



San Diego City Employees' Retirement System

City of San Diego

**GASB 67/68 Report
as of June 30, 2015**

Produced by Cheiron

November 2015

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LETTER OF TRANSMITTAL

November 24, 2015

Board of Administration
San Diego City Employees' Retirement System
401 West A Street, Suite 400
San Diego, CA 92101

Dear Members of the Board:

The purpose of this report is to provide accounting and financial disclosure information under the Government Accounting Standards Board Statements 67 and 68 (GASB 67 and GASB 68) for the San Diego City Employees' Retirement System and the City of San Diego. This information includes:

- Projection of the Total Pension Liability from the valuation date to the measurement date,
- Calculation of the Net Pension Liability at the assumed discount rate as well as discount rates 1% higher and lower than the assumed discount rate,
- Changes in the Net Pension Liability,
- Schedule of Employer Contributions,
- Disclosure of Deferred Inflows and Outflows, and
- Calculation of the Annual Pension Expense for the City of San Diego.

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

Sincerely,
Cheiron



David Holland, FSA, EA, FCA, MAAA
Consulting Actuary



Gene Kalwarski, FSA, EA, FCA, MAAA
Principal Consulting Actuary

**SDCERS – CITY OF SAN DIEGO
GASB 67 AND 68 REPORTING FOR JUNE 30, 2015 MEASUREMENT DATE**

SECTION I - BOARD SUMMARY

The purpose of this report is to provide accounting and financial disclosure information under the Government Accounting Standards Board Statements 67 and 68 for the San Diego City Employees’ Retirement System and the City of San Diego. This information includes:

- Projection of the Total Pension Liability from the valuation date to the measurement date,
- Calculation of the Net Pension Liability at the assumed discount rate as well as discount rates 1% higher and lower than the assumed discount rate,
- Changes in the Net Pension Liability,
- Schedule of Employer Contributions,
- Disclosure of Deferred Inflows and Outflows, and
- Calculation of the Annual Pension Expense for the City of San Diego.

Highlights

The reporting date for the San Diego City Employees’ Retirement System (SDCERS) is June 30, 2015. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2015 and the Total Pension Liability as of the valuation date, June 30, 2014, updated to June 30, 2015. There were no significant events between the valuation date and the measurement date so the update procedures only included the addition of service cost and interest cost offset by actual benefit payments.

The table below provides a summary of the key results during this reporting period.

	Measurement Date	
	6/30/2015	6/30/2014
Net Pension Liability	\$ 1,713,565,616	\$ 1,535,536,794
Deferred Outflows	(30,943,822)	0
Deferred Inflows	118,458,472	428,429,550
Net Impact on Statement of Net Position	\$ 1,801,080,266	\$ 1,963,966,344
Pension Expense (\$ Amount)	\$ 105,174,588	\$ 83,256,468
Pension Expense (% of Payroll)	21.89%	16.67%

The Net Pension Liability (NPL) increased approximately \$178 million since the prior measurement date, primarily due to investment losses. There was also an actuarial liability loss that increased the NPL. The investment losses are recognized over five years, and the actuarial liability losses are recognized over the average remaining service life, which is three years. Unrecognized amounts are reported as deferred outflows and deferred inflows. As of the end of the reporting year, the City of San Diego would report a Net Pension Liability of

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SECTION I - BOARD SUMMARY

\$1,713,565,616, Deferred Outflows of \$30,943,822, and Deferred Inflows of \$118,458,472. Consequently, the net impact on the City of San Diego's Statement of Net Position due to SDCERS would be \$1,801,080,266 at the end of the reporting year. In addition, any contributions between the measurement date and the reporting date would be reported as deferred outflows to offset the cash outflow reported.

For the measurement year ending June 30, 2015, the annual pension expense is \$105,174,588 or 21.89% of expected pensionable payroll. This amount is not related to the City's contribution to SDCERS (\$268,060,666), but instead represents the change in the net impact on the City of San Diego's Statement of Net Position plus employer contributions (\$1,801,080,266 – \$1,963,966,344 + \$268,060,666). The pension expense is larger than the expense for the prior year. Volatility in pension expense from year to year is to be expected. It will largely be driven by investment gains or losses, but other changes can also have a significant impact. A breakdown of the components of the net pension expense is shown in the report.

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SECTION II - CERTIFICATION

The purpose of this report is to provide accounting and financial reporting information under GASB 67 for the San Diego City Employees' Retirement System (SDCERS) and under GASB 68 for the City of San Diego. This report is for the use of SDCERS, the City of San Diego, and their auditors in preparing financial reports in accordance with applicable law and accounting requirements. This report is not appropriate for other purposes, including the measurement of funding requirements for SDCERS.

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

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

To the best of our knowledge, this report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices that are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This report was prepared for SDCERS for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. Other users of this report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

David Holland, FSA, EA, FCA, MAAA
Consulting Actuary

Gene Kalwarski, FSA, EA, FCA, MAAA
Principal Consulting Actuary

SDCERS – CITY OF SAN DIEGO
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SECTION III - DETERMINATION OF DISCOUNT RATE

The discount rate used to measure the Total Pension Liability was 7.25%.

We have assumed that the employees will continue to contribute to SDCERS at the current rates and the City of San Diego will continue their historical practice (since 2006) of contributing to SDCERS based on an actuarially determined contribution, reflecting a payment equal to annual Normal Cost, an amount necessary to amortize the remaining Unfunded Actuarial Liability, the phased-in portion of annual expected administrative expenses, and the amount needed to avoid negative amortization, if any.

We have not performed a formal cash flow projection as described under Paragraph 41 of GASB Statement 67. However, Paragraph 43 allows for alternative methods to confirm the sufficiency of the Net Position if the evaluations “can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan...” In our professional judgment, adherence to the actuarial funding policy described above will result in the pension plan’s projected Fiduciary Net Position being greater than or equal to the benefit payments projected for each future period.

Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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SECTION IV - PROJECTION OF TOTAL PENSION LIABILITY

The Total Pension Liability (TPL) at the end of the measurement year, June 30, 2015, is measured as of a valuation date of June 30, 2014 and projected to June 30, 2015. There were no significant events during the projection period of which we are aware. Because the TPL shown in the prior report was measured as of June 30, 2013 and projected to June 30, 2014, it will not match the amounts measured as of June 30, 2014 that are shown in this exhibit.

The table below shows the projection of the TPL at discount rates equal to the rate used for disclosure and plus and minus one percent from the rate used for disclosure.

Table IV-1			
Projection of Total Pension Liability from Valuation to Measurement Date			
Discount Rate	6.25%	7.25%	8.25%
Valuation Total Pension Liability, 6/30/2014			
Actives	\$ 2,646,101,570	\$ 2,275,740,036	\$ 1,974,852,056
Deferred Vested	317,938,146	278,692,976	247,231,847
Retirees	<u>5,786,407,076</u>	<u>5,304,270,368</u>	<u>4,894,875,567</u>
Total	\$ 8,750,446,791	\$ 7,858,703,379	\$ 7,116,959,469
Service Cost	130,023,205	102,687,532	82,094,542
Benefit Payments	(429,238,413)	(429,238,413)	(429,238,413)
Interest	537,694,156	558,125,638	573,113,226
Total Pension Liability, 6/30/2015	\$ 8,988,925,739	\$ 8,090,278,137	\$ 7,342,928,825

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SECTION V - NOTE DISCLOSURES

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

Table V-1			
Change in Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2014	\$ 7,815,425,307	\$ 6,279,888,513	\$ 1,535,536,794
Changes for the year:			
Service cost	102,687,532		102,687,532
Interest	554,987,977		554,987,977
Changes of benefits	0		0
Differences between expected and actual experience	46,415,733		46,415,733
Changes of assumptions	0		0
Contributions - employer		268,060,666	(268,060,666)
Contributions - member		59,042,647	(59,042,647)
Net investment income		207,652,285	(207,652,285)
Benefit payments	(429,238,413)	(429,238,413)	0
Administrative expense		(8,693,178)	8,693,178
Net changes	<u>274,852,830</u>	<u>96,824,007</u>	<u>178,028,823</u>
Balances at 6/30/2015	<u>\$ 8,090,278,137</u>	<u>\$ 6,376,712,520</u>	<u>\$ 1,713,565,616</u>

During the measurement year, the NPL increased by approximately \$178 million. The service cost and interest cost increased the NPL by approximately \$658 million while contributions and investment income less administrative expenses decreased the NPL by approximately \$526 million.

There were no changes in benefits or assumptions during the year. There were actuarial liability experience losses during the year of approximately \$46 million.

The TPL as of June 30, 2014 was based upon the same data, actuarial methods and assumptions, and plan provisions as were used in the actuarial valuation as of June 30, 2014, and which are summarized in the Actuarial Valuation Report for SDCERS-City of San Diego as of June 30, 2014. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study performed by Cheiron for the period July 1, 2007 – June 30, 2010, and the results of an economic experience study performed by Cheiron prior to the completion of the June 30, 2014 valuation. A summary of the key assumptions is as follows:

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SECTION V - NOTE DISCLOSURES

- Investment rate of return: 7.25%, net of investment expense
- Salary increases: 3.3% (following assumed freezes in FYs 2015-2018) plus merit component based on employee classification and years of service
- Cost-of-living adjustments: 2.0%
- Mortality: Healthy retired members use the RP-2000 Combined Mortality Table (male and female). For Safety female members, rates are set forward one year

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The table below shows the sensitivity of the NPL to the discount rate.

Table V-2			
Sensitivity of Net Pension Liability to Changes in Discount Rate			
	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
Total Pension Liability	\$ 8,988,925,739	\$ 8,090,278,137	\$ 7,342,928,825
Plan Fiduciary Net Position	<u>6,376,712,520</u>	<u>6,376,712,520</u>	<u>6,376,712,520</u>
Net Pension Liability	<u>\$ 2,612,213,219</u>	<u>\$ 1,713,565,616</u>	<u>\$ 966,216,304</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.9%	78.8%	86.8%

A one percent decrease in the discount rate increases the TPL by approximately 11% and increases the NPL by approximately 52%. A one percent increase in the discount rate decreases the TPL by approximately 9% and decreases the NPL by approximately 44%.

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SECTION VI - REQUIRED SUPPLEMENTARY INFORMATION

The schedules of Required Supplementary Information generally start with information as of the implementation of GASB 67, and eventually will build up to 10 years of information. The schedule below shows the changes in NPL and related ratios required by GASB for the two years since implementation.

Table VI-1		
Schedule of Changes in Net Pension Liability and Related Ratios		
	FYE 2015	FYE 2014
<u>Total Pension Liability</u>		
Service cost (MOY)	\$ 102,687,532	\$ 107,002,939
Interest (includes interest on service cost)	554,987,977	537,875,335
Changes of benefit terms	0	0
Differences between expected and actual experience	46,415,733	0
Changes of assumptions	0	0
Benefit payments, including refunds of member contributions	(429,238,413)	(384,979,706)
Net change in total pension liability	\$ 274,852,830	\$ 259,898,569
Total pension liability - beginning	7,815,425,307	7,555,526,738
Total pension liability - ending	\$ 8,090,278,137	\$ 7,815,425,307
<u>Plan fiduciary net position</u>		
Contributions - employer	\$ 268,060,666	\$ 279,658,715
Contributions - member	59,042,647	65,466,703
Net investment income	207,652,285	935,051,595
Benefit payments, including refunds of member contributions	(429,238,413)	(384,979,706)
Administrative expense	(8,693,178)	(10,466,941)
Net change in plan fiduciary net position	\$ 96,824,007	\$ 884,730,366
Plan fiduciary net position - beginning	6,279,888,513	5,395,158,148
Plan fiduciary net position - ending	\$ 6,376,712,520	\$ 6,279,888,513
Net pension liability - ending	\$ 1,713,565,616	\$ 1,535,536,794
Plan fiduciary net position as a percentage of the total pension liability	78.82%	80.35%
Covered-employee payroll *	\$ 480,535,973	\$ 499,463,072
Net pension liability as a percentage of covered employee payroll	356.59%	307.44%

*Covered-employee payroll is pensionable payroll for SDCERS members.

Because an Actuarially Determined Contribution (ADC) has been calculated historically, the full 10 years of information in the following schedule is required.

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SECTION VI - REQUIRED SUPPLEMENTARY INFORMATION

**Table VI-2
Schedule of Employer Contributions**

	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010	FYE 2009	FYE 2008	FYE 2007	FYE 2006
Actuarially Determined Contribution	\$ 263,600	\$ 275,400	\$ 231,100	\$ 231,200	\$ 229,100	\$ 154,200	\$ 161,700	\$ 137,700	\$ 162,000	\$ 170,071
Contributions in Relation to the Actuarially Determined Contribution	263,600	275,400	231,143	231,200	229,297	192,533	162,475	165,581	169,126	271,349
Contribution Deficiency/(Excess)	\$ 0	\$ 0	\$ (43)	\$ 0	\$ (197)	\$ (38,333)	\$ (775)	\$ (27,881)	\$ (7,126)	\$ (101,278)
Covered-Employee Payroll *	\$ 480,536	\$ 499,463	\$ 511,091	\$ 514,265	\$ 530,238	\$ 536,591	\$ 535,774	\$ 512,440	\$ 534,103	\$ 557,631
Contributions as a Percentage of Covered-Employee Payroll	54.86%	55.14%	45.23%	44.96%	43.24%	35.88%	30.33%	32.31%	31.67%	48.66%

Amounts in Thousands

*Covered-employee payroll is pensionable payroll for SDCERS members.

Notes to Schedule

Valuation Date:

6/30/2013

Timing:

Actuarially determined contributions for a given fiscal year are calculated based on the actuarial valuation performed at the beginning of the prior fiscal year.

Key Methods and Assumptions Used to Determine Contributions

Actuarial cost method:

Entry Age Normal. Prior to the 2007 valuation, Projected Unit Credit was used.

Asset valuation method:

Expected Value Method. Prior to the 2006 valuation, the “book value” smoothing method was used. The actuarial value of assets was set to the market value for the 2006 valuation, with the new smoothing method first applying to investment experience for the 2007 fiscal year.

Amortization method:

Closed periods. Payments are a level percentage of payroll (Police) or level dollar (non-Police). In the 2007 valuation, the amortization period was reduced from 27 to 20 years, with subsequent gains or losses amortized over different periods depending on the source. In the 2012 valuation, as a result of Proposition B, the UAL for the non-Police portion of the Plan was re-amortized over a closed 15-year period with level dollar payments.

Discount rate:

7.25%. The discount rate was reduced from 8.00% to 7.75% in the 2008 valuation, from 7.75% to 7.50% in the 2011 valuation, and from 7.50% to 7.25% in the 2013 valuation.

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SECTION VI - REQUIRED SUPPLEMENTARY INFORMATION

Amortization growth rate:	3.30%. Same pattern of changes described below for salary increase assumption (excluding freezes).
Wage inflation:	3.30%. Same pattern of changes described below for salary increase assumption.
Salary increases:	3.30% (following assumed freezes in FYs 2013 - 2018) plus merit component based on employee classification and years of service. The across-the-board salary increase assumption was reduced from 4.25% to 4.00% in the 2008 valuation, from 4.00% to 3.75% in the 2011 valuation, and from 3.75% to 3.30% in the 2013 valuation. In the 2011 valuation, a two-year salary freeze assumption (for FYs 2013-2014) was added and in the 2013 valuation an additional four-year freeze was assumed (FYs 2015-2018).
Cost-of-living adjustments:	2.00%
Mortality:	Healthy retired members use the RP-2000 Combined Mortality Table (male and female). For Safety female members, rates are set forward one year. From 2004-2007 (valuation years), the UP-1994 table was used, with a 2-year set back for males and females. From 2008-2010, the RP-2000 Combined Mortality Table was used, with a 2-year set forward for males and females.

A complete description of the methods and assumptions used to determine the contribution for the year ending June 30, 2015 can be found in the June 30, 2013 actuarial valuation report.

In addition to the assumption and method changes described above, other factors that significantly affected trends in the amounts reported:

- Contributions above the Actuarially Determined Contribution in FYs 2006, 2008, and 2010.
- Reflection of contingent liabilities (Corbett, 13th check) beginning with the 2006 valuation.
- Investment losses during the 2008 and 2009 fiscal years.
- Other changes in assumptions resulting from experience studies performed in 2008 and 2011.

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SECTION VI - REQUIRED SUPPLEMENTARY INFORMATION

The schedule below shows the annual money-weighted rate of return, net of investment expenses, for SDCERS-City of San Diego, as described by GASB 67.

As directed by SDCERS, we have calculated the money-weighted rate of return, net of investment expense, for the entire system instead of calculating the return separately for each of the three plan sponsors.

Table VI-3 Schedule of Investment Returns		
	FYE 2015	FYE 2014
Annual money-weighted rate of return, net of investment expense	3.28%	16.84%

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SECTION VII - EMPLOYER REPORTING AMOUNTS

The City of San Diego is required to implement GASB 68 for their reporting date of June 30, 2015. The amounts reported as of June 30, 2015 can be based on either the June 30, 2014 or 2015 measurement dates. We understand the City has elected to use the 2014 measurement date for their 2015 reporting date. As a result, last year’s GASB 67/68 report will be used by the City of San Diego for their 2015 reporting and the schedules in this section will be used for their 2016 reporting.

The impact of experience gains or losses and assumption changes on the TPL are recognized in expense over the average expected remaining service life of all active and inactive members of the System. As of the measurement date, this recognition period was 3.0 years.

During the year, there was an experience loss of approximately \$46 million. Approximately \$15 million of that loss was recognized as an increase to pension expense in the current year and an identical amount will be recognized in each of the next two years, resulting in a deferred outflow of resources as of June 30, 2015 of approximately \$31 million.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of approximately \$254 million. Approximately \$51 million of that loss was recognized in the current year and an identical amount will be recognized in each of the next four years. Unrecognized investment gains from prior periods were approximately \$428 million of which \$107 million was recognized as a reduction in pension expense in the current year. The combination of unrecognized investment losses this year and unrecognized net investment gains from prior periods results in a deferred inflow of resources as of June 30, 2015 of approximately \$118 million.

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

Table VII-1		
Schedule of Deferred Inflows and Outflows of Resources		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,943,822	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	118,458,472
Total	\$ 30,943,822	\$ 118,458,472
Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:		
Year ended June 30:		
2016	(40,919,554)	
2017	(40,919,554)	
2018	(56,391,463)	
2019	50,715,921	
2020	0	
Thereafter	\$ 0	

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SECTION VII - EMPLOYER REPORTING AMOUNTS

The annual pension expense recognized by the City of San Diego can be calculated two different ways. First, it is the change in the amounts reported on the City of San Diego’s Statement of Net Position that relate to SDCERS and are not attributable to employer contributions. That is, it is the change in NPL plus the changes in deferred outflows and inflows plus employer contributions.

Alternatively, annual pension expense can be calculated by its individual components. While GASB does not require or suggest the organization of the individual components shown in the table below, we believe it helps to understand the level and volatility of pension expense.

Table VII-2		
Calculation of Pension Expense		
	FYE 2015	FYE 2014
Change in Net Pension Liability	\$ 178,028,823	\$ (624,831,797)
Change in Deferred Outflows	(30,943,822)	0
Change in Deferred Inflows	(309,971,078)	428,429,550
Employer Contributions	<u>268,060,666</u>	<u>279,658,715</u>
Pension Expense	\$ 105,174,588	\$ 83,256,468
Pension Expense as % of Payroll	21.89%	16.67%
Operating Expenses		
Service cost	\$ 102,687,532	\$ 107,002,939
Employee contributions	(59,042,647)	(65,466,703)
Administrative expenses	<u>8,693,178</u>	<u>10,466,941</u>
Total	\$ 52,338,063	\$ 52,003,178
Financing Expenses		
Interest cost	\$ 554,987,977	\$ 537,875,335
Expected return on assets	<u>(461,231,898)</u>	<u>(399,514,657)</u>
Total	\$ 93,756,079	\$ 138,360,678
Changes		
Benefit changes	\$ 0	\$ 0
Recognition of assumption changes	0	0
Recognition of liability gains and losses	15,471,911	0
Recognition of investment gains and losses	<u>(56,391,465)</u>	<u>(107,107,388)</u>
Total	\$ (40,919,554)	\$ (107,107,388)
Pension Expense	\$ 105,174,588	\$ 83,256,468

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SECTION VII - EMPLOYER REPORTING AMOUNTS

First, there are components referred to as operating expenses. These are items directly attributable to the operation of the plan during the measurement year. Service cost less employee contributions represents the increase in employer-provided benefits attributable to the year, and administrative expenses are the cost of operating SDCERS for the year.

Second, there are the financing expenses: the interest on the Total Pension Liability less the expected return on assets. Since the discount rate is equal to the long-term expected return on assets, the financing expense is approximately equal to the interest on the Net Pension Liability.

The final category is changes. This category will drive most of the volatility in pension expense from year to year. It includes any changes in benefits made during the year and the recognized amounts due to assumption changes, gains or losses on the TPL, and investment gains or losses. The total pension expense increased by approximately 26% in the current year, an increase of approximately \$22 million. The recognition of changes increased by approximately \$66 million, which is more than the total increase in pension expense.

APPENDIX - GLOSSARY OF TERMS

1. Actuarially Determined Contribution

A target or recommended contribution for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

2. Actuarial Valuation Date

The date as of which an actuarial valuation is performed. This date may be up to 24 months prior to the measurement date and up to 30 months prior to the employer's reporting date.

3. Deferred Inflow of Resources

An acquisition of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 68, these are experience gains on the Total Pension Liability, assumption changes reducing the Total Pension Liability, or investment gains that are recognized in future reporting periods.

4. Deferred Outflow of Resources

A consumption of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 68, these are experience losses on the Total Pension Liability, assumption changes increasing the Total Pension Liability, or investment losses that are recognized in future reporting periods.

5. Entry Age Actuarial Cost Method

The actuarial cost method required for GASB 67 and 68 calculations. Under this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages. The portion of this actuarial present value allocated to a valuation year is called the Service Cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future service costs is called the Total Pension Liability.

6. Measurement Date

The date as of which the Total Pension Liability and Plan Fiduciary Net Position are measured. The Total Pension Liability may be projected from the Actuarial Valuation Date to the Measurement Date. The Measurement Date must be the same as the Reporting Date for the plan.

APPENDIX - GLOSSARY OF TERMS

7. Net Pension Liability

The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit pension plan. It is calculated as the Total Pension Liability less the Plan Fiduciary Net Position.

8. Plan Fiduciary Net Position

The fair or market value of assets.

9. Reporting Date

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

10. Service Cost

The portion of the actuarial present value of projected benefit payments that is attributed to the current period of employee service in conformity with the requirements of GASB 67 and 68. The Service Cost is the normal cost calculated under the entry age actuarial cost method.

11. Total Pension Liability

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB 67 and 68. The Total Pension Liability is the actuarial liability calculated under the entry age actuarial cost method.