

**San Diego City  
Employees' Retirement System**

**June 30, 2008  
Actuarial Valuation for the**

**City of San Diego**

**Produced by [Cheiron](#)**

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LETTER OF TRANSMITTAL

February 10, 2009

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, 2008 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.

<b>Table I-1</b> <b>SDCERS - City of San Diego</b> (all dollar amounts in millions)		
Valuation Date	6/30/2008	6/30/2007
Unfunded Actuarial Liability (UAL)	\$ 1,303.2	\$ 1,184.2
Funding Ratio	78.1%	78.8%
City Contribution Rate	27.73%	30.45%
Fiscal Year	2010	2009
Annual Required Contribution (GASB ARC):		
-if paid at the beginning of the year	\$ 154.2 million	\$ 161.7 million
-if paid throughout the year	\$ 160.1 million	\$ 168.1 million

- Unfunded Actuarial Liability (UAL):* The City's UAL has increased by \$119.0 million. The primary cause of this increase was the change in actuarial assumptions adopted by the Board earlier this year. These changes include a decrease in the investment return assumption from 8.00% to 7.75%, a decrease in the inflation rate assumption from 4.25% to 4.00%, and other changes to the assumptions regarding membership turnover, retirement, disability, mortality and salary increases.
- Funding Ratio:* This is the ratio of system actuarial assets to actuarial liabilities, which declined by 0.7%.
- 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, 2009 through June 30, 2010 (FY 2010). The results of this valuation produced a reduction in the City's ARC of \$7.5 million. When measured as a percent of membership payroll, the ARC dropped by 2.72%.

More details on the plan experience for the past year, including the assumption changes and their impact on these June 30, 2008 valuation results, can be found in the valuation report.

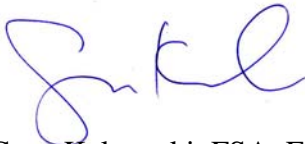


We certify that, to the best of our knowledge, this valuation report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable actuarial standards set out by the Actuarial Standards Board 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.

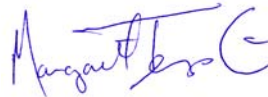
Finally, it's important to note that this valuation was prepared using census data and financial information as of the valuation date, June 30, 2008. Therefore, events following that date are not, and should not be, reflected in this report. The next valuation will reflect all membership and investment experience changes through June 30, 2009.

Sincerely,

Cheiron



Gene Kalwarski, FSA, EA, MAAA  
Principal Consulting Actuary



Margaret Tempkin, FSA, EA, MAAA  
Consulting Actuary

**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 2010, 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, 2008 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**

As stated in the Letter of Transmittal, the June 30, 2008 valuation results reflect a number of assumption changes that were approved by the SDCERS Board based on an experience study completed by Cheiron in July 2008. These changes include:

- Assumed rates of retirement were increased and changed to be based on service as opposed to the age of a member,
- Rates of termination from employment were increased,
- Disability rates were decreased,
- The mortality rates for General and Safety Members were increased,
- The investment return assumption was lowered from 8.00% to 7.75%, and
- The inflation assumption was lowered from 4.25% to 4.00%.

In May 2007, the SDCERS Board approved several amortization periods that affect the calculation of the City's Unfunded Actuarial Liability (UAL). The amortization period for the City's then-existing June 30, 2007 UAL was set at 20 years, the amortization of future experience gains and losses was set at 15 years, and the amortization of changes in actuarial methods or assumptions was set at 30 years. The Board also approved an additional UAL cost component to ensure that there is no negative amortization of the UAL in any year. These amortization periods, which became effective with the City's June 30, 2007 actuarial valuation, were used to calculate the portion of the City's June 30, 2008 ARC that is attributable to the UAL.

The City's June 30, 2008 UAL of \$1,303.2 million is split into several tiers, each using a different amortization period. These tiers correspond to (1) the \$1,205.8 million remaining balance of the City's June 30, 2007 UAL now amortized over 19 years (\$85.1 million of the FY 2010 ARC); (2) the \$83.8 million UAL due to the impact of changes in actuarial assumptions that is amortized over 30 years (\$4.8 million of the FY 2010 ARC); and (3) the \$13.6 million UAL due to the FY 2008 experience loss that is amortized over 15 years (\$1.2 million of the FY

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2010 ARC). In addition, there is a \$2.6 million payment included in the City’s FY 2010 ARC to avoid any negative amortization of the June 30, 2008 UAL. See “Beginning of Year ARC Component” in Table I-5 and Table IV-1 in Section IV.

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

The following discussion summarizes the key results of the June 30, 2008 valuation and how they compare to the results from the June 30, 2007 valuation.

1. City Membership

Table I-2 shows that total membership in SDCERS-City of San Diego increased by 2.2% from 2007 to 2008. The entire increase was attributable to the growth in inactive membership (terminated vested, disabled, retirees, and beneficiaries), as the active membership count remained almost the same. The average pay per active member increased by 4.6%, higher than the assumed payroll inflation of 4%.

<b>Table I-2</b>			
<b>SDCERS - City of San Diego - Membership Total</b>			
<b>Item</b>	<b>June 30, 2008</b>	<b>June 30, 2007</b>	<b>% Change</b>
Active Counts	8,487	8,494	-0.1%
Terminated Vested	2,743	2,606	5.3%
Disabled	1,244	1,245	-0.1%
Retirees	4,597	4,354	5.6%
Beneficiaries	1,099	1,080	1.8%
Total City Members	18,170	17,779	2.2%
Active Member Payroll	\$ 535,774,438	\$ 512,440,197	4.6%
Average Pay per Active Member	63,129	60,330	4.6%

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**2. City Assets and Liabilities**

Table I-3 presents a comparison between the June 30, 2008 and June 30, 2007 SDCERS-City of San Diego assets, liabilities, UAL, and funding ratios.

The key results shown in Table I-3 indicate that even though the total actuarial liability increased 6.5% and the market value of assets decreased by 5.0%, the funding ratio remained about the same from June 30, 2007 to June 30, 2008. This is because SDCERS employs a commonly used actuarial smoothing method on the market value that dampens market volatility. For the year ending June 30, 2008 the smoothed value of assets (called the actuarial value of assets) increased by 5.6%, which largely offset the increase in the actuarial liabilities. Section II-C provides additional information explaining the development of the actuarial value of assets.

<b>Table I-3</b>			
<b>SDCERS - City of San Diego - Assets &amp; Liabilities</b>			
<b>EAN funding method</b>	<b>June 30, 2008</b>	<b>June 30, 2007</b>	<b>% Change</b>
Actives	\$ 2,426,739,455	\$ 2,256,487,761	7.5%
Terminated Vested	250,141,836	239,571,040	4.4%
Disabled	392,785,020	383,228,325	2.5%
Retirees	2,763,266,125	2,589,431,710	6.7%
Beneficiaries	<u>130,617,109</u>	<u>128,934,025</u>	<u>1.3%</u>
Total Actuarial Liability	5,963,549,545	5,597,652,861	6.5%
Market Value Assets	\$ 4,408,719,440	\$ 4,641,340,923	-5.0%
Actuarial Value Assets	4,660,346,403	4,413,410,812	5.6%
Unfunded Actuarial Liability	\$ 1,303,203,142	\$ 1,184,242,049	10.0%
Funding Ratio-Actuarial Value	78.1%	78.8%	-0.7%

**SECTION I  
BOARD SUMMARY**

3. Components of UAL Change between June 30, 2007 and June 30, 2008

The unfunded actuarial liability (UAL) for SDCERS-City of San Diego increased by \$119.0 million from \$1,184.2 million to \$1,303.2 million. Table I-4 below presents the specific components of the change in the UAL.

The key findings in Table I-4 are that the assumption changes increased the UAL by \$83.8 million, and investment losses increased the UAL by \$81.3 million. Partially offsetting those increases was a liability experience gain of \$32.9 million, and City and member contributions were more than expected by \$36.4 million.

<b>Table I-4</b>		
<b>SDCERS - City of San Diego-Change in UAL</b>		
<b>(In Millions)</b>		
<b>UAL change due to experience factors</b>		
1.	Investment experience	\$ 81.3
2.	Purchased service credits paid for during the year*	1.5
3.	Liability experience	(32.9)
<b>UAL change due to contribution factors</b>		
4.	Contributions paid in excess of expected	(36.4)
<b>UAL change due to actuarial assumption changes</b>		
5.	Demographic Assumption Changes	(45.8)
6.	Economic Assumption Changes	129.6
<b>Total</b>		
7.	Total net overall change: (sum 1 through 6)	97.4
8.	Expected change in UAL	21.6
9.	Total actual change in UAL: 7 + 8	\$ 119.0

\* *Attributable to members who have entered into a purchased service contract after June 30, 2007. (Gain) or Loss equals the difference between the actuarial liability before and after the additional service purchased. Subject to the outcome of pending litigation, only members hired before February 16, 2007 are still eligible to purchase additional service credits.*



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**4. City Contributions**

The City's contribution for FY 2010 measured as a percent of membership payroll decreased from 30.45% to 27.73%. In dollars, the required beginning of year contribution decreased by \$7.4 million, from \$161.7 million to \$154.2 million.

The contribution decrease was primarily attributable to two factors: the higher turnover assumptions decreased the normal cost component of the ARC, and there was a reduction in the contribution needed to avoid negative amortization for FY 2010 as opposed to the amount needed for FY 2009.

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

<b>Table I-5 SDCERS – City of San Diego – Contributions</b>			
<b>EAN funding method</b>	<b>June 30, 2008</b>	<b>June 30, 2007</b>	<b>Change</b>
Gross Normal Cost %	21.81%	23.89%	-2.1%
Member Cost %	<u>10.93%</u>	<u>10.97%</u>	<u>0.0%</u>
Employer Normal Cost %	10.88%	12.92%	-2.0%
Employer Unfunded Liability Cost %	16.39%	15.78%	0.6%
Negative Amortization Adjustment Cost %	<u>0.46%</u>	<u>1.75%</u>	<u>-1.3%</u>
Total Employer Cost %	27.73%	30.45%	-2.7%
<b>Annual Required Contribution (ARC):</b>			
-if paid at the beginning of the year	\$ 154.2 million	\$ 161.7 million	-4.6%
-if paid throughout the year	\$ 160.1 million	\$ 168.1 million	-4.7%
<b>The total \$154.2 million ARC is made up of the following components:</b>			
<u>in millions</u>	<b>Beginning of Year ARC Component</b>		
\$ 605	Employer Normal Cost		
\$ 85.1	19-year amortization of the outstanding 2007 UAL balance 06/30/2008		
\$ 1.2	15-year amortization of the UAL due to the experience loss in FY2008		
\$ 4.8	30-year amortization of the UAL increase due to assumptions changes		
<u>\$ 2.6</u>	Amount needed to avoid negative UAL for FY 2010		
\$ 154.2	Total FY 2010 beginning of year ARC		

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.

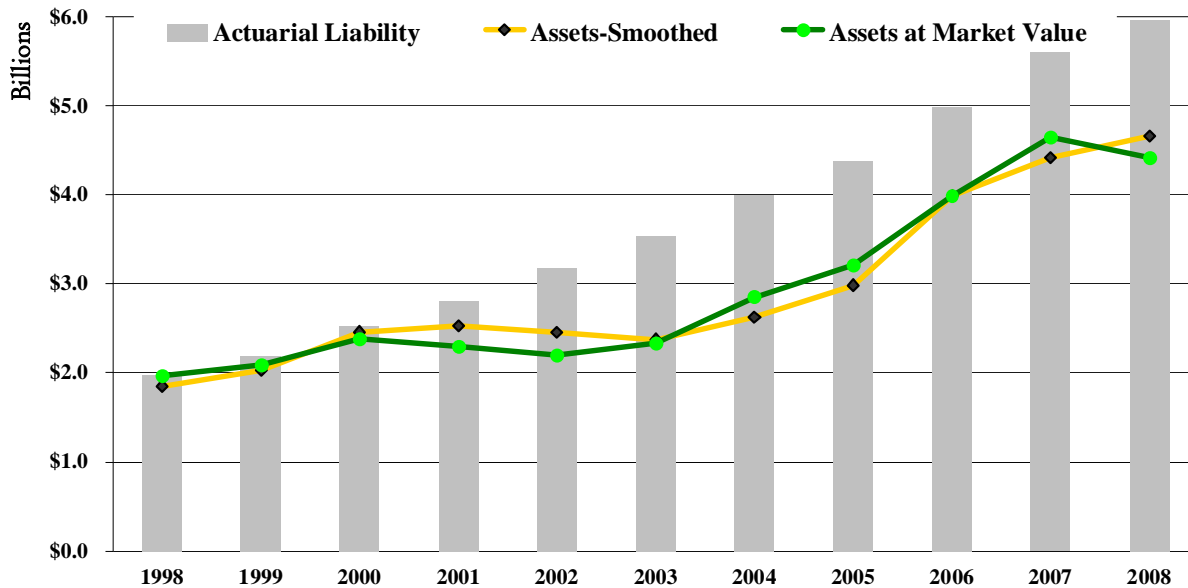
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 BOARD SUMMARY

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 1998.

**SDCERS-City of San Diego Assets and Liabilities 1998-2008**



Funding Ratio	93.6%	93.2%	97.3%	89.9%	77.3%	67.2%	65.8%	68.2%	79.9%	78.8%	78.1%
UAL	\$ 0.13	\$ 0.15	\$ 0.07	\$ 0.28	\$ 0.72	\$ 1.16	\$ 1.37	\$ 1.39	\$ 1.00	\$ 1.18	\$ 1.30*

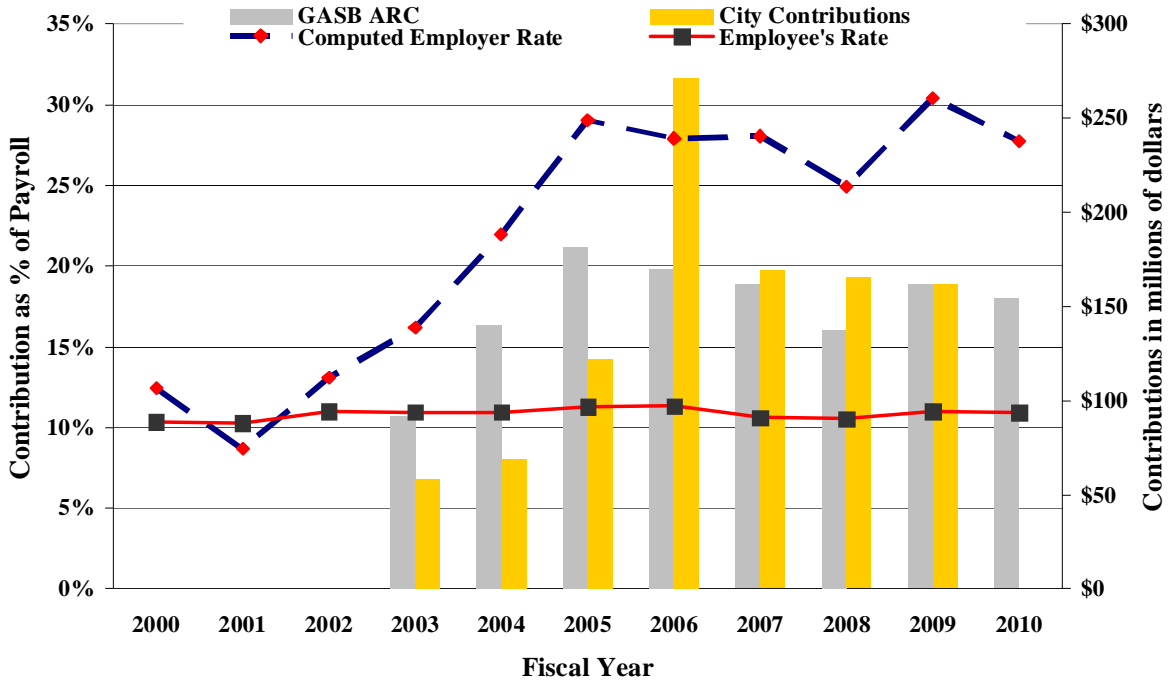
Note: The UAL for 2007 and after is calculated using the Entry Age Normal method, 2006 and prior years are calculated using the Projected Unit Credit method.

The chart indicates that from 1998 to 2000, SDCERS maintained a strong and improving funding ratio. Then, from 2000 to 2004, the funding ratio declined significantly with the low of 65.8% in 2004. From 2004 to 2007, the ratio improved significantly, primarily due to strong investment performance. In 2008, the funding ratio declined slightly primarily due to the change in the actuarial assumptions.

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In the chart below, we present the historical trends for the SDCERS-City of San Diego contribution rates since FY 2000, 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 1998-2008**



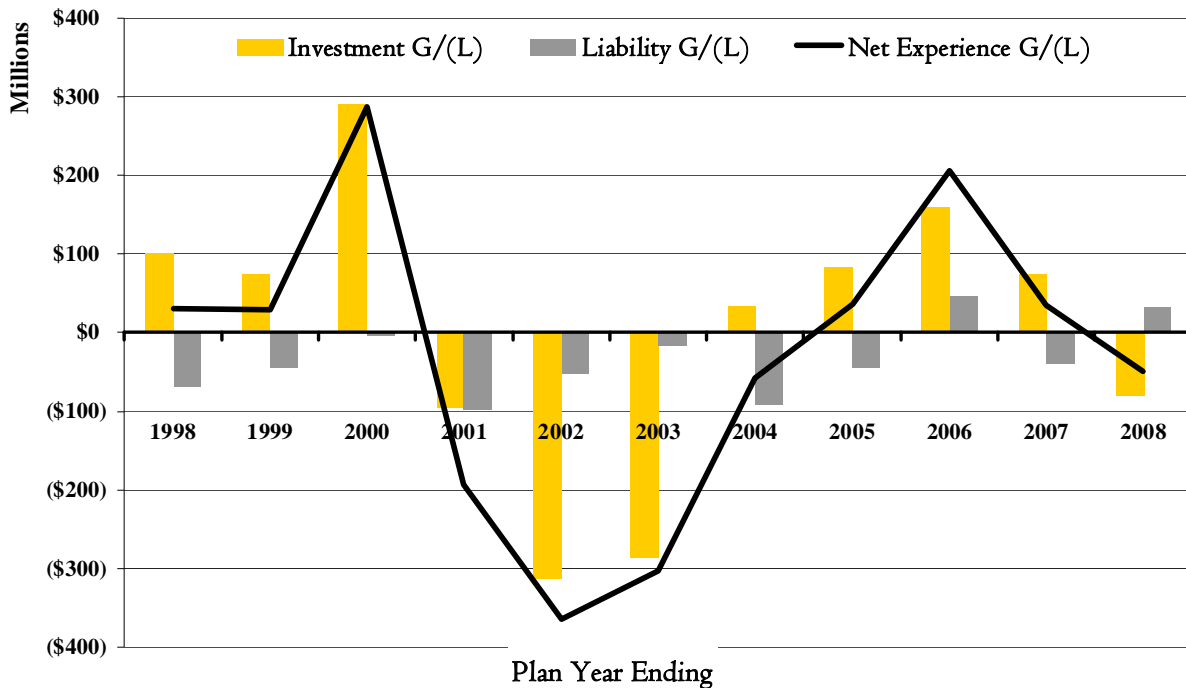
The key information in this chart is the escalation in the computed employer contribution rate between fiscal years 2001 and 2005. Since then, the City's contribution rate has stabilized with slight declines in fiscal years 2008 and 2010. The chart also indicates that the members' contribution rate has remained relatively stable throughout the fiscal years shown.

This chart also compares beginning in fiscal year 2003, the actual contributions made by the City since FY 2003 to the actuarially 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 in excess of the ARC since FY 2006.

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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 methods, procedures or assumptions. Experience shown prior to 1999 is for SDCERS-All Employers.

**SDCERS-City of San Diego Historical Gain/(Loss) 1998-2008**



The key insights from this chart are:

- Investment gains (gold bars) from 1998 through 2000 were significantly offset by investment losses from 2001 through 2003. From 2004 to 2007, there were positive investment trends. In 2008, the investment trend turned negative.
- From 1998 to 2007 (except for 2006), there has been a pattern of liability losses. With the change in actuarial assumptions in 2008 to better reflect the City's demographic experience, the liability experience produced a small gain.

**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, 2008 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 negative 15% but then vary each year thereafter over the projection period, but over the entire period averages out to the assumed 7.75%. We do this in reflection of the first half of current fiscal year return which has been significantly negative, but followed by positive returns to reflect what has happened historically whenever there have been serious market downturns.

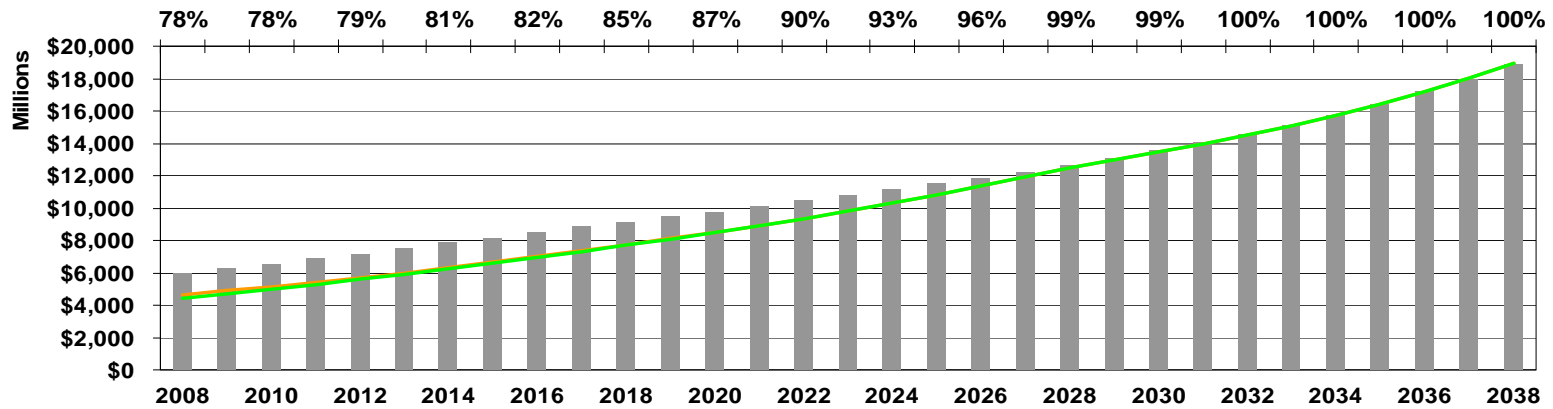
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Return	-15.00%	5.76%	9.65%	7.36%	8.45%	3.77%	16.66%	13.70%	18.76%	-4.18%
Fiscal Year	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Return	2.50%	4.94%	12.60%	19.86%	13.32%	12.44%	0.76%	17.86%	19.16%	1.24%
Fiscal Year	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>
Return	-3.00%	14.56%	6.80%	5.62%	18.06%	-2.06%	9.87%	11.82%	7.34%	-5.98%

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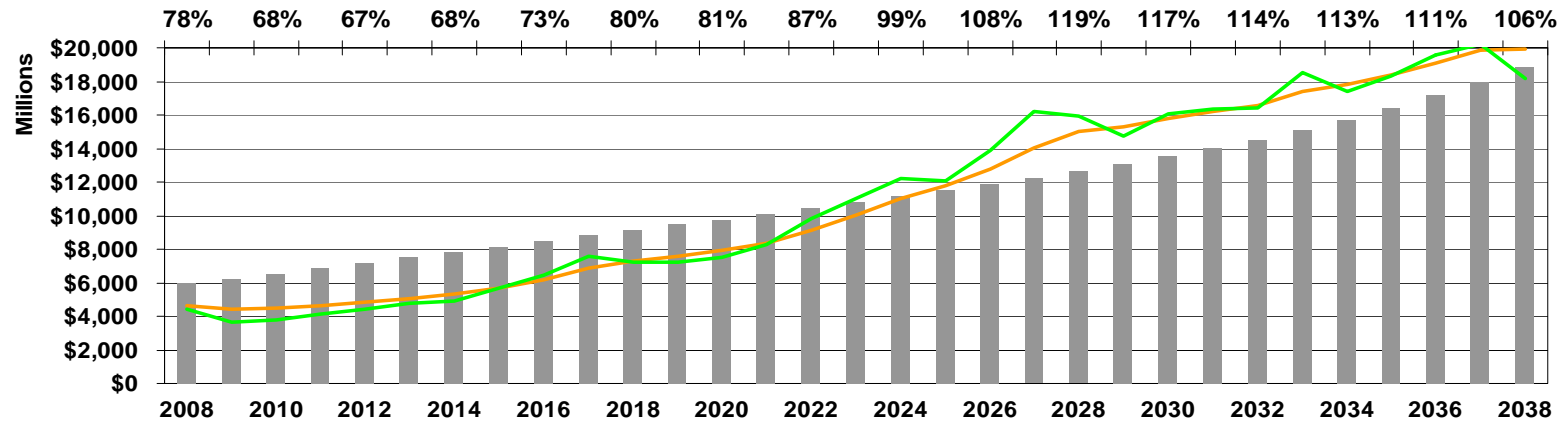
**Projection Set 1: Assets and Liabilities - City of San Diego**

The two charts below show asset measures (green and gold lines) compared to liabilities (grey bars). At the top of each chart is the progression of the SDCERS-City of San Diego funding ratios. The most revealing insight from these two charts is how varying investment returns impact the System's funding ratios from year to year.

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

Chart 1: 7.75% return each year

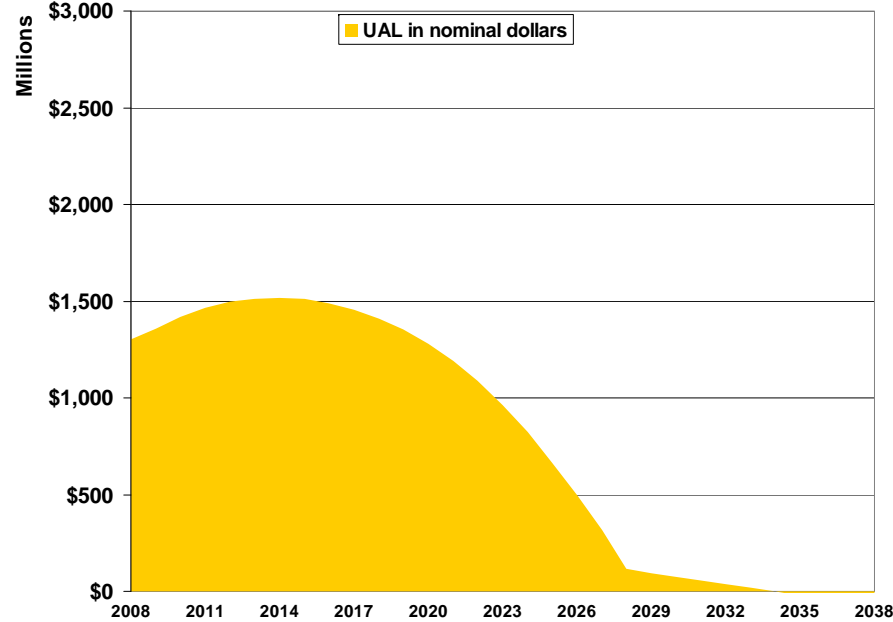
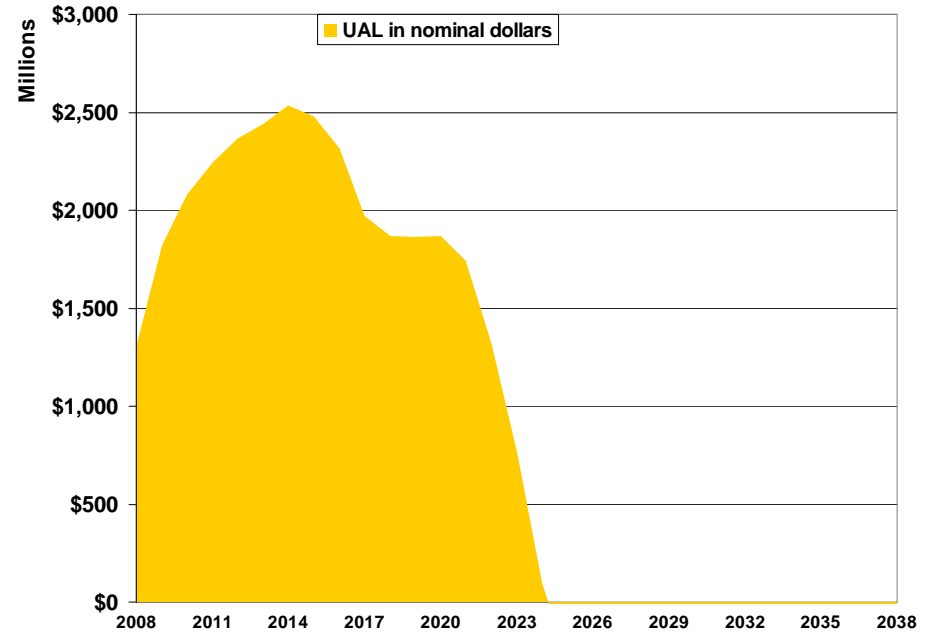


Chart 2: Varying returns averaging 7.75%

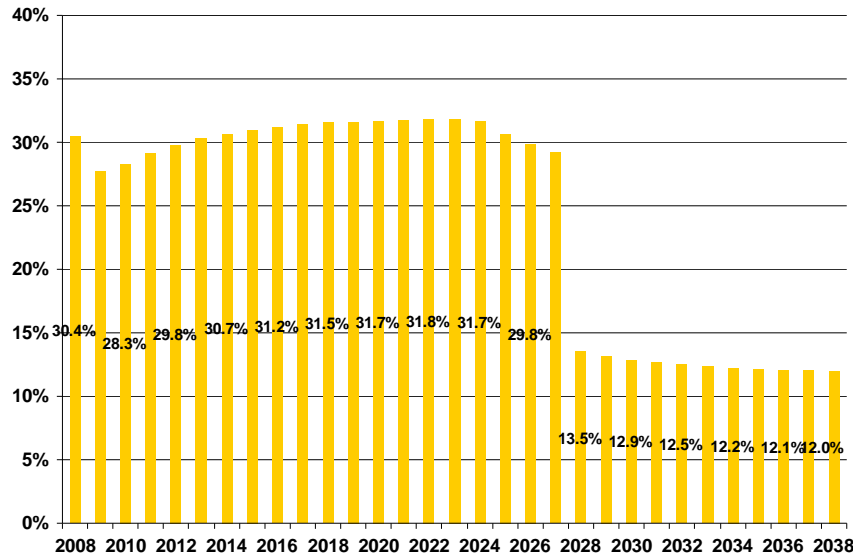


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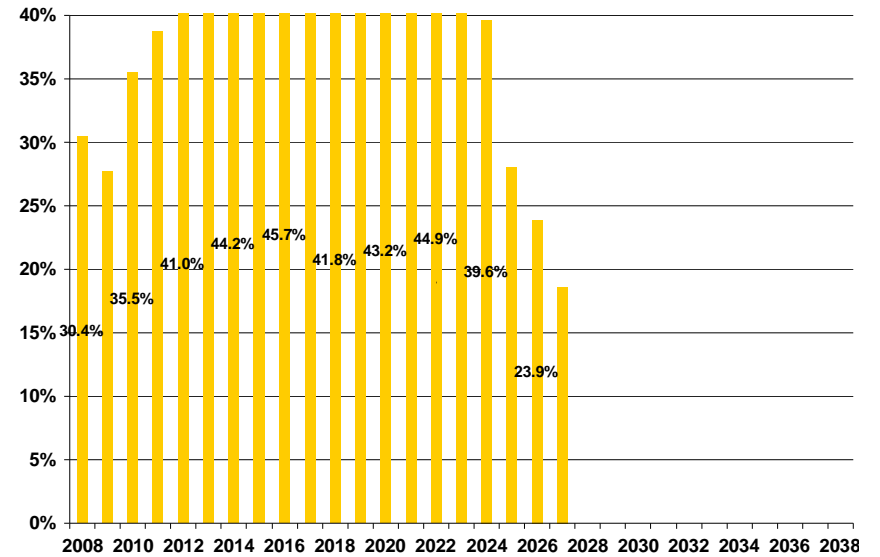
**Projection Set 3: Projected City Contribution Rate**

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: 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. 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, 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 (Port), and the San Diego County Regional Airport Authority (Airport) is explained here.

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

- A. Disclosure of the June 30, 2008 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**

The market value of assets represents a “snap-shot” value as of June 30, 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 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, 2008.

Cash	\$ 506,522,453
US Stocks	1,780,841,026
International Stocks	819,510,996
Bonds	1,181,751,284
Real Estate	487,530,569
Receivables	134,688,516
Short Term Investments	42,267,813
Fixed Assets	522,829
Miscellaneous	15,664
Accounts Payable	<u>(257,047,691)</u>
<b>Market Value of Assets – June 30, 2008</b>	<b>\$ 4,696,603,459</b>

**SECTION II  
ASSETS**

**B. Market Value of Assets by Plan Sponsor**

As of July 1, 2007, the City, UPD and Airport Authority plans have been 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  
Summary of Market and Actuarial Assets for Each Employer Group  
as of June 30, 2008**

	<u>Reported</u> <u>Market Value</u> <b>Total Net Assets</b> <b>June 30, 2007</b>	<u>Adjusted</u> <u>Market Value</u> <b>Total Assets</b> <b>June 30, 2007</b>	<u>Market Value</u> <b>Total Assets</b> <b>June 30, 2008</b>	<u>Actuarial Value</u> <b>Total Assets</b> <b>June 30, 2008</b>
City of San Diego	\$4,641,340,923	\$4,656,633,408	\$4,408,719,440	\$4,660,346,403
Unified Port District	242,403,219	243,201,899	\$233,027,785	\$245,580,297
Airport Authority	<u>53,305,476</u>	<u>53,481,109</u>	<u>\$54,856,234</u>	<u>\$58,095,599</u>
<b>Total-SDCERS</b>	<b>\$4,937,049,617</b>	<b>\$4,953,316,416</b>	<b>\$4,696,603,459</b>	<b>\$4,964,022,299</b>

**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 is calculated by accepting 100% of the expected asset value as of June 30, 2008 (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, 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 ever greater than 120% of the market value of assets.

<b>Table II-3</b> <b>SDCERS - City of San Diego</b> <b>Development of Actuarial Value of Assets at June 30, 2008</b> <b>Expected Value of Assets Method</b>		
1.	Actuarial Value of Assets at June 30, 2007	\$ 4,413,410,812
2.	Amount in (1) with interest to June 30, 2008	4,766,483,677
3.	Employer, and member contributions for the Plan Year ended June 30, 2008	234,144,233
4.	Disbursements from Trust excluding investment expenses, June 30, 2007 through June 30, 2008	261,531,896
5.	Interest on cash flows to June 30, 2008 at 8.00% per year	5,126,044
6.	Expected Actuarial Value of Assets at June 30, 2008 = (2) + (3) – (4) + (5)	4,744,222,058
7.	Actual Market Value of Assets at June 30, 2008	4,408,719,440
8.	Excess of (7) over (6)	(335,502,618)
9.	Actuarial Value of Assets at June 30, 2008 = (6) + 25% of (8)	\$ 4,660,346,403

**SECTION II**  
**ASSETS**

**D. Investment Performance**

The return on the market value of assets, as reported by SDCERS' investment advisor Callan Associates, was a negative 4.66%. The return in FY 2007 was 16.50%.

On an actuarial (smoothed) value of assets basis, the return for FY 2008 was 6.24%. This return produced for SDCERS-All Employers, an overall investment loss of \$87.1 million for the year ending June 30, 2008. (Note this reported loss is different than the investment loss of \$81.3 million reported on page 4 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, 2007 and June 30, 2008, 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-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 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  
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**SECTION III  
LIABILITIES**

<b>Table III-1 SDCERS - City of San Diego - Total</b>		
Item	June 30, 2008	June 30, 2007
<b>Present Value of Future Benefits</b>		
Actives	\$ 3,390,715,758	\$ 3,503,065,097
Terminated Vested	250,141,836	239,571,040
Disabled	392,785,020	383,228,325
Retirees	2,763,266,125	2,589,431,710
Beneficiaries	<u>130,617,109</u>	<u>128,934,025</u>
<b>Total City</b>	<b>\$ 6,927,525,848</b>	<b>\$ 6,844,230,197</b>
<b>Actuarial Liability – EAN</b>		
Total Present Value of Benefits	\$ 6,927,525,848	\$ 6,844,230,197
Present Value of Future Normal Costs		
Employer Portion	480,914,036	673,965,513
Employee Portion	<u>483,062,266</u>	<u>572,611,823</u>
<b>Actuarial Liability – EAN</b>	<b>\$ 5,963,549,545</b>	<b>\$ 5,597,652,861</b>
Actuarial Value of Assets	\$ 4,660,346,403	\$ 4,413,410,812
<b>Unfunded EAN Actuarial Liability</b>	<b>\$ 1,303,203,142</b>	<b>\$ 1,184,242,049</b>

Table III-2 shows the actuarial liability as of June 30, 2008 for general and elected members of SDCERS-City of San Diego.

<b>Table III-2 SDCERS - City of San Diego - General &amp; Elected</b>			
Item	June 30, 2008	June 30, 2008	June 30, 2008
Present Value of Future Benefits	Total	General	Elected
Actives	\$ 1,881,280,845	\$ 1,878,042,090	\$ 3,238,755
Terminated Vested	193,483,745	192,824,876	658,869
Disabled	73,778,628	73,778,628	-
Retirees	1,384,074,543	1,378,318,691	5,755,852
Beneficiaries	<u>59,721,847</u>	<u>59,361,696</u>	<u>360,151</u>
<b>Total City General &amp; Elected</b>	<b>\$ 3,592,339,608</b>	<b>\$ 3,582,325,981</b>	<b>\$ 10,013,627</b>
<b>Actuarial Liability - EAN</b>			
Actives	\$ 1,372,163,992	\$ 1,370,337,448	\$ 1,826,545
Terminated Vested	193,483,745	192,824,876	658,869
Disabled	73,778,628	73,778,628	-
Retirees	1,384,074,543	1,378,318,691	5,755,852
Beneficiaries	<u>59,721,847</u>	<u>59,361,696</u>	<u>360,151</u>
<b>Total City General &amp; Elected</b>	<b>\$ 3,083,222,755</b>	<b>\$ 3,074,621,338</b>	<b>\$ 8,601,417</b>

**SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2008 ACTUARIAL VALUATION**

**SECTION III  
LIABILITIES**

Table III-3 shows the actuarial liability as of June 30, 2008 for safety members of SDCERS-City of San Diego.

<b>Item</b>	<b>June 30, 2008</b>	<b>June 30, 2008</b>	<b>June 30, 2008</b>	<b>June 30, 2008</b>
<b>Present Value of Benefits</b>	<b>Total</b>	<b>Police</b>	<b>Fire</b>	<b>Lifeguard</b>
Actives	\$ 1,509,434,913	\$ 1,043,753,899	\$ 422,706,901	\$ 42,974,113
Terminated Vested	56,658,091	51,751,992	4,123,637	782,462
Disabled	319,006,392	206,665,558	102,570,712	9,770,122
Retirees	1,379,191,581	812,660,676	540,999,956	25,530,949
Beneficiaries	<u>70,895,262</u>	<u>43,644,192</u>	<u>27,053,639</u>	<u>197,431</u>
<b>Total City Safety</b>	<b>\$ 3,335,186,239</b>	<b>\$ 2,158,476,317</b>	<b>1,097,454,845</b>	<b>\$ 79,255,077</b>
<b>Actuarial Liability - EAN</b>				
Actives	\$ 1,054,575,464	\$ 733,920,097	\$ 292,977,082	\$ 27,678,285
Terminated Vested	56,658,091	51,751,992	4,123,637	782,462
Disabled	319,006,392	206,665,558	102,570,712	9,770,122
Retirees	1,379,191,581	812,660,676	540,999,956	25,530,949
Beneficiaries	<u>70,895,262</u>	<u>43,644,192</u>	<u>27,053,639</u>	<u>197,431</u>
<b>Total City Safety</b>	<b>2,880,326,790</b>	<b>\$ 1,848,642,515</b>	<b>\$ 967,725,026</b>	<b>\$ 63,959,249</b>



**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.

<b>Table III-4</b>	
<b>Development of 2008 Experience Gain/(Loss) SDCERS - City of San Diego</b>	
<b>(In Millions)</b>	
1. Unfunded Actuarial Liability at June 30, 2007	\$1,184.2
2. Beginning of year actuarial liability payment	(67.7)
3. Interest accrued ((1+2) x 8.00%)	<u>89.3</u>
4. Expected Unfunded Actuarial Liability at June 30, 2008 (1+2+3)	1,205.9
5. Actual Unfunded Liability at June 30, 2008	1,303.2
6. Difference: (4 - 5)	(97.4)
7. Portion of difference (6) due to actuarial assumption changes	(83.8)
8. Portion of difference (6) due to benefit changes	0.0
9. Portion of difference (6) due to net experience Gain/(Loss)	(13.6)
a) portion of (9) due to contributions more than expected	\$36.4
b) portion of (9) due to investment experience	\$(81.3)
c) portion of (9) due to liability experience	\$31.4
<b>Elements of Liability Gain/(Loss)</b>	
1. G/(L) due to demographic and payroll experience	32.9
2. G/(L) due to purchased service credit	(1.5)
3. Other Gain/(Loss)	<u>0.0</u>
4. Total Estimated Liability Gain/(Loss): sum 1 through 3	<b>31.4</b>
<b>Elements of Actuarial Assumption Changes</b>	
1. (Increase)/decrease due to demographic assumption changes	45.8
2. (Increase)/decrease due to economic assumption changes	<u>(129.6)</u>
3. Total Estimated Actuarial Assumption Changes (Increase)/decrease: 1 + 2	<b>(83.8)</b>

**SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2008 ACTUARIAL VALUATION**

**SECTION III  
LIABILITIES**

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

<b>Table III-5</b>			
<b>Experience Gain/(Loss) - Historical SDCERS - City of San Diego*</b>			
<b>Valuation</b>		<b>Beginning-of-Year</b>	<b>Gain/(Loss)</b>
<b>Date</b>	<b>Gain/(Loss)</b>	<b>Actuarial Liabilities</b>	<b>% of Liability</b>
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)

\* 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 will result in a pattern of contributions that are 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 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 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 2010 is to be amortized over several different periods. The amortization of the UAL due to assumption changes was over 30 years, the fiscal year ending June 30, 2008 experience loss was amortized over 15 years, and the outstanding balance of the June 30, 2007 UAL was amortized over 19 years. Finally, 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 2010 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, 2008 ACTUARIAL VALUATION**

**SECTION IV  
CONTRIBUTIONS**

**SDCERS - City of San Diego  
Development of the City's Contribution as of June 30, 2008, For (FY 2010)  
(dollars in millions)**

	WEIGHTED TOTAL CITY	Non-Safety			Safety			
		Weighted Total	General	Elected	Weighted Total	Police	Fire	
1. Total Normal Cost Rate	<b>21.81%</b>	18.49%	18.47%	28.20%	27.31%	27.27%	27.20%	29.32%
2. Member Contribution Rate	<b>10.93%</b>	10.01%	10.01%	8.39%	12.46%	12.29%	12.85%	12.49%
3. Employer Normal Cost Rate (1-2)	<b>10.88%</b>	8.48%	8.46%	19.81%	14.85%	14.98%	14.35%	16.83%
4. Actuarial Liability	<b>\$ 5,963.5</b>	\$ 3,083.2	\$ 3,074.6	\$ 8.6	\$ 2,880.3	\$ 1,848.6	\$ 967.7	\$ 64.0
5. Actuarial Assets <sup>1</sup>	<b>\$ 4,660.3</b>	\$ 2,409.5	\$ 2,402.7	\$ 6.7	\$ 2,250.9	\$ 1,444.7	\$ 756.2	\$ 50.0
6. Total Unfunded Actuarial Liability (UAL)(4-5)	<b>1,303.2</b>	673.8	671.9	1.9	629.4	404.0	211.5	14.0
a. Expected UAL payment on July 1, 2008	<b>94.1</b>	48.1	47.9	0.1	46.0	29.4	15.6	1.0
b. Remaining balance of 6/30/2007 UAL <sup>1</sup>	<b>\$ 1,111.8</b>	\$ 565.5	\$ 563.7	\$ 1.8	\$ 546.3	\$ 349.7	\$ 184.6	\$ 12.0
c. UAL due to change in assumptions	<b>\$ 83.8</b>	\$ 54.8	\$ 54.7	\$ 0.1	\$ 29.0	\$ 19.7	\$ 8.2	\$ 1.1
d. UAL actuarial loss for FY ending 6/30/08	<b>\$ 13.6</b>	\$ 5.4	\$ 5.5	\$ (0.1)	\$ 8.2	\$ 5.2	\$ 3.1	\$ (0.1)
7. a. amortization factor for 6b (19 years) <sup>2</sup>	<b>12.1229</b>	12.1229	12.1229	12.1229	12.1229	12.1229	12.1229	12.1229
b. amortization factor for 6c (30 years) <sup>2</sup>	<b>16.1973</b>	16.1973	16.1973	16.1973	16.1973	16.1973	16.1973	16.1973
c. amortization factor for 6d (15 years) <sup>2</sup>	<b>10.2010</b>	10.2010	10.2010	10.2010	10.2010	10.2010	10.2010	10.2010
8. <u>Negative Amortization Test for FY10</u>								
a. Total UAL adjusted to 6/30/09	<b>\$ 1,302.9</b>	\$ 674.2	\$ 672.3	\$ 1.9	\$ 628.7	\$ 403.6	\$ 211.1	\$ 14.0
b. interest on 8a. To 6/30/10	<b>\$ 101.0</b>	\$ 52.2	\$ 52.1	\$ 0.1	\$ 48.7	\$ 31.3	\$ 16.4	\$ 1.1
c. preliminary FY10 UAL amortization on 6/30/10	<b>\$ 98.2</b>	\$ 50.6	\$ 50.4	\$ 0.1	\$ 47.7	\$ 30.6	\$ 16.0	\$ 1.0
d. Negative interest as of 6/30/10 (8b - 8c)	<b>2.8</b>	1.7	1.7	0.0	1.1	0.7	0.3	0.0
9. Total FY10 UAL payment on 6/30/10 (8c + 8d)	<b>\$ 101.0</b>	\$ 52.2	\$ 52.1	\$ 0.1	\$ 48.7	\$ 31.3	\$ 16.4	\$ 1.1
10. Total FY10 UAL payment on 7/01/09	<b>\$ 93.7</b>	\$ 48.5	\$ 48.4	\$ 0.1	\$ 45.2	\$ 29.0	\$ 15.2	\$ 1.0
11. Total FY10 UAL payment throughout year	<b>\$ 97.3</b>	\$ 50.3	\$ 50.2	\$ 0.1	\$ 46.9	\$ 30.1	\$ 15.8	\$ 1.0
12. Expected Payroll during FY10	<b>\$ 577.4</b>	\$ 359.9	\$ 359.3	\$ 0.6	\$ 217.6	\$ 149.7	\$ 61.5	\$ 6.4
13. UAL Rate of pay for FY10	<b>16.85%</b>	13.99%	13.97%	24.96%	21.58%	20.13%	25.63%	16.31%
14. Determination of FY10 GASB ARC %								
a. Employer Normal Cost Rate (line 3)	<b>10.88%</b>	8.48%	8.46%	19.81%	14.85%	14.98%	14.35%	16.83%
b. UAL Rate (line 13)	<b>16.85%</b>	13.99%	13.97%	24.96%	21.58%	20.13%	25.63%	16.31%
c. Total employer ARC % (14a + 14b)	<b>27.73%</b>	22.47%	22.43%	44.77%	36.43%	35.11%	39.98%	33.14%
15. Determination of FY10 GASB ARC dollars								
a. FY10 ARC if paid throughout year	<b>\$ 160.1</b>	\$ 80.9	\$ 80.6	\$ 0.2	\$ 79.2	\$ 52.6	\$ 24.6	\$ 2.1
b. FY10 ARC if paid at beginning of year	<b>\$ 154.2</b>	\$ 77.9	\$ 77.6	\$ 0.2	\$ 76.3	\$ 50.6	\$ 23.7	\$ 2.0

<sup>1</sup> Adjusts reported 7/1/07 UAL to 7/1/08 by adding interest and removing UAL payments made for FY08 and FY09

<sup>2</sup> Factors based on UAL payments commencing at the end of year FY 2010

**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 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 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) 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.

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, 2007 and June 30, 2008 are presented in Table V-1 and Table V-2.

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

<b>Table V-1</b>			
<b>SDCERS - City of San Diego – Total</b>			
Item	June 30, 2008	June 30, 2007	% Change
<b>FASB No. 35 Basis</b>			
1. Present Value of Benefits Accrued and Vested to Date			
a. Members Currently Receiving Payments	\$3,286,668,254	\$3,101,594,060	6.0%
b. Vested Terminated and Inactive Members	250,141,836	239,571,040	4.4%
c. Active Members	<u>1,320,967,446</u>	<u>997,117,270</u>	<u>32.5%</u>
d. Total PVAB	\$4,857,777,536	\$4,338,282,370	12.0%
2. Assets at Market Value	4,408,719,440	4,641,340,923	-5.0%
3. Unfunded Present Value of Accrued Benefits, But Not Less Than Zero	\$ 449,058,096	\$ -	
4. Ratio of Assets to Value of Benefits (2)/(1)(d)	90.76%	106.99%	-16.2%
<b>GASB No. 25 Basis</b>			
1. Actuarial Liabilities			
a. Members Currently Receiving Payments	\$3,286,668,254	\$3,101,594,060	6.0%
b. Vested Terminated and Inactive Members	250,141,836	239,571,040	4.4%
c. Active Members	<u>2,426,739,456</u>	<u>2,256,487,761</u>	<u>7.5%</u>
d. Total PVAB	\$5,963,549,545	\$5,597,652,861	6.5%
2. Actuarial Value of Assets	\$4,660,346,403	\$4,413,410,812	5.6%
3. Unfunded Actuarial Liability	\$1,303,203,142	\$1,184,242,049	10.0%
4. Ratio of Actuarial Value of Assets To Actuarial Liability (2)/(1)(d)	78.15%	78.84%	-0.7%

<b>Table V-2</b>	
<b>SDCERS - City of San Diego – Total</b>	
Item	Accumulated Benefits Obligation (FASB 35)
<b>Actuarial Present Value of Benefits Accrued and Vested as of June 30, 2007</b>	<b>\$4,338,282,370</b>
Increase (Decrease) During Year Attributable to:	
Passage of Time	337,184,225
Benefits Paid	(246,959,108)
Assumption Change	160,345,095
Plan Amendment	-
Benefits Accrued, Other Gains/Losses	<u>268,924,954</u>
Net Increase (Decrease)	\$519,495,166
<b>Actuarial Present Value of Benefits Accrued and Vested as of June 30, 2008</b>	<b>\$4,857,777,536</b>

**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 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, 2008
Actuarial funding method	Entry Age Normal
Amortization method	Level percent closed
Remaining amortization period	19 years <sup>1</sup>
Asset valuation method	Expected Value Method
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases due to inflation <sup>1</sup>	4.00%
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 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 19 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 5.00% 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.

**SECTION V**  
**ACCOUNTING STATEMENT INFORMATION**

**Table V-4**  
**SDCERS - City of San Diego**  
**ANALYSIS OF FINANCIAL EXPERIENCE**  
**Gain and Loss in Actuarial Liability During Years Ended June 30**  
**Resulting from Differences Between Assumed Experience**  
**and Actual Experience**

*Gain (or Loss) for  
Year ending  
June 30, 2008*

**Type of Activity**

Investment Income	\$ (81,306,075)
Combined Liability Experience	<u>31,375,539</u>
Gain (or Loss) During Year from Financial Experience	\$ (49,930,537)
Non-Recurring Gain (or Loss) Items	<u>(47,421,879)</u>
Composite Gain (or Loss) During Year	\$ (97,352,416)



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)	Reported Assets <sup>1</sup>	Portion of Actuarial Liabilities Covered by Reported Assets		
	Active Member Contributions	Retirees And Beneficiaries	Remaining Active Members' Liabilities		(A)	(B)	(C)
2008	\$ 522,966	\$ 3,286,668	\$ 2,153,916	\$ 4,660,346	100%	100%	39.50%
2007 <sup>6</sup>	482,526	3,101,594	2,013,532	4,413,311	100	100	41.19
2006 <sup>4</sup>	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 <sup>5</sup>	1,946,660	1,635,681	2,628,680	100	100	16.33
2003	375,000 <sup>5</sup>	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 <sup>3</sup>	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 <sup>2</sup>	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 13<sup>th</sup> 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  
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**APPENDIX A  
MEMBERSHIP INFORMATION**

<b>Table A-1</b>			
<b>SDCERS - City of San Diego</b>			
<b>Active Member Data</b>			
	<b>June 30, 2008</b>	<b>June 30, 2007</b>	<b>% Change</b>
<b><u>Total</u></b>			
Count	8,487	8,494	-0.1%
Average Current Age	43.5	43.6	0.0%
Average Service	13.2	13.3	-0.9%
Average Pensionable Earnings	\$ 63,129	\$ 60,330	4.6%
Annual Pensionable Earnings	\$ 535,774,438	\$ 512,440,197	4.6%
Average Valuation Compensation <sup>1</sup>	\$ 63,129	\$ 60,324	4.6%
Annual Valuation Compensation <sup>1</sup>	\$ 535,774,438	\$ 512,393,206	4.6%
Service Without Permissive Service Purchased	11.6	11.6	0.2%
Members with Paid Purchased Service	2,624	2,800	-6.3%
Members with Any Purchased Service	2,766	2,974	-7.0%
Amount of Paid Purchased Service	11,295	12,199	-7.4%
Amount of Total Purchased Service	13,111	14,294	-8.3%
<b><u>General</u></b>			
Count	5,980	6,072	-1.5%
Average Current Age	45.2	45.0	0.4%
Average Service	13.3	13.2	0.8%
Average Pensionable Earnings	\$ 56,741	\$ 54,563	4.0%
Annual Pensionable Earnings	\$ 339,309,961	\$ 331,307,649	2.4%
Average Valuation Compensation <sup>1</sup>	\$ 56,741	\$ 54,555	4.0%
Annual Valuation Compensation <sup>1</sup>	\$ 339,309,961	\$ 331,260,658	2.4%
Service Without Permissive Service Purchased	11.5	11.3	1.8%
Members with Paid Purchased Service	2,085	2,241	-7.0%
Members with Any Purchased Service	2,148	2,322	-7.5%
Amount of Paid Purchased Service	9,962	10,821	-7.9%
Amount of Total Purchased Service	10,988	12,023	-8.6%
<b><u>Safety</u></b>			
Count	2,507	2,422	3.5%
Average Current Age	39.5	40.0	-1.3%
Average Service	12.8	13.3	-3.8%
Average Pensionable Earnings	\$ 78,366	\$ 74,786	4.8%
Annual Pensionable Earnings	\$ 196,464,477	\$ 181,132,548	8.5%
Average Valuation Compensation <sup>1</sup>	\$ 78,366	\$ 74,786	4.8%
Annual Valuation Compensation <sup>1</sup>	\$ 196,464,477	\$ 181,132,548	8.5%
Service Without Permissive Service Purchased	11.9	12.4	-4.0%
Members with Paid Purchased Service	539	559	-3.6%
Members with Any Purchased Service	618	652	-5.2%
Amount of Paid Purchased Service	1,333	1,378	-3.3%
Amount of Total Purchased Service	2,123	2,271	-6.5%

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

**SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2008 ACTUARIAL VALUATION**

**APPENDIX A  
MEMBERSHIP INFORMATION**

<b>Table A-2 SDCERS - City of San Diego Non-Active Member Data</b>						
	<b>Count</b>			<b>Average Age</b>		
	<b>June 30, 2008</b>	<b>June 30, 2007</b>	<b>% Change</b>	<b>June 30, 2008</b>	<b>June 30, 2007</b>	<b>% Change</b>
<b><u>Total</u></b>						
Retired	4,597	4,354	5.6%	65.8	65.8	-0.1%
Disabled	1,244	1,245	-0.1%	62.3	61.7	1.0%
Beneficiaries	<u>1,099</u>	<u>1,080</u>	1.8%	<u>74.7</u>	<u>74.9</u>	-0.3%
Payee Total	6,940	6,679	3.9%	66.6	66.5	0.0%
DROP Participants	1,039	1,045	-0.6%	57.4	57.5	-0.3%
Deferred Vested <sup>1</sup>	2,743	2,606	5.3%	44.2	43.8	0.8%
Vested < 10 yrs svc	1,841	1,763	4.4%			
<b><u>General</u></b>						
Retired	3,056	2,886	5.9%	67.6	67.8	-0.3%
Disabled	425	430	-1.2%	61.3	60.6	1.2%
Beneficiaries	<u>688</u>	<u>688</u>	0.0%	<u>77.0</u>	<u>77.2</u>	-0.3%
Payee Total	4,169	4,004	4.1%	68.5	68.7	-0.3%
DROP Participants	609	602	1.2%	59.4	59.5	-0.2%
Deferred Vested <sup>1</sup>	2,255	2,157	4.5%	45.3	44.8	1.1%
Vested < 10 yrs svc	1,521	1,475	3.1%			
<b><u>Safety</u></b>						
Retired	1,541	1,468	5.0%	62.1	61.9	0.3%
Disabled	819	815	0.5%	62.8	62.3	0.8%
Beneficiaries	<u>411</u>	<u>392</u>	4.8%	<u>70.9</u>	<u>70.9</u>	0.0%
Payee Total	2,771	2,675	3.6%	63.6	63.3	0.5%
DROP Participants	430	443	-2.9%	54.5	54.8	-0.5%
Deferred Vested <sup>1</sup>	488	449	8.7%	39.1	39.0	0.3%
Vested < 10 yrs svc	320	288	11.1%			

<sup>1</sup> Includes all members having a contribution balance still on account with SDCERS.

**SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2008 ACTUARIAL VALUATION**

**APPENDIX A  
MEMBERSHIP INFORMATION**

<b>Table A-3 SDCERS - City of San Diego Non-Active Member Data</b>						
	<b>Total Annual Benefit</b>			<b>Average Annual Benefit</b>		
	<b>June 30, 2008</b>	<b>June 30, 2007</b>	<b>% Change</b>	<b>June 30, 2008</b>	<b>June 30, 2007</b>	<b>% Change</b>
<b><u>Total</u></b>						
Retired	\$ 205,288,070	\$ 187,827,706	9.3%	\$ 44,657	\$ 43,139	3.5%
Disabled	34,628,149	33,422,130	3.6%	27,836	26,845	3.7%
Beneficiaries	<u>13,978,169</u>	<u>12,912,306</u>	8.3%	<u>12,719</u>	<u>11,956</u>	6.4%
Payee Total	\$ 253,894,388	\$ 234,162,141	8.4%	\$ 36,584	\$ 35,059	4.3%
DROP Participants	\$ 56,289,222	\$ 56,380,016	-0.2%	\$ 54,176	\$ 53,952	0.4%
Deferred Vested <sup>1</sup>	\$ 100,703,014	\$ 90,347,344	11.5%	\$ 36,713	\$ 34,669	5.9%
<b><u>General</u></b>						
Retired	\$ 109,518,324	\$ 99,071,458	10.5%	\$ 35,837	\$ 34,328	4.4%
Disabled	6,593,319	6,507,778	1.3%	15,514	15,134	2.5%
Beneficiaries	<u>6,857,545</u>	<u>6,432,225</u>	6.6%	<u>9,967</u>	<u>9,349</u>	6.6%
Payee Total	\$ 122,969,188	\$ 112,011,462	9.8%	\$ 29,496	\$ 27,975	5.4%
DROP Participants	\$ 25,551,437	\$ 25,407,946	0.6%	\$ 41,956	\$ 42,206	-0.6%
Deferred Vested <sup>1</sup>	\$ 81,048,759	\$ 72,844,083	11.3%	\$ 35,942	\$ 33,771	6.4%
<b><u>Safety</u></b>						
Retired	\$ 95,769,746	\$ 88,756,247	7.9%	\$ 62,148	\$ 60,461	2.8%
Disabled	28,034,830	26,914,351	4.2%	34,231	33,024	3.7%
Beneficiaries	<u>7,120,624</u>	<u>6,480,081</u>	9.9%	<u>17,325</u>	<u>16,531</u>	4.8%
Payee Total	\$ 130,925,200	\$ 122,150,680	7.2%	\$ 47,248	\$ 45,664	3.5%
DROP Participants	\$ 30,737,785	\$ 30,972,070	-0.8%	\$ 71,483	\$ 69,914	2.2%
Deferred Vested <sup>1</sup>	\$ 19,654,255	\$ 17,503,261	12.3%	\$ 40,275	\$ 38,983	3.3%

<sup>1</sup> Includes all members having a contribution balance still on account with SDCERS. Annual benefit for deferred vested members is the total contribution balance on account as of June 30, 2008.

**SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2008 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, 2008  
Total City**

Age	Years of Service <sup>1</sup>										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	128	85	1	-	-	-	-	-	-	-	-	214
25 to 29	146	328	125	6	-	-	-	-	-	-	-	605
30 to 34	96	255	385	100	5	-	-	-	-	-	-	841
35 to 39	60	152	437	362	129	11	-	-	-	-	-	1,151
40 to 44	39	127	299	377	473	291	19	2	-	-	-	1,627
45 to 49	43	92	224	325	396	505	318	21	3	-	-	1,927
50 to 54	23	79	143	200	247	299	261	129	35	3	-	1,419
55 to 59	11	69	92	132	104	38	33	7	6	2	-	494
60 to 64	7	23	36	47	40	10	5	3	-	2	-	173
65 to 69	1	6	6	4	3	2	2	-	-	-	-	24
70 and up	1	1	3	1	2	1	-	1	2	-	-	12
<b>Total Count</b>	<b>555</b>	<b>1,217</b>	<b>1,751</b>	<b>1,554</b>	<b>1,399</b>	<b>1,157</b>	<b>638</b>	<b>163</b>	<b>46</b>	<b>7</b>	<b>-</b>	<b>8,487</b>

**Table A-5  
SDCERS - City of San Diego  
Distribution of Active Members (Excludes DROP Participants) as of June 30, 2008  
Total City**

Age	Average Salary Years of Service <sup>1</sup>										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	\$ 43,379	\$ 45,223	\$ 31,491	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,056
25 to 29	44,867	56,231	57,913	66,886	-	-	-	-	-	-	-	53,942
30 to 34	47,020	59,283	63,846	65,734	79,310	-	-	-	-	-	-	60,858
35 to 39	48,267	57,258	62,189	69,854	65,893	58,371	-	-	-	-	-	63,602
40 to 44	54,522	55,478	58,492	67,322	72,194	75,834	62,702	78,208	-	-	-	67,366
45 to 49	49,780	53,880	54,736	58,510	66,754	76,248	76,870	59,976	64,438	-	-	67,053
50 to 54	57,474	60,109	56,262	58,481	59,845	65,297	70,375	61,402	69,600	65,247	-	62,747
55 to 59	46,509	60,695	53,887	58,615	60,727	65,278	67,836	91,171	51,918	71,454	-	59,760
60 to 64	43,314	66,073	51,337	57,904	60,013	62,793	79,781	54,676	-	44,533	-	58,225
65 to 69	27,050	72,150	54,446	60,170	57,138	64,673	57,845	-	-	-	-	60,157
70 and up	37,918	69,722	16,976	49,254	26,692	37,055	-	47,819	42,789	-	-	35,972
<b>Avg. Salary</b>	<b>\$ 46,814</b>	<b>\$ 56,754</b>	<b>\$ 59,399</b>	<b>\$ 63,773</b>	<b>\$ 66,620</b>	<b>\$ 72,613</b>	<b>\$ 73,287</b>	<b>\$ 62,496</b>	<b>\$ 65,791</b>	<b>\$ 61,102</b>	<b>\$ -</b>	<b>\$ 63,129</b>

**SDCERS-CITY OF SAN DIEGO  
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**APPENDIX A  
MEMBERSHIP INFORMATION**

**Table A-6  
SDCERS - City of San Diego  
Distribution of Active Members (Excludes DROP Participants) as of June 30, 2008  
General**

Age	Years of Service <sup>1</sup>										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	38	52	1	-	-	-	-	-	-	-	-	91
25 to 29	75	171	70	3	-	-	-	-	-	-	-	319
30 to 34	55	149	233	56	5	-	-	-	-	-	-	498
35 to 39	41	117	291	186	84	10	-	-	-	-	-	729
40 to 44	33	113	236	231	253	159	16	2	-	-	-	1,043
45 to 49	39	87	199	278	256	283	176	19	3	-	-	1,340
50 to 54	23	78	132	187	219	254	212	126	35	3	-	1,269
55 to 59	11	69	92	129	104	37	29	6	6	2	-	485
60 to 64	7	22	36	47	39	9	5	3	-	2	-	170
65 to 69	1	6	6	4	3	2	2	-	-	-	-	24
70 and up	1	1	3	1	2	1	-	1	2	-	-	12
<b>Total Count</b>	<b>324</b>	<b>865</b>	<b>1,299</b>	<b>1,122</b>	<b>965</b>	<b>755</b>	<b>440</b>	<b>157</b>	<b>46</b>	<b>7</b>	<b>-</b>	<b>5,980</b>

**Table A-7  
SDCERS - City of San Diego  
Distribution of Active Members (Excludes DROP Participants) as of June 30, 2008  
General**

Age	Average Salary Years of Service <sup>1</sup>										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	\$ 32,294	\$ 37,201	\$ 31,491	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,089
25 to 29	43,529	48,592	44,684	59,800	-	-	-	-	-	-	-	46,649
30 to 34	45,622	53,692	55,232	55,688	79,310	-	-	-	-	-	-	54,003
35 to 39	48,219	53,261	54,321	57,953	55,317	54,723	-	-	-	-	-	54,855
40 to 44	55,599	54,151	53,095	58,259	59,703	65,187	58,448	78,208	-	-	-	58,009
45 to 49	49,009	52,394	51,945	54,457	57,374	65,281	63,473	57,018	64,438	-	-	57,877
50 to 54	57,474	60,033	54,301	56,997	57,442	61,411	64,395	60,863	69,600	65,247	-	59,859
55 to 59	46,509	60,695	53,887	58,091	60,727	64,813	64,993	90,410	51,918	71,454	-	59,271
60 to 64	43,314	60,374	51,337	57,904	59,459	59,975	79,781	54,676	-	44,533	-	57,128
65 to 69	27,050	72,150	54,446	60,170	57,138	64,673	57,845	-	-	-	-	60,157
70 and up	37,918	69,722	16,976	49,254	26,692	37,055	-	47,819	42,789	-	-	35,972
<b>Avg. Salary</b>	<b>\$ 46,067</b>	<b>\$ 53,010</b>	<b>\$ 53,160</b>	<b>\$ 56,896</b>	<b>\$ 58,316</b>	<b>\$ 63,694</b>	<b>\$ 63,994</b>	<b>\$ 61,547</b>	<b>\$ 65,791</b>	<b>\$ 61,102</b>	<b>\$ -</b>	<b>\$ 56,741</b>

**SDCERS-CITY OF SAN DIEGO  
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**APPENDIX A  
MEMBERSHIP INFORMATION**

**Table A-8  
SDCERS - City of San Diego  
Distribution of Active Members (Excludes DROP Participants) as of June 30, 2008  
Safety**

Age	Years of Service <sup>1</sup>										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	90	33	-	-	-	-	-	-	-	-	-	123
25 to 29	71	157	55	3	-	-	-	-	-	-	-	286
30 to 34	41	106	152	44	-	-	-	-	-	-	-	343
35 to 39	19	35	146	176	45	1	-	-	-	-	-	422
40 to 44	6	14	63	146	220	132	3	-	-	-	-	584
45 to 49	4	5	25	47	140	222	142	2	-	-	-	587
50 to 54	-	1	11	13	28	45	49	3	-	-	-	150
55 to 59	-	-	-	3	-	1	4	1	-	-	-	9
60 to 64	-	1	-	-	1	1	-	-	-	-	-	3
65 to 69	-	-	-	-	-	-	-	-	-	-	-	-
70 and up	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Count</b>	231	352	452	432	434	402	198	6	-	-	-	2,507

**Table A-9  
SDCERS - City of San Diego  
Distribution of Active Members (Excludes DROP Participants) as of June 30, 2008  
Safety**

Age	Average Salary Years of Service <sup>1</sup>										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	\$ 48,060	\$ 57,865	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,691
25 to 29	46,281	64,552	74,749	73,972	-	-	-	-	-	-	-	62,076
30 to 34	48,896	67,143	77,051	78,520	-	-	-	-	-	-	-	70,812
35 to 39	48,370	70,619	77,872	82,432	85,636	94,848	-	-	-	-	-	78,712
40 to 44	48,599	66,190	78,713	81,662	86,558	88,658	85,387	-	-	-	-	84,078
45 to 49	57,293	79,735	76,948	82,486	83,908	90,228	93,475	88,080	-	-	-	88,000
50 to 54	-	66,061	79,798	79,823	78,642	87,231	96,247	84,038	-	-	-	87,181
55 to 59	-	-	-	81,128	-	82,487	88,449	95,734	-	-	-	86,156
60 to 64	-	191,456	-	-	81,615	88,157	-	-	-	-	-	120,409
65 to 69	-	-	-	-	-	-	-	-	-	-	-	-
70 and up	-	-	-	-	-	-	-	-	-	-	-	-
<b>Avg. Salary</b>	\$ 47,861	\$ 65,954	\$ 77,329	\$ 81,633	\$ 85,085	\$ 89,364	\$ 93,937	\$ 87,335	\$ -	\$ -	\$ -	\$ 78,366

SDCERS-CITY OF SAN DIEGO  
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**APPENDIX A**  
**MEMBERSHIP INFORMATION**

**Table A-10**  
**SDCERS - City of San Diego**  
**Retirees (Includes DROP Participants), Disabled, and Beneficiaries Tabulate by Attained Age/Benefit Effective Date**  
**Total City**

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-1989	6	17	47	113	95	95	177	225	213	129	1,117
1989	-	3	1	7	17	24	26	24	9	4	115
1990	3	7	6	11	10	32	34	42	11	2	158
1991	4	8	1	10	8	26	36	23	6	6	128
1992	7	1	6	10	10	30	29	18	9	-	120
1993	15	8	7	11	57	100	42	35	10	2	287
1994	14	12	12	13	18	17	20	11	8	3	128
1995	10	16	7	12	20	20	31	5	3	3	127
1996	12	13	8	21	34	28	23	6	9	6	160
1997	18	8	11	57	93	45	24	6	7	5	274
1998	12	10	10	59	108	35	18	10	11	4	277
1999	19	7	23	121	68	44	12	15	6	4	319
2000	22	6	18	136	36	31	16	10	11	2	288
2001	18	17	73	129	63	38	13	11	5	2	369
2002	12	7	59	93	39	14	10	5	7	1	247
2003	7	10	95	262	95	26	12	11	12	3	533
2004	14	45	145	89	65	21	5	12	10	1	407
2005	12	83	212	99	67	9	9	9	11	5	516
2006	22	111	201	69	25	8	11	9	8	4	468
2007	7	92	224	75	22	17	9	17	11	3	477
2008	12	93	202	65	16	10	10	10	6	1	425
<b>Total</b>	246	574	1,368	1,462	966	670	567	514	383	190	6,940

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

Average Age at Retirement/Disability                    55.8  
Average Current Age    66.6  
Average Annual Pension    \$ 36,584



SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2008 ACTUARIAL VALUATION

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Table A-11  
SDCERS - City of San Diego  
Retirees (Includes DROP Participants), Disabled, and Beneficiaries Tabulate 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-1989	3	1	15	20	25	24	70	137	161	100	556
1989	-	-	-	1	1	7	14	22	6	3	54
1990	1	1	1	5	1	11	26	42	10	2	100
1991	1	4	-	2	-	8	32	23	3	4	77
1992	3	-	1	2	2	23	28	18	8	-	85
1993	7	1	1	3	7	34	39	29	8	-	129
1994	4	2	7	5	6	13	19	10	6	2	74
1995	3	10	3	-	6	18	30	4	3	2	79
1996	4	4	5	5	21	24	19	5	6	5	98
1997	8	3	6	7	27	31	22	6	5	5	120
1998	6	5	6	5	71	33	17	8	9	2	162
1999	4	4	5	39	46	43	10	11	4	4	170
2000	12	3	6	55	31	30	16	6	6	-	165
2001	6	14	8	77	58	37	10	9	5	2	226
2002	5	4	5	52	36	14	10	4	7	1	138
2003	4	6	11	221	89	24	10	8	9	3	385
2004	6	7	91	76	59	17	4	9	6	1	276
2005	6	6	147	83	61	8	8	6	8	5	338
2006	11	13	166	65	23	6	10	5	5	3	307
2007	5	11	195	65	19	12	7	11	7	3	335
2008	4	4	186	63	13	7	9	4	4	1	295
<b>Total</b>	103	103	865	851	602	424	410	377	286	148	4,169

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    68.5  
Average Annual Pension    \$ 29,496

**SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2008 ACTUARIAL VALUATION**

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Table A-12  
SDCERS - City of San Diego  
Retirees (Includes DROP Participants), Disabled, and Beneficiaries Tabulate by Attained Age/Benefit Effective Date  
Safety**

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-1989	3	16	32	93	70	71	107	88	52	29	561
1989	-	3	1	6	16	17	12	2	3	1	61
1990	2	6	5	6	9	21	8	-	1	-	58
1991	3	4	1	8	8	18	4	-	3	2	51
1992	4	1	5	8	8	7	1	-	1	-	35
1993	8	7	6	8	50	66	3	6	2	2	158
1994	10	10	5	8	12	4	1	1	2	1	54
1995	7	6	4	12	14	2	1	1	-	1	48
1996	8	9	3	16	13	4	4	1	3	1	62
1997	10	5	5	50	66	14	2	-	2	-	154
1998	6	5	4	54	37	2	1	2	2	2	115
1999	15	3	18	82	22	1	2	4	2	-	149
2000	10	3	12	81	5	1	-	4	5	2	123
2001	12	3	65	52	5	1	3	2	-	-	143
2002	7	3	54	41	3	-	-	1	-	-	109
2003	3	4	84	41	6	2	2	3	3	-	148
2004	8	38	54	13	6	4	1	3	4	-	131
2005	6	77	65	16	6	1	1	3	3	-	178
2006	11	98	35	4	2	2	1	4	3	1	161
2007	2	81	29	10	3	5	2	6	4	-	142
2008	8	89	16	2	3	3	1	6	2	-	130
<b>Total</b>	<b>143</b>	<b>471</b>	<b>503</b>	<b>611</b>	<b>364</b>	<b>246</b>	<b>157</b>	<b>137</b>	<b>97</b>	<b>42</b>	<b>2,771</b>

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

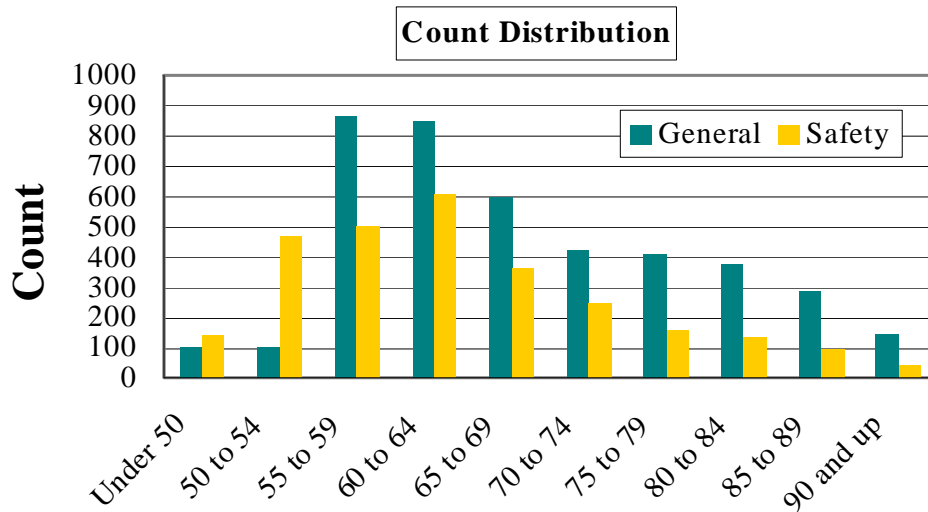
**Average Age at Retirement/Disability** 51.1  
**Average Current Age** 63.6  
**Average Annual Pension** \$ 47,248

APPENDIX A  
 MEMBERSHIP INFORMATION

**Table A-13**  
**SDCERS - City of San Diego**  
**Distribution of Retirees, Disabled Members,**  
**Beneficiaries and Survivors**  
**as of June 30, 2008**

Age	Count		Total
	General	Safety	
Under 50	103	143	246
50 to 54	103	471	574
55 to 59	865	503	1,368
60 to 64	851	611	1,462
65 to 69	602	364	966
70 to 74	424	246	670
75 to 79	410	157	567
80 to 84	377	137	514
85 to 89	286	97	383
90 and up	148	42	190
Total	4,169	2,771	6,940

**Chart A-1**

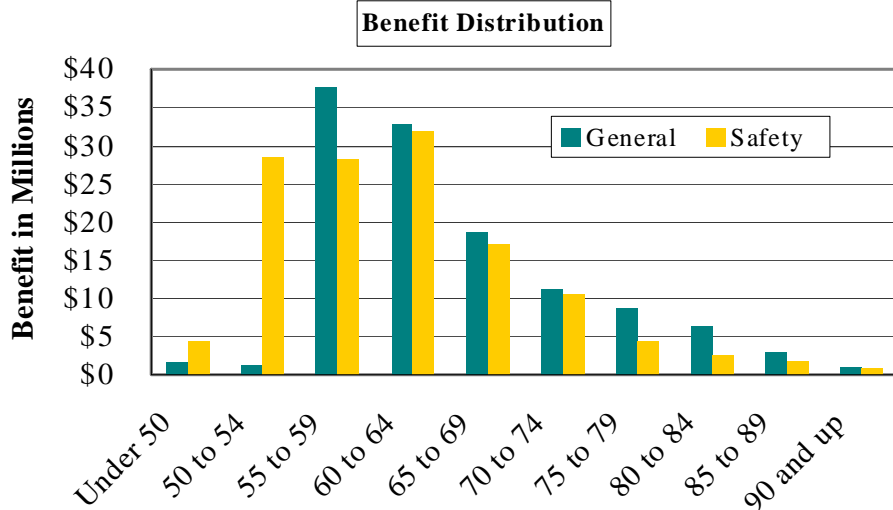


APPENDIX A  
 MEMBERSHIP INFORMATION

**Table A-14**  
**SDCERS - City of San Diego**  
**Distribution of Retirees, Disabled Members,**  
**Beneficiaries and Survivors**  
**as of June 30, 2008**

Age	Annual Benefit		
	General	Safety	Total
Under 50	\$ 1,620,482	\$ 4,382,001	\$ 6,002,483
50 to 54	1,305,985	28,440,298	29,746,283
55 to 59	37,618,246	28,319,567	65,937,812
60 to 64	33,000,750	31,868,738	64,869,488
65 to 69	18,726,059	17,285,223	36,011,282
70 to 74	11,249,442	10,669,018	21,918,460
75 to 79	8,943,268	4,508,918	13,452,186
80 to 84	6,349,591	2,775,250	9,124,840
85 to 89	3,016,414	1,836,151	4,852,565
90 and up	1,138,952	840,036	1,978,987
<b>Total</b>	<b>\$ 122,969,188</b>	<b>\$ 130,925,200</b>	<b>\$ 253,894,388</b>

**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.
- 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 Relations Order purposes. The “Supplement Amt” field is added as an annual benefit (i.e. 13<sup>th</sup> 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” (13<sup>th</sup> check) will have their projected “Supplement Amt” (13<sup>th</sup> 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 member's benefit over their Internal Revenue Service Code Section 415 Benefit Limits.

**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. It also represents the difference between the investment return rate and the assumed real rate of return.

**3. Interest Credited to Member Contributions**

7.75%, compounded annually.

**4. Salary Increase Rate**

Inflation component: 4.00%

The additional merit component:

<b>Years of Service at Valuation Date</b>	<b>General</b>	<b>Safety</b>
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. 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.

**7. Member Refunds**

All or 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**

<b>Age</b>	<b>General</b>	<b>Safety</b>
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**

<b>Age</b>	<b>General</b>	<b>Safety</b>
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.

<b>Age</b>	<b>General</b>		<b>Safety</b>
	<b>Male</b>	<b>Female</b>	
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**

All retired healthy members use the RP2000 Combined Healthy table (male and female). Safety members 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 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.

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 based on years of service and are shown in the table below.

<b>Table B-7</b>		
<b>SDCERS - City of San Diego</b>		
<b>Rates of Retirement by Service Years</b>		
<b>Service</b>	<b>General</b>	<b>Safety</b>
10-19	33%	32%
20	41	32
21	33	14
22	35	18
23	37	23
24	39	27
25	41	32
26	42	36
27	44	41
28	46	45
29	48	50
30	50	100
31	51	100
32	53	100
33	55	100
34	57	100
35+	100	100

For vested deferred members, 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.

<b>Age</b>	<b>Elected Officials</b>
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 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 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, 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 4.00% per year. The UAL for FY 2010 is to be amortized over several different periods. The amortization of the UAL due to assumptions changes was over 30 years, the fiscal year ending June 30, 2008 experience loss was amortized over 15 years, and the outstanding balance of the June 30, 2007 UAL was amortized over 19 years. Finally, 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 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 provision of retirement benefits and expenses.

The actuarial value of assets each year is equal to 100% of the *expected actuarial value of assets*<sup>1</sup> 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 ever greater than 120% of the market value of assets.

<sup>1</sup> 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 B**  
**ACTUARIAL ASSUMPTIONS AND METHODS**

**3. Changes Since Last Valuation**

As was stated in this report, there have been changes in actuarial assumptions since the June 30, 2007 actuarial valuation:

- Retirement rates were increased and the assumption was changed to be based on the amount of service as opposed to the age of a member.
- Termination rates were increased.
- Disability rates were decreased.
- Mortality rates for active City General members was changed from the UP1994 table set back five years to the RP2000 Combined Healthy table projected to 2008; City Safety members was changed from the UP1994 table (male only) set back five years to the RP2000 Combined Healthy (male only) table projected to 2008, set forward two years.
- Mortality rates for retired City General and Safety members was changed from the UP1994 table set back two years to the RP2000 Combined Healthy table (set forward two years for Safety only).
- The investment return assumption was lowered from 8.00% to 7.75%.
- The inflation assumption was lowered from 4.25% to 4.00%.

**APPENDIX C  
SUMMARY OF PLAN PROVISIONS**

**1. Membership Requirement**

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

**2. Monthly Salary Base for Benefits**

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.

**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 and Safety members:*

Member choice of formula in place on June 30, 2000 (Option 1), or formula effective as of July 1, 2000 (Option 2), or for General Members 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).

*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).

For all employees, there is an additional amount equal to the annuitized member COLA contributions at retirement date.

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



SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2008 ACTUARIAL VALUATION

**APPENDIX C  
SUMMARY OF PLAN PROVISIONS**

**Member Service Retirement Accrual Factors**

<b>Table C-1</b>						
<b>SDCERS - City of San Diego</b>						
<b>Member Service Retirement Accrual Factors</b>						
<b>Retirement</b>	<b>General</b>			<b>Police &amp; Fire</b>	<b>Lifeguard</b>	<b>Safety</b>
<b>Age</b>	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>	<b>Option 1</b>		<b>Option 2</b>
50	--	--	--	2.50%	2.20%	3.00%
51	--	--	--	2.60%	2.32%	3.00%
52	--	--	--	2.70%	2.44%	3.00%
53	--	--	--	2.80%	2.57%	3.00%
54	--	--	--	2.90%	2.72%	3.00%
55	2.00%	2.25%	2.50%	2.99%	2.77%	3.00%
56	2.00%	2.25%	2.50%	2.99%	2.77%	3.00%
57	2.00%	2.25%	2.50%	2.99%	2.77%	3.00%
58	2.00%	2.25%	2.50%	2.99%	2.77%	3.00%
59	2.08%	2.25%	2.50%	2.99%	2.77%	3.00%
60	2.16%	2.30%	2.55%	2.99%	2.77%	3.00%
61	2.24%	2.35%	2.60%	2.99%	2.77%	3.00%
62	2.31%	2.40%	2.65%	2.99%	2.77%	3.00%
63	2.39%	2.45%	2.70%	2.99%	2.77%	3.00%
64	2.47%	2.50%	2.75%	2.99%	2.77%	3.00%
65 and up	2.55%	2.55%	2.80%	2.99%	2.77%	3.00%

**GENERAL:**

<b>Table C-2</b>	
<b>SDCERS – City of San Diego</b>	
<b>For Vested Members who terminated--</b>	<b>--the accrual factors are--</b>
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:**

<b>Table C-3</b>	
<b>SDCERS – City of San Diego</b>	
<b>For Vested Members who terminated--</b>	<b>--the accrual factors are--</b>
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:* 90% of Final Average compensation if Option 3 is chosen, unless an exception to the 90% cap applies

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

*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 (§ 24.0601).

**Note:** City employees withdrew from Social Security January 1, 1982. We are assuming 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).

**APPENDIX C**  
**SUMMARY OF PLAN PROVISIONS**

**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).

**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).

**APPENDIX C  
SUMMARY OF PLAN PROVISIONS**

**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).

**12. Cola Annuity**

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

**SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2008 ACTUARIAL VALUATION**

**APPENDIX C  
SUMMARY OF PLAN PROVISIONS**

**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 are “picked up”, such pick ups are not directly reflected in either the employee contributions or related refund calculations. These are the rates in effect for the June 30, 2008 valuation.

<b>Table C-5</b>				
<b>SDCERS - City of San Diego</b>				
<b>Employee Contribution Rates<sup>1</sup></b>				
<b>Entry Age</b>	<b>General</b>	<b>Police</b>	<b>Fire</b>	<b>Lifeguard</b>
20	9.18%	11.86%	11.55%	11.20%
21	9.28	12.02	11.71	11.36
22	9.39	12.16	11.85	11.50
23	9.50	12.32	12.01	11.66
24	9.60	12.47	12.16	11.81
25	9.73	12.64	12.33	11.98
26	9.85	12.79	12.48	12.13
27	9.96	12.96	12.65	12.30
28	10.08	13.12	12.81	12.46
29	10.20	13.29	12.98	12.63
30	10.32	13.45	13.14	12.79
31	10.45	13.62	13.31	12.96
32	10.57	13.78	13.47	13.12
33	10.69	13.95	13.64	13.29
34	10.81	14.13	13.82	13.47
35	10.95	14.31	14.00	13.65
36	11.08	14.48	14.17	13.82
37	11.22	14.66	14.35	14.00
38	11.35	14.85	14.54	14.19
39	11.48	15.03	14.72	14.37
40	11.62	15.22	14.91	14.56
41	11.76	15.41	15.10	14.75
42	11.89	15.59	15.28	14.93
43	12.03	15.79	15.48	15.13
44	12.18	15.99	15.68	15.33
45	12.32	16.17	15.86	15.51
46	12.46	16.40	16.07	15.72
47	12.61	16.58	16.27	15.92
48	12.76	16.77	16.46	16.11
49	12.91	16.97	16.66	16.31
50	13.05			
51	13.22			
52	13.37			
53	13.53			
54	13.69			
55	13.85			
56	14.01			
57	14.21			

<sup>1</sup> Contribution Rate = Normal Cost + Cost-of-Living Rate

**APPENDIX C**  
**SUMMARY OF PLAN PROVISIONS**

Interest:	8.00%
Salary:	5.00%
Mortality:	83 Group Annuity Mortality (GAM) male (Males set back 2 years, Females set back 8 years)

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

**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.

**15. Deferred Retirement Option Program**

Effective April 1, 1997, a deferred retirement option plan (DROP) was created and offered to members as an alternative method of benefit accrual. Any member who is eligible for a service retirement is eligible to participate in DROP, except for a Safety member who elects to accrue benefits under Section 24.0403(g).

A member who is participating in DROP may leave DROP at any time before the end of his or her designated DROP participation period by voluntarily leaving City employment.

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.

**APPENDIX C**  
**SUMMARY OF PLAN PROVISIONS**

**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).

**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 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 2010 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 valuation assets. Sometimes referred to as "unfunded actuarial accrued liability".

Most retirement systems have unfunded actuarial liabilities. They typically arise each time new benefits are added and each time experience losses are realized.

The existence of unfunded actuarial accrued liability is not in itself an indicator of poor funding. Also, unfunded actuarial liabilities do not represent a debt that is payable today. What is important is the ability of the plan sponsor to amortize the unfunded actuarial liability and the trend in its amount (after due allowance for devaluation of the dollar).