

**San Diego City
Employees' Retirement System**

**June 30, 2010
Actuarial Valuation for the**

City of San Diego

Produced by [Cheiron](#)

January 2011

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LETTER OF TRANSMITTAL

January 7, 2011

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

Dear Members of the Board:

At your request, we performed the June 30, 2010 actuarial valuation of the San Diego City Employees' Retirement System (SDCERS). The valuation results with respect to the City of San Diego (City) are contained in this valuation report. The table below presents the key results of the valuation for the City.

Table I-1		
SDCERS - City of San Diego		
Valuation Date	6/30/2010	6/30/2009
Unfunded Actuarial Liability (in millions)	\$ 2,145.2	\$ 2,106.4
Funding Ratio	67.1%	66.5%
City Contribution Rate	42.68%	41.75%
Fiscal Year	2012	2011
Annual Required Contribution (GASB):		
-if paid at the beginning of the year	\$ 231.2 million	\$ 229.1 million
-if paid throughout the year	\$ 240.0 million	\$ 237.8 million

- Unfunded Actuarial Liability (UAL):* The City's UAL has increased by \$38.8 million. This increase was \$19.9 million less than expected, as liabilities grew less than expected, contributions paid were greater than expected, and the correction of underpriced purchased service contracts will produce additional savings. The primary cause contributing to an increase is that the actuarial smoothing method continued to phase-in the significant investment loss experienced during the 2009 fiscal year.
- Funding Ratio:* This is the ratio of the system's actuarial value of assets to actuarial liabilities, which increased by 0.6%.
- Contributions (GASB ARC):* City contributions were determined under full compliance with the Governmental Accounting Standards Board (GASB) Statement Number 25, defining the annual required contribution (ARC) for the City for fiscal year July 1, 2011 through June 30, 2012 (FY 2012). The results of this valuation produced an increase in the City's ARC of \$2.1 million. When measured as a percent of membership payroll, the ARC rose by 0.93%.



Board of Administration

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More details on Plan experience for the past year and its impact on the June 30, 2010 valuation results can be found in the valuation report.

We certify that, to the best of our knowledge, this valuation report is complete and accurate and has 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 set out by the Actuarial Standards Board, including Actuarial Standards of Practice (ASOPs) Nos. 4, 27, 35 and 44. In preparing our report, we relied without audit, on information supplied by SDCERS' staff. This information includes, but is not limited to, plan provisions, employee data, and financial information.

Finally, it is important to note that this valuation was prepared using census data and financial information as of the valuation date, June 30, 2010. Therefore, changes in membership and investment experience following that date are not reflected in this report. The next valuation will reflect all membership and investment experience changes through June 30, 2011.

Sincerely,
Cheiron



Gene Kalwarski, FSA, EA, MAAA
Principal Consulting Actuary

cc: Bill Hallmark
David Holland
Alice Alsberghe

**SECTION I
BOARD SUMMARY**

The primary purpose of the actuarial valuation is to report, as of the valuation date, on the following:

- The financial condition of the SDCERS-City of San Diego Defined Benefit Plan,
- Past and expected trends in the financial condition of SDCERS-City of San Diego,
- The City's contribution rates for Fiscal Year 2012, and
- Information required by the Governmental Accounting Standards Board (GASB).

In this Section, we present a summary of the principal valuation results. This summary includes the basis upon which the June 30, 2010 valuation was completed and an examination of the current financial condition of SDCERS-City of San Diego. In addition, we present a review of the key historical trends followed by the projected financial outlook for SDCERS-City of San Diego.

A. Valuation Basis

The City's June 30, 2010 valuation results include one difference from the basis used in the June 30, 2009 valuation. This difference is a \$50 million reduction in the UAL due to the estimated impact on the City's unfunded actuarial liability (UAL) from the correction of underpriced purchased service contracts during the 2003 "window" period.

The UAL reduction was determined by increasing the actuarial value of assets by \$50 million, which in turn directly reduces the UAL by the same amount. The \$50 million reduction in the UAL was based on anticipating that approximately 50% of the total potential cost savings to the City (if all contracts were corrected) would be achieved due to (1) assuming some portion of the contracts would not be corrected (e.g., certain retirees), and (2) that there would be anti-selection by members in which correction option they elect. It is important to note that this is an estimate and was not scientifically derived, because the City has not yet made its final decisions as to potential relief that may impact the corrective choices given to each affected group of members. Until the affected members actually select an option for correction, we will not be able to measure the anti-selection impact. However, we do anticipate there will be both increases in assets and reductions in liabilities that result from member selections. At this time, we believe it is reasonable to recognize approximately one-half of this impact as a UAL reduction in this valuation.

In addition to determining the potential long-term savings due to the correction described above, there is the issue as to which fiscal year the reduction to the City's annual required contribution (ARC) should first apply. It is our understanding that the judicial decision on the corrective action took place in June 2010, prior to the Board's approval in early July 2010, of the final Fiscal Year 2011 City ARC. However, the FY 2011 City ARC of \$229.1 million (which was based on the June 30, 2009 actuarial valuation) did not reflect any potential reduction to the UAL. This June 30, 2010 valuation and the resulting FY 2012 City ARC therefore reflect the "overpayment" made in FY 2011. The 2010 valuation adjustment assumes a double

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amortization payment credit towards the \$50 million anticipated savings, for this year only. This results in a reduction in the FY 2012 City ARC of \$8.8 million, as opposed to the reduction of \$4.4 million that would otherwise have occurred.

All assumptions and methods remain the same as in the June 30, 2009 valuation. More details on the assumptions and methods can be found in Appendix B.

Finally, throughout this report there will be references to General-Old Plan, General-2009 Plan, Police-Old Plan and Police-2009 Plan. “Old Plan” refers to General and Police Members hired before July 25, 2009, and “2009 Plan” refers to such members hired on or after July 25, 2009. Details on their plan provisions can be found in Appendix C.

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B. Current Financial Condition of SDCERS-City of San Diego

The following discussion summarizes the key results of the June 30, 2010 valuation and how they compare to the results from the June 30, 2009 valuation.

1. City Membership

Table I-2 shows that total membership in SDCERS-City of San Diego increased by 0.6% from 2009 to 2010. The increase was attributable to the growth in inactive membership (terminated vested, disabled, retirees, and beneficiaries), as the active membership count actually declined. Active Member payroll decreased by 1.2%, compared to the assumed payroll inflation of 4%.

Table I-2				
SDCERS - City of San Diego - Membership Total				
Item	June 30, 2010	June 30, 2009	% Change	
Active Counts	8,120	8,273	-1.8%	
Terminated Vested	2,874	2,827	1.7%	
Disabled	1,241	1,257	-1.3%	
Retirees	5,189	4,975	4.3%	
Beneficiaries	1,151	1,137	<u>1.2%</u>	
Total City Members	18,575	18,469	0.6%	
Active Member Payroll	\$ 530,238,355	\$ 536,591,287	-1.2%	
Average Pay per Active Member	\$ 65,300	\$ 64,861	0.7%	

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**SECTION I
BOARD SUMMARY**

2. City Assets and Liabilities

Table I-3 presents a comparison between the June 30, 2010 and June 30, 2009 SDCERS-City of San Diego assets, liabilities, unfunded actuarial liability, and funding ratios.

The key results shown in Table I-3 indicate that due to the total actuarial liability increase of 3.9% and the actuarial value of assets increase of 5.0%, the funding ratio increased from 66.5% as of June 30, 2009 to 67.1% as of June 30, 2010. SDCERS employs a commonly used actuarial smoothing method on the market value that dampens market volatility, so the actuarial value of assets did not increase as much as the market value (12.1%). The actuarial value of assets includes an adjustment for the anticipated impact from the correction of underpriced purchased service contracts during the 2003 “window” period.

Section II-C provides additional information explaining the development of the actuarial value of assets.

Table I-3			
SDCERS - City of San Diego - Assets & Liabilities			
Entry Age Normal (EAN) Liabilities	June 30, 2010	June 30, 2009	% Change
Actives	\$ 2,350,543,474	\$ 2,353,326,545	-0.1%
Terminated Vested	264,567,702	255,124,776	3.7%
Disabled	414,366,545	408,598,894	1.4%
Retirees	3,344,070,643	3,118,227,002	7.2%
Beneficiaries	153,675,387	146,358,891	5.0%
Total Actuarial (EAN) Liability	\$ 6,527,223,751	\$ 6,281,636,108	3.9%
Market Value Assets	\$ 3,900,537,904	\$ 3,479,357,154	12.1%
Actuarial Value Assets	\$ 4,382,047,254	\$ 4,175,228,585	5.0%
Unfunded Actuarial Liability	\$ 2,145,176,496	\$ 2,106,407,523	1.8%
Funding Ratio-Actuarial Value	67.1%	66.5%	0.6%

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3. Components of UAL Change between June 30, 2009 and June 30, 2010

The unfunded actuarial liability (UAL) for SDCERS-City of San Diego increased by \$38.8 million, from \$2,106.4 million to \$2,145.2 million. Table I-4 below presents the specific components of the change in the UAL.

The key finding in Table I-4 is that investment experience increased the UAL by \$141.5 million. Liability experience decreased the UAL by \$71.6 million. Contributions in excess of expected and the anticipated purchased service correction also had an impact on the UAL.

1. UAL at June 30, 2009	\$ 2,106.4
2. Investment experience loss	141.5
3. Purchased service credits paid for during the year *	1.1
4. Liability experience gain	(71.6)
5. Contributions paid in excess of expected	(40.9)
6. Anticipated reduction in unfunded actuarial liability from PSC correction	(50.0)
7. Expected change in UAL	<u>58.7</u>
8. Total change in UAL: sum of 2 through 7	38.8
9. UAL at June 30, 2010: 1 + 8	\$ 2,145.2

* *Attributable to Members who have entered into a purchased service credit contract after June 30, 2009. Only Members hired before July 1, 2005 are still eligible to purchase additional "airtime" service credits.*

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4. City Contributions

The City's contribution for FY 2012 measured as a percent of membership payroll increased from 41.75% to 42.68%. In dollars, the required beginning of year contribution increased by \$2.1 million, from \$229.1 million to \$231.2 million. This increase in the ARC was \$7 million less than expected, as liabilities grew less than expected, contributions paid were greater than expected, and the correction of underpriced purchased service contracts produced additional savings. The primary cause contributing to an increase was the continued phase-in under the asset smoothing method of the significant investment losses during the 2009 fiscal year.

In Section IV we provide more detail on the development of this contribution rate.

Table I-5 SDCERS - City of San Diego - Contributions			
EAN Funding Method	June 30, 2010	June 30, 2009	% Change
Total Normal Cost % Projected to FY 2012*	23.63%	23.28%	0.35%
Members Contribution % Projected to FY 2012*	<u>11.97%</u>	<u>12.14%</u>	<u>-0.16%</u>
Employer Normal Cost % Projected to FY 2012*	11.66%	11.14%	0.51%
Employer Unfunded Liability Cost %	31.02%	30.61%	0.41%
Negative Amortization Adjustment Cost %	0.00%	0.00%	0.00%
Total Employer Cost %	42.68%	41.75%	0.93%
Annual Required Contribution (GASB):			
-if paid at the beginning of the year	\$ 231.2 million	\$ 229.1 million	0.94%
-if paid throughout the year	\$ 240.0 million	\$ 237.8 million	0.94%
The total \$231.2 million ARC is made up of the following components:			
<u>in millions</u>	Beginning of Year ARC Component		
\$ 63.2	Employer Normal Cost		
91.3	17-year amortization of the outstanding 2007 UAL balance at 6/30/2011		
5.2	28-year amortization of the FY 2008 UAL increase due to assumptions changes		
1.3	13-year amortization of the UAL due to the experience loss in FY 2008		
76.7	14-year amortization of the UAL due to the experience loss in FY 2009		
(8.8)	14-year amortization of the UAL due to the PSC correction adjustment in FY 2010		
2.4	15-year amortization of the UAL due to the experience loss in FY 2010		
0.0	Amount needed to avoid negative amortization of UAL for FY 2012		
\$ 231.2	Total FY 2012 beginning of year ARC		

* These represent projected fiscal year 2012 (2011 for June 30, 2009) payroll-weighted averages of General and Police Members (new Plans for hires on or after July 25, 2009) and Elected, Fire and Lifeguard Members (no change).

Note: The differing amortization periods above for the respective tiers of the UAL were approved by the SDCERS Board effective with the June 30, 2007 valuation.

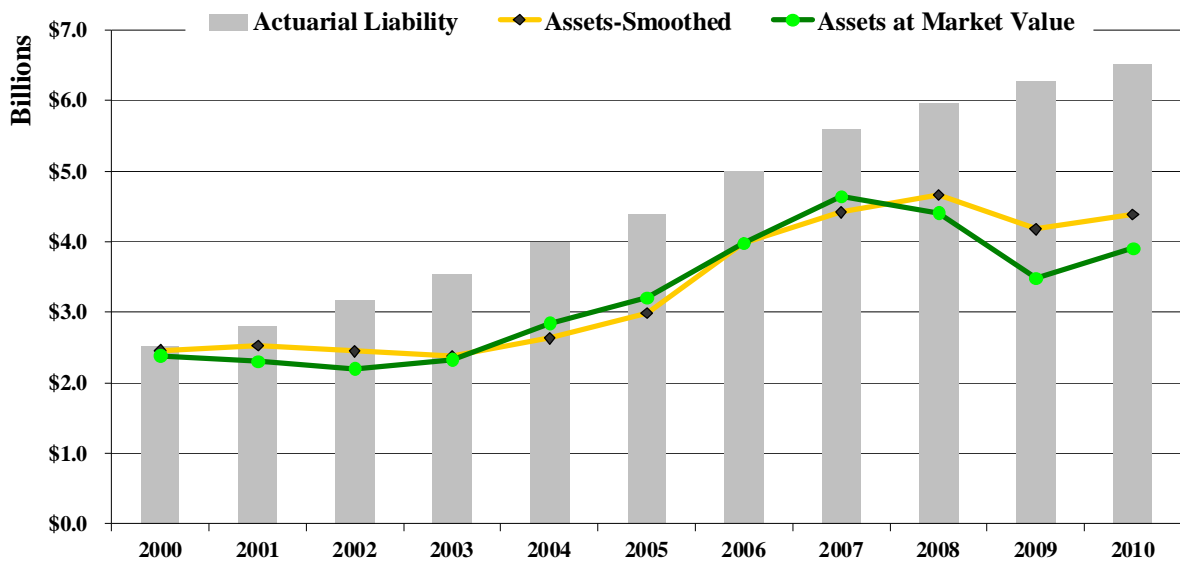
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C. Historical Trends for SDCERS-City of San Diego

Despite the fact that most of the attention given to the valuation focuses on the most recently computed unfunded actuarial liability (UAL), funding ratio, and the City’s contribution rate, it is important to remember that each valuation is merely a snapshot of the long-term progress of a pension fund. It is more important to judge a current year’s valuation result relative to historical trends, and trends expected into the future.

In the chart below, we present the historical trends of the market value and smoothed assets compared to actuarial liabilities and SDCERS-City of San Diego funding ratios since 2000.

SDCERS-City of San Diego Assets and Liabilities 2000-2010



Funding Ratio	97.3%	89.9%	77.3%	67.2%	65.8%	68.2%	79.9%	78.8%	78.1%	66.5%	67.1%
UAL (billions)	\$ 0.07	\$ 0.28	\$ 0.72	\$ 1.16	\$ 1.37	\$ 1.39	\$ 1.00	\$ 1.18	\$ 1.30	\$ 2.11	\$ 2.15

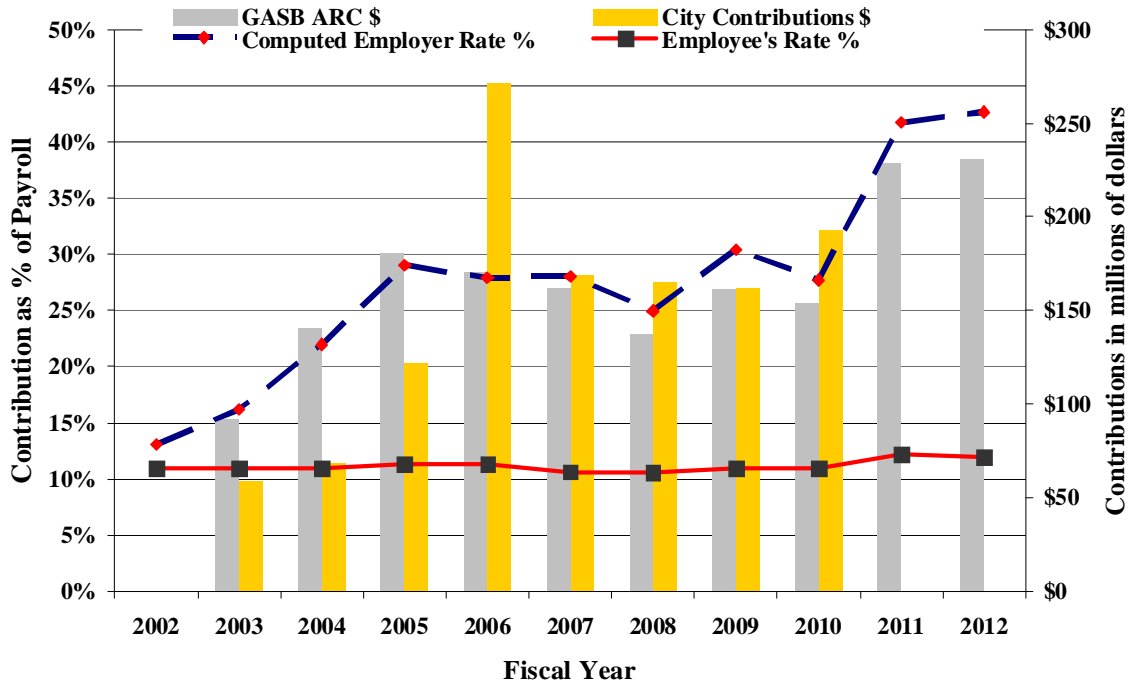
*The UAL for 2007 and after is calculated using the Entry Age Normal method; 2006 and prior years are calculated using the Projected Unit Credit method.

The chart indicates that from 2000 to 2004, the funding ratio declined significantly with the low of 65.8% in 2004. From 2004 to 2008, the ratio improved significantly, primarily due to strong investment performance. In 2009, the funding ratio declined significantly due to investment losses.

**SECTION I
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In the chart below, we present the historical trends for the SDCERS-City of San Diego contribution rates since FY 2002, as well as actual contributions made by the City and the actuarially computed GASB ARC since FY 2003.

SDCERS-City of San Diego City and Member Contribution Rates FY 2002-2012



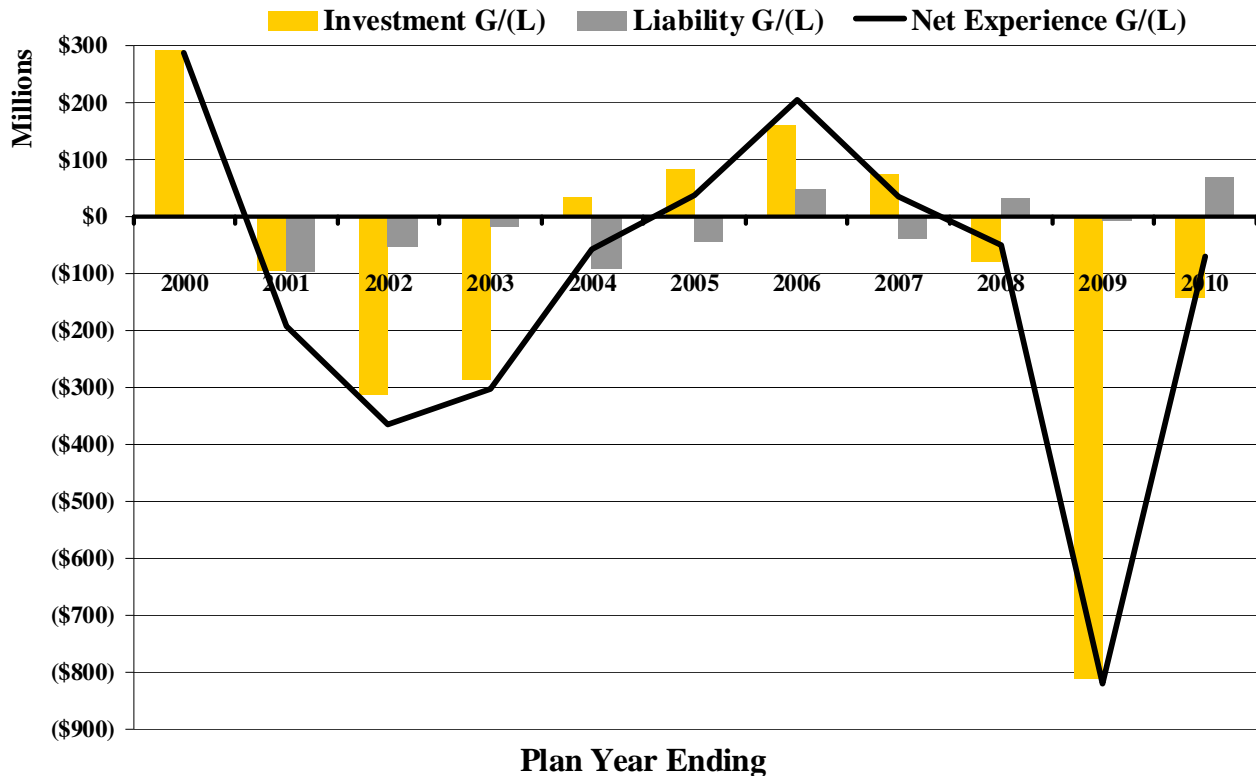
The computed employer contribution rate grew from under 15% in FY 2002 to nearly 30% in FY 2005, and then remained in that range for the next five fiscal years. For FY 2011, the computed employer rate increased to over 40% of payroll, and it increased again slightly for FY 2012. The chart indicates that the Members' contribution rate has remained relatively stable throughout the fiscal years shown in contrast to the volatility in the employer rates.

This chart also compares, beginning in fiscal year 2003, the actual contributions made by the City to the annual required contribution (ARC) based on the Board's adopted funding practice of Normal Cost plus amortization of the various UAL components, including the requirement beginning in fiscal year 2009 that there be no negative amortization. The chart indicates that the City has been consistently paying more than the ARC since FY 2006. For FY 2010, City contributions were significantly in excess of expected due to the final McGuigan settlement payment.

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The chart below for SDCERS-City of San Diego presents the pattern of annual gains and losses, broken into the investment and liability components. The chart does not include any changes in SDCERS' assets and liabilities attributable to changes to actuarial methods, procedures or assumptions.

SDCERS-City of San Diego Historical Gain/(Loss) 2000-2010



The key insights from this chart are:

- Investment gains (gold bars) during 2000 were offset by investment losses from 2001 through 2003. From 2004 to 2007, there were additional investment gains, but the investment losses of 2008 through 2010 more than offset those gains.
- The investment loss in 2009 was by far the most significant gain or loss during the last ten years.
- From 1999 to 2007 (except for 2006), there was a pattern of liability losses. With the change in actuarial assumptions in 2008 to better reflect the City's demographic experience, experience for the Plan over the last three years has been close to expected.

**SECTION I
BOARD SUMMARY**

D. Projected Financial Trends

Our analysis of SDCERS-City of San Diego projected financial trends is an important part of this valuation. Our assessment of the implications of the June 30, 2010 valuation results on the future outlook of SDCERS-City of San Diego in terms of benefit security (assets over liabilities) and the City’s expected cost progression is set forth below. In addition, given the concern regarding unfunded liabilities, we also show the City’s expected future pay down of unfunded liabilities.

In the charts that follow, we project the SDCERS-City of San Diego assets and liabilities, the pay down of UAL, and the City’s contributions as a percent of payroll on two different bases:

- 1) Assuming 7.75% returns each and every year, and
- 2) Assuming returns shown in the table below which begin with rates of return that start at positive 12% then vary each year thereafter over the projection period, but over the entire period average out to the assumed 7.75%.

Fiscal Year Beg	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Return	12.00%	10.63%	7.11%	9.42%	8.45%	3.77%	12.66%	0.63%	13.24%	-4.18%
Fiscal Year Beg	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Return	2.50%	4.94%	11.71%	19.86%	9.33%	9.99%	0.76%	13.05%	12.44%	1.24%
Fiscal Year Beg	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>
Return	1.18%	13.12%	6.80%	5.62%	6.46%	21.06%	3.56%	9.06%	3.25%	2.90%

SECTION I
 BOARD SUMMARY

Projection Set 1: Assets and Liabilities - City of San Diego

The charts below show asset measures (green and gold lines) compared to liabilities (grey bars). The most revealing insight from these two charts is how varying investment returns can dramatically impact SDCERS-City of San Diego funding ratios.

Chart 1: Projection of Assets and Liabilities, 7.75% return each year

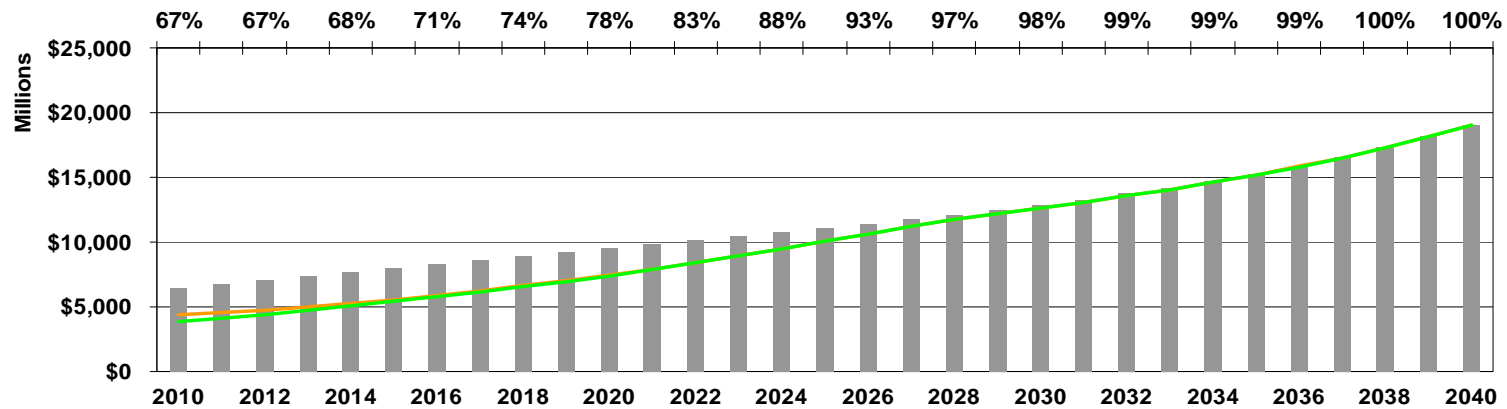
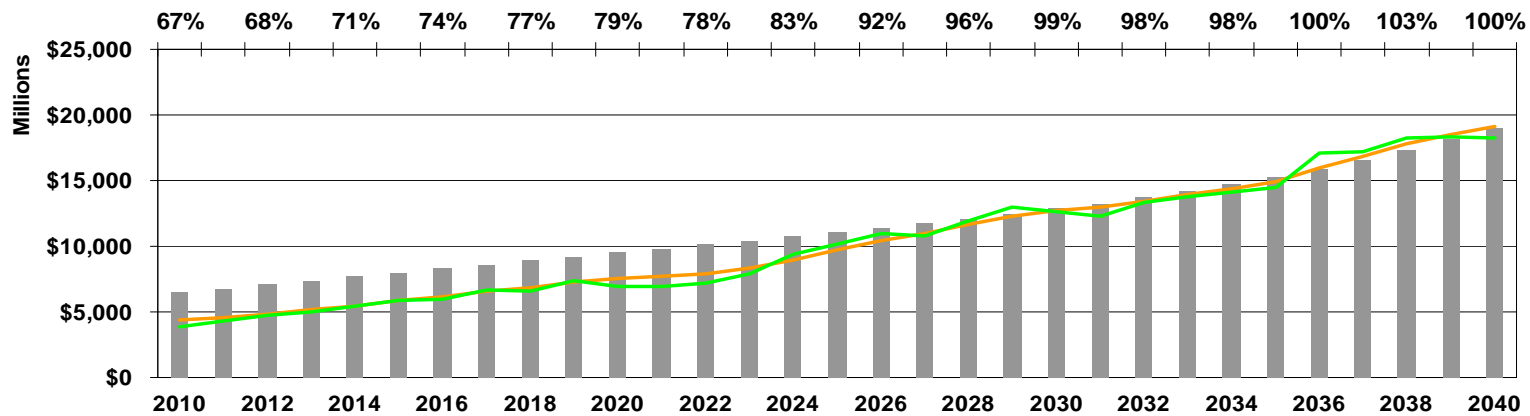


Chart 2: Projection of Assets and Liabilities, varying returns averaging 7.75%



Actuarial Liability Actuarial Value of Assets Market Value of Assets

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Projection Set 2: Pay down of the Unfunded Actuarial Liability (UAL) – City of San Diego

Choice of an amortization period is significant when viewing the projected pay down of the UAL, especially when one is assuming level investment returns, as in the chart to the left below. The chart to the right demonstrates that varying returns (which always happen) will have a dramatic impact on the annually computed UAL.

Chart 1: 7.75% return each year

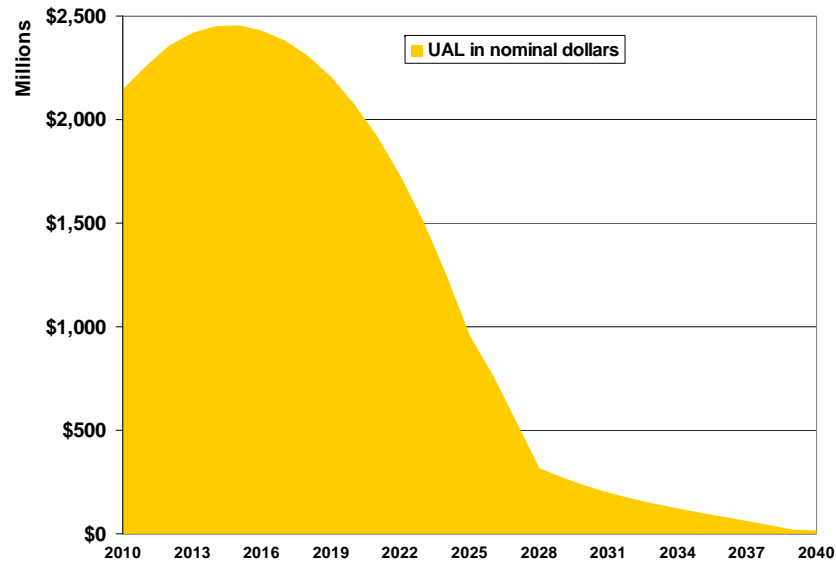
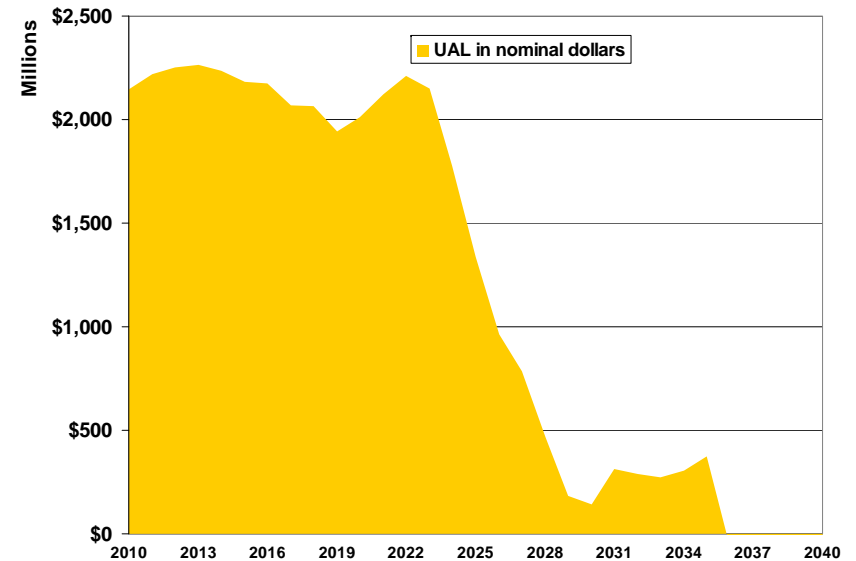


Chart 2: Varying returns averaging 7.75%



SECTION I
 BOARD SUMMARY

Projection Set 3: Projected Contribution Rate – City of San Diego

As seen on the chart to the right below, varying returns will also have a significant impact on the actuarially computed City contribution rate.

Chart 1: 7.75% return each year

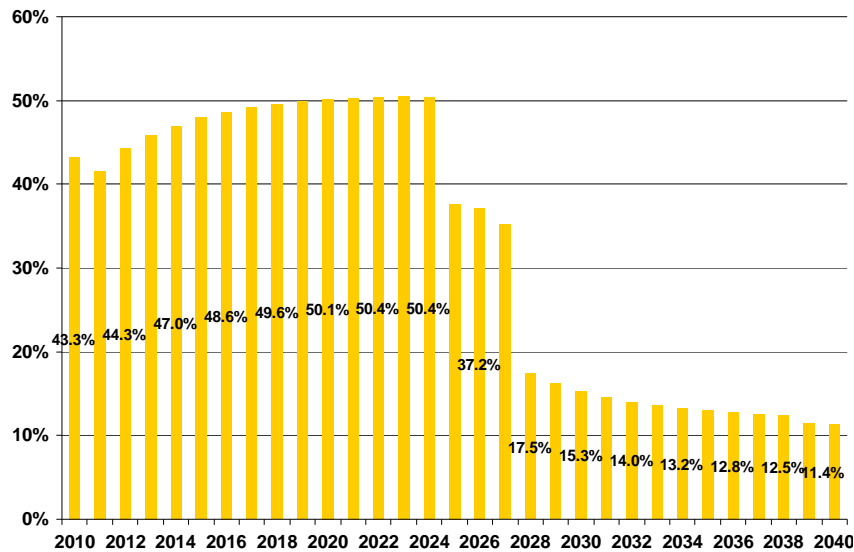
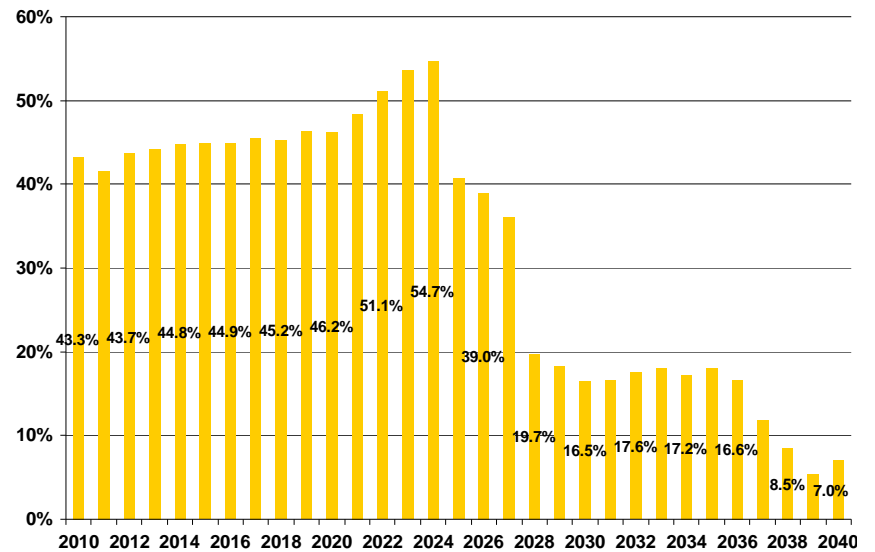


Chart 2: Varying returns averaging 7.75%



SECTION II ASSETS

Like other public pension plans, SDCERS uses two different asset measurements that are presented in this section: the market value and the actuarial value of assets. The market value represents, as of the valuation date, the value of the assets if they were liquidated on that date. The actuarial value of assets is a value that smoothes annual investment performance over multiple years to reduce the impact of annual investment volatility on employer contribution rates. The actuarial value of assets is used in determining SDCERS' contribution rates for the three participating employer plans.

Each employer receives a separate actuarial valuation report and cost determination. However, the assets of all employer plans are pooled for investment purposes. The apportionment of the assets among the employer plans directly impacts each employer's costs. Therefore, in the interest of ensuring transparency, this section discloses information on the total assets of SDCERS-All Employers. In addition, a brief explanation of how those assets are apportioned to the City of San Diego, the San Diego Unified Port District (Port), and the San Diego County Regional Airport Authority (Airport) is included.

On the following pages, detailed information is presented on SDCERS-All Employers assets, including:

- A. Disclosure of the June 30, 2010 total SDCERS market value of assets, by asset class
- B. Market value of assets by Plan Sponsor
- C. Development of the actuarial value of assets
- D. Disclosure of the investment performance for the year

**SECTION II
ASSETS**

A. Disclosure of Market Value of Assets

The market value of assets represents a “snap-shot” value as of June 30, 2010, the last day of the fiscal year, which provides the principal basis for measuring financial performance from one year to the next. Market values, however, can fluctuate widely with swings in the investment markets. Because these fluctuations would cause volatility in employer contributions, an actuarial value of assets is developed. Table II-1 below discloses the market value by asset class of SDCERS – All Employers’ gross assets on June 30, 2010.

Cash	\$	404,512,990
US Stocks		1,765,725,670
International Stocks		655,440,664
Private Equity		37,823,836
Bonds		978,974,358
Real Estate		360,989,315
Receivables		85,028,511
Short Term Investments		36,444,032
Miscellaneous		1,624,429
Accounts Payable		<u>(149,321,655)</u>
Market Value of Assets – June 30, 2010	\$	4,177,242,150

**SECTION II
ASSETS**

B. Market Value of Assets by Plan Sponsor

As of July 1, 2007, the City, Unified Port District and Airport Authority plans were separated into independent, qualified, single employer governmental defined benefit plans and trusts. The assets of the three separate plans and trusts are pooled in the SDCERS Group Trust, which was established as of July 1, 2007. SDCERS invests and administers the Group Trust as a common investment fund and accounts separately for the proportional interest of each plan and trust that participates in the Group Trust. Cash flow activity for each plan is recorded directly to that plan, with investment activity and other cash flow activity not specific to any one plan being allocated based upon each plan's respective share of the Group Trust's total assets, with time-weighted adjustments for the plan-specific cash flows. Table II-2 below discloses the market value of assets by plan.

Table II-2			
Summary of Market and Actuarial Assets for Each Employer Group			
as of June 30, 2010			
	<u>Market Value</u>	<u>Market Value</u>	<u>Actuarial Value</u>
	Total Net Assets	Total Net Assets	Total Assets
	June 30, 2009	June 30, 2010	June 30, 2010
City of San Diego	\$ 3,479,357,154	\$ 3,900,537,904	\$ 4,382,047,254
Unified Port District	186,565,603	211,908,439	233,788,278
Airport Authority	49,150,920	64,795,807	71,650,892
Total-SDCERS	\$ 3,715,073,678	\$ 4,177,242,150	\$ 4,687,486,424

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**SECTION II
ASSETS**

C. Actuarial Value of Assets

To determine on-going funding requirements, most pension funds utilize an actuarial value of assets. Unlike the market value of assets, the actuarial value of assets represents an asset value based on averaging or smoothing year-to-year market value returns for purposes of reducing the resulting volatility on contributions.

The actuarial value of assets is equal to 100% of the expected actuarial value of assets as of June 30, 2010 (assuming 7.75% earnings for the year) plus 25% of the difference between the current actual market value of assets and the expected actuarial value of assets. (See Appendix B, section B-2 for further explanation of the asset valuation method). In no event will the actuarial value of assets ever be less than 80% of the market value of assets nor greater than 120% of the market value of assets.

Table II-3 SDCERS - City of San Diego Development of Actuarial Value of Assets at June 30, 2010 Expected Value of Assets Method	
1. Actuarial Value of Assets at June 30, 2009	\$ 4,175,228,585
2. Amount in (1) with interest at 7.75% to June 30, 2010	4,498,808,800
3. Employer and Member contributions for the Plan Year ended June 30, 2010	258,278,706
4. Disbursements from Trust excluding investment expenses, June 30, 2009 through June 30, 2010	286,945,217
5. Interest on cash flows to June 30, 2010 at 7.75% per year	5,741,415
6. Expected Actuarial Value of Assets at June 30, 2010 = (2) + (3) - (4) + (5)	4,475,883,704
7. Actual Market Value of Assets at June 30, 2010	3,900,537,904
8. Excess of (7) over (6)	(575,345,800)
9. Preliminary Actuarial Value of Assets at June 30, 2010 = (6) + 25% of (8)	\$ 4,332,047,254
10. Adjustment for Correction of Purchased Service Underpricing	50,000,000
11. 80% Minimum Corridor on the Actuarial Value of Assets = 80% of (7)	3,120,430,324
12. 120% Maximum Corridor on the Actuarial Value of Assets = 120% of (7)	4,680,645,485
13. Final Actuarial Value of Assets at June 30, 2010 = (9) + (10), but no less than (11) and no more than (12)	\$ 4,382,047,254

SECTION II
ASSETS

D. Investment Performance

The return on the market value of assets, as reported by SDCERS' investment consultant Hewitt Ennis Knupp, was 13.4%. The return in FY 2009 was negative 19.2%.

On an actuarial (smoothed) value of assets basis, the return for FY 2010 was 4.47%. This return produced for SDCERS-All Employers an overall investment loss of \$150.8 million for the year ending June 30, 2010. (Note this reported loss is different than the investment loss of \$141.5 million reported on page 5 in this report. The latter is the loss only for the City of San Diego.)

SECTION III LIABILITIES

In this section, we present detailed information on liabilities for SDCERS-City of San Diego, including:

- Disclosure of liabilities at June 30, 2009 and June 30, 2010, and
- Statement of changes in the unfunded actuarial liabilities during the year.

A. Disclosure

Several types of liabilities are calculated and presented in this report. Each type is distinguished by the purpose for which the figures are ultimately used.

- **Present Value of Future Benefits:** Used for measuring all future SDCERS obligations, represents the amount of money needed today to fully pay off all benefits of SDCERS both earned as of the valuation date and those to be earned in the future by current plan participants, under the current Plan provisions.
- **Actuarial Liability-Entry Age Normal (EAN):** Used for determining employer contributions and GASB accounting disclosures. This liability is calculated taking the present value of all future benefits and subtracting the present value of future Member contributions and future employer normal costs as determined under the EAN actuarial funding method. It represents the portion of the present value of future benefits attributed to service prior to the valuation date by the Entry Age Normal method.
- **Present Value of Accrued Benefits:** Disclosed in Section V of this report for accounting statement purposes (FASB 35). This liability represents the present value of future benefits payable to all plan participants if the plan were terminated as of the valuation date, and future accruals and contributions stopped.

Table III-1, on the following page, discloses the first two of these liabilities for the current and prior year valuations. Subtracting the actuarial value of assets from the actuarial liability results in a net surplus or an unfunded actuarial liability (UAL).

SDCERS-CITY OF SAN DIEGO
JUNE 30, 2010 ACTUARIAL VALUATION

**SECTION III
LIABILITIES**

Table III-1				
SDCERS - City of San Diego - Total				
Item	June 30, 2010		June 30, 2009	
Present Value of Future Benefits				
Actives	\$	3,293,424,515	\$	3,304,748,013
Terminated Vested		264,567,702		255,124,776
Disabled		414,366,545		408,598,894
Retirees		3,344,070,643		3,118,227,002
Beneficiaries		153,675,387		146,358,891
Total City	\$	7,470,104,792	\$	7,233,057,576
Actuarial Liability - EAN				
Total Present Value of Benefits	\$	7,470,104,792	\$	7,233,057,576
Present Value of Future Normal Costs				
Employer Portion		463,466,225		458,102,460
Employee Portion		479,414,816		493,319,007
Actuarial Liability - EAN	\$	6,527,223,751	\$	6,281,636,108
Actuarial Value of Assets	\$	4,382,047,254	\$	4,175,228,585
Unfunded EAN Actuarial Liability	\$	2,145,176,496	\$	2,106,407,523

Table III-2 shows the actuarial liability as of June 30, 2010 for General and Elected Members of SDCERS-City of San Diego.

Table III-2								
SDCERS - City of San Diego - General & Elected as of June 30, 2010								
Item			General	General				
Present Value of Future Benefits	Total		Old Plan	2009 Plan	Elected			
Actives	\$	1,832,940,642	\$	1,818,089,749	\$	12,637,670	\$	2,213,223
Terminated Vested		206,967,002		206,403,081		24,912		539,009
Disabled		79,374,143		79,374,143		-		-
Retirees		1,725,094,038		1,717,186,915		-		7,907,122
Beneficiaries		67,712,856		67,342,562		-		370,293
Total City General & Elected	\$	3,912,088,681	\$	3,888,396,451	\$	12,662,582	\$	11,029,647
Actuarial Liability - EAN								
Actives	\$	1,350,128,563	\$	1,349,469,011	\$	-	\$	659,552
Terminated Vested		206,967,002		206,403,081		24,912		539,009
Disabled		79,374,143		79,374,143		-		-
Retirees		1,725,094,038		1,717,186,915		-		7,907,122
Beneficiaries		67,712,856		67,342,562		-		370,293
Total City General & Elected	\$	3,429,276,601	\$	3,419,775,713	\$	24,912	\$	9,475,976

**SDCERS-CITY OF SAN DIEGO
JUNE 30, 2010 ACTUARIAL VALUATION**

**SECTION III
LIABILITIES**

Table III-3 shows the actuarial liability as of June 30, 2010 for Safety Members of SDCERS-City of San Diego.

Table III-3					
SDCERS - City of San Diego - Safety as of June 30, 2010					
Item	Total	Police Old Plan	Police 2009 Plan	Fire	Lifeguard
Present Value of Benefits					
Actives	\$ 1,460,483,873	\$ 980,942,344	\$ 17,789,469	\$ 416,652,434	\$ 45,099,626
Terminated Vested	57,600,699	50,400,860	20,625	5,458,560	1,720,654
Disabled	334,992,401	221,838,756	-	103,332,119	9,821,526
Retirees	1,618,976,606	992,411,075	-	599,474,878	27,090,653
Beneficiaries	85,962,531	54,764,203	-	31,040,265	158,064
Total City Safety	\$ 3,558,016,111	\$ 2,300,357,238	\$ 17,810,094	\$ 1,155,958,256	\$ 83,890,523
Actuarial Liability - EAN					
Actives	\$ 1,000,414,911	\$ 685,962,405	\$ -	\$ 282,650,329	\$ 31,802,177
Terminated Vested	57,600,700	50,400,860	20,625	5,458,560	1,720,654
Disabled	334,992,401	221,838,756	-	103,332,119	9,821,526
Retirees	1,618,976,606	992,411,075	-	599,474,878	27,090,653
Beneficiaries	85,962,531	54,764,203	-	31,040,265	158,064
Total City Safety	\$ 3,097,947,150	\$ 2,005,377,299	\$ 20,625	\$ 1,021,956,151	\$ 70,593,074

**SECTION III
LIABILITIES**

B. Changes in Unfunded Actuarial Liabilities

The UAL of any retirement plan is expected to change at each subsequent valuation for a variety of reasons. In each valuation, we report on those elements of change in the UAL that have particular significance or could potentially affect the long-term financial outlook of a retirement plan. Below we present key changes in liabilities since the last valuation.

Table III-4		
Development of 2010 Experience Gain/(Loss) SDCERS - City of San Diego		
(In Millions)		
1.	Unfunded Actuarial Liability at June 30, 2009	\$ 2,106.4
2.	Beginning of year unfunded actuarial liability payment	(97.1)
3.	Interest accrued ((1+2) x 7.75%)	155.7
4.	Expected Unfunded Actuarial Liability at June 30, 2010 (1+2+3)	2,165.1
5.	Actual Unfunded Liability at June 30, 2010	2,145.2
6.	Difference: (4 - 5)	19.9
7.	Portion of difference (6) due to actuarial assumption or method changes	-
8.	Portion of difference (6) due to benefit changes	-
9.	Portion of difference (6) due to contributions more than expected	40.9
10.	Portion of difference (6) due to anticipated impact of PSC correction	50.0
11.	Portion of difference (6) due to net experience Gain/(Loss)	(71.0)
	a) portion of (11) due to investment experience	\$ (141.5)
	b) portion of (11) due to liability experience	\$ 70.5
Elements of Liability Gain/(Loss)		
1.	G/(L) due to demographic and payroll experience	71.6
2.	G/(L) due to purchased service credit	(1.1)
3.	Other Gain/(Loss)	-
4.	Total Estimated Liability Gain/(Loss): sum 1 through 3	\$ 70.5

**SDCERS-CITY OF SAN DIEGO
JUNE 30, 2010 ACTUARIAL VALUATION**

**SECTION III
LIABILITIES**

Table III-5 shows the history of past experience gains and losses.

Table III-5			
Experience Gain/(Loss) - Historical SDCERS - City of San Diego *			
Valuation Date	Gain/(Loss)	Beginning-of-Year Actuarial Liabilities	Gain/(Loss) % of Liability
6/30/1992	\$ 57,952,320	\$ 1,006,299,729	5.8%
6/30/1993	(42,605,778)	1,057,238,917	(4.0)
6/30/1994	(6,744,850)	1,220,830,059	(0.6)
6/30/1995	(11,370,990)	1,338,279,541	(0.8)
6/30/1996	59,592,960	1,476,710,662	4.0
6/30/1997	38,473,993	1,682,604,532	2.3
6/30/1998	31,086,010	1,822,432,018	1.7
6/30/1999 *	29,750,299	1,979,668,038	1.5
6/30/2000	286,639,160	2,181,547,453	13.1
6/30/2001	(193,168,984)	2,528,773,900	(7.6)
6/30/2002	(364,815,155)	2,809,537,745	(13.0)
6/30/2003	(303,699,305)	3,168,921,175	(9.6)
6/30/2004	(58,123,874)	3,532,625,521	(1.6)
6/30/2005	36,775,882	3,997,328,084	0.9
6/30/2006	205,249,486	4,377,092,948	4.7
6/30/2007	35,189,811	4,982,699,455	0.7
6/30/2008	(49,930,537)	5,597,652,861	(0.9)
6/30/2009	(818,906,079)	5,963,549,545	(13.7)
6/30/2010	(71,030,037)	6,281,636,108	(1.1)

* Beginning with the June 30, 1999 valuation, experience is City only. The prior years include all employers.

SECTION IV CONTRIBUTIONS

In the process of evaluating the financial condition of any pension plan, the actuary analyzes the assets and liabilities to determine what level (if any) of contributions is needed to achieve and maintain an appropriate funded status of a plan. Typically, the actuarial process will use an actuarial funding method that attempts to create a pattern of contributions that is both stable and predictable.

The actuarial funding methodology employed is the Entry Age Normal (EAN) actuarial funding method. Under EAN, there are two components to the total contribution: the normal cost and an amortization payment on the unfunded actuarial liability. The normal cost rate is determined by taking the value, as of entry age into the plan, of each Member's projected future benefits. This value is then divided by the value, also at entry age, of each Member's expected future salary. The normal cost rate is multiplied by current salary to determine each Member's normal cost. Finally, the normal cost is reduced by the Member contribution to produce the employer normal cost. The difference between the EAN actuarial liability and the actuarial value of assets is the unfunded actuarial liability. The UAL for FY 2012 is to be amortized over several different periods. The fiscal year ending June 30, 2010 experience loss is amortized over 15 years, the June 30, 2010 UAL reduction from the anticipated impact of the PSC correction is amortized over 14 years (with a double credit in FY 2012 only, due to the "overpayment" in FY 2011), the outstanding balance for the fiscal year ending June 30, 2009 experience loss is amortized over 14 years, the outstanding balance of the June 30, 2008 UAL due to assumption changes is amortized over 28 years, the outstanding balance for the fiscal year ending June 30, 2008 experience loss is amortized over 13 years, and the outstanding balance of the June 30, 2007 UAL is amortized over 17 years. Table IV-2 shows the outstanding balance and FY 2012 payment for each of these components. Finally, if necessary, there is an additional UAL cost component to ensure that there is no negative amortization in any year.

Table IV-1 on the following page shows how the City's contribution rate for SDCERS for FY 2012 is developed. The methodology and assumptions used are in full compliance with the parameters set in GASB Statement No. 25 for purposes of determining the annual required contribution (ARC).

**SDCERS-CITY OF SAN DIEGO
JUNE 30, 2010 ACTUARIAL VALUATION**

**SECTION IV
CONTRIBUTIONS**

**Table IV-1
SDCERS - City of San Diego
Development of the City's Contribution as of June 30, 2010, For (FY 2012)
(dollars in millions)**

	WEIGHTED TOTAL CITY	Non-Safety				Safety				
		Weighted Total	General Old Plan	General 2009 Plan	Elected	Weighted Total	Police Old Plan	Police 2009 Plan	Fire	Lifeguard
1. Total Normal Cost Rate as of June 30, 2010	23.82%	20.12%	20.13%	17.65%	39.33%	29.82%	27.56%	29.89%	32.03%	
2. Member Contribution Rate as of June 30, 2010	12.14%	10.34%	10.40%	8.47%	9.06%	14.95%	13.08%	15.36%	15.24%	
3. Employer Normal Cost Rate as of June 30, 2010 (1-2)	11.68%	9.78%	9.73%	9.18%	30.27%	14.87%	14.48%	14.53%	16.79%	
4. Actuarial Liability	\$ 6,527.2	\$ 3,429.3	\$ 3,419.8	\$ 0.0	\$ 9.5	\$ 3,097.9	\$ 2,005.4	\$ 0.0	\$ 1,022.0	\$ 70.6
5. Actuarial Assets	\$ 4,382.0	\$ 2,302.2	\$ 2,295.9	\$ 0.0	\$ 6.4	\$ 2,079.8	\$ 1,346.3	\$ 0.0	\$ 686.1	\$ 47.4
6. Total Unfunded Actuarial Liability (UAL) (4-5)*	\$ 2,145.2	\$ 1,127.0	\$ 1,123.9	\$ 0.0	\$ 3.1	\$ 1,018.1	\$ 659.1	\$ 0.0	\$ 335.9	\$ 23.2
7. Preliminary FY12 UAL amortization*	\$ 168.1	\$ 88.3	\$ 88.1	\$ 0.0	\$ 0.2	\$ 79.8	\$ 51.6	\$ 0.0	\$ 26.3	\$ 1.8
8. <u>Negative Amortization Test for FY12</u>										
a. Total UAL on 6/30/10 less FY11 UAL payment	\$ 1,977.4	\$ 1,038.9	\$ 1,036.0	\$ 0.0	\$ 2.9	\$ 938.5	\$ 607.5	\$ 0.0	\$ 309.6	\$ 21.4
b. interest on 8a. To 6/30/11	\$ 153.2	\$ 80.5	\$ 80.3	\$ 0.0	\$ 0.2	\$ 72.7	\$ 47.1	\$ 0.0	\$ 24.0	\$ 1.7
c. preliminary FY12 UAL amortization (line 7)	\$ 168.1	\$ 88.3	\$ 88.1	\$ 0.0	\$ 0.2	\$ 79.8	\$ 51.6	\$ 0.0	\$ 26.3	\$ 1.8
d. Negative interest (8b - 8c, not less than zero)	-	-	-	-	-	-	-	-	-	-
9. Total FY12 UAL payment on 7/01/11 (8c + 8d)	\$ 168.1	\$ 88.3	\$ 88.1	\$ 0.0	\$ 0.2	\$ 79.8	\$ 51.6	\$ 0.0	\$ 26.3	\$ 1.8
10. Total FY12 UAL payment throughout year	\$ 174.5	\$ 91.7	\$ 91.4	\$ 0.0	\$ 0.3	\$ 82.8	\$ 53.6	\$ 0.0	\$ 27.3	\$ 1.9
11. Total Expected Payroll for FY12	\$ 562.4	\$ 348.2	\$ 309.2	\$ 38.3	\$ 0.7	\$ 214.1	\$ 129.8	\$ 16.8	\$ 61.4	\$ 6.1
12. FY12 Normal Cost paid throughout the year (3x11)	\$ 65.6	\$ 33.8	\$ 30.1	\$ 3.5	\$ 0.2	\$ 31.7	\$ 19.4	\$ 2.4	\$ 8.9	\$ 1.0
13. FY12 Normal Cost paid at start of year	\$ 63.2	\$ 32.6	\$ 29.0	\$ 3.4	\$ 0.2	\$ 30.6	\$ 18.7	\$ 2.3	\$ 8.6	\$ 1.0
14. Determination of FY12 GASB ARC %										
a. Employer Normal Cost Rate (12 divided by 11)	11.66%	9.71%	9.73%	9.18%	30.27%	14.83%	14.92%	14.48%	14.53%	16.79%
b. UAL Rate (line 10 divided by line 11)	31.02%	26.32%	29.56%	0.00%	37.07%	38.67%	41.31%	0.00%	44.49%	30.70%
c. Total employer ARC % (14a + 14b)	42.68%	36.03%	39.29%	9.18%	67.34%	53.50%	56.23%	14.48%	59.02%	47.49%
15. Determination of FY12 GASB ARC dollars										
a. FY12 ARC if paid throughout year	\$ 240.0	\$ 125.5	\$ 121.5	\$ 3.5	\$ 0.5	\$ 114.6	\$ 73.0	\$ 2.4	\$ 36.2	\$ 2.9
b. FY12 ARC if paid at beginning of year	\$ 231.2	\$ 120.9	\$ 117.1	\$ 3.4	\$ 0.4	\$ 110.4	\$ 70.3	\$ 2.3	\$ 34.9	\$ 2.8

* See Table IV-2 for components of these amounts.

Note: Numbers may not add due to rounding.

**SDCERS-CITY OF SAN DIEGO
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**SECTION IV
CONTRIBUTIONS**

Table IV-2 shows information on each layer of the June 30, 2010 UAL.

Table IV-2 SDCERS - City of San Diego Schedule of Amortization Bases as of July 1, 2010 Used in Development of the City's Contribution for FY 2012							
Type of Base	Date Established	Initial Amount	Initial Amortization Years	July 1, 2010 Outstanding Balance	Outstanding Balance for FY 2012 (BOY)*	Remaining Amortization Years	Amortization Payment for FY 2012 (BOY)
1. June 30, 2007 UAL	7/1/2007	\$ 1,184,242,049	20	\$ 1,189,222,268	\$ 1,186,793,332	17	\$ 91,301,539
2. Assumption Change	7/1/2008	83,787,434	30	92,104,817	93,863,105	28	5,192,602
3. Experience Loss	7/1/2008	13,564,981	15	14,419,260	14,153,793	13	1,334,828
4. Experience Loss	7/1/2009	810,661,179	15	873,487,421	861,714,000	14	76,702,964
5. Experience Loss	7/1/2010	25,942,732	15	25,942,732	27,953,293	15	2,360,234
6. Experience Gain**	7/1/2010	(50,000,000)	14	(50,000,000)	(53,875,000)	14	(8,807,113)
TOTAL				\$ 2,145,176,496	\$ 2,130,602,524		\$ 168,085,054

* Adjusted from 7/1/2010 to 7/1/2011 by removing July 1, 2010 amortization payment and adding interest.

** Reduction in UAL from anticipated impact of PSC correction. Since the court's ruling occurred before the approval of the FY 2011 ARC, but the June 30, 2009 actuarial valuation (which produced the FY 2011 ARC) was not revised, we have doubled the amortization credit for FY 2012 only, and will amortize the gain over 14 instead of 15 years.

SECTION V
ACCOUNTING STATEMENT INFORMATION

Accounting Standards Codification (ASC) Topic 960 of the Financial Accounting Standards Board (FASB) requires the disclosure of certain information regarding funding status. Statement No. 25 of the Governmental Accounting Standards Board (GASB) establishes standards for disclosure of pension information by public employee retirement systems and governmental employers in notes to financial statements and supplementary information.

The ASC Topic 960 disclosure provides a “snap shot” view of how system assets at market value compare to liabilities if contributions stopped and accrued benefit claims had to be satisfied.

The GASB No. 25 disclosure compares the actuarial liability computed for funding purposes to the actuarial value of assets to determine a funded ratio (i.e., the EAN liability).

Both the present value of accrued benefits (ASC Topic 960) and the actuarial liability (GASB No. 25) are determined assuming that participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions. Liabilities are discounted at the assumed valuation interest rate of 7.75% per annum.

ASC Topic 960 specifies that a comparison of the present value of accrued (accumulated) benefits to the market value of the assets as of the valuation date must be provided. GASB Statement No. 25 requires the actuarial liability be compared with the actuarial value of assets for funding purposes. The relevant amounts as of June 30, 2009 and June 30, 2010 are presented in Table V-1 and Table V-2.

**SDCERS-CITY OF SAN DIEGO
JUNE 30, 2010 ACTUARIAL VALUATION**

**SECTION V
ACCOUNTING STATEMENT INFORMATION**

Table V-1 SDCERS - City of San Diego - Total			
Item	June 30, 2010	June 30, 2009	% Change
ASC Topic 960 Basis			
1. Present Value of Benefits Accrued and Vested to Date			
a. Members Currently Receiving Payments	\$ 3,912,112,575	\$ 3,673,184,787	6.5%
b. Vested Terminated and Inactive Members	264,567,702	255,124,776	3.7%
c. Active Members	<u>1,322,234,044</u>	<u>1,303,988,682</u>	<u>1.4%</u>
d. Total PVAB	\$ 5,498,914,321	\$ 5,232,298,245	5.1%
2. Assets at Market Value	3,900,537,904	3,479,357,154	12.1%
3. Unfunded Present Value of Accrued Benefits, But Not Less Than Zero	\$ 1,598,376,416	\$ 1,752,941,091	
4. Ratio of Assets to Value of Benefits (2)/(1)(d)	70.93%	66.50%	4.4%
GASB No. 25 Basis			
1. Actuarial Liabilities			
a. Members Currently Receiving Payments	\$ 3,912,112,575	\$ 3,673,184,787	6.5%
b. Vested Terminated and Inactive Members	264,567,702	255,124,776	3.7%
c. Active Members	2,350,543,474	2,353,326,546	-0.1%
d. Total Actuarial Liability	\$ 6,527,223,751	\$ 6,281,636,108	3.9%
2. Actuarial Value of Assets	\$ 4,382,047,254	\$ 4,175,228,585	5.0%
3. Unfunded Actuarial Liability	\$ 2,145,176,496	\$ 2,106,407,523	1.8%
4. Ratio of Actuarial Value of Assets to Actuarial Liability (2)/(1)(d)	67.13%	66.47%	0.6%

Table V-2 SDCERS - City of San Diego - Total	
Item	Accumulated Benefit Obligation (ASC Topic 960)
Actuarial Present Value of Benefits Accrued and Vested as of June 30, 2009	\$ 5,232,298,245
Increase (Decrease) During Year Attributable to:	
Passage of Time	394,383,987
Benefits Paid	(286,945,217)
Assumption Change	-
Plan Amendment	-
Benefits Accrued, Other Gains/Losses	159,177,306
Net Increase (Decrease)	\$ 266,616,076
Actuarial Present Value of Benefits Accrued and Vested as of June 30, 2010	\$ 5,498,914,321

SECTION V
ACCOUNTING STATEMENT INFORMATION

Tables V-3 through V-5 are exhibits required for the City’s Comprehensive Annual Financial Report (CAFR). The Government Finance Officers Association (GFOA) recommends showing at least 6 years of experience in each of these exhibits. Table V-3 shows the Notes to Required Supplementary Information. Table V-4 presents an analysis of financial experience for the valuation year, and Table V-5 presents the Solvency Test which shows the portion of actuarial liability covered by assets.

Table V-3	
SDCERS - City of San Diego	
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	
The information presented in the required supplementary schedules to the Financial Section of the City's CAFR was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.	
Valuation date	June 30, 2010
Actuarial funding method	Entry Age Normal
Amortization method	Level percent closed
Equivalent single amortization period	16.579 years ¹
Asset valuation method	Expected Value Method
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases due to inflation ²	4.00%
Cost-of-living adjustments	2.00%
The actuarial assumptions used have been recommended by the actuary and adopted by SDCERS' Board of Administration based on the most recent review of SDCERS' experience, completed in 2008.	
The rate of employer contributions to SDCERS is composed of the normal cost and an amortization of the unfunded actuarial liability. The normal cost is a level percent of payroll cost which, along with the Member contributions, will pay for projected benefits at retirement for the average plan participant. The actuarial liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or Member contributions. The difference between this liability and the funds accumulated as of the same date is the unfunded actuarial liability.	

¹ 17 years for the outstanding balance of the 2007 UAL, 15 years for experience gains and losses, 30 years for changes in methods and assumptions, 5 years for benefit changes.

² Additional merit salary increases of 0.50% to 8.00% based on a participant’s years of service, and membership group are also assumed. These increases are not used in the amortization of SDCERS’ UAL.

SDCERS-CITY OF SAN DIEGO
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SECTION V
ACCOUNTING STATEMENT INFORMATION

Type of Activity	<i>Gain (or Loss) for Year ending June 30, 2010</i>
Investment Income	\$ (141,536,346)
Combined Liability Experience	<u>70,506,309</u>
Gain (or Loss) During Year from Financial Experience	\$ (71,030,037)
Non-Recurring Gain (or Loss) Items (e.g., Contributions)	<u>90,933,819</u>
Composite Gain (or Loss) During Year	\$ 19,903,782

**SDCERS-CITY OF SAN DIEGO
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**SECTION V
ACCOUNTING STATEMENT INFORMATION**

Table V-5								
SDCERS - City of San Diego								
GASB SOLVENCY TEST								
Actuarial Liabilities For								
(\$ in thousands)								
Valuation Date June 30,	(A)	(B)	(C)	Portion of Actuarial Liabilities Covered by Reported Assets				
	Active Member Contributions	Retirees And Beneficiaries	Remaining Active Members' Liabilities	Reported Assets ¹	(A)	(B)	(C)	
2010	\$ 584,296	\$ 3,912,113	\$ 2,030,816	\$ 4,382,047	100%	97.08%	0.00%	
2009	535,797	3,673,185	2,072,655	4,175,229	100	99.08	0.00	
2008	522,966	3,286,668	2,153,916	4,662,346	100	100	39.50	
2007 ⁶	482,526	3,101,594	2,013,532	4,413,311	100	100	41.19	
2006 ⁴	456,562	2,822,203	1,703,935	3,981,932	100	100	41.27	
2005	457,550	2,183,263	1,736,279	2,983,080	100	100	19.71	
2004	414,986 ⁵	1,946,660	1,635,681	2,628,680	100	100	16.33	
2003	375,000 ⁵	1,741,490	1,416,126	2,375,431	100	100	18.28	
2002	353,686	1,440,392	1,374,742	2,448,208	100	100	47.58	
2001	296,851	1,337,799	1,174,888	2,525,646	100	100	75.84	
2000 ³	276,352	1,170,075	1,082,347	2,459,815	100	100	93.63	
1999	238,278	1,026,395	916,874	2,033,153	100	100	83.82	
1998 ²	220,415	885,586	873,667	1,852,151	100	100	85.40	

¹ Actuarial Value of Assets

² Reflects revised actuarial and economic assumptions.

³ Reflects non-contingent Corbett benefit increases.

⁴ Reflects contingent liabilities (Corbett pre-July 1, 2000 and 13th check), DROP reserves, supplemental COLA reserves, and IRC section 415 limits.

⁵ Estimated

⁶ The actuarial liability on June 30, 2007 and after is based on the entry age actuarial funding method. All prior years are based on the projected unit credit actuarial funding method.

**SDCERS-CITY OF SAN DIEGO
JUNE 30, 2010 ACTUARIAL VALUATION**

**APPENDIX A
MEMBERSHIP INFORMATION**

Table A-1			
SDCERS - City of San Diego			
Active Member Data			
	June 30, 2010	June 30, 2009	% Change
<u>Total</u>			
Count	8,120	8,273	-1.8%
Average Current Age	43.7	43.4	0.6%
Average Service	13.1	13.0	1.3%
Average Pensionable Earnings	\$ 65,300	\$ 64,861	0.7%
Annual Pensionable Earnings	\$ 530,238,355	\$ 536,591,286	-1.2%
Average Valuation Compensation ¹	\$ 65,300	\$ 64,860	0.7%
Annual Valuation Compensation ¹	\$ 530,233,354	\$ 536,586,285	-1.2%
Service Without Permissive Service Purchased	11.8	11.6	2.1%
Members with Paid Purchased Service	2,191	2,359	-7.1%
Members with Any Purchased Service	2,315	2,484	-6.8%
Amount of Paid Purchased Service	9,293	10,032	-7.4%
Amount of Total Purchased Service	10,674	11,587	-7.9%
<u>General</u>			
Count	5,694	5,826	-2.3%
Average Current Age	45.6	45.2	0.9%
Average Service	13.4	13.2	1.5%
Average Pensionable Earnings	\$ 57,665	\$ 57,311	0.6%
Annual Pensionable Earnings	\$ 328,346,826	\$ 333,891,467	-1.7%
Average Valuation Compensation ¹	\$ 57,665	\$ 57,310	0.6%
Annual Valuation Compensation ¹	\$ 328,341,825	\$ 333,886,466	-1.7%
Service Without Permissive Service Purchased	11.9	11.5	3.5%
Members with Paid Purchased Service	1,743	1,880	-7.3%
Members with Any Purchased Service	1,795	1,932	-7.1%
Amount of Paid Purchased Service	8,217	8,877	-7.4%
Amount of Total Purchased Service	8,939	9,708	-7.9%
<u>Safety</u>			
Count	2,426	2,447	-0.9%
Average Current Age	39.3	39.2	0.3%
Average Service	12.4	12.4	0.0%
Average Pensionable Earnings	\$ 83,220	\$ 82,836	0.5%
Annual Pensionable Earnings	\$ 201,891,529	\$ 202,699,819	-0.4%
Average Valuation Compensation ¹	\$ 83,220	\$ 82,836	0.5%
Annual Valuation Compensation ¹	\$ 201,891,529	\$ 202,699,819	-0.4%
Service Without Permissive Service Purchased	11.7	11.6	0.9%
Members with Paid Purchased Service	448	479	-6.5%
Members with Any Purchased Service	520	552	-5.8%
Amount of Paid Purchased Service	1,076	1,155	-6.8%
Amount of Total Purchased Service	1,735	1,879	-7.7%

¹ The definition of valuation compensation differs from the definition of pensionable earnings due to IRS 401(a).

**SDCERS-CITY OF SAN DIEGO
JUNE 30, 2010 ACTUARIAL VALUATION**

**APPENDIX A
MEMBERSHIP INFORMATION**

Table A-2 SDCERS - City of San Diego Non-Active Participant Data						
	Count			Average Age		
	June 30, 2010	June 30, 2009	% Change	June 30, 2010	June 30, 2009	% Change
<u>Total</u>						
Retired	5,189	4,975	4.3%	65.3	65.4	-0.1%
Disabled	1,241	1,257	-1.3%	63.4	62.8	0.8%
Beneficiaries	1,151	1,137	1.2%	74.5	74.3	0.3%
Payee Total	7,581	7,369	2.9%	66.4	66.3	0.1%
DROP Participants	900	732	23.0%	57.0	56.7	0.4%
Deferred Vested ¹	2,874	2,827	1.7%	44.9	44.4	1.0%
Vested < 10 yrs svc	1,980	1,932	2.5%			
<u>General</u>						
Retired	3,431	3,302	3.9%	67.1	67.2	-0.1%
Disabled	424	427	-0.7%	62.2	61.7	0.8%
Beneficiaries	700	698	0.3%	76.8	76.7	0.1%
Payee Total	4,555	4,427	2.9%	68.2	68.2	0.0%
DROP Participants	536	448	19.6%	59.3	58.9	0.7%
Deferred Vested ¹	2,341	2,297	1.9%	46.1	45.7	0.9%
Vested < 10 yrs svc	1,612	1,570	2.7%			
<u>Safety</u>						
Retired	1,758	1,673	5.1%	61.8	61.8	0.0%
Disabled	817	830	-1.6%	63.9	63.4	0.8%
Beneficiaries	451	439	2.7%	70.9	70.5	0.6%
Payee Total	3,026	2,942	2.9%	63.7	63.5	0.3%
DROP Participants	364	284	28.2%	53.6	53.3	0.6%
Deferred Vested ¹	533	530	0.6%	39.6	39.0	1.5%
Vested < 10 yrs svc	368	362	1.7%			

¹ Includes all Participants having a contribution balance still on account with SDCERS.

**SDCERS-CITY OF SAN DIEGO
JUNE 30, 2010 ACTUARIAL VALUATION**

**APPENDIX A
MEMBERSHIP INFORMATION**

Table A-3 SDCERS - City of San Diego Non-Active Participant Data						
	Total Annual Benefit			Average Annual Benefit		
	June 30, 2010	June 30, 2009	% Change	June 30, 2010	June 30, 2009	% Change
<u>Total</u>						
Retired	\$ 249,905,055	\$ 231,698,837	7.9%	\$ 48,161	\$ 46,573	3.4%
Disabled	37,142,983	36,337,577	2.2%	29,930	28,908	3.5%
Beneficiaries	<u>16,409,579</u>	<u>15,550,149</u>	5.5%	<u>14,257</u>	<u>13,676</u>	4.2%
Payee Total	\$ 303,457,617	\$ 283,586,563	7.0%	\$ 40,029	\$ 38,484	4.0%
DROP Participants	\$ 50,857,229	\$ 40,394,966	25.9%	\$ 56,508	\$ 55,184	2.4%
Deferred Vested ¹	\$ 112,729,129	\$ 106,837,122	5.5%	\$ 39,224	\$ 37,792	3.8%
<u>General</u>						
Retired	\$ 133,118,965	\$ 123,714,805	7.6%	\$ 38,799	\$ 37,467	3.6%
Disabled	7,158,209	6,931,688	3.3%	16,883	16,233	4.0%
Beneficiaries	<u>7,714,413</u>	<u>7,480,099</u>	3.1%	<u>11,021</u>	<u>10,716</u>	2.8%
Payee Total	\$ 147,991,586	\$ 138,126,592	7.1%	\$ 32,490	\$ 31,201	4.1%
DROP Participants	\$ 22,947,550	\$ 18,889,462	21.5%	\$ 42,813	\$ 42,164	1.5%
Deferred Vested ¹	\$ 92,174,962	\$ 86,608,264	6.4%	\$ 39,374	\$ 37,705	4.4%
<u>Safety</u>						
Retired	\$ 116,786,091	\$ 107,984,032	8.2%	\$ 66,431	\$ 64,545	2.9%
Disabled	29,984,775	29,405,889	2.0%	36,701	35,429	3.6%
Beneficiaries	<u>8,695,166</u>	<u>8,070,050</u>	7.7%	<u>19,280</u>	<u>18,383</u>	4.9%
Payee Total	\$ 155,466,031	\$ 145,459,971	6.9%	\$ 51,377	\$ 49,443	3.9%
DROP Participants	\$ 27,909,679	\$ 21,505,504	29.8%	\$ 76,675	\$ 75,724	1.3%
Deferred Vested ¹	\$ 20,554,167	\$ 20,228,858	1.6%	\$ 38,563	\$ 38,168	1.0%

¹ Includes all Participants having a contribution balance still on account with SDCERS. Annual benefit for deferred vested Participants is the total contribution balance on account as of June 30, 2010.

**SDCERS-CITY OF SAN DIEGO
JUNE 30, 2010 ACTUARIAL VALUATION**

**APPENDIX A
MEMBERSHIP INFORMATION**

**Table A-4
SDCERS - City of San Diego
Distribution of Active Members (Excludes DROP Participants) as of June 30, 2010
Total City**

Age	Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up		
Under 25	56	98	-	-	-	-	-	-	-	-	-	154
25 to 29	92	463	104	2	-	-	-	-	-	-	-	661
30 to 34	53	358	346	88	3	-	-	-	-	-	-	848
35 to 39	38	190	349	333	103	6	-	-	-	-	-	1,019
40 to 44	36	140	276	386	358	221	14	1	-	-	-	1,432
45 to 49	17	110	190	292	395	534	258	26	1	-	-	1,823
50 to 54	19	79	143	220	249	311	268	116	34	2	-	1,441
55 to 59	9	60	93	137	130	51	28	9	5	-	-	522
60 to 64	7	36	34	52	31	10	7	2	2	2	-	183
65 to 69	1	6	13	2	-	-	2	-	-	-	-	24
70 and up	1	4	4	1	2	-	-	-	1	-	-	13
Total Count	329	1,544	1,552	1,513	1,271	1,133	577	154	43	4	-	8,120

**Table A-5
SDCERS - City of San Diego
Distribution of Active Members (Excludes DROP Participants) as of June 30, 2010
Total City**

Age	Average Salary Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up		
Under 25	\$ 47,358	\$ 55,618	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,615
25 to 29	52,945	57,936	62,420	67,250	-	-	-	-	-	-	-	57,975
30 to 34	54,953	60,389	67,999	70,527	46,849	-	-	-	-	-	-	64,158
35 to 39	51,651	59,861	66,801	73,744	70,156	71,146	-	-	-	-	-	67,576
40 to 44	49,606	59,063	59,295	67,750	75,745	74,337	65,940	93,213	-	-	-	67,830
45 to 49	49,831	54,510	55,766	63,261	69,916	78,745	81,125	74,865	59,966	-	-	70,496
50 to 54	50,268	66,582	49,353	58,693	63,059	64,278	67,585	62,539	63,295	58,510	-	62,119
55 to 59	70,209	69,206	58,311	57,064	63,523	70,335	70,155	67,915	54,363	-	-	62,677
60 to 64	76,385	56,867	49,569	59,067	61,378	64,510	63,146	39,541	91,187	44,533	-	58,356
65 to 69	84,198	56,484	60,587	28,298	-	-	73,382	-	-	-	-	58,921
70 and up	69,999	60,505	30,163	41,267	26,692	-	-	-	49,462	-	-	44,368
Avg. Salary	\$ 52,605	\$ 59,309	\$ 61,448	\$ 65,711	\$ 69,250	\$ 73,369	\$ 73,690	\$ 64,834	\$ 63,154	\$ 51,522	\$ -	\$ 65,300

SDCERS-CITY OF SAN DIEGO
JUNE 30, 2010 ACTUARIAL VALUATION

**APPENDIX A
MEMBERSHIP INFORMATION**

**Table A-6
SDCERS - City of San Diego
Distribution of Active Members (Excludes DROP Participants) as of June 30, 2010
General**

Age	Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up		
Under 25	27	35	-	-	-	-	-	-	-	-	-	62
25 to 29	35	227	52	1	-	-	-	-	-	-	-	315
30 to 34	31	212	183	49	3	-	-	-	-	-	-	478
35 to 39	32	137	215	171	70	6	-	-	-	-	-	631
40 to 44	34	119	208	258	193	133	13	-	-	-	-	958
45 to 49	16	100	166	236	249	276	145	22	1	-	-	1,211
50 to 54	18	77	133	198	217	275	252	112	34	2	-	1,318
55 to 59	9	60	91	134	125	44	27	9	5	-	-	504
60 to 64	7	36	34	52	30	9	7	2	2	2	-	181
65 to 69	1	6	12	2	-	-	2	-	-	-	-	23
70 and up	1	4	4	1	2	-	-	-	1	-	-	13
Total Count	211	1,013	1,098	1,102	889	743	446	145	43	4	-	5,694

**Table A-7
SDCERS - City of San Diego
Distribution of Active Members (Excludes DROP Participants) as of June 30, 2010
General**

Age	Average Salary Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up		
Under 25	\$ 37,235	\$ 42,272	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,078
25 to 29	40,900	46,594	45,329	54,642	-	-	-	-	-	-	-	45,778
30 to 34	52,181	52,430	55,195	58,199	46,849	-	-	-	-	-	-	54,029
35 to 39	50,742	55,226	57,160	61,326	59,686	71,146	-	-	-	-	-	57,957
40 to 44	48,718	57,526	51,774	58,587	61,422	61,722	63,113	-	-	-	-	57,694
45 to 49	50,290	52,739	52,172	57,632	59,337	63,513	67,113	65,966	59,966	-	-	59,362
50 to 54	48,512	65,946	46,372	55,913	59,318	60,706	65,897	61,260	63,295	58,510	-	59,553
55 to 59	70,209	69,206	57,719	56,392	62,652	66,329	69,215	67,915	54,363	-	-	61,696
60 to 64	76,385	56,867	49,569	59,067	60,581	61,442	63,146	39,541	91,187	44,533	-	58,020
65 to 69	84,198	56,484	49,682	28,298	-	-	73,382	-	-	-	-	53,158
70 and up	69,999	60,505	30,163	41,267	26,692	-	-	-	49,462	-	-	44,368
Avg. Salary	\$ 48,973	\$ 54,013	\$ 52,822	\$ 57,991	\$ 60,205	\$ 62,357	\$ 66,403	\$ 62,087	\$ 63,154	\$ 51,522	\$ -	\$ 57,665

**SDCERS-CITY OF SAN DIEGO
JUNE 30, 2010 ACTUARIAL VALUATION**

**APPENDIX A
MEMBERSHIP INFORMATION**

**Table A-8
SDCERS - City of San Diego
Distribution of Active Members (Excludes DROP Participants) as of June 30, 2010
Safety**

Age	Years of Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up	
Under 25	29	63	-	-	-	-	-	-	-	-	92
25 to 29	57	236	52	1	-	-	-	-	-	-	346
30 to 34	22	146	163	39	-	-	-	-	-	-	370
35 to 39	6	53	134	162	33	-	-	-	-	-	388
40 to 44	2	21	68	128	165	88	1	1	-	-	474
45 to 49	1	10	24	56	146	258	113	4	-	-	612
50 to 54	1	2	10	22	32	36	16	4	-	-	123
55 to 59	-	-	2	3	5	7	1	-	-	-	18
60 to 64	-	-	-	-	1	1	-	-	-	-	2
65 to 69	-	-	1	-	-	-	-	-	-	-	1
70 and up	-	-	-	-	-	-	-	-	-	-	-
Total Count	118	531	454	411	382	390	131	9	-	-	2,426

**Table A-9
SDCERS - City of San Diego
Distribution of Active Members (Excludes DROP Participants) as of June 30, 2010
Safety**

Age	Average Salary Years of Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up	
Under 25	\$ 56,783	\$ 63,033	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,063
25 to 29	60,342	68,845	79,510	79,859	-	-	-	-	-	-	69,079
30 to 34	58,859	71,947	82,373	86,016	-	-	-	-	-	-	77,245
35 to 39	56,499	71,841	82,271	86,851	92,364	-	-	-	-	-	83,218
40 to 44	64,700	67,776	82,300	86,218	92,500	93,401	102,686	93,213	-	-	88,318
45 to 49	42,486	72,229	80,625	86,985	87,959	95,040	99,104	123,807	-	-	92,528
50 to 54	81,890	91,106	89,004	83,708	88,433	91,565	94,180	98,343	-	-	89,611
55 to 59	-	-	85,280	87,099	85,298	95,516	95,534	-	-	-	90,139
60 to 64	-	-	-	-	85,280	92,123	-	-	-	-	88,702
65 to 69	-	-	191,454	-	-	-	-	-	-	-	191,454
70 and up	-	-	-	-	-	-	-	-	-	-	-
Avg. Salary	\$ 59,101	\$ 69,412	\$ 82,311	\$ 86,409	\$ 90,299	\$ 94,350	\$ 98,502	\$ 109,090	\$ -	\$ -	\$ 83,220

SDCERS-CITY OF SAN DIEGO
JUNE 30, 2010 ACTUARIAL VALUATION

APPENDIX A
MEMBERSHIP INFORMATION

Table A-11
SDCERS - City of San Diego
Retirees (Includes DROP Participants), Disabled, and Beneficiaries Tabulated by Attained Age/Benefit Effective Date
General

Plan Year	Age										Total
	Under 50	50 to 54	55 to 59	60 to 64	65 to 69	70 to 74	75 to 79	80 to 84	85 to 89	90 and up	
pre-1991	1	5	5	25	23	28	75	140	171	93	566
1991	1	1	3	2	-	2	19	30	7	4	69
1992	1	1	1	2	2	11	16	31	8	1	74
1993	5	2	2	1	7	24	35	35	9	2	122
1994	1	4	6	5	3	14	14	13	3	3	66
1995	2	6	5	1	1	19	21	11	3	2	71
1996	4	1	7	3	11	22	24	8	4	3	87
1997	6	4	4	7	20	24	28	11	4	5	113
1998	5	6	3	8	42	52	15	13	7	4	155
1999	4	2	6	5	63	47	18	9	4	3	161
2000	8	6	5	10	63	40	13	10	3	3	161
2001	6	3	14	42	69	50	17	6	8	3	218
2002	3	4	4	47	29	22	12	6	6	3	136
2003	4	3	8	187	95	41	14	6	8	3	369
2004	3	6	12	139	60	26	7	5	6	3	267
2005	5	3	6	196	72	22	6	3	6	5	324
2006	13	12	137	76	42	10	8	7	5	1	311
2007	6	10	174	52	45	15	5	11	6	6	330
2008	4	3	165	72	27	8	9	6	5	2	301
2009	7	13	219	85	28	7	11	8	3	4	385
2010	4	7	171	55	6	1	7	11	6	1	269
Total	93	102	957	1,020	708	485	374	380	282	154	4,555

Surviving spouses benefit effective date no longer based on participant's original date of retirement.

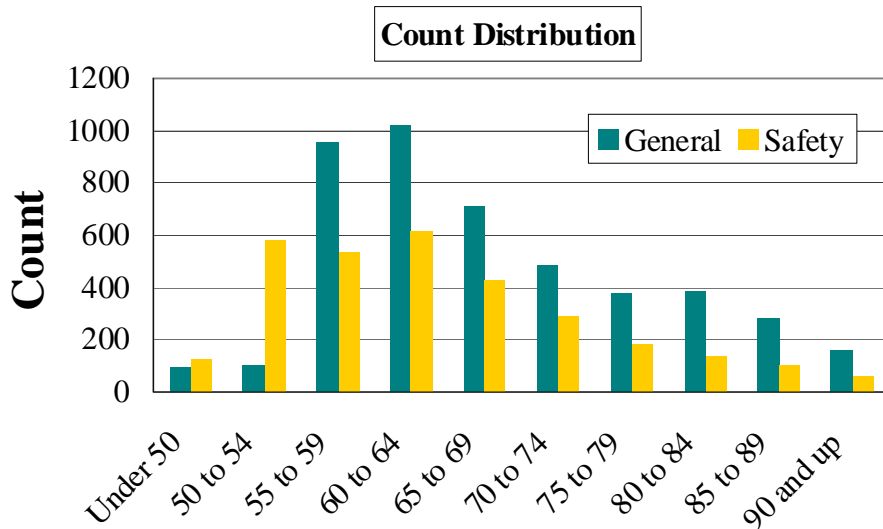
Average Age at Retirement/Disability 58.6
Average Current Age 68.2
Average Annual Pension \$ 32,490

APPENDIX A
 MEMBERSHIP INFORMATION

Table A-13
SDCERS - City of San Diego
Distribution of Retirees, Disabilitants,
and Beneficiaries
as of June 30, 2010

Age	Count		
	General	Safety	Total
Under 50	93	121	214
50 to 54	102	577	679
55 to 59	957	534	1,491
60 to 64	1,020	618	1,638
65 to 69	708	428	1,136
70 to 74	485	286	771
75 to 79	374	176	550
80 to 84	380	137	517
85 to 89	282	96	378
90 and up	154	53	207
Total	4,555	3,026	7,581

Chart A-1

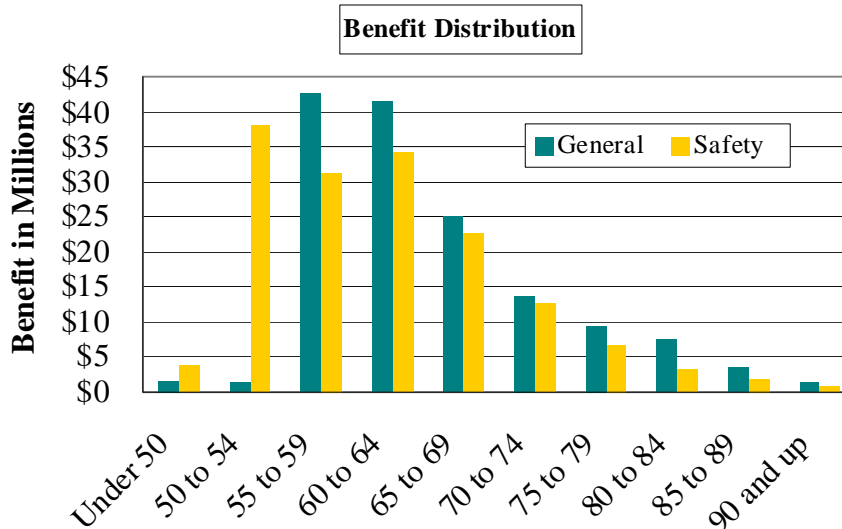


APPENDIX A
 MEMBERSHIP INFORMATION

Table A-14
SDCERS - City of San Diego
Distribution of Retirees, Disabilitants,
and Beneficiaries
as of June 30, 2010

Age	Annual Benefit		
	General	Safety	Total
Under 50	\$ 1,621,163	\$ 3,831,687	\$ 5,452,851
50 to 54	1,456,090	38,092,853	39,548,943
55 to 59	42,522,256	31,283,231	73,805,487
60 to 64	41,514,394	34,130,781	75,645,176
65 to 69	25,182,305	22,696,065	47,878,371
70 to 74	13,700,533	12,778,489	26,479,022
75 to 79	9,475,076	6,606,348	16,081,424
80 to 84	7,620,007	3,279,117	10,899,124
85 to 89	3,545,911	1,796,723	5,342,634
90 and up	1,353,851	970,736	2,324,587
Total	\$ 147,991,586	\$ 155,466,031	\$ 303,457,617

Chart A-2



**APPENDIX A
MEMBERSHIP INFORMATION**

Data Assumptions and Practices

In preparing our data, we relied without audit on information supplied by the SDCERS staff. This information includes, but is not limited to, plan provisions, employee data, and financial information. Our methodology for obtaining the data used for the valuation is based upon the following assumptions and practices:

- Service for Actives and Inactives was calculated using Benefit Service. An adjusted date of hire is retroactively calculated from the valuation date. Purchased Service that has been paid for is included in the Benefit Service field. Purchased Service that has been applied for, but not paid as of the valuation date will be assumed to be paid in full, and this service will be reflected in the projected benefit.
- Valuation Salary will be the maximum of “Current Annual Pensionable Salary” and annualized “Average Compensation.”
- For accounts having duplicate records in the Actives and Inactives by Social Security Number, the information from the latest payroll date is regarded as most up to date. The other record is treated as out of date and invalid.
- For duplicate records (based on SSN and Benefit Type) in the payee file, records having the same plan and same benefit type but different benefit amounts, we have added those benefit amounts together.
- Records on the provided “Member” file are considered to be Active if they have no “Date of Death,” no “Date of Separation,” do not have a retiree record and they received pay in the last pay period (Last Pay Period = 26) of the current FY.
- Records on the “Member” file are considered to be Inactive if they do not have a “Date of Death,” do not have a retiree record and either have a “Date of Separation” or have a “Last Pay Period” earlier than the last pay period of the current FY.
- Records on the “Payee” file are considered in pay status if their benefit is not suspended.
- Pension Benefit for retirees for each plan was calculated by summing “Monthly Pension,” “Monthly Annuity,” “COLA Annuity,” “Surviving Spouse Annuity,” and “COLA Pension” and subtracting “Non-COLA Adjustments.” The “Non-COLA Adjustments” field is mainly for Qualified Domestic Relations Order purposes. The “Supplement Amt” field is added as an annual benefit (i.e., 13th check) and the “Corbett Supplemental Payment” is annualized for new retirees in the City only. It is assumed the payment is annual for retirees already in pay status prior to this valuation.
- Members retiring since 11/1/2006 and not having a “Supplement Amt” (13th check) will have their projected “Supplement Amt” (13th check) calculated assuming \$30 multiplied by the “Total Service Credit.”

APPENDIX A
MEMBERSHIP INFORMATION

- Members may retire and receive benefits from multiple Plan IDs (e.g., a City police officer could have also worked for the Airport Authority); we will value each Member's blended benefit individually. This will result in the counts being slightly higher than actual counts due to people having more than one benefit payable from multiple plans.
- We assume any retiree found in last year's "Payee" file and not in this year's file has died without a beneficiary and should be removed from the valuation data.
- We assume all deceased retirees with payments continuing to a beneficiary have already been accounted for in the "Payee" file.
- We exclude any payee receiving \$0.00 from a blended benefit plan.
- We assume that any active Member found in the inactive data last year has returned to work and should be valued as active.
- The VCP filing procedure was used to calculate the present value of Member benefits over the Internal Revenue Service Code Section 415 Benefit Limits.
- The employee contribution rates were replaced with the revised rates adopted by the Board on May 28, 2010 for this valuation.

**APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS**

A. Actuarial Assumptions

1. Investment Return Assumption

SDCERS' assets are assumed to earn 7.75% net of expenses.

2. Inflation Rate

An inflation assumption of 4.00% compounded annually is used for projecting the total annual payroll growth for amortization of the UAL.

3. Interest Credited to Member Contributions

7.75%, compounded annually.

4. Salary Increase Rate

Inflation component: 4.00% (for the July 1, 2010 "across the board" payroll increases, actual reported payroll increases were used).

The additional merit component:

Years of Service at Valuation Date	General	Safety
0	5.00%	8.00%
1	4.00%	7.00%
2	3.00%	6.00%
3	2.00%	3.50%
4	1.00%	2.00%
5+	0.50%	0.50%

**APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS**

5. Cost-of-Living Increase in Benefits

Assumed to be 2% per annum, compounded annually.

There is a closed group of Special Safety Officers for whom we assume an annual adjustment equal to inflation (4.00% per year).

6. COL Annuity Benefit

For active Members, there is a load on liabilities for retirement allowances to anticipate the impact of the annuitized employee COL Annuity contributions at retirement. The load varies by Plan as follows:

General	Elected	Police	Fire	Lifeguard
2.19%	2.5%	3.51%	3.69%	3.58%

7. Member Refunds

All or part of the employee contribution rate is subject to potential “offset” by the employer. That “offset” and the related accumulated interest are not to be refunded to employees at termination. However, such offsets are not directly reflected in either the employee contributions or related refund calculations.

8. Rates of Termination

Table B-2		
SDCERS - City of San Diego		
Rates of Termination at Selected Ages		
and Service 5+ years*		
Age	General	Safety
20	12.78%	5.00%
25	8.33	4.07
30	5.83	3.57
35	4.60	3.07
40	3.36	2.67
45	2.78	2.33
50	2.78	2.33
55	2.78	2.33
60	2.78	2.33

*Add 1% to every age for each year of service less than 5 years.

20% of terminating employees, with 10+ years of service at termination, are assumed to subsequently work for a reciprocal employer and receive 4.50% pay increases per year.

**APPENDIX B
 ACTUARIAL ASSUMPTIONS AND METHODS**

9. Rates of Disability

Age	General	Safety
20	0.04%	0.40%
25	0.06	0.40
30	0.07	0.40
35	0.11	0.50
40	0.15	0.63
45	0.23	0.82
50	0.35	0.95
55	0.53	1.80
60	0.68	--

60% of the General disabilities and 80% of the Safety disabilities are assumed to be industrial disability retirements. Non-industrial disability retirement is subject to a 10-year service requirement.

10. Rates of Mortality for Active Lives

General Members follow the RP2000 Combined Healthy table (male and female) projected to 2008. Safety Members follow the Male RP2000 projected to 2008, set forward two years.

Age	General		Safety
	Male	Female	
20	0.03%	0.02%	0.03%
25	0.03	0.02	0.04
30	0.04	0.02	0.05
35	0.07	0.04	0.09
40	0.10	0.06	0.11
45	0.14	0.10	0.15
50	0.18	0.15	0.23
55	0.31	0.25	0.41
60	0.59	0.49	0.78
65	1.14	0.93	1.45
70	1.97	1.61	2.42

All active Member deaths are assumed to be duty-related for Safety Members and not duty-related for other Members.

**APPENDIX B
 ACTUARIAL ASSUMPTIONS AND METHODS**

11. Rates of Mortality for Retired Healthy Lives

General retired healthy participants use the RP2000 Combined Healthy table (male and female). Safety participants use the RP2000 Combined Healthy table set forward two years (male and female).

Age	General		Safety	
	Male	Female	Male	Female
40	0.11%	0.07%	0.12%	0.09%
45	0.15	0.11	0.17	0.13
50	0.21	0.17	0.27	0.20
55	0.36	0.27	0.47	0.35
60	0.67	0.51	0.88	0.67
65	1.27	0.97	1.61	1.22
70	2.22	1.67	2.73	2.07
75	3.78	2.81	4.69	3.41
80	6.44	4.59	8.05	5.63
85	11.08	7.74	13.60	9.63
90	18.34	13.17	21.66	15.76

12. Rates of Mortality for Retired Disabled Lives

Disabled General participants use Uninsured Pensioner 1994 (UP1994) male only table set forward five years. Disabled Safety participants use Uninsured Pensioner 1994 (UP1994) male only table set forward two years.

Age	General	Safety
20	0.07%	0.06%
25	0.09	0.08
30	0.09	0.09
35	0.12	0.10
40	0.17	0.13
45	0.28	0.20
50	0.48	0.35
55	0.86	0.60
60	1.56	1.09
65	2.55	1.94
70	4.00	3.06

**APPENDIX B
 ACTUARIAL ASSUMPTIONS AND METHODS**

13. Rates of Retirement

Rates of Retirement for City General and City Safety are shown in the two tables below.

Service	General Old Plan	Police Old Plan	Fire and Lifeguard
10-19	33%	32%	32%
20	41	32	32
21	33	14	14
22	35	18	18
23	37	23	23
24	39	27	27
25	41	32	32
26	42	36	36
27	44	41	41
28	46	45	45
29	48	50	50
30	50	100	100
31	51	100	100
32	53	100	100
33	55	100	100
34	57	100	100
35+	100	100	100

Age	General 2009 Plan	Police 2009 Plan
50	--	10%
51	--	10
52	--	10
53	--	10
54	--	20
55	3%	40
56	3	40
57	3	40
58	5	50
59	5	80
60	10	85
61	15	90
62	20	100
63	30	100
64	40	100
65	50	100
66	50	100
67	50	100
68	50	100
69	50	100
70	100	100

In addition, if a Police-2009 Plan Member has both attained age 55 and completed at least 30 years of service, 100% retirement is assumed.

For vested deferred participants, we assume that retirement will occur provided they have at least 10 years of service on the later of attained age or:

General Members: Earlier of age 62 or age 55 and 20+ years of service.

Safety Members: Earlier of age 55 or age 50 and 20+ years of service.

**APPENDIX B
 ACTUARIAL ASSUMPTIONS AND METHODS**

Rates of Retirement for Elected Officials are based on age and are shown in the table below.

Age	Elected Officials
50	--
51	--
52	--
53	15%
54	1
55	5
56	3
57	4
58	5
59	6
60	60
61	25
62	37
63	23
64	34
65	68
66	69
67	74
68	80
69	90
70	100

For vested deferred Elected Officials, we assume that retirement will occur provided they have at least 4 years of service on the later of attained age or the earlier of age 55 or age 53 and 8+ years of service.

If the inactive participant is not vested, the liability is the participant's contributions with interest.

14. Family Composition Assumptions

80% of men and 50% of women were assumed married at retirement. A female spouse is assumed to be 4 years younger than her male spouse.

**APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS**

15. Member Contributions for Spousal Continuance

All active Members contribute towards a 50% survivor continuance. However, Members who are unmarried at retirement may either be refunded that specific part of their contributions, or they may leave such contributions on account and receive an incremental benefit that is the actuarial equivalent of such contributions.

16. Deferred Member Benefit

The benefit was estimated based on information provided by SDCERS staff. The data used to value the estimated deferred benefit were date of birth, date of hire, date of termination, and last pay. Based on the data provided, service credit, highest average salary, and deferred retirement age were estimated. The estimates were used to compute the retirement benefit, upon which the liabilities are based. For those participants without sufficient data or service, accumulated participant contribution balances, with interest, were used as the actuarial accrued liability.

17. DROP Account Balances

For DROP participants still working, the liability for the account balances in the asset information received from SDCERS staff was adjusted to assume average commencement in 2 ½ years and an interest crediting rate of 2.9%. Thereafter, it was assumed the account balance would be converted to an annuity at an interest rate of 5% over an average period of 10 years. The 10-year period was selected to average among the available DROP payment elections, including a lump sum, life expectancy, and 20 years. Pre-2006 DROP account balances still left on account were valued assuming they would be paid out until age 70 ½, with an interest crediting rate of 2.9%. The remaining account balances were valued without adjustment.

18. Other

The contribution requirements and benefit values of a plan are calculated by applying actuarial assumptions to the benefit provisions and Member information, using the actuarial funding methods described in the following section.

Actual experience of SDCERS will not coincide exactly with assumed experience, regardless of the choice of the assumptions, the skill of the actuary or the precision of the many calculations made. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments to the computed contribution rate. From time to time it becomes appropriate to modify one or more of the assumptions, to reflect experience trends, but not random year-to-year fluctuations.

19. Changes Since Last Valuation

The DROP interest crediting rate used to value the liability for account balances was reduced from 3.54% to 2.9% to reflect the Board's adoption of this rate at its December 2009 meeting.

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

B. Actuarial Methods

1. Actuarial Funding Method

The Entry Age Normal actuarial funding method was used for active employees, whereby the normal cost is computed as the level annual percentage of pay required to fund the retirement benefits between each Member's date of hire and assumed retirement. The actuarial liability is the difference between the present value of future benefits and the present value of future normal cost. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

The unfunded actuarial liability is amortized by annual payments. The payments are determined so that they will be a level percentage of pay, assuming payroll increases 4.00% per year. The UAL is amortized over different closed periods depending on the source of the loss. The entire UAL as of June 30, 2007 is amortized over 20 years. Subsequent gains and losses are amortized over 15 years, changes in assumptions over 30 years, and changes in benefits over 5 years. Finally, if necessary, there is an additional UAL cost component to ensure that there is no negative amortization in any year.

2. Asset Valuation Method

For the purposes of determining the City of San Diego's annual required contribution to SDCERS, we use a smoothed actuarial value of assets. The asset smoothing method dampens the volatility in asset values that could occur because of the fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process. Assets are assumed to be used exclusively for the provision of retirement benefits and expenses.

The actuarial value of assets each year is equal to 100% of the *expected actuarial value of assets*¹ plus 25% of the difference between the current market value of assets and the expected actuarial value of assets. In no event will the actuarial value of assets ever be less than 80% of the market value of assets nor greater than 120% of the market value of assets.

3. Changes Since Last Valuation

None.

¹ The expected actuarial value of assets is equal to the prior year's actuarial value of assets increased with actual contributions made, decreased with actual disbursements made, all items (prior assets, contributions and disbursements) further adjusted with expected investment returns for the year.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

1. Membership Requirement

Salaried Employees – immediate eligibility upon employment (compulsory) (§ 24.0104). *

2. Monthly Salary Base for Benefits

General and Safety Members (not including General-2009 Plan or Police-2009 Plan Members):
Highest consecutive 12-month average in any qualified employment with a California governmental jurisdiction (§ 24.0103), subject to a 10% increase for those hired before July 1, 2002, if the General or Safety Member elects such increase in lieu of an increased benefit formula.

General-2009 Plan Members:

Average of highest three years in any qualified employment with a California governmental jurisdiction (§ 24.0103).

Police-2009 Plan Members:

Highest consecutive 12-month average in any qualified employment with a California governmental jurisdiction (§ 24.0103).

3. Service Retirement

Eligibility

General Members:

Age 62 with 10 years of service, or age 55 with 20 years of service (§ 141 of City Charter).

Safety Members:

Age 55 with 10 years of service, or age 50 with 20 years of service (§ 141 of City Charter).

Elected Officers:

Age 55 with 4 years of service. Reduced retirement with 8 years of service regardless of age (§ 24.1705).

Benefit

General Members:

For General-Old Plan Members, choice of formula in place on June 30, 2000 (Option 1), or formula effective as of July 1, 2000 (Option 2), or formula in effect as of July 1, 2002 (Option 3), with a benefit cap of 90% of Final Average Compensation unless an exception to the 90% cap applies (§ 24.0402).

* All “§” references are to the City of San Diego Municipal Code.

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**APPENDIX C
SUMMARY OF PLAN PROVISIONS**

For General-2009 Plan Members, formula shown in Table C-1 (§ 24.0402.1).

There is an additional amount equal to the annuitized Member COL Annuity contributions at retirement date.

General Member Service Retirement Accrual Factors

Table C-1				
SDCERS - City of San Diego				
General Member Service Retirement Accrual Factors				
Retirement	General - Old Plan			General -
Age	Option 1	Option 2	Option 3	2009 Plan
55	2.00%	2.25%	2.50%	1.00%
56	2.00%	2.25%	2.50%	1.25%
57	2.00%	2.25%	2.50%	1.65%
58	2.00%	2.25%	2.50%	1.758%
59	2.08%	2.25%	2.50%	1.874%
60	2.16%	2.30%	2.55%	2.00%
61	2.24%	2.35%	2.60%	2.12%
62	2.31%	2.40%	2.65%	2.24%
63	2.39%	2.45%	2.70%	2.36%
64	2.47%	2.50%	2.75%	2.46%
65 and up	2.55%	2.55%	2.80%	2.60%

Elected Officers:

(Formerly designated as legislative) 3.5% (§ 24.1706). A 2% annual reduction factor applies to benefits for Members retiring prior to age 55 (§ 24.1705). There is an additional amount equal to the annuitized Member COL Annuity contributions at retirement date.

Safety Members:

For all Fire Members, all Lifeguard Members, and Police-Old Plan Members, choice of formula in place on June 30, 2000 (Option 1), or formula effective as of July 1, 2000 (Option 2), with a benefit cap of 90% of Final Average Compensation unless an exception to the 90% cap applies (§ 24.0403).

For Police-2009 Plan Members, formula shown in Table C-2 (§ 24.0403).

There is an additional amount equal to the annuitized Member COL Annuity contributions at retirement date.

**APPENDIX C
 SUMMARY OF PLAN PROVISIONS**

Safety Member Service Retirement Accrual Factors

Table C-2 SDCERS - City of San Diego Safety Member Service Retirement Accrual Factors				
All Fire, All Lifeguard, and Police - Old Plan				
Retirement Age	Police & Fire Option 1	Lifeguard Option 1	Safety Option 2	Police - 2009 Plan
50	2.50%	2.20%	3.00%	2.50%
51	2.60%	2.32%	3.00%	2.60%
52	2.70%	2.44%	3.00%	2.70%
53	2.80%	2.57%	3.00%	2.80%
54	2.90%	2.72%	3.00%	2.90%
55 and up	2.99%	2.77%	3.00%	3.00%

For vested Members who terminate City employment, different retirement accrual factors may apply depending on which options were available at the time of termination.

For Members of the General-2009 and Police-2009 Plans who terminate City employment, the accrual factors are those shown in Tables C-1 and C-2, respectively.

For other General and Safety Members, the accrual factors are as shown below:

GENERAL:

Table C-3 SDCERS – City of San Diego	
For Vested Members who terminated--	--the accrual factors are--
Prior to January 1, 1997	See Pre-1997 Factors on next page
January 1, 1997 - June 30, 2000	Option 1 without 10% increase in Final Average Compensation
July 1, 2000 - June 30, 2002	Option 1 with 10% increase in Final Average Compensation; or Option 2
July 1, 2002 – Present	Option 3

SAFETY:

Table C-4 SDCERS – City of San Diego	
For Vested Members who terminated--	--the accrual factors are--
Prior to January 1, 1997	See Pre-1997 Factors on next page
January 1, 1997 - June 30, 2000	Option 1 without 10% increase in Final Average Compensation
July 1, 2000 – Present	Option 1 with 10% increase in Final Average Compensation; or Option 2

APPENDIX C
 SUMMARY OF PLAN PROVISIONS

Age	General	Police	Safety Fire	Lifeguard
	50	--	2.50%	2.20%
51	--	2.54%	2.32%	2.10%
52	--	2.58%	2.44%	2.22%
53	--	2.62%	2.57%	2.34%
54	--	2.66%	2.72%	2.47%
55	1.48%	2.70%	2.77%	2.62%
56	1.55%	2.77%	2.77%	2.62%
57	1.63%	2.77%	2.77%	2.62%
58	1.72%	2.77%	2.77%	2.62%
59	1.81%	2.77%	2.77%	2.62%
60	1.92%	2.77%	2.77%	2.62%
61	1.99%	2.77%	2.77%	2.62%
62	2.09%	2.77%	2.77%	2.62%
63	2.20%	2.77%	2.77%	2.62%
64	2.31%	2.77%	2.77%	2.62%
65 and up	2.43%	2.77%	2.77%	2.62%

Maximum Benefit

General-Old Plan Members: 90% of Final Average compensation if Option 3 is chosen, unless an exception to the 90% cap applies.

General-2009 Plan Members: 80% of Final Average compensation.

Safety Members (not including Police-2009 Plan Members): 90% of Final Average Compensation (subject to 10% increase).

Police-2009 Plan Members: 90% of Final Average compensation.

Elected Officers: None.

Unmodified Form of Payment

Monthly payments continued for the life of the Member, with 50% continuance to the eligible spouse upon Member's death. If there is no eligible spouse, the Member may receive either a lump sum payment equal to the accumulated surviving spouse contributions or an actuarially equivalent annuity (§ 24.0601).

APPENDIX C
SUMMARY OF PLAN PROVISIONS

Note: City employees withdrew from Social Security January 1, 1982. We assume that all future benefits for active Members will be determined on a non-integrated basis.

Note: Effective July 1, 1991, service credit earned under the 1981 Pension System will be considered equivalent to SDCERS service for the purpose of benefit calculations (i.e., the above formulas will apply to 1981 Pension System service) (§ 24.1102, 24.0210, 24.0310).

4. Non-Industrial Disability

Eligibility

Ten years of service (Charter §141).

Benefit

General Members:

Greater of 1.5% per year of service, one-third of final compensation*, or the earned service retirement benefit (§24.0502, §24.0505).

Safety Members:

Greater of 1.8% per year of service, one-third of final compensation*, or the earned service retirement benefit (§24.0502, §24.0504).

* Per Board decision, the 10% increase on final average compensation has been removed.

5. Industrial Disability

Eligibility

No age or service requirement (§24.0501).

Benefit

General Members:

Greater of one-half of final compensation*, or the earned service retirement benefit (§24.0502, §24.0505).

Safety Members:

Greater of one-half of final compensation*, or the earned service retirement benefit (§24.0502, §24.0503).

* Per Board decision, the 10% increase on final average compensation has been removed.

Elected Officers:

Earned service retirement benefit (§24.1707).

**APPENDIX C
SUMMARY OF PLAN PROVISIONS**

6. Non-Industrial Death Before Eligible to Retire

Refund of employee contributions with interest, plus one month's salary for each completed year of service, to a maximum of six months salary (§24.0702).

7. Non-Industrial Death After Eligible to Retire for Service

50% of earned benefit payable to surviving eligible spouse, domestic partner, or eligible child (§24.0704).

8. Industrial Death

50% of the final average compensation (subject to 10% increase) preceding death, payable to eligible spouse, domestic partner, or eligible child (§24.0705).

9. Death After Retirement

50% of Member's unmodified allowance continued to eligible spouse (§24.0601).
\$2,000 payable in lump sum to the beneficiary or the estate of the retiree. (§24.0710)

10. Withdrawal Benefits (§24.0206, §24.0306)

Pre-12/8/76 Hires

If contributions left on deposit, entitled to earned benefits, commencing anytime after eligible to retire.

Post-12/7/76 Hires

Less than ten years of service:

Refund of accumulated employee contributions with interest, or may keep deposits in the System and earn additional interest and use service with a reciprocal system to establish eligibility for earned benefits upon concurrent retirement from reciprocal system (§24.0206, 24.0306, 24.1005).

Ten or more years of service:

If contributions left on deposit, entitled to earned benefits commencing anytime after eligible to retire (§24.0206, 24.0306)

11. Post-retirement Cost-of-Living Benefit

General and Safety Members:

Based on changes in Consumer Price Index, to a maximum of 2% per year (§24.1505).

**SDCERS-CITY OF SAN DIEGO
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**APPENDIX C
SUMMARY OF PLAN PROVISIONS**

12. COL Annuity

Actuarial equivalent of accumulated contributions in cost-of-living annuity account at time of retirement (§24.0103).

13. Member Contributions

Member contributions vary by age at time of entrance into SDCERS (§24.0201, §24.0301). While a significant portion of these contributions may be “offset,” such offsets are not directly reflected in either the employee contributions or related refund calculations. These are the rates in effect for the June 30, 2010 valuation.

<u>Entry Age</u>	<u>General</u>		<u>Police</u>		<u>Fire</u>	<u>Lifeguard</u>
	<u>Old Plan</u>	<u>2009 Plan</u>	<u>Old Plan</u>	<u>2009 Plan</u>	<u>All Members</u>	<u>All Members</u>
20	6.74%	3.37%	12.54%	9.97%	12.54%	12.45%
21	7.10	3.66	12.77	10.47	12.77	12.68
22	7.48	3.96	13.07	10.98	13.07	12.98
23	7.88	4.27	13.46	11.51	13.46	13.30
24	8.27	4.57	13.85	12.04	13.85	13.61
25	8.66	4.88	14.23	12.59	14.23	13.92
26	9.03	5.19	14.56	12.97	14.56	14.20
27	9.39	5.51	14.88	13.18	14.88	14.45
28	9.74	5.82	15.17	13.43	15.17	14.65
29	10.07	6.15	15.41	13.71	15.41	14.78
30	10.39	6.46	15.80	14.01	15.80	15.19
31	10.69	6.79	15.85	14.30	15.85	15.13
32	10.98	7.11	15.94	14.61	15.94	15.08
33	11.25	7.43	16.06	14.92	16.06	15.02
34	11.49	7.76	16.13	15.23	16.13	14.97
35	11.77	8.07	16.10	15.45	16.10	14.91
36	11.72	8.35	16.56	15.82	16.56	15.34
37	11.67	8.59	16.99	16.17	16.99	15.74
38	11.64	8.79	17.39	16.52	17.39	16.11
39	11.65	9.00	17.76	16.84	17.76	16.46
40	11.68	9.21	18.10	17.15	18.10	16.77
41	11.69	9.40	18.41	17.43	18.41	17.06
42	11.69	9.60	18.68	17.69	18.68	17.31
43	11.91	9.83	18.91	17.90	18.91	17.52
44	12.14	10.07	19.09	18.07	19.09	17.68
45	12.36	10.30	19.19	18.17	19.19	17.77
46	12.58	10.54	18.57	17.71	18.57	17.21
47	12.78	10.76	18.27	17.60	18.27	16.92
48	12.98	10.98	17.93	17.55	17.93	16.61
49	13.16	11.19	17.57	17.49	17.57	16.28
50	13.31	11.38				
51	13.44	11.56				
52	13.53	11.72				
53	13.29	11.80				
54	13.02	11.81				
55	12.70	11.65				
56	12.43	11.35				
57	12.21	11.06				

APPENDIX C
SUMMARY OF PLAN PROVISIONS

The contribution rates were recalculated for the June 30, 2009 valuation based on the Board's adopted interpretation of the requirement in San Diego City Charter Section 143 for "substantially equal" employer and employee contributions.

The employee contribution rates are the sum of four components, three of which are specified in the Municipal Code: a cost-of-living rate (§24.1506(a)), a surviving spouse rate (§24.0601), and a COL Annuity rate (§24.1506(b)). The fourth component is the "substantially equal" rate, which is 50% of the cost of accrued service retirement allowances, payable either immediately or deferred until a later age, when a member leaves employment via termination, disability, or service retirement. Since the cost-of-living rate funds the Member's portion of the post-retirement cost-of-living benefit, the surviving spouse rate funds the Member's portion of surviving spouse allowances, and the COL Annuity rate funds the COL Annuity, these benefits are not included in the calculation of the "substantially equal" rate.

All benefits not included in the components described above are paid for entirely by the City.

The assumptions used to develop the rates were the same as those used in this valuation, except that all mortality tables were blended 50/50 between male and female rates.

Elected Officers (General) contribute 9.05% of total salary, regardless of entry age (§24.1704).

14. Internal Revenue Code Limitation

Benefits provided by SDCERS' Trust Fund are subject to the limitations set forth in Section 415 of the Internal Revenue Code in accordance with the "grandfather" election in Section 415(b)(10) of the Code (§24.1004).

As of the June 30, 2006 valuation, active participants' benefit payments were limited by Section 415 of the Internal Revenue Code. As of the June 30, 2007, all benefit payments were limited by Section 415 of the Internal Revenue Code.

15. Deferred Retirement Option Plan

Effective April 1, 1997, a deferred retirement option plan (DROP) was created and offered to Members as an alternative method of benefit accrual. Members eligible for service retirement are eligible to participate in DROP (except for Safety Members who elect to accrue benefits under Section 24.0403(g)), but only those hired before July 1, 2005 may enter the program (§24.1402.1).

A participant in DROP may leave DROP at any time before the end of his or her designated DROP participation period by voluntarily leaving City employment (§24.1403). The maximum DROP participation period is 60 months (§24.1402).

APPENDIX C SUMMARY OF PLAN PROVISIONS

A DROP participation account is a nominal account established with the Retirement System, which is credited with the following amounts (§24.1404):

- The Member's monthly service retirement allowance, credited monthly, calculated at the date of DROP entry and increased each year by a cost-of-living adjustment.
- The Member's supplemental 13th check benefit, if applicable, credited annually.
- 3.05% of base compensation, payable by the City and credited bi-weekly.
- 3.05% of base compensation, payable by the Member and credited bi-weekly.
- For a Firefighter's Local 145 bargaining unit Member, an amount representing their unused annual leave accrued after July 1, 2002, including annual leave accrued after July 1, 2002, while in DROP, which was not converted to creditable service before the date of DROP entry.
- Interest on the above amounts, as determined by the Board.

When a Member leaves DROP and City employment, they begin to collect their monthly service retirement allowance, their supplemental 13th check benefit (if applicable), and the amounts credited to their DROP participation account, payable as a single lump sum distribution, as a 240-month annuity with equal payments, or any other form approved by the Board and subject to applicable provisions of the Internal Revenue Code (§24.1407).

DROP is not intended to jeopardize the tax-qualified status of the retirement system under the rules and regulations of the Internal Revenue Service. Benefits provided under this division are subject to the limitations of Section 415 of the Internal Revenue Code relating to the amount of benefits that can be paid.

16. Blended Benefit with Participating Agencies

Members may retire and receive benefits from multiple Plan IDs (e.g., a City police officer could have also worked for the Airport Authority).

17. Changes Since Last Valuation

General and Police Members hired on or after July 25, 2009 participate in new Plans with different benefit structures. Their plan provisions are described in this section.

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

**APPENDIX D
GLOSSARY OF TERMS**

1. Actuarial Liability

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

2. Actuarial Assumptions

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

3. Accrued Service

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

4. Actuarial Equivalent

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

5. Actuarial Funding Method

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

6. Actuarial Gain/(Loss)

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

7. Actuarial Present Value

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

8. Amortization

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

**APPENDIX D
GLOSSARY OF TERMS**

9. Annual Required Contribution (ARC) under GASB 25

The Governmental Accounting Standards Board (GASB) Statement No. 25 defines the Plan Sponsor's "Annual Required Contribution" (ARC) as the employer's periodic required contributions to a defined benefit plan, calculated in accordance with the parameters outlined in Statement No. 25. The SDCERS-City of San Diego's computed contribution rate for FY 2012 meets the parameters of GASB 25.

10. Normal Cost

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

11. Set Back/Set Forward

Set back is a period of years that a standard published table (i.e., mortality) is referenced backwards in age. For instance, if the set back period is 2 years and the participant's age is currently 40, then the table value for age 38 is used from the standard published table. It is the opposite for set forward. A system would use set backs or set forwards to compensate for mortality experience in their work force.

12. Unfunded Actuarial Liability (UAL)

The difference between actuarial liability and the actuarial value of assets.

Most retirement systems have unfunded actuarial liability. They arise each time new benefits are added and each time an actuarial loss is realized.

The existence of unfunded actuarial liability is not in itself bad, any more than a mortgage on a house is bad. Unfunded actuarial liability does not represent a debt that is payable today. What is important is the ability to amortize the unfunded actuarial accrued liability, and the trend in its amount (after due allowance for devaluation of the dollar).