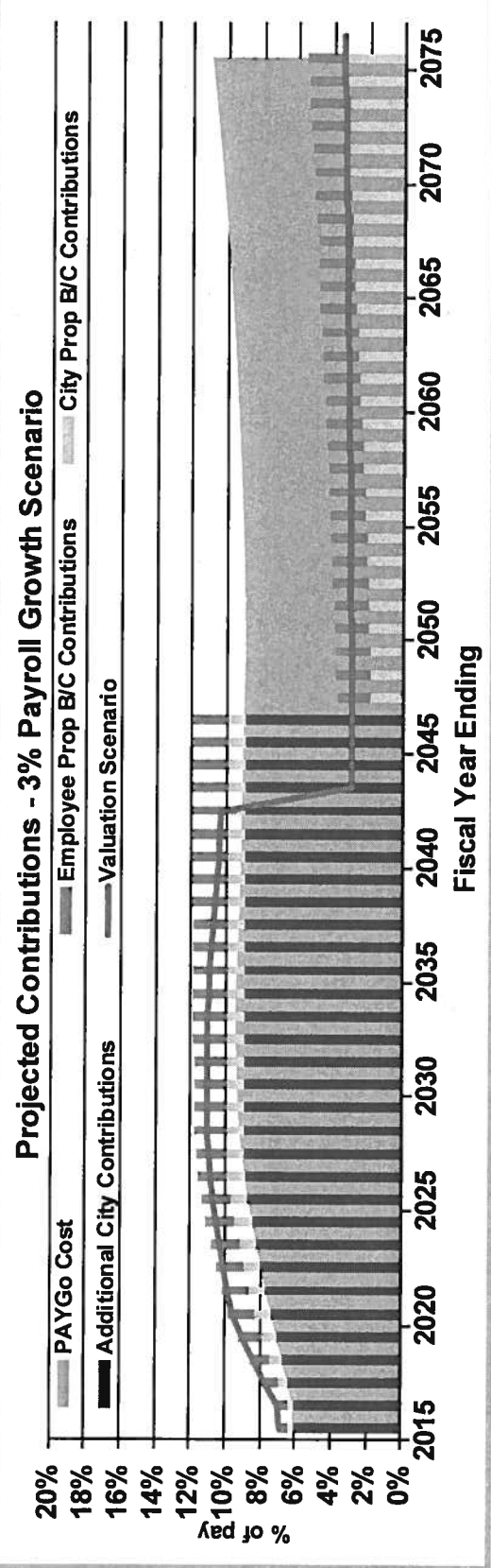
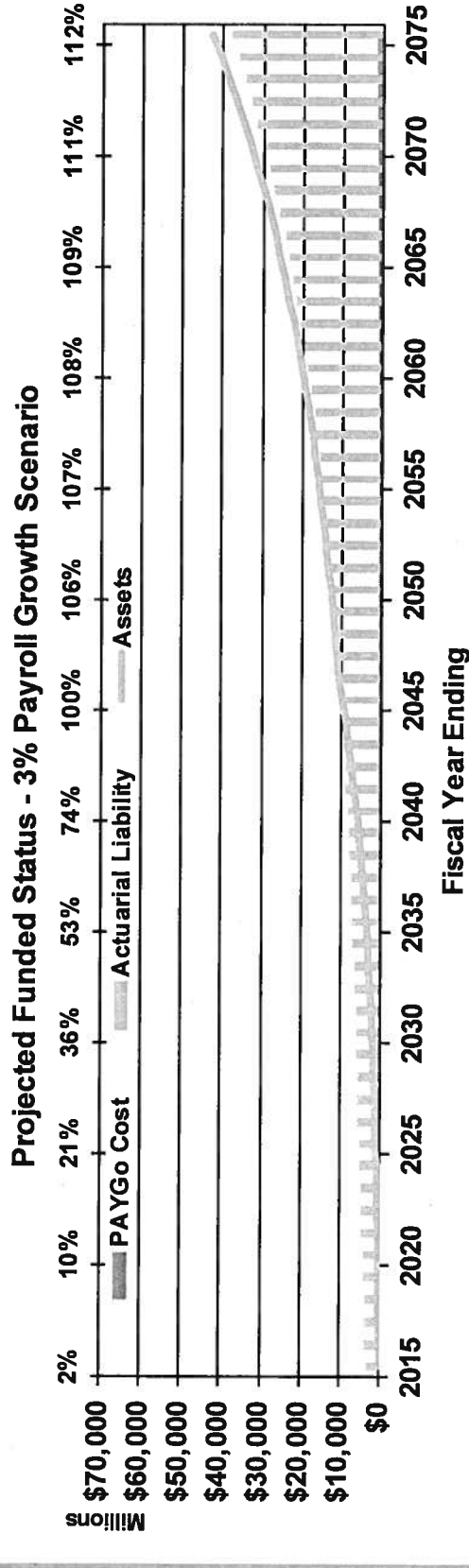
## Sensitivity Testing – 3% Payroll Growth



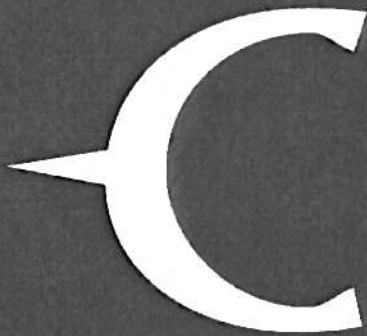
- Assume Plan experiences 3.00% annual growth in payroll compared to 3.83% used in the valuation
- Outlook
  - Benefits are not pay-related so dollar amount of benefits is unchanged, but benefits represent a higher percent of payroll
  - Contributions that are determined or limited by payroll are lower
  - Extends date for the plan to be fully funded to FYE 2047
  - Stabilization disbursements would be required from FYE 2027 through FYE 2046



# Sensitivity Testing – 3% Payroll Growth







**City and County of San Francisco**

**Postretirement Health Plan**

**Actuarial Valuation Report  
As of July 1, 2012**

**Produced by Cheiron**

**February 2015**



Classic Values, Innovative Advice

## Table of Contents

<b>Letter of Transmittal .....</b>	<b>i</b>
<b>Section I - Executive Summary.....</b>	<b>1</b>
<b>Section II - Assets .....</b>	<b>7</b>
<b>Section III - Development of Blended Discount Rate .....</b>	<b>8</b>
<b>Section IV - GASB Valuation Results .....</b>	<b>13</b>
<b>Section V - Sensitivity to Health Care Trend Rates.....</b>	<b>17</b>
<b>Section VI - Accounting Disclosures .....</b>	<b>19</b>
<b>Appendix A - Participant Data .....</b>	<b>23</b>
<b>Appendix B - Assumptions and Methods .....</b>	<b>26</b>
<b>Appendix C - Substantive Plan Provisions .....</b>	<b>39</b>
<b>Appendix D - Glossary of Terms .....</b>	<b>45</b>
<b>Appendix E - Abbreviation List.....</b>	<b>47</b>

February 24, 2015

Mr. Ben Rosenfield  
Controller  
City and County of San Francisco  
City Hall Room 316  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

Dear Mr. Rosenfield:

The purpose of this report is to present the July 1, 2012 actuarial valuation of the City and County of San Francisco Postretirement Health Plan (Plan). This report is for the use of the City and County of San Francisco and its auditors in preparing financial reports in accordance with applicable law and accounting requirements. It contains our findings and information for disclosures required by the Governmental Accounting Standards Board Statements No. 43 and 45 (GASB 43 and 45) for the fiscal years ending (FYE) June 30, 2014, and June 30, 2015.

The appendices to this report describe the participant data, assumptions, methods, and substantive Plan provisions used in calculating the figures throughout the report. In preparing our report, we relied on information (some oral and some written) supplied by the City and County of San Francisco. This information includes, but is not limited to, the Plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: retiree group benefits program experience, differing from that anticipated by the assumptions; changes in assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and, changes in retiree group benefits program provisions or applicable law. Retiree group benefits models necessarily rely on the use of approximations and estimates, and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements.

Actuarial computations are calculated based on our understanding of GASB 43 and 45 and are for purposes of fulfilling plan and employer financial accounting requirements. Determinations for purposes other than meeting plan and employer financial accounting requirements may be significantly different from the results in this report.

To the best of our knowledge, this report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we



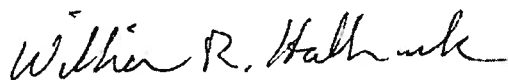
Mr. Ben Rosenfield  
February 24, 2015  
Page ii

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 City and County of San Francisco for the purpose described herein and for use by the Plan auditor in completing an audit related to the matters herein. This report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

This report does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations with the exception of additional medical trend loads of 2.5% for FYE 2019 and 0.5% for FYE 2020 to account for the expected impact of the excise tax on high-cost coverage.

Sincerely,  
Cheiron



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



Rosson Cain, FSA, MAAA  
Consulting Actuary



Michael Schionning, FSA, MAAA  
Principal Consulting Actuary

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**SECTION I  
EXECUTIVE SUMMARY**

The City and County of San Francisco engaged Cheiron to provide a valuation of its Postretirement Health Plan's liability as of July 1, 2012. The primary purposes of performing this actuarial valuation are to:

- Determine the Annual Required Contribution (ARC), Annual OPEB Cost (AOC), and the Net Other Postemployment Benefit (OPEB) Obligation (NOO) of the Postretirement Health Plan under GASB 43 and 45 for the fiscal years ending June 30, 2014, and June 30, 2015;
- Provide information for financial statement disclosures under GASB 43 and 45;
- Provide projections of contributions, assets, actuarial liability, ARC, and NOO to illustrate the long-term effect of the contribution strategy; and,
- Show the sensitivity of the valuation results to changes in health trend assumptions.

***Summary of Key Valuation Results***

As of July 1, 2012, the Plan's actuarial liability was approximately \$3,997.8 million. Since the valuation as of July 1, 2010, there were changes in Plan benefits and assumptions as well as demographic experience, which had a combined effect of reducing the Plan's actuarial liability by approximately \$976.4 million.

In 2009, the City began to pre-fund its obligations and subsequently the Plan created an irrevocable trust, the Retiree Health Care Trust Fund (RHCTF). As of July 1, 2012, the market value of assets was \$17.9 million. The Annual Required Contribution (ARC) for the 12 months ending June 30, 2014 is \$341.4 million, compared to \$408.7 million for the previous year.

The table below presents the key results of the July 1, 2012 actuarial valuation compared to the results of the prior actuarial valuation as of July 1, 2010. The July 1, 2012 actuarial valuation results determine the ARC for FYE 2014 and 2015, whereas the July 1, 2010 actuarial valuation is the basis for the FYE 2012 and 2013 ARC.

**CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012**

**SECTION I  
EXECUTIVE SUMMARY**

<b>Table I-1 Summary of Key Valuation Results</b>		
	<b>July 1, 2010</b>	<b>July 1, 2012</b>
Discount Rate	4.25%	4.45%
Actuarial Liability	\$ 4,420,146	\$ 3,997,762
Assets *	<u>(3,195)</u>	<u>(17,852)</u>
Unfunded Actuarial Liability (UAL)	\$ 4,416,951	\$ 3,979,910
Funded Ratio	0.1%	0.4%
	<b>FYE 2012</b>	<b>FYE 2014</b>
Annual Required Contribution (ARC)	\$ 397,862	\$ 341,377
Net OPEB Obligation (NOO), end of year	\$ 1,348,883	\$ 1,793,753

*Dollar Amounts in Thousands*

\* Assets shown as of July 1, 2010 were set aside for the RHCTF and contributed when it was established in December 2010



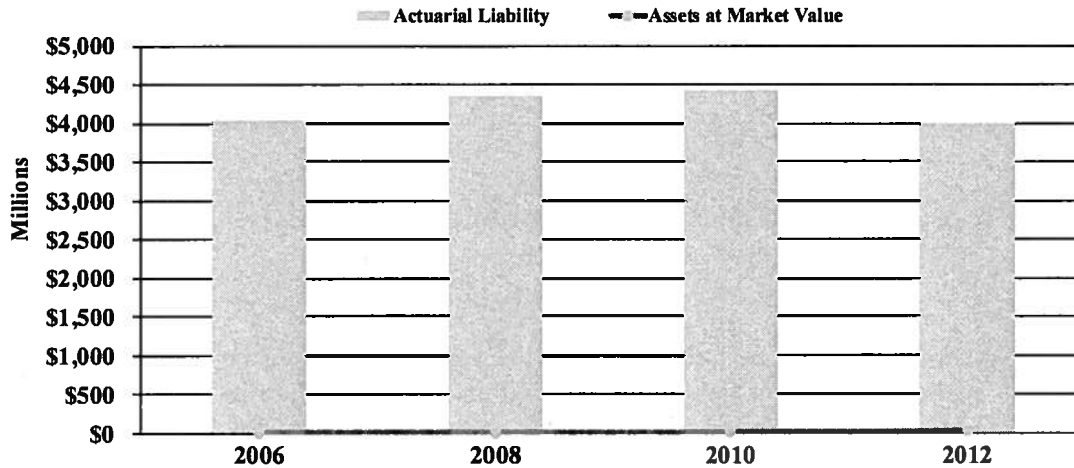
**CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012**

**SECTION I  
EXECUTIVE SUMMARY**

***Historical Trends***

The chart below shows the historical trend of assets and liabilities on a GASB 45 basis for the City and County of San Francisco Postretirement Health Benefit Plan. The first valuation complying with GASB 45 was performed as of July 1, 2006. The City established the San Francisco Retiree Health Care Trust Fund (RHCTF) in December 2010 to fund its OPEB liabilities.

**City and County of San Francisco Postretirement Health Benefit Plans**



	2006	2008	2010	2012
Funded Ratio	0.0%	0.0%	0.1%	0.4%
UAL/(Surplus) <i>(in millions)</i>	\$4,036.3	\$4,364.3	\$4,417.0	\$3,979.9
Discount Rate	4.50%	4.25%	4.25%	4.45%

\* 2006 was the first GASB 45 valuation.

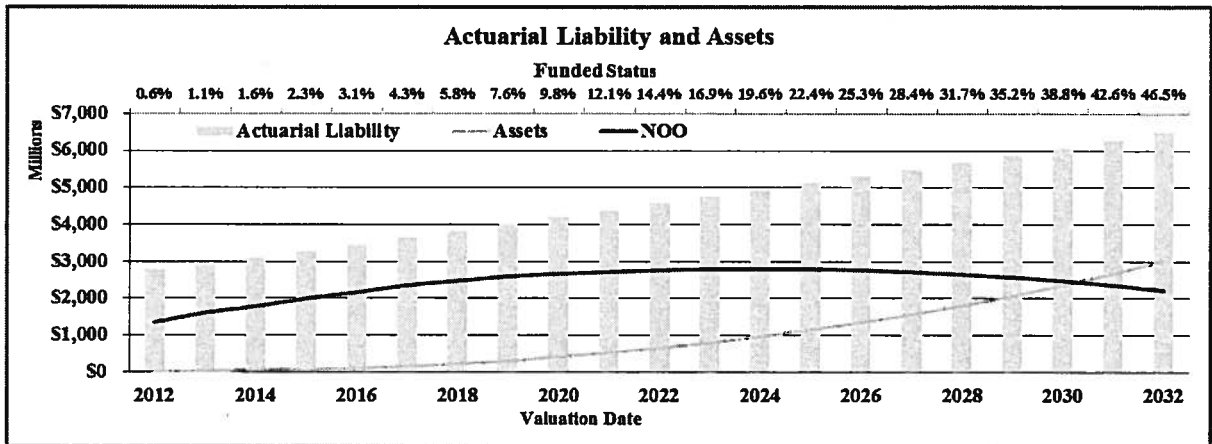
\*\* As of July 1, 2010, there were approximately \$3.2 million in assets set aside for the Postretirement Health Plan, but the RHCTF was not established until December 2010.

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**SECTION I  
EXECUTIVE SUMMARY**

**Projections**

The charts below project the assets and liabilities as well as the contributions and accounting expenses for the 20 years following the valuation date. These projections are based on the current valuation assumptions, except for changes in the GASB discount rate as indicated below.



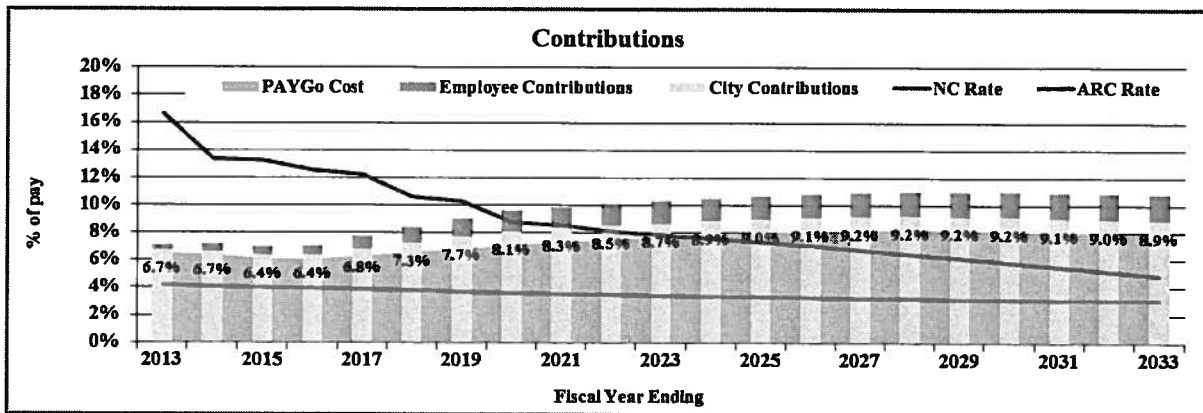
The chart above shows the projected actuarial liability (gray bars) based on a discount rate of 7.50%. On this basis, the actuarial liability of approximately \$2.8 billion as of July 1, 2012 is expected to grow to approximately \$6.5 billion over the next 20 years. On a GASB basis, the actuarial liability is calculated using a discount rate of 4.45% and as of July 1, 2012 is approximately \$4.0 billion. As contributions increase, the GASB discount rate is expected to increase to 7.50% for the fiscal year ending June 30, 2020 and later.

The green line shows the projected accumulation of assets. At its June 18, 2014 meeting, the RHCTF Board adopted an asset allocation that its investment consultant expects to earn an average of 7.50% net of expenses per year. The projection of assets uses actual assets through June 30, 2014 and projects future assets assuming a return net of expenses of 7.50% each year. The ratio of the assets to the actuarial liability is shown at the top of the chart, increasing from less than 1% to 46.5% over the 20-year period.

The purple line projects the Net OPEB Obligation (NOO). It first increases from \$1.3 billion to a peak amount of \$2.7 billion in 2024, and then starts to decrease slowly, ending at approximately \$2.1 billion in 2032. Under the recent GASB exposure drafts to replace GASB 43 and 45, however, the NOO would be replaced by a measure of the unfunded liability, the Net OPEB Liability, beginning July 1, 2017.

**CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012**

**SECTION I  
EXECUTIVE SUMMARY**



The chart above shows the projected annual costs. Benefit payments, net of retiree contributions, are shown by the gray area. In the first few years, there is a decline in benefit payments as a percent of payroll reflecting the lower growth in actual healthcare costs since the valuation date compared to expected payroll growth. After FYE 2015, benefit payments are expected to grow faster than payroll increasing from approximately 6.1% of payroll to 8.2% of payroll by FYE 2027 before gradually decreasing as a percent of payroll.

The yellow bars represent the City’s contributions as a percent of payroll, and the teal bars represent the employee contributions as a percent of payroll. The City’s contribution is based on the pay-as-you-go cost (the benefit payments) plus the contributions to the RHCTF required by Propositions B and C until the Plan is 100 percent funded or the contribution amount exceeds 10% of payroll. The Plan does not reach 100 percent funded status during the projection period and the peak contribution rate is 9.2% of payroll. As a result, there are no distributions from the RHCTF to pay benefits during the projection period.

The employee’s contribution is anticipated to increase from approximately 0.4% to 1.9% of payroll by the end of the projection period. Note the employee contribution rate will eventually reach 2% of pay when all active employees are subject to the Proposition B contribution requirements.

The bright red line shows the anticipated decline in the normal cost rate based on a 7.50% discount rate as more active employees are eligible to receive the benefits defined by Proposition B.

The ARC, shown by the purple line, is projected to decrease from 16.6% of payroll in fiscal year ending June 30, 2013 to 4.9% in fiscal year ending June 30, 2033. The initial rapid reduction is a result of the plan contributions increasing such that the discount rate used to value liabilities increases from 4.45% to 7.50% for the fiscal year ending June 30, 2020. The more gradual reduction after that reflects both the declining normal cost rate and a smaller payment on the unfunded liability.

**CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012**

**SECTION I  
EXECUTIVE SUMMARY**

These projections assume that all assumptions used in the actuarial valuation are exactly realized each and every year. While the assumptions represent best estimates, the future is uncertain and will not unfold exactly as expected by the assumptions. Variations in each assumption will alter these projections, but the projections are particularly sensitive to changes in healthcare trend, participation in the Plan, and payroll and membership growth. In the early years of the projection, investment returns are not significant, but as assets accumulate volatility in investment returns becomes more significant. An examination of the sensitivity of these projections to alternative scenarios will be provided separately from this valuation report.

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**SECTION II  
ASSETS**

***Market Value of Assets***

Table II-1, below, shows the change in the value of assets through fiscal year ending 2014. The San Francisco Retiree Health Care Trust Fund (RHCTF) was established in December 2010 as an irrevocable trust. Prior to December 2010, contributions required under Proposition B were set aside and deposited into the RHCTF when it was established; these assets are treated as plan assets in the table below.

<b>Table II-1</b>				
<b>Market Value of Assets in Retiree Health Care Trust Fund (RHCTF)</b>				
	<b>FYE 2011</b>	<b>FYE 2012</b>	<b>FYE 2013</b>	<b>FYE 2014</b>
Market value of assets, beginning of year	\$ 3,195	\$ 8,542	\$ 17,852	\$ 31,205
Contributions				
Employee	\$ 3,518	\$ 6,141	\$ 8,823	\$ 11,791
Employer	1,773	3,070	4,411	5,895
Total	\$ 5,291	\$ 9,211	\$ 13,234	\$ 17,686
Investment earnings	\$ 56	\$ 144	\$ 194	\$ 258
Benefit payments *	\$ 0	\$ 0	\$ 0	\$ 0
Administrative expenses	0	(45)	(75)	(161)
Market value of assets, end of year	\$ 8,542	\$ 17,852	\$ 31,205	\$ 48,988

\* Benefits are not paid from the RHCTF at this time

*Dollar Amounts in Thousands*

For valuation purposes, the actuarial value of assets is set equal to the market value of assets.

Up to this point, assets have been invested in fixed income securities, but at its June 18, 2014 meeting the RHCTF Board adopted an asset allocation of 37 percent domestic equity, 37 percent international developed equity and 26 percent investment grade bonds. Implementation of this asset allocation is in process, and beginning July 1, 2014, it is assumed assets will earn an average of 7.50% each year.

**SECTION III  
DEVELOPMENT OF BLENDED DISCOUNT RATE**

The discount rate used for GASB 43 and 45 disclosures is a weighted average of the expected return on Plan assets (7.50%) and the expected return on City assets (3.75%). If contributions to the Plan were equal to the Annual Required Contribution (ARC), the discount rate would be 7.50%. If contributions to the Plan were just equal to the benefit payments for the next year, the discount rate would be 3.75%. Since contributions are between these two amounts, the discount rate is a weighted average of these two discount rates where the weights reflect how close contributions are expected to be to the ARC as opposed to the benefit payments.

***Projected Contribution Rates***

Currently, the City pays retiree benefits from general assets and both the City and employees make contributions to the Retiree Health Care Trust Fund (RHCTF). For the fiscal years ending June 30, 2014 and June 30, 2015, employees hired after January 9, 2009 (Prop B Employees) contribute 2.0% of pay to the RHCTF and the City contributes 1.0% of Prop B Employee pay. No contributions are made by or on behalf of Pre-Prop B employees until the fiscal year ending June 30, 2017. Table III-1 below develops the projected contribution rates as a percentage of total payroll for FYE 2014 and 2015.

<b>Table III-1</b>		
<b>Projected City and Member Contribution Rates to RHCTF</b>		
	<b>FYE 2014</b>	<b>FYE 2015</b>
<b>Projected Payroll</b>		
Pre-Prop B employees	\$ 1,965,358	\$ 1,937,184
Prop B employees	<u>586,403</u>	<u>712,309</u>
<b>Total</b>	<b>\$ 2,551,761</b>	<b>\$ 2,649,493</b>
<b>Projected Contribution Amounts *</b>		
Employees	\$ 11,791	\$ 14,246
Employer	<u>5,895</u>	<u>7,123</u>
<b>Total</b>	<b>\$ 17,686</b>	<b>\$ 21,369</b>
<b>Projected Contribution Rates as a % of Payroll</b>		
Employees	0.46%	0.54%
Employer	<u>0.23%</u>	<u>0.27%</u>
<b>Total</b>	<b>0.69%</b>	<b>0.81%</b>

\* Actual amounts shown in FYE 2014

*Dollar Amounts in Thousands*

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**SECTION III  
DEVELOPMENT OF BLENDED DISCOUNT RATE**

*Development of the Annual Required Contribution at Expected Return on Plan Assets*

Table III-2 below shows the measures of actuarial liability and normal cost as of the valuation date based on a discount rate equal to the expected return on assets, 7.50%. These measures are the basis for the projection of the ARC for FYE 2014 and 2015.

<b>Table III-2</b>			
<b>Liability Measures at Expected Return on Plan Assets</b>			
<b>as of July 1, 2012</b>			
	<b>Pre-Prop B</b>	<b>Prop B</b>	<b>Total</b>
Actuarial Liability			
Actives	\$ 1,114,248	\$ 13,228	\$ 1,127,476
Terminated Vested Members	257,908	0	257,908
Retirees	<u>1,407,945</u>	<u>0</u>	<u>1,407,945</u>
Total Actuarial Liability	\$ 2,780,101	\$ 13,228	\$ 2,793,329
Normal Cost	\$ 86,919	\$ 11,701	\$ 98,620
Valuation Payroll	\$ 1,917,663	\$ 452,689	\$ 2,370,352
Normal Cost Rate	4.53%	2.58%	4.16%

*Dollar Amounts in Thousands*

The valuation payroll shown above represents the present value on July 1, 2012 of the salaries expected to be paid during FYE 2013 to employees who were active employees on the valuation date considering the probability of their terminating employment during the year due to retirement, disability, termination or death. It does not represent the total amount of payroll expected during the fiscal year.

CITY AND COUNTY OF SAN FRANCISCO  
 POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**SECTION III  
 DEVELOPMENT OF BLENDED DISCOUNT RATE**

Table III-3 below projects the normal cost rate for FYE 2014 and 2015 by applying the Pre-Prop B and Prop B normal cost rates from the valuation to the projected payroll for Pre-Prop B and Prop B employees for FYE 2014 and 2015. Since the lower Prop B normal cost rate applies to all new employees, the aggregate normal cost rate is projected to decrease gradually as new employees replace current Pre-Prop B employees. The normal cost rate is a component of the ARC.

<b>Table III-3</b>		
<b>Projected Normal Cost Rates at Expected Return on Assets</b>		
	<b>FYE 2014</b>	<b>FYE 2015</b>
<b>Pre-Prop B employees</b>		
Normal Cost Rate	4.53%	4.53%
Payroll	\$ 1,965,358	\$ 1,937,184
Normal Cost	\$ 89,081	\$ 87,805
<b>Prop B employees</b>		
Normal Cost Rate	2.58%	2.58%
Payroll	\$ 586,403	\$ 712,309
Normal Cost	\$ 15,157	\$ 18,411
<b>Total</b>		
Normal Cost	\$ 104,238	\$ 106,216
Payroll	\$ 2,551,761	\$ 2,649,493
Normal Cost Rate	4.08%	4.01%

*Dollar Amounts in Thousands*

The payroll shown in the table above represents the expected salaries paid during the specified fiscal years including salaries of new hires since the valuation date.



CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**SECTION III  
DEVELOPMENT OF BLENDED DISCOUNT RATE**

Table III-4 below projects the Unfunded Actuarial Liability (UAL) to July 1, 2013 and July 1, 2014. The amortization payment applicable to FYE 2014 and 2015 is calculated as a rate of projected payroll (UAL Rate). The ARC is the normal cost rate, as shown previously in this report, plus the UAL rate.

<b>Table III-4</b>		
<b>Projected UAL Amortization Rates at Expected Return on Assets</b>		
	<b>FYE 2013</b>	<b>FYE 2014</b>
Actuarial Liability, beginning of year	\$ 2,793,329	\$ 2,941,582
Normal Cost	98,620	100,536
Projected Benefit Payments	(161,324)	(163,885)
Interest	<u>210,957</u>	<u>222,125</u>
Actuarial Liability, end of year	\$ 2,941,582	\$ 3,100,358
Market Value of Assets, beginning of year *	\$ 17,852	\$ 31,205
Contributions	13,234	17,686
Net Investment Earnings	<u>119</u>	<u>97</u>
Market Value of Assets, end of year	\$ 31,205	\$ 48,988
Projected Unfunded Actuarial Liability (UAL)	\$ 2,910,377	\$ 3,051,370
Amortization Factor	18.2865	18.2865
Projected Amortization Payment (following year)	\$ 159,155	\$ 166,865
Payroll	\$ 2,551,761	\$ 2,649,493
UAL Rate	6.24%	6.30%

\* Actual market value of assets used through FYE 2014

*Dollar Amounts in Thousands*

CITY AND COUNTY OF SAN FRANCISCO  
 POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**SECTION III  
 DEVELOPMENT OF BLENDED DISCOUNT RATE**

***Blended Discount Rate Calculation***

Table III-5 below combines the information developed in the tables in this section to calculate the blended discount rate. The weight given to the expected return on plan assets in the weighted average calculation is equal to the contributions to the RHCTF divided by the amount that would be contributed to the RHCTF if the full ARC had been contributed. Since this valuation is used for two fiscal years, the blended discount rate used in the valuation is the average of the blended discount rates calculated for each fiscal year.

<b>Table III-5</b>		
<b>Calculation of Blended Discount Rate</b>		
	<b>FYE 2014</b>	<b>FYE 2015</b>
1. Contribution Rates to RHCTF		
Employee	0.46%	0.54%
Employer	<u>0.23%</u>	<u>0.27%</u>
Total	0.69%	0.81%
Normal Cost Rate *	4.08%	4.01%
UAL Rate *	<u>6.24%</u>	<u>6.30%</u>
Total ARC Rate *	10.32%	10.31%
Pay-As-You-Go Rate	<u>6.42%</u>	<u>6.13%</u>
2. Total ARC in Excess of Pay-As-You-Go	3.90%	4.18%
3. Weight to Expected Return on Plan Assets (1. / 2.)	17.77%	19.32%
4. Expected Return on Plan Assets	7.50%	7.50%
5. Expected Return on City Assets	3.75%	3.75%
6. Discount Rate [3. * 4. + (1 - 3.) * 5.]	4.42%	4.47%
Discount Rate for Valuation (average of 6.)	4.45%	

\* Calculated at the expected return on assets

CITY AND COUNTY OF SAN FRANCISCO  
 POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**SECTION IV  
 GASB VALUATION RESULTS**

This section of the report provides the July 1, 2012 actuarial valuation results on a GASB basis, develops the Annual Required Contribution (ARC) under GASB 43 and 45 for the fiscal years ending June 30, 2014 and June 30, 2015, and reconciles the current valuation with the prior July 1, 2010 valuation.

Table IV-1 below compares the actuarial liability, plan assets, and unfunded actuarial liability as of July 1, 2012 to the prior valuation as of July 1, 2010.

<b>Table IV-1 Actuarial Liability</b>		
<b>Valuation Date</b>	<b>July 1, 2010</b>	<b>July 1, 2012</b>
Discount Rate	4.25%	4.45%
Actives	\$ 2,045,612	\$ 1,665,912
Terminated Vested Members	381,448	445,251
Retirees	1,993,086	1,886,599
Total Actuarial Liability	\$ 4,420,146	\$ 3,997,762
Assets*	(3,195)	(17,852)
Unfunded Actuarial Liability	\$ 4,416,951	\$ 3,979,910
Funded Ratio	0.1%	0.4%

*Dollar Amounts in Thousands*

\* Assets shown as of July 1, 2010 were set aside for the RHCTF and contributed when it was established in December 2010

The *actuarial liability* represents the portion of the value of projected benefits that is allocated to service earned prior to the valuation date. The *unfunded actuarial liability* (UAL) represents the excess of the actuarial liability over plan assets.

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**SECTION IV  
GASB VALUATION RESULTS**

The valuation is performed as of July 1, 2012 and those results are then projected forward to the first day of the fiscal year for which the annual required contribution (ARC) is determined. In Table IV-2 below, the projection of the actuarial liability from the valuation date to the beginning of each of the next two fiscal years is shown.

<b>Table IV-2</b>				
<b>Projected Actuarial Liability</b>				
	<b>FYE 2013</b>		<b>FYE 2014</b>	
Actuarial Liability, beginning of year	\$	3,997,762	\$	4,209,295
Normal Cost		190,227		194,038
Projected Benefit Payments		(161,324)		(163,885)
Interest		182,630		192,146
Actuarial Liability, end of year	\$	4,209,295	\$	4,431,594
Assets		(31,205)		(48,988)
Projected Unfunded Actuarial Liability (UAL)	\$	4,178,090	\$	4,382,606
Amortization Factor		26.9791		26.9791
UAL Rate	\$	154,864	\$	162,445

*Dollar Amounts in Thousands*

The ARC consists of two parts: (1) the *employer normal cost*, which represents the annual cost attributable to service earned in a given year less employee contributions, and (2) amortization of the UAL, which is based on a rolling 30-year amortization period. Table IV-3 below shows development of the ARC for fiscal years ending June 30, 2014 and June 30, 2015.

<b>Table IV-3</b>				
<b>Annual Required Contribution</b>				
	<b>FYE 2014</b>		<b>FYE 2015</b>	
Total Normal Cost	\$	198,304	\$	202,190
Less Expected Employee Contributions		(11,791)		(14,246)
Employer Normal Cost	\$	186,513	\$	187,944
Unfunded Actuarial Liability Amortization		154,864		162,445
Annual Required Contribution	\$	341,377	\$	350,389

*Dollar Amounts in Thousands*

CITY AND COUNTY OF SAN FRANCISCO  
 POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**SECTION IV  
 GASB VALUATION RESULTS**

Table IV-4 shows the expected benefit payments, or “pay-as-you-go” costs, net of retiree contributions, for the 15 fiscal years following the valuation date. In calculating the liability of the plan, expected benefit payments are projected for the life of each existing participant.

<b>Table IV-4 Expected Net Benefit Payments</b>					
<b>FYE June 30,</b>	<b>Expected Net Benefit Payments</b>	<b>FYE June 30,</b>	<b>Expected Net Benefit Payments</b>	<b>FYE June 30,</b>	<b>Expected Net Benefit Payments</b>
2013	\$ 161,324	2018	\$ 195,382	2023	\$ 275,512
2014	163,885	2019	210,846	2024	292,933
2015	162,462	2020	226,788	2025	309,874
2016	167,067	2021	243,755	2026	325,559
2017	180,552	2022	259,670	2027	341,235

*Dollar Amounts in Thousands*

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

SECTION IV  
GASB VALUATION RESULTS

**Reconciliation with Prior Results**

Table IV-5 estimates the impact of the major factors contributing to the change in liability since the last actuarial valuation (July 1, 2010). Note that the expected values as of July 1, 2012 are based on assumptions and methods from the prior valuation.

<b>Table IV-5 Reconciliation with Prior Results</b>				
	Actuarial Liability July 1, 2012	% of Liability	Total Normal Cost as of July 1, 2012	% of Total Normal Cost
Expected July 1, 2012 valuation results *	\$ 4,974,193		\$ 235,495	
<i>(Gain)/Loss due to:</i>				
Demographic Changes	\$ (131,296)	-3%	\$ 6,740	3%
Health Cost Changes	(838,737)	-17%	(39,892)	-17%
Discount Rate Change from 4.25% to 4.45%	(105,288)	-2%	(8,848)	-4%
Implementation of Proposition C	(14,879)	0%	0	0%
Other Assumption Changes	113,769	2%	(3,268)	-1%
Total (Gain)/Loss	\$ (976,431)	-20%	\$ (45,268)	-19%
July 1, 2012 valuation results	\$ 3,997,762		\$ 190,227	

*Dollar Amounts in Thousands*

\* Actuarial Liability as of July 1, 2010 is projected to July 1, 2012 with expected benefits earned and interest reduced by expected benefits paid. The Total Normal Cost as of July 1, 2010 is projected to July 1, 2012 with anticipated salary increases and population changes.

Below is a brief description of each of the changes shown above:

- *Expected Values* refer to the change that would have occurred had experience matched all the assumptions between July 1, 2010 and July 1, 2012.
- *Demographic Changes* refer to population changes between July 1, 2010 and July 1, 2012.
- *Health Cost Changes* refer to the impact of the difference between actual health care claims, expense costs and premium compared to the projected costs using the assumptions from the July 1, 2010 valuation. The claim curves were updated to reflect actual changes in utilization.
- *Discount Rate Change* refers to the change in discount rate from 4.25% as of July 1, 2010 to 4.45% as of July 1, 2012.
- *Implementation of Proposition C* refers to the benefit change removing the additional dependent subsidy and applies to vested terminated participants as of June 30, 2001, and not yet retired as of the proposition adoption date.
- *Other Assumption Changes* refers to all other assumption changes including changes to health care trends, wage inflation, and participation assumptions.

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**SECTION V**  
**SENSITIVITY TO HEALTH CARE TREND RATES**

The actuarial liability, ARC, and benefit payments produced in this report are sensitive to the assumptions used. The tables below show the impact of a 1% increase or decrease in the health care trend rates on the actuarial liability, the ARC, and the net expected benefit payments, to provide some measure of sensitivity. Since actual premiums are known through 2015, the 1% increase or decrease to the health care trend commences after December 31, 2015.

<b>Table V-1</b>			
<b>Actuarial Liability as of July 1, 2012</b>			
<b>(4.45% discount rate)</b>			
<b>Health Care Trend Rate</b>	<b>-1%</b>	<b>Base</b>	<b>1%</b>
<b>Actuarial Liability</b>			
Actives	\$ 1,399,201	\$ 1,665,912	\$ 2,004,869
Terminated Vested Members	377,541	445,251	531,191
Retirees	<u>1,744,291</u>	<u>1,886,599</u>	<u>2,053,196</u>
<b>Total Actuarial Liability</b>	<b>\$ 3,521,033</b>	<b>\$ 3,997,762</b>	<b>\$ 4,589,256</b>
Assets	<u>(17,852)</u>	<u>(17,852)</u>	<u>(17,852)</u>
<b>Unfunded Actuarial Liability</b>	<b>\$ 3,503,181</b>	<b>\$ 3,979,910</b>	<b>\$ 4,571,404</b>

*Dollar Amounts in Thousands*

<b>Table V-2</b>			
<b>GASB ARC – FYE 2014</b>			
<b>(4.45% discount rate)</b>			
<b>Health Care Trend Rate</b>	<b>-1%</b>	<b>Base</b>	<b>1%</b>
Total Normal Cost	\$ 164,406	\$ 198,304	\$ 242,633
Less Employee Contribution	<u>(11,791)</u>	<u>(11,791)</u>	<u>(11,791)</u>
Employer Normal Cost	\$ 152,615	\$ 186,513	\$ 230,842
UAL Amortization	<u>135,168</u>	<u>154,864</u>	<u>179,380</u>
<b>Total ARC</b>	<b>\$ 287,783</b>	<b>\$ 341,377</b>	<b>\$ 410,222</b>

*Dollar Amounts in Thousands*

CITY AND COUNTY OF SAN FRANCISCO  
 POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**SECTION V**  
**SENSITIVITY TO HEALTH CARE TREND RATES**

<b>Table V-3</b>				
<b>Expected Net Benefit Payments</b>				
<b>Fiscal Year Ending June 30,</b>	<b>Health Care Trend Rate</b>			
	<b>-1%</b>	<b>Base</b>	<b>1%</b>	
2013	\$ 161,324	\$ 161,324	\$ 161,324	
2014	163,885	163,885	163,885	
2015	162,462	162,462	162,462	
2016	166,260	167,067	167,873	
2017	178,000	180,552	183,119	
2018	190,817	195,382	200,016	
2019	203,987	210,846	217,873	
2020	217,348	226,788	236,549	
2021	231,409	243,755	256,641	
2022	244,192	259,670	275,978	
2023	256,639	275,512	295,582	
2024	270,284	292,933	317,248	
2025	283,203	309,874	338,779	
2026	294,710	325,559	359,309	
2027	305,960	341,235	380,195	

*Dollar Amounts in Thousands*



CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**SECTION VI  
ACCOUNTING DISCLOSURES**

**GASB Statements No. 43 and 45** establish standards for disclosure of OPEB information by governmental plans and employers in their financial statements. In accordance with those statements, we have prepared the following disclosures.

***Schedule of Funding Progress***

The schedule of funding progress, Table VI-1, compares the assets used for funding purposes to the actuarial liability to determine how well the Plan is funded and how this status has changed over the past several years. The unfunded actuarial liability is compared to the covered payroll as a measure of the potential future burden on the employer.

<b>Table VI-1 Schedule of Funding Progress</b>						
<b>Actuarial Valuation Date</b>	<b>Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
7/1/2006*	\$ 0	\$ 4,036,324	\$ 4,036,324	0.0%	\$ 2,066,866	195.3%
7/1/2008*	0	4,364,273	4,364,273	0.0%	2,296,336	190.1%
7/1/2010**	0	4,420,146	4,420,146	0.0%	2,393,930	184.6%
7/1/2012	17,852	3,997,762	3,979,910	0.4%	2,457,633	161.9%

*Dollar Amounts in Thousands*

\* Figures prior to July 1, 2010 valuation calculated by the prior actuary.

\*\* As of July 1, 2010, the City set aside approximately \$3.2 million in assets for the OPEB plan. However, the Retiree Health Care Trust Fund was not established until December 2010.

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**SECTION VI  
ACCOUNTING DISCLOSURES**

***Schedule of Employer Contributions***

The schedule of employer contributions, Table VI-2, is a required disclosure under GASB 45. It compares the actual employer contributions to the Annual OPEB Cost and shows the historical trend of the Net OPEB Obligation. For this purpose, employer contributions include both the pay-as-you-go cost and contributions to the RHCTF.

<b>Table VI-2 GASB 45 Schedule of Employer Contributions</b>				
<b>Fiscal Year Ended</b>	<b>Annual OPEB (AOC) Cost</b>	<b>Amount Contributed</b>	<b>Percentage of AOC Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2010*	\$ 374,214	\$ 126,859	33.9%	\$ 852,782
6/30/2011*	392,151	145,880	37.2%	1,099,177
6/30/2012	405,850	156,252	38.5%	1,348,883
6/30/2013	418,539	160,300	38.3%	1,607,130
6/30/2014	353,251	166,628	47.2%	1,793,753

*Dollar Amounts in Thousands*

\* Figures prior to FYE June 30, 2012 calculated by the prior actuary.

Under GASB 43, there is a separate Schedule of Employer Contributions, Table VI-3, for the Retiree Health Care Trust Fund that compares the actual contributions to the Annual Required Contribution.

<b>Table VI-3 GASB 43 Schedule of Employer Contributions</b>			
<b>Fiscal Year Ended</b>	<b>Annual Required Contribution (ARC)</b>	<b>Amount Contributed</b>	<b>Percentage of ARC Contributed</b>
6/30/2010*	\$ 368,665	\$ 126,859	34.4%
6/30/2011*	384,334	145,880	38.0%
6/30/2012	397,862	156,252	39.3%
6/30/2013	408,735	160,300	39.2%
6/30/2014	341,377	166,628	48.8%

*Dollar Amounts in Thousands*

\* Figures prior to FYE June 30, 2012 calculated by the prior actuary.

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**SECTION VI  
ACCOUNTING DISCLOSURES**

Table VI-4 below shows the development of the Net OPEB Obligation (NOO) for the fiscal year ending (FYE) June 30, 2014, and projects the NOO for the fiscal year ending June 30, 2015. The FYE 2015 actual NOO will change based on the actual contributions made.

<b>Table VI-4 Development of Net OPEB Obligation (NOO)</b>		
	<b>FYE 2014</b>	<b><i>Projected FYE 2015 *</i></b>
1. Net OPEB Obligation/(Asset), beginning of year	\$ 1,607,130	\$ 1,793,753
2. Annual Required Contribution for FYE	\$ 341,377	\$ 350,389
3. Interest on Net OPEB Obligation/(Asset)	71,444	79,741
4. Adjustment to Annual Required Contribution	<u>59,570</u>	<u>66,487</u>
5. Annual OPEB Cost (2.) + (3.) - (4.)	353,251	363,643
6. Employer Contributions		
a. Contributions to RHTF	\$ 5,895	\$ 7,123
b. Benefit Payments	<u>160,733</u>	<u>162,462</u>
c. Total	\$ 166,628	\$ 169,585
7. Net OPEB Obligation/(Asset), end of year (1.) + (5.) - (6c.)	\$ 1,793,753	\$ 1,987,811

*Dollar Amounts in Thousands*

\* Estimated values are shown in italics

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

SECTION VI  
ACCOUNTING DISCLOSURES

The *Note to Required Supplementary Information* shown in Table VI-5 provides additional disclosure information for the financial statements.

<b>Table VI-5</b>	
<b>NOTE TO REQUIRED SUPPLEMENTARY INFORMATION</b>	
The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.	
Valuation Date	July 1, 2012
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Amortization Period	Rolling 30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	4.45%
Total Payroll Growth	3.83%
Ultimate Rate of Medical Inflation	4.50%
Years to Ultimate Rate	18

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**APPENDIX A  
PARTICIPANT DATA**

***Participant Data:***

The following table compares key statistics from the current to the previous valuation.

<b>Schedule of Valuation Data</b>			
<b>Valuation Date</b>	<b>July 1, 2010</b>	<b>July 1, 2012</b>	<b>% Change</b>
<b>Active Employees</b>			
Count	27,378	27,764	1%
Average Age	47.9	47.5	-1%
Average Service	13.5	11.9	-12%
Total Payroll	\$ 2,303,649,881	\$ 2,457,633,410	7%
<b>In-Pay Participants with Coverage*</b>			
Count	23,511	24,515	4%
Average Age	69.8	69.5	0%
<b>Vested, Terminated Members</b>			
Count	1,509	2,134	41%
Average Age	48.0	48.7	1%

\* Includes spouses and domestic partners

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

<b>Active Employees by Age and Service As of July 1, 2012</b>								
<b>Age Group</b>	<b>Years of Service</b>							<b>Total</b>
	<b>&lt; 5</b>	<b>5-9</b>	<b>10-14</b>	<b>15-19</b>	<b>20-24</b>	<b>25-29</b>	<b>30+</b>	
Under 25	198	5	0	0	0	0	0	203
25 to 29	1,069	235	3	0	0	0	0	1,307
30 to 34	1,459	775	185	3	0	0	0	2,422
35 to 39	1,208	887	741	149	3	0	0	2,988
40 to 44	1,090	909	1,248	596	177	14	0	4,034
45 to 49	984	792	1,254	811	548	162	20	4,571
50 to 54	821	672	1,075	682	761	567	300	4,878
55 to 59	578	524	904	560	630	592	480	4,268
60 to 64	278	312	494	328	310	287	326	2,335
Over 65	103	137	165	112	87	71	83	758
<b>Total</b>	<b>7,788</b>	<b>5,248</b>	<b>6,069</b>	<b>3,241</b>	<b>2,516</b>	<b>1,693</b>	<b>1,209</b>	<b>27,764</b>

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**APPENDIX A  
PARTICIPANT DATA**

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

<b>Active Employees by Employee Group As of July 1, 2012</b>						
	<b>Police</b>	<b>Fire</b>	<b>Muni</b>	<b>Craft</b>	<b>Misc.</b>	<b>Total</b>
<b><i>Hired On or Before January 9, 2009</i></b>						
Count	1,993	1,272	1,716	2,783	14,404	22,168
Average age	44.2	45.6	50.6	52.2	49.5	49.2
Average service	15.7	15.5	13.7	15.6	14.0	14.4
Total Payroll (\$000's)	\$275,622	\$186,653	\$127,918	\$240,441	\$1,228,155	\$2,058,789
<b><i>Hired On or After January 10, 2009</i></b>						
Count	132	69	424	409	4,562	5,596
Average age	31.6	35.5	40.9	43.4	41.0	40.9
Average service	1.5	1.8	1.7	1.6	1.7	1.7
Total Payroll (\$000's)	\$13,014	\$6,435	\$26,488	\$31,410	\$321,498	\$398,845
<b><i>Total Actives</i></b>						
Count	2,125	1,341	2,140	3,192	18,966	27,764
Average age	43.4	45.1	48.7	51.0	47.5	47.5
Average service	14.8	14.8	11.3	13.8	11.1	11.9
Total Payroll (\$000's)	\$288,636	\$193,088	\$154,406	\$271,851	\$1,549,653	\$2,457,633

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**APPENDIX A  
PARTICIPANT DATA**

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

<b>Inactive Participants by Status and Age Group As of July 1, 2012</b>						
<b>Age Group</b>	<b>Disabled Retiree</b>		<b>Survivor</b>	<b>Term Vested</b>	<b>Total</b>	
Under 40	5	0	3	252	260	
40 to 44	17	5	16	414	452	
45 to 49	61	14	21	583	679	
50 to 54	135	441	46	383	1,005	
55 to 59	277	1,403	98	289	2,067	
60 to 64	497	3,047	193	164	3,901	
65 to 69	49	3,548	252	28	3,877	
70 to 74	4	2,730	278	10	3,022	
75 to 79	1	1,825	334	7	2,167	
80 to 84	0	1,257	417	1	1,675	
85 to 90	0	810	418	2	1,230	
Over 90	0	399	290	1	690	
<b>Total</b>	<b>1,046</b>	<b>15,479</b>	<b>2,366</b>	<b>2,134</b>	<b>21,025</b>	

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

<b>Medical Plan Elections for In-Pay Participants *</b>						
<b>As of July 1, 2012</b>						
<b>Medical Plan</b>	<b>Pre-Medicare</b>			<b>Medicare Eligible</b>		
	<b>Retirees &amp; Surviving Spouses</b>	<b>Spouses &amp; Domestic Partners</b>	<b>Total</b>	<b>Retirees &amp; Surviving Spouses</b>	<b>Spouses &amp; Domestic Partners</b>	<b>Total</b>
Blue Shield	2,703	1,171	3,874	2,990	705	3,695
City Health Plan	850	336	1,186	3,944	885	4,829
Kaiser	2,726	1,168	3,894	5,678	1,359	7,037
<b>Total</b>	<b>6,279</b>	<b>2,675</b>	<b>8,954</b>	<b>12,612</b>	<b>2,949</b>	<b>15,561</b>

\* Assumes Medicare eligibility at age 65. Does not include waived and exempt retired participants.

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**APPENDIX B  
ASSUMPTIONS AND METHODS**

*Economic Assumptions:*

1. **Expected Return on Plan Assets:** 7.50% per year, net of expenses
2. **Expected Return on City Assets:** 3.75% per year, net of expenses
3. **Blended Discount Rate for Valuation Purposes:** 4.45% per year
4. **Consumer Price Inflation:** 3.33% per year
5. **Per Person Cost Trends:**

To Year Beginning January 1	10-County Trend	Annual Increases		
		Medical & Rx		Vision / Expense
		Pre-Medicare	Medicare Eligible	
2013		<i>Actual Premiums Used</i>		
2014		<i>Actual Premiums Used</i>		
2015		<i>Actual Premiums Used</i>		
2016	6.00%	8.00%	6.50%	3.50%
2017	5.89	7.75	6.36	3.50
2018	5.79	7.50	6.21	3.50
2019	5.68	7.25	6.07	3.50
2020	5.57	7.00	5.93	3.50
2021	5.46	6.75	5.79	3.50
2022	5.36	6.50	5.64	3.50
2023	5.25	6.25	5.50	3.50
2024	5.14	6.00	5.36	3.50
2025	5.04	5.75	5.21	3.50
2026	4.93	5.50	5.07	3.50
2027	4.82	5.25	4.93	3.50
2028	4.71	5.00	4.79	3.50
2029	4.61	4.75	4.64	3.50
2030+	4.50	4.50	4.50	3.50

- Deductibles, Co-payments, Out-of-Pocket Maximums, and Annual Maximum are assumed to increase at the above trend rates.
- A load of 2.5% in FYE 2019 and 0.5% in FYE 2020 was added to the Pre-Medicare medical trend to account for Healthcare Reform.



CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**APPENDIX B  
ASSUMPTIONS AND METHODS**

***Demographic Assumptions:***

**1. Retirement Rates:**

Rates of retirement are based on age and service according to the following tables.

Eligible deferred vested members are assumed to retire at age 55, or current age if older. Any deferred vested member hired on or after January 10, 2009 is assumed to retire outside of the 180-day retirement window set in place by Proposition B (passed 6/3/2008).

<b>Rates of Retirement by Age and Service 29 Years of Service or less (24 or less for Safety)</b>						
<b>Age</b>	<b>Police</b>	<b>Fire</b>	<b>Muni Drivers</b>	<b>Craft</b>	<b>Misc. Females</b>	<b>Misc. Males</b>
50	0.0150	0.0200	0.0700	0.0300	0.0300	0.0300
51	0.0150	0.0100	0.0250	0.0250	0.0250	0.0250
52	0.0150	0.0100	0.0250	0.0250	0.0250	0.0250
53	0.0300	0.0100	0.0500	0.0400	0.0400	0.0400
54	0.0300	0.0100	0.0500	0.0400	0.0400	0.0400
55	0.1000	0.0300	0.0600	0.0500	0.0400	0.0400
56	0.1000	0.0300	0.0600	0.0500	0.0450	0.0450
57	0.1000	0.0300	0.1000	0.0500	0.0500	0.0500
58	0.1000	0.0500	0.1000	0.0500	0.0600	0.0600
59	0.1000	0.1000	0.1000	0.0750	0.0750	0.0750
60	0.1000	0.2500	0.1000	0.1000	0.1100	0.1100
61	0.1000	0.2500	0.1250	0.1300	0.1400	0.1400
62	0.3000	0.2500	0.2500	0.2250	0.2250	0.2250
63	0.1000	0.2500	0.2000	0.1750	0.1750	0.1750
64	0.1000	0.2500	0.2000	0.1750	0.1750	0.1750
65	1.0000	1.0000	0.2500	0.2750	0.2250	0.2250
66	1.0000	1.0000	0.2500	0.2750	0.2250	0.2250
67	1.0000	1.0000	0.2500	0.1750	0.2000	0.2000
68	1.0000	1.0000	0.2500	0.1750	0.2000	0.2000
69	1.0000	1.0000	0.2500	0.1750	0.2000	0.2000
70 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

CITY AND COUNTY OF SAN FRANCISCO  
 POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**APPENDIX B  
 ASSUMPTIONS AND METHODS**

<b>Rates of Retirement by Age and Service                      30 Years of Service or more (25 or more for Safety)</b>						
<b>Age</b>	<b>Police</b>	<b>Fire</b>	<b>Muni Drivers</b>	<b>Craft</b>	<b>Misc. Females</b>	<b>Misc. Males</b>
50	0.0300	0.0200	0.0300	0.0300	0.0300	0.0300
51	0.0300	0.0200	0.0300	0.0300	0.0300	0.0300
52	0.0400	0.0200	0.0300	0.0300	0.0300	0.0300
53	0.0700	0.1000	0.0300	0.0300	0.0300	0.0300
54	0.1000	0.2000	0.0300	0.0300	0.0750	0.0300
55	0.1200	0.2250	0.3000	0.0750	0.0750	0.0750
56	0.1400	0.2250	0.3000	0.0750	0.0750	0.0750
57	0.1600	0.2250	0.3000	0.0750	0.0750	0.0750
58	0.1800	0.2500	0.3000	0.1500	0.1250	0.1200
59	0.2000	0.3000	0.3000	0.3000	0.1750	0.1500
60	0.2200	0.3500	0.3000	0.3000	0.2500	0.3000
61	0.2500	0.4000	0.3000	0.3000	0.2500	0.3000
62	0.2500	0.4000	0.3500	0.3500	0.3750	0.3500
63	0.2500	0.3000	0.3000	0.3000	0.2500	0.2500
64	0.2500	0.3000	0.3000	0.3000	0.2500	0.2500
65	1.0000	1.0000	0.4500	0.3000	0.3750	0.2500
66	1.0000	1.0000	0.4500	0.3000	0.3750	0.2500
67	1.0000	1.0000	0.4500	0.3000	0.3750	0.2500
68	1.0000	1.0000	0.4500	0.3000	0.3750	0.2500
69	1.0000	1.0000	0.4500	0.3000	0.3750	0.2500
70 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

CITY AND COUNTY OF SAN FRANCISCO  
 POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**APPENDIX B  
 ASSUMPTIONS AND METHODS**

**2. Termination Rates:**

Sample rates of termination of employment for all employee groups (excluding Miscellaneous members) are shown in the following table.

<b>Rates of Termination Non-Miscellaneous Members</b>				
<b>Service</b>	<b>Police</b>	<b>Fire</b>	<b>Muni Drivers</b>	<b>Craft</b>
0	10.00%	4.00%	12.00%	8.00%
1	4.00	1.50	6.00	7.00
2	2.00	1.50	5.00	6.00
3	2.00	1.50	4.00	5.00
4	2.00	1.50	3.50	4.00
5	1.00	1.50	3.25	3.25
6	1.00	1.00	3.00	2.75
7	1.00	1.00	3.00	2.50
8	1.00	1.00	3.00	2.25
9	1.00	1.00	3.00	2.00
10	1.00	1.00	3.00	1.75
11	1.00	0.50	3.00	1.75
12	1.00	0.50	3.00	1.75
13	1.00	0.50	3.00	1.75
14	1.00	0.50	3.00	1.75
15	1.00	0.50	3.00	1.75
16	0.50	0.50	3.00	1.75
17	0.50	0.50	3.00	1.75
18	0.50	0.20	3.00	1.75
19	0.50	0.10	3.00	1.75
20	0.50	0.05	3.00	1.75
21	0.00	0.00	3.00	1.75
22	0.00	0.00	0.00	1.75
23	0.00	0.00	0.00	0.00

\* Termination rates do not apply once a member is eligible for retirement.

CITY AND COUNTY OF SAN FRANCISCO  
 POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**APPENDIX B  
 ASSUMPTIONS AND METHODS**

Sample rates of termination by age and service for Miscellaneous members are shown in the following table.

<b>Rates of Termination Miscellaneous Members</b>			
<b>Age</b>	<b>Years of Service</b>		
	<b>0</b>	<b>3</b>	<b>5+</b>
20	37.50%	12.00%	6.50%
25	27.50	9.00	6.50
30	24.00	9.00	5.50
35	20.00	7.00	4.25
40	17.50	6.00	3.00
45	15.00	4.50	2.50
50	15.00	4.50	2.60
55	15.00	4.50	3.15
60	15.00	4.50	4.00
65	15.00	4.50	4.00

**3. Member Refunds:**

The rates of refund of contributions for terminated vested members are presented in the table below.

<b>Vested Terminated Rates of Refund</b>		
<b>Age</b>	<b>Police / Fire</b>	<b>Miscellaneous</b>
Under 25	100%	70%
25	75	55
30	50	40
35	30	35
40	20	30
45	10	20
50 & over	0	0

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**APPENDIX B  
ASSUMPTIONS AND METHODS**

**4. Mortality Rates:**

*Healthy Lives:*

Mortality rates for actives, retirees, beneficiaries, and terminated vested participants are based on the sex distinct RP-2000 Mortality Tables. To reflect mortality improvements since the date of the table, for active females, the Employee table is projected to 2030 and for active males to 2005, both using Scale AA. For female and male annuitants, the Annuitant table is projected to 2020 using Scale AA.

<b>Rates of Mortality for Actives and Annuitants Healthy Lives at Selected Ages</b>					
<b>Age</b>	<b>Actives</b>		<b>Age</b>	<b>Annuitants</b>	
	<b>Male</b>	<b>Female</b>		<b>Male</b>	<b>Female</b>
25	0.036%	0.014%	50	0.372%	0.166%
30	0.043	0.020	55	0.402	0.301
35	0.075	0.034	60	0.594	0.561
40	0.104	0.045	65	1.012	0.938
45	0.141	0.069	70	1.641	1.515
50	0.195	0.100	75	2.854	2.394
55	0.275	0.199	80	5.265	3.987
60	0.450	0.338	85	9.624	6.866
65	0.706	0.501	90	16.928	12.400
70	0.920	0.655	95	25.699	18.688
			100	33.773	23.276

For active members, 25% of Safety deaths and 0% of Miscellaneous deaths are assumed to be duty-related.

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**APPENDIX B  
ASSUMPTIONS AND METHODS**

*Disabled Lives:*

The following provides a sample of the mortality rates for members with disability retirement.

<b>Rates of Mortality for Disabled Lives at Selected Ages</b>					
<b>Age</b>	<b>Police and Fire</b>		<b>Age</b>	<b>All Miscellaneous</b>	
	<b>Male</b>	<b>Female</b>		<b>Male</b>	<b>Female</b>
50	0.40%	0.33%	50	1.63%	1.11%
55	0.53	0.50	55	1.94	1.56
60	0.74	0.74	60	2.29	1.61
65	1.26	1.09	65	3.17	1.80
70	2.04	1.59	70	3.87	2.84
75	3.18	2.47	75	6.00	3.65
80	6.09	4.08	80	8.39	5.23
85	10.80	7.16	85	14.04	8.42
90	15.09	12.35	90	21.55	14.14
95	23.77	21.24	95	31.03	20.92
100	37.44	32.55	100	45.91	34.18

For Safety members, all disabilities are assumed to be duty-related. Therefore, all deaths of disabled Safety members are assumed to generate duty death benefits.

**5. Disability Rates:**

Sample disability rates of active participants are provided in the following table. All Safety and no Miscellaneous disabilities are assumed to be duty-related.

<b>Rates of Disability at Selected Ages</b>						
<b>Age</b>	<b>Police</b>	<b>Fire</b>	<b>Muni Drivers</b>	<b>Craft</b>	<b>Misc. Females</b>	<b>Misc. Males</b>
30	0.05%	0.06%	0.01%	0.01%	0.01%	0.01%
35	0.09	0.15	0.06	0.06	0.05	0.04
40	0.16	0.38	0.11	0.12	0.10	0.08
45	0.37	0.60	0.17	0.24	0.28	0.11
50	0.79	1.20	0.75	0.44	0.55	0.30
55	3.00	5.00	1.20	0.64	0.60	0.42
60	6.10	12.75	0.00	0.00	0.00	0.00
65	7.50	15.00	0.00	0.00	0.00	0.00

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**APPENDIX B  
ASSUMPTIONS AND METHODS**

**6. Salary Increase Rate:**

*Wage inflation component: 3.83%*

*The additional merit component:*

<b>Salary Merit Increases</b>					
<b>Service</b>	<b>Police</b>	<b>Fire</b>	<b>Muni Drivers</b>	<b>Craft</b>	<b>Misc.</b>
1	11.00%	15.00%	15.00%	4.50%	7.00%
2	8.50	8.00	10.00	3.25	5.25
3	6.50	6.00	2.00	2.50	4.00
4	4.50	4.25	1.00	2.00	3.00
5	3.25	3.00	0.00	1.50	2.50
6	2.30	2.30	0.00	1.25	2.00
7	1.95	1.95	0.00	1.00	1.75
8	1.70	1.70	0.00	0.90	1.65
9	1.50	1.50	0.00	0.85	1.45
10	1.50	1.50	0.00	0.85	1.30
11	1.50	1.50	0.00	0.85	1.20
12	1.50	1.50	0.00	0.85	1.15
13	1.50	1.50	0.00	0.85	1.10
14	1.50	1.50	0.00	0.85	1.05
15 & over	1.50	1.50	0.00	0.85	1.00

**7. Percent of Retirees Electing Coverage:**

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

<b>Percent of Retirees Electing Coverage</b>				
	<b>Vesting Level</b>			
	<b>0%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>
Pre-Medicare	15%	75%	85%	94%
Medicare Eligible	15%	50%	80%	94%

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

**APPENDIX B  
 ASSUMPTIONS AND METHODS**

**8. Medical Plan Election:**

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

<b>Assumed Plan Elections for Future Retirees</b>	
<b>Medical Plan</b>	<b>Election</b>
Blue Shield	45%
City Health Plan	5%
Kaiser	50%

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

**9. Medicare Participation:**

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

**10. Coverage Elections for Spouses and Domestic Partners:**

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

<b>Spousal Coverage Elections Non-Disabled Participants</b>				
	<b>Vesting Level</b>			
	<b>0%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>
Pre-Medicare	75%	40%	35%	35%
Medicare Eligible	35%	35%	35%	35%

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

<b>Spousal Coverage Elections Disabled Participants</b>	
	<b>Election</b>
Before Age 65	25%
After Age 65	35%



**APPENDIX B  
ASSUMPTIONS AND METHODS**

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

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

**11. Dependent Age:**

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

**12. Future Service Accruals:**

Actives are assumed to accrue a full year of credited service each year.

**13. Surviving Spouse Participation:**

100% of surviving spouses continue coverage.

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**APPENDIX B  
ASSUMPTIONS AND METHODS**

***Claim and Expense Assumptions:***

- Average Annual Claims Assumptions:** The following claim assumptions are applicable to the 12-month plan year beginning July 1, 2012, and are based on the premiums in effect on the valuation date. Subsequent years' costs are based on actual premiums when available, then adjusted with trends previously listed.

Annual Claims and Expenses For the Period July 1, 2012 to June 30, 2013									
Age	Blue Shield		City Plan			Kaiser		Vision	
	Medical	Admin	Medical	Rx	Admin	Medical & Rx	Admin		
40	\$ 5,458	\$ 19	\$ 6,946	\$ 1,384	\$ 526	\$ 4,660	\$ 19	\$ 45	
45	6,158	19	7,554	1,763	526	5,258	19	45	
50	7,644	19	9,117	2,373	526	6,527	19	45	
55	9,509	19	11,125	3,104	526	8,118	19	45	
60	11,805	19	13,775	3,880	526	10,079	19	45	
64	13,999	19	16,684	4,353	526	11,952	19	45	
65	3,903	19	1,511	1,827	414	3,508	19	45	
70	4,354	19	1,792	2,024	414	3,914	19	45	
75	4,645	19	2,078	2,139	414	4,176	19	45	
80	4,758	19	2,264	2,173	414	4,277	19	45	
85	4,697	19	2,326	2,133	414	4,222	19	45	

- Dental, Vision, and Expense:** These benefits are assumed to have no implied subsidy cost.
- Medicare Part D Subsidy:** Per GASB guidance, the Part D Subsidy has not been reflected in this valuation. As of 2013, the City and County's PPO Rx plan switched to an EGWP plan.
- Annual Limits:** Assumed to increase at the same rate as trend.
- Lifetime Maximums:** Unlimited.
- Geography:** Implicitly assumed to remain the same as current retirees.

**APPENDIX B  
ASSUMPTIONS AND METHODS**

***Methodology:***

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

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

The actuarial liability is that portion of the present value of projected benefits that is not expected to be paid by future normal costs. The difference between the actuarial liability and the market value of assets accumulated as of the same date is the unfunded actuarial liability. Under this cost method, actuarial gains and losses are directly reflected in the size of the unfunded actuarial liability. The unfunded actuarial liability is amortized over a rolling 30-year period as a level percent of pay.

The discount rate used for valuation purposes is a weighted average of the expected return on Plan assets and the expected return on City assets. In order to calculate the weighted average, the total Annual Required Contribution (ARC), including employee contributions, is determined using the expected return on Plan assets as the discount rate. The weight assigned to the expected return on Plan assets is equal to (1) the estimated employee and City contributions in excess of expected benefit payments divided by (2) the ARC on this basis in excess of expected benefit payments for the fiscal year. Since this valuation is used for two fiscal years, the valuation discount rate is an average of the weighted average discount rates calculated for the two fiscal years.

The medical claims costs were developed based on actual premiums for the six months ending December 31, 2012 and calendar year 2013 for the HMO plans and actual rates for the six months ending December 31, 2012 and calendar year 2013 for the City Plan. For Non-Medicare adults, the premiums (or rates, as applicable) for active employee only, first dependent of active employee, Non-Medicare retiree, and first dependent of Non-Medicare retirees were blended based upon enrollment data for the period July 1, 2011 to June 30, 2012. The same process was used for Medicare adults, except only Medicare retirees and first dependents of Medicare retirees were included. The resulting per person per month (PPPM) cost was then adjusted using age curves. Expenses and vision costs were based directly on the rates in effect for 2012-2013.

**APPENDIX B  
ASSUMPTIONS AND METHODS**

***Changes Since Last Valuation:***

The expected return on Plan assets was established for this valuation based on the asset allocation adopted by the RHCTF and the capital market assumptions of their investment consultant.

The expected return on City assets was reduced from 4.25% to 3.75%.

The methodology to determine the discount rate was established this year.

The wage inflation and the consumer price inflation assumptions were reduced from 4.00% and 3.50% to 3.83% and 3.33% respectively to align with the City and County of San Francisco Employees' Retirement System assumptions.

Per person healthcare cost trends were updated to reflect known premium increases through calendar year 2015, higher trends starting for calendar year 2016, and grading down to an ultimate trend rate beginning in 2030 of 4.50% compared to 4.75% in the prior valuation. Vision and expense trends were increased from 3.0% to 3.5%.

The percent of retirees electing coverage was reduced for vesting levels less than 100%. The percentage of future retirees also electing to cover a spouse or domestic partner was also updated to reflect recent and anticipated experience for retirees with a vesting level of less than 100%.

Average annual claims assumptions by age were updated to reflect recent experience.

APPENDIX C  
SUBSTANTIVE PLAN PROVISIONS

***Eligibility:***

Permanent full-time and elected employees are eligible to retire and receive postretirement health insurance benefits when they are eligible for retirement benefits from the City and County of San Francisco's Retirement System. Certain members of the California Public Employees Retirement System and certain court employees are also eligible for benefits from the City. Employees of the San Francisco Unified School District and the San Francisco Community College District are not included in the retiree medical plan. The eligibility requirements are as follows:

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

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

*California Public Employees Retirement System (CalPERS)*

A small group of currently active employees, previously considered a State Agency, have been shifted to the City's responsibility. This group is subject to CalPERS retirement criteria (age 50 and 5 years of credited service).

*Courts*

Members separated as of January 1, 2001 are the responsibility of the City and County of San Francisco. These participants are subject to the eligibility requirements of SFERS.

***Benefits for Retirees:***

Medical:	PPO – City Health Plan (self-insured) HMO – Kaiser (fully-insured) and Blue Shield (flex-funded)
Dental:	Delta Dental & DeltaCare USA
Vision:	Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan.

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<sup>1</sup> No service requirement for members retiring under the disability benefit or for surviving spouses/domestic partners of those killed in the line of duty.

<sup>2</sup> For participants hired on or after January 10, 2009, participant must retire within 180 days of separation in order to be eligible for retiree healthcare benefits from the City.

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**APPENDIX C**  
**SUBSTANTIVE PLAN PROVISIONS**

Premiums: Monthly premiums for July 1, 2012 through December 31, 2015 are as follows. Participants in the California Superior Courts, the San Francisco Unified School District, and the San Francisco Community College District are allowed to participate in these plans as active employees.

	Medical Premiums / Premium Equivalents*			
	Pre-Medicare		Medicare Eligible	
	Single	Dual	Single	Dual
<b>July 1, 2012 – December 31, 2012</b>				
Active				
Blue Shield	\$ 608.42	\$ 1,215.87	N/A	N/A
City Plan	1,237.46	2,431.13	N/A	N/A
Kaiser	530.01	1,059.00	N/A	N/A
Retiree				
Blue Shield	\$ 1,350.87	\$ 1,958.31	\$ 405.82	\$ 810.63
City Plan	1,427.03	2,810.25	375.14	715.91
Kaiser	1,064.98	1,593.97	334.42	667.82
<b>January 1, 2013 – December 31, 2013</b>				
Active				
Blue Shield	\$ 647.16	\$ 1,292.31	N/A	N/A
City Plan	1,258.97	2,473.63	N/A	N/A
Kaiser	537.02	1,072.01	N/A	N/A
Retiree				
Blue Shield	\$ 1,435.98	\$ 2,081.14	\$ 363.30	\$ 724.57
City Plan	1,466.49	2,888.64	374.49	714.02
Kaiser	1,078.10	1,613.09	335.43	668.83
<b>January 1, 2014 – December 31, 2014</b>				
Active				
Blue Shield	\$ 647.37	\$ 1,292.73	N/A	N/A
City Plan	1,227.55	2,412.45	N/A	N/A
Kaiser	565.11	1,128.19	N/A	N/A
Retiree				
Blue Shield	\$ 1,436.19	\$ 2,081.56	\$ 384.60	\$ 767.17
City Plan	1,428.97	2,815.25	364.18	694.66
Kaiser	1,134.67	1,697.75	352.49	702.95
<b>January 1, 2015 – December 31, 2015</b>				
Active				
Blue Shield **	\$ 673.02	\$ 1,344.04	N/A	N/A
City Plan	1,012.41	1,987.35	N/A	N/A
Kaiser	553.98	1,105.93	N/A	N/A
Retiree				
Blue Shield	\$ 1,493.40	\$ 2,164.42	\$ 384.60	\$ 767.17
City Plan	1,185.63	2,333.77	271.86	519.47
Kaiser	1,112.15	1,664.10	336.56	671.07

\* Includes Rx vision, and expense. Plan start date shifts from July 1 to January 1 as of January 1, 2013.

\*\* Active 2015 Blue Shield premium shown excludes buy-down amounts of \$25.65 for Single and \$51.31 for Dual.

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**APPENDIX C**  
**SUBSTANTIVE PLAN PROVISIONS**

Plan Last Modified	7/1/2012	7/1/2012	7/1/2012	7/1/2012
Plan:	Blue Shield Access+ (HMO)	Blue Shield 65 Plus (HMO)	City Health Plan (PPO)	Kaiser (HMO)
<b>In-Network (INN) Benefits</b>				
Deductible (Individual / Family)	None	None	\$250 / \$750	None
Coinsurance	N/A	N/A	15%	N/A
Out-of-Pocket Max (Individual / Family)	\$2,000 / \$4,000	\$6,700 (Part A&B services)	\$3,750 per person	\$1,500 / \$3,000
<b>Copays</b>				
Preventive Care	Fully Covered	Fully Covered	Fully Covered	Fully Covered
Office Visit (OV) - Primary Care (PCP)	\$25 per visit	\$25 per visit	DC <sup>1</sup>	\$20 per visit
OV - Specialist Care Provider (SCP)	\$30 per visit	\$25 per visit	DC <sup>1</sup>	\$20 per visit
Hospital Emergency Room (ER)	\$100 per visit	\$100 per visit	DC <sup>1</sup>	\$100 per visit
Outpatient Surgery	\$100 per surgery	\$100 per surgery	DC <sup>1</sup>	\$35 per surgery
Hospital Inpatient	\$200 per admission	\$200 per admission	DC <sup>1</sup>	\$100 per admission
Lifetime Max	Unlimited	Unlimited	Unlimited	Unlimited
<b>Out-of-Network (OON) Benefits</b>				
Deductible (Individual / Family)	Not Covered	Not Covered	\$250 / \$750	Not Covered
Coinsurance			50%	
Office Visits (PCP) & (SCP)			DC <sup>1</sup>	
Out-of-Pocket Max (Individual / Family)			\$7,500 per person	
Lifetime Max			Unlimited	
<b>Prescription Drugs</b>				
Retail (30 Days) - Generic/Formulary/Non-Form	\$10 / \$25 / \$50	\$10 / \$25 / \$50	\$5 / \$20 / \$40 (OON then 50% coins)	\$5 / \$15 / \$15
Mail Order (90 Days) - Generic/Form./Non-Form	\$20 / \$50 / \$100	\$20 / \$50 / \$100 (OON \$30 / \$75 / \$150)	\$10 / \$40 / \$90 (OON no coverage)	\$10 / \$30 / \$30
Specialty Pharmacy	20% of script up to \$100	20% of script up to \$300 (includes injectibles)	Same as Mail/Retail	N/A
<b>Mental Health and Substance Abuse</b>				
Mental Health Inpatient	\$200 per admission	\$200 per admission	DC <sup>1</sup>	\$100 per admission
Mental Health Outpatient	\$25 per visit	\$25 per visit	DC <sup>1</sup>	\$20 per visit
Substance Abuse Inpatient	\$200 per admission	\$200 per admission	DC <sup>1</sup>	\$100 per admission
Substance Abuse Outpatient	\$25 per visit	\$25 per visit	DC <sup>1</sup>	\$20 per visit
<b>Detail Benefits</b>				
Chiropractic Benefit	\$15 per visit (30 visit limit)	\$20 per visit	Deductible and 50% Coins.	\$20 per visit
Rehab (speech, occupational, physical)	\$25 per visit	\$25 per visit	DC <sup>1</sup>	\$20 per visit
Hearing Aids	\$2500 for 36 mos.	\$2500 for 36 mos.	\$2500 for 36 mos.	\$2500 for 36 mos.
Durable Medical Equipment	Fully Covered	Fully Covered	Fully Covered	Fully Covered
<b>Medical Management</b>				
	PCP referral required	PCP referral required	Required on Some Services	PCP referral required
<b>Medicare Integration</b>				
	N/A	Medicare Advantage & Coordination of Benefits		Medicare Advantage & Coordination of Benefits
<b>Vision Care Services</b>				
	Not Covered	Not Covered	Not Covered	Not Covered

<sup>1</sup> DC = Deductible and coinsurance applies

In 2013, the City's PPO plan adopted an Employee Group Waiver Plan (EGWP). This change was incorporated into the actual trends used in our claim curves.

CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**APPENDIX C  
SUBSTANTIVE PLAN PROVISIONS**

**Cost Sharing Provisions:**

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

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

**City Contribution:** The City pays a portion of the retiree or spouse/domestic partner premium as detailed in the following table with the vesting schedule also applied. The City's contribution is limited by the premium. Medicare Part B premiums are the responsibility of the retiree.

<b>City Contribution*</b>	
<u>Pre-Medicare:</u>	
Retiree/Surviving Spouse	Single Retiree Premium less 50% of the amount the Single Active Premium exceeds the 10-County Amount
Spouse/Domestic Partner	50% of the difference between the Single and Dual Retiree Coverage Premiums
Child	None
<u>Medicare Eligible:</u>	
Retiree/Surviving Spouse	100% of Single Retiree Premium, up to the 10- County Amount
Spouse/Domestic Partner	50% of the difference between the Single and Dual Retiree Coverage Premiums
Child	None

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

<b>Vesting Schedule (based on years of service)*</b>	
Hired on or before January 9, 2009 (with 5 years)	100%
Hired on or after January 10, 2009	
Under 10 years	0%
10 to 15 years	50%
15 to 20 years	75%
Over 20 years	100%

\* Proposition B, passed 6/3/2008, introducing this vesting schedule to the postretirement health benefit plan. Participants retiring under disability or benefiting under the active death benefit receive 100% of the City Contribution, regardless of hire date and service.



CITY AND COUNTY OF SAN FRANCISCO  
POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION AS OF JULY 1, 2012

**APPENDIX C  
SUBSTANTIVE PLAN PROVISIONS**

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

10-County Amount	
Period Ending	
December 31, 2012	\$ 522.97
December 31, 2013	534.78
December 31, 2014	559.65
December 31, 2015	567.80

**Retiree Health Care Trust Fund Contributions:**

*Employees hired before January 10, 2009:* Once there is no unfunded actuarial liability, employees contribute the lesser of 50% of the normal cost or 1% of payroll and the employer contributes the remainder of the normal cost. Prior to becoming fully funded, employee and employer contributions are the lesser of 100% of normal cost or as follows:

RHCTF Contribution Schedule Employees Hired Before January 10, 2009		
FYE	Employee	Employer
2016 and Earlier	0.00%	0.00%
2017	0.25%	0.25%
2018	0.50%	0.50%
2019	0.75%	0.75%
2020 and later	1.00%	1.00%

*Employees hired on or after January 10, 2009:* Once there is no unfunded actuarial liability, employees contribute the lesser of 50% of the normal cost or 2% of payroll and the employer contributes the remainder of the normal cost. Prior to becoming fully funded, employee contributions are the lesser of 100% of normal cost or 2% of payroll and employer contributions are 1% of payroll.

**Disbursements from Retiree Health Care Trust Fund:**

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

APPENDIX C  
SUBSTANTIVE PLAN PROVISIONS

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

*Changes Since Last Valuation:*

There were several changes to each of the benefit options since the last valuation:

Blue Shield Access+

- Out of Pocket Max was increased for Individual and Families to \$2,000/\$4,000
- Office visit, Outpatient Services, Hospital Inpatient, and Outpatient Surgery copays were increased
- Rx copays were increased for Retail and Mail Order drugs

Blue Shield 65 Plus

- Office visit, Outpatient Services, Emergency Room, Hospital Inpatient, and Outpatient Surgery copays were increased
- Rx copays were increased for Retail and Mail Order drugs
- Lifetime maximums have been removed

City Health Plan

- Preventive care services are now fully covered
- Lifetime maximums have been removed
- Rx copays were increased for Retail and Mail Order Drugs

Kaiser

- Preventive Care services are now fully covered
- Office Visit, Outpatient Services, and Outpatient Surgery copays were increased

In addition, Proposition C was passed by the voters on November 8, 2011 establishing the RHCTF contribution rates for employees hired before January 10, 2009, tightening the eligibility to receive retiree health benefits, and removing a portion of the City subsidy for certain previously separated participants who had not yet commenced benefits.

Finally, Proposition A was passed by the voters on November 5, 2013 modifying the disbursement restrictions on the RHCTF.

**APPENDIX D  
 GLOSSARY OF TERMS**

**1. Actuarial Assumptions**

Assumptions as to the occurrence of future events affecting costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and, other relevant items.

**2. Actuarial Cost Method**

A procedure for determining the actuarial present value of plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

**3. Actuarial Gain (Loss) (Called Actuarial Experience Gain and Loss)**

A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

**4. Actuarial Liability, i.e., Actuarial Accrued Liability**

That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of projected benefits which will not be paid by future Normal Costs.

**5. Actuarial Present Value (Present Value)**

The value as of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

- a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.),
- b. multiplied by the probability of the occurrence of the event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and
- c. discounted according to an assumed rate (or rates) or return to reflect the time value of money.

As a simple example: assume you owe \$100 to a friend one year from now. Also, assume there is a 1% probability of your friend dying over the next year, in which case you won't be obligated to pay him. If the assumed investment return is 10%, the actuarial present value is:

$$\begin{array}{rclcl}
 \text{Amount} & & \text{Probability} & \frac{1}{(1+\text{Discount Rate})} & \\
 \$100 & \times & \text{of Payment} & & \\
 & & (1 - .01) & 1/(1+.1) & = \$90
 \end{array}$$

**APPENDIX D  
GLOSSARY OF TERMS**

**6. Actuarial Valuation**

The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for the Plan.

**7. Actuarial Value of Assets**

The value of cash, investments and other property belonging to a Plan, as used by the actuary for the purpose of an Actuarial Valuation. The purpose of an actuarial value of assets is to smooth out fluctuations in market values. This way, long-term costs are not distorted by short-term fluctuations in the market.

**8. Amortization**

The portion of the Plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

**9. Discount Rate**

The estimated long-term interest yield on the investments that are expected to be used to finance the payment of benefits, with consideration given to the nature and mix of current and expected investments and the basis used to determine the Actuarial Value of Assets.

**10. Entry Age Normal Actuarial Cost Method**

A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages.

**11. Funded Ratio**

The Actuarial Value of Assets expressed as a percentage of the Actuarial Accrued Liability.

**12. Normal Cost**

That portion of the Actuarial Present Value of the Plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

**13. Unfunded Actuarial Liability**

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

**14. Per Person Cost Trend, i.e., Healthcare Cost Trend Rate**

The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

CITY AND COUNTY OF SAN FRANCISCO  
JULY 1, 2012 POSTRETIREMENT HEALTH BENEFIT VALUATION

**APPENDIX E**  
**ABBREVIATION LIST**

Actuarial Accrued Liability (AAL)  
Actuarial Valuation Report (AVR)  
Annual Required Contribution (ARC)  
Coordination of Benefits (COB)  
Deductible and Coinsurance (DC)  
Deferred Retirement Option Plan (DROP)  
Durable Medical Equipment (DME)  
Employee Assistance Program (EAP)  
Employee Benefits Division (EBD)  
Fiscal Year Ending (FYE)  
Governmental Accounting Standards Board (GASB)  
Hospital Emergency Room (ER)  
In-Network (INN)  
Inpatient (IP)  
Medicare Eligible (ME)  
Net Other Postemployment Benefit (NOO)  
Non-Medicare Eligible (NME)  
Not Applicable (NA)  
Office Visit (OV)  
Other Postemployment Benefit (OPEB)  
Out-of-Network (OON)  
Out-of-Pocket (OOP)  
Outpatient (OP)  
Pay-as-you-go (PAYGo)  
Per Person Per Month (PPPM)  
Pharmacy (Rx)  
Preferred Provider Organization (PPO)  
Primary Care Physician (PCP)  
Specialist Care Provider (SCP)  
Summary Plan Description (SPD)  
Unfunded Actuarial Accrued Liability (UAAL)  
Unfunded Actuarial Liability (UAL)  
Urgent Care (UC)

