Classic Values, Innovative Advice

San Diego City Employees' Retirement System

June 30, 2007 Actuarial Valuation for the

San Diego Unified Port District

Produced by Cheiron

February 2008

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LETTER OF TRANSMITTAL

February 4, 2008

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, 2007 actuarial valuation of the San Diego City Employees' Retirement System (SDCERS). The valuation results with respect to the San Diego Unified Port District (UPD) are contained in this report. In the table below we present the key results of the valuation:

- *Unfunded Actuarial Liability (UAL):* The SDCERS' Board approved a change to the System's actuarial funding method from the Projected Unit Credit (PUC) actuarial funding method to the Entry Age Normal (EAN) actuarial funding method. The UPD's June 30, 2007 valuation is the first year to use the EAN actuarial funding method, and this year's report will present the UAL results using both actuarial funding methods.

- *Funding Ratio:* This is the ratio of System assets to liabilities and will also be presented based on both PUC and EAN actuarial funding methods.

- *UPD Contribution Rate:* This rate which is determined under full compliance with the Governmental Accounting Standards Board Statement Number 25, determines the actuarially required contribution for the UPD, for fiscal year July 1, 2008 through June 30, 2009 (FY09).

Table I-1
SDCERS - Unified Port District

Valuation Date	**6/30/2007**	**6/30/2006**
New funding method:		
Entry Age Normal UAL (millions)	$ 16.0	$ 22.9
Entry Age Normal Funding Ratio	93.5%	89.9%
Prior funding method:		
Projected Unit Credit UAL (millions)	$ 9.9	$ 17.4
Projected Unit Credit Funding Ratio	95.9%	92.1%
Fiscal Year *	**2009**	**2008**
UPD Contribution Rate during year	19.09%	19.83%
UPD Contribution Rate start of year	18.37%	19.08%
Annual Required Contribution (GASB):		
-if paid at the beginning of the year	$ 7.3 million	$ 6.9 million
-if paid throughout the year	$ 7.6 million	$ 7.2 million

* *FY 2009 reflects Entry Age Normal Funding, 14-year amortization, and no negative amortization. FY 2008 reflects Projected Unit Credit Funding, 15-year amortization, and allows for negative amortization.*

These results are based on the same actuarial assumptions used in the June 30, 2006 valuation, but reflect the methodology change described earlier: the change to EAN. More details on these methodology changes and their impact on the June 30, 2007 valuation results can be found in the Board Summary.

In conclusion, we certify that, to the best of our knowledge, this 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 and Actuarial Standards of Practice (ASOPs) Nos. 4, 27 and 35. As such, it reflects the actuary's responsibility under Section 5.8 of ASOP No. 4 "for assessing the implications of the overall results, in terms of short- and long-range benefit security and expected cost progression." 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, in our best professional judgment, the assumptions and methodologies as adopted by the SDCERS Board of Administration are reasonably related to the experience and expectations for the Unified Port District's Defined Benefit Plan. In our opinion, the use of these assumptions and methodologies for the June 30, 2007 actuarial valuation will not, in and of itself, expose SDCERS to unsound financial risk.

Sincerely,
Cheiron

Gene Kalwarski, FSA, EA, MAAA
Principal Consulting Actuary

Ken Kent, FSA, EA, MAAA
Consulting Actuary

Margaret Tempkin, FSA, EA, MAAA
Actuary

SECTION I
BOARD SUMMARY

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

- The financial condition of the SDCERS-Unified Port District Defined Benefit Plan,
- Past and expected trends in the financial condition of SDCERS-Unified Port District,
- The UPD's contribution rates for Fiscal Year 2009, and
- Information required by the Governmental Accounting Standards Board (GASB).

In this Section, we present a summary of the principal valuation results. This includes the basis upon which the June 30, 2007 valuation was completed and an examination of the current financial condition of SDCERS-Unified Port District. In addition, we present a review of the key historical trends followed by the projected financial outlook for SDCERS-Unified Port District.

A. Valuation Basis

This valuation represents Cheiron's third valuation performed for SDCERS. As stated in the letter of transmittal, the June 30, 2007 valuation results, while based on the same actuarial assumptions used in the June 30, 2006 valuation, reflect a number of methodology changes that were approved by the SDCERS Board. These changes include:

- The move from Projected Unit Credit (PUC) to Entry Age Normal (EAN) actuarial funding method.

- The change to a new actuarial value of asset smoothing method. For June 30, 2007 and going forward, the actuarial value of assets will be based on the Expected Value of Assets method.

- Liabilities have been removed for all future payments that are projected to be in excess of the maximum benefit level payable from a tax qualified defined benefit plan under Internal Revenue Service Code (IRC) Section 415. In the June 30, 2006 valuation, only liabilities for the then active members in excess of Section 415 limits had been removed.

Finally, before the completion of June 30, 2008 valuation, Cheiron will complete an experience study that will encompass a detailed analysis of the demographic and economic assumptions used in the actuarial valuation. We expect that as a result of that study, further changes will be made, and these will be noted in detail in next year's valuation.

SECTION I
BOARD SUMMARY

B. Current Financial Condition of SDCERS-Unified Port District

On the following pages we summarize the key results of the June 30, 2007 valuation and how they compare to the results from the June 30, 2006 valuation.

1. UPD Membership:

As shown in the table below, total membership in SDCERS-Unified Port District increased from 2006 to 2007 by 3.9%. However, active membership increased by 5.1% which largely contributed to a total payroll increased of 9.5%. Finally, the average pay per active member increased by 4.2%. This increase is very close to the assumed payroll inflation of 4.25%.

Table I-2
SDCERS - Unified Port District - Membership Total

Item	June 30, 2007	June 30, 2006	% Change
Active Counts	559	532	5.1%
Terminated Vesteds	254	261	-2.7%
Disabled	61	62	-1.6%
Retirees	233	211	10.4%
Beneficiaries	55	52	5.8%
Total UPD Members	1,162	1,118	3.9%
Active Member Payroll	$ 37,159,870	$ 33,927,372	9.5%
Average Pay per Active Member	66,476	63,773	4.2%

SECTION I
BOARD SUMMARY

2. UPD Assets and Liabilities:

Table I-3 presents a comparison between the June 30, 2007 and June 30, 2006 SDCERS-Unified Port District assets, liabilities, UAL, and funding ratios. As mentioned in the Letter of Transmittal, the June 30, 2007 valuation starts a change in the actuarial funding method from PUC to EAN. As a result, we are showing for this valuation only, results under both actuarial funding methods, so the Board can review the impact of the change.

The key results shown in Table I-3 show that if not for the change to EAN, the UAL would have dropped from $17.4 million to $9.9 million, and the corresponding funding ratio would have increased from 92.1% to 95.9%. With the change to EAN funding, the UAL is $15.9, and the funding ratio is 93.5%. It is important to note that the change to EAN did not create new obligations for the UPD, the actuarial funding method change simply allocates more of the unchanged future obligations to past service, and less to future service, and the UAL is an actuarial measurement of the System's past service liability.

Table I-3
SDCERS - Unified Port District - Assets & Liabilities

EAN – New funding method	June 30, 2007	June 30, 2006	% Change
Actives	$ 121,588,551	$ 110,949,011	9.6%
Terminated Vesteds	9,928,803	13,662,803	-27.3%
Disabled	13,772,668	13,848,390	-0.5%
Retirees	94,376,832	81,768,654	15.4%
Beneficiaries	6,871,472	5,924,995	16.0%
Total Actuarial Liability	246,538,326	226,153,853	9.0%
Market Value Assets	$ 242,403,219	$ 203,285,828	19.2%
Actuarial Value Assets	230,584,904	203,285,828	13.4%
Unfunded Actuarial Liability	$ 15,953,422	$ 22,868,025	-30.2%
Funding Ratio-Actuarial Value	93.5%	89.9%	3.6%
PUC-Prior funding method	**June 30, 2007**	**June 30, 2006**	**% Change**
Actives	$ 115,550,611	$ 105,432,437	9.6%
Terminated Vesteds	9,928,803	13,662,803	-27.3%
Disabled	13,772,668	13,848,390	-0.5%
Retirees	94,376,832	81,768,654	15.4%
Beneficiaries	6,871,472	5,924,995	16.0%
Total Actuarial Liability	240,500,386	220,637,279	9.0%
Market Value Assets	$ 242,403,219	$ 203,285,828	19.2%
Actuarial Value Assets	230,584,904	203,285,828	13.4%
Unfunded Actuarial Liability	$ 9,915,482	17,351,451	-42.9%
Funding Ratio-Actuarial Value	95.9%	92.1%	3.8%

SECTION I
BOARD SUMMARY

3. Components of UAL Change between June 30, 2006 and June 30, 2007:

SDCERS-Unified Port District unfunded actuarial liability decreased by $1.4 million, from $17.4 million (based on PUC funding), to $16.0 million (based on EAN funding). The table below presents the specific components of this change in the UAL.

The key findings in Table I-4 are that the largest change component was the $6.0 million attributable to the change in the actuarial funding method from PUC to EAN. Also, despite moving to an asset smoothing method that only reflected one-fourth of investment gains over the assumed 8%, the UPD portion of SDCERS' Trust Fund experienced a $4.9 million investment gain. Partially offsetting that gain was a liability experience loss of $1.6 million. The reasons for the liability loss will become more evident when we conduct the upcoming experience study.

Table I-4
SDCERS - Unified Port District-Change in UAL
(In Millions)

	UAL change due to experience factors	
1.	Investment experience	$ (4.9)
2.	Purchased service credits paid for during the year*	0.3
3.	Liability experience	1.6
	UAL change due to contribution factors	
4.	Contributions paid in excess of expected	(2.0)
	UAL change due to actuarial method changes	
5.	Removal of liabilities in excess of IRC S. 415 limits - Non Drop members	-
6.	Removal of liabilities in excess of IRC S. 415 limits - DROP members	(0.7)
7.	Change in actuarial funding method to EAN	6.0
	Total	
8.	Total net overall gain or loss: (sum 1 through 7)	0.3
9.	Expected change in UAL	(1.7)
10.	Total actual change in UAL: 8 + 9	$ (1.4)

* *Attributable to members who have purchased and paid for purchase service during the valuation year. Most members were still purchasing credits under installment contracts primarily entered into before June 30, 2004. This is the difference between the liability of the additional service purchased and the amount paid during the year.*

SECTION I
BOARD SUMMARY

4. UPD Contributions:

The Unified Port District's contribution for FY 2009 measured as of the beginning of the fiscal year decreased by 0.71% of membership payroll, from 19.08% to 18.37%. In dollar terms, the required beginning of year contribution increased by $0.4 million, from $6.9 million to $7.3 million.

The contribution increase was attributable to the change to EAN funding.

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

Table I-5
SDCERS – Unified Port District – Contributions

EAN – New funding method	June 30, 2007	June 30, 2006	% Change
Gross Normal Cost %	25.99%	25.86%	0.5%
Member Cost %	10.71%	10.12%	5.8%
Employer Normal Cost %	15.28%	15.74%	-2.9%
Employer Unfunded Liability Cost %	3.81%	5.67%	-32.8%
Negative Amortization Adjustment Cost %	0.00%	N/A	N/A
Total Employer Cost %	19.09%	21.41%	-10.8%
Employer Cost % Beginning of Year	18.37%	20.60%	-10.8%
Annual Required Contribution (GASB):			
-if paid at the beginning of the year	$ 7.3 million	$ 7.5 million	-2.5%
-if paid throughout the year	$ 7.6 million	$ 7.8 million	-2.5%
PUC-Prior funding method	**June 30, 2007**	**June 30, 2006**	**% Change**
Gross Normal Cost %	25.44%	25.65%	-0.8%
Member Cost %	10.71%	10.12%	5.8%
Employer Normal Cost %	14.73%	15.53%	-5.2%
Employer Unfunded Liability Cost %	2.37%	4.30%	-44.9%
Total Employer Cost %	17.10%	19.83%	-13.8%
Employer Cost % Beginning of Year	16.45%	19.08%	-13.8%
Annual Required Contribution (GASB):			
-if paid at the beginning of the year	$ 6.5 million	$ 6.9 million	-5.7%
-if paid throughout the year	$ 6.8 million	$ 7.2 million	-5.7%

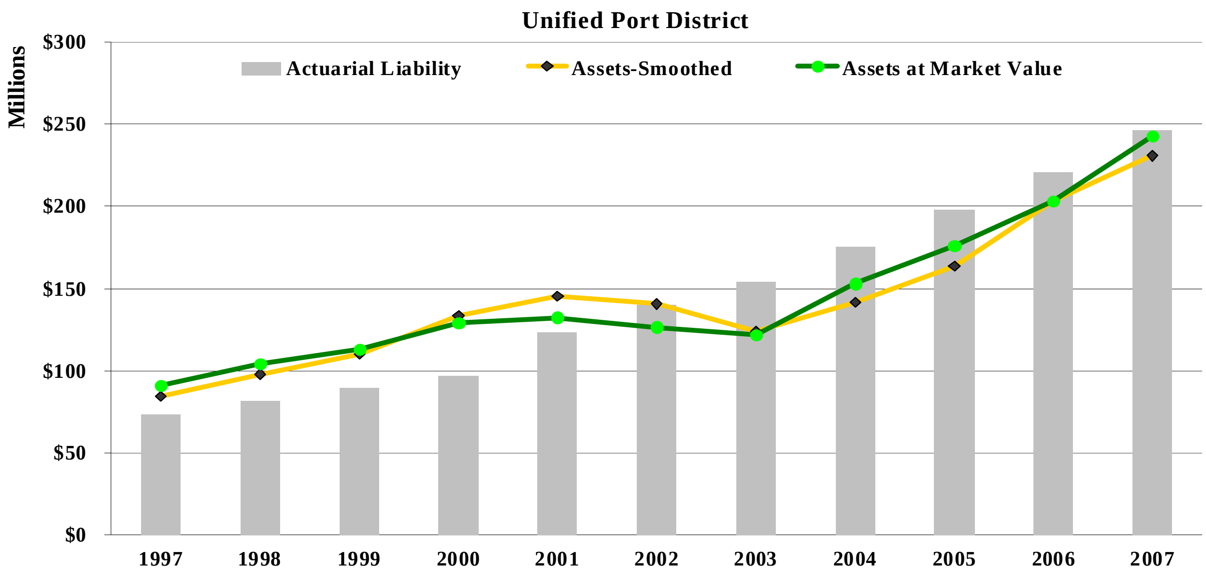
SECTION I
BOARD SUMMARY

C. Historical Trends SDCERS-Unified Port District

Despite the fact that most of the attention given to the valuation is with respect to the most recently computed unfunded actuarial liability, funding ratio, and the UPD'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, as well as trends expected into the future trends.

In the chart below, we present the historical trends for assets (both market and smoothed) versus actuarial liabilities, and also show the progress of SDCERS-Unified Port District funding ratios since 1997.

SDCERS- Unified Port District Assets and Liabilities 1997-2007



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	
Funded Ratio	114.9%	120.1%	122.8%	137.1%	118.0%	100.3%	80.3%	80.6%	82.6%	92.1%	93.5%	
UAL (millions)	$ (10.9)	$ (16.4)	$ (20.5)	$ (36.0)	$ (22.2)	$ (0.4)	$ 30.4	$ 34.0	$ 34.4	$ 17.4	$ 16.0	*

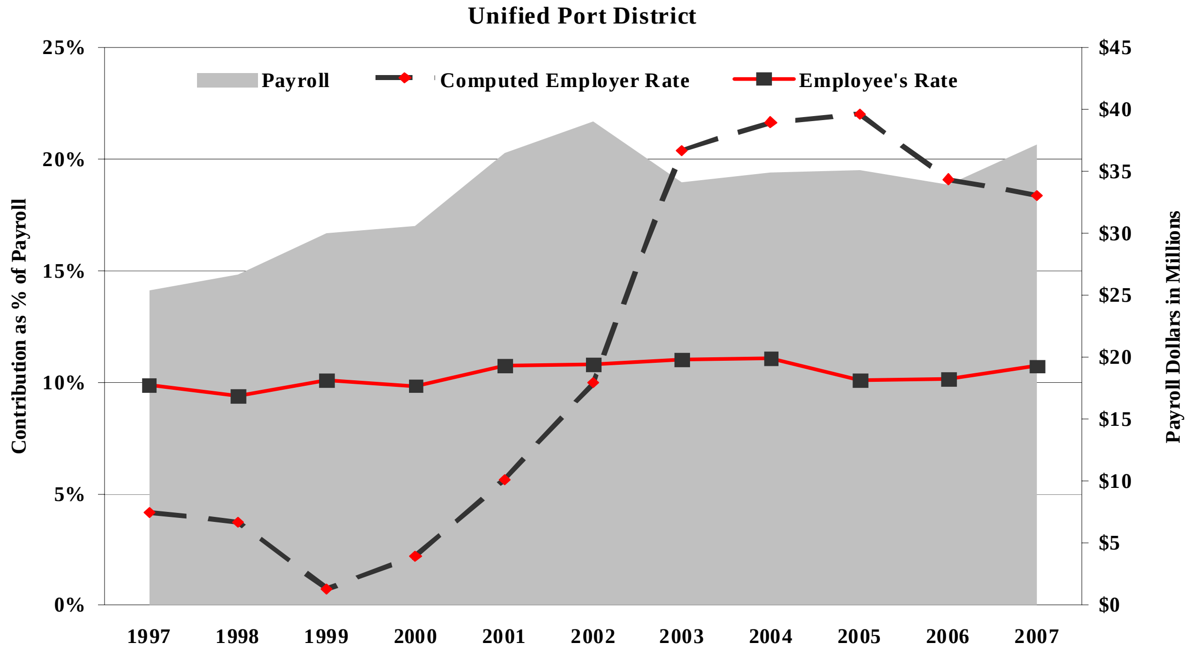
* The UAL for 2007 is calculated using EAN, prior years are calculated using PUC.

The chart above indicates that from 1997 to 2002, SDCERS-Unified Port District maintained full funding. However, in 2003 the funding ratio declined significantly. There has been much improvement for the funding ratio in the past four years.

SECTION I
BOARD SUMMARY

In the chart below, we present the historical trends for the SDCERS-Unified Port District contribution rates and membership payroll since 1996. The chart below does not show the actual contribution rate made by the Unified Port District, but rather the rate calculated in each of the prior valuations.

SDCERS-Unified Port District and Member Contribution Rates 1997-2007

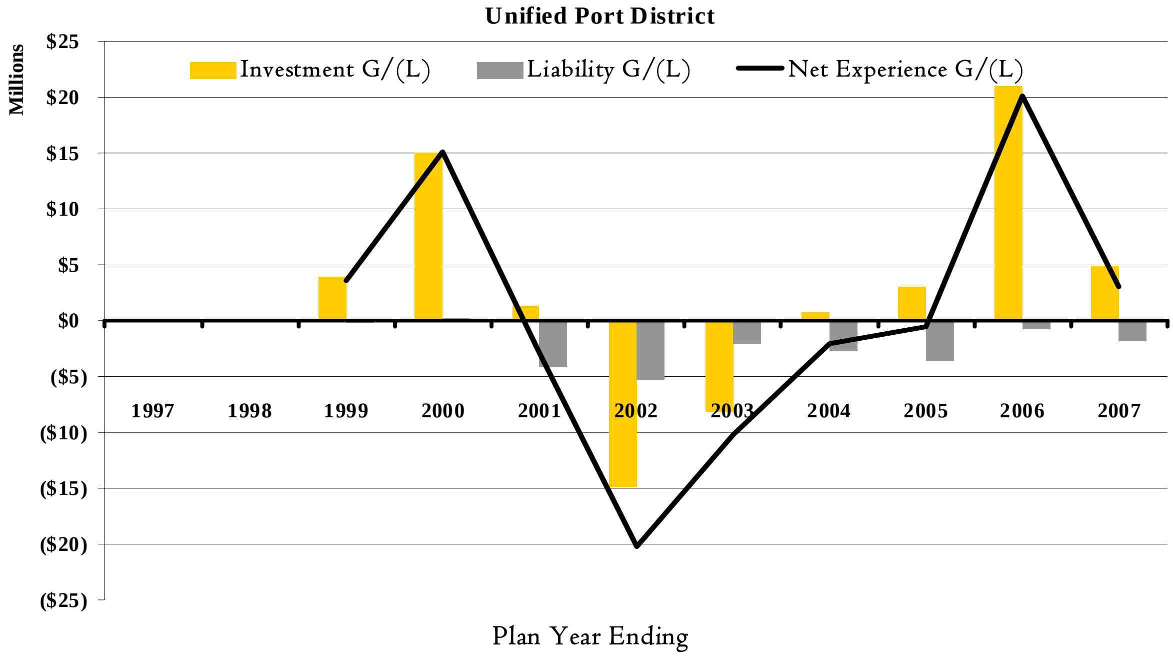


The key information in this chart is the escalation in the computed employer contribution rate between 1999 and the year 2003. This rate has stabilized and declined in the last three years. This chart also shows the escalation of the UPD's total payroll from 1997 through 2002, and the subsequent decline and stabilization of payroll growth since then. Finally, the chart indicates that the members' rate has remained relatively stable throughout the period 1997 through 2007.

SECTION I
BOARD SUMMARY

The last historical chart for SDCERS-Unified Port District presents the pattern of annual gains and losses, broken into the investment and liability components. The chart does not include any changes in the System's assets and liabilities attributable to changes to methods, procedures or assumptions. The experience prior to 1999 is not available for SDCERS-Unified Port District.

SDCERS-Unified Port District Historical Gain/(Loss) 1997-2007



The key insights from this chart are:

- Investment gains (gold bars) in the years 1999 through 2001 were significantly offset by investment losses in 2002 and 2003.
- The SDCERS-Unified Port District has turned the investment trend back to positive, as there have been investment gains for the past four years.
- On the liability side, there had been a pattern of consistent losses since 2001. Losses generally occur if members retire earlier than expected, receive pay increases higher than expected, or live longer. Losses also result when participants have purchased service credits.

SECTION I
BOARD SUMMARY

D. Projected Financial Trends SDCERS-Unified Port District

Our analysis of SDCERS-Unified Port District projected financial trends is an important part of this valuation. In this Section, we present our assessment of the implications of the June 30, 2007 valuation results on the future outlook of the SDCERS-Unified Port District in terms of benefit security (assets over liabilities) and the Unified Port District's expected cost progression. In addition, given the concern regarding unfunded liabilities, we also show their expected future pay down of unfunded liabilities.

In the charts that follow, we project the SDCERS-Unified Port District plan assets and liabilities, the pay down of UAL, and the Unified Port District's contributions as a percent of payroll on two different bases:

1) Assuming 8% returns each and every year, and

2) Assuming returns shown in the table below. These are rates of return that vary each year but over the projection period equals on average the assumed 8% return. We do this because SDCERS returns will never be level each and every year.

Fiscal Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Return	8.0%	12.0%	16.0%	20.0%	16.0%	12.0%	8.0%	4.0%	0.0%	-4.0%
Fiscal Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Return	0.0%	4.0%	8.0%	8.0%	12.0%	16.0%	20.0%	16.0%	12.0%	8.0%
Fiscal Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Return	4.0%	0.0%	-4.0%	0.0%	4.0%	8.0%	4.0%	0.0%	12.0%	16.0%

SECTION I
BOARD SUMMARY

Projection Set 1
Assets and Liabilities – Unified Port District

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-Unified Port District unfunded liabilities and funding ratio.

Chart 1: Projection of Assets and Liabilities, 8% return each year

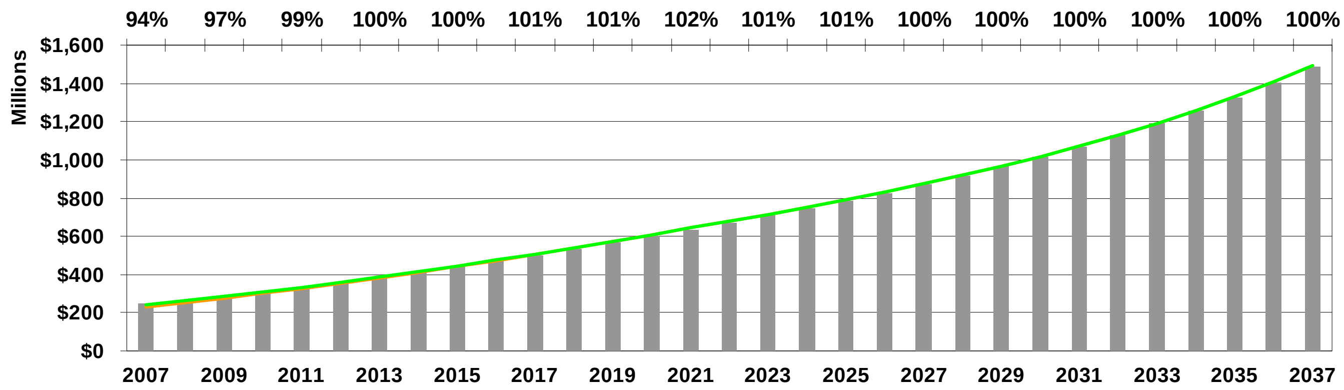
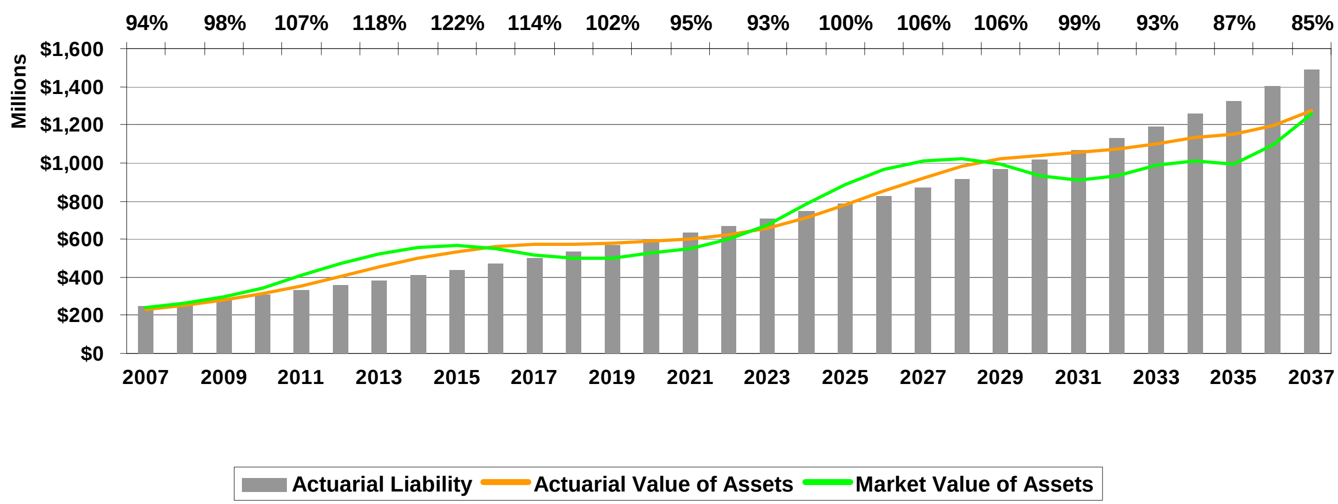


Chart 2: Projection of Assets and Liabilities, varying returns averaging 8%



SECTION I
BOARD SUMMARY

Projection Set 2
Pay down of the Unfunded Actuarial Liability (UAL) Unified Port District

The chart to the right below demonstrates that varying returns (which always happens) will have a dramatic impact on the annually computed UAL.

Chart 1: 8% return each year

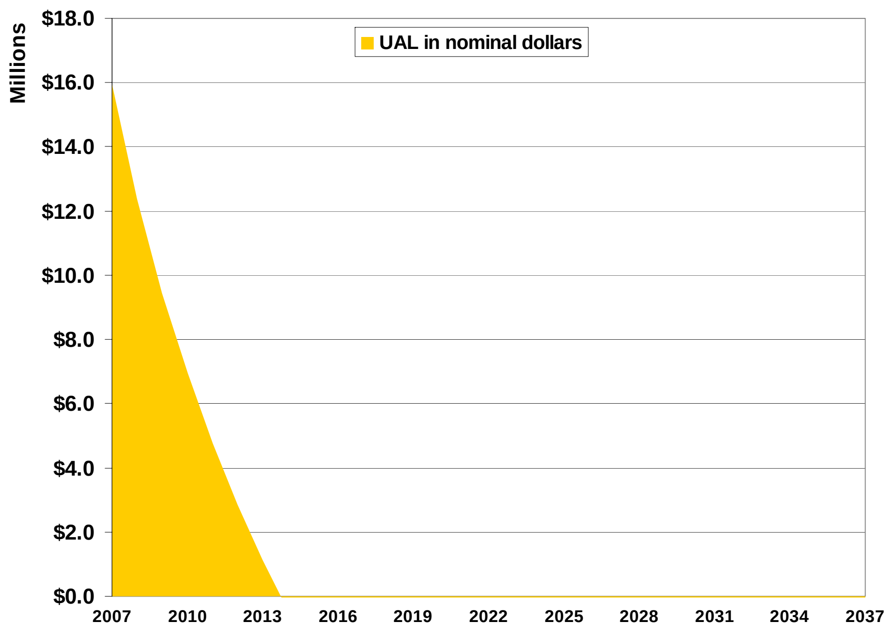
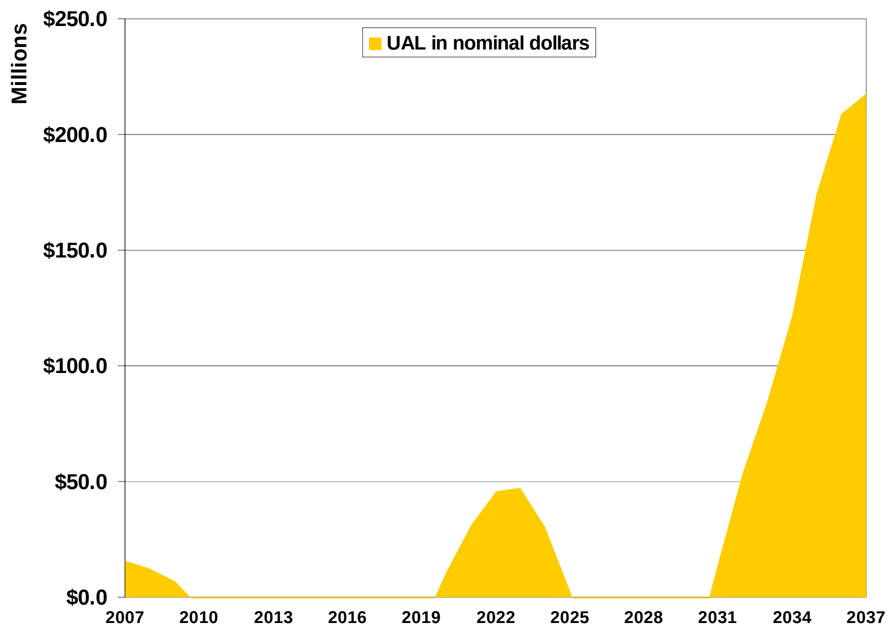


Chart 2: varying returns averaging 8%



SECTION I
BOARD SUMMARY

Projection Set 3
Contribution Rate – Unified Port District

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

Chart 1: 8% return each year

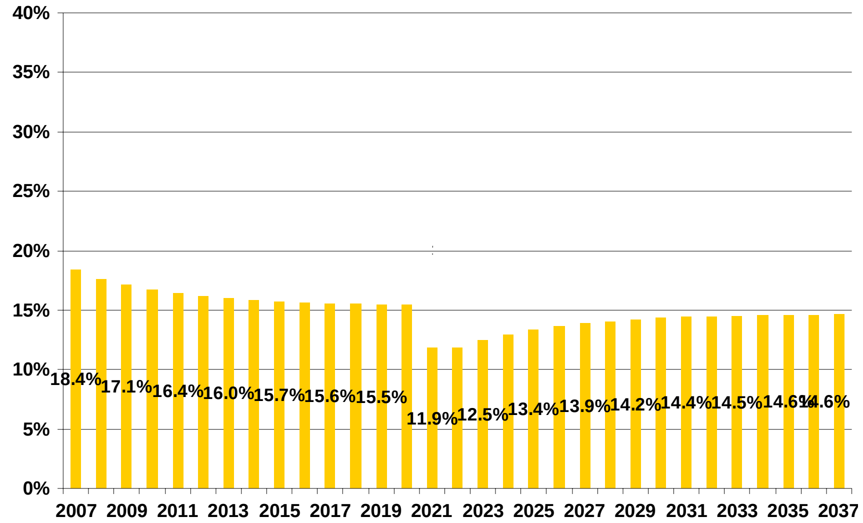
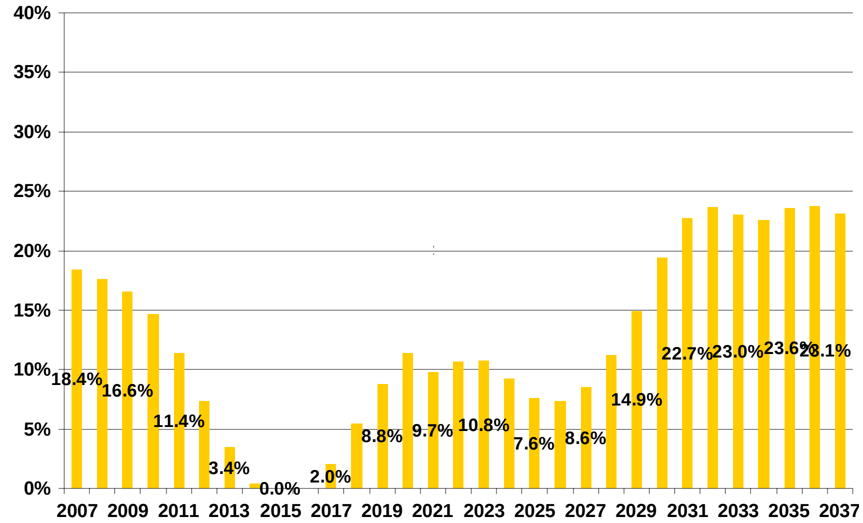


Chart 2: varying returns averaging 8%



SECTION II
ASSETS

SDCERS uses and discloses two different asset measurements which are presented in this Section of the report: market value and actuarial value of assets. The market value represents, 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 attempts to smooth annual investment return performance over multiple years to reduce annual investment volatility, and 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, we disclose in this section information on the total assets of SDCERS-All Employers. How those assets are apportioned to the City of San Diego, the Unified Port District, and the San Diego County Regional Airport Authority is explained here.

On the following pages we present detailed information on SDCERS-All Employers assets:

- Disclosure of assets at June 30, 2006 and June 30, 2007,
- Statement of cash flows during the year,
- Development of the actuarial value of assets,
- Apportionment of assets to contributing employers, and member groups within each, and
- Disclosure of investment performance for the year.

SECTION II
ASSETS

A. Disclosure

The market value of assets represents a "snap-shot" value as of the last day of the fiscal year that provides the principal basis for measuring financial performance from one year to the next. Market values, however, can fluctuate widely with corresponding swings in the marketplace. 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, 2007. Table II-2 which follows, discloses the net cash flows for each employer. The cash flows develop the actual return on assets that is applied to each employer's assets to develop the market value of assets as of June 30, 2007.

Table II-1
SDCERS – All Employers
Summary of Reported Market Value of Total Defined Benefit Plan Assets

Cash	$ 528,283,084
US Stocks	2,021,799,800
International Stocks	900,229,222
Bonds	986,942,520
Mortgages	2,674
Real Estate	425,326,111
Receivables	118,813,365
Short Term Investments	52,998,771
Fixed Assets	201,470
Miscellaneous	62,918
Accounts Payable	(97,610,318)
Market Value of Assets – June 30, 2007	**$ 4,937,049,617**

SECTION II
ASSETS

B. System Cash Flows for the Year June 30, 2006 through June 30, 2007

Table II-2
SDCERS – All Employers
SDCERS Net Monthly Cash Flows

	City	Unified Port District	Airport Authority	Total SDCERS
Reported Market Value as of June 30, 2006	$3,981,931,694	$203,285,828	$41,222,279	$4,226,439,801
Adjustments due to Audited Statements	12,201,150	632,898	121,184	12,955,232
Other Adjustments[1]	(961,219)	888,527	72,692	0
Adjusted Market Value as of June 30, 2006	$3,993,171,626	$204,807,252	$41,416,155	$4,239,395,033
Monthly Cash Flows				
July 2006	$ 146,609,090	$ 7,842,293	$ 2,769,501	$ 157,220,884
August 2006	(10,541,610)	(356,015)	255,417	(10,642,207)
September 2006	(11,777,898)	(416,144)	133,449	(12,060,593)
October 2006	(10,082,642)	840,594	78,013	(9,164,034)
November 2006	(19,584,701)	(420,683)	283,374	(19,722,010)
December 2006	(7,976,957)	(206,116)	174,494	(8,008,579)
January 2007	(10,268,949)	33,721	181,106	(10,054,123)
February 2007	(9,461,277)	(410,109)	196,574	(9,674,812)
March 2007	(13,931,767)	(273,948)	271,692	(13,934,024)
April 2007	(11,029,990)	(394,512)	172,294	(11,252,207)
May 2007	(10,942,743)	(63,277)	214,535	(10,791,485)
June 2007	463,966	(560,045)	380,872	284,793
Total Net Cash Flows[2]	**$31,474,522**	**$5,615,761**	**$5,111,321**	**$42,201,603**
Internal Rate of Return	15.13%	15.13%	15.13%	15.13%
Investment Income: (net of expenses)	616,694,775	31,980,206	6,778,000	655,452,981
Market Value as of June 30, 2007	**$4,641,340,923**	**$242,403,219**	**$53,305,476**	**$4,937,049,617**

1 Adjustment to correct the June 30, 2005 unallocated reserves (i.e. contingent benefit reserves and COLA reserves).
2 Totals may not add due to rounding.

SECTION II
ASSETS

C. Actuarial Value of Assets

To determine on-going funding requirements, most pension funds utilize an actuarial value of assets that differs from 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.

As adopted by the Board at its September 2006 meeting, the actuarial value is calculated by accepting 100% of the expected asset value as of June 30, 2007 (assuming 8% earnings for the year) plus 25% of the difference between the actual market value next year and expected asset value. (See Appendix B.2 for further explanation of the asset valuation method).

Table II-3
SDCERS – Unified Port District
Development of Actuarial Value of Assets at June 30, 2007
Expected Value of Assets Method

1.	Actuarial Value of Assets at June 30, 2006	$	203,285,828
2.	Adjustments to June 30, 2006 Actuarial Value of Assets*		888,527
3.	Amount in (1 and 2) with interest to June 30, 2007		220,508,302
4.	Employer, and member contributions for the Plan Year ended June 30, 2007		15,479,067
5.	Disbursements from Trust excluding investment expenses, June 30, 2006 through June 30, 2007		9,863,306
6.	Interest on cash flows to June 30, 2007 at 8.00% per year		521,402
7.	Expected Actuarial Value of Assets at June 30, 2007 = (3) + (4) – (5) + (6)		226,645,465
8.	Actual Market Value of Assets at June 30, 2007		242,403,219
9.	Excess of (8) over (7)		15,757,754
10.	Actuarial Value of Assets at June 30, 2007= (7) + 25% of (9)	$	230,584,904

* Adjustment to correct the June 30, 2005 unallocated reserves (i.e. contingent benefit reserves and COLA reserves).

SECTION II
ASSETS

D. Apportionment of Actuarial Value of Assets

The asset apportionment reflects the actual cash flows by each plan sponsor, and proportional allocation of investment earnings. Table II-4 below presents System assets apportioned between the three contributing employers, and then by member group for the City. The process for determining the actuarial value of assets is explained in Section II.C above.

Table II-4
Summary of Actuarial Assets Available for Each Employer Group
as of June 30, 2007

Employer Groups	Reported Market Value Total Net Assets June 30, 2006 [1]	Adjusted Market Value Total Assets June 30, 2006[2]	Market Value Total Assets June 30, 2007	Actuarial Value Total Assets June 30, 2007
General	$1,977,823,235	$1,983,406,102	$2,362,704,620	$2,246,675,323
Elected Officers	6,846,932	6,866,259	7,416,754	7,052,527
Safety	1,997,261,528	2,002,899,265	2,271,219,549	2,159,682,962
Total City	***$3,981,931,694***	***$3,993,171,626***	***$4,641,340,923***	***$4,413,410,812***
Unified Port District	203,285,828	204,807,252	242,403,219	230,584,904
Airport Authority	41,222,279	41,416,155	53,305,476	50,812,142
Total-SDCERS	***$4,226,439,801***	***$4,239,395,033***	***$4,937,049,617***	***$4,694,807,858***

1 As reflected in the June 30, 2006 actuarial valuation.
2 Reflects adjustments due to audited financial statements for June 30, 2006.

E. Investment Performance

The market value of assets internal rate of return was 15.13% for the year ending June 30, 2007. This is compared to an assumed return of 8%. The return in FY 2006 was 11.28%.

On an actuarial value of assets basis, the return for FY 2007 was 9.78%. This return produced for SDCERS-All Employers, an overall investment gain of $80.7 million for the year ending June 30, 2007. (Note this reported gain is different than the investment gain of $4.9 million reported on page 4 in this report. The latter is the gain only for the SDCERS-Unified Port District.)

SECTION III
LIABILITIES

In this Section, we present detailed information on liabilities for SDCERS-Unified Port District including:

- Disclosure of liabilities at June 30, 2006 and June 30, 2007, 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 all 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-Projected Unit Credit (PUC):** Used for showing how liabilities were calculated in prior years, this liability is calculated taking the present value of future benefits based on service as of the valuation date, but including future salaries growth.

- **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.

- **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 three 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).

SECTION III
LIABILITIES

Table III-1 SDCERS - Unified Port District - Total		
Item	**June 30, 2007**	**June 30, 2006**
Present Value of Future Benefits		
Actives	$ 220,023,700	$ 200,532,900
Terminated Vesteds	9,928,803	13,662,803
Disabled	13,772,668	13,848,390
Retirees	94,376,832	81,768,654
Beneficiaries	6,871,472	5,924,995
Total UPD	**$ 344,973,475**	**$ 315,737,742**
Actuarial Liability – EAN	**(new funding method)**	
Total Present Value of Benefits	$ 344,973,475	$ 315,737,742
Present Value of Future Normal Costs		
Employer Portion	57,854,067	54,522,221
Employee Portion	40,581,081	35,061,669
Actuarial Liability – EAN	**$ 246,538,327**	**$ 226,153,853**
Actuarial Value of Assets	$ 230,584,904	$ 203,285,828
Unfunded EAN Actuarial Liability	**$ 15,953,423**	**$ 22,868,025**
Actuarial Liability – PUC	**(prior funding method)**	
Actives	$ 115,550,611	$ 105,432,437
Terminated Vesteds	9,928,803	13,662,803
Disabled	13,772,668	13,848,390
Retirees	94,376,832	81,768,654
Beneficiaries	6,871,472	5,924,995
Total UPD	**$ 240,500,386**	**$ 220,637,279**
Actuarial Value of Assets	$ 230,584,904	$ 203,285,828
Unfunded PUC Actuarial Liability	**$ 9,915,482**	**$ 17,351,451**

SECTION III
LIABILITIES

Table III-2 shows actuarial liability as of June 30, 2007 for general, executive and safety members of SDCERS-Unified Port District.

Table III-2

SDCERS - Unified Port District – General, Executives & Safety

Item	June 30, 2007 Total	June 30, 2007 General	June 30, 2007 Executives	June 30, 2007 Safety
Present Value of Benefits				
Actives	$ 220,023,700	$ 133,521,567	$ 8,251,744	$ 78,250,389
Terminated Vesteds	9,928,803	9,417,673	-	511,130
Disabled	13,772,668	7,755,827	-	6,016,841
Retirees	94,376,832	69,370,088	5,322,420	19,684,324
Beneficiaries	6,871,472	6,552,521	-	318,951
Total UPD	**$ 344,973,475**	**$ 226,617,676**	**$ 13,574,164**	**$ 104,781,635**
Actuarial Liability – EAN				
Actives	$ 121,588,552	$ 73,363,617	$ 5,632,533	$ 42,592,402
Terminated Vesteds	9,928,803	9,417,673	-	511,130
Disabled	13,772,668	7,755,827	-	6,016,841
Retirees	94,376,832	69,370,088	5,322,420	19,684,324
Beneficiaries	6,871,472	6,552,521	-	318,951
Total UPD	**$ 246,538,327**	**$ 166,459,726**	**$ 10,954,953**	**$ 69,123,648**

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 will 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-3

Development of 2007 Experience Gain/(Loss) SDCERS - Unified Port District

1.	Unfunded Actuarial Liability at June 30, 2006 (under PUC method)	$17,351,451
2.	Beginning of year accrued liability payment	(2,883,300)
3.	Interest accrued ((1+2) x .08)	1,157,452
4.	Expected Unfunded Actuarial Liability at June 30, 2007 (1+2+3)	15,625,604
5.	Actual Unfunded Liability at June 30, 2007 (under EAN method)	15,953,423
6.	Difference: (4 - 5)	(327,819)
7.	Portion of difference (6) due to experience Gain/(Loss)	2,994,479
8.	Portion of difference (6) due to contributions more than expected	1,969,942
9.	Portion of difference (6) due to actuarial changes	(5,292,240)
	Elements of Experience Gain/(Loss)	
1.	G(L) due to investment experience	$4,899,047
2.	G(L) due to purchased service credit	(267,859)
3.	G/(L) due to demographic and payroll experience	(1,636,709)
4.	Other Gain/(Loss)	-
5.	Total Estimated Experience Gain/(Loss): sum 1 through 4	**$2,994,479**
	Elements of Contributions Gain/(Loss)	
1.	Total Estimated Contribution Gain/(Loss)	**$1,969,942**
	Elements of Actuarial Changes Gain/(Loss)	
1.	G/(L) due to IRS Section 415 limits non DROP members	-
2.	G/(L) due to IRS Section 415 limits DROP members	745,701
3.	G/(L) due to change in actuarial funding method to EAN	$(6,037,941)
4.	Total Estimated Actuarial Changes Gain/(Loss): sum 1 through 3	**$(5,292,240)**

SECTION III
LIABILITIES

Table III-4 shows the history of past experience gains and losses.

Table III-4
Experience Gain/(Loss) - Historical SDCERS - Unified Port District*

Valuation Date		Gain/(Loss)	Beginning-of-Year Actuarial Liabilities	Gain/(Loss) % of Liability
6/30/1999		$3,601,033	$81,632,570	4.4%
6/30/2000		15,094,373	89,808,543	16.8
6/30/2001		(2,899,896)	97,159,852	(3.0)
6/30/2002		(20,288,699)	123,125,659	(16.5)
12/31/2002	*	(11,097,105)	140,196,959	(7.9)
6/30/2003		(10,248,435)	137,824,047	(7.4)
6/30/2004		(2,070,099)	154,299,669	(1.3)
6/30/2005		(552,547)	175,366,198	(0.3)
6/30/2006		20,138,814	198,071,900	10.2
6/30/2007		2,994,479	220,637,279	1.4

* Airport Authority split as of December 31, 2002.

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 will result in a pattern of contributions that are both stable and predictable.

The actuarial funding methodology employed is the Entry Age Normal actuarial funding method. Under this method, there are two components to the total contribution: the normal cost, and the unfunded actuarial liability contribution. 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 the 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 2009 is to be amortized over 14 years, with no negative amortization, if applicable.

Table IV-1 on the following page shows how the Unified Port District's contribution rate for SDCERS for FY 2009 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).

SECTION IV
CONTRIBUTIONS

Table IV-1
SDCERS - Unified Port District
Development of the UPD's Contribution as of June 30, 2007, For (FY 2009)
(dollars in millions)

		WEIGHTED TOTAL UPD	Non-Safety			Safety
			Weighted Total	General	Executives	Safety Total
1.	Total Normal Cost Rate	**25.99%**	23.94%	23.76%	27.11%	31.14%
2.	Member Contribution Rate	**10.71%**	9.83%	9.82%	10.15%	12.74%
3.	Employer Normal Cost Rate (1-2)	**15.28%**	14.11%	13.94%	16.96%	18.40%
4.	June 30, 2007 Payroll	**$ 37.2**	$ 26.6	$ 25.1	$ 1.5	$ 10.6
5.	Present Value Future Payroll	**377.4**	262.8	253.2	9.7	114.5
6.	Present Value Future Normal Costs (1 x 5)	**97.5**	61.8	60.2	1.6	35.7
7.	Actuarial Liability	**$ 246.5**	$ 177.4	$ 166.5	$ 11.0	$ 69.1
8.	Actuarial Assets[1]	**230.6**	165.9	155.7	10.2	64.7
9.	Unfunded Actuarial Liability (7-8)	**$ 16.0**	$ 11.5	$ 10.8	$ 0.7	$ 4.5
10.	Unfunded Actuarial Liability Rate	**3.81%**	3.83%	3.80%	4.33%	3.75%
11.	Negative Amortization Adjustment Rate	**0.00%**	0.00%	0.00%	0.00%	0.00%
12.	Total Liability Rate (10+11)	**3.81%**	3.83%	3.80%	4.33%	3.75%
13.	Total Contribution Rate (3+12)	**19.09%**	17.94%	17.74%	21.29%	22.15%
14.	Total Contribution Rate Beginning of Year	**18.37%**	17.26%	17.07%	20.48%	21.31%
15.	Projected Payroll	**$ 39.7**	$ 28.4	$ 26.9	$ 1.6	$ 11.3
16.	Beginning of Year FY 2009 Total Contribution	**$ 7.3**	$ 4.9	$ 4.6	$ 0.3	$ 2.4
17.	FY 2009 Contribution if Paid During Year	**$ 7.6**	$ 5.1	$ 4.8	$ 0.3	$ 2.5

1 Assets are allocated to subset member groups within Non-Safety and Safety proportionately to each group's liabilities in row 7.

SECTION V
ACCOUNTING STATEMENT INFORMATION

Statement No. 35 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 FASB No. 35 Basis 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 Basis disclosure presents 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 (FASB No. 35 Basis) and the actuarial liability (GASB No. 25 Basis) 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 8% per annum.

FASB Statement No. 35 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, 2006 and June 30, 2007 are presented in Table V-1 and Table V-2.

SECTION V
ACCOUNTING STATEMENT INFORMATION

Table V-1
SDCERS - Unified Port District – Total

Item	June 30, 2007	June 30, 2006	% Change
FASB No. 35 Basis			
1. Present Value of Benefits Accrued and Vested to Date			
a. Members Currently Receiving Payments	$115,020,972	$101,542,039	13.3%
b. Vested Terminated and Inactive Members	9,928,803	13,662,803	-27.3%
c. Active Members	75,126,397	68,705,464	9.3%
d. Total PVAB	$200,076,172	$183,910,306	8.8%
2. Assets at Market Value	242,403,219	203,285,828	19.2%
3. Unfunded Present Value of Accrued Benefits, But Not Less Than Zero	-	-	
4. Ratio of Assets to Value of Benefits (2)/(1)(d)	121.16%	110.54%	10.7%
GASB No. 25 Basis	**(EAN method)**	**(PUC method)**	
1. Actuarial Liabilities *			
a. Members Currently Receiving Payments	$115,020,972	$101,542,039	13.3%
b. Vested Terminated and Inactive Members	9,928,803	13,662,803	-27.3%
c. Active Members	121,588,551	105,432,437	15.3%
d. Total PVAB	$246,538,326	$220,637,279	11.7%
2. Actuarial Value of Assets	$230,584,904	$203,285,828	13.4%
3. Unfunded Actuarial Liability	$15,953,422	$17,351,451	-8.1%
4. Ratio of Actuarial Value of Assets To Actuarial Liability (2)/(1)(d)	93.53%	92.14%	1.4%

* June 30, 2007 GASB 25 liabilities are based on the EAN Method. The prior year is based on PUC.

Table V-2
SDCERS - Unified Port District – Total

Item	Accumulated Benefits Obligation (FASB 35)
Actuarial Present Value of Benefits Accrued and Vested as of June 30, 2006	**$183,910,306**
Increase (Decrease) During Year Attributable to:	
Passage of Time	14,318,292
Benefits Paid	(9,863,306)
Assumption Change	-
Plan Amendment	-
Benefits Accrued, Other Gains/Losses	11,710,880
Net Increase (Decrease)	$16,165,866
Actuarial Present Value of Benefits Accrued and Vested as of June 30, 2007	**$200,076,172**

SECTION V
ACCOUNTING STATEMENT INFORMATION

Tables V-3 through V-5 are exhibits required for the UPD'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 - Unified Port District
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the required supplementary schedules to the Financial Section of the 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, 2007
Actuarial funding method	Entry Age Normal
Amortization method	Level percent closed
Remaining amortization period	14 years
Asset valuation method	Expected Value Method
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases due to inflation [1]	4.25%
Cost-of-living adjustments	2.0%

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 2000.

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 Additional merit salary increases of 0.50% to 4.50% 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.

SECTION V
ACCOUNTING STATEMENT INFORMATION

Table V-4
SDCERS - Unified Port District
ANALYSIS OF FINANCIAL EXPERIENCE
Gain and Loss in Actuarial Liability During Years Ended June 30
Resulting from Differences Between Assumed Experience and Actual Experience

Type of Activity	*Gain (or Loss) for Year ending June 30, 2007*
Investment Income	4,899,047
Combined Liability Experience	(1,904,568)
Gain (or Loss) During Year from Financial Experience	2,994,479
Non-Recurring Gain (or Loss) Items	(3,322,298)
Composite Gain (or Loss) During Year	(327,819)

Table V-5
SDCERS - Unified Port District
GASB SOLVENCY TEST
Actuarial Liabilities For
($ in thousands)

Valuation Date June 30,	(A) Active Member Contributions	(B) Retirees And Beneficiaries	(C) Remaining Active Members' Liabilities	Reported Assets [1]	Portion of Actuarial Liabilities Covered by Reported Assets (A)	(B)	(C)
2007 [5]	$ 18,374	$ 115,021	$ 113,143	$ 230,585	100%	100%	85.90%
2006 [3]	16,140	101,542	102,955	203,286	100	100	83.15
2005	15,122	86,242	96,708	163,691	100	100	64.45
2004	12,885 [4]	75,994	86,487	141,375	100	100	60.70
2003	12,000 [4]	65,581	76,719	123,884	100	100	60.37
12/31/2002 [2]	11,578	63,843	62,403	125,619	100	100	80.44
2002	12,317	57,650	70,230	140,613	100	100	100
2001	10,754	52,025	60,347	145,278	100	100	100
2000	9,609	44,774	42,777	133,183	100	100	100
1999	8,792	40,725	40,292	110,310	100	100	100

1 Actuarial Value of Assets
2 Interim (mid-year) actuarial valuations performed due to split of San Diego County Regional Airport Authority from Unified Port District
3 Reflects contingent liabilities (13th check), DROP reserves, and IRC Section 415 limits
4 Estimated
5 The June 30, 2007 actuarial liability is based on the entry age actuarial funding method. All prior years are based on the projected unit credit actuarial funding method.

APPENDIX A
MEMBERSHIP INFORMATION

Table A-1
SDCERS - Unified Port District
Active Member Data

	June 30, 2007	June 30, 2006	% Change
Total			
Count	559	532	5.1%
Average Current Age	44.5	44.8	-0.6%
Average Service	9.9	10.0	-1.2%
Average Pensionable Earnings	$ 66,476	$ 63,773	4.2%
Annual Pensionable Earnings	$ 37,159,870	$ 33,927,372	9.5%
Average Valuation Compensation[1]	$ 66,476	$ 63,773	4.2%
Annual Valuation Compensation[1]	$ 37,159,870	$ 33,927,372	9.5%
Service Without Permissive Service Purchased	8.9	8.8	1.2%
Members with Paid Purchased Service	111	116	-4.3%
Members with Any Purchased Service	141	150	-6.0%
Amount of Service Purchased	300	286	4.9%
Amount of Service Purchased and Active	570	608	-6.3%
General			
Count	423	400	5.8%
Average Current Age	46.2	46.8	-1.3%
Average Service	9.7	10.0	-3.0%
Average Pensionable Earnings	$ 62,821	$ 60,250	4.3%
Annual Pensionable Earnings	$ 26,573,331	$ 24,099,935	10.3%
Average Valuation Compensation[1]	$ 62,821	$ 60,250	4.3%
Annual Valuation Compensation[1]	$ 26,573,331	$ 24,099,935	10.3%
Service Without Permissive Service Purchased	8.5	8.7	-2.3%
Members with Paid Purchased Service	88	94	-6.4%
Members with Any Purchased Service	114	123	-7.3%
Amount of Service Purchased	269	261	2.9%
Amount of Service Purchased and Active	477	515	-7.4%
Safety			
Count	136	132	3.0%
Average Current Age	39.3	38.6	1.8%
Average Service	10.6	10.0	6.0%
Average Pensionable Earnings	$ 77,842	$ 74,450	4.6%
Annual Pensionable Earnings	$ 10,586,539	$ 9,827,437	7.7%
Average Valuation Compensation[1]	$ 77,842	$ 74,450	4.6%
Annual Valuation Compensation[1]	$ 10,586,539	$ 9,827,437	7.7%
Service Without Permissive Service Purchased	9.9	9.3	6.5%
Members with Paid Purchased Service	23	22	4.5%
Members with Any Purchased Service	27	27	0.0%
Amount of Service Purchased	31	24	26.3%
Amount of Service Purchased and Active	93	93	0.0%

1 Valuation compensation differs from pensionable earnings due to IRS 401(a).

APPENDIX A
MEMBERSHIP INFORMATION

Table A-2
SDCERS - Unified Port District
Non-Active Member Data

	Count			Average Age		
	June 30, 2007	June 30, 2006	%Change	June 30, 2007	June 30, 2006	%Change
Total						
Retired	233	211	10.4%	68.5	69.1	-0.8%
Disabled	61	62	-1.6%	58.7	58.7	0.1%
Beneficiaries	55	52	5.8%	75.3	75.8	-0.7%
Payee Total	349	325	7.4%	67.9	68.2	-0.4%
DROP Participants	35	26	34.6%	60.2	59.7	1.0%
Deferred Vested [1]	254	261	-2.7%	46.1	46.2	-0.3%
Vested < 5(10*) yrs svc	198	218	-9.2%			
General						
Retired	202	182	11.0%	69.6	70.4	-1.1%
Disabled	47	48	-2.1%	61.3	61.5	-0.3%
Beneficiaries	54	51	5.9%	75.6	76.2	-0.8%
Payee Total	303	281	7.8%	69.4	69.9	-0.7%
DROP Participants	30	22	36.4%	61.2	61.2	0.0%
Deferred Vested [1]	224	230	-2.6%	46.8	46.9	-0.2%
Vested < 5(10*) yrs svc	171	189	-9.5%			
Safety						
Retired	31	29	6.9%	61.3	60.8	0.8%
Disabled	14	14	0.0%	50.0	49.1	1.8%
Beneficiaries	1	1	0.0%	56.1	55.0	2.0%
Payee Total	46	44	4.5%	57.8	57.0	1.4%
DROP Participants	5	4	25.0%	54.2	51.7	4.8%
Deferred Vested [1]	30	31	-3.2%	40.7	40.8	-0.2%
Vested < 5(10*) yrs svc	27	29	-6.9%			

1 Includes all members having a contribution balance still on account with SDCERS.
* 10 years of service required for vesting if terminated prior to December 31, 2002.

APPENDIX A
MEMBERSHIP INFORMATION

Table A-3
SDCERS - Unified Port District
Non-Active Member Data

	Total Annual Benefit			Average Annual Benefit		
	June 30, 2007	**June 30, 2006**	**%Change**	**June 30, 2007**	**June 30, 2006**	**%Change**
Total						
Retired	$ 7,910,274	$ 6,949,595	13.8%	$ 33,950	$ 32,936	3.1%
Disabled	1,175,107	1,175,661	0.0%	19,264	18,962	1.6%
Beneficiaries	700,964	605,881	15.7%	12,745	11,652	9.4%
Payee Total	$ 9,786,345	$ 8,731,137	12.1%	$ 28,041	$ 26,865	4.4%
DROP Participants	$ 1,673,884	$ 1,256,412	33.2%	$ 47,825	$ 48,324	-1.0%
Deferred Vested [1]	$ 3,345,129	$ 3,909,366	-14.4%	$ 13,170	$ 14,978	-12.1%
General						
Retired	$ 6,459,264	$ 5,618,432	15.0%	$ 31,977	$ 30,871	3.6%
Disabled	725,723	732,544	-0.9%	15,441	15,261	1.2%
Beneficiaries	677,673	583,041	16.2%	12,549	11,432	9.8%
Payee Total	$ 7,862,659	$ 6,934,016	13.4%	$ 25,949	$ 24,676	5.2%
DROP Participants	$ 1,394,028	$ 1,018,500	36.9%	$ 46,468	$ 46,295	0.4%
Deferred Vested [1]	$ 3,020,808	$ 3,455,390	-12.6%	$ 13,486	$ 15,023	-10.2%
Safety						
Retired	$ 1,451,010	$ 1,331,163	9.0%	$ 46,807	$ 45,902	2.0%
Disabled	449,384	443,117	1.4%	32,099	31,651	1.4%
Beneficiaries	23,291	22,840	2.0%	23,291	22,840	2.0%
Payee Total	$ 1,923,686	$ 1,797,121	7.0%	$ 41,819	$ 40,844	2.4%
DROP Participants	$ 279,856	$ 237,912	17.6%	$ 55,971	$ 59,478	-5.9%
Deferred Vested [1]	$ 324,321	$ 453,976	-28.6%	$ 10,811	$ 14,644	-26.2%

1 Includes all members having a contribution balance still on account with SDCERS. Annual benefit for deferred vested is the contribution balance in account as the valuation date.

APPENDIX A
MEMBERSHIP INFORMATION

Table A-4
SDCERS - Unified Port District
Distribution of Active Members (Excludes DROP Particiapants) as of June 30, 2007
Total UPD

	Years of Service[1]										Total	Average
Age	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	Count	Salary
Under 25	-	-	-	-	-	-	-	-	-	-	-	$ -
25 to 29	12	31	2	-	-	-	-	-	-	-	45	51,681
30 to 34	8	29	23	1	-	-	-	-	-	-	61	61,827
35 to 39	12	23	26	12	8	-	-	-	-	-	81	61,595
40 to 44	7	21	22	25	15	13	-	-	-	-	103	70,751
45 to 49	3	15	27	20	26	8	6	-	-	-	105	68,247
50 to 54	2	5	20	15	16	11	7	1	-	-	77	75,102
55 to 59	-	6	15	13	11	6	3	-	-	-	54	70,961
60 to 64	2	-	6	10	9	2	2	-	1	-	32	61,476
65 to 69	-	1	-	-	-	-	-	-	-	-	1	38,376
70 and up	-	-	-	-	-	-	-	-	-	-	-	-
Total Count	46	131	141	96	85	40	18	1	1	-	559	
Avg. Salary	$ 50,884	$ 58,618	$ 66,116	$ 72,875	$ 69,699	$ 85,588	$ 74,972	$ 40,851	$ 83,658	$ -		$ 66,476

APPENDIX A
MEMBERSHIP INFORMATION

Table A-5
SDCERS - Unified Port District
Retirees (Includes DROP Participants), Disabled, and Beneficiaries Tabulate by Attained Age/Benefit Effective Date
Total UPD

	Age										
Plan Year	**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**	**Total**
Pre-1988	-	1	3	3	2	1	4	10	9	2	35
1988	-	-	-	1	1	-	1	1	1	-	5
1989	1	-	-	1	1	3	-	-	1	-	7
1990	1	2	-	1	-	-	3	2	1	-	10
1991	-	-	-	-	-	-	2	1	-	-	3
1992	-	-	1	1	1	-	4	4	1	-	12
1993	-	1	-	2	-	2	5	3	-	-	13
1994	-	-	1	-	-	1	5	2	-	-	9
1995	-	-	1	-	1	1	4	-	1	-	8
1996	2	-	-	-	1	6	3	1	-	-	13
1997	2	-	-	-	1	3	3	1	-	-	10
1998	2	2	2	1	7	11	3	3	-	1	32
1999	1	2	-	1	2	3	1	1	1	-	12
2000	1	-	-	6	5	2	1	2	-	-	17
2001	3	-	-	2	6	1	2	1	-	-	15
2002	3	-	1	10	8	-	-	-	-	-	22
2003	-	-	3	3	9	-	2	1	-	-	18
2004	1	-	4	8	12	3	2	-	-	-	30
2005	-	3	8	7	2	-	1	-	-	-	21
2006	-	4	6	10	4	-	-	-	-	-	24
2007	-	2	11	15	1	-	2	1	-	1	33
Total	17	17	41	72	64	37	48	34	15	4	349

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

Average Age at Retirement/Disability		58.9
Average Current Age		67.9
Average Annual Pension	$	28,041

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.

- There is one duplicate record (based on SSN and Benefit Type) in the payee file. The two records are from the same plan and same benefit type, but different benefit amounts. We have added those 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". "Non-Cola Adjustments" field is mainly for Qualified Domestic Relation 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 members in the City only. It is assumed the payment is annual for members 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 members' 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 member 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 members 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 members' benefits over their Internal Revenue Service Code Section 415 Benefit Limits.

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

1. Investment Return Rate

SDCERS' assets are assumed to earn 8.0% net of expenses

2. Inflation Rate

An inflation assumption of 4.25% compounded annually is used for projecting the total annual payroll growth for amortization of the UAL. It also represents the difference between the investment return rate and the assumed real rate of return.

3. Interest Credited to Member Contributions

8.0%, compounded annually.

4. Salary Increase Rate

Inflation component 4.25%

The additional merit component:

Table B-1

Years of Service at Valuation Date	General	Safety
0	4.50%	7.50%
1	3.50%	6.50%
2	2.50%	5.50%
3	1.50%	3.00%
4	0.50%	1.50%
5+	0.50%	0.50%

5. Cost-of-Living Increase in Benefits

Assumed to be 2.0% per annum, compounded.

6. COLA Annuity Benefit

For active members, there is a 2.5% load on valued benefits to anticipate the impact of the annuitized employee COLA contributions at retirement.

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

7. Member Refunds

Part of the employee contribution rate is subject to potential "pick up" by the employer. That "pick up" and the related accumulated interest are not to be refunded to employees at termination. The liability for potential refunds is reduced to reflect this.

8. Rates of Termination

Table B-2
SDCERS - Unified Port District
Rates of Termination at Selected Ages and Service

Service	Age	General	Safety
0	All	5.63%	2.20%
1	All	5.53	2.20
2	All	4.33	2.15
3	All	4.33	2.05
4	All	4.24	2.00
5 & Over	20	4.62	2.12
	25	4.62	2.12
	30	3.13	1.48
	35	2.32	0.93
	40	1.60	0.39
	45	1.34	0.20
	50	1.03	0.07
	55	0.77	0.03
	60	0.00	0.00

20% of terminating employees, with 5+ years of service at termination, are assumed to subsequently work for a reciprocal employer and receive 4.75% pay increases per year.

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

9. Rates of Disability

Table B-3
SDCERS - Unified Port District
Rates of Disability at Selected Ages

Age	General	Safety
20	0.06%	0.54%
25	0.08	0.60
30	0.10	0.65
35	0.16	0.71
40	0.22	0.90
45	0.33	1.15
50	0.50	1.25
55	0.75	1.50
60	0.97	--

70% of the general disabilities and 85% of the safety disabilities are assumed to be industrial disability retirements. Non-industrial disability retirement is subject to service requirement.

10. Rates of Mortality for Active Lives

General members follow the Uninsured Pensioner 1994 (UP1994) set back 5 years (male and female). Set back 5 years means that when a member is currently age 50 the actuary uses the age 45 mortality rate. Safety members follow the Male UP 1994 set back 5 years.

Table B-4
SDCERS - Unified Port District
Rates of Mortality for Active Lives at Selected Ages

	General		Safety
Age	Male	Female	
20	0.04%	0.02%	0.04%
25	0.05	0.03	0.05
30	0.07	0.03	0.07
35	0.09	0.04	0.09
40	0.09	0.05	0.09
45	0.12	0.08	0.12
50	0.17	0.10	0.17
55	0.28	0.15	0.28
60	0.48	0.25	0.48
65	0.86	0.48	0.86
70	1.56	0.93	1.56

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

All retired healthy members use the Uninsured Pensioners (UP1994) table set back 2 years (male and female).

Table B-5
SDCERS - Unified Port District
Rates of Mortality for Retired Healthy Lives at Selected Ages

Age	Male	Female
40	0.10%	0.06%
45	0.15	0.09
50	0.23	0.13
55	0.39	0.21
60	0.68	0.36
65	1.23	0.72
70	2.14	1.26
75	3.35	1.97
80	5.40	3.41
85	8.87	5.90
90	13.65	10.09

12. Rates of Mortality for Retired Disabled Lives

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

Table B-6
SDCERS - Unified Port District
Rates of Mortality for Disabled Lives at Selected Ages

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. The Rates of Retirement

Table B-7
SDCERS - Unified Port Authority
Rates of Retirement at Selected Ages

Age	General	Safety
50	--	10%
51	--	10
52	--	10
53	--	10
54	--	20
55	20%	40
56	10	40
57	10	40
58	15	50
59	15	80
60	20	85
61	25	90
62	50	100
63	40	100
64	25	100
65	50	100
66	40	100
67	40	100
68	40	100
69	40	100
70	100	100

In addition, if a Safety member has both attained age 55 and completed at least 30 years of service, 100% retirement is assumed.

For vested deferred members, we assume that retirement will occur provided they have at least 5 years of service (excluding the 5 year permissible purchased 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

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

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

14. Family Composite 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.

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 Actuarial Accrued 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 members without sufficient data or service, accumulated member contribution balances, with interest, were used as the actuarial accrued liability.

17. Other

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

Actual experience of SDCERS will not coincide exactly with assumed experiences, 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.

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 4.25% per year. The June 30, 2007 UAL will be amortized over 14 years.

2. Asset Valuation Method

For the purposes of determining the Unified Port District's contribution to SDCERS, we use an actuarial value of assets. The asset adjustment 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 use of retirement benefits and expenses.

The actuarial value of assets is a weighted average giving 25% weight to the current market value and 75% weight to the prior year's actuarial value increased by expected interest and contributions and decreased by benefit payments and expenses. This is mathematically equivalent to recognizing 100% of the actuarially assumed interest rate, plus contribution, less payment each year and 25% of the portion of each year's returns that have not already been reflected in asset values. This method was initiated in the June 30, 2007 valuation. The actuarial value of assets for the June 30, 2006 valuation is determined to be the market value as of June 30, 2006.

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

3. Changes Since Last Valuation

As was stated in this Report, there have been a few changes in actuarial methods and procedures since the June 30, 2006 actuarial valuation:

- Funding for the plan is based on the Entry Age Normal actuarial funding method rather than the Projected Unit Credit actuarial funding method.

- The June 30, 2007 UAL will be amortized over 14 years and:

  - Future Gains/(Losses) amortized over 15 years.
  - Future Benefit Changes over shorter of 20 years or period over which benefit changes are paid.
  - Future Changes in methods or assumptions amortized over 30 years.

- There is no negative amortization in the UAL payments.

- All future benefits payable for inactives from the SDCERS Trust Fund are capped at the maximum benefit level allowable under Internal Revenue Service Code (IRC) Section 415. (Active participants benefits were capped under Section 415 as of the June 30, 2006 valuation.)

APPENDIX C
SUMMARY OF PLAN PROVISIONS

In 1963, the San Diego Unified Port District (UPD) contracted with the City of San Diego to have its employees participate in the City's SDCERS-administered retirement plan. In 2002, the voters of the City of San Diego voted to add section 149 to the City Charter, allowing public agencies to contract directly with SDCERS to participate in the SDCERS trust fund, and to have SDCERS administer the retirement benefits established by each contracting employer. Pursuant to Charter section 149, the Port has contracted directly with SDCERS to administer the retirement plan for its employees since January 1, 2003. The change in contracting parties brought about by this Charter amendment did not affect any rights or benefits that UPD employees earned before 2003.

1. Membership Requirement

Salaried Employees – immediate eligibility upon employment (compulsory) (§ 0101).*

2. Monthly Compensation Base for Benefits

Highest one-year average – (§ 0102), subject to a 10% increase, if the General or Safety Member elects such increase in lieu of an increased benefit formula.

3. Service Requirement

Eligibility

General Members:
Age 62 with 5 years of service, or age 55 with 20 years of service (§ 0300).

Safety Members:
Age 55 with 5 years of service, or age 50 with 20 years of service (§ 0301).

Benefit

General Members:
Member choice of formula in place on December 31, 2001 with 10% increase in Final Average Compensation, "Andrecht" formula effective as of January 1, 2002, or "2.5 % at 55" multiplier with a benefit cap of 90% of Final Average Compensation effective April 1, 2004 for Non-Executive General Members. Executives General Members receive "3% at 55" multiplier without an increase in Final Average Compensation.

Safety Members:
Member choice of formula in place on December 31, 2001 with a 10% increase in Final Average Compensation or "Andrecht" 3% formula without increases in Final Average Compensation. Effective April 1, 2004, there is a benefit cap of 90% of Final Average Compensation.

For all employees, there is an additional benefit equal to the annuitized member COLA contributions at retirement date. In all cases, there is an integration feature which provides for 2/3 of the formula multiplier on the first $400 of Final Average Compensation.

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

APPENDIX C
SUMMARY OF PLAN PROVISIONS

Table C-1
SDCERS - Unified Port District
Member Service Retirement Accrual Factors

	General				Safety	
Age	**Pre 12/31/2001**	**Andrecht**	**Post 4/1/2004**	**Management**	**Pre 12/31/2001**	**Andrecht**
50	--	--	--	--	2.50%	3.00%
51	--	--	--	--	2.54%	3.00%
52	--	--	--	--	2.58%	3.00%
53	--	--	--	--	2.62%	3.00%
54	--	--	--	--	2.66%	3.00%
55	2.00%	2.25%	2.50%	3.00%	2.70%	3.00%
56	2.00%	2.25%	2.60%	3.00%	2.70%	3.00%
57	2.00%	2.25%	2.70%	3.00%	2.70%	3.00%
58	2.00%	2.25%	2.80%	3.00%	2.70%	3.00%
59	2.08%	2.25%	2.90%	3.00%	2.70%	3.00%
60	2.16%	2.30%	3.00%	3.00%	2.70%	3.00%
61	2.24%	2.35%	3.00%	3.00%	2.70%	3.00%
62	2.31%	2.40%	3.00%	3.00%	2.70%	3.00%
63	2.39%	2.45%	3.00%	3.00%	2.70%	3.00%
64	2.47%	2.50%	3.00%	3.00%	2.70%	3.00%
65 and up	2.55%	2.55%	3.00%	3.00%	2.70%	3.00%

GENERAL:

Table C-2
SDCERS – Unified Port District

For Vested Members who terminated--	--the accrual factors are--
Prior to January 1, 1997	See Pre-1997 factors on following page
January 1, 1997 - December 31, 2001	Pre 12/31/2001 factors above
January 1, 2002 - March 31, 2004	Pre 12/31/2001 factors above with 10% increase in Final Average Compensation, Andrecht, or Executives (if applicable)
April 1, 2004 – Present	Pre 12/31/2001 factors above with 10% increase in Final Average Compensation, Andrecht, Post 4/1/2004 or Executives (if applicable)

SAFETY:

Table C-3
SDCERS – Unified Port District

For Vested Members who terminated--	--the accrual factors are--
Prior to January 1, 2002	See Pre-1997 Factors on following page
January 1, 2002 - Present	Pre 12/31/2001 factors above with a 10% increase in Final Average Compensation or Andrecht

APPENDIX C
SUMMARY OF PLAN PROVISIONS

Table C-4
SDCERS - Unified Port District
Pre-1997[1] Member Service Retirement Accrual Factors

Age	General	Safety
50	--	2.00%
51	--	2.10%
52	--	2.22%
53	--	2.34%
54	--	2.47%
55	1.48%	2.62%
56	1.55%	2.62%
57	1.63%	2.62%
58	1.72%	2.62%
59	1.81%	2.62%
60	1.92%	2.62%
61	1.99%	2.62%
62	2.09%	2.62%
63	2.20%	2.62%
64	2.31%	2.62%
65 and up	2.43%	2.62%

[1]Safety members have the same calculation factors through December 31, 2001

Maximum Benefit

Safety Members: 90% of Final Average Compensation (subject to 10% increase).

General Members: 90% of Final Average Compensation if Post 4/1/2004 factor is chosen.

Executive Members (General): 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.

Note: Unified Port District employees participate in Social Security.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

4. Non-Industrial Disability

Eligibility

Ten years of service (§ 0503).

Benefit

General Members:
Greater of 1.5% per year of service, one-third of final compensation (subject to 10% increase), or the earned service retirement benefit (§ 0505).

Safety Members:
Greater of 1.8% per year of service, one-third of final compensation (subject to 10% increase), or the earned service retirement benefit (§ 0504).

5. Industrial Disability

Eligibility

No age or service requirement (§ 0500).

Benefit

General Members:
Greater of one-third of final compensation (subject to 10% increase), or the earned service retirement benefit (§ 0502).

Safety Members:
Greater of one-half of final compensation (subject to 10% increase), or the earned service retirement benefit (§ 0501).

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.

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

50% of earned benefit payable to surviving eligible spouse.

8. Industrial Death

50% of the final average compensation (subject to 10% increase) preceding death, payable to eligible spouse.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

9. Death After Retirement

50% of member's unmodified allowance continued to eligible spouse.
$2,000 payable in lump sum to the beneficiary or the estate of the retiree.

10. Withdrawal Benefits

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 five years of service (ten years of service if employee terminated before December 31, 2002) – Refund of accumulated employee contributions with interest, or may keep deposits in the System and earn additional interest.

Five or more years of service (ten or more years of service if employee terminated before December 1, 2002); there will be a one-time Andrecht related 7% increase in benefit.

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.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

12. Member Contributions

Vary by age at time of entrance into SDCERS (§ 0200). While a significant portion of these contributions are "picked up", such pick ups are not directly reflected in either the employee contributions or related refund calculations.

Table C-5
SDCERS - Unified Port District
Employee Contribution Rates[1]

	General		Safety	
	Integrated Members[2]		Integrated Members[2]	
Entry Age	**First $400/Mo.**	**Over $400/Mo.**	**First $400/Mo.**	**Over $400/Mo.**
20	5.52%	8.28%	7.75%	11.63%
21	5.59	8.38	7.86	11.79
22	5.66	8.49	7.95	11.93
23	5.73	8.60	8.06	12.09
24	5.80	8.70	8.16	12.24
25	5.89	8.83	8.27	12.41
26	5.97	8.95	8.37	12.56
27	6.04	9.06	8.49	12.73
28	6.12	9.18	8.59	12.89
29	6.20	9.30	8.71	13.06
30	6.28	9.42	8.81	13.22
31	6.37	9.55	8.93	13.39
32	6.45	9.67	9.03	13.55
33	6.53	9.79	9.15	13.72
34	6.61	9.91	9.27	13.90
35	6.70	10.05	9.39	14.08
36	6.79	10.18	9.50	14.25
37	6.88	10.32	9.62	14.43
38	6.97	10.45	9.75	14.62
39	7.05	10.58	9.87	14.80
40	7.15	10.72	9.99	14.99
41	7.24	10.86	10.12	15.18
42	7.33	10.99	10.24	15.36
43	7.42	11.13	10.37	15.56
44	7.52	11.28	10.51	15.76
45	7.61	11.42	10.63	15.94
46	7.71	11.56	10.77	16.15
47	7.81	11.71	10.90	16.35
48	7.91	11.86	11.03	16.54
49	8.01	12.01	11.16	16.74
50	8.10	12.15		
51	8.21	12.32		
52	8.31	12.47		
53	8.42	12.63		
54	8.53	12.79		
55	8.63	12.95		
56	8.74	13.11		
57	8.87	13.31		

[1]Contribution Rate = Normal Cost + Cost-of-Living Rate
[2]Non-Integrated members will follow the "Over $400/month" rate

APPENDIX C
SUMMARY OF PLAN PROVISIONS

Interest:	8.00%
Salary:	5.00%
Mortality:	83 Group Annuity Mortality (GAM) male (Males set back 3 years, Females set back 8 years)

Rates include cost of providing spouse's continuance and cost of funding final one-year average in lieu of final three-year average. Changes to the salary scale and mortality table effective with the June 30, 1994 valuation were applied to the then existing member rates.

13. Internal Revenue Code Compliance

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

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.

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 Accrued Liability

The Actuarial Liability is the difference between the present value of all future System benefits and the actuarial value of future normal costs. This is also referred to by some actuaries as "accrued liability" or "actuarial 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 retirement System benefits 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 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) that must be disclosed annually. The SDCERS-Unified Port District's Computed Contribution rate for FY 2007 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 Accrued Liability

The difference between actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded actuarial liability" or "unfunded accrued liability".

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

The existence of unfunded actuarial accrued liability is not in itself bad, any more than a mortgage on a house is bad. Unfunded actuarial accrued 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).