



**San Diego City  
Employees' Retirement System**

**June 30, 2009  
Actuarial Valuation for the**

**City of San Diego**

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

**July 2010**

## Table of Contents

Letter of Transmittal .....	<b>i</b>
Section I – Board Summary .....	<b>1</b>
Section II – Assets .....	<b>13</b>
Section III – Liabilities .....	<b>18</b>
Section IV – Contributions .....	<b>23</b>
Section V – Accounting Statement Information.....	<b>25</b>
Appendix A – Membership Information.....	<b>30</b>
Appendix B – Actuarial Assumptions and Methods.....	<b>43</b>
Appendix C – Summary of Plan Provisions .....	<b>52</b>
Appendix D – Glossary of Terms .....	<b>62</b>

LETTER OF TRANSMITTAL

July 21, 2010

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

Dear Members of the Board:

The City's actuarial valuation results as of June 30, 2009 have been adjusted to reflect the Board's decision to adopt new employee contribution rates at its May 28, 2010 meeting. The impact of this adjustment on the key valuation results for the City is shown in the table below.

<b>Table I-1</b> <b>SDCERS - City of San Diego</b> (all dollar amounts in millions)			
Valuation Date	6/30/2009 (Original)	6/30/2009 (Revised)	6/30/2008
Unfunded Actuarial Liability (UAL)	\$ 2,106.4	\$ 2,106.4	\$ 1,303.2
Funding Ratio	66.5%	66.5%	78.1%
City Contribution Rate	42.26%	41.75%	27.73%
Fiscal Year	2011	2011	2010
Annual Required Contribution (GASB):			
-if paid at the beginning of the year	\$ 231.7 million	\$ 229.1 million	\$ 154.2 million
-if paid throughout the year	\$ 240.6 million	\$ 237.8 million	\$ 160.1 million

- Unfunded Actuarial Liability (UAL):* The City's UAL has increased by \$803.2 million. The primary cause of this increase was the significant investment loss experienced during the worst equity market since the Great Depression.
- Funding Ratio:* This is the ratio of the system's actuarial value of assets to actuarial liabilities, which declined by 11.6%.
- Contributions (GASB ARC):* City contributions were determined under full compliance with the Governmental Accounting Standards Board (GASB) Statement Number 25, defining the annual required contribution (ARC) for the City for fiscal year July 1, 2010 through June 30, 2011 (FY 2011). The results of this valuation produced an increase in the City's ARC of \$74.9 million. When measured as a percent of membership payroll, the ARC rose by 14.02%.

More details on Plan experience for the past year and its impact on the June 30, 2009 valuation results can be found in the valuation report.



Board of Administration

July 21, 2010

Page ii

We certify that, to the best of our knowledge, this valuation report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable actuarial standards set out by the Actuarial Standards Board, including Actuarial Standards of Practice (ASOPs) Nos. 4, 27, 35 and 44. In preparing our report, we relied without audit, on information supplied by SDCERS' staff. This information includes, but is not limited to, plan provisions, employee data, and financial information.

Finally, it is important to note that this valuation was prepared using census data and financial information as of the valuation date, June 30, 2009. Therefore, changes in membership and investment experience following that date are not reflected in this report. The next valuation will reflect all membership and investment experience changes through June 30, 2010.

Sincerely,  
Cheiron



Gene Kalwarski, FSA, EA, MAAA  
Principal Consulting Actuary

cc: Bill Hallmark  
David Holland  
Alice Alsberghe

**SECTION I  
BOARD SUMMARY**

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

- The financial condition of the SDCERS-City of San Diego Defined Benefit Plan,
- Past and expected trends in the financial condition of SDCERS-City of San Diego,
- The City's contribution rates for Fiscal Year 2011, and
- Information required by the Governmental Accounting Standards Board (GASB).

In this Section, we present a summary of the principal valuation results. This summary includes the basis upon which the June 30, 2009 valuation was completed and an examination of the current financial condition of SDCERS-City of San Diego. In addition, we present a review of the key historical trends followed by the projected financial outlook for SDCERS-City of San Diego.

**A. Valuation Basis**

The City's June 30, 2009 valuation results are based on the same actuarial assumptions and methods used in the June 30, 2008 valuation, except the assumption used to calculate the value of the Deferred Retirement Option Plan (DROP) account balances. More details on the assumptions and methods can be found in Appendix B.

The Board adopted new employee contribution rates for the June 30, 2009 valuation based on its interpretation of the requirement in the San Diego City Charter for "substantially equal" employer and employee contributions. More details on the employee contribution rates and other benefit provisions can be found in Appendix C.

General and Police Members hired on or after July 25, 2009 will participate in new Plans with lower benefits and costs. While there are no Members covered by the new benefit formulas in this valuation, the City's contribution for FY 2011 reflects the anticipated cost reduction on the projected FY 2011 payroll for new hires. As experience under the new Plans emerges, further study will be required and the actual cost implications may vary.

**SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2009 ACTUARIAL VALUATION**

**SECTION I  
BOARD SUMMARY**

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

The following discussion summarizes the key results of the June 30, 2009 valuation and how they compare to the results from the June 30, 2008 valuation.

1. City Membership

Table I-2 shows that total membership in SDCERS-City of San Diego increased by 1.6% from 2008 to 2009. The increase was attributable to the growth in inactive membership (terminated vested, disabled, retirees, and beneficiaries), as the active membership count actually declined. Active Member payroll increased by 0.2%, which is below 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, 2009</b>	<b>June 30, 2008</b>	<b>% Change</b>
Active Counts	8,273	8,487	-2.5%
Terminated Vested	2,827	2,743	3.1%
Disabled	1,257	1,244	1.0%
Retirees	4,975	4,597	8.2%
Beneficiaries	<u>1,137</u>	<u>1,099</u>	<u>3.5%</u>
Total City Participants	18,469	18,170	1.6%
Active Member Payroll	\$ 536,591,287	\$ 535,774,438	0.2%
Average Pay per Active Member	\$ 64,861	\$ 63,129	2.7%

**SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2009 ACTUARIAL VALUATION**

**SECTION I  
BOARD SUMMARY**

**2. City Assets and Liabilities**

Table I-3 presents a comparison between the June 30, 2009 and June 30, 2008 SDCERS-City of San Diego assets, liabilities, unfunded actuarial liability, and funding ratios.

The key results shown in Table I-3 indicate that due to the total actuarial liability increase of 5.3% and the actuarial value of assets decrease of 10.4%, the funding ratio decreased from 78.1% as of June 30, 2008 to 66.5% as of June 30, 2009. SDCERS employs a commonly used actuarial smoothing method on the market value that dampens market volatility, so the actuarial value of assets did not decline as much as the market value (21.1%).

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>Entry Age Normal (EAN) Liabilities</b>	<b>June 30, 2009</b>	<b>June 30, 2008</b>	<b>% Change</b>
Actives	\$ 2,353,326,545	\$ 2,426,739,455	-3.0%
Terminated Vested	255,124,776	250,141,836	2.0%
Disabled	408,598,894	392,785,020	4.0%
Retirees	3,118,227,002	2,763,266,125	12.8%
Beneficiaries	<u>146,358,891</u>	<u>130,617,109</u>	<u>12.1%</u>
Total Actuarial (EAN) Liability	\$ 6,281,636,108	\$ 5,963,549,545	5.3%
Market Value Assets	\$ 3,479,357,154	\$ 4,408,719,440	-21.1%
Actuarial Value Assets	\$ 4,175,228,585	\$ 4,660,346,403	-10.4%
Unfunded Actuarial Liability	\$ 2,106,407,523	\$ 1,303,203,142	61.6%
Funding Ratio-Actuarial Value	66.5%	78.1%	-11.6%

**SECTION I  
BOARD SUMMARY**

3. Components of UAL Change between June 30, 2008 and June 30, 2009

The unfunded actuarial liability (UAL) for SDCERS-City of San Diego increased by \$803.2 million from \$1,303.2 million to \$2,106.4 million. Table I-4 below presents the specific components of the change in the UAL.

The key finding in Table I-4 is that investment experience increased the UAL by \$811.4 million. Liability experience increased the UAL by \$6.2 million. Partially offsetting those increases was City and Member contributions \$8.2 million in excess of expected.

<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	\$ 811.4
2.	Purchased service credits paid for during the year*	1.3
3.	Liability experience	6.2
<b>UAL change due to contribution factors</b>		
4.	Contributions paid in excess of expected	(8.2)
<b>Total</b>		
5.	Total net overall change: (sum 1 through 4)	810.7
6.	Expected change in UAL	(7.5)
7.	Total actual change in UAL: 5 + 6	\$ 803.2

\* *Attributable to Members who have entered into a purchased service contract after June 30, 2008. (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.*

**SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2009 ACTUARIAL VALUATION**

**SECTION I  
BOARD SUMMARY**

**4. City Contributions**

The City's contribution for FY 2011 measured as a percent of membership payroll increased from 27.73% to 41.75%. In dollars, the required beginning of year contribution increased by \$74.9 million, from \$154.2 million to \$229.1 million.

The contribution increase was primarily attributable to the significant downturn in the markets over the FY ending June 30, 2009, which led to a large increase in the unfunded liability cost component of the annual required contribution (ARC).

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, 2009</b>	<b>June 30, 2008</b>	<b>Change</b>
Current Plan Gross Normal Cost %	23.60%	21.81%	1.8%
Current Plan Member Cost %	<u>12.22%</u>	<u>10.93%</u>	<u>1.3%</u>
Current Plan Employer Normal Cost %	11.38%	10.88%	0.5%
New Plan Employer Normal Cost %*	8.55%	N/A	N/A
Total Employer Normal Cost %**	11.14%	10.88%	0.3%
Employer Unfunded Liability Cost %	30.61%	16.39%	14.2%
Negative Amortization Adjustment Cost %	<u>0.00%</u>	<u>0.46%</u>	<u>-0.5%</u>
Total Employer Cost %	41.75%	27.73%	14.0%
Annual Required Contribution (ARC):			
-if paid at the beginning of the year	\$ 229.1 million	\$ 154.2 million	49.0%
-if paid throughout the year	\$ 237.8 million	\$ 160.1 million	49.0%
<b>The total \$229.1 million ARC is made up of the following components:</b>			
<u>In millions</u>	<b>Beginning of Year ARC Component</b>		
\$ 61.3	Employer Normal Cost		
87.8	18-year amortization of the outstanding 2007 UAL balance 06/30/2010		
5.0	29-year amortization of the FY2008 UAL increase due to assumptions changes		
1.3	14-year amortization of the UAL due to the experience loss in FY2008		
73.7	15-year amortization of the UAL due to the experience loss in FY2009		
-	Amount needed to avoid negative amortization of UAL for FY 2011		
<u>\$ 229.1</u>	Total FY 2011 beginning of year ARC		

\* The New Plan Employer Normal Cost % represents a payroll-weighted average of General and Police Members (new Plans for hires on or after July 25, 2009) and Elected, Fire and Lifeguard Members (no change).

\*\* Total Employer Normal Cost % is a payroll-weighted average of the Current Plan Employer Normal Cost % and the New Plan Employer Normal Cost %.

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.

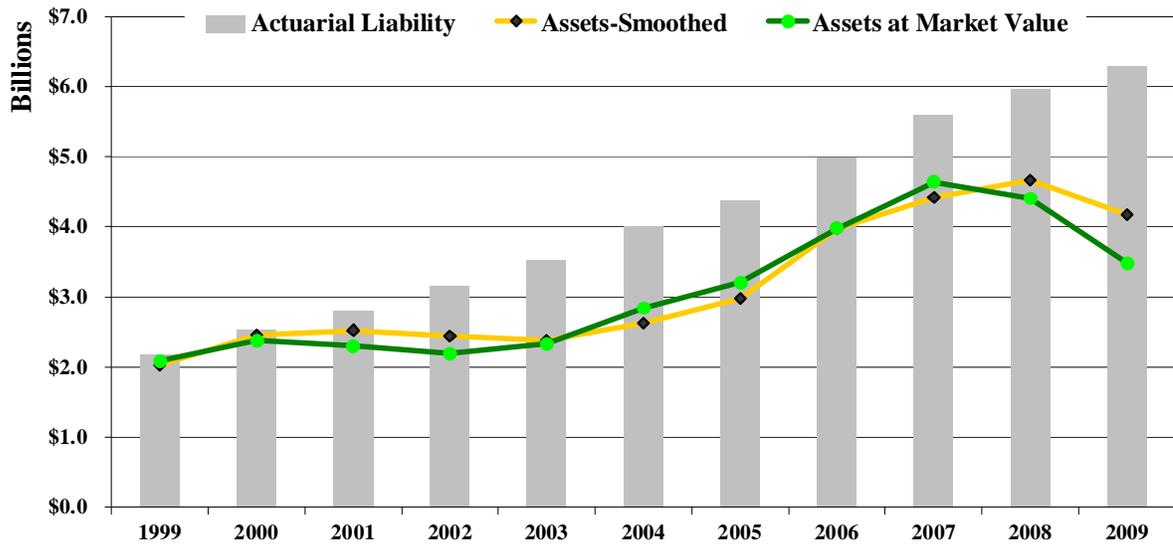
SECTION I  
 BOARD SUMMARY

**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 1999.

**SDCERS-City of San Diego Assets and Liabilities 1999-2009**



Funding Ratio	93.2%	97.3%	89.9%	77.3%	67.2%	65.8%	68.2%	79.9%	78.8%	78.1%	66.5%
UAL	\$ 0.15	\$ 0.07	\$ 0.28	\$ 0.72	\$ 1.16	\$ 1.37	\$ 1.39	\$ 1.00	\$ 1.18	\$ 1.30	\$ 2.11

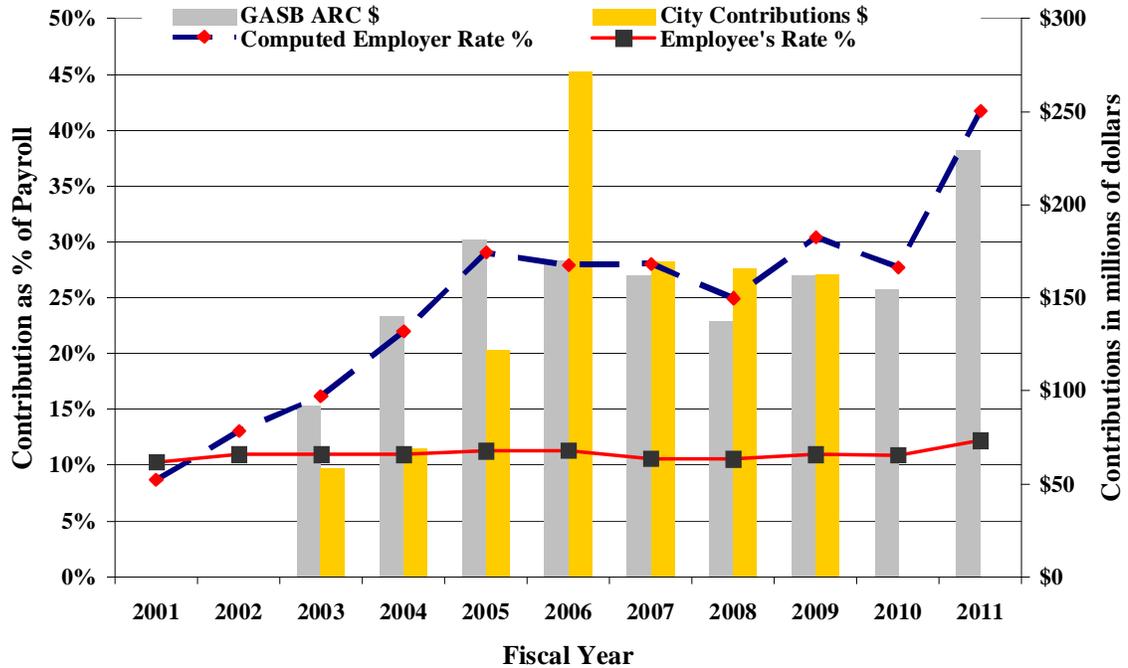
\*The UAL for 2007 and after is calculated using the Entry Age Normal method; 2006 and prior years are calculated using the Projected Unit Credit method.

The chart indicates that from 2000 to 2004, the funding ratio declined significantly with the low of 65.8% in 2004. From 2004 to 2007, the ratio improved significantly, primarily due to strong investment performance. In 2008 the funding ratio declined slightly primarily due to investment losses and the change in the actuarial assumptions, and in 2009 the funding ratio declined significantly due to investment losses.

SECTION I  
 BOARD SUMMARY

In the chart below, we present the historical trends for the SDCERS-City of San Diego contribution rates since FY 2001, as well as actual contributions made by the City and the actuarially computed GASB ARC since FY 2003.

**SDCERS-City of San Diego City and Member Contribution Rates FY 2001-2011**



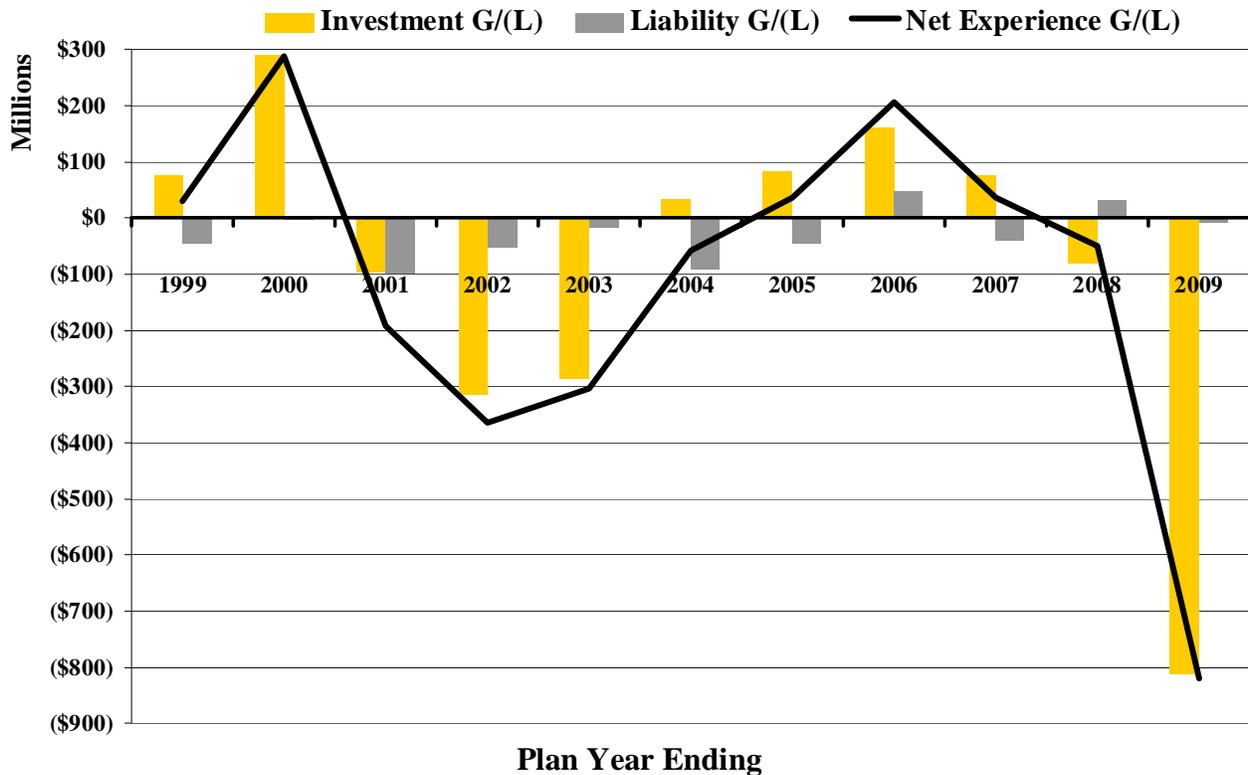
The computed employer contribution rate grew from under 10% in FY 2001 to nearly 30% in FY 2005, and then remained in that range for the next five fiscal years. For FY 2011, the computed employer rate increased to over 40% of payroll. The chart indicates that the Members' contribution rate has remained relatively stable throughout the fiscal years shown in contrast to the volatility in the employer rates.

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

**SECTION I  
 BOARD SUMMARY**

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.

**SDCERS-City of San Diego Historical Gain/(Loss) 1999-2009**



The key insights from this chart are:

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

**SECTION I  
BOARD SUMMARY**

**D. Projected Financial Trends**

Our analysis of SDCERS-City of San Diego projected financial trends is an important part of this valuation. Our assessment of the implications of the June 30, 2009 valuation results on the future outlook of SDCERS-City of San Diego in terms of benefit security (assets over liabilities) and the City’s expected cost progression is set forth below. In addition, given the concern regarding unfunded liabilities, we also show the City’s expected future pay down of unfunded liabilities.

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

- 1) Assuming 7.75% returns each and every year, and
- 2) Assuming returns shown in the table below which begin with rates of return that start at positive 12% then vary each year thereafter over the projection period, but over the entire period average out to the assumed 7.75%. We do this in reflection of the positive returns that have occurred historically whenever there have been serious market downturns.

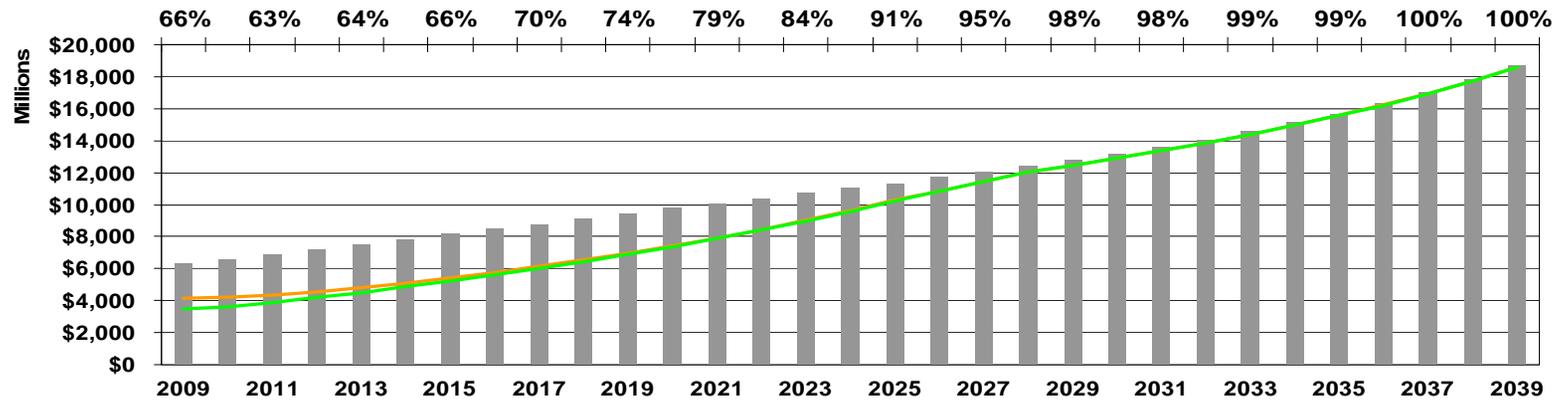
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Return	12.00%	10.63%	7.11%	9.42%	8.45%	3.77%	12.66%	0.63%	13.24%	-4.18%
Fiscal Year	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Return	2.50%	4.94%	11.71%	19.86%	9.33%	9.99%	0.76%	13.05%	12.44%	1.24%
Fiscal Year	<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>	<u>2038</u>
Return	1.18%	13.12%	6.80%	5.62%	6.46%	21.06%	3.56%	9.06%	3.25%	2.90%

SECTION I  
 BOARD SUMMARY

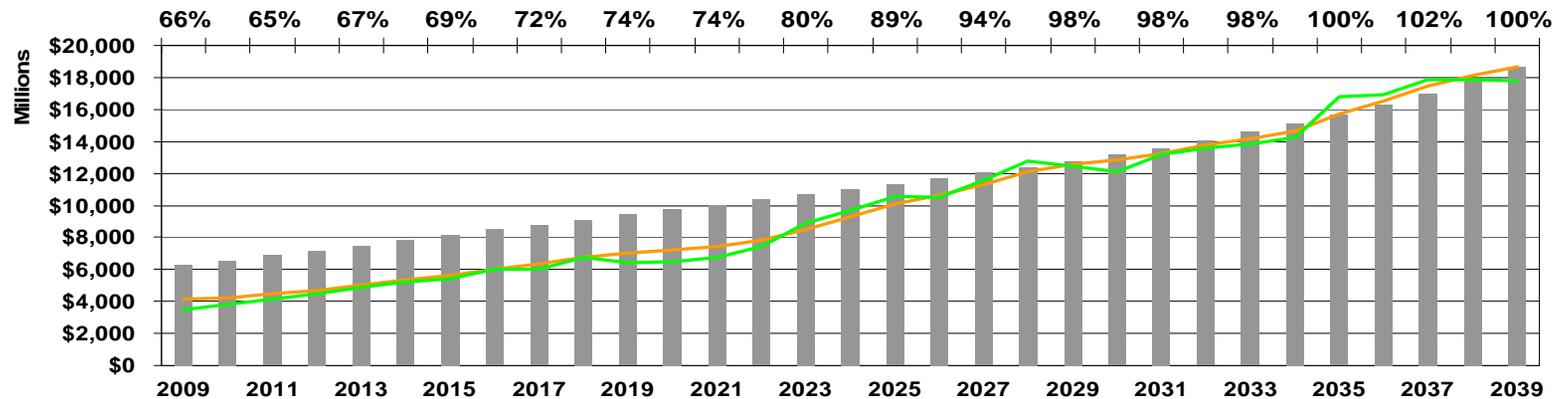
**Projection Set 1: Assets and Liabilities - City of San Diego**

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

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



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



Actuarial Liability    Actuarial Value of Assets    Market Value of Assets

SECTION I  
BOARD SUMMARY

**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

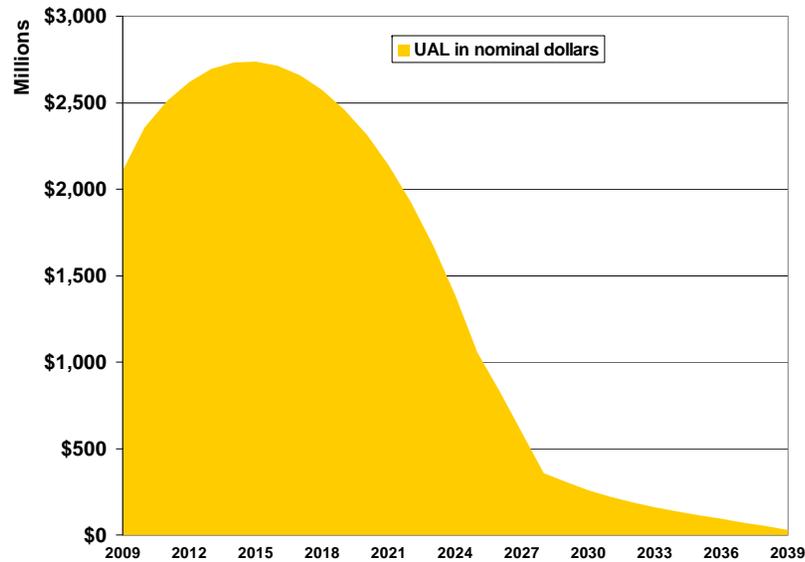
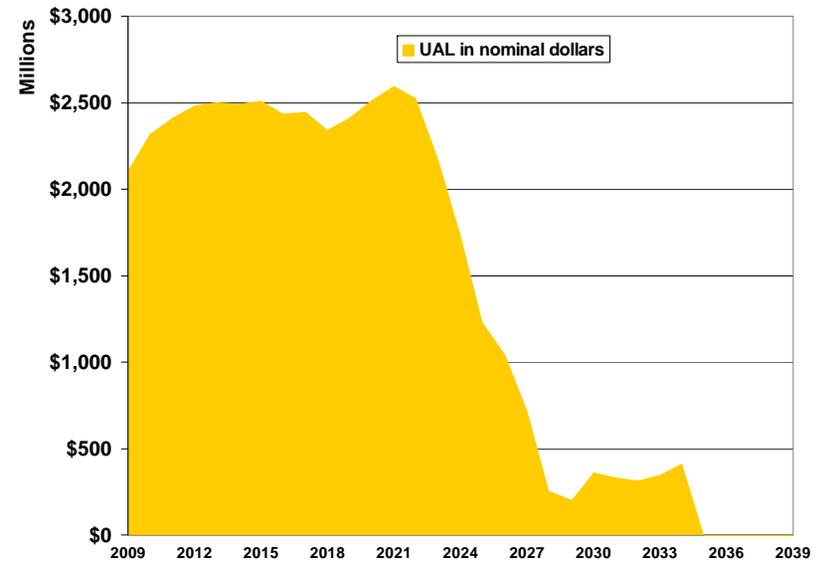


Chart 2: Varying returns averaging 7.75%



SECTION I  
 BOARD SUMMARY

**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

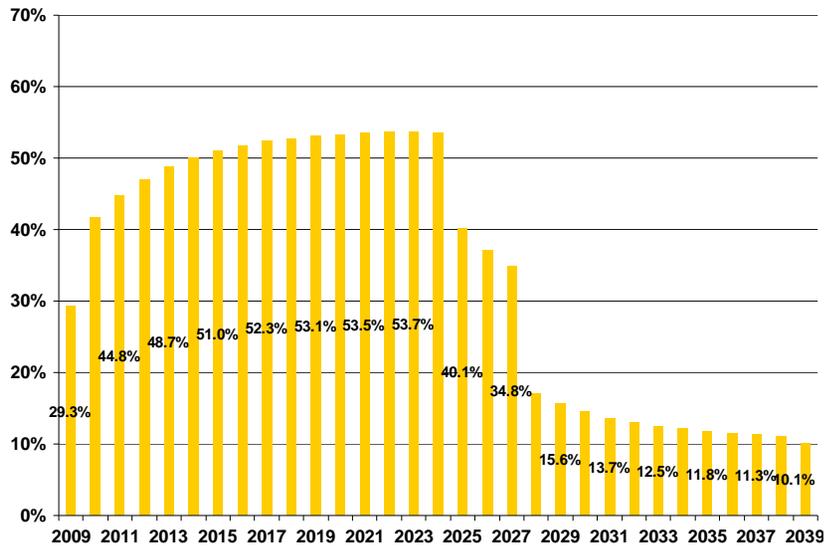
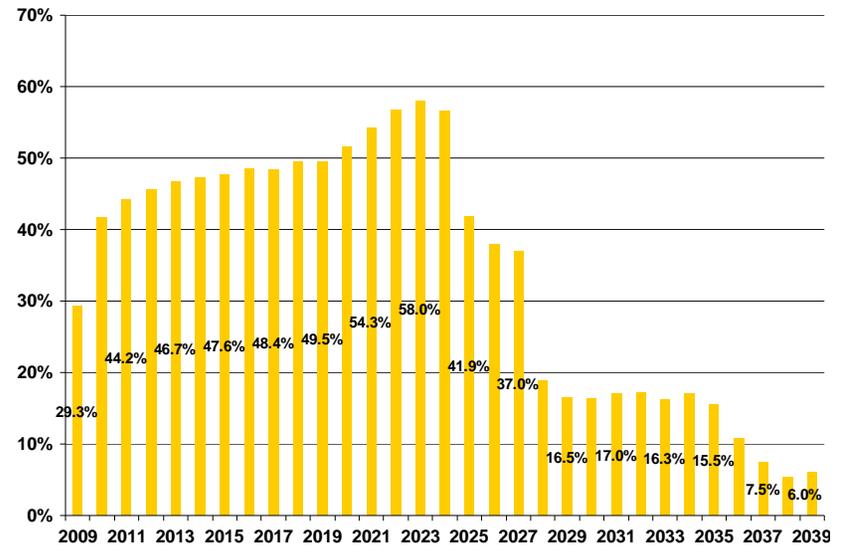


Chart 2: Varying returns averaging 7.75%



## SECTION II ASSETS

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

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

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

- A. Disclosure of the June 30, 2009 total SDCERS market value of assets, by asset class
- B. Market value of assets by Plan Sponsor
- C. Development of the actuarial value of assets
- D. Disclosure of the investment performance for the year

**SECTION II  
ASSETS**

**A. Disclosure of Market Value of Assets**

The market value of assets represents a “snap-shot” value as of June 30, 2009, the last day of the fiscal year, which provides the principal basis for measuring financial performance from one year to the next. Market values, however, can fluctuate widely with swings in the investment markets. Because these fluctuations would cause volatility in employer contributions, an actuarial value of assets is developed. Table II-1 below discloses the market value by asset class of SDCERS – All Employers’ gross assets on June 30, 2009.

Cash	\$ 374,935,440
US Stocks	1,444,848,678
International Stocks	614,245,022
Bonds	1,005,232,083
Real Estate	350,499,079
Receivables	109,333,112
Short Term Investments	33,311,264
Fixed Assets	1,274,343
Miscellaneous	72,718
Accounts Payable	<u>(218,678,061)</u>
<b>Market Value of Assets – June 30, 2009</b>	<b>\$ 3,715,073,678</b>

**SECTION II  
 ASSETS**

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

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

<b>Table II-2                  Summary of Market and Actuarial Assets for Each Employer Group                  as of June 30, 2009</b>			
	<u>Market Value</u> <b>Total Net Assets</b> <b>June 30, 2008</b>	<u>Market Value</u> <b>Total Assets</b> <b>June 30, 2009</b>	<u>Actuarial Value</u> <b>Total Assets</b> <b>June 30, 2009</b>
City of San Diego	\$4,408,719,440	\$3,479,357,154	\$4,175,228,585
Unified Port District	233,027,785	\$186,565,603	\$223,878,723
Airport Authority	<u>54,856,234</u>	<u>\$49,150,920</u>	<u>\$58,981,105</u>
<b>Total-SDCERS</b>	<b>\$4,696,603,459</b>	<b>\$3,715,073,678</b>	<b>\$4,458,088,413</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 of assets is equal to 100% of the expected actuarial value of assets as of June 30, 2009 (assuming 7.75% earnings for the year) plus 25% of the difference between the current actual market value of assets and the expected actuarial value of assets. (See Appendix B, section B-2 for further explanation of the asset valuation method). In no event will the actuarial value of assets ever be less than 80% of the market value of assets nor greater than 120% of the market value of assets.

<b>Table II-3</b> <b>SDCERS - City of San Diego</b> <b>Development of Actuarial Value of Assets at June 30, 2009</b> <b>Expected Value of Assets Method</b>		
1.	Actuarial Value of Assets at June 30, 2008	\$ 4,660,346,403
2.	Amount in (1) with interest at 7.75% to June 30, 2009	5,021,523,249
3.	Employer, and Member contributions for the Plan Year ended June 30, 2009	229,837,671
4.	Disbursements from Trust excluding investment expenses, June 30, 2008 through June 30, 2009	269,317,241
5.	Interest on cash flows to June 30, 2009 at 7.75% per year	4,210,595
6.	Expected Actuarial Value of Assets at June 30, 2009 = (2) + (3) – (4) + (5)	4,986,254,274
7.	Actual Market Value of Assets at June 30, 2009	3,479,357,154
8.	Excess of (7) over (6)	(1,506,897,120)
9.	Preliminary Actuarial Value of Assets at June 30, 2009 = (6) + 25% of (8)	\$ 4,609,529,994
10.	80% Minimum Corridor on the Actuarial Value of Assets = 80% of (7)	2,783,485,723
11.	120% Maximum Corridor on the Actuarial Value of Assets = 120% of (7)	4,175,228,585
12.	Final Actuarial Value of Assets at June 30, 2009 = (9), but no less than (10) and no more than (11)	\$ 4,175,228,585

**SECTION II**  
**ASSETS**

**D. Investment Performance**

The return on the market value of assets, as reported by SDCERS' investment advisor Callan Associates, was negative 19.2%. The return in FY 2008 was negative 4.66%.

On an actuarial (smoothed) value of assets basis, the return for FY 2009 was negative 9.40%. This return produced for SDCERS-All Employers an overall investment loss of \$863.2 million for the year ending June 30, 2009. (Note this reported loss is different than the investment loss of \$811.4 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, 2008 and June 30, 2009, and
- Statement of changes in the unfunded actuarial liabilities during the year.

#### A. Disclosure

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

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

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

SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2009 ACTUARIAL VALUATION

**SECTION III  
LIABILITIES**

<b>Table III-1 SDCERS - City of San Diego - Total</b>		
Item	June 30, 2009	June 30, 2008
<b>Present Value of Future Benefits</b>		
Actives	\$ 3,304,748,013	\$ 3,390,715,758
Terminated Vested	255,124,776	250,141,836
Disabled	408,598,894	392,785,020
Retirees	3,118,227,002	2,763,266,125
Beneficiaries	<u>146,358,891</u>	<u>130,617,109</u>
<b>Total City</b>	<b>\$ 7,233,057,576</b>	<b>\$ 6,927,525,848</b>
<b>Actuarial Liability – EAN</b>		
Total Present Value of Benefits	\$ 7,233,057,576	\$ 6,927,525,848
Present Value of Future Normal Costs		
Employer Portion	458,102,460	480,914,036
Employee Portion	<u>493,319,007</u>	<u>483,062,266</u>
<b>Actuarial Liability – EAN</b>	<b>\$ 6,281,636,108</b>	<b>\$ 5,963,549,545</b>
Actuarial Value of Assets	\$ 4,175,228,585	\$ 4,660,346,403
<b>Unfunded EAN Actuarial Liability</b>	<b>\$ 2,106,407,523</b>	<b>\$ 1,303,203,142</b>

Table III-2 shows the actuarial liability as of June 30, 2009 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, 2009	June 30, 2009	June 30, 2009
Present Value of Future Benefits	Total	General	Elected
Actives	\$ 1,842,423,330	\$ 1,840,363,126	\$ 2,060,204
Terminated Vested	198,001,410	197,478,999	522,411
Disabled	77,316,459	77,316,459	-
Retirees	1,612,650,459	1,604,271,808	8,378,651
Beneficiaries	<u>66,067,579</u>	<u>65,706,258</u>	<u>361,321</u>
<b>Total City General &amp; Elected</b>	<b>\$ 3,796,459,237</b>	<b>\$ 3,785,136,650</b>	<b>\$ 11,322,587</b>
<b>Actuarial Liability - EAN</b>			
Actives	\$ 1,345,909,181	\$ 1,345,525,294	\$ 383,887
Terminated Vested	198,001,410	197,478,999	522,411
Disabled	77,316,459	77,316,459	-
Retirees	1,612,650,459	1,604,271,808	8,378,651
Beneficiaries	<u>66,067,579</u>	<u>65,706,258</u>	<u>361,321</u>
<b>Total City General &amp; Elected</b>	<b>\$ 3,299,945,088</b>	<b>\$ 3,290,298,818</b>	<b>\$ 9,646,270</b>

SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2009 ACTUARIAL VALUATION

**SECTION III  
LIABILITIES**

Table III-3 shows the actuarial liability as of June 30, 2009 for Safety Members of SDCERS-City of San Diego.

Item	June 30, 2009	June 30, 2009	June 30, 2009	June 30, 2009
Present Value of Benefits	Total	Police	Fire	Lifeguard
Actives	\$ 1,462,324,683	\$ 1,003,789,663	\$ 413,805,796	\$ 44,729,224
Terminated Vested	57,123,366	51,568,026	4,673,344	881,996
Disabled	331,282,435	218,406,113	103,064,802	9,811,520
Retirees	1,505,576,544	916,256,845	564,239,596	25,080,103
Beneficiaries	<u>80,291,312</u>	<u>48,544,101</u>	<u>31,552,490</u>	<u>194,721</u>
<b>Total City Safety</b>	<b>\$ 3,436,598,340</b>	<b>\$ 2,238,564,748</b>	<b>\$ 1,117,336,028</b>	<b>\$ 80,697,564</b>
<b>Actuarial Liability - EAN</b>				
Actives	\$ 1,007,417,364	\$ 693,792,422	\$ 283,178,948	\$ 30,445,994
Terminated Vested	57,123,366	51,568,026	4,673,344	881,996
Disabled	331,282,435	218,406,113	103,064,802	9,811,520
Retirees	1,505,576,544	916,256,845	564,239,596	25,080,103
Beneficiaries	<u>80,291,312</u>	<u>48,544,101</u>	<u>31,552,490</u>	<u>194,721</u>
<b>Total City Safety</b>	<b>\$ 2,981,691,021</b>	<b>\$ 1,928,567,507</b>	<b>\$ 986,709,180</b>	<b>\$ 66,414,334</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 2009 Experience Gain/(Loss) SDCERS - City of San Diego</b>		
<b>(In Millions)</b>		
1.	Unfunded Actuarial Liability at June 30, 2008	\$ 1,303.2
2.	Beginning of year unfunded actuarial liability payment	(100.7)
3.	Interest accrued $((1+2) \times 7.75\%)$	<u>93.2</u>
4.	Expected Unfunded Actuarial Liability at June 30, 2009 (1+2+3)	1,295.7
5.	Actual Unfunded Liability at June 30, 2009	2,106.4
6.	Difference: (4 - 5)	(810.7)
7.	Portion of difference (6) due to actuarial assumption changes	0.0
8.	Portion of difference (6) due to benefit changes	0.0
9.	Portion of difference (6) due to net experience Gain/(Loss)	(810.7)
	a) portion of (9) due to contributions more than expected	\$8.2
	b) portion of (9) due to investment experience	\$(811.4)
	c) portion of (9) due to liability experience	\$(7.5)
<b>Elements of Liability Gain/(Loss)</b>		
1.	G/(L) due to demographic and payroll experience	(6.2)
2.	G/(L) due to purchased service credit	(1.3)
3.	Other Gain/(Loss)	<u>0.0</u>
4.	Total Estimated Liability Gain/(Loss): sum 1 through 3	<b>\$ (7.5)</b>

**SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2009 ACTUARIAL VALUATION**

**SECTION III  
LIABILITIES**

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

<b>Valuation Date</b>	<b>Gain/(Loss)</b>	<b>Beginning-of-Year Actuarial Liabilities</b>	<b>Gain/(Loss) % 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)
6/30/2009	(818,906,079)	5,963,549,545	(13.7)

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

## SECTION IV CONTRIBUTIONS

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

The actuarial funding methodology employed is the Entry Age Normal (EAN) actuarial funding method. Under EAN, there are two components to the total contribution: the normal cost and an amortization payment on the unfunded actuarial liability. The normal cost rate is determined by taking the value, as of entry age into the plan, of each Member's projected future benefits. This value is then divided by the value, also at entry age, of each Member's expected future salary. The normal cost rate is multiplied by current salary to determine each Member's normal cost. Finally, the normal cost is reduced by the Member contribution to produce the employer normal cost. The difference between the EAN actuarial liability and the actuarial value of assets is the unfunded actuarial liability. The UAL for FY 2011 is to be amortized over several different periods. The fiscal year ending June 30, 2009 experience loss is amortized over 15 years, the outstanding balance of the June 30, 2008 UAL due to assumption changes is amortized over 29 years, the outstanding balance of the fiscal year ending June 30, 2008 experience loss is amortized over 14 years, and the outstanding balance of the June 30, 2007 UAL is amortized over 18 years. Finally, if necessary, there is an additional UAL cost component to ensure that there is no negative amortization in any year.

Table IV-1 on the following page shows how the City's contribution rate for SDCERS for FY 2011 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, 2009 ACTUARIAL VALUATION**

**SECTION IV  
CONTRIBUTIONS**

**Table IV-1  
SDCERS - City of San Diego  
Development of the City's Contribution as of June 30, 2009, For (FY 2011)  
(dollars in millions)**

	WEIGHTED TOTAL CITY	Non-Safety			Safety			
		Weighted Total	General	Elected	Weighted Total	Police	Fire	Lifeguard
1. Total Normal Cost Rate for Current Members	<b>23.60%</b>	19.88%	19.84%	39.59%	29.71%	29.58%	29.72%	32.48%
2. Member Contribution Rate for Current Members	<b>12.22%</b>	10.44%	10.44%	9.06%	15.07%	14.91%	15.43%	15.31%
3. Employer Normal Cost Rate for Current Members (1-2)	<b>11.38%</b>	9.44%	9.40%	30.53%	14.64%	14.67%	14.29%	17.17%
4. Actuarial Liability	<b>\$ 6,281.6</b>	\$3,299.9	\$3,290.3	\$ 9.6	\$2,981.7	\$1,928.6	\$ 986.7	\$ 66.4
5. Actuarial Assets	<b>\$ 4,175.2</b>	\$2,193.4	\$2,187.0	\$ 6.4	\$1,981.8	\$1,281.9	\$ 655.8	\$ 44.1
6. Total Unfunded Actuarial Liability (UAL)(4-5)	<b>\$ 2,106.4</b>	\$1,106.6	\$1,103.3	\$ 3.2	\$ 999.8	\$ 646.7	\$ 330.9	\$ 22.3
a. Balance of 6/30/2007 UAL on 07/01/10 <sup>1</sup>	<b>\$ 1,189.2</b>	\$ 624.7	\$ 622.9	\$ 1.8	\$ 564.5	\$ 365.1	\$ 186.8	\$ 12.6
b. Balance 2008 assumption change on 07/01/10	<b>\$ 92.1</b>	\$ 48.4	\$ 48.2	\$ 0.1	\$ 43.7	\$ 28.3	\$ 14.5	\$ 1.0
c. Balance of FY08 experience loss on 07/01/10	<b>\$ 14.4</b>	\$ 7.6	\$ 7.6	\$ 0.0	\$ 6.8	\$ 4.4	\$ 2.3	\$ 0.2
d. Balance of FY09 experience loss on 07/01/10	<b>\$ 873.4</b>	\$ 458.8	\$ 457.5	\$ 1.3	\$ 414.6	\$ 268.2	\$ 137.2	\$ 9.2
7. a. amortization payment (18 years) for 6a.	<b>\$ 87.8</b>	\$ 46.1	\$ 46.0	\$ 0.1	\$ 41.7	\$ 27.0	\$ 13.8	\$ 0.9
b. amortization payment (29 years) for 6b.	<b>\$ 5.0</b>	\$ 2.6	\$ 2.6	\$ 0.0	\$ 2.4	\$ 1.5	\$ 0.8	\$ 0.1
c. amortization payment (14 years) for 6c.	<b>\$ 1.3</b>	\$ 0.7	\$ 0.7	\$ 0.0	\$ 0.6	\$ 0.4	\$ 0.2	\$ 0.0
d. amortization payment (15 years) for 6d.	<b>\$ 73.7</b>	\$ 38.7	\$ 38.6	\$ 0.1	\$ 35.0	\$ 22.6	\$ 11.6	\$ 0.8
e. preliminary FY11 UAL amortization	<b>\$ 167.8</b>	\$ 88.2	\$ 87.9	\$ 0.3	\$ 79.7	\$ 51.5	\$ 26.4	\$ 1.8
8. <u>Negative Amortization Test for FY11</u>								
a. Total UAL on 6/30/09 less FY10 UAL payment	<b>\$ 2,013.2</b>	\$1,057.6	\$1,054.5	\$ 3.1	\$ 955.6	\$ 618.1	\$ 316.2	\$ 21.3
b. interest on 8a. To 6/30/10	<b>\$ 156.0</b>	\$ 82.0	\$ 81.7	\$ 0.2	\$ 74.1	\$ 47.9	\$ 24.5	\$ 1.6
c. preliminary FY11 UAL amortization (7e.)	<b>\$ 167.8</b>	\$ 88.2	\$ 87.9	\$ 0.3	\$ 79.7	\$ 51.5	\$ 26.4	\$ 1.8
d. Negative interest (8b - 8c, not less than zero)	-	-	-	-	-	-	-	-
9. Total FY11 UAL payment on 7/01/10 (8c + 8d)	<b>\$ 167.8</b>	\$ 88.2	\$ 87.9	\$ 0.3	\$ 79.7	\$ 51.5	\$ 26.4	\$ 1.8
10. Total FY11 UAL payment throughout year	<b>\$ 174.2</b>	\$ 91.5	\$ 91.2	\$ 0.3	\$ 82.7	\$ 53.5	\$ 27.4	\$ 1.8
11. Total Expected Payroll for FY11	<b>\$ 569.1</b>	\$ 354.1	\$ 353.4	\$ 0.7	\$ 215.0	\$ 147.7	\$ 61.0	\$ 6.3
12. Expected Payroll for Current Members in FY11	<b>\$ 522.3</b>	\$ 324.2	\$ 323.6	\$ 0.6	\$ 198.1	\$ 136.7	\$ 55.4	\$ 5.9
13. Expected Payroll for New Hires in FY11	<b>\$ 46.8</b>	\$ 29.9	\$ 29.8	\$ 0.0	\$ 16.9	\$ 10.9	\$ 5.6	\$ 0.4
14. Employer Normal Cost Rate for Current Members	<b>11.38%</b>	9.44%	9.40%	30.53%	14.64%	14.67%	14.29%	17.17%
15. Employer Normal Cost Rate for New Hires	<b>8.55%</b>	6.47%	6.43%	30.53%	12.21%	10.98%	14.29%	17.17%
16. FY11 Normal Cost paid throughout the year (12x14 + 13x15)	<b>\$ 63.6</b>	\$ 32.5	\$ 32.3	\$ 0.2	\$ 31.1	\$ 21.3	\$ 8.7	\$ 1.1
17. FY11 Normal Cost paid at start of year	<b>\$ 61.3</b>	\$ 31.3	\$ 31.2	\$ 0.2	\$ 29.9	\$ 20.5	\$ 8.4	\$ 1.0
18. Determination of FY11 GASB ARC %								
a. Employer Normal Cost Rate (16 divided by 11)	<b>11.14%</b>	9.19%	9.15%	30.53%	14.44%	14.40%	14.29%	17.17%
b. UAL Rate (line 10 divided by line 11)	<b>30.61%</b>	25.84%	25.82%	39.15%	38.46%	36.22%	44.85%	29.24%
c. Total employer ARC % (18a + 18b)	<b>41.75%</b>	35.03%	34.97%	69.68%	52.91%	50.61%	59.14%	46.41%
19. Determination of FY11 GASB ARC dollars								
a. FY11 ARC if paid throughout year	<b>\$ 237.8</b>	\$ 124.0	\$ 123.6	\$ 0.5	\$ 113.7	\$ 74.7	\$ 36.1	\$ 2.9
b. FY11 ARC if paid at beginning of year	<b>\$ 229.1</b>	\$ 119.5	\$ 119.1	\$ 0.5	\$ 109.6	\$ 72.0	\$ 34.8	\$ 2.8

1. Adjusts reported 7/1/07 UAL to 7/1/10 by adding interest and removing UAL payments

Note: Numbers may not add due to rounding.

**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 compares the actuarial liability computed for funding purposes to the actuarial value of assets to determine a funded ratio (i.e., the EAN liability).

Both the present value of accrued benefits (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, 2008 and June 30, 2009 are presented in Table V-1 and Table V-2.

SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2009 ACTUARIAL VALUATION

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

<b>Table V-1</b>			
<b>SDCERS - City of San Diego – Total</b>			
<b>Item</b>	<b>June 30, 2009</b>	<b>June 30, 2008</b>	<b>% Change</b>
<b>FASB No. 35 Basis</b>			
1. Present Value of Benefits Accrued and Vested to Date			
a. Members Currently Receiving Payments	\$3,673,184,787	\$3,286,668,254	11.8%
b. Vested Terminated and Inactive Members	255,124,776	250,141,836	2.0%
c. Active Members	<u>1,303,988,682</u>	<u>1,320,967,446</u>	<u>-1.3%</u>
d. Total PVAB	\$5,232,298,245	\$4,857,777,536	7.7%
2. Assets at Market Value	3,479,357,154	4,408,719,440	-21.1%
3. Unfunded Present Value of Accrued Benefits, But Not Less Than Zero	1,752,941,091	449,058,096	
4. Ratio of Assets to Value of Benefits (2)/(1)(d)	66.50%	90.76%	-24.3%
<b>GASB No. 25 Basis</b>			
1. Actuarial Liabilities			
a. Members Currently Receiving Payments	\$3,673,184,787	\$3,286,668,254	11.8%
b. Vested Terminated and Inactive Members	255,124,776	250,141,836	2.0%
c. Active Members	<u>2,353,326,546</u>	<u>2,426,739,455</u>	<u>-3.0%</u>
d. Total Actuarial Liability	\$6,281,636,108	\$5,963,549,545	5.3%
2. Actuarial Value of Assets	\$4,175,228,585	\$4,660,346,403	-10.4%
3. Unfunded Actuarial Liability	\$2,106,407,523	\$1,303,203,142	61.6%
4. Ratio of Actuarial Value of Assets To Actuarial Liability (2)/(1)(d)	66.47%	78.15%	-11.6%

<b>Table V-2</b>	
<b>SDCERS - City of San Diego – Total</b>	
<b>Item</b>	<b>Accumulated Benefits Obligation (FASB 35)</b>
<b>Actuarial Present Value of Benefits Accrued and Vested as of June 30, 2008</b>	<b>\$4,857,777,536</b>
Increase (Decrease) During Year Attributable to:	
Passage of Time	366,041,716
Benefits Paid	(269,317,241)
Assumption Change	-
Plan Amendment	-
Benefits Accrued, Other Gains/Losses	<u>277,796,234</u>
Net Increase (Decrease)	\$374,520,709
<b>Actuarial Present Value of Benefits Accrued and Vested as of June 30, 2009</b>	<b>\$5,232,298,245</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, 2009
Actuarial funding method	Entry Age Normal
Amortization method	Level percent closed
Equivalent single amortization period	16.209 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>2</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 18 years for the outstanding balance of the 2007 UAL, 15 years for experience gains and losses, 30 years for changes in methods and assumptions, 5 years for benefit changes.
- 2 Additional merit salary increases of 0.50% to 8.00% based on a participant’s years of service, and membership group are also assumed. These increases are not used in the amortization of SDCERS’ UAL.

**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, 2009*

**Type of Activity**

Investment Income	\$	(811,380,431)
Combined Liability Experience		<u>(7,525,648)</u>
Gain (or Loss) During Year from Financial Experience	\$	(818,906,079)
Non-Recurring Gain (or Loss) Items (e.g., Contributions)		<u>8,244,901</u>
Composite Gain (or Loss) During Year	\$	(810,661,178)

SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2009 ACTUARIAL VALUATION

**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)
2009	\$ 535,797	\$ 3,673,185	\$ 2,072,655	\$ 4,175,229	100%	99.08%	0.00%
2008	522,966	3,286,668	2,153,916	4,662,346	100	100	39.50
2007 <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  
JUNE 30, 2009 ACTUARIAL VALUATION

**APPENDIX A  
MEMBERSHIP INFORMATION**

<b>Table A-1</b>			
<b>SDCERS - City of San Diego</b>			
<b>Active Member Data</b>			
	<b>June 30, 2009</b>	<b>June 30, 2008</b>	<b>% Change</b>
<b><u>Total</u></b>			
Count	8,273	8,487	-2.5%
Average Current Age	43.4	43.5	-0.3%
Average Service	13.0	13.2	-1.3%
Average Pensionable Earnings	\$ 64,861	\$ 63,129	2.7%
Annual Pensionable Earnings	\$ 536,591,286	\$ 535,774,438	0.2%
Average Valuation Compensation <sup>1</sup>	\$ 64,860	\$ 63,129	2.7%
Annual Valuation Compensation <sup>1</sup>	\$ 536,586,285	\$ 535,774,438	0.2%
Service Without Permissive Service Purchased	11.6	11.6	-0.3%
Members with Paid Purchased Service	2,359	2,624	-10.1%
Members with Any Purchased Service	2,484	2,766	-10.2%
Amount of Paid Purchased Service	10,032	11,295	-11.2%
Amount of Total Purchased Service	11,587	13,111	-11.6%
<b><u>General</u></b>			
Count	5,826	5,980	-2.6%
Average Current Age	45.2	45.2	0.0%
Average Service	13.2	13.3	-0.8%
Average Pensionable Earnings	\$ 57,311	\$ 56,741	1.0%
Annual Pensionable Earnings	\$ 333,891,467	\$ 339,309,961	-1.6%
Average Valuation Compensation <sup>1</sup>	\$ 57,310	\$ 56,741	1.0%
Annual Valuation Compensation <sup>1</sup>	\$ 333,886,466	\$ 339,309,961	-1.6%
Service Without Permissive Service Purchased	11.5	11.5	0.0%
Members with Paid Purchased Service	1,880	2,085	-9.8%
Members with Any Purchased Service	1,932	2,148	-10.1%
Amount of Paid Purchased Service	8,877	9,962	-10.9%
Amount of Total Purchased Service	9,708	10,988	-11.6%
<b><u>Safety</u></b>			
Count	2,447	2,507	-2.4%
Average Current Age	39.2	39.5	-0.8%
Average Service	12.4	12.8	-3.1%
Average Pensionable Earnings	\$ 82,836	\$ 78,366	5.7%
Annual Pensionable Earnings	\$ 202,699,819	\$ 196,464,477	3.2%
Average Valuation Compensation <sup>1</sup>	\$ 82,836	\$ 78,366	5.7%
Annual Valuation Compensation <sup>1</sup>	\$ 202,699,819	\$ 196,464,477	3.2%
Service Without Permissive Service Purchased	11.6	11.9	-2.5%
Members with Paid Purchased Service	479	539	-11.1%
Members with Any Purchased Service	552	618	-10.7%
Amount of Paid Purchased Service	1,155	1,333	-13.3%
Amount of Total Purchased Service	1,879	2,123	-11.5%

<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, 2009 ACTUARIAL VALUATION**

**APPENDIX A  
MEMBERSHIP INFORMATION**

<b>Table A-2 SDCERS - City of San Diego Non-Active Participant Data</b>						
	<b>Count</b>			<b>Average Age</b>		
	<b>June 30, 2009</b>	<b>June 30, 2008</b>	<b>% Change</b>	<b>June 30, 2009</b>	<b>June 30, 2008</b>	<b>% Change</b>
<b><u>Total</u></b>						
Retired	4,975	4,597	8.2%	65.4	65.8	-0.6%
Disabled	1,257	1,244	1.0%	62.8	62.3	0.9%
Beneficiaries	1,137	1,099	3.5%	74.3	74.7	-0.5%
Payee Total	7,369	6,940	6.2%	66.3	66.6	-0.3%
DROP Participants	732	1,039	-29.5%	56.7	57.4	-1.1%
Deferred Vested <sup>1</sup>	2,827	2,743	3.1%	44.4	44.2	0.6%
Vested < 10 yrs svc	1,932	1,841	4.9%			
<b><u>General</u></b>						
Retired	3,302	3,056	8.0%	67.2	67.6	-0.6%
Disabled	427	425	0.5%	61.7	61.3	0.7%
Beneficiaries	698	688	1.5%	76.7	77.0	-0.4%
Payee Total	4,427	4,169	6.2%	68.2	68.5	-0.4%
DROP Participants	448	609	-26.4%	58.9	59.4	-0.8%
Deferred Vested <sup>1</sup>	2,297	2,255	1.9%	45.7	45.3	0.9%
Vested < 10 yrs svc	1,570	1,521	3.2%			
<b><u>Safety</u></b>						
Retired	1,673	1,541	8.6%	61.8	62.1	-0.5%
Disabled	830	819	1.3%	63.4	62.8	1.0%
Beneficiaries	439	411	6.8%	70.5	70.9	-0.6%
Payee Total	2,942	2,771	6.2%	63.5	63.6	-0.2%
DROP Participants	284	430	-34.0%	53.3	54.5	-2.2%
Deferred Vested <sup>1</sup>	530	488	8.6%	39.0	39.1	-0.3%
Vested < 10 yrs svc	362	320	13.1%			

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

**SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2009 ACTUARIAL VALUATION**

**APPENDIX A  
MEMBERSHIP INFORMATION**

<b>Table A-3 SDCERS - City of San Diego Non-Active Participant Data</b>						
	<b>Total Annual Benefit</b>			<b>Average Annual Benefit</b>		
	<b>June 30, 2009</b>	<b>June 30, 2008</b>	<b>% Change</b>	<b>June 30, 2009</b>	<b>June 30, 2008</b>	<b>% Change</b>
<b><u>Total</u></b>						
Retired	\$ 231,698,837	\$ 205,288,070	12.9%	\$ 46,573	\$ 44,657	4.3%
Disabled	36,337,577	34,628,149	4.9%	28,908	27,836	3.9%
Beneficiaries	<u>15,550,149</u>	<u>13,978,169</u>	11.2%	<u>13,676</u>	<u>12,719</u>	7.5%
Payee Total	\$ 283,586,563	\$ 253,894,388	11.7%	\$ 38,484	\$ 36,584	5.2%
DROP Participants	\$ 40,394,966	\$ 56,289,222	-28.2%	\$ 55,184	\$ 54,176	1.9%
Deferred Vested <sup>1</sup>	\$ 106,837,122	\$ 100,703,014	6.1%	\$ 37,792	\$ 36,713	2.9%
<b><u>General</u></b>						
Retired	\$ 123,714,805	\$ 109,518,324	13.0%	\$ 37,467	\$ 35,837	4.5%
Disabled	6,931,688	6,593,319	5.1%	16,233	15,514	4.6%
Beneficiaries	<u>7,480,099</u>	<u>6,857,545</u>	9.1%	<u>10,716</u>	<u>9,967</u>	7.5%
Payee Total	\$ 138,126,592	\$ 122,969,188	12.3%	\$ 31,201	\$ 29,496	5.8%
DROP Participants	\$ 18,889,462	\$ 25,551,437	-26.1%	\$ 42,164	\$ 41,956	0.5%
Deferred Vested <sup>1</sup>	\$ 86,608,264	\$ 81,048,759	6.9%	\$ 37,705	\$ 35,942	4.9%
<b><u>Safety</u></b>						
Retired	\$ 107,984,032	\$ 95,769,746	12.8%	\$ 64,545	\$ 62,148	3.9%
Disabled	29,405,889	28,034,830	4.9%	35,429	34,231	3.5%
Beneficiaries	8,070,050	7,120,624	13.3%	18,383	17,325	6.1%
Payee Total	\$ 145,459,971	\$ 130,925,200	11.1%	\$ 49,443	\$ 47,248	4.6%
DROP Participants	\$ 21,505,504	\$ 30,737,785	-30.0%	\$ 75,724	\$ 71,483	5.9%
Deferred Vested <sup>1</sup>	\$ 20,228,858	\$ 19,654,255	2.9%	\$ 38,168	\$ 40,275	-5.2%

<sup>1</sup> Includes all Participants having a contribution balance still on account with SDCERS. Annual benefit for deferred vested Participants is the total contribution balance on account as of June 30, 2009.

SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2009 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, 2009  
Total City**

Age	Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up		
Under 25	82	108	-	-	-	-	-	-	-	-	-	190
25 to 29	139	417	101	1	-	-	-	-	-	-	-	658
30 to 34	77	332	365	78	4	-	-	-	-	-	-	856
35 to 39	51	198	394	342	111	8	-	-	-	-	-	1,104
40 to 44	35	139	285	384	392	254	13	1	-	-	-	1,503
45 to 49	26	110	216	303	394	501	295	21	1	-	-	1,867
50 to 54	24	90	159	202	239	306	244	125	24	3	-	1,416
55 to 59	13	65	91	150	120	28	29	5	5	-	-	506
60 to 64	7	22	30	43	25	5	4	2	1	2	-	141
65 to 69	1	9	7	2	-	1	1	-	-	-	-	21
70 and up	2	2	3	-	2	1	-	-	1	-	-	11
<b>Total Count</b>	457	1,492	1,651	1,505	1,287	1,104	586	154	32	5	-	8,273

**Table A-5  
SDCERS - City of San Diego  
Distribution of Active Members (Excludes DROP Participants) as of June 30, 2009  
Total City**

Age	Average Salary Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up		
Under 25	\$ 46,764	\$ 52,029	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,757
25 to 29	49,712	57,864	59,737	37,918	-	-	-	-	-	-	-	56,399
30 to 34	48,258	62,161	66,598	67,067	47,802	-	-	-	-	-	-	63,182
35 to 39	51,815	61,649	64,615	71,989	68,346	70,111	-	-	-	-	-	66,191
40 to 44	53,756	54,357	60,365	70,397	75,897	74,463	66,002	63,918	-	-	-	68,703
45 to 49	51,740	55,519	55,374	61,743	69,884	79,422	80,890	68,731	51,979	-	-	70,061
50 to 54	56,351	60,224	54,815	59,228	62,820	65,390	66,824	59,789	63,845	64,958	-	62,134
55 to 59	87,796	65,171	55,649	57,702	64,468	66,236	67,711	62,564	52,231	-	-	61,710
60 to 64	45,174	63,372	51,559	55,652	57,610	75,133	72,626	49,670	117,000	44,533	-	57,177
65 to 69	69,999	47,841	60,360	21,242	-	65,333	66,581	-	-	-	-	52,261
70 and up	74,681	48,386	16,976	-	26,692	37,773	-	-	49,462	-	-	39,789
<b>Avg. Salary</b>	\$ 51,114	\$ 58,869	\$ 61,032	\$ 65,571	\$ 69,392	\$ 73,920	\$ 73,970	\$ 60,994	\$ 62,871	\$ 56,788	-	\$ 64,861

**SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2009 ACTUARIAL VALUATION**

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Table A-6  
SDCERS - City of San Diego  
Distribution of Active Members (Excludes DROP Participants) as of June 30, 2009  
General**

Age	Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up		
Under 25	31	43	-	-	-	-	-	-	-	-	-	74
25 to 29	82	199	63	1	-	-	-	-	-	-	-	345
30 to 34	56	185	211	47	4	-	-	-	-	-	-	503
35 to 39	38	135	256	176	81	7	-	-	-	-	-	693
40 to 44	31	119	219	243	203	158	13	1	-	-	-	987
45 to 49	22	98	193	245	248	262	172	18	1	-	-	1,259
50 to 54	24	89	145	185	209	275	224	123	24	3	-	1,301
55 to 59	13	65	88	146	119	27	27	4	5	-	-	494
60 to 64	7	22	30	43	24	4	4	2	1	2	-	139
65 to 69	1	9	6	2	-	1	1	-	-	-	-	20
70 and up	2	2	3	-	2	1	-	-	1	-	-	11
<b>Total Count</b>	307	966	1,214	1,088	890	735	441	148	32	5	-	5,826

**Table A-7  
SDCERS - City of San Diego  
Distribution of Active Members (Excludes DROP Participants) as of June 30, 2009  
General**

Age	Average Salary Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up		
Under 25	\$ 35,767	\$ 38,360	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,274
25 to 29	47,344	46,597	48,506	37,918	-	-	-	-	-	-	-	47,098
30 to 34	46,615	53,989	55,340	56,190	47,802	-	-	-	-	-	-	53,891
35 to 39	51,363	57,015	54,987	57,880	59,836	65,596	-	-	-	-	-	56,592
40 to 44	52,752	52,003	53,485	61,021	60,314	61,465	66,002	63,918	-	-	-	57,996
45 to 49	51,802	52,214	52,108	55,841	58,350	64,371	67,953	65,037	51,979	-	-	58,968
50 to 54	56,351	60,074	51,972	57,016	59,574	62,411	63,763	59,384	63,845	64,958	-	59,732
55 to 59	87,796	65,171	54,564	56,967	64,259	64,622	65,882	52,816	52,231	-	-	61,010
60 to 64	45,174	63,372	51,559	55,652	56,403	70,533	72,626	49,670	117,000	44,533	-	56,704
65 to 69	69,999	47,841	38,511	21,242	-	65,333	66,581	-	-	-	-	45,302
70 and up	74,681	48,386	16,976	-	26,692	37,773	-	-	49,462	-	-	39,789
<b>Avg. Salary</b>	\$ 50,024	\$ 53,226	\$ 53,332	\$ 57,606	\$ 59,840	\$ 63,032	\$ 65,679	\$ 59,793	\$ 62,871	\$ 56,788	\$ -	\$ 57,311

SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2009 ACTUARIAL VALUATION

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Table A-8  
SDCERS - City of San Diego  
Distribution of Active Members (Excludes DROP Participants) as of June 30, 2009  
Safety**

Age	Years of Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up	
Under 25	51	65	-	-	-	-	-	-	-	-	116
25 to 29	57	218	38	-	-	-	-	-	-	-	313
30 to 34	21	147	154	31	-	-	-	-	-	-	353
35 to 39	13	63	138	166	30	1	-	-	-	-	411
40 to 44	4	20	66	141	189	96	-	-	-	-	516
45 to 49	4	12	23	58	146	239	123	3	-	-	608
50 to 54	-	1	14	17	30	31	20	2	-	-	115
55 to 59	-	-	3	4	1	1	2	1	-	-	12
60 to 64	-	-	-	-	1	1	-	-	-	-	2
65 to 69	-	-	1	-	-	-	-	-	-	-	1
70 and up	-	-	-	-	-	-	-	-	-	-	-
<b>Total Count</b>	150	526	437	417	397	369	145	6	-	-	2,447

**Table A-9  
SDCERS - City of San Diego  
Distribution of Active Members (Excludes DROP Participants) as of June 30, 2009  
Safety**

Age	Average Salary Years of Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up	
Under 25	\$ 53,449	\$ 61,072	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,720
25 to 29	53,118	68,149	78,357	-	-	-	-	-	-	-	66,651
30 to 34	52,639	72,445	82,022	83,558	-	-	-	-	-	-	76,421
35 to 39	53,138	71,580	82,477	86,947	91,325	101,710	-	-	-	-	82,377
40 to 44	61,537	68,364	83,194	86,556	92,634	95,854	-	-	-	-	89,183
45 to 49	51,397	82,513	82,774	86,674	89,474	95,921	98,980	90,893	-	-	93,030
50 to 54	-	73,653	84,265	83,302	85,438	91,820	101,118	84,718	-	-	89,312
55 to 59	-	-	87,490	84,544	89,288	109,793	92,404	101,556	-	-	90,507
60 to 64	-	-	-	-	86,590	93,531	-	-	-	-	90,061
65 to 69	-	-	191,456	-	-	-	-	-	-	-	191,456
70 and up	-	-	-	-	-	-	-	-	-	-	-
<b>Avg. Salary</b>	\$ 53,344	\$ 69,232	\$ 82,423	\$ 86,353	\$ 90,806	\$ 95,606	\$ 99,185	\$ 90,612	\$ -	\$ -	\$ 82,836



SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2009 ACTUARIAL VALUATION

APPENDIX A  
MEMBERSHIP INFORMATION

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

Plan Year	Age										Total
	Under 50	50 to 54	55 to 59	60 to 64	65 to 69	70 to 74	75 to 79	80 to 84	85 to 89	90 and up	
pre-1990	1	3	8	24	20	27	70	130	165	100	548
1990	-	2	1	4	2	6	24	39	15	1	94
1991	1	3	1	2	-	5	20	31	6	3	72
1992	2	1	1	2	2	15	24	24	8	2	81
1993	6	1	2	1	9	31	35	31	8	1	125
1994	3	2	6	6	2	14	17	10	4	3	67
1995	2	8	4	1	5	17	27	6	1	2	73
1996	4	3	5	5	14	22	26	6	3	2	90
1997	8	3	4	7	24	33	24	7	4	4	118
1998	6	6	2	8	53	47	16	9	6	5	158
1999	4	3	6	5	73	44	13	12	5	4	169
2000	12	3	5	43	40	33	14	8	4	2	164
2001	6	8	12	66	50	51	11	8	6	3	221
2002	3	5	6	47	35	19	10	3	5	3	136
2003	4	5	11	208	91	29	13	8	9	2	380
2004	4	6	12	147	58	24	6	6	8	1	272
2005	5	5	114	106	64	11	8	5	5	4	327
2006	11	15	156	64	37	7	10	3	6	1	310
2007	6	11	182	68	24	14	6	10	8	4	333
2008	4	2	188	62	21	7	10	6	4	2	306
2009	8	13	222	82	22	6	12	10	6	2	383
<b>Total</b>	100	108	948	958	646	462	396	372	286	151	4,427

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

Average Age at Retirement/Disability 58.7  
Average Current Age 68.2  
Average Annual Pension \$ 31,201

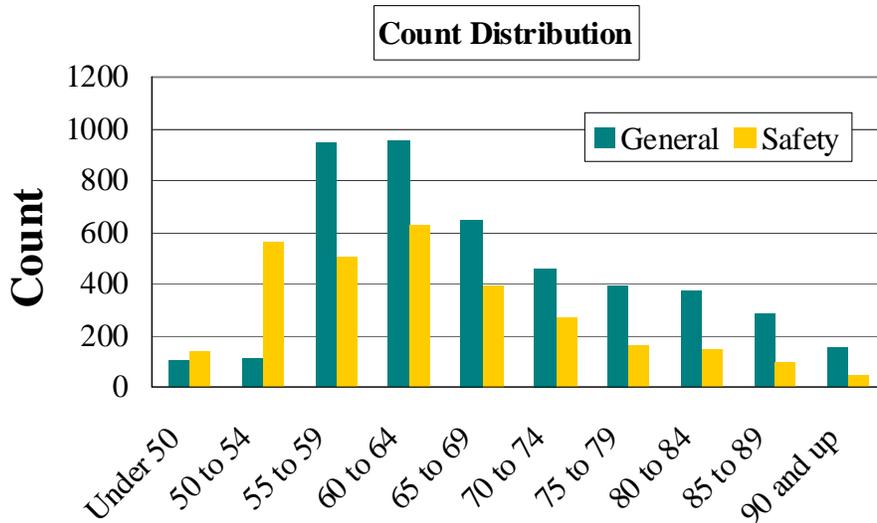


APPENDIX A  
 MEMBERSHIP INFORMATION

**Table A-13**  
**SDCERS - City of San Diego**  
**Distribution of Retirees, Disabilitants,**  
**Beneficiaries and Survivors**  
**as of June 30, 2009**

Age	Count		Total
	General	Safety	
Under 50	100	141	241
50 to 54	108	561	669
55 to 59	948	504	1,452
60 to 64	958	629	1,587
65 to 69	646	393	1,039
70 to 74	462	271	733
75 to 79	396	157	553
80 to 84	372	144	516
85 to 89	286	96	382
90 and up	151	46	197
Total	4,427	2,942	7,369

**Chart A-1**

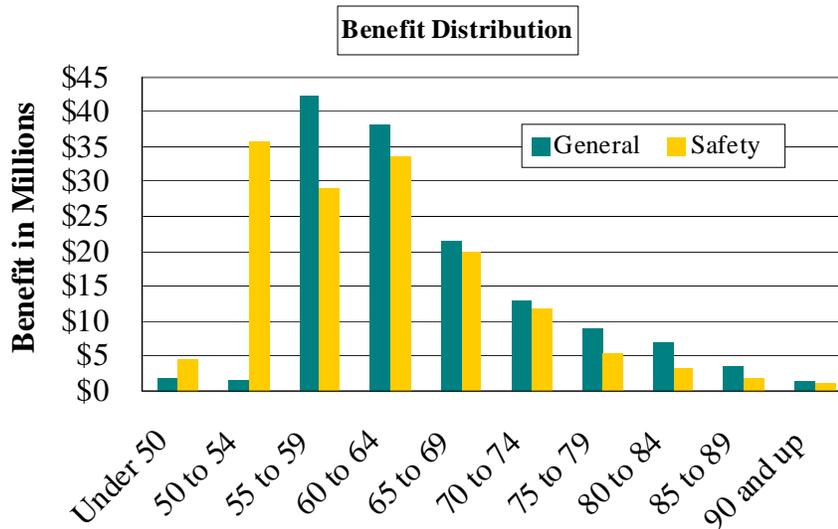


APPENDIX A  
 MEMBERSHIP INFORMATION

**Table A-14**  
**SDCERS - City of San Diego**  
**Distribution of Retirees, Disabilitants,**  
**Beneficiaries and Survivors**  
**as of June 30, 2009**

Age	Annual Benefit		
	General	Safety	Total
Under 50	\$ 1,683,752	\$ 4,412,327	\$ 6,096,079
50 to 54	1,589,783	35,782,691	37,372,473
55 to 59	42,247,732	29,007,669	71,255,401
60 to 64	38,129,842	33,486,983	71,616,825
65 to 69	21,340,029	19,894,871	41,234,900
70 to 74	12,832,843	11,768,256	24,601,099
75 to 79	8,872,724	5,213,779	14,086,503
80 to 84	6,912,637	3,202,488	10,115,125
85 to 89	3,299,578	1,727,326	5,026,904
90 and up	1,217,672	963,583	2,181,255
Total	\$ 138,126,592	\$ 145,459,971	\$ 283,586,563

**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 are two duplicate records (based on SSN and Benefit Type) in the payee file. The 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 retirees in the City only. It is assumed the payment is annual for retirees already in pay status prior to this valuation.
- Members retiring since 11/1/2006 and not having a “Supplement Amt” (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 Member's blended benefit individually. This will result in the counts being slightly higher than actual counts due to people having more than one benefit payable from multiple plans.
- We assume any retiree found in last year's "Payee" file and not in this year's file has died without a beneficiary and should be removed from the valuation data.
- We assume all deceased retirees with payments continuing to a beneficiary have already been accounted for in the "Payee" file.
- We exclude any payee receiving \$0.00 from a blended benefit plan.
- We assume that any active Member found in the inactive data last year has returned to work and should be valued as active.
- The VCP filing procedure was used to calculate the present value of Member benefits over the Internal Revenue Service Code Section 415 Benefit Limits.
- The employee contribution rates were replaced with the revised rates adopted by the Board on May 28, 2010 for this valuation.

**APPENDIX B  
ACTUARIAL ASSUMPTIONS AND METHODS**

**A. Actuarial Assumptions**

**1. Investment Return Assumption**

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

**2. Inflation Rate**

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

**3. Interest Credited to Member Contributions**

7.75%, compounded annually.

**4. Salary Increase Rate**

Inflation component: 4.00%

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 load on liabilities for retirement allowances to anticipate the impact of the annuitized employee COLA contributions at retirement. The load varies by Plan as follows:

<b>General</b>	<b>Elected</b>	<b>Police</b>	<b>Fire</b>	<b>Lifeguard</b>
2.19%	2.5%	3.51%	3.69%	3.58%

**7. Member Refunds**

All or part of the employee contribution rate is subject to potential “offset” by the employer. That “offset” and the related accumulated interest are not to be refunded to employees at termination. The liability for potential refunds is reduced to reflect this.

**8. Rates of Termination**

<b>Table B-2</b>		
<b>SDCERS - City of San Diego</b>		
<b>Rates of Termination at Selected Ages</b>		
<b>and Service 5+ years*</b>		
<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**

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

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

**12. Rates of Mortality for Retired Disabled Lives**

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

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

**APPENDIX B**  
**ACTUARIAL ASSUMPTIONS AND METHODS**

**13. Rates of Retirement**

Rates of Retirement for City General and City Safety are based on years of service and are shown in the table below.

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

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

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

**APPENDIX B**  
**ACTUARIAL ASSUMPTIONS AND METHODS**

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

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

**14. Family Composition Assumptions**

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

**APPENDIX B  
ACTUARIAL ASSUMPTIONS AND METHODS**

**15. Member Contributions for Spousal Continuance**

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

**16. Deferred Member Benefit**

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

**17. DROP Account Balances**

For DROP participants still working, the liability for the account balances in the asset information received from SDCERS staff was adjusted to assume average commencement in 2 ½ years and an interest crediting rate of 3.54%. Thereafter, it was assumed the account balance would be converted to an annuity at an interest rate of 5% over an average period of 10 years. The 10-year period was selected to average among the available DROP payment elections, including a lump sum, life expectancy, and 20 years. Pre-2006 DROP account balances still left on account were valued assuming they would be paid out until age 70 ½, with an interest crediting rate of 3.54%. The remaining account balances were valued without adjustment.

**18. Other**

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

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

**APPENDIX B**  
**ACTUARIAL ASSUMPTIONS AND METHODS**

**19. Changes Since Last Valuation**

The calculated liability for DROP account balances reflects the reduction in the interest crediting and annuity conversion rates adopted by the Board in February 2009. In prior years, the liability was set equal to the account balances, with no adjustments.

The load on liabilities for retirement allowances for the COLA Annuity benefit was adjusted for each Plan to reflect the change in employee contribution rates for this valuation. In the prior valuation, the load was 2.5% for all active Members.

**APPENDIX B  
ACTUARIAL ASSUMPTIONS AND METHODS**

**B. Actuarial Methods**

**1. Actuarial Funding Method**

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

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

**2. Asset Valuation Method**

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

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

**3. Changes Since Last Valuation**

None.

<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 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, 2009 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	Safety		
		Police	Fire	Lifeguard
50	--	2.50%	2.20%	2.00%
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. If there is no eligible spouse, the Member may receive either a lump sum payment equal to the accumulated surviving spouse contributions or an actuarially equivalent annuity (§ 24.0601).

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

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

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

**4. Non-Industrial Disability**

**Eligibility**

Ten years of service (Charter §141).

**Benefit**

*General Members:*

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

*Safety Members:*

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

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

**5. Industrial Disability**

**Eligibility**

No age or service requirement (§24.0501).

**Benefit**

*General Members:*

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

*Safety Members:*

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

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

*Elected Officers:*

Earned service retirement benefit (§24.1707).

**APPENDIX C  
SUMMARY OF PLAN PROVISIONS**

**6. Non-Industrial Death Before Eligible to Retire**

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

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

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

**8. Industrial Death**

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

**9. Death After Retirement**

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

**10. Withdrawal Benefits (§24.0206, §24.0306)**

**Pre-12/8/76 Hires**

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

**Post-12/7/76 Hires**

*Less than ten years of service:*

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

*Ten or more years of service:*

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

**11. Post-retirement Cost-of-Living Benefit**

*General and Safety Members:*

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

SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2009 ACTUARIAL VALUATION

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

**12. Cola Annuity**

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

**13. Member Contributions**

Member contributions vary by age at time of entrance into SDCERS. (§24.0201, §24.0301). While a significant portion of these contributions may be “offset,” such offsets are not directly reflected in either the employee contributions or related refund calculations. These are the rates in effect for the June 30, 2009 valuation.

Entry Age	<u>General</u>		<u>Police</u>		<u>Fire</u>	<u>Lifeguard</u>
	Hired Before 7/25/2009	Hired On or After 7/25/2009	Hired Before 7/25/2009	Hired On or After 7/25/2009	All Members	All Members
20	6.74%	3.37%	12.54%	9.97%	12.54%	12.45%
21	7.10	3.66	12.77	10.47	12.77	12.68
22	7.48	3.96	13.07	10.98	13.07	12.98
23	7.88	4.27	13.46	11.51	13.46	13.30
24	8.27	4.57	13.85	12.04	13.85	13.61
25	8.66	4.88	14.23	12.59	14.23	13.92
26	9.03	5.19	14.56	12.97	14.56	14.20
27	9.39	5.51	14.88	13.18	14.88	14.45
28	9.74	5.82	15.17	13.43	15.17	14.65
29	10.07	6.15	15.41	13.71	15.41	14.78
30	10.39	6.46	15.80	14.01	15.80	15.19
31	10.69	6.79	15.85	14.30	15.85	15.13
32	10.98	7.11	15.94	14.61	15.94	15.08
33	11.25	7.43	16.06	14.92	16.06	15.02
34	11.49	7.76	16.13	15.23	16.13	14.97
35	11.77	8.07	16.10	15.45	16.10	14.91
36	11.72	8.35	16.56	15.82	16.56	15.34
37	11.67	8.59	16.99	16.17	16.99	15.74
38	11.64	8.79	17.39	16.52	17.39	16.11
39	11.65	9.00	17.76	16.84	17.76	16.46
40	11.68	9.21	18.10	17.15	18.10	16.77
41	11.69	9.40	18.41	17.43	18.41	17.06
42	11.69	9.60	18.68	17.69	18.68	17.31
43	11.91	9.83	18.91	17.90	18.91	17.52
44	12.14	10.07	19.09	18.07	19.09	17.68
45	12.36	10.30	19.19	18.17	19.19	17.77
46	12.58	10.54	18.57	17.71	18.57	17.21
47	12.78	10.76	18.27	17.60	18.27	16.92
48	12.98	10.98	17.93	17.55	17.93	16.61
49	13.16	11.19	17.57	17.49	17.57	16.28
50	13.31	11.38				
51	13.44	11.56				
52	13.53	11.72				
53	13.29	11.80				
54	13.02	11.81				
55	12.70	11.65				
56	12.43	11.35				
57	12.21	11.06				

**APPENDIX C  
SUMMARY OF PLAN PROVISIONS**

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

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

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

The assumptions used to develop the rates were the same as those used in this valuation, except:

- Mortality: All mortality tables were blended 50/50 between male and female rates.
- Retirement Rates: The retirement rates used for the new General and Police plans in effect for hires on or after July 25, 2009 are:

<b>Table C-6</b>		
<b>SDCERS - City of San Diego</b>		
<b>Rates of Retirement for New Plans</b>		
<b>Age</b>	<b>General</b>	<b>Police</b>
50	--	10%
51	--	10
52	--	10
53	--	10
54	--	20
55	3%	40
56	3	40
57	3	40
58	5	50
59	5	80
60	10	85
61	15	90
62	20	100
63	30	100
64	40	100
65	50	100
66	50	100
67	50	100
68	50	100
69	50	100
70	100	100

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

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

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

**14. Internal Revenue Code Limitation**

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

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

**15. Deferred Retirement Option Plan**

Effective April 1, 1997, a deferred retirement option plan (DROP) was created and offered to Members as an alternative method of benefit accrual. Members eligible for service retirement are eligible to participate in DROP (except for Safety Members who elect to accrue benefits under Section 24.0403(g)), but subject to the outcome of pending litigation, only those hired before February 16, 2007 may enter the program.

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

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

**16. Blended Benefit with Participating Agencies**

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

**SDCERS-CITY OF SAN DIEGO  
JUNE 30, 2009 ACTUARIAL VALUATION**

**APPENDIX C  
SUMMARY OF PLAN PROVISIONS**

**17. Changes Since Last Valuation**

The Board adopted new employee contribution rates for this valuation. The prior rates are shown in the table below.

Entry Age	General	Police	Fire	Lifeguard
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			

Effective in 2009, the pricing for purchased service contracts was changed to reflect the actual cost at the time of purchase.

General and Police Members hired on or after July 25, 2009 will participate in new Plans with lower benefits and costs. While there are no Members covered by the new benefit formulas in this valuation, the City's contribution for FY 2011 reflects the anticipated cost reduction on the projected FY 2011 payroll for new hires.

The new General Plan shares the same provisions as the existing Plan, except for the following:

- Accrual factors range from 1.0% at age 55 to 2.6% at age 65
- The maximum benefit is 80% of Final Average Compensation
- Final Average Compensation is based on the highest 3 years of pensionable earnings

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

The new Police Plan shares the same provisions as the existing Plan, except for the following:

- Accrual factors range from 2.5% at age 50 to 3.0% at age 55
- The maximum benefit is 90% of Final Average Compensation

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

**APPENDIX D  
GLOSSARY OF TERMS**

**1. Actuarial Liability**

The Actuarial Liability is the difference between the present value of all future system benefits and the present value of total future normal costs. This is also referred to by some actuaries as the “accrued liability” or “actuarial 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 2011 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).