

**San Diego City  
Employees' Retirement System**

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

**San Diego  
Unified Port District**

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

**February 2011**

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LETTER OF TRANSMITTAL

February 10, 2011

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

Dear Members of the Board:

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

<b>Table I-1</b>		
<b>SDCERS - Unified Port District</b>		
<b>Valuation Date</b>	<b>6/30/2010</b>	<b>6/30/2009</b>
Unfunded Actuarial Liability (in millions)	\$ 76.7	\$ 64.8
Funding Ratio	75.3%	77.5%
UPD Contribution Rate	33.16%	27.61%
<b>Fiscal Year</b>	<b>2012</b>	<b>2011</b>
Annual Required Contribution (GASB):		
-if paid at the beginning of the year	\$ 12.6 million	\$ 11.5 million
-if paid throughout the year	\$ 13.1 million	\$ 12.0 million

- *Unfunded Actuarial Liability (UAL)*: The UPD's UAL has increased by \$11.9 million. The primary cause of this increase is that the actuarial assets continued to phase-in the significant investment loss experienced during the 2009 fiscal year.
- *Funding Ratio*: This is the ratio of the system's actuarial value of assets to actuarial liabilities, which declined by 2.2%.
- *Contributions (GASB ARC)*: UPD contributions were determined under full compliance with the Governmental Accounting Standards Board (GASB) Statement Number 25, defining the annual required contribution (ARC) for the UPD for fiscal year July 1, 2011 through June 30, 2012 (FY 2012). The results of this valuation produced an increase in the UPD's ARC of \$1.1 million. When measured as a percent of membership payroll, the ARC increased by 5.55%. The contribution rate increase can be attributed primarily to three factors: phase-in of the 2009 losses, contraction of the payroll due to hiring and wage freezes, and a change in methodology (the contribution rate for this valuation is calculated by excluding payroll for new non-Safety hires to the UPD since January 1, 2009, in order to align the contribution rate with the benefits accruing under the plan).



Board of Administration

January 7, 2011

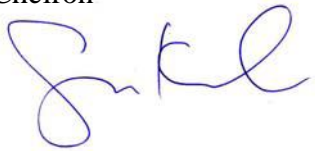
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More details on Plan experience for the past year and its impact on these June 30, 2010 valuation results can be found in the valuation report.

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

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

Sincerely,  
Cheiron



Gene Kalwarski, FSA, EA, MAAA  
Principal Consulting Actuary

cc: Bill Hallmark  
David Holland  
Alice Alsberghe

**SECTION I  
BOARD SUMMARY**

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

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

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

**A. Valuation Basis**

The Unified Port District's June 30, 2010 valuation results are based on the same actuarial methods and assumptions used in the June 30, 2009 valuation. More details on the methods and assumptions can be found in Appendix B.

General and Executive Members hired on or after January 1, 2009 participate in a new Plan with lower benefits and costs. In particular, new Members do not begin to accrue service and are not eligible for any benefits until they have completed at least five years of UPD employment. The UPD's contribution for FY 2012 reflects this anticipated cost reduction. As experience under the new Plan emerges, further study will be required and the actual cost implications may vary.

**SDCERS-UNIFIED PORT DISTRICT  
JUNE 30, 2010 ACTUARIAL VALUATION**

**SECTION I  
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**B. Current Financial Condition of SDCERS-Unified Port District**

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

1. UPD Membership

Table I-2 shows that total membership in SDCERS-Unified Port District decreased by 1.1% from 2009 to 2010. Although inactive membership (terminated vested, disabled, retirees, and beneficiaries) increased slightly, the active membership count decreased by 5.7%. Active Member payroll decreased by 3.0%, compared to the assumed payroll inflation of 4%.

<b>Table I-2</b>			
<b>SDCERS - Unified Port District - Membership Total</b>			
<b>Item</b>	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>% Change</b>
Active Counts	532	564	-5.7%
Terminated Vested	289	281	2.8%
Disabled	62	63	-1.6%
Retirees	282	268	5.2%
Beneficiaries	58	60	-3.3%
Total UPD Members	1,223	1,236	-1.1%
Active Member Payroll	\$ 39,164,664	\$ 40,370,258	-3.0%
Average Pay per Active Member	\$ 73,618	\$ 71,578	2.8%

**SDCERS-UNIFIED PORT DISTRICT  
JUNE 30, 2010 ACTUARIAL VALUATION**

**SECTION I  
BOARD SUMMARY**

**2. UPD Assets and Liabilities**

Table I-3 presents a comparison between the June 30, 2010 and June 30, 2009 SDCERS-Unified Port District 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 7.5% but an actuarial value of assets increase of only 4.4%, the funding ratio decreased from 77.5% as of June 30, 2009 to 75.3% as of June 30, 2010. SDCERS employs a commonly used actuarial smoothing method on the market value that dampens market volatility, so the actuarial value of assets did not increase as much as the market value (13.6%).

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

<b>Table I-3</b>			
<b>SDCERS - Unified Port District - Assets &amp; Liabilities</b>			
<b>Entry Age Normal (EAN) Liabilities</b>	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>% Change</b>
Actives	\$ 145,577,561	\$ 137,987,124	5.5%
Terminated Vested	14,701,905	12,908,003	13.9%
Disabled	14,613,575	14,884,521	-1.8%
Retirees	127,751,767	115,138,009	11.0%
Beneficiaries	7,822,489	7,780,488	<u>0.5%</u>
Total Actuarial (EAN) Liability	\$ 310,467,297	\$ 288,698,145	7.5%
Market Value Assets	\$ 211,908,439	\$ 186,565,603	13.6%
Actuarial Value Assets	\$ 233,788,278	\$ 223,878,723	4.4%
Unfunded Actuarial Liability	\$ 76,679,019	\$ 64,819,422	18.3%
Funding Ratio-Actuarial Value	75.3%	77.5%	-2.2%

**SDCERS-UNIFIED PORT DISTRICT  
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**SECTION I  
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**3. Components of UAL Change between June 30, 2009 and June 30, 2010**

SDCERS-Unified Port District unfunded actuarial liability (UAL) increased by \$11.9 million, from \$64.8 million to \$76.7 million. The table below (shown in thousands for detail) 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 \$7.3 million. Liability experience increased the UAL by \$1.5 million. Contributions in excess of expected reduced the UAL slightly.

<b>Table I-4</b>	
<b>SDCERS - Unified Port District-Change in UAL</b>	
(In Thousands)	
<b>1. UAL at June 30, 2009</b>	<b>\$ 64,819.4</b>
2. Investment experience loss	7,317.4
3. Purchased service credits paid for during the year *	46.6
4. Liability experience loss	1,467.1
5. Contributions paid in excess of expected	(62.5)
6. Expected change in UAL	<u>3,091.0</u>
7. Total change in UAL: sum of 2 through 6	11,859.6
<b>8. UAL at June 30, 2010: 1 + 7</b>	<b>\$ 76,679.0</b>

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



**SDCERS-UNIFIED PORT DISTRICT  
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**SECTION I  
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**4. UPD Contributions**

The Unified Port District's contribution for FY 2012 measured as a percent of membership, payroll increased from 27.61% to 33.16%. In dollars, the required beginning of year contribution increased by \$1.1 million, from \$11.5 million to \$12.6 million.

The contribution increase was primarily attributable to the continued phase-in of the significant investment losses during the 2009 fiscal year in the actuarial value of assets, which led to an 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 - Unified Port District - Contributions</b>			
<b>EAN Funding Method</b>	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>% Change</b>
Total Normal Cost % Projected to FY 2012*	26.14%	24.07%	2.06%
Members Contribution % Projected to FY 2012*	<u>11.13%</u>	<u>10.50%</u>	<u>0.63%</u>
Employer Normal Cost % Projected to FY 2012*	15.01%	13.57%	1.44%
Employer Unfunded Liability Cost %	18.15%	14.04%	4.11%
Negative Amortization Adjustment Cost %	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Employer Cost %**	33.16%	27.61%	5.55%
<b>Annual Required Contribution (GASB):</b>			
-if paid at the beginning of the year	\$ 12.6 million	\$ 11.5 million	9.25%
-if paid throughout the year	\$ 13.1 million	\$ 12.0 million	9.25%
<b>The total \$12.6 million ARC is made up of the following components: (shown in thousands for detail)</b>			
in thousands	<b>Beginning of Year ARC Component</b>		
\$ 5,704.0	Employer Normal Cost		
1,640.5	11-year amortization of the outstanding 2007 UAL balance at 6/30/2011		
232.4	28-year amortization of the FY 2008 UAL increase due to assumptions changes		
85.2	13-year amortization of the UAL due to the experience loss in FY 2008		
4,140.8	14-year amortization of the UAL due to the experience loss in FY 2009		
799.4	15-year amortization of the UAL due to the experience loss in FY 2010		
<u>0.0</u>	Amount needed to avoid negative UAL for FY 2012		
\$ 12,602.3	Total FY 2012 beginning of year ARC		

\* These represent projected fiscal year 2012 (2011 for June 30, 2009) payroll-weighted averages of General and Executive Members (new Plan for hires on or after January 1, 2009) and Safety Members (no change). New Plan Members have no service accrual or benefit eligibility for the first five years, so the normal cost is zero during that time.

\*\* The contribution rate increase can be attributed primarily to three factors: phase-in of the 2009 losses, contraction of the payroll due to hiring and wage freezes, and a change in methodology (the contribution rate for this valuation is calculated by excluding payroll for new non-Safety hires to the UPD since January 1, 2009, in order to align the contribution rate with the benefits accruing under the plan).

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.

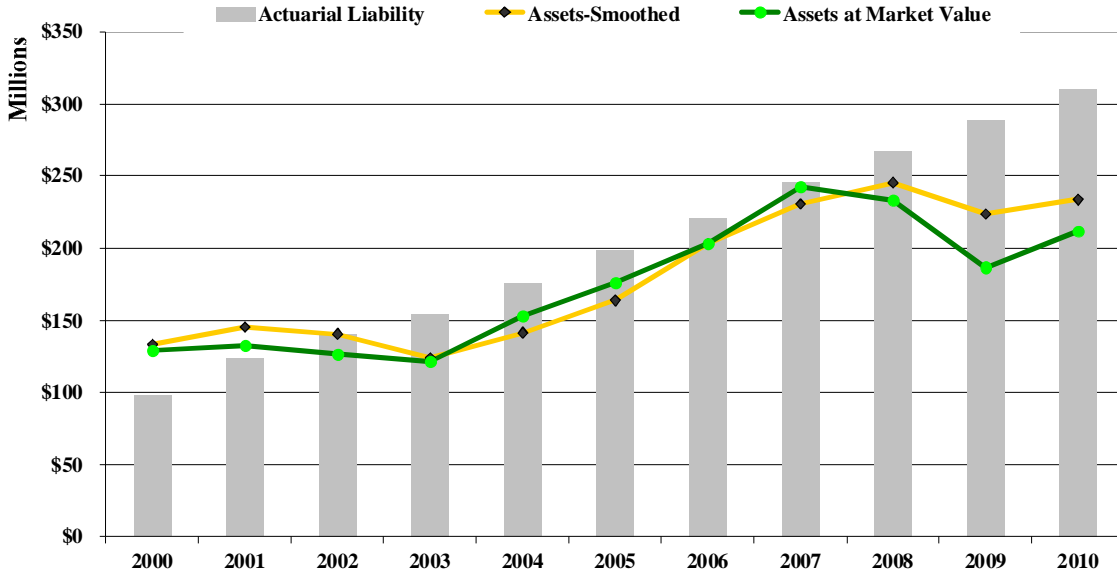
SECTION I  
 BOARD SUMMARY

**C. Historical Trends SDCERS-Unified Port District**

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 UPD’s contribution rate, it is important to remember that each valuation is merely a snapshot of the long-term progress of a pension fund. It is more important to judge a current year’s valuation result relative to historical trends, and trends expected into the future.

In the chart below, we present the historical trends for the market value and smoothed assets compared to actuarial liabilities and also show the SDCERS-Unified Port District funding ratios since 2000.

**SDCERS- Unified Port District Assets and Liabilities 2000-2010**



Funding Ratio	137.1%	118.0%	100.3%	80.3%	80.6%	82.6%	92.1%	93.5%	92.0%	77.5%	75.3%
UAL (millions)	\$ (36.0)	\$ (22.2)	\$ (0.4)	\$ 30.4	\$ 34.0	\$ 34.4	\$ 17.4	\$ 16.0	\$ 21.5	\$ 64.8	\$ 76.7

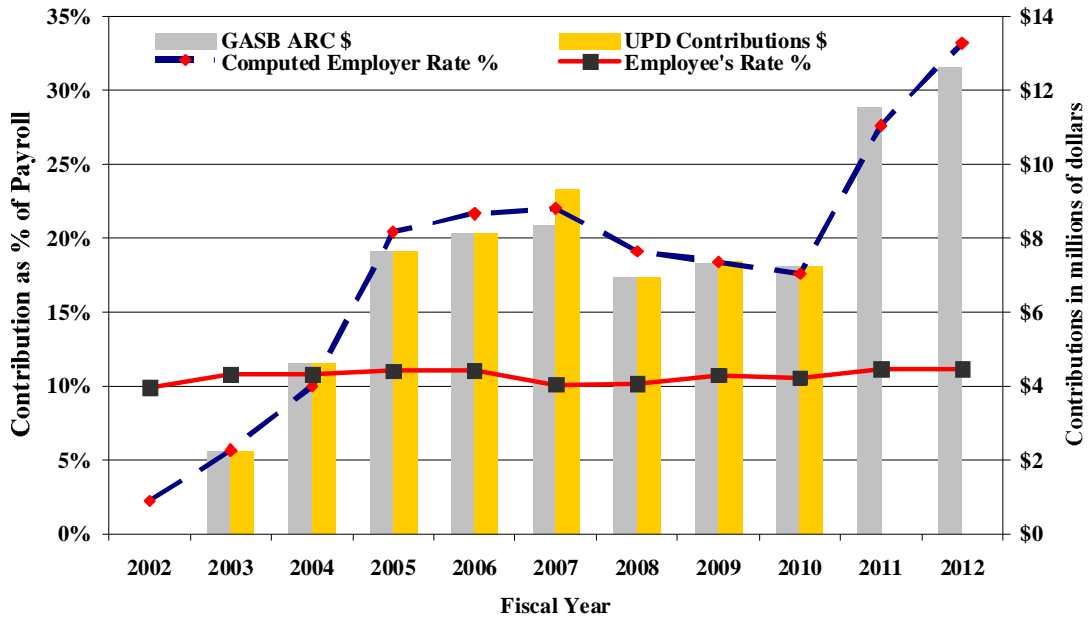
\* The UAL for 2007 and after is calculated using the Entry Age Normal method; 2006 and prior years are calculated using the Projected Unit Credit method.

The chart indicates that from 2000 to 2002, SDCERS-Unified Port District maintained full funding. However, in 2003 the funding ratio declined significantly. From 2004 to 2008, the ratio improved significantly, primarily due to strong investment performance. In 2009 the funding ratio declined significantly due to investment losses, and in 2010 the funding ratio declined slightly despite investment gains, mostly due to continued phase-in of the prior year’s losses.

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

**SDCERS-Unified Port District and Member Contribution Rates FY 2002-2012**



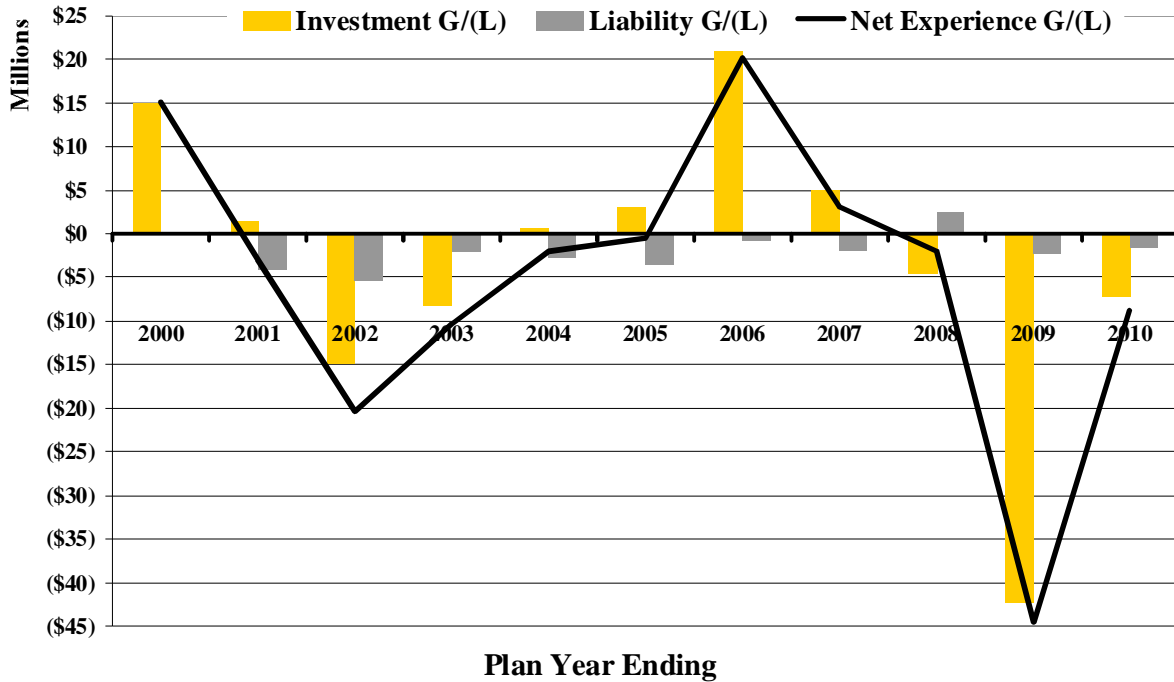
The key information in this chart is the escalation in the computed employer contribution rate between fiscal years 2002 and 2007, and the significant increase from fiscal year 2010 to fiscal year 2011. The most recent increase however, is misleading, as due to the new plan implemented by the UPD as of January 1, 2009, new non-Safety hires will not enter the plan until after achieving five years of service. As a result, the ARC dollar amount will be divided by a shrinking payroll until the new hires start entering the plan again. 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 the actual contributions made by the Unified Port District beginning in FY 2003, to the annual required contribution (ARC) based on the Board's adopted funding practice of Normal Cost plus various amortization of UALs, including the requirement beginning in fiscal year 2009 that there be no negative amortization. The chart indicates that the Unified Port District has been consistently paying at or above the ARC since FY 2003.

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BOARD SUMMARY**

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

**SDCERS-Unified Port District Historical Gain/(Loss) 2000-2010**



The key insights from this chart are:

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

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**D. Projected Financial Trends SDCERS-Unified Port District**

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

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

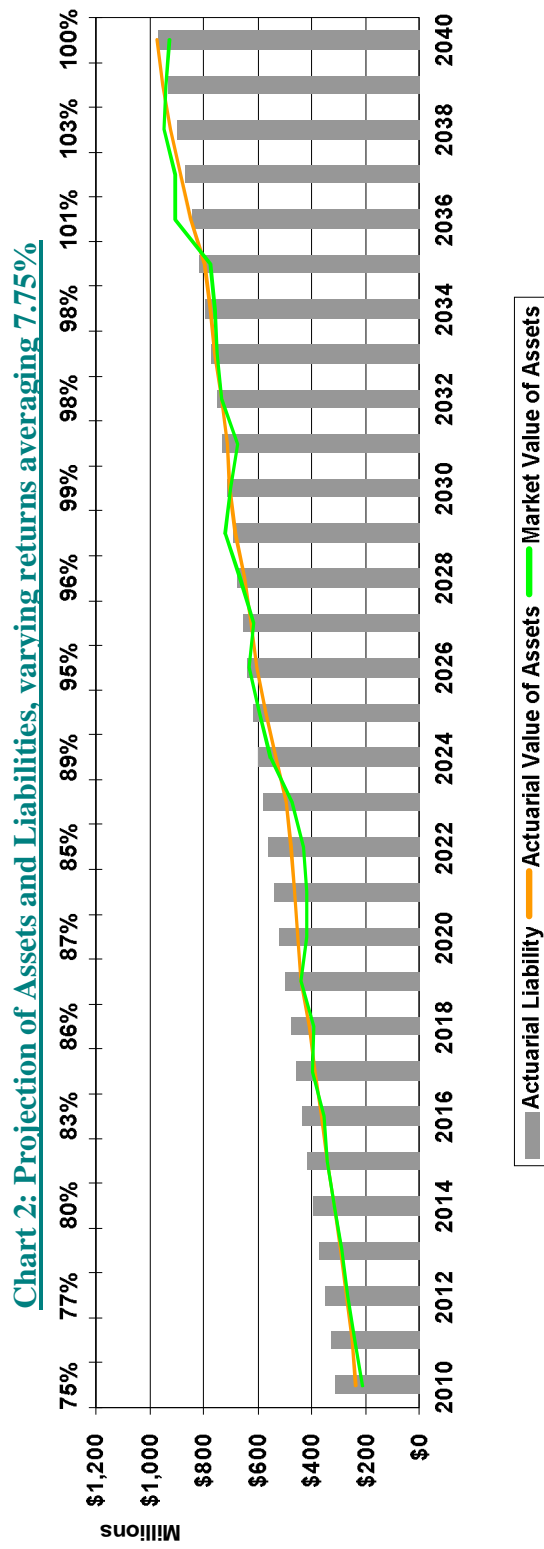
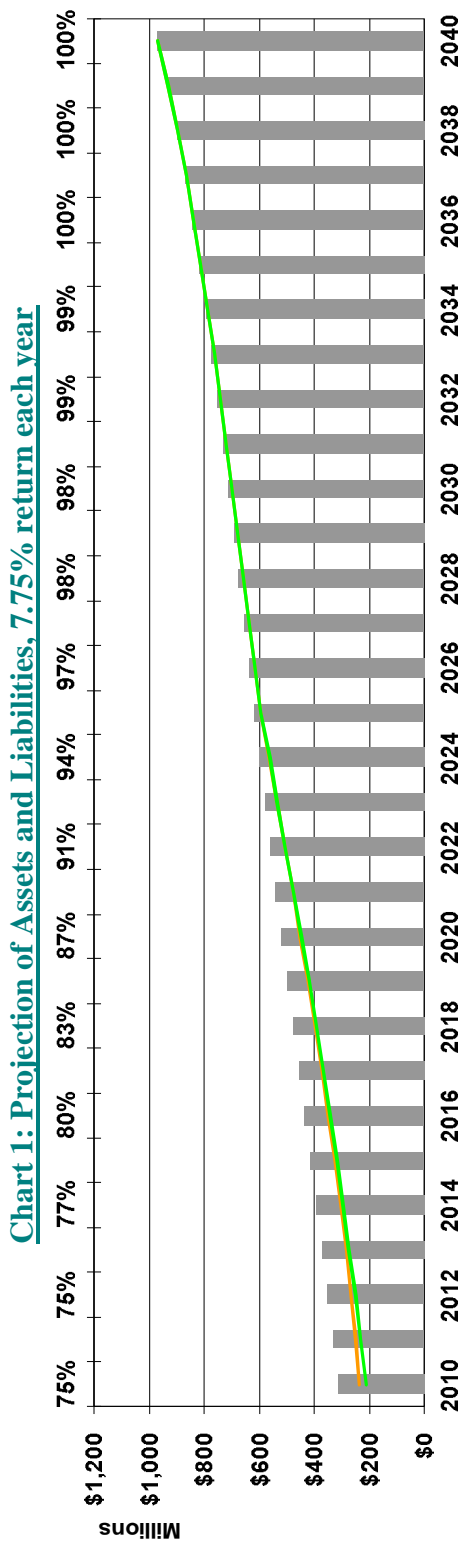
- 1) Assuming 7.75% returns each and every year, and
- 2) Assuming returns shown in the table below which begin with rates of return that start at positive 12% then vary each year thereafter over the projection period, but over the entire period average out to the assumed 7.75%.

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

SECTION I  
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**Projection Set 1: Assets and Liabilities – Unified Port District**

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

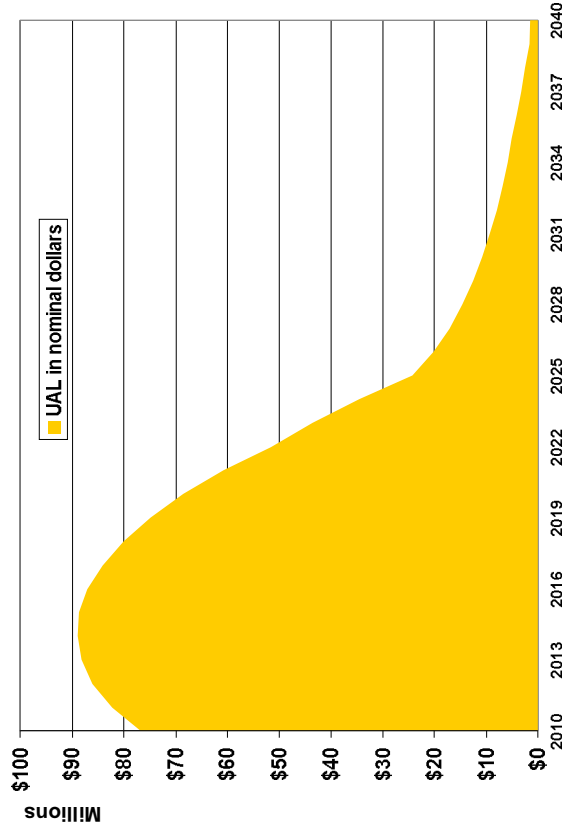


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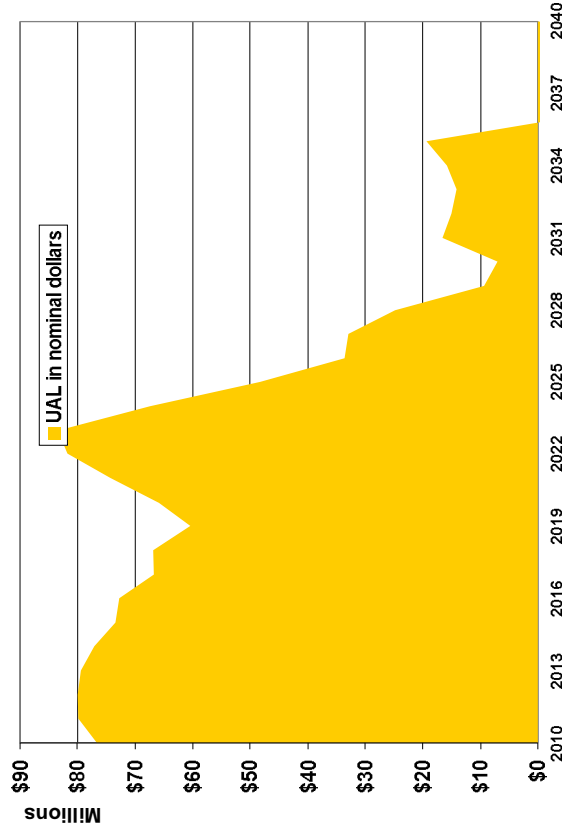
**Projection Set 2: Pay down of the Unfunded Actuarial Liability (UAL) – Unified Port District**

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

**Chart 1: 7.75% return each year**



**Chart 2: Varying returns averaging 7.75%**



SECTION I  
 BOARD SUMMARY

**Projection Set 3: Projected Contribution Rate – Unified Port District**

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

Chart 1: 7.75% return each year

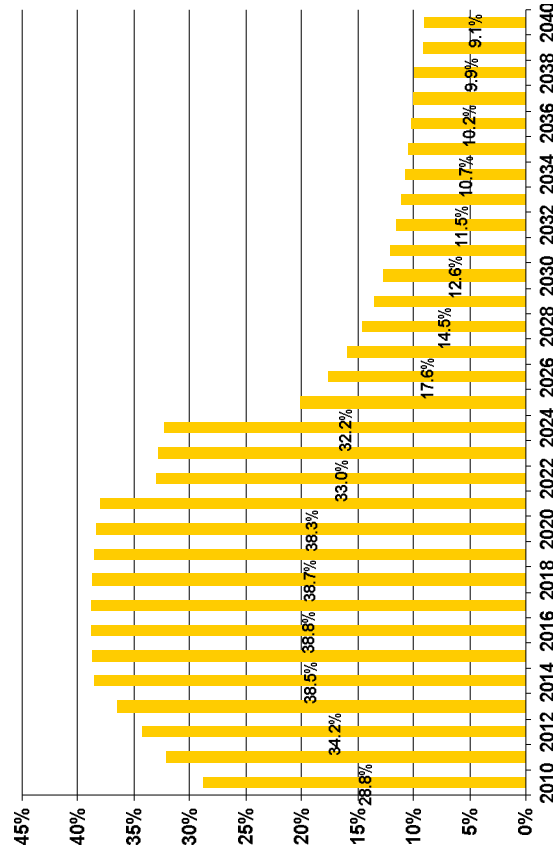
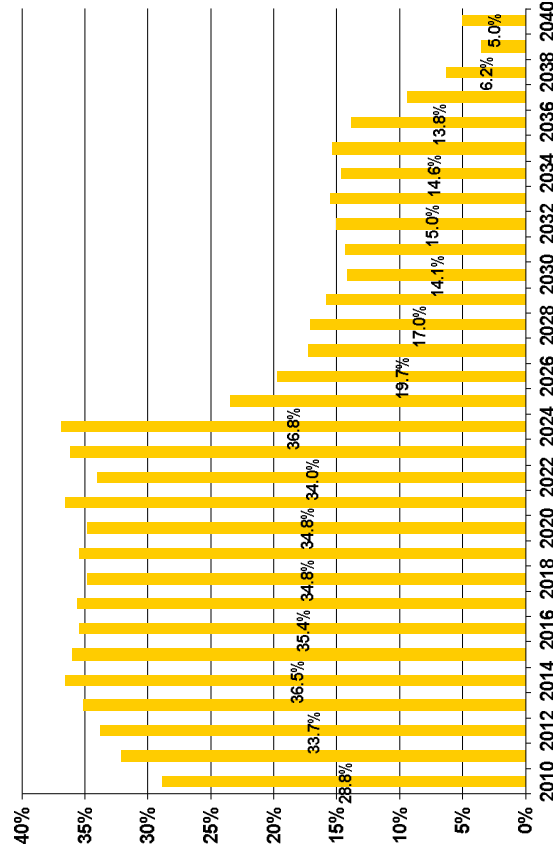


Chart 2: Varying returns averaging 7.75%





## SECTION II ASSETS

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

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

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

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

**SECTION II  
ASSETS**

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

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

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

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

**SDCERS-UNIFIED PORT DISTRICT  
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**SECTION II  
ASSETS**

**C. Actuarial Value of Assets**

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

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

<b>Table II-3 SDCERS - Unified Port District Development of Actuarial Value of Assets at June 30, 2010 Expected Value of Assets Method</b>		
1. Actuarial Value of Assets at June 30, 2009	\$	223,878,723
2. Amount in (1) with interest at 7.75% to June 30, 2010		241,229,324
3. Employer and Member contributions for the Plan Year ended June 30, 2010		11,748,349
4. Disbursements from Trust excluding investment expenses, June 30, 2009 through June 30, 2010		12,139,120
5. Interest on cash flows to June 30, 2010 at 7.75% per year		243,005
6. Expected Actuarial Value of Assets at June 30, 2010 = (2) + (3) – (4) + (5)		241,081,558
7. Actual Market Value of Assets at June 30, 2010		211,908,439
8. Excess of (7) over (6)		(29,173,119)
9. Preliminary Actuarial Value of Assets at June 30, 2010 = (6) + 25% of (8)	\$	233,788,278
10. 80% Minimum Corridor on the Actuarial Value of Assets = 80% of (7)		169,526,751
11. 120% Maximum Corridor on the Actuarial Value of Assets = 120% of (7)		254,290,126
12. Final Actuarial Value of Assets at June 30, 2010 = (9), but no less than (10) and no more than (11)	\$	233,788,278

**SECTION II**  
**ASSETS**

**D. Investment Performance**

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

On an actuarial (smoothed) value of assets basis, the return for FY 2010 was 4.47%. This return produced for SDCERS-All Employers an overall investment loss of \$150.8 million for the year ending June 30, 2010. (Note this reported loss is different than the investment loss of \$7.3 million reported on page 4 in this report. The latter is the loss only for the SDCERS-Unified Port District.)

### SECTION III LIABILITIES

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

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

#### A. Disclosure

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

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

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

SDCERS-UNIFIED PORT DISTRICT  
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**SECTION III  
LIABILITIES**

<b>Table III-1</b>				
<b>SDCERS - Unified Port District - Total</b>				
Item	June 30, 2010		June 30, 2009	
<b>Present Value of Future Benefits</b>				
Actives	\$	223,677,612	\$	219,019,033
Terminated Vested		14,701,905		12,908,003
Disabled		14,613,575		14,884,521
Retirees		127,751,767		115,138,009
Beneficiaries		7,822,489		7,780,488
<b>Total Unified Port District</b>	<b>\$</b>	<b>388,567,349</b>	<b>\$</b>	<b>369,730,053</b>
<b>Actuarial Liability - EAN</b>				
Total Present Value of Benefits	\$	388,567,349	\$	369,730,053
Present Value of Future Normal Costs				
Employer Portion		44,827,044		45,667,872
Employee Portion		33,273,007		35,364,036
<b>Actuarial Liability - EAN</b>	<b>\$</b>	<b>310,467,297</b>	<b>\$</b>	<b>288,698,145</b>
Actuarial Value of Assets	\$	233,788,278	\$	223,878,723
<b>Unfunded EAN Actuarial Liability</b>	<b>\$</b>	<b>76,679,019</b>	<b>\$</b>	<b>64,819,422</b>

Table III-2 shows the actuarial liability as of June 30, 2010 for General, Executive and Safety Members of SDCERS-Unified Port District.

<b>Table III-2</b>				
<b>SDCERS - Unified Port District - General, Executives &amp; Safety</b>				
Item	June 30, 2010	June 30, 2010	June 30, 2010	June 30, 2010
Present Value of Future Benefits	Total	General	Executives	Safety
Actives	\$ 223,677,613	\$ 132,160,591	\$ 8,346,649	\$ 83,170,373
Terminated Vested	14,701,905	13,636,032	-	1,065,873
Disabled	14,613,575	8,310,143	-	6,303,432
Retirees	127,751,767	86,134,728	11,246,922	30,370,117
Beneficiaries	7,822,489	6,625,515	-	1,196,974
<b>Total Unified Port District</b>	<b>\$ 388,567,349</b>	<b>\$ 246,867,009</b>	<b>\$ 19,593,571</b>	<b>\$ 122,106,769</b>
<b>Actuarial Liability - EAN</b>				
Actives	\$ 145,577,561	\$ 85,070,627	\$ 5,497,874	\$ 55,009,060
Terminated Vested	14,701,905	13,636,032	-	1,065,873
Disabled	14,613,575	8,310,143	-	6,303,432
Retirees	127,751,767	86,134,728	11,246,922	30,370,117
Beneficiaries	7,822,489	6,625,515	-	1,196,974
<b>Total Unified Port District</b>	<b>\$ 310,467,297</b>	<b>\$ 199,777,045</b>	<b>\$ 16,744,796</b>	<b>\$ 93,945,456</b>

**SDCERS-UNIFIED PORT DISTRICT  
JUNE 30, 2010 ACTUARIAL VALUATION**

**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-3</b>	
<b>Development of 2010 Experience Gain/(Loss) SDCERS - Unified Port District</b>	
<b>(In Thousands)</b>	
1. Unfunded Actuarial Liability at June 30, 2009	\$ 64,819.4
2. Beginning of year unfunded actuarial liability payment	(1,793.5)
3. Interest accrued ((1+2) x 7.75%)	<u>4,884.5</u>
4. Expected Unfunded Actuarial Liability at June 30, 2010 (1+2+3)	67,910.5
5. Actual Unfunded Liability at June 30, 2010	76,679.0
6. Difference: (4 - 5)	(8,768.6)
7. Portion of difference (6) due to actuarial assumption or method changes	-
8. Portion of difference (6) due to benefit changes	-
9. Portion of difference (6) due to contributions more than expected	62.5
10. Portion of difference (6) due to net experience Gain/(Loss)	(8,831.1)
a) portion of (9) due to investment experience	\$ (7,317.4)
b) portion of (9) due to liability experience	\$ (1,513.7)
<b>Elements of Liability Gain/(Loss)</b>	
1. G/(L) due to demographic and payroll experience	(1,467.1)
2. G/(L) due to purchased service credit	(46.6)
3. Other Gain/(Loss)	<u>-</u>
4. Total Estimated Liability Gain/(Loss): sum 1 through 3	<b>\$ (1,513.7)</b>



SDCERS-UNIFIED PORT DISTRICT  
JUNE 30, 2010 ACTUARIAL VALUATION

**SECTION III  
LIABILITIES**

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

<b>Table III-4</b>			
<b>Experience Gain/(Loss) - Historical SDCERS - Unified Port District *</b>			
<b>Valuation</b>			<b>Gain/(Loss)</b>
<b>Date</b>	<b>Gain/(Loss)</b>	<b>Beginning-of-Year Actuarial Liabilities</b>	<b>% of Liability</b>
6/30/1999	\$ 3,601,033	\$ 81,632,570	4.4%
6/30/2000	15,094,373	89,808,543	16.8
6/30/2001	(2,899,896)	97,159,852	(3.0)
6/30/2002	(20,288,699)	123,125,659	(16.5)
12/31/2002 *	(11,097,105)	140,196,959	(7.9)
6/30/2003	(10,248,435)	137,824,047	(7.4)
6/30/2004	(2,070,099)	154,299,669	(1.3)
6/30/2005	(552,547)	175,366,198	(0.3)
6/30/2006	20,138,814	198,071,900	10.2
6/30/2007	2,994,479	220,637,279	1.4
6/30/2008	(1,999,505)	246,538,326	(0.8)
6/30/2009	(44,607,050)	267,036,729	(16.7)
6/30/2010	(8,831,078)	288,698,145	(3.1)

\* Airport Authority split as of December 31, 2002.

## SECTION IV CONTRIBUTIONS

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

The actuarial funding methodology employed is the Entry Age Normal (EAN) actuarial funding method. Under EAN, there are two components to the total contribution: the normal cost and an amortization payment on the unfunded actuarial liability. The normal cost rate is determined by taking the value, as of entry age into the plan, of each Member's projected future benefits. This value is then divided by the value, also at entry age, of each Member's expected future salary. The normal cost rate is multiplied by current salary to determine each Member's normal cost. Finally, the normal cost is reduced by the Member contribution to produce the employer normal cost. The difference between the EAN actuarial liability and the actuarial value of assets is the unfunded actuarial liability. The UAL for FY 2012 is to be amortized over several different periods. The fiscal year ending June 30, 2010 experience loss is amortized over 15 years, the outstanding balance for the fiscal year ending June 30, 2009 experience loss is amortized over 14 years, the outstanding balance of the June 30, 2008 UAL due to assumption changes is amortized over 28 years, the outstanding balance for the fiscal year ending June 30, 2008 experience loss is amortized over 13 years, and the outstanding balance of the June 30, 2007 UAL is amortized over 11 years. Table IV-2 shows the outstanding balance and FY 2012 payment for each of these components. Finally, if necessary, there is an additional UAL cost component to ensure that there is no negative amortization in any year.

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

**SDCERS-UNIFIED PORT DISTRICT  
JUNE 30, 2010 ACTUARIAL VALUATION**

**SECTION IV  
CONTRIBUTIONS**

**Table IV-1  
SDCERS - Unified Port District  
Development of the UPD's Contribution as of June 30, 2010, For (FY 2012)  
(dollars in millions)**

	WEIGHTED	Non-Safety			Safety
	TOTAL UPD	Weighted Total	General	Executives	Safety Total
1. Total Normal Cost Rate as of June 30, 2010	<b>26.01%</b>	23.95%	23.68%	28.47%	30.75%
2. Member Contribution Rate as of June 30, 2010	<b><u>11.07%</u></b>	<u>10.18%</u>	<u>10.13%</u>	<u>11.14%</u>	<u>13.11%</u>
3. Employer Normal Cost Rate as of June 30, 2010 (1-2)	<b>14.94%</b>	13.77%	13.55%	17.33%	17.64%
4. Actuarial Liability	<b>\$ 310.5</b>	\$ 216.5	\$ 199.8	\$ 16.7	\$ 93.9
5. Actuarial Assets	<b>\$ 233.8</b>	\$ 163.0	\$ 150.4	\$ 12.6	\$ 70.7
6. Total Unfunded Actuarial Liability (UAL) (4-5)*	<b>\$ 76.7</b>	\$ 53.5	\$ 49.3	\$ 4.1	\$ 23.2
7. Preliminary FY12 UAL amortization*	<b>\$ 6.9</b>	\$ 4.8	\$ 4.4	\$ 0.4	\$ 2.1
8. <u>Negative Amortization Test for FY12</u>					
a. Total UAL on 6/30/10 less FY11 UAL payment	<b>\$ 70.8</b>	\$ 49.4	\$ 45.6	\$ 3.8	\$ 21.4
b. interest on 8a. To 6/30/11	<b>\$ 5.5</b>	\$ 3.8	\$ 3.5	\$ 0.3	\$ 1.7
c. preliminary FY12 UAL amortization (line 7)	<b>\$ 6.9</b>	\$ 4.8	\$ 4.4	\$ 0.4	\$ 2.1
d. Negative interest (8b - 8c, not less than zero)	-	-	-	-	-
9. Total FY12 UAL payment on 7/01/11 (8c + 8d)	<b>\$ 6.9</b>	\$ 4.8	\$ 4.4	\$ 0.4	\$ 2.1
10. Total FY12 UAL payment throughout year	<b>\$ 7.2</b>	\$ 5.0	\$ 4.6	\$ 0.4	\$ 2.2
11. Total Expected Payroll for FY12	<b>\$ 39.4</b>	\$ 26.8	\$ 25.3	\$ 1.5	\$ 12.7
12. FY12 Normal Cost paid throughout the year (3x11)	<b>\$ 5.9</b>	\$ 3.7	\$ 3.4	\$ 0.3	\$ 2.2
13. FY12 Normal Cost paid at start of year	<b>\$ 5.7</b>	\$ 3.5	\$ 3.3	\$ 0.2	\$ 2.2
14. Determination of FY12 GASB ARC %					
a. Employer Normal Cost Rate (12 divided by 11)	<b>15.01%</b>	13.76%	13.55%	17.33%	17.64%
b. UAL Rate (line 10 divided by line 11)	<b><u>18.15%</u></b>	<u>18.66%</u>	<u>18.24%</u>	<u>25.84%</u>	<u>17.07%</u>
c. Total employer ARC % (14a + 14b)	<b>33.16%</b>	32.43%	31.79%	43.17%	34.71%
15. Determination of FY12 GASB ARC dollars					
a. FY12 ARC if paid throughout year	<b>\$ 13.1</b>	\$ 8.7	\$ 8.0	\$ 0.6	\$ 4.4
b. FY12 ARC if paid at beginning of year	<b>\$ 12.6</b>	\$ 8.4	\$ 7.7	\$ 0.6	\$ 4.2

\* See Table IV-2 for components of these amounts.  
Note: Numbers may not add due to rounding.

**SDCERS-UNIFIED PORT DISTRICT  
JUNE 30, 2010 ACTUARIAL VALUATION**

**SECTION IV  
CONTRIBUTIONS**

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

<p align="center"><b>Table IV-2 SDCERS - Unified Port District Schedule of Amortization Bases as of July 1, 2010 Used in Development of the UPD's Contribution for FY 2012</b></p>								
<b>Type of Base</b>	<b>Date Established</b>	<b>Initial Amount</b>	<b>Initial Amortization Years</b>	<b>July 1, 2010 Outstanding Balance</b>	<b>Outstanding Balance for FY 2012 (BOY)*</b>	<b>Remaining Amortization Years</b>	<b>FY 2012 Amortization Amount</b>	
1. June 30, 2007 UAL	7/1/2007	\$ 15,953,422	14	\$ 15,694,848	\$ 15,211,535	11	\$ 1,640,510	
2. Assumption Change	7/1/2008	3,749,736	30	4,121,963	4,200,652	28	232,384	
3. Experience Loss	7/1/2008	865,441	15	919,943	903,007	13	85,162	
4. Experience Loss	7/1/2009	43,763,842	15	47,155,540	46,519,947	14	4,140,838	
5. Experience Loss	7/1/2010	8,786,725	15	<u>8,786,725</u>	<u>9,467,696</u>	15	<u>799,404</u>	
<b>TOTAL</b>				<b>\$ 76,679,019</b>	<b>\$ 76,302,838</b>		<b>\$ 6,898,298</b>	

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

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

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

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

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

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

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

**SDCERS-UNIFIED PORT DISTRICT  
JUNE 30, 2010 ACTUARIAL VALUATION**

**SECTION V  
ACCOUNTING STATEMENT INFORMATION**

<b>Table V-1 SDCERS - Unified Port District - Total</b>			
<b>Item</b>	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>% Change</b>
<b>ASC Topic 960 Basis</b>			
1. Present Value of Benefits Accrued and Vested to Date			
a. Members Currently Receiving Payments	\$ 150,187,831	\$ 137,803,018	9.0%
b. Vested Terminated and Inactive Members	14,701,905	12,908,003	13.9%
c. Active Members	<u>101,741,632</u>	<u>94,467,763</u>	<u>7.7%</u>
d. Total PVAB	\$ 266,631,368	\$ 245,178,784	8.7%
2. Assets at Market Value	211,908,439	186,565,603	13.6%
3. Unfunded Present Value of Accrued Benefits, But Not Less Than Zero	\$ 54,722,929	\$ 58,613,181	
4. Ratio of Assets to Value of Benefits (2)/(1)(d)	79.48%	76.09%	3.4%
<b>GASB No. 25 Basis</b>			
1. Actuarial Liabilities			
a. Members Currently Receiving Payments	\$ 150,187,831	\$ 137,803,018	9.0%
b. Vested Terminated and Inactive Members	14,701,905	12,908,003	13.9%
c. Active Members	<u>145,577,561</u>	<u>137,987,124</u>	<u>5.5%</u>
d. Total Actuarial Liability	\$ 310,467,297	\$ 288,698,145	7.5%
2. Actuarial Value of Assets	\$ 233,788,278	\$ 223,878,723	4.4%
3. Unfunded Actuarial Liability	\$ 76,679,019	\$ 64,819,422	18.3%
4. Ratio of Actuarial Value of Assets to Actuarial Liability (2)/(1)(d)	75.30%	77.55%	-2.2%

<b>Table V-2 SDCERS - Unified Port District - Total</b>	
<b>Item</b>	<b>Accumulated Benefit Obligation (ASC Topic 960)</b>
<b>Actuarial Present Value of Benefits Accrued and Vested as of June 30, 2009</b>	<b>\$ 245,178,784</b>
Increase (Decrease) During Year Attributable to:	
Passage of Time	18,530,965
Benefits Paid	(12,139,120)
Assumption Change	-
Plan Amendment	-
Benefits Accrued, Other Gains/Losses	<u>15,060,739</u>
Net Increase (Decrease)	21,452,584
<b>Actuarial Present Value of Benefits Accrued and Vested as of June 30, 2010</b>	<b>\$ 266,631,368</b>

**SECTION V  
ACCOUNTING STATEMENT INFORMATION**

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

<b>Table V-3 SDCERS - Unified Port District NOTES TO REQUIRED SUPPLEMENTARY INFORMATION</b>	
The information presented in the required supplementary schedules to the Financial Section of the UPD's CAFR was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.	
Valuation date	June 30, 2010
Actuarial funding method	Entry Age Normal
Amortization method	Level percent closed
Equivalent single amortization period	13.809 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	2.00%
The actuarial assumptions used have been recommended by the actuary and adopted by SDCERS' Board of Administration based on the most recent review of SDCERS' experience, completed in 2008.	
The rate of employer contributions to SDCERS is composed of the normal cost and an amortization of the unfunded actuarial liability. The normal cost is a level percent of payroll cost which, along with the Member contributions, will pay for projected benefits at retirement for the average plan participant. The actuarial liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or Member contributions. The difference between this liability and the funds accumulated as of the same date is the unfunded actuarial liability.	

<sup>1</sup> 11 years for the outstanding balance of the 2007 UAL, 15 years for experience gains and losses, 30 years for changes in methods and assumptions, 20 years for benefit changes.

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

SDCERS-UNIFIED PORT DISTRICT  
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SECTION V  
ACCOUNTING STATEMENT INFORMATION

<b>Table V-4</b>	
<b>SDCERS - Unified Port District</b>	
<b>ANALYSIS OF FINANCIAL EXPERIENCE</b>	
<b>Gain and Loss in Actuarial Liability During Years Ended June 30</b>	
<b>Resulting from Differences Between Assumed Experience</b>	
<b>and Actual Experience</b>	
<b>Type of Activity</b>	<i>Gain (or Loss) for Year ending June 30, 2010</i>
Investment Income	\$ (7,317,424)
Combined Liability Experience	<u>(1,513,654)</u>
Gain (or Loss) During Year from Financial Experience	\$ (8,831,078)
Non-Recurring Gain (or Loss) Items (e.g., Contributions)	<u>62,510</u>
Composite Gain (or Loss) During Year	\$ (8,768,568)



**SDCERS-UNIFIED PORT DISTRICT  
JUNE 30, 2010 ACTUARIAL VALUATION**

**SECTION V  
ACCOUNTING STATEMENT INFORMATION**

**Table V-5  
SDCERS - Unified Port District  
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)
2010	\$ 21,999	\$ 150,188	\$ 138,280	\$ 233,788	100%	100.00%	44.55%
2009	20,784	137,803	130,112	223,879	100	100	50.18
2008	19,397	123,029	124,611	245,580	100	100	82.78
2007 <sup>5</sup>	18,374	115,021	113,143	230,585	100	100	85.9
2006 <sup>3</sup>	16,140	101,542	102,955	203,286	100	100	83.15
2005	15,122	86,242	96,708	163,691	100	100	64.45
2004	12,885 <sup>4</sup>	75,994	86,487	141,375	100	100	60.7
2003	12,000 <sup>4</sup>	65,581	76,719	123,884	100	100	60.37
12/31/2002 <sup>2</sup>	11,578	63,843	62,403	125,619	100	100	80.44
2002	12,317	57,650	70,230	140,613	100	100	100
2001	10,754	52,025	60,347	145,278	100	100	100
2000	9,609	44,774	42,777	133,183	100	100	100
1999	8,792	40,725	40,292	110,310	100	100	100

<sup>1</sup> Actuarial Value of Assets

<sup>2</sup> Interim (mid-year) actuarial valuations performed due to split of San Diego County Regional Airport Authority from Unified Port District.

<sup>3</sup> Reflects contingent liabilities (13<sup>th</sup> check), DROP reserves, and IRC Section 415 limits.

<sup>4</sup> Estimated

<sup>5</sup> 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-UNIFIED PORT DISTRICT  
JUNE 30, 2010 ACTUARIAL VALUATION

**APPENDIX A  
MEMBERSHIP INFORMATION**

<b>Table A-1</b>			
<b>SDCERS - Unified Port District</b>			
<b>Active Member Data</b>			
	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>% Change</b>
<b><u>Total</u></b>			
Count	532	564	-5.7%
Average Current Age	45.0	44.3	1.8%
Average Service	10.8	9.9	8.6%
Average Pensionable Earnings	\$ 73,618	\$ 71,578	2.8%
Annual Pensionable Earnings	\$ 39,164,664	\$ 40,370,258	-3.0%
Average Valuation Compensation <sup>1</sup>	\$ 73,618	\$ 71,578	2.8%
Annual Valuation Compensation <sup>1</sup>	\$ 39,164,664	\$ 40,370,258	-3.0%
Service Without Permissive Service Purchased	10.1	9.1	9.9%
Members with Paid Purchased Service	83	91	-8.8%
Members with Any Purchased Service	100	112	-10.7%
Amount of Paid Purchased Service	256	261	-1.8%
Amount of Total Purchased Service	389	441	-11.9%
<b><u>General</u></b>			
Count	403	430	-6.3%
Average Current Age	46.4	45.5	2.0%
Average Service	10.3	9.4	9.6%
Average Pensionable Earnings	\$ 68,211	\$ 66,700	2.3%
Annual Pensionable Earnings	\$ 27,489,075	\$ 28,681,041	-4.2%
Average Valuation Compensation <sup>1</sup>	\$ 68,211	\$ 66,700	2.3%
Annual Valuation Compensation <sup>1</sup>	\$ 27,489,075	\$ 28,681,041	-4.2%
Service Without Permissive Service Purchased	9.5	8.5	11.8%
Members with Paid Purchased Service	65	69	-5.8%
Members with Any Purchased Service	79	87	-9.2%
Amount of Paid Purchased Service	234	226	3.5%
Amount of Total Purchased Service	329	359	-8.5%
<b><u>Safety</u></b>			
Count	129	134	-3.7%
Average Current Age	40.8	40.2	1.5%
Average Service	12.2	11.7	4.3%
Average Pensionable Earnings	\$ 90,508	\$ 87,233	3.8%
Annual Pensionable Earnings	\$ 11,675,589	\$ 11,689,217	-0.1%
Average Valuation Compensation <sup>1</sup>	\$ 90,508	\$ 87,233	3.8%
Annual Valuation Compensation <sup>1</sup>	\$ 11,675,589	\$ 11,689,217	-0.1%
Service Without Permissive Service Purchased	11.8	11.1	6.3%
Members with Paid Purchased Service	18	22	-18.2%
Members with Any Purchased Service	21	25	-16.0%
Amount of Paid Purchased Service	22	35	-36.2%
Amount of Total Purchased Service	60	82	-26.8%

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

**SDCERS-UNIFIED PORT DISTRICT  
JUNE 30, 2010 ACTUARIAL VALUATION**

**APPENDIX A  
MEMBERSHIP INFORMATION**

<b>Table A-2 SDCERS - Unified Port District Non-Active Participant Data</b>						
	Count			Average Age		
	June 30, 2010	June 30, 2009	%Change	June 30, 2010	June 30, 2009	%Change
<b><u>Total</u></b>						
Retired	282	268	5.2%	68.5	68.4	0.2%
Disabled	62	63	-1.6%	60.5	60.0	0.8%
Beneficiaries	<u>58</u>	<u>60</u>	-3.3%	<u>75.6</u>	<u>75.2</u>	0.5%
Payee Total	402	391	2.8%	68.3	68.1	0.3%
DROP Participants	42	37	13.5%	60.9	61.2	-0.4%
Deferred Vested <sup>1</sup>	289	281	2.8%	47.8	47.1	1.4%
Vested < 5(10*) yrs svc	209	209	0.0%			
<b><u>General</u></b>						
Retired	243	234	3.8%	69.8	69.4	0.6%
Disabled	46	48	-4.2%	63.3	62.7	1.0%
Beneficiaries	<u>54</u>	<u>56</u>	-3.6%	<u>76.7</u>	<u>76.3</u>	0.5%
Payee Total	343	338	1.5%	70.0	69.6	0.6%
DROP Participants	37	35	5.7%	62.2	61.6	1.0%
Deferred Vested <sup>1</sup>	254	245	3.7%	48.6	47.9	1.5%
Vested < 5(10*) yrs svc	180	179	0.6%			
<b><u>Safety</u></b>						
Retired	39	34	14.7%	60.9	62.0	-1.8%
Disabled	16	15	6.7%	52.2	51.2	2.0%
Beneficiaries	<u>4</u>	<u>4</u>	0.0%	<u>60.5</u>	<u>59.5</u>	1.7%
Payee Total	59	53	11.3%	58.5	58.8	-0.5%
DROP Participants	5	2	150.0%	51.7	54.0	-4.3%
Deferred Vested <sup>1</sup>	35	36	-2.8%	41.8	41.5	0.7%
Vested < 5(10*) yrs svc	29	30	-3.3%			

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

\* 10 years of service required for vesting if terminated prior to December 31, 2002.

**SDCERS-UNIFIED PORT DISTRICT  
JUNE 30, 2010 ACTUARIAL VALUATION**

**APPENDIX A  
MEMBERSHIP INFORMATION**

<b>Table A-3 SDCERS - Unified Port District Non-Active Participant Data</b>						
	<b>Total Annual Benefit</b>			<b>Average Annual Benefit</b>		
	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>%Change</b>	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>%Change</b>
<b><u>Total</u></b>						
Retired	\$ 10,778,285	\$ 9,744,449	10.6%	\$ 38,221	\$ 36,360	5.1%
Disabled	1,276,645	1,279,376	-0.2%	20,591	20,308	1.4%
Beneficiaries	<u>855,247</u>	<u>844,145</u>	1.3%	<u>14,746</u>	<u>14,069</u>	4.8%
Payee Total	\$ 12,910,178	\$ 11,867,970	8.8%	\$ 32,115	\$ 30,353	5.8%
DROP Participants	\$ 2,104,760	\$ 1,607,999	30.9%	\$ 50,113	\$ 43,459	15.3%
Deferred Vested <sup>1</sup>	\$ 4,619,732	\$ 4,043,994	14.2%	\$ 15,985	\$ 14,391	11.1%
<b><u>General</u></b>						
Retired	\$ 8,529,218	\$ 7,997,674	6.6%	\$ 35,100	\$ 34,178	2.7%
Disabled	794,132	807,919	-1.7%	17,264	16,832	2.6%
Beneficiaries	<u>758,780</u>	<u>755,785</u>	0.4%	<u>14,051</u>	<u>13,496</u>	4.1%
Payee Total	\$ 10,082,130	\$ 9,561,378	5.4%	\$ 29,394	\$ 28,288	3.9%
DROP Participants	\$ 1,681,933	\$ 1,449,947	16.0%	\$ 45,458	\$ 41,427	9.7%
Deferred Vested <sup>1</sup>	\$ 4,033,881	\$ 3,512,412	14.8%	\$ 15,881	\$ 14,336	10.8%
<b><u>Safety</u></b>						
Retired	\$ 2,249,067	\$ 1,746,774	28.8%	\$ 57,668	\$ 51,376	12.2%
Disabled	482,513	471,456	2.3%	30,157	31,430	-4.1%
Beneficiaries	<u>96,468</u>	<u>88,361</u>	9.2%	<u>24,117</u>	<u>22,090</u>	9.2%
Payee Total	\$ 2,828,047	\$ 2,306,591	22.6%	\$ 47,933	\$ 43,521	10.1%
DROP Participants	\$ 422,827	\$ 158,052	167.5%	\$ 84,565	\$ 79,026	7.0%
Deferred Vested <sup>1</sup>	\$ 585,851	\$ 531,583	10.2%	\$ 16,739	\$ 14,766	13.4%

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

SDCERS-UNIFIED PORT DISTRICT  
 JUNE 30, 2010 ACTUARIAL VALUATION

APPENDIX A  
 MEMBERSHIP INFORMATION

Table A-4  
 SDCERS - Unified Port District  
 Distribution of Active Members (Excludes DROP Participants) as of June 30, 2010  
 Total UPD

Age	Years of Service										Total Count	Average Salary	
	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	-	4	-	-	-	-	-	-	-	-	-	4	\$ 54,174
25 to 29	1	24	3	-	-	-	-	-	-	-	-	28	61,410
30 to 34	-	29	29	-	-	-	-	-	-	-	-	58	63,347
35 to 39	-	29	36	15	1	-	-	-	-	-	-	81	72,412
40 to 44	-	19	29	16	12	4	-	-	-	-	-	80	71,376
45 to 49	1	16	21	21	28	22	1	-	-	-	-	110	82,327
50 to 54	-	7	21	16	18	15	5	2	-	-	-	84	76,777
55 to 59	-	5	14	14	14	6	3	-	-	-	-	56	74,964
60 to 64	-	4	6	3	7	5	-	-	-	-	-	25	71,104
65 to 69	-	2	1	-	1	-	1	-	-	-	1	6	83,010
70 and up	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Count</b>	2	139	160	85	81	52	10	2	-	1	532		
<b>Avg. Salary</b>	\$ 105,466	\$ 60,621	\$ 72,068	\$ 78,479	\$ 83,617	\$ 86,425	\$ 87,491	\$ 47,289	\$ -	\$ 89,190	\$ -	\$ 73,618	

SDCERS-UNIFIED PORT DISTRICT  
JUNE 30, 2010 ACTUARIAL VALUATION

APPENDIX A  
MEMBERSHIP INFORMATION

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

Plan Year	Age											Total
	Under 50	50 to 54	55 to 59	60 to 64	65 to 69	70 to 74	75 to 79	80 to 84	85 to 89	90 and up		
Pre-1991	1	2	2	5	5	4	5	7	11	7	49	
1991	-	-	-	-	-	-	-	3	-	-	3	
1992	-	-	1	1	1	-	-	6	-	1	10	
1993	-	-	1	-	2	-	2	4	2	-	11	
1994	-	-	1	-	-	1	4	2	-	-	8	
1995	-	-	1	-	-	1	2	2	-	1	7	
1996	2	-	-	-	1	-	6	2	-	-	11	
1997	1	1	-	-	1	-	5	-	-	-	8	
1998	1	1	2	1	4	9	7	2	2	-	29	
1999	1	1	1	-	2	3	1	-	1	1	11	
2000	1	-	-	2	4	5	2	1	2	-	17	
2001	2	1	-	1	3	4	2	1	-	-	14	
2002	1	2	1	10	1	6	-	-	-	-	21	
2003	-	-	1	3	4	7	1	1	1	-	18	
2004	1	-	-	8	12	7	-	2	-	-	30	
2005	-	-	4	10	5	1	-	-	-	-	20	
2006	1	3	3	9	4	3	-	-	-	-	23	
2007	-	1	9	6	15	1	1	2	-	1	36	
2008	-	3	7	7	4	1	1	1	-	-	24	
2009	1	3	9	13	7	1	-	-	-	-	34	
2010	-	5	3	10	-	-	-	-	-	-	18	
<b>Total</b>	13	23	46	86	75	54	39	36	19	11	402	

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 68.3  
 Average Annual Pension \$ 32,115

**APPENDIX A**  
**MEMBERSHIP INFORMATION**

**Data Assumptions and Practices**

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

- Service for Actives and Inactives was calculated using Benefit Service. An adjusted date of hire is retroactively calculated from the valuation date. Purchased Service that has been paid for is included in the Benefit Service field. Purchased Service that has been applied for, but not paid as of the valuation date will be assumed to be paid in full and this service will be reflected in the projected benefit.
- Valuation Salary will be the maximum of "Current Annual Pensionable Salary" and annualized "Average Compensation."
- For accounts having duplicate records in the Actives and Inactives by Social Security Number the information from the latest payroll date is regarded as most up to date. The other record is treated as out of date and invalid.
- For duplicate records (based on SSN and Benefit Type) in the payee file, records having the same plan and same benefit type but different benefit amounts, we have added those amounts together.
- Records on the provided "Member" file are considered to be Active if they have no "Date of Death," no "Date of Separation," do not have a retiree record and they received pay in the last pay period (Last Pay Period = 26) of the current FY.
- Records on the "Member" file are considered to be Inactive if they do not have a "Date of Death," do not have a retiree record and either have a "Date of Separation" or have a "Last Pay Period" earlier than the last pay period of the current FY.
- Records on the "Payee" file are considered in pay status if their benefit is not suspended.
- Pension Benefit for retirees for each plan was calculated by summing "Monthly Pension," "Monthly Annuity," "COLA Annuity," "Surviving Spouse Annuity," and "COLA Pension" and subtracting "Non-COLA Adjustments." The "Non-COLA Adjustments" field is mainly for Qualified Domestic Relation 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.



**APPENDIX B  
ACTUARIAL ASSUMPTIONS AND METHODS**

**A. Actuarial Assumptions**

**1. Investment Return Rate**

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

**2. Inflation Rate**

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

**3. Interest Credited to Member Contributions**

7.75%, compounded annually.

**4. Salary Increase Rate**

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

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%

**5. Cost-of-Living Increase in Benefits**

Assumed to be 2.0% per annum, compounded.

**6. COL Annuity Benefit**

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

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

**7. Member Refunds**

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

**8. Rates of Termination**

<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 5+ 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 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. The Rates of Retirement**

<b>Service</b>	<b>General</b>	<b>Safety</b>
5-9	9%	9%
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 5 years of service (excluding the 5 year permissible purchased service) on the later of attained age or:

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

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

If the inactive participant is not vested, the liability is the 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 Actuarial Accrued Benefit**

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

**17. DROP Account Balances**

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

**18. Other**

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

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

**19. Changes Since Last Valuation**

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

**APPENDIX B  
ACTUARIAL ASSUMPTIONS AND METHODS**

**B. Actuarial Methods**

**1. Actuarial Funding Method**

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

The unfunded actuarial liability is amortized by annual payments. The payments are determined so that they will be a level percentage of pay, assuming payroll increases 4.00% per year. The UAL is amortized over different closed periods depending on the source of the loss. The entire UAL as of June 30, 2007 is amortized over 14 years. Subsequent gains and losses are amortized over 15 years, changes in assumptions over 30 years, and changes in benefits over 20 years (or period over which benefit changes are paid, if shorter). 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 Unified Port District's annual required contribution to SDCERS, we use a smoothed actuarial value of assets. The asset smoothing method dampens the volatility in asset values that could occur because of the fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process. Assets are assumed to be used exclusively for the use 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.

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SUMMARY OF PLAN PROVISIONS**

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

**1. Membership Requirement**

Salaried Employees – immediate eligibility upon employment (compulsory) for all Safety members and for General Members hired before January 1, 2009. For General Members hired on or after January 1, 2009, the Member is a participant for purposes of establishing reciprocity, but does not begin earning service credit until the 1<sup>st</sup> day of their 6<sup>th</sup> year of employment (§ 0101).\*

**2. Monthly Compensation Base for Benefits**

Highest one-year average for General Members hired before October 1, 2006, and all Safety Members. For General Members hired on or after October 1, 2006, highest 3-year average (§ 0102). Subject to a 10% increase for General Members hired before January 1, 2009 and all Safety Members, if the Member elects such increase in lieu of an increased benefit formula.

**3. Service Requirement**

**Eligibility**

*General Members:*

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

*Safety Members:*

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

**Benefit**

*General Members:*

For General Members hired before November 10, 2001, choice of (1) formula in place on December 31, 2001 with 10% increase in Final Average Compensation, (2) “Andrecht” formula effective as of January 1, 2002, or (3) “2.5% at 55” multiplier with a benefit cap of 90% of Final Average Compensation (§ 0300(g)).

For General Members hired on or after November 10, 2001 and before January 1, 2009, “2.5% at 55” multiplier with a benefit cap of 90% of Final Average Compensation (§ 0300(h)).

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



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SUMMARY OF PLAN PROVISIONS**

For General and Executive General Members hired on or after January 1, 2009, the formula is: (1) for years 1-5 of service credit, 0.75% of Final Compensation per year; (2) for years 6-10 of service credit, 1% of Final Compensation per year; (3) for years 11-15 of service credit, 1.25% of Final Compensation per year; and (4) beginning with service credit year 15, 1.5% of Final Compensation per year (§ 0301(g)).

Executive General Members hired before January 1, 2009 receive “3% at 55” multiplier without an increase in Final Average Compensation.

*Safety Members:*

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

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

<b>Table C-1</b>						
<b>SDCERS - Unified Port District</b>						
<b>Member Service Retirement Accrual Factors</b>						
<b>Age</b>	<b>General Members hired prior to 1/1/2009</b>				<b>Safety</b>	
	<b>Pre 12/31/2001</b>	<b>Andrecht</b>	<b>Post 4/1/2004</b>	<b>Management</b>	<b>Pre 12/31/2001</b>	<b>Andrecht</b>
50	--	--	--	--	2.50%	3.00%
51	--	--	--	--	2.54%	3.00%
52	--	--	--	--	2.58%	3.00%
53	--	--	--	--	2.62%	3.00%
54	--	--	--	--	2.66%	3.00%
55	2.00%	2.25%	2.50%	3.00%	2.70%	3.00%
56	2.00%	2.25%	2.60%	3.00%	2.70%	3.00%
57	2.00%	2.25%	2.70%	3.00%	2.70%	3.00%
58	2.00%	2.25%	2.80%	3.00%	2.70%	3.00%
59	2.08%	2.25%	2.90%	3.00%	2.70%	3.00%
60	2.16%	2.30%	3.00%	3.00%	2.70%	3.00%
61	2.24%	2.35%	3.00%	3.00%	2.70%	3.00%
62	2.31%	2.40%	3.00%	3.00%	2.70%	3.00%
63	2.39%	2.45%	3.00%	3.00%	2.70%	3.00%
64	2.47%	2.50%	3.00%	3.00%	2.70%	3.00%
65 and up	2.55%	2.55%	3.00%	3.00%	2.70%	3.00%

**APPENDIX C  
 SUMMARY OF PLAN PROVISIONS**

**GENERAL:**

<b>Table C-2 SDCERS – Unified Port District</b>	
<b>For Vested Members hired before January 1, 2009 who terminated--</b>	<b>--the accrual factors are--</b>
Prior to January 1, 1997	See Pre-1997 factors on following page
January 1, 1997 - December 31, 2001	Pre 12/31/2001 factors above
January 1, 2002 - March 31, 2004	Pre 12/31/2001 factors above with 10% increase in Final Average Compensation, Andrecht, or Executives (if applicable)
April 1, 2004 – Present	Pre 12/31/2001 factors above with 10% increase in Final Average Compensation, Andrecht, Post 4/1/2004 or Executives (if applicable)

**SAFETY:**

<b>Table C-3 SDCERS – Unified Port District</b>	
<b>For Vested Members who terminated--</b>	<b>--the accrual factors are--</b>
Prior to January 1, 2002	See Pre-1997 Factors on following page
January 1, 2002 – Present	Pre 12/31/2001 factors above with a 10% increase in Final Average Compensation or Andrecht

APPENDIX C  
 SUMMARY OF PLAN PROVISIONS

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

<sup>1</sup> Safety Members have the same calculation factors through December 31, 2001

**Maximum Benefit**

*General Members hired before January 1, 2009:* 90% of Final Average Compensation if Post 4/1/2004 factor is chosen.

*Safety Members:* 90% of Final Average Compensation

*Executive Members (General):* None.

**Unmodified Form of Payment**

Monthly payments continued for the life of the Member, with 50% continuance to the eligible surviving spouse, domestic partner, or dependent child under 21 years of age 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:** Unified Port District employees participate in Social Security.

**APPENDIX C  
SUMMARY OF PLAN PROVISIONS**

**4. Non-Industrial Disability**

**Eligibility**

Ten years of service. General Members hired on or after January 1, 2009 must have 10 years of service credit, which means 15 years of Port employment (§ 0503).

**Benefit**

*General Members:*

For General Members hired before January 1, 2009, the greater of 1.5% per year of service, one-third of final compensation, or the earned service retirement benefit (§ 0507).

For General Members hired on or after January 1, 2009, the greater of 11% of Final Compensation or earned service retirement benefit (§ 0503).

*Safety Members:*

Greater of 1.8% per year of service, one-third of final compensation, or the earned service retirement benefit (§ 0505).

**5. Industrial Disability**

**Eligibility**

No age or service requirement for Members hired before January 1, 2009. General Members hired on or after January 1, 2009 must have 5 years of Port employment to be eligible for an industrial disability benefit (§ 0500).

**Benefit**

*General Members:*

For General Members hired before January 1, 2009, greater of one-third of final compensation, or the earned service retirement benefit (§ 0502).

For General Members hired on or after January 1, 2009, the greater of 11% of Final Compensation or earned service retirement benefit (§ 0503).

*Safety Members:*

Greater of one-half of final compensation, or the earned service retirement benefit (§ 0501).

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

Refund of employee contributions with interest plus one month's salary for each completed year of service to a maximum of six months salary. General Members hired on or after January 1, 2009 must have 5 years of Port employment to be eligible for a non-industrial death benefit.

**APPENDIX C  
SUMMARY OF PLAN PROVISIONS**

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

50% of earned benefit payable to eligible surviving spouse, domestic partner, or child under 21 years of age. General Members hired on or after January 1, 2009 must have 5 years of Port employment to be eligible for a non-industrial death benefit.

**8. Industrial Death**

50% of the final average compensation preceding death, payable to eligible surviving spouse, domestic partner, or child under 21 years of age. General Members hired on or after January 1, 2009 must have 5 years of Port employment to be eligible for an industrial death benefit.

**9. Death After Retirement**

**Maximum Benefit**

50% of Member's unmodified allowance continued to eligible surviving spouse, domestic partner, or child under 21 years of age. \$2,000 payable in lump sum to the beneficiary or the estate of the retiree.

**10. Withdrawal Benefits**

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

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

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

Less than five years of service (ten years of service if employee terminated before December 31, 2002) – Refund of accumulated employee contributions with interest, or may keep deposits in the System and earn additional interest and use service with a reciprocal system to establish eligibility for earned benefits upon concurrent retirement from reciprocal systems.

**All Members**

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

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

*General and Safety Members:*

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

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SUMMARY OF PLAN PROVISIONS**

**12. COL Annuity**

Actuarial equivalent of accumulated contributions in cost-of-living annuity account at time of retirement.

**13. Member Contributions**

Vary by age at time of entrance into SDCERS (§ 0200). 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.

<b>Table C-5 SDCERS - Unified Port District Employee Contribution Rates<sup>1</sup></b>				
<b>Entry Age</b>	<b>General</b>		<b>Safety</b>	
	<b>Integrated Members<sup>2</sup></b>		<b>Integrated Members<sup>2</sup></b>	
	<b>First \$400/Mo.</b>	<b>Over \$400/Mo.</b>	<b>First \$400/Mo.</b>	<b>Over \$400/Mo.</b>
20	5.52%	8.28%	7.75%	11.63%
21	5.59	8.38	7.86	11.79
22	5.66	8.49	7.95	11.93
23	5.73	8.60	8.06	12.09
24	5.80	8.70	8.16	12.24
25	5.89	8.83	8.27	12.41
26	5.97	8.95	8.37	12.56
27	6.04	9.06	8.49	12.73
28	6.12	9.18	8.59	12.89
29	6.20	9.30	8.71	13.06
30	6.28	9.42	8.81	13.22
31	6.37	9.55	8.93	13.39
32	6.45	9.67	9.03	13.55
33	6.53	9.79	9.15	13.72
34	6.61	9.91	9.27	13.90
35	6.70	10.05	9.39	14.08
36	6.79	10.18	9.50	14.25
37	6.88	10.32	9.62	14.43
38	6.97	10.45	9.75	14.62
39	7.05	10.58	9.87	14.80
40	7.15	10.72	9.99	14.99
41	7.24	10.86	10.12	15.18
42	7.33	10.99	10.24	15.36
43	7.42	11.13	10.37	15.56
44	7.52	11.28	10.51	15.76
45	7.61	11.42	10.63	15.94
46	7.71	11.56	10.77	16.15
47	7.81	11.71	10.90	16.35
48	7.91	11.86	11.03	16.54
49	8.01	12.01	11.16	16.74
50	8.10	12.15		
51	8.21	12.32		
52	8.31	12.47		
53	8.42	12.63		
54	8.53	12.79		
55	8.63	12.95		
56	8.74	13.11		
57	8.87	13.31		

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

<sup>2</sup> Non-Integrated Members will follow the “Over \$400/month” rate

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

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

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

**14. Internal Revenue Code Compliance**

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

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

**15. Deferred Retirement Option Plan**

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

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

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

- The Member's monthly service retirement allowance, credited monthly, calculated at the date of DROP entry and increased each year by a cost-of-living adjustment.
- The Member's supplemental 13<sup>th</sup> check benefit, if applicable, credited annually.
- 3.05% of base compensation, payable by the Unified Port District and credited bi-weekly.
- 3.05% of base compensation, payable by the Member and credited bi-weekly.
- Interest on the above amounts, as determined by the Board.

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

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

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 Unified Port District employee could have also worked for the Airport Authority).

**17. Changes Since Last Valuation**

None.

**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 actuarial value of future normal costs. This is also referred to by some actuaries as “accrued liability” or “actuarial accrued liability.”

**2. Actuarial Assumptions**

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

**3. Accrued Service**

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

**4. Actuarial Equivalent**

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

**5. Actuarial Funding Method**

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

**6. Actuarial Gain/(Loss)**

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

**7. Actuarial Present Value**

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

**8. Amortization**

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

**APPENDIX D  
GLOSSARY OF TERMS**

**9. Annual Required Contribution (ARC) under GASB 25**

The Governmental Accounting Standards Board (GASB) Statement No. 25 defines the Plan Sponsor's "Annual Required Contribution" (ARC) 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-Unified Port District's Computed Contribution rate for FY 2012 meets the parameters of GASB 25.

**10. Normal Cost**

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

**11. Set Back/Set Forward**

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

**12. Unfunded Actuarial Liability (UAL)**

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

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

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