



## **CREDITED INTEREST RATE POLICY**

### **Purpose**

1. This Board Policy is intended to set out the manner in which the Retirement System will administer the San Francisco Administrative Code provision that requires the Retirement Board to adopt an appropriate credited interest rate for the Plan.

### **Board Authority**

2. The Retirement Board of the City and County of San Francisco shall exercise its authority, functions, powers, and duties in accordance with Charter Sections 4.100 – 4.104 and 12.100 through 12.103 and with applicable provisions of the Administrative Code of the City and County of San Francisco as enacted by ordinances of the Board of Supervisors, and in accordance with board rules, resolutions, and policies as it may adopt from time to time.
3. Authority for the adoption of a credited interest rate shall be as provided in San Francisco Administrative Code Section 16.37-1.

### **Statutory Requirements**

4. San Francisco Administrative Code Section 16.37-1 provides that the Retirement Board adopt a credited interest rate for the Plan that is at least four percent (4%) per annum and does not exceed the actuarial assumption for return on Trust assets.
5. The credited interest rate adopted by the Retirement Board applies not only to interest applied to member accounts, but to payments made to the Plan by members – e.g. replacement of member account shortages and debts (Gillmore debts), purchase of service credit and redeposit of previously withdrawn contributions.

### **Procedure for Establishing Credited Interest Rate for the Plan**

6. For Plan Years commencing July 1, 2010 and thereafter, the Plan's credited interest rate will be set using the average yield for a 5-year CD published on Bankrate.com during the previous calendar year, subject to the minimum of four percent (4%) per annum and maximum of the

actuarial assumption for return on Trust assets as provided in San Francisco Administrative Code Section 16.37-1.

7. The average yield during the calendar year will be calculated as the average of the twelve monthly yield rates published on Bankrate.com on the last Thursday of each month, with the average rounded to the nearest 0.25%.
8. The Plan's credited interest rate will be adjusted effective the following July 1 only in years when the change in the average yield for the previous calendar year is greater than 0.50% (50 basis points) or when a change is required to prevent the Plan's credited interest rate from falling outside the minimum or maximum limits provided in the Administrative Code.
9. Retirement staff will perform the required calculation each year and report the results of the calculation and its impact on the Plan's credited interest rate for the following July 1 to the Retirement Board no later than March of each year. The Retirement Board's consulting actuary will review the calculation prior to its being reported to the Retirement Board.

### **Severability**

10. If any policy, section, paragraph, sentence, clause, or phrase of this policy is declared unconstitutional or void for any reason, such declaration shall not affect the validity of the remaining portions of the policy. The Retirement Board hereby declares that it would have prescribed and adopted this policy, and each section, paragraph, sentence, clause and phrases hereof, irrespective of the fact that any one or more sections, paragraphs, sentences, clauses, or phrases shall be declared unconstitutional or void. The titles assigned to policies and sections are for reference purposes only, and shall not be considered a substantive part of this policy. If there is any conflict between the provisions of this policy and the Charter, or the Administrative Code of the City and County of San Francisco, the Charter or the Administrative Code language shall govern.
11. For purposes of Charter Section 4.104 (1), this Credited Interest Rate Policy shall be deemed to constitute a board rule. The Retirement Board may amend this policy at any time. Any proposed amendment shall be posted for at least ten (10) days and calendared for board hearing at least one week prior to a board meeting in accordance with Charter Section 4.104.

### **Policy Review**

12. The Retirement Board shall review this policy at least every five years to ensure that it remains relevant and appropriate.

### **Policy History**

13. This policy was adopted by the Board on September 8, 2009. This policy was reviewed and revised by the Board on January 20, 2016.