San Diego City Employees' Retirement System

June 30, 2011 Actuarial Valuation for the

San Diego Unified Port District

Produced by Cheiron

January 2012

Classic Values, Innovative Advice

Table of Contents

LETTER OF TRANSMITTAL

January 6, 2012

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

Re: San Diego Unified Port District June 30, 2011 Actuarial Valuation

Dear Members of the Board:

At your request, we performed the June 30, 2011 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.

Table I-1
SDCERS - Unified Port District

Valuation Date	**6/30/2011**	**6/30/2010**
Unfunded Actuarial Liability (in millions)	$ 95.5	$ 76.7
Funding Ratio	73.1%	75.3%
UPD Contribution Rate	38.82%	33.16%
Fiscal Year	**2013**	**2012**
Annual Required Contribution (GASB):		
-if paid at the beginning of the year	$ 13.2 million	$ 12.6 million
-if paid throughout the year	$ 13.7 million	$ 13.1 million

- *Unfunded Actuarial Liability (UAL):* The UPD's UAL has increased by $18.8 million. The majority of this increase was attributable to the change in actuarial assumptions adopted by the Board at its September 30, 2011 meeting. These changes, which increased the UAL by $10.2 million, include a decrease in the net investment return assumption from 7.75% to 7.50%, a decrease in the inflation rate assumption from 4.00% to 3.75%, and other changes to the assumptions regarding membership retirement, turnover, disability and mortality. The Early Retirement Incentive Program (ERIP) offered earlier this year also increased the UAL, by approximately $9.5 million.

- *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, 2012 through June 30, 2013 (FY 2013). The results of this valuation produced an increase in the UPD's ARC of $0.6 million. When measured as a percent of membership payroll, the ARC increased by 5.66%. The contribution rate increase can be attributed primarily to the change in actuarial assumptions, the ERIP, and a contraction of the payroll due to the continued use of a methodology implemented in 2010 (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).

More details on Plan experience for the past year, including the assumption changes and their impact on these June 30, 2011 valuation results can be found in the valuation report.

I certify that, to the best of my 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 of Practice set out by the Actuarial Standards Board, including Actuarial Standards of Practice (ASOPs) Nos. 4, 27, 35 and 44. As a Member of the American Academy of Actuaries, I meet the Qualification Standards to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Cheiron's report was prepared exclusively for the San Diego City Employees' Retirement System for a specific and limited purpose. It is not for use or benefit of any third party for any purpose.

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, 2011. 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, 2012.

Sincerely,
Cheiron

Gene Kalwarski, FSA, EA, MAAA
Principal Consulting Actuary

cc: David Holland, ASA
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 2013, 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, 2011 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 June 30, 2011 valuation results reflect a number of assumption changes that were approved by the SDCERS Board based on an experience study completed by Cheiron in September 2011. These changes include:

- The investment return assumption was lowered from 7.75% to 7.50%,
- The wage inflation assumption was lowered from 4.00% to 3.75%,
- Rates of termination were increased for General Members and changed to be based on service as opposed to the age of a member,
- Disability rates were decreased,
- The mortality rates for active lives for General and Safety Members were decreased,
- The mortality rates for retired healthy lives for Safety Members were decreased,
- The mortality rates for retired disabled lives for General and Safety Members were increased,
- Rates of retirement were increased and changed to be based on age and service as opposed to just the service of a member,
- The percent married assumption was increased to 55% for females, and the assumed age difference between husbands and wives was reduced to three years,
- The reciprocity assumption was reduced from 20% to 10%, and
- For the Cost-of-Living (COL) Annuity, the valuation method was changed from load factors to a direct valuation of existing member accounts and load factors only for prospective contributions.

More details on the assumptions and methods can be found in Appendix B.

This valuation reflects the impact of the Early Retirement Incentive Program (ERIP) offered earlier in the year, which was accepted by 54 active employees with annual payroll of approximately $4.6 million. Although the ERIP produced an increase in the UAL and ARC,

SECTION I
BOARD SUMMARY

the ARC increase was partially offset by normal cost savings resulting from the reduction in payroll.

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 2013 reflects this anticipated cost reduction. As experience under the new Plan emerges, further study will be required and the actual cost implications may vary.

B. Current Financial Condition of SDCERS-Unified Port District

The following discussion summarizes the key results of the June 30, 2011 valuation and how they compare to the results from the June 30, 2010 valuation.

1. UPD Membership

Table I-2 shows that total membership in SDCERS-Unified Port District decreased by 0.7% from 2010 to 2011. Inactive membership (terminated vested, disabled, retirees, and beneficiaries) increased significantly as 54 employees retired under the ERIP while the active membership count decreased correspondingly. Active Member payroll decreased by 11.6%, compared to the prior year's assumed payroll inflation of 4.00%. The employees who retired under the ERIP had pay of approximately $4.6 million.

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

Item	June 30, 2011	June 30, 2010	% Change
Active Counts	464	532	-12.8%
Terminated Vested	287	289	-0.7%
Disabled	63	62	1.6%
Retirees	336	282	19.1%
Beneficiaries	65	58	12.1%
Total UPD Members	1,215	1,223	-0.7%
Active Member Payroll	$ 34,632,574	$ 39,164,664	-11.6%
Average Pay per Active Member	$ 74,639	$ 73,618	1.4%

SECTION I
BOARD SUMMARY

2. UPD Assets and Liabilities

Table I-3 presents a comparison between the June 30, 2011 and June 30, 2010 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 14.3% but an actuarial value of assets increase of only 10.9%, the funding ratio decreased from 75.3% as of June 30, 2010 to 73.1% as of June 30, 2011. 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 (27.1%). Had the funding been measured on a market value of assets basis, the funding ratio would be 75.9% as of June 30, 2011.

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

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

Entry Age Normal (EAN) Liabilities	June 30, 2011	June 30, 2010	% Change
Actives	$ 132,056,364	$ 145,577,561	-9.3%
Terminated Vested	14,926,798	14,701,905	1.5%
Disabled	16,220,505	14,613,575	11.0%
Retirees	182,237,852	127,751,767	42.6%
Beneficiaries	9,395,650	7,822,489	20.1%
Total Actuarial (EAN) Liability	$ 354,837,169	$ 310,467,297	14.3%
Market Value Assets	$ 269,380,373	$ 211,908,439	27.1%
Actuarial Value Assets	$ 259,315,200	$ 233,788,278	10.9%
Unfunded Actuarial Liability	$ 95,521,969	$ 76,679,019	24.6%
Funding Ratio-Actuarial Value	73.1%	75.3%	-2.2%

SECTION I
BOARD SUMMARY

3. Components of UAL Change between June 30, 2010 and June 30, 2011

SDCERS-Unified Port District unfunded actuarial liability (UAL) increased by $18.8 million, from $76.7 million to $95.5 million. The table below presents the specific components of the change in the UAL.

The key findings in Table I-4 are that investment experience decreased the UAL by $3.4 million, assumption changes increased the UAL by $10.2 million, the ERIP increased the UAL by $9.5 million, and the net of other actuarial gains and losses increased the UAL by $2.8 million.

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

1.	**UAL at June 30, 2010**	**$**	**76.7**
2.	Expected change in UAL		(0.4)
3.	Investment experience gain		(3.4)
4.	Liability experience loss		3.6
5.	Liability loss due to change in assumptions		10.2
6.	Increase in UAL due to plan change (ERIP)		9.5
7.	Contributions paid in excess of expected		(0.9)
8.	Purchased service credits paid for during the year *		0.1
9.	Total change in UAL: sum of 2 through 8		18.8
10.	**UAL at June 30, 2011: 1 + 9**	**$**	**95.5**

**Attributable to Members who have entered into a purchased service credit contract after June 30, 2010. Only Members hired before October 1, 2005 are still eligible to purchase additional "airtime" service credits.*

SECTION I
BOARD SUMMARY

4. UPD Contributions

The Unified Port District's contribution for FY 2013 measured as a percent of membership, payroll increased from 33.16% to 38.82%. In dollars, the required beginning of year contribution increased by $0.6 million, from $12.6 million to $13.2 million. This increase in the ARC was $0.1 million more than the expected increase of $0.5 million, assuming no investment gain or losses during FY 2011. The difference was largely attributable to changes in actuarial assumptions, the Early Retirement Incentive Program, and other increases in liabilities, offset in part by payroll growing less than expected and investment performance that was better than expected.

After performing the June 30, 2010 valuation Cheiron produced another projection of the FY 2013 UPD ARC, also based on SDCERS earning 7.75% on its investments. This resulted in a projected FY 2013 UPD ARC of $13.5 million, an increase of $0.9 million. The difference between the $0.5 million expected increase stated earlier and the $0.9 is that the $0.9 million reflected the continued phase-in of prior investment losses.

In Table I-5 below we present the specific components of the change in the ARC. In Section IV we provide more detail on the development of this contribution rate.

Table I-5
SDCERS - Unified Port District-Change in ARC
(In Millions)

1.	**ARC at June 30, 2010**	**$ 12.6**
2.	Expected change in ARC	0.5
3.	Investment experience gain	(0.3)
4.	Liability experience gain	(0.4)
5.	Liability loss due to change in assumptions	0.3
6.	Liability loss due to plan change (ERIP)	0.7
7.	Contributions paid in excess of expected	(0.1)
8.	Other misc changes	0.0
9.	Total change in ARC: sum of 2 through 8	0.6
10.	**ARC at June 30, 2011: 1 + 9**	**$ 13.2**

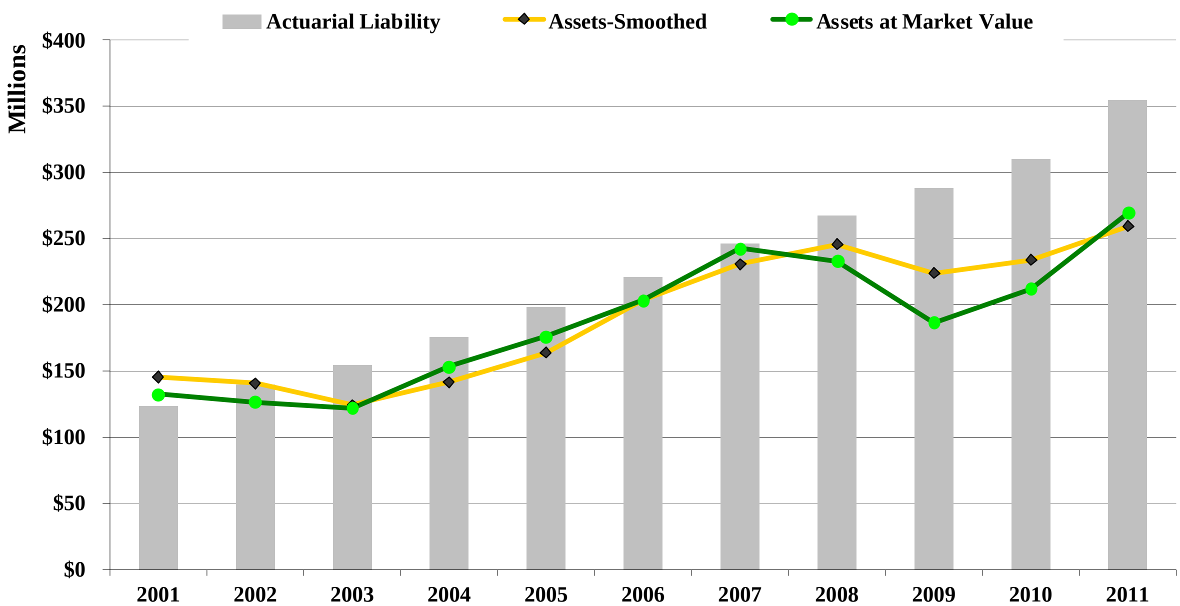
SECTION I
BOARD SUMMARY

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 2001.

SDCERS- Unified Port District Assets and Liabilities 2001-2011



Funding Ratio	118.0%	100.3%	80.3%	80.6%	82.6%	92.1%	93.5%	92.0%	77.5%	75.3%	73.1%
UAL (millions)	$ (22.2)	$ (0.4)	$ 30.4	$ 34.0	$ 34.4	$ 17.4	$ 16.0	$ 21.5	$ 64.8	$ 76.7	$ 95.5 *

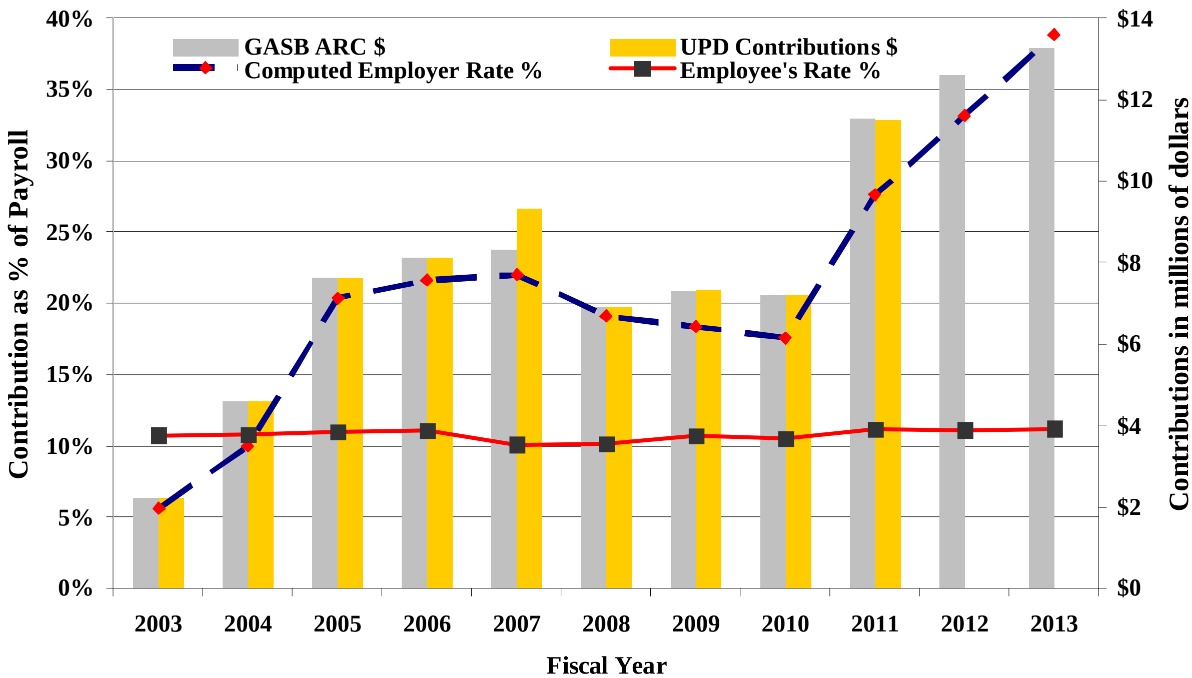
* The UAL for 2007 and after is calculated using the Entry Age Normal method; 2006 and prior years are calculated using the Projected Unit Credit method.

The chart indicates that from 2001 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 has decreased slightly for both of the past two years, mostly due to assumption changes, the ERIP, and the continued phase-in of the 2009 investment losses.

SECTION I
BOARD SUMMARY

In the chart below, we present the historical trends for the SDCERS-Unified Port District contribution rates, actual contributions made by the UPD and the actuarially computed GASB ARC.

SDCERS-Unified Port District and Member Contribution Rates FY 2003-2013



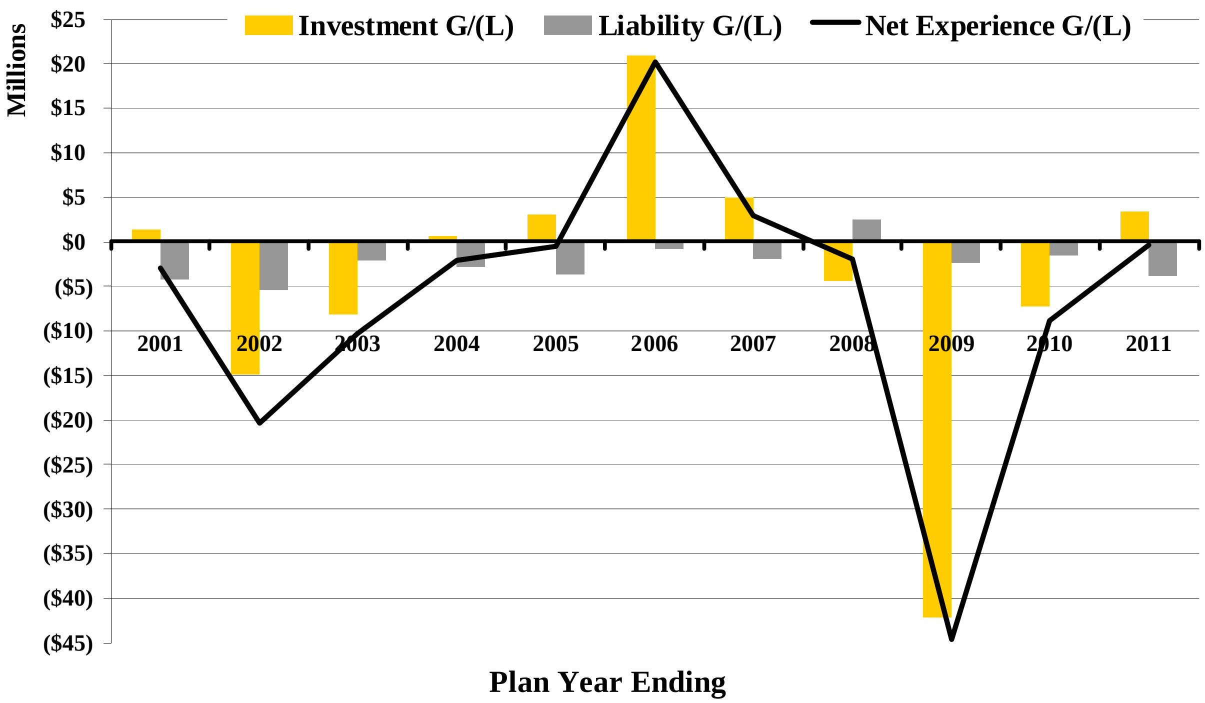
The key information in this chart is the escalation in the computed employer contribution rate between fiscal years 2003 and 2007, and the significant increases since fiscal year 2010. The most recent increases however, are misleading, as due to the new plan implemented by the UPD as of January 1, 2009, 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.

SECTION I
BOARD SUMMARY

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

SDCERS-Unified Port District Historical Gain/(Loss) 2001-2011



The key insights from this chart are:

- Investment gains (gold bars) in 2001 were significantly offset by investment losses from 2002 and 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 has been a pattern of liability losses over the period shown; however, the deviation from expected has averaged less than 1% of liabilities in the three years following the change in actuarial assumptions in 2008.

D. Projected Financial Trends

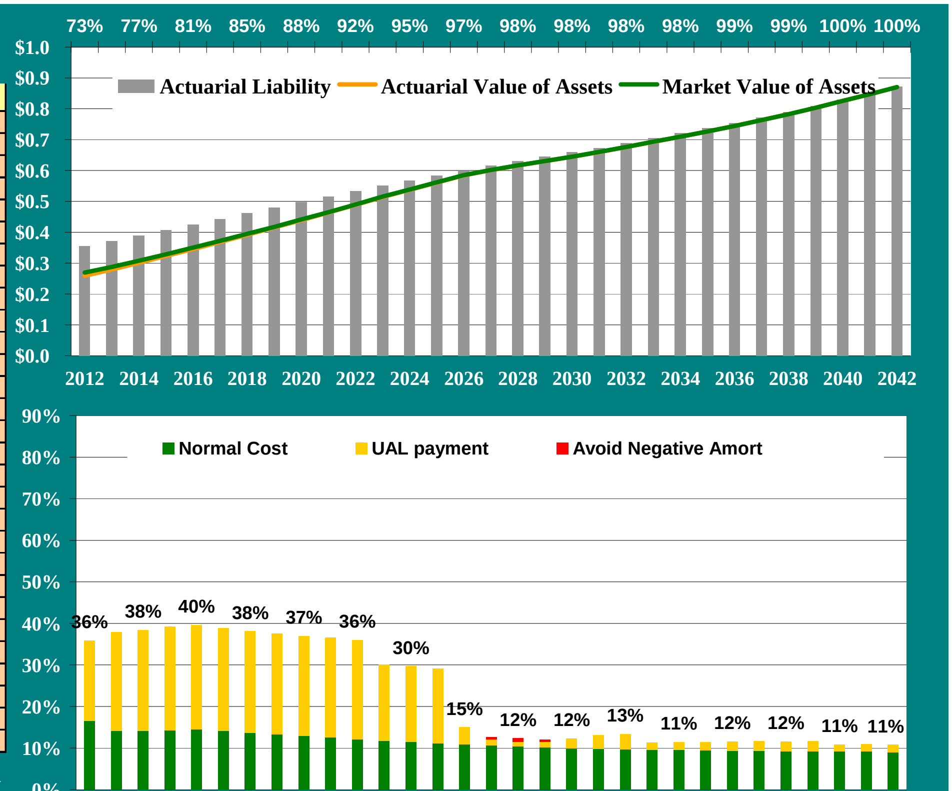
Our analysis of SDCERS-Unified Port District projected financial trends is an important part of this valuation. Our assessment of the implications of the June 30, 2011 valuation results on the future outlook of SDCERS-Unified Port District in terms of benefit security (assets over liabilities) and the UPD's expected cost progression is set forth below. In addition, given the concern regarding unfunded liabilities, we also show the UPD's expected future pay down of unfunded liabilities.

In the chart that follows, we project the SDCERS-Unified Port District assets and liabilities and the UPD's contributions as a percent of payroll assuming 7.50% returns each and every year and liability growth exactly as anticipated by the Plan assumptions. The upper chart compares the assets (green and yellow lines) and liabilities (gray bars) and the lower chart shows the UPD contribution rates (UAL rate in yellow bars and Normal Cost rate in green bars). The left side of the exhibit shows the returns assumed each year followed by the annual ARC and UAL in dollar amounts.

SDCERS-Unified Port District Projections FY 2012-2041 (earnings as assumed)

CHEIRON

FYE		ARC (mill)	UAL (mill)
2012	7.50%	$ 12.6	$ 76.68
2013	7.50%	$ 13.2	$ 95.52
2014	7.50%	$ 13.3	$ 92.57
2015	7.50%	$ 13.4	$ 88.30
2016	7.50%	$ 13.6	$ 84.05
2017	7.50%	$ 13.9	$ 79.71
2018	7.50%	$ 14.1	$ 75.13
2019	7.50%	$ 14.4	$ 70.22
2020	7.50%	$ 14.8	$ 64.87
2021	7.50%	$ 15.1	$ 58.99
2022	7.50%	$ 15.5	$ 52.47
2023	7.50%	$ 13.4	$ 45.22
2024	7.50%	$ 13.7	$ 37.14
2025	7.50%	$ 13.9	$ 30.79
2026	7.50%	$ 7.4	$ 23.70
2027	7.50%	$ 6.4	$ 15.95
2028	7.50%	$ 6.5	$ 14.78
2029	7.50%	$ 6.6	$ 14.67
2030	7.50%	$ 7.0	$ 14.55
2031	7.50%	$ 7.8	$ 14.43
2032	7.50%	$ 8.2	$ 14.01
2033	7.50%	$ 7.2	$ 12.85
2034	7.50%	$ 7.5	$ 11.30
2035	7.50%	$ 7.9	$ 10.92
2036	7.50%	$ 8.2	$ 10.33
2037	7.50%	$ 8.5	$ 9.51
2038	7.50%	$ 8.8	$ 8.49
2039	7.50%	$ 9.2	$ 7.24
2040	7.50%	$ 8.9	$ 5.77
2041	7.50%	$ 9.2	$ 4.06
	7.50%	= average return	



SECTION I
BOARD SUMMARY

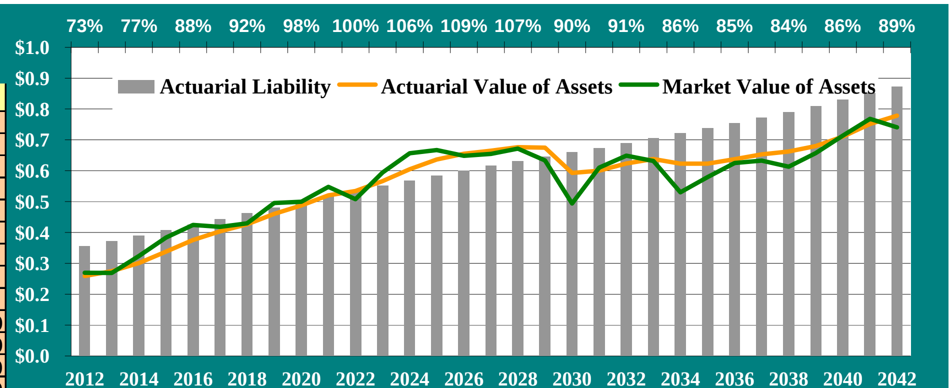
Based on assuming 7.5% earnings each and every year, the UPD's funded status (percentages at the top of the upper graph) is ultimately projected to reach 100%. The UPD's ARC is projected to peak at $15.5 million in 2022, precipitously decline to $6.4 million five years later, and then gradually increase thereafter.

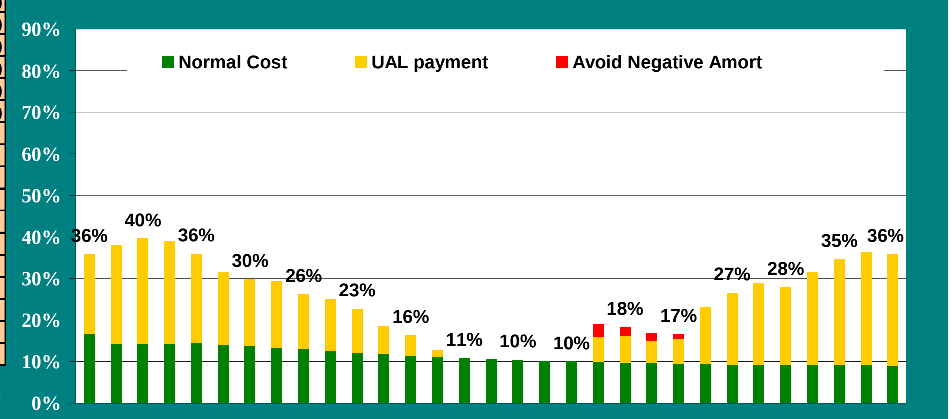
However, it is critical to note that these projections, while valid as baseline projections, **are not likely to occur** as experience never conforms exactly to assumptions from year to year. As a result, we present the following projection, based on assuming varying returns over the period which on average equal the assumed 7.5% assumed rate. The returns selected generally represent the returns that would have resulted from a passive 60%/40% equity/fixed income portfolio during the period of 1953 to 1983. This period was selected because it happened to mirror the assumed 7.5% investment assumption of SDCERS.

SDCERS-Unified Port District Projections FY 2012-2041 (earnings which vary by year)

CHEIRON

FYE		(mill) ARC	(mill) UAL
2012	0.55%	$ 12.6	$ 76.68
2013	21.01%	$ 13.2	$ 95.52
2014	18.90%	$ 13.7	$ 97.23
2015	11.51%	$ 13.3	$ 88.01
2016	-0.01%	$ 12.4	$ 69.82
2017	4.60%	$ 11.2	$ 49.75
2018	17.65%	$ 11.0	$ 40.36
2019	3.09%	$ 11.2	$ 35.53
2020	12.54%	$ 10.4	$ 19.99
2021	-4.74%	$ 10.3	$ 10.82
2022	20.81%	$ 9.7	$ (3.59)
2023	14.09%	$ 8.2	$ (0.53)
2024	5.17%	$ 7.5	$ (14.90)
2025	1.21%	$ 6.0	$ (36.57)
2026	6.25%	$ -	$ (51.97)
2027	8.39%	$ -	$ (54.53)
2028	-0.21%	$ -	$ (49.25)
2029	-16.34%	$ -	$ (45.63)
2030	32.62%	$ -	$ (29.35)
2031	11.39%	$ 11.3	$ 66.39
2032	1.97%	$ 11.2	$ 74.10
2033	-11.59%	$ 10.7	$ 65.26
2034	15.64%	$ 11.0	$ 66.41
2035	12.79%	$ 15.9	$ 97.44
2036	5.30%	$ 19.1	$114.17
2037	0.45%	$ 21.6	$116.71
2038	11.31%	$ 21.6	$118.76
2039	11.81%	$ 25.3	$128.10
2040	10.22%	$ 29.0	$129.48
2041	-1.52%	$ 31.6	$118.75
	7.50%	= average return	





With varying annual earnings that average over the period to 7.5%, one can see the volatility in the funding ratios in the top chart, and the fact that the UPD contribution rate and ARC decline significantly and then rapidly increase at the end of the projection period.

SECTION I
BOARD SUMMARY

This last chart demonstrates the risks faced by SDCERS measured in terms of funding ratios and contribution rates. Whether the System is fully funded or poorly funded, subsequent returns can quickly alter the financial position of the Plan dramatically. The point being, it is impossible to judge the financial soundless of a system with a single year point measurement. What is more important to consider is the systems' level of conservatism in funding the plan, and the discipline and ability of the plan sponsor to consistently contribute the ARC as determined by the plan actuary.

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, 2011 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; and
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, 2011, 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, 2011.

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

Cash	$	386,666,335
US Stocks		1,673,460,246
International Stocks		1,057,038,516
Private Equity		87,003,939
Bonds		1,538,911,513
Real Estate		519,754,075
Receivables		85,479,067
Short Term Investments		44,156,683
Miscellaneous		2,313,153
Accounts Payable		(190,437,838)
Market Value of Assets – June 30, 2011	**$**	**5,204,345,689**

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 and actuarial value of assets by Plan.

Table II-2
Summary of Market and Actuarial Assets for Each Employer Group
as of June 30, 2011

	Market Value Total Net Assets June 30, 2010	Market Value Total Net Assets June 30, 2011	Actuarial Value Total Assets June 30, 2011
City of San Diego	$ 3,900,537,904	$ 4,848,054,164	$ 4,739,398,719
Unified Port District	211,908,439	269,380,373	259,315,200
Airport Authority	64,795,807	86,911,148	86,309,270
Total-SDCERS	***$ 4,177,242,150***	***$ 5,204,345,684***	***$ 5,085,023,189***

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, 2011 (based on the prior year assumption of 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.

Table II-3
SDCERS - Unified Port District
Development of Actuarial Value of Assets at June 30, 2011
Expected Value of Assets Method

1. Actuarial Value of Assets at June 30, 2010	$	233,788,278
2. Amount in (1) with interest at 7.75% to June 30, 2011		251,906,870
3. Employer and Member contributions for the Plan Year ended June 30, 2011		17,879,580
4. Disbursements from Trust excluding investment and admin expenses, June 30, 2010 through June 30, 2011		14,385,334
5. Interest on cash flows to June 30, 2011 at 7.75% per year		559,027
6. Expected Actuarial Value of Assets at June 30, 2011 = (2) + (3) – (4) + (5)		255,960,143
7. Actual Market Value of Assets at June 30, 2011		269,380,373
8. Excess of (7) over (6)		13,420,230
9. Preliminary Actuarial Value of Assets at June 30, 2011 = (6) + 25% of (8)	$	259,315,200
10. 80% Minimum Corridor on the Actuarial Value of Assets = 80% of (7)		215,504,298
11. 120% Maximum Corridor on the Actuarial Value of Assets = 120% of (7)		323,256,447
12. Final Actuarial Value of Assets at June 30, 2011 = (9), but no less than (10) and no more than (11)	$	259,315,200

SECTION II
ASSETS

D. Investment Performance

The return on the market value of assets, as reported by SDCERS' investment consultant Hewitt Ennis Knupp, was 24.2%. The return in FY 2010 was 13.4%.

On an actuarial (smoothed) value of assets basis, the return for FY 2011 was 8.79%. This return produced for SDCERS-All Employers an overall investment gain of $94.8 million for the year ending June 30, 2011. (Note this reported gain is different than the investment gain of $3.4 million reported on page 5 in this report. The latter is the gain only for the SDCERS-Unified Port District.)

SECTION III
LIABILITIES

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

- Disclosure of liabilities at June 30, 2010 and June 30, 2011, 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 (ASC Topic 960). 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).

SECTION III
LIABILITIES

Table III-1
SDCERS - Unified Port District - Total

Item	June 30, 2011	June 30, 2010
Present Value of Future Benefits		
Actives	$ 199,806,217	$ 223,677,612
Terminated Vested	14,926,798	14,701,905
Disabled	16,220,505	14,613,575
Retirees	182,237,852	127,751,767
Beneficiaries	9,395,650	7,822,489
Total Unified Port District	**$ 422,587,022**	**$ 388,567,349**
Actuarial Liability - EAN		
Total Present Value of Future Benefits	$ 422,587,022	$ 388,567,349
Present Value of Future Normal Costs		
Employer Portion	37,843,387	44,827,044
Employee Portion	29,906,466	33,273,007
Actuarial Liability - EAN	**$ 354,837,169**	**$ 310,467,297**
Actuarial Value of Assets	$ 259,315,200	$ 233,788,278
Unfunded EAN Actuarial Liability	**$ 95,521,969**	**$ 76,679,019**

Table III-2 shows the actuarial liability as of June 30, 2011 for General, Executive and Safety Members of SDCERS-Unified Port District.

Table III-2
SDCERS - Unified Port District - General, Executives & Safety

Item	June 30, 2011	June 30, 2011	June 30, 2011	June 30, 2011
Present Value of Future Benefits	**Total**	**General**	**Executives**	**Safety**
Actives	$ 199,806,217	$ 113,600,185	$ 4,813,086	$ 81,392,946
Terminated Vested	14,926,798	13,533,894	609,041	783,864
Disabled	16,220,505	8,871,872	-	7,348,633
Retirees	182,237,852	115,257,329	16,895,110	50,085,413
Beneficiaries	9,395,650	7,702,678	-	1,692,972
Total Unified Port District	**$ 422,587,022**	**$ 258,965,958**	**$ 22,317,236**	**$ 141,303,828**
Actuarial Liability - EAN				
Actives	$ 132,056,364	$ 74,708,281	$ 3,135,007	$ 54,213,075
Terminated Vested	14,926,798	13,533,894	609,041	783,864
Disabled	16,220,505	8,871,872	-	7,348,633
Retirees	182,237,852	115,257,329	16,895,110	50,085,413
Beneficiaries	9,395,650	7,702,678	-	1,692,972
Total Unified Port District	**$ 354,837,169**	**$ 220,074,055**	**$ 20,639,158**	**$ 114,123,957**

SECTION III
LIABILITIES

B. Changes in Unfunded Actuarial Liabilities

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

Table III-3
Development of 2011 Experience Gain/(Loss) SDCERS - Unified Port District
(In Thousands)

1.	Unfunded Actuarial Liability at June 30, 2010			$	76,679.0
2.	Beginning of year unfunded actuarial liability payment				(5,864.3)
3.	Interest accrued ((1+2) x 7.75%)				5,488.1
4.	Expected Unfunded Actuarial Liability at June 30, 2011 (1+2+3)				76,302.8
5.	Actual Unfunded Liability at June 30, 2011				95,522.0
6.	Difference: (4 - 5)				(19,219.1)
7.	Portion of difference (6) due to actuarial assumption or method changes				(10,225.7)
8.	Portion of difference (6) due to plan changes (ERIP)				(9,482.2)
9.	Portion of difference (6) due to contributions more than expected				877.1
10.	Portion of difference (6) due to net experience Gain/(Loss)				(388.4)
a)	portion of (10) due to investment experience	*$*	*3,394.0*		
b)	portion of (10) due to liability experience	*$*	*(3,782.3)*		
	Elements of Liability Gain/(Loss)				
1.	G/(L) due to demographic and payroll experience				(3,638.8)
2.	G/(L) due to purchased service credit				(143.6)
3.	Other Gain/(Loss)				-
4.	Total Estimated Liability Gain/(Loss): sum 1 through 3			**$**	**(3,782.3)**

SECTION III
LIABILITIES

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

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

Valuation Date	Gain/(Loss)	Beginning-of-Year Actuarial Liabilities	Gain/(Loss) % of Liability
6/30/1999	$ 3,601,033	$ 81,632,570	4.4%
6/30/2000	15,094,373	89,808,543	16.8
6/30/2001	(2,899,896)	97,159,852	(3.0)
6/30/2002	(20,288,699)	123,125,659	(16.5)
12/31/2002 *	(11,097,105)	140,196,959	(7.9)
6/30/2003	(10,248,435)	137,824,047	(7.4)
6/30/2004	(2,070,099)	154,299,669	(1.3)
6/30/2005	(552,547)	175,366,198	(0.3)
6/30/2006	20,138,814	198,071,900	10.2
6/30/2007	2,994,479	220,637,279	1.4
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)
6/30/2011	(388,359)	310,467,297	(0.1)

* 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 2013 is to be amortized over several different periods. Table IV-2 shows the outstanding balance, the FY 2013 payment and the remaining amortization period 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 2013 is developed. The methodology and assumptions used are in full compliance with the parameters set in GASB Statement Number. 25 for purposes of determining the annual required contribution (ARC).

SECTION IV
CONTRIBUTIONS

Table IV-1
SDCERS - Unified Port District
Development of the UPD's Contribution as of June 30, 2011, For (FY 2013)
(dollars in millions)

		WEIGHTED	Non-Safety			Safety
		TOTAL UPD	Weighted Total	General	Executives	Safety Total
1.	Total Normal Cost Rate as of June 30, 2011	**25.25%**	22.63%	22.58%	23.74%	30.79%
2.	Member Contribution Rate as of June 30, 2011	**11.18%**	10.17%	10.12%	11.41%	13.22%
3.	Employer Normal Cost Rate as of June 30, 2011 (1-2)	**14.07%**	12.46%	12.46%	12.33%	17.57%
4.	Actuarial Liability	**$ 354.8**	$ 240.7	$ 220.1	$ 20.6	$ 114.1
5.	Actuarial Assets	**$ 259.3**	$ 175.9	$ 160.8	$ 15.1	$ 83.4
6.	Total Unfunded Actuarial Liability (UAL) (4-5)*	**$ 95.5**	$ 64.8	$ 59.2	$ 5.6	$ 30.7
7.	Preliminary FY13 UAL amortization*	**$ 8.4**	$ 5.7	$ 5.2	$ 0.5	$ 2.7
8.	Negative Amortization Test for FY13					
	a. Total UAL on 6/30/11 less FY12 UAL payment	**$ 88.6**	$ 60.1	$ 55.0	$ 5.2	$ 28.5
	b. interest on 8a. To 6/30/12	**$ 6.6**	$ 4.5	$ 4.1	$ 0.4	$ 2.1
	c. preliminary FY13 UAL amortization (line 7)	**$ 8.4**	$ 5.7	$ 5.2	$ 0.5	$ 2.7
	d. Negative interest (8b - 8c, not less than zero)	-	-	-	-	-
9.	Total FY13 UAL payment on 7/01/12 (8c + 8d)	**$ 8.4**	$ 5.7	$ 5.2	$ 0.5	$ 2.7
10.	Total FY13 UAL payment throughout year	**$ 8.7**	$ 5.9	$ 5.4	$ 0.5	$ 2.8
11.	Total Expected Payroll for FY13	**$ 35.4**	$ 23.3	$ 22.3	$ 1.0	$ 12.1
12.	FY13 Normal Cost paid throughout the year (3x11)	**$ 5.0**	$ 2.9	$ 2.8	$ 0.1	$ 2.1
13.	FY13 Normal Cost paid at start of year	**$ 4.8**	$ 2.8	$ 2.7	$ 0.1	$ 2.0
14.	Determination of FY13 GASB ARC %					
	a. Employer Normal Cost Rate (12 divided by 11)	**14.20%**	12.45%	12.46%	12.33%	17.57%
	b. UAL Rate (line 10 divided by line 11)	**24.62%**	25.36%	24.23%	50.79%	23.19%
	c. Total employer ARC % (14a + 14b)	**38.82%**	37.82%	36.69%	63.12%	40.76%
15.	Determination of FY13 GASB ARC dollars					
	a. FY13 ARC if paid throughout year	**$ 13.7**	$ 8.8	$ 8.2	$ 0.6	$ 4.9
	b. FY13 ARC if paid at beginning of year	**$ 13.2**	$ 8.5	$ 7.9	$ 0.6	$ 4.7

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

SECTION IV
CONTRIBUTIONS

Table IV-2 shows information on each layer of the June 30, 2011 UAL.

Table IV-2
SDCERS - Unified Port District
Schedule of Amortization Bases as of July 1, 2011
Used in Development of the UPD's Contribution for FY 2013

Type of Base	Date Established	Initial Amount	Initial Amortization Years	July 1, 2011 Outstanding Balance	Outstanding Balance for FY 2013 (BOY)*	Remaining Amortization Years	FY 2013 Amortization Amount
1. June 30, 2007 UAL	7/1/2007	$ 15,953,422	14	$ 15,211,535	$ 14,588,853	10	$ 1,702,772
2. Assumption Change	7/1/2008	3,749,736	30	4,200,652	4,265,888	27	241,339
3. Experience Loss	7/1/2008	865,441	15	903,007	879,184	12	88,400
4. Experience Loss	7/1/2009	43,763,842	15	46,519,947	45,557,543	13	4,298,463
5. Experience Loss	7/1/2010	8,786,725	15	9,467,696	9,318,414	14	829,864
6. Experience Gain	7/1/2011	(488,764)	15	(488,764)	(525,422)	15	(44,388)
7. Plan Change (ERIP)	7/1/2011	9,482,154	20	9,482,154	10,193,316	20	699,382
8. Assumption Change	7/1/2011	10,225,742	30	10,225,742	10,992,673	30	585,138
TOTAL				**$ 95,521,969**	**$ 95,270,447**		**$ 8,400,971**

* Adjusted from 7/1/2011 to 7/1/2012 by subtracting the July 1, 2011 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 7.50% 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, 2010 and June 30, 2011 are presented in Table V-1 and Table V-2. Please note that in both tables there has been a change in the valuation method of measuring the liabilities for active members' vested and accrued benefits. The change resulted in an increase in these respective liabilities for both the prior and current year. While this number is not used by SDCERS for any funding or accounting purposes, and is simply an informational number, we felt that it was important to provide full disclosure. The reason for the change is that we discovered that the prior valuation method contained a redundant pro-ratio of the accrued benefit based on service to date over service at retirement.

SECTION V
ACCOUNTING STATEMENT INFORMATION

Table V-1
SDCERS - Unified Port District - Total

Item	June 30, 2011	June 30, 2010	% Change
ASC Topic 960 Basis			
1. Present Value of Benefits Accrued and Vested to Date			
a. Members Currently Receiving Payments	$ 207,854,007	$ 150,187,831	38.4%
b. Vested Terminated and Inactive Members	14,926,798	14,701,905	1.5%
c. Active Members	94,283,177	108,154,516	-12.8%
d. Total PVAB	$ 317,063,982	$ 273,044,252	16.1%
2. Assets at Market Value	269,380,373	211,908,439	27.1%
3. Unfunded Present Value of Accrued Benefits, But Not Less Than Zero	$ 47,683,609	$ 61,135,813	
4. Ratio of Assets to Value of Benefits (2)/(1)(d)	84.96%	77.61%	7.4%
GASB No. 25 Basis			
1. Actuarial Liabilities			
a. Members Currently Receiving Payments	$ 207,854,007	$ 150,187,831	38.4%
b. Vested Terminated and Inactive Members	14,926,798	14,701,905	1.5%
c. Active Members	132,056,364	145,577,561	-9.3%
d. Total Actuarial Liability	$ 354,837,169	$ 310,467,297	14.3%
2. Actuarial Value of Assets	$ 259,315,200	$ 233,788,278	10.9%
3. Unfunded Actuarial Liability	$ 95,521,969	$ 76,679,019	24.6%
4. Ratio of Actuarial Value of Assets to Actuarial Liability (2)/(1)(d)	73.08%	75.30%	-2.2%

Table V-2
SDCERS - Unified Port District - Total

Item	Accumulated Benefit Obligation (ASC Topic 960)
Actuarial Present Value of Benefits Accrued and Vested as of June 30, 2010	**$ 273,044,252**
Increase (Decrease) During Year Attributable to:	
Passage of Time	20,603,498
Benefits Paid	(14,385,334)
Assumption Changes	11,175,447
Plan Changes (ERIP)	10,800,000
Benefits Accrued, Other Gains/Losses	15,826,119
Net Increase (Decrease)	44,019,730
Actuarial Present Value of Benefits Accrued and Vested as of June 30, 2011	**$ 317,063,982**

SECTION V
ACCOUNTING STATEMENT INFORMATION

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

Table V-3
SDCERS - Unified Port District
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the required supplementary schedules to the Financial Section of the 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, 2011
Actuarial funding method	Entry Age Normal
Amortization method	Level percent closed
Equivalent single amortization period	14.229 years [1]
Asset valuation method	Expected Value Method
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases due to inflation [2]	3.75%
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 2011.

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] 10 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.

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

Type of Activity	*Gain (or Loss) for Year ending June 30, 2011*
Investment Income	$ 3,393,967
Combined Liability Experience	(3,782,326)
Gain (or Loss) During Year from Financial Experience	$ (388,359)
Non-Recurring Gain (or Loss) Items (e.g., Contributions, Assumption Changes)	(18,830,773)
Composite Gain (or Loss) During Year	$ (19,219,132)

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) Active Member Contributions	(B) Retirees And Beneficiaries	(C) Remaining Active Members' Liabilities	Reported Assets [1]	Portion of Actuarial Liabilities Covered by Reported Assets (A)	(B)	(C)
2011 [7]	$ 19,138	$ 207,854	$ 127,845	$ 259,315	100%	100.00%	25.28%
2010	21,999	150,188	138,280	233,788	100	100	44.55
2009	20,784	137,803	130,112	223,879	100	100	50.18
2008 [6]	19,397	123,029	124,611	245,580	100	100	82.78
2007 [5]	18,374	115,021	113,143	230,585	100	100	85.9
2006 [3]	16,140	101,542	102,955	203,286	100	100	83.15
2005	15,122	86,242	96,708	163,691	100	100	64.45
2004	12,885 [4]	75,994	86,487	141,375	100	100	60.7
2003	12,000 [4]	65,581	76,719	123,884	100	100	60.37
12/31/2002 [2]	11,578	63,843	62,403	125,619	100	100	80.44
2002	12,317	57,650	70,230	140,613	100	100	100

[1] Actuarial Value of Assets
[2] Interim (mid-year) actuarial valuations performed due to split of San Diego County Regional Airport Authority from Unified Port District.
[3] Reflects contingent liabilities (13th check), DROP reserves, and IRC Section 415 limits.
[4] Estimated
[5] The 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.
[6] Reflects revised actuarial and economic assumptions.
[7] Reflects revised actuarial and economic assumptions.

APPENDIX A
MEMBERSHIP INFORMATION

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

	June 30, 2011	June 30, 2010	% Change
Total			
Count	464	532	-12.8%
Average Current Age	44.5	45.0	-1.2%
Average Service	10.6	10.8	-2.0%
Average Pensionable Earnings	$ 74,639	$ 73,618	1.4%
Annual Pensionable Earnings	$ 34,632,573	$ 39,164,664	-11.6%
Average Valuation Compensation[1]	$ 74,639	$ 73,618	1.4%
Annual Valuation Compensation[1]	$ 34,632,573	$ 39,164,664	-11.6%
Service Without Permissive Service Purchased	9.9	10.1	-1.2%
Members with Paid Purchased Service	63	83	-24.1%
Members with Any Purchased Service	79	100	-21.0%
Amount of Paid Purchased Service	173	256	-32.5%
Amount of Total Purchased Service	295	389	-24.0%
General			
Count	341	403	-15.4%
Average Current Age	46.0	46.4	-0.9%
Average Service	10.1	10.3	-1.9%
Average Pensionable Earnings	$ 69,173	$ 68,211	1.4%
Annual Pensionable Earnings	$ 23,588,085	$ 27,489,075	-14.2%
Average Valuation Compensation[1]	$ 69,173	$ 68,211	1.4%
Annual Valuation Compensation[1]	$ 23,588,085	$ 27,489,075	-14.2%
Service Without Permissive Service Purchased	9.5	9.5	0.0%
Members with Paid Purchased Service	42	65	-35.4%
Members with Any Purchased Service	55	79	-30.4%
Amount of Paid Purchased Service	132	234	-43.7%
Amount of Total Purchased Service	213	329	-35.2%
Safety			
Count	123	129	-4.7%
Average Current Age	40.5	40.8	-0.7%
Average Service	11.8	12.2	-3.3%
Average Pensionable Earnings	$ 89,793	$ 90,508	-0.8%
Annual Pensionable Earnings	$ 11,044,488	$ 11,675,589	-5.4%
Average Valuation Compensation[1]	$ 89,793	$ 90,508	-0.8%
Annual Valuation Compensation[1]	$ 11,044,488	$ 11,675,589	-5.4%
Service Without Permissive Service Purchased	11.1	11.8	-5.9%
Members with Paid Purchased Service	21	18	16.7%
Members with Any Purchased Service	24	21	14.3%
Amount of Paid Purchased Service	41	22	86.4%
Amount of Total Purchased Service	82	60	37.0%

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

APPENDIX A
MEMBERSHIP INFORMATION

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

	Count June 30, 2011	Count June 30, 2010	Count %Change	Average Age June 30, 2011	Average Age June 30, 2010	Average Age %Change
Total						
Retired	336	282	19.1%	66.8	68.5	-2.5%
Disabled	63	62	1.6%	61.4	60.5	1.6%
Beneficiaries	65	58	12.1%	74.1	75.6	-2.0%
Payee Total	464	402	15.4%	67.1	68.3	-1.8%
DROP Participants	31	42	-26.2%	60.4	60.9	-0.9%
Deferred Vested [1]	287	289	-0.7%	48.4	47.8	1.4%
Vested < 5(10*) yrs svc	205	209	-1.9%			
General						
Retired	283	243	16.5%	68.3	69.8	-2.1%
Disabled	46	46	0.0%	64.3	63.3	1.6%
Beneficiaries	59	54	9.3%	75.6	76.7	-1.4%
Payee Total	388	343	13.1%	69.0	70.0	-1.4%
DROP Participants	25	37	-32.4%	62.2	62.2	0.0%
Deferred Vested [1]	255	254	0.4%	49.1	48.6	1.0%
Vested < 5(10*) yrs svc	179	180	-0.6%			
Safety						
Retired	53	39	35.9%	58.7	60.9	-3.6%
Disabled	17	16	6.3%	53.5	52.2	2.5%
Beneficiaries	6	4	50.0%	59.4	60.5	-1.8%
Payee Total	76	59	28.8%	57.6	58.5	-1.5%
DROP Participants	6	5	20.0%	52.9	51.7	2.3%
Deferred Vested [1]	32	35	-8.6%	42.9	41.8	2.6%
Vested < 5(10*) yrs svc	26	29	-10.3%			

[1] 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.

APPENDIX A
MEMBERSHIP INFORMATION

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

	Total Annual Benefit			Average Annual Benefit		
	June 30, 2011	June 30, 2010	%Change	June 30, 2011	June 30, 2010	%Change
Total						
Retired	$ 14,482,254	$ 10,778,285	34.4%	$ 43,102	$ 38,221	12.8%
Disabled	1,362,780	1,276,645	6.7%	21,631	20,591	5.1%
Beneficiaries	978,917	855,247	14.5%	15,060	14,746	2.1%
Payee Total	$ 16,823,951	$ 12,910,178	30.3%	$ 36,259	$ 32,115	12.9%
DROP Participants	$ 1,559,292	$ 2,104,760	-25.9%	$ 50,300	$ 50,113	0.4%
Deferred Vested [1]	$ 4,770,466	$ 4,619,732	3.3%	$ 16,622	$ 15,985	4.0%
General						
Retired	$ 11,059,298	$ 8,529,218	29.7%	$ 39,079	$ 35,100	11.3%
Disabled	823,368	794,132	3.7%	17,899	17,264	3.7%
Beneficiaries	847,564	758,780	11.7%	14,365	14,051	2.2%
Payee Total	$ 12,730,230	$ 10,082,130	26.3%	$ 32,810	$ 29,394	11.6%
DROP Participants	$ 1,105,860	$ 1,681,933	-34.3%	$ 44,234	$ 45,458	-2.7%
Deferred Vested [1]	$ 4,296,146	$ 4,033,881	6.5%	$ 16,848	$ 15,881	6.1%
Safety						
Retired	$ 3,422,956	$ 2,249,067	52.2%	$ 64,584	$ 57,668	12.0%
Disabled	539,411	482,513	11.8%	31,730	30,157	5.2%
Beneficiaries	131,353	96,468	36.2%	21,892	24,117	-9.2%
Payee Total	$ 4,093,721	$ 2,828,047	44.8%	$ 53,865	$ 47,933	12.4%
DROP Participants	$ 453,432	$ 422,827	7.2%	$ 75,572	$ 84,565	-10.6%
Deferred Vested [1]	$ 474,320	$ 585,851	-19.0%	$ 14,823	$ 16,739	-11.4%

1 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.

APPENDIX A
MEMBERSHIP INFORMATION

Table A-4
SDCERS - Unified Port District
Distribution of Active Members (Excludes DROP Participants) as of June 30, 2011
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	2	1	-	-	-	-	-	-	-	-	3	$ 64,362
25 to 29	3	12	3	-	-	-	-	-	-	-	18	56,825
30 to 34	4	32	26	2	-	-	-	-	-	-	64	65,287
35 to 39	-	17	32	18	-	-	-	-	-	-	67	76,139
40 to 44	1	17	27	20	14	3	-	-	-	-	82	73,958
45 to 49	-	14	19	18	20	16	8	-	-	-	95	82,138
50 to 54	1	10	13	24	15	11	1	1	-	-	76	78,566
55 to 59	-	3	8	11	10	5	1	-	-	-	38	75,560
60 to 64	-	4	4	5	1	1	1	-	-	-	16	66,370
65 to 69	-	3	-	-	-	1	1	-	-	-	5	73,004
70 and up	-	-	-	-	-	-	-	-	-	-	-	-
Total Count	11	113	132	98	60	37	12	1	-	-	464	
Avg. Salary	$ 59,498	$ 61,112	$ 72,497	$ 77,310	$ 89,206	$ 85,912	$ 111,997	$ 51,397	$ -	$ -		$ 74,639

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

	Age										
Plan Year	**Under 50**	**50 to 54**	**55 to 59**	**60 to 64**	**65 to 69**	**70 to 74**	**75 to 79**	**80 to 84**	**85 to 89**	**90 and up**	**Total**
Pre-1992	1	2	2	4	5	4	5	8	7	7	45
1992	-	-	1	1	-	1	-	5	-	1	9
1993	-	-	1	-	2	-	2	4	2	-	11
1994	-	-	1	-	-	1	2	2	1	-	7
1995	-	-	-	1	-	1	1	3	-	-	6
1996	2	-	-	-	-	1	4	2	1	-	10
1997	1	1	-	-	1	-	4	-	-	-	7
1998	1	1	1	1	3	6	10	2	3	-	28
1999	1	-	2	-	1	4	1	-	1	1	11
2000	1	-	-	2	4	5	2	1	2	-	17
2001	2	1	-	-	3	5	2	1	-	-	14
2002	1	2	1	8	3	6	-	-	-	-	21
2003	-	-	1	3	3	8	-	2	1	-	18
2004	1	-	-	7	9	8	3	1	-	-	29
2005	-	-	3	9	7	1	-	-	-	-	20
2006	1	-	4	9	6	3	-	-	-	-	23
2007	-	1	7	7	14	1	-	2	1	1	34
2008	-	3	4	5	9	1	1	1	-	-	24
2009	1	2	10	11	9	1	-	-	-	-	34
2010	-	5	5	10	-	-	-	-	-	-	20
2011	10	14	23	17	7	-	3	1	-	1	76
Total	23	32	66	95	86	57	40	35	19	11	464

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

Average Age at Retirement/Disability		58.4
Average Current Age		67.1
Average Annual Pension	$	36,259

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 Amount" field is added as an annual benefit (i.e., 13^{th} 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 the prior valuation date and not having a "Supplement Amount" (13^{th} check) will have their projected "Supplement Amount" (13^{th} 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 7.50% net of both administrative and investment expenses.

2. Inflation Rate

An inflation assumption of 3.75% compounded annually is used for projecting the total annual payroll growth for amortization of the UAL.

3. Interest Credited to Member Contributions

7.50%, compounded annually.

4. Salary Increase Rate

Inflation component: 3.75%

The additional merit component:

Table B-1

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

5. Cost-of-Living Increase in Benefits

Assumed to be 2.0% per annum, compounded annually.

6. COL Annuity Benefit

For active Members, the COL annuity benefit is valued by adding to the liabilities one-sixth of accumulated member contribution accounts and using a load factor of 2.5% for future member contributions.

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

Table B-2
SDCERS - Unified Port District
Rates of Termination

Service	General	Safety
0	11.00%	8.80
1	10.00	7.72
2	9.00	6.62
3	8.00	5.53
4	7.00	4.41
5	5.50	3.31
6	4.50	3.16
7	4.50	3.09
8	4.25	3.01
9	4.25	2.94
10	4.00	2.89
11	4.00	2.77
12	4.00	2.70
13	4.00	2.63
14	4.00	2.58
15	4.00	2.52
16	4.00	2.46
17	4.00	2.41
18	4.00	2.38
19	4.00	2.37
20	4.00	2.35
21	4.00	2.34
22+	4.00	2.33

10% of terminating employees, with 5+ years of service at termination, are assumed to subsequently work for a reciprocal employer and receive 4.25% pay increases per year.

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

9. Rates of Disability

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

Age	General	Safety
20	0.02%	0.25%
25	0.03	0.25
30	0.04	0.25
35	0.06	0.35
40	0.08	0.45
45	0.12	0.55
50	0.20	0.65
55	0.35	0.75
60	0.45	--

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

To reflect improvements in mortality since the date of the tables, the mortality tables have been modified to reflect actual experience through June 30, 2010 and include a projection to 2013.

All active members follow the RP2000 Combined Healthy table (male and female) projected to 2013.

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

Age	Male	Female
20	0.03%	0.02%
25	0.03	0.02
30	0.04	0.02
35	0.07	0.04
40	0.10	0.06
45	0.13	0.09
50	0.17	0.13
55	0.28	0.25
60	0.55	0.47
65	1.06	0.91
70	1.83	1.57

50% of active member deaths are assumed to be industrial deaths for Safety members and all active member deaths are assumed to be non-industrial deaths for other members.

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

11. Rates of Mortality for Retired Healthy Lives

To reflect improvements in mortality since the date of the tables, the mortality tables have been modified to reflect actual experience through June 30, 2010. No modifications have been made to project future mortality improvements.

General retired healthy participants use the RP2000 Combined Healthy table (male and female). Safety female members use the RP2000 Combined Healthy female table, set forward one year.

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

	General		Safety	
Age	Male	Female	Male	Female
40	0.11%	0.07%	0.11%	0.08%
45	0.15	0.11	0.15	0.12
50	0.21	0.17	0.21	0.19
55	0.36	0.27	0.36	0.31
60	0.67	0.51	0.67	0.58
65	1.27	0.97	1.27	1.10
70	2.22	1.67	2.22	1.86
75	3.78	2.81	3.78	3.10
80	6.44	4.59	6.44	5.08
85	11.08	7.74	11.08	8.64
90	18.34	13.17	18.34	14.46

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

12. Rates of Mortality for Retired Disabled Lives

To reflect improvements in mortality since the date of the tables, the mortality tables have been modified to reflect actual experience through June 30, 2010. No modifications have been made to project future mortality improvements.

The mortality tables used for disabled retirees are variations of the CALPERS Disability Tables (male and female):

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

	General		Safety	
Age	Male	Female	Male	Female
40	1.45%	0.67%	0.19%	0.20%
45	1.65	0.99	0.25	0.26
50	1.63	1.25	0.44	0.36
55	1.86	1.58	0.56	0.55
60	2.19	1.63	0.78	0.80
65	2.99	1.97	1.39	1.18
70	3.76	3.02	2.24	1.72
75	5.42	3.92	3.59	2.67
80	7.90	5.56	6.93	4.53
85	12.48	9.58	11.80	8.02

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

13. The Rates of Retirement

Table B-7
SDCERS - Unified Port District
Rates of Retirement by Service Years

	General		Safety	
Service	Prior to age 62	Age 62 or greater	Prior to age 55	Age 55 or greater
5-9	--	30.0%	--	9.0%
10	--	40.0	--	40.0
11	--	35.0	--	40.0
12	--	35.0	--	40.0
13	--	35.0	--	40.0
14	--	35.0	--	40.0
15	--	32.5	--	31.5
16	--	32.5	--	31.5
17	--	32.5	--	31.5
18	--	32.5	--	31.5
19	--	32.5	--	31.5
20	40.5	40.0	35.0	50.0
21	33.3	25.0	20.0	25.0
22	35.1	25.0	25.0	30.0
23	36.9	25.0	30.0	35.0
24	38.7	25.0	35.0	40.0
25	40.5	37.5	40.0	45.0
26	42.3	37.5	45.0	50.0
27	44.1	37.5	50.0	55.0
28	45.9	37.5	55.0	60.0
29	47.7	37.5	60.0	65.0
30	49.5	42.5	100.0	100.0
31	51.3	42.5	100.0	100.0
32	53.1	47.5	100.0	100.0
33	54.9	47.5	100.0	100.0
34	56.7	47.5	100.0	100.0
35+	100.0	100.0	100.0	100.0

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:

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

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 55% of women were assumed married at retirement. A female spouse is assumed to be three years younger than her male spouse.

15. Member Contributions for Spousal Continuance

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

16. Deferred Member Actuarial Accrued Benefit

The benefit was estimated based on information provided by SDCERS staff. The data used to value the estimated deferred benefit were date of birth, date of hire, date of termination, and last pay. Based on the data provided, service credit, highest average salary, and deferred retirement age were estimated. The estimates were used to compute the retirement benefit, upon which the liabilities are based. For those 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 2½ years and an interest crediting rate of 2.3%. Thereafter, it was assumed the account balance would be converted to an annuity at an interest rate of 4.8% 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 70½, with an interest crediting rate of 2.3%. The remaining account balances were valued without adjustment.

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

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 June 30, 2011 valuation results reflect a number of assumption changes that were approved by the SDCERS Board based on an experience study completed by Cheiron in September 2011. These changes include:

- The investment return assumption was lowered from 7.75% to 7.50%,
- The wage inflation assumption was lowered from 4.00% to 3.75%,
- Rates of termination were increased for General Members and changed to be based on service as opposed to the age of a member,
- Disability rates were decreased,
- The mortality rates for active lives for General and Safety Members were decreased,
- The mortality rates for retired healthy lives for Safety Members were decreased,
- The mortality rates for retired disabled lives for General and Safety Members were increased,
- Rates of retirement were increased and changed to be based on age and service as opposed to just the service of a member,
- The percent married assumption was increased to 55% for females, and the assumed age difference between husbands and wives was reduced to three years,
- The reciprocity assumption was reduced from 20% to 10%, and
- For the Cost-of-Living (COL) Annuity, the valuation method was changed from load factors to a direct valuation of existing member accounts and load factors only for prospective contributions.

In addition, the DROP interest crediting and annuity rates used to value the liability for account balances were reduced from 2.9% to 2.3% and from 5% to 4.8%, respectively, to reflect the Board's adoption of these rates at its December 2010 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 3.75% 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*[1] plus 25% of the difference between the current market value of assets and the expected actuarial value of assets. In no event will the actuarial value of assets ever be less than 80% of the market value of assets nor greater than 120% of the market value of assets.

3. Changes Since Last Valuation

None.

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

APPENDIX C
SUMMARY OF PLAN PROVISIONS

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 1st day of their 6th 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 (Excludes 5 year permissible purchased service.) (§ 0300).

Safety Members:
Age 55 with 5 years of service, or age 50 with 20 years of service (Excludes 5 year permissible purchased 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)).

---

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

APPENDIX C
SUMMARY OF PLAN PROVISIONS

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)).

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.

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

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

APPENDIX C
SUMMARY OF PLAN PROVISIONS

GENERAL:

Table C-2
SDCERS – Unified Port District

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

SAFETY:

Table C-3
SDCERS – Unified Port District

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

APPENDIX C
SUMMARY OF PLAN PROVISIONS

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

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

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

Maximum Benefit

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.

APPENDIX C
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.

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

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

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

APPENDIX C
SUMMARY OF PLAN PROVISIONS

Interest: 8.00%
Salary: 5.00%
Mortality: 83 Group Annuity Mortality (GAM) male
(Males set back 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 valuation, 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 13th 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 13th check benefit (if applicable), and the amounts credited to their DROP participation account, payable as a single lump sum distribution, as a 240-month annuity with equal payments, or any other form approved by the Board and subject to applicable provisions of the Internal Revenue Code (§24.1407).

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

16. Blended Benefit with Participating Agencies

Members may retire and receive benefits from multiple Plan IDs (e.g., a Unified Port District employee could have also worked for the Airport Authority).

17. Changes Since Last Valuation

The UPD offered an Early Retirement Incentive Program (ERIP) to current retirement eligible or near-eligible employees. The ERIP offered three additional years of service and up to three additional years of age credit in determining retirement eligibility and the benefit accrual factor.

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 2013 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).