San Diego City
Employees' Retirement System

Actuarial Valuation
as of June 30, 2013
for the
San Diego Unified Port District

Produced by Cheiron

December 2013

CHEIRON Classic Values, Innovative Advice

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LETTER OF TRANSMITTAL

December 27, 2013

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, 2013 Actuarial Valuation

Dear Members of the Board:

At your request, we performed the June 30, 2013 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 as of:	**June 30, 2013**	**June 30, 2012**
Unfunded Actuarial Liability (in millions)	$ 107.7	$ 104.2
Funding Ratio	73.7%	72.7%
UPD Contribution Rate	42.85%	39.31%
	Fiscal Year 2015	**Fiscal Year 2014**
Actuarially Determined Contribution (in millions)		
-if paid at the beginning of the year	$ 14.3	$ 13.9
-if paid throughout the year	$ 14.8	$ 14.4

- *Unfunded Actuarial Liability (UAL):* The UPD's UAL has increased by $3.5 million. The primary cause of this increase was a change in the economic assumptions (discount rate and pay inflation), which increased the UAL by $8.1 million. Offsetting this increase were liabilities growing less than expected and asset returns greater than expected. The rate of return on the actuarial value of assets was 8.19%, or 0.69% above last year's assumed 7.50% return, leading to a $2.5 million decrease in the UAL.

- *Funding Ratio:* The ratio of the System's actuarial value of assets to its actuarial liabilities increased by 1.0%, from 72.7% to 73.7%.

- *Contributions (ADC):* The results of this valuation produced an increase in the UPD's Actuarially Determined Contribution (ADC) of $0.4 million. The largest source of this increase was the change in economic assumptions, which increased the ADC by $0.5 million. When measured as a percent of member payroll, the ADC increased by 3.54%. The contribution determined in this valuation satisfies the parameters of the Annual Required Contribution (ARC) in Governmental Accounting Standards Board (GASB) Statement Number 25. However, the revised standard GASB Statement Number 67, effective in FY 2014, does not define an ARC. In this report we use the term ADC instead, to refer to the contribution determined by the actuary in accordance with the SDCERS Board's adopted funding policy.

More details on plan experience for the past year can be found in the valuation report. Furthermore, it is important to note that this valuation was prepared using census data and financial information as of the valuation date, June 30, 2013. Changes in membership and investment experience following that date are not reflected in this report.

In preparing our report, we relied on information (some oral and some written) supplied by SDCERS' staff. This information includes, but is not limited to, plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice Number 23.

To the best of our knowledge, this report and its contents have 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. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries 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.

Finally, this report was prepared exclusively for the San Diego City Employees' Retirement System for the purpose described herein and for the use by the plan auditor in completing an audit related to the matters herein. This report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

Sincerely,
Cheiron

Gene Kalwarski, FSA, EA, MAAA
Principal Consulting Actuary

David Holland, FSA, EA, MAAA
Associate Actuary

cc: Alice Alsberghe

SECTION I
BOARD SUMMARY

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

- The financial condition of the SDCERS-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 2015, 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, 2013 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

In FY 2014 GASB 25, which outlines standards for pension plan financial reporting, will be replaced by GASB 67. Similarly, in FY 2015 GASB 27 (standards for plan sponsor reporting) will be replaced by GASB 68. As described above, one purpose of the June 30, 2013 valuation is to develop contribution rates for FY 2015. However, neither GASB 67 nor GASB 68 retain the concept of an Annual Required Contribution (ARC), which had previously been used as the System's de-facto funding policy. In response, the SDCERS Board at its November 2013 meeting adopted to formalize the funding policy based on the existing practices used to develop the ARC. In this report we have replaced the term ARC with Actuarially Determined Contribution (ADC), to refer to the contribution determined by the actuary each year based on the adopted funding policy. GASB 67 and 68 also use this term to refer to a contribution determined by the actuary in accordance with Actuarial Standards of Practice, but do not define it further.

At the November 2013 meeting, the Board also adopted two assumption changes following our annual review of economic assumptions. The across the board annual pay inflation assumption was lowered from 3.75% to 3.3% per year, and the assumed investment return was lowered from 7.5% to 7.25% per year, net of all expenses. More details on the assumptions and methods can be found in Appendix B.

Effective January 1, 2013, new Unified Port District Safety employees who are deemed to be "New Members" under the California Public Employees' Pension Reform Act (PEPRA) will be subject to a number of plan provisions, including reduced benefit accrual factors, a cap on pensionable salary, three-year averaging for final salary, and mandatory exclusion of certain items from pensionable salary. PEPRA also requires New Members to pay at least 50% of the normal cost, with more than 50% allowed subject to collective bargaining. There are less significant changes for current employees and retirees.

SECTION I
BOARD SUMMARY

The June 30, 2013 membership census data did not contain any New Members. However, the calculation of the FY15 ADC reflects an estimate of PEPRA's impact on the normal cost for any New Members hired between July 1, 2014 and June 30, 2015.

General and Executive Members hired on or after January 1, 2009 participate in a new Miscellaneous Plan with lower benefits and costs. Since the Miscellaneous Plan offers a benefit formula that provides a lower accrual factor at normal retirement age and has a lower normal cost than the PEPRA formula, their "New Members" will not be subject to the PEPRA accrual factors or pensionable pay cap, but we understand all other provisions will apply.

The Miscellaneous Plan is also distinct in that its members only begin to accrue service and benefits after completing five years of UPD employment. Therefore, the first employees will not begin to accrue service until 2014, and will appear in the 2014 actuarial valuation and later. We have been informed that the UPD does not intend for these members to make contributions and will amend their plan document accordingly. However, Miscellaneous Members who are also New Members under PEPRA will still be subject to PEPRA's 50/50 cost sharing provision.

SECTION I
BOARD SUMMARY

B. Current Financial Condition of SDCERS-Unified Port District

The following discussion summarizes the key results of the June 30, 2013 valuation and how they compare to the results from the June 30, 2012 valuation.

1. UPD Membership

Table I-2 shows that total membership in SDCERS-Unified Port District decreased by 1.0% from 2012 to 2013. This decrease was attributable to the decline in active membership, partly offset by an increase in inactive membership (terminated vested, disabled, retirees, and beneficiaries). The decline in active membership is largely due to the closure of the General and Executive plans to new hires effective January 1, 2009. They were replaced by a Miscellaneous Plan, in which Members do not begin to accrue service until they have completed five years of employment. Finally, active member total payroll decreased by 3.7% from 2012 to 2013, and the average pay per active member increased by 0.4%.

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

Valuation as of:	June 30, 2013	June 30, 2012	% Change
Active Counts	417	435	-4.1%
Terminated Vested	286	290	-1.4%
Disabled	64	64	0.0%
Retirees	346	342	1.2%
Beneficiaries	75	69	8.7%
Total UPD Members	1,188	1,200	-1.0%
Active Member Payroll	$ 34,528,283	$ 35,872,676	-3.7%
Average Pay per Active Member	$ 82,802	$ 82,466	0.4%
Benefits in Pay Status	$ 18,670,937	$ 17,847,930	4.6%
Average Benefit	$ 38,497	$ 37,575	2.5%

SECTION I
BOARD SUMMARY

2. UPD Assets and Liabilities

Table I-3 presents a comparison between the June 30, 2013 and June 30, 2012 SDCERS-Unified Port District assets, liabilities, unfunded actuarial liability, and funding ratios.

The key results shown in Table I-3 indicate that due to the total actuarial liability increase of 7.3% but an actuarial value of assets increase of 8.8%, the funding ratio increased from 72.7% as of June 30, 2012 to 73.7% as of June 30, 2013. SDCERS employs a commonly used actuarial smoothing method on the market value that dampens market volatility, so the actuarial value of assets increased less than the market value (14.0%). Had the funding ratio been measured on a market value of assets basis, the ratio would be 75.5% as of June 30, 2013.

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, 2013	June 30, 2012	% Change
Actives	$ 163,679,055	$ 148,611,793	10.1%
Terminated Vested	15,467,373	14,447,739	7.1%
Disabled	19,407,836	18,907,495	2.6%
Retirees	198,498,073	190,322,590	4.3%
Beneficiaries	12,974,134	9,723,543	33.4%
Total Actuarial (EAN) Liability	$ 410,026,471	$ 382,013,160	7.3%
Market Value Assets	$ 309,699,000	$ 271,703,000	14.0%
Actuarial Value Assets	$ 302,321,696	$ 277,821,539	8.8%
Unfunded Actuarial Liability	$ 107,704,774	$ 104,191,621	3.4%
Funding Ratio-Actuarial Value	73.7%	72.7%	1.0%

SECTION I
BOARD SUMMARY

3. Components of UAL Change between June 30, 2012 and June 30, 2013

SDCERS-Unified Port District unfunded actuarial liability (UAL) increased by $3.5 million, from $104.2 million to $107.7 million. The table below presents the specific components of the change in the UAL.

The largest source of this increase was the changes to the economic assumptions (discount rate and pay inflation), which increased the UAL by $8.1 million. Offsetting this increase were liabilities growing less than expected ($2.9 million) and a return on assets greater than expected ($4.1 million).

For a description of the method changes on line 6 below, see the end of Appendices A and B.

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

1.	**UAL at June 30, 2012**	**$**	**104.2**
2.	Expected change in UAL*		0.4
3.	Investment experience gain		
	a. Anticipated loss/(gain)		1.6
	b. Actual loss/(gain)		(2.5)
	c. Difference (b - a)		(4.1)
4.	Liability experience gain		(2.9)
5.	Reduction in discount rate and pay inflation assumption		8.1
6.	Method changes		2.3
7.	Other misc (includes purchased service)		(0.3)
8.	Total change in UAL: sum of 2 through 7		3.5
9.	**UAL at June 30, 2013: 1 + 8**	**$**	**107.7**

* Includes projected phase-in of investment gains or losses.

SECTION I
BOARD SUMMARY

4. UPD Contributions

The Unified Port District's actuarially determined (ADC) for FY 2015 measured as a percent of membership payroll increased from 39.31% to 42.85%. In dollars, the beginning of year ADC increased by $0.4 million, from $13.9 million to $14.3 million. This increase in the ADC was $0.1 million less than the expected increase of $0.5 million, assuming continued phase-in of investment experience from prior years.

The largest source of the ADC increase was the change in economic assumptions (discount rate and pay inflation), which increased the ADC by $0.5 million.

In Table I-5 below we present the specific components of the change in the ADC. In Section IV we provide more detail on the development of this contribution. For a description of the method changes on line 6 below, see the end of Appendices A and B.

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

1.	**ADC at June 30, 2012**	**$**	**13.9**
2.	Expected change in ADC*		0.5
3.	Investment experience gain		
	a. Anticipated increase/(decrease)		0.1
	b. Actual increase/(decrease)		(0.3)
	c. Difference (b - a)		(0.4)
4.	Liability experience gain		(0.2)
5.	Reduction in discount rate and pay inflation assumption		0.5
6.	Method changes		0.0
7.	Other misc (includes purchased service)		-
8.	Total change in ADC: sum of 2 through 7		0.4
9.	**ADC at June 30, 2013: 1 + 8**	**$**	**14.3**

* Includes projected phase-in of investment gains or losses.

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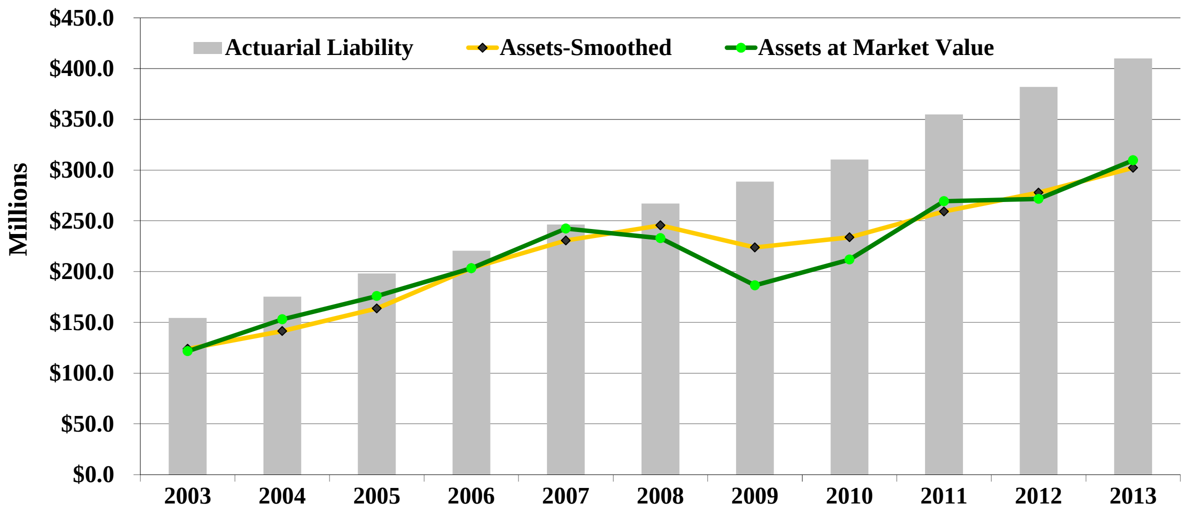
BOARD SUMMARY

C. Historical Trends SDCERS-Unified Port District

Despite the primary focus given each year on the most recently computed unfunded actuarial liability (UAL), funding ratio, and the UPD's contribution (ADC), it is important to remember that each valuation is merely a snapshot of the long-term progress of a pension plan. 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 SDCERS-Unified Port District funding ratios since 2003.

SDCERS- Unified Port District Assets and Liabilities 2003-2013



Funding Ratio	80.3%	80.6%	82.6%	92.1%	93.5%	92.0%	77.5%	75.3%	73.1%	72.7%	73.7%
UAL (millions) *	$ 30.4	$ 34.0	$ 34.4	$ 17.4	$ 16.0	$ 21.5	$ 64.8	$ 76.7	$ 95.5	$ 104.2	$ 107.7

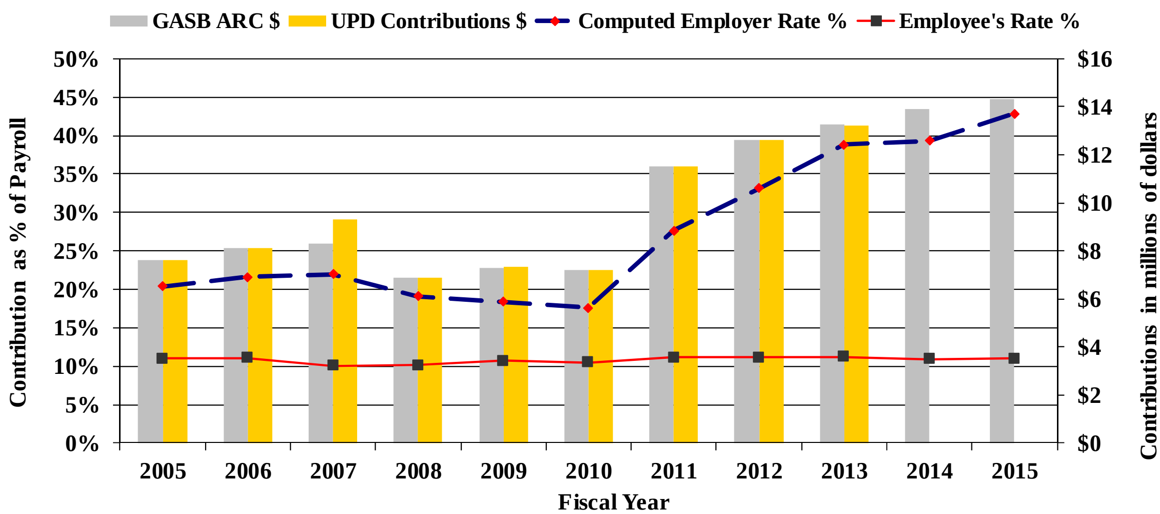
* The UAL for 2007 and after is calculated using the Entry Age Normal method; 2006 and prior years are calculated using the Projected Unit Credit method.

From 2003 to 2008 the funding ratio improved from 80.3% to 92.0%, but the plan experienced a significant investment decline in 2009. Over the past few years the funding ratio has generally been decreasing slightly each year as the 2009 investment loss was gradually recognized in the actuarial value of assets, but in 2013 it increased for the first time in five years.

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 contributions (previously the GASB ARC, but in the future will be referred to as the ADC).

SDCERS-Unified Port District and Member Contribution Rates FY 2005-2015



The key information in this chart is the significant escalation in the computed employer contribution rate and required contribution dollars (GASB ARC) starting in fiscal year 2011. The dramatic contribution rate increases are somewhat 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 increasing ARC dollar amounts shown above are being divided by a declining payroll. This factor will end next year as the first members in the new UPD plan begin to accrue service and start to be included in the valuation payroll. Another important factor which impacted both the employer contribution rate and contribution dollars was the investment losses resulting from the significant market decline of 2008/2009. Finally, the chart also 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 2005, 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 2005.

Since the ARC is not defined in the new standards for public pension plan reporting, GASB 67 and 68, the term ADC will be used in future years to refer to the annual actuarially determined contribution and will be the basis for comparison to actual UPD contributions.

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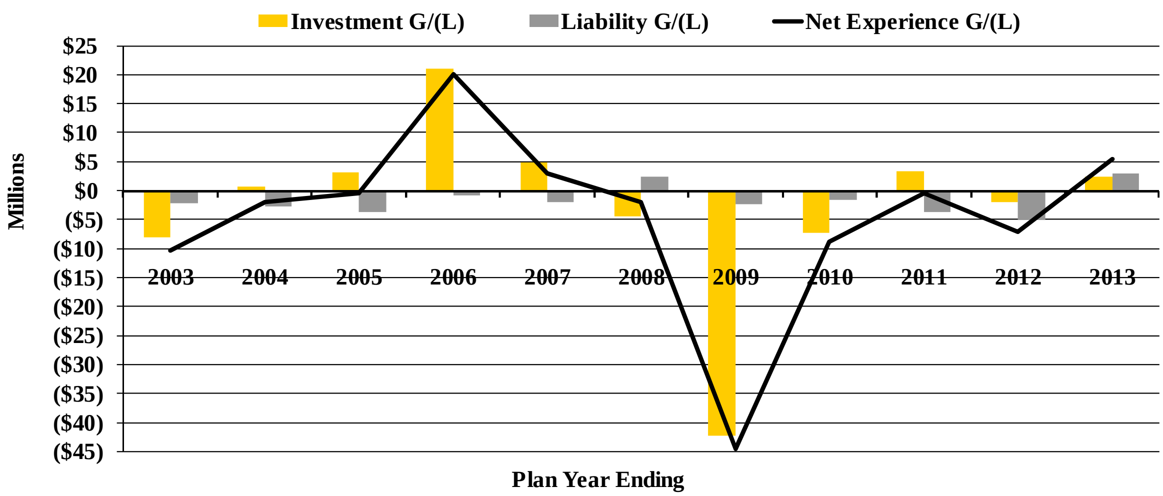
BOARD SUMMARY

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

SDCERS-Unified Port District Historical Gain/(Loss) 2003-2013



The key insights from this chart are

- The System experienced an investment loss (gold bars) in 2003, which was offset by investment gains from 2004 to 2007. 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 approximately 1% of liabilities in the historical period shown. In 2013 the plan had a liability gain ($2.9 million).

D. Projected Financial Trends

Our analysis of SDCERS-Unified Port District projected financial trends is a very important part of this valuation. Our assessment of the implications of the June 30, 2013 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 the chart that follows, we project the SDCERS-Unified Port District assets and liabilities and the UPD's contributions assuming 7.25% 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 contributions in dollars (employer contributions in yellow bars and member contributions in green bars). The left side of the exhibit shows the returns assumed each year followed by the annual ADC and UAL in dollar amounts.

SDCERS-Unified Port District Projections FY 2014-2043 (earnings as assumed)

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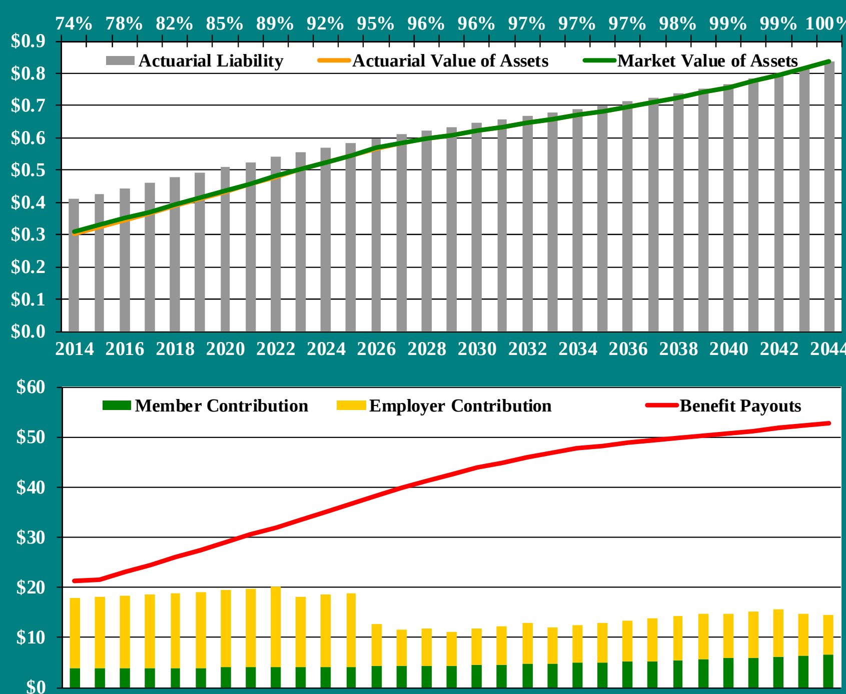
Investment Returns: BASELINE / HISTORICAL 2002

Future Gains/Losses: 15 | Discount Rate: 7.25%

Employer: U | Asset smoothing: 25% | Max AVA/MVA: 120%

FYE		(mill) ADC	(mill) UAL
2014	7.25%	$ 13.9	$104.20
2015	7.25%	$ 14.3	$107.70
2016	7.25%	$ 14.4	$103.15
2017	7.25%	$ 14.6	$ 98.28
2018	7.25%	$ 14.9	$ 93.22
2019	7.25%	$ 15.2	$ 87.84
2020	7.25%	$ 15.5	$ 82.02
2021	7.25%	$ 15.8	$ 75.67
2022	7.25%	$ 16.1	$ 68.70
2023	7.25%	$ 14.1	$ 60.99
2024	7.25%	$ 14.5	$ 52.45
2025	7.25%	$ 14.7	$ 45.55
2026	7.25%	$ 8.4	$ 37.89
2027	7.25%	$ 7.3	$ 29.53
2028	7.25%	$ 7.5	$ 27.38
2029	7.25%	$ 6.6	$ 26.42
2030	7.25%	$ 7.3	$ 25.24
2031	7.25%	$ 7.7	$ 24.96
2032	7.25%	$ 8.2	$ 24.08
2033	7.25%	$ 7.2	$ 22.75
2034	7.25%	$ 7.5	$ 20.98
2035	7.25%	$ 7.9	$ 20.24
2036	7.25%	$ 8.2	$ 19.22
2037	7.25%	$ 8.5	$ 17.92
2038	7.25%	$ 8.8	$ 16.34
2039	7.25%	$ 9.2	$ 14.47
2040	7.25%	$ 8.9	$ 12.30
2041	7.25%	$ 9.2	$ 9.81
2042	7.25%	$ 9.5	$ 7.63
2043	7.25%	$ 8.3	$ 5.16
FYE	7.25%	= average return	



SECTION I
BOARD SUMMARY

Based on assuming 7.25% 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 ADC (formerly the ARC) is projected to peak at $16.1 million in 2022, decline to $8.4 million four years later, and remain relatively level 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 additional stress testing projection, based on assuming varying returns in the future which on average equal the assumed 7.25% earnings 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 7.25% investment assumption of SDCERS.

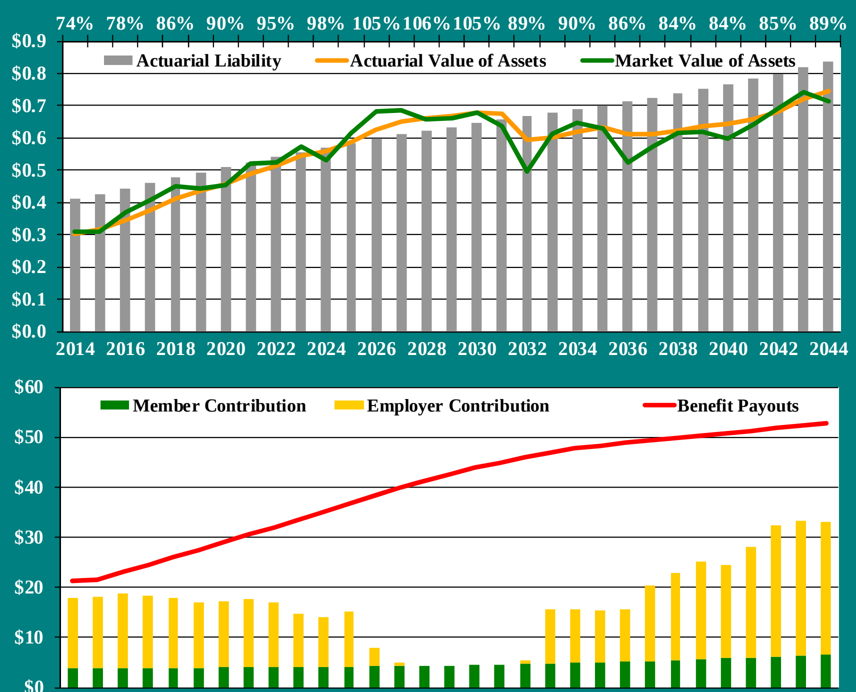
SDCERS-Unified Port District Projections FY 2014-2043 (earnings which vary by year)

CHEIRON

FYE	Investment Returns	ADC (mill)	UAL (mill)
2014	0.55%	$ 13.9	$104.20
2015	21.01%	$ 14.3	$107.70
2016	11.69%	$ 14.9	$108.31
2017	11.51%	$ 14.5	$ 97.42
2018	-0.01%	$ 13.9	$ 82.54
2019	4.60%	$ 13.1	$ 64.72
2020	17.65%	$ 13.2	$ 56.90
2021	3.09%	$ 13.6	$ 52.76
2022	12.54%	$ 13.0	$ 36.35
2023	-4.74%	$ 10.6	$ 25.77
2024	20.81%	$ 10.0	$ 8.97
2025	14.09%	$ 10.9	$ 12.30
2026	5.17%	$ 3.6	$ (2.85)
2027	1.21%	$ 0.6	$ (28.48)
2028	6.25%	$ -	$ (40.98)
2029	8.39%	$ -	$ (38.79)
2030	-0.21%	$ -	$ (34.27)
2031	-16.34%	$ -	$ (31.64)
2032	32.62%	$ 0.8	$ (16.48)
2033	11.39%	$ 10.7	$ 73.30
2034	1.97%	$ 10.7	$ 79.41
2035	-11.59%	$ 10.3	$ 70.01
2036	15.64%	$ 10.5	$ 70.21
2037	12.79%	$ 15.2	$ 99.62
2038	5.30%	$ 17.3	$114.60
2039	0.45%	$ 19.6	$115.56
2040	11.31%	$ 18.7	$116.81
2041	11.81%	$ 22.2	$125.27
2042	10.22%	$ 26.2	$126.69
2043	-1.52%	$ 26.9	$116.43
FYE	7.25%	= average return	

BASELINE		Future Gains/Losses	15
HISTORICAL	1953	Discount Rate	7.25%

Employer	U
Asset smoothing	25%
Max AVA/MVA	120%



With varying annual earnings that average over the period to 7.25%, one can see the volatility in the funding ratios in the top chart, and the fact that the ADC declines significantly and then increases at the end of the projection period. Note that this chart is based on a particular historical period and is not intended to reflect future expectations.

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 soundness 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 ADC 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 smooths 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, 2013 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, 2013, 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, 2013.

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

Cash	$	237,090,000
US Stocks		1,839,561,000
International Stocks		1,353,839,000
Private Equity		258,176,000
Bonds		1,718,919,000
Real Estate		609,782,000
Receivables		214,194,000
Miscellaneous		5,030,000
Accounts Payable		(423,278,000)
Market Value of Assets – June 30, 2013	**$**	**5,813,313,000**

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. Administrative expenses are allocated based on the proportion of participants of a participating trust to the number of total participants of all participating trusts on the first day of the plan year. 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, 2013

	Market Value Total Net Assets June 30, 2012	Market Value Total Net Assets June 30, 2013	Actuarial Value Total Assets June 30, 2013
City of San Diego	$ 4,799,827,000	$ 5,395,158,000	$ 5,317,778,092
Unified Port District	271,703,000	309,699,000	302,321,696
Airport Authority	91,997,000	108,456,000	107,616,363
Total-SDCERS	***$ 5,163,527,000***	***$ 5,813,313,000***	***$ 5,727,716,151***

SECTION II
ASSETS

C. Actuarial Value of Assets

To determine on-going funding requirements, most pension plans 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, 2013 (based on the prior year assumption of 7.50% 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, 2013
Expected Value of Assets Method

1. Actuarial Value of Assets at June 30, 2012	$	277,821,539
2. Amount in (1) with interest at 7.5% to June 30, 2013		298,658,154
3. Employer and Member contributions for the Plan Year ended June 30, 2013		18,748,000
4. Disbursements from Trust excluding investment and admin expenses, June 30, 2012 through June 30, 2013		18,032,000
5. Interest on cash flows to June 30, 2013 at 7.5% per year		488,441
6. Expected Actuarial Value of Assets at June 30, 2013 = (2) + (3) – (4) + (5)		299,862,595
7. Actual Market Value of Assets at June 30, 2013		309,699,000
8. Excess of (7) over (6)		9,836,405
9. Preliminary Actuarial Value of Assets at June 30, 2013 = (6) + 25% of (8)	$	302,321,696
10. 80% Minimum Corridor on the Actuarial Value of Assets = 80% of (7)		247,759,200
11. 120% Maximum Corridor on the Actuarial Value of Assets = 120% of (7)		371,638,800
12. Final Actuarial Value of Assets at June 30, 2013 = (9), but no less than (10) and no more than (11)	$	302,321,696

D. Investment Performance

The return on the market value of assets, as reported by SDCERS' investment consultant Hewitt Ennis Knupp, was 13.6%. The return in FY 2012 was 0.9%.

On an actuarial (smoothed) value of assets basis, the return for FY 2013 was 8.19%. This return produced for SDCERS-All Employers an overall investment gain of $27.8 million for the year ending June 30, 2013. (Note: this reported gain is different than the investment gain of $2.5 million reported on page 5 in this report. $2.5 million is the gain only for 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, 2012 and June 30, 2013, 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

Valuation as of:	June 30, 2013		June 30, 2012	
Present Value of Future Benefits				
Actives	$	219,056,654	$	211,502,634
Terminated Vested		15,467,373		14,447,739
Disabled		19,407,836		18,907,495
Retirees		198,498,073		190,322,590
Beneficiaries		12,974,134		9,723,543
Total Unified Port District	**$**	**465,404,070**	**$**	**444,904,000**
Actuarial Liability - EAN				
Total Present Value of Future Benefits	$	465,404,070	$	444,904,000
Present Value of Future Normal Costs				
Employer Portion		29,044,975		33,686,901
Employee Portion		26,332,624		29,203,940
Actuarial Liability - EAN	**$**	**410,026,471**	**$**	**382,013,160**
Actuarial Value of Assets	$	302,321,696	$	277,821,539
Unfunded EAN Actuarial Liability	**$**	**107,704,774**	**$**	**104,191,621**

Table III-2 shows the actuarial liability as of June 30, 2013 for General, Executive and Safety Members of SDCERS-Unified Port District.

Table III-2
SDCERS - Unified Port District - General, Executives & Safety as of June 30, 2013

	Total		General		Executives		Safety	
Present Value of Future Benefits								
Actives	$	219,056,654	$	121,986,876	$	7,280,336	$	89,789,443
Terminated Vested		15,467,373		13,798,291		490,162		1,178,920
Disabled		19,407,836		8,681,424		-		10,726,412
Retirees		198,498,073		122,393,617		16,373,173		59,731,283
Beneficiaries		12,974,134		11,239,824		-		1,734,310
Total Unified Port District	**$**	**465,404,070**	**$**	**278,100,032**	**$**	**24,143,671**	**$**	**163,160,367**
Actuarial Liability - EAN								
Actives	$	163,679,055	$	92,018,160	$	5,670,408	$	65,990,486
Terminated Vested		15,467,373		13,798,291		490,162		1,178,920
Disabled		19,407,836		8,681,424		-		10,726,412
Retirees		198,498,073		122,393,617		16,373,173		59,731,283
Beneficiaries		12,974,134		11,239,824		-		1,734,310
Total Unified Port District	**$**	**410,026,471**	**$**	**248,131,316**	**$**	**22,533,743**	**$**	**139,361,411**

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 2013 Experience Gain/(Loss) SDCERS - Unified Port District
(In Thousands)

1.	Unfunded Actuarial Liability at June 30, 2012			$	104,191.6
2.	Beginning of year unfunded actuarial liability payment				(8,401.0)
3.	Interest accrued ((1+2) x 7.5%)				7,184.3
4.	Expected Unfunded Actuarial Liability at June 30, 2013 (1+2+3)				102,974.9
5.	Actual Unfunded Liability at June 30, 2013				107,704.8
6.	Difference: (4 - 5)				(4,729.8)
7.	Portion of difference (6) due to actuarial assumption or method changes				(10,412.1)
8.	Portion of difference (6) due to plan changes				-
9.	Portion of difference (6) due to employee contributions more than expected				33.6
10.	Portion of difference (6) due to net experience Gain/(Loss)				5,648.7
a)	portion of (10) due to investment experience	*$*	*2,471.9*		
b)	portion of (10) due to liability experience	*$*	*2,915.7*		
c)	portion of (10) due to service purchases	*$*	*261.0*		
	Elements of Liability Gain/(Loss)				
1.	G/(L) due to demographic and payroll experience				2,915.7
2.	Other Gain/(Loss)				-
3.	Total Estimated Liability Gain/(Loss): sum 1 and 2			**$**	**2,915.7**

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)
6/30/2012		(7,152,892)	354,837,169	(2.0)
6/30/2013		5,648,661	382,013,160	1.5

* 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 for an individual employee is the ratio of their present value of future benefits to present value of future salaries at entry age, multiplied by their valuation salary. The gross normal cost rate for each sub-group is determined by dividing the sum of the individual normal costs by the total valuation salary for that sub-group. The gross normal cost rate is then reduced by the average employee contribution rate to determine the employer normal cost rate. Finally, the employer normal cost rate for each sub-group is multiplied by that group's projected FY 2015 payroll to determine the normal cost component of the FY 2015 ADC.

The EAN actuarial liability is the plan's total present value of future benefits minus the total present value of future normal costs. The difference between the EAN actuarial liability and the actuarial value of assets is the unfunded actuarial liability. The UAL for FY 2015 is to be amortized over several different periods. Table IV-2 shows the outstanding balance, the FY 2015 payment and the remaining amortization period for each of these components. 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 2015 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). However, starting in FY 2014 (SDCERS) and FY 2015 (UPD), the new GASB Statements Number 67 and 68 apply, neither of which contain the concept of an ARC nor provide guidance for plan funding. In response, the SDCERS Board adopted a formal funding policy based on the existing practices used to develop the ARC. In the future, the contribution based on this policy will be referred to as the Actuarially Determined Contribution (ADC).

SECTION IV
CONTRIBUTIONS

Table IV-1
SDCERS - Unified Port District
Development of the UPD's Contribution as of June 30, 2013, For (FY 2015)
(dollars in millions)

		WEIGHTED	Non-Safety			Safety
		TOTAL UPD	Weighted Total	General	Executives	Safety Total
1.	Total Normal Cost Rate as of June 30, 2013	**24.29%**	21.53%	21.27%	27.21%	29.64%
2.	Member Contribution Rate as of June 30, 2013	**11.36%**	10.26%	10.23%	11.00%	13.48%
3.	Employer Normal Cost Rate as of June 30, 2013 (1-2)	**12.93%**	11.27%	11.04%	16.21%	16.16%
4.	Actuarial Liability	**$ 410.0**	$ 270.7	$ 248.1	$ 22.5	$ 139.4
5.	Actuarial Assets	**$ 302.3**	$ 199.6	$ 183.0	$ 16.6	$ 102.8
6.	Total Unfunded Actuarial Liability (UAL) (4-5)*	**$ 107.7**	$ 71.1	$ 65.2	$ 5.9	$ 36.6
7.	Preliminary FY15 UAL amortization*	**$ 10.0**	$ 6.6	$ 6.1	$ 0.6	$ 3.4
8.	Negative Amortization Test for FY15					
	a. Total UAL on 6/30/13 less FY14 UAL payment	**$ 98.3**	$ 64.9	$ 59.5	$ 5.4	$ 33.4
	b. interest on 8a. To 6/30/14	**$ 7.1**	$ 4.7	$ 4.3	$ 0.4	$ 2.4
	c. preliminary FY15 UAL amortization (line 7)	**$ 10.0**	$ 6.6	$ 6.1	$ 0.6	$ 3.4
	d. Negative interest (8b - 8c, not less than zero)	**-**	-	-	-	-
9.	Total FY15 UAL payment on 7/01/14 (8c + 8d)	**$ 10.0**	$ 6.6	$ 6.1	$ 0.6	$ 3.4
10.	Total FY15 UAL payment throughout year	**$ 10.4**	$ 6.9	$ 6.3	$ 0.6	$ 3.5
11.	Total Expected Payroll for FY15**	**$ 34.6**	$ 22.3	$ 21.4	$ 1.0	$ 12.2
12.	FY15 Normal Cost paid throughout the year	**$ 4.4**	$ 2.5	$ 2.3	$ 0.2	$ 1.9
13.	FY15 Normal Cost paid at start of year	**$ 4.3**	$ 2.4	$ 2.2	$ 0.2	$ 1.9
14.	Determination of FY15 ADC %					
	a. Employer Normal Cost Rate (12 divided by 11)	**12.77%**	11.07%	10.84%	16.21%	15.87%
	b. UAL Rate (line 10 divided by line 11)	**30.08%**	30.74%	29.45%	59.60%	28.88%
	c. Total employer ADC % (14a + 14b)	**42.85%**	41.81%	40.29%	75.81%	44.74%
15.	Determination of FY15 ADC dollars					
	a. FY15 ADC if paid throughout year	**$ 14.8**	$ 9.3	$ 8.6	$ 0.7	$ 5.5
	b. FY15 ADC if paid at beginning of year	**$ 14.3**	$ 9.0	$ 8.3	$ 0.7	$ 5.3

** See Table IV-2 for components of these amounts.*
*** Amounts include expected FY15 payroll for new plans (Miscellaneous, PEPRA).*
Note: Numbers may not add due to rounding.

SECTION IV
CONTRIBUTIONS

Table IV-2 shows information on each layer of the June 30, 2013 UAL.

Table IV-2
SDCERS - Unified Port District
Schedule of Amortization Bases as of July 1, 2013
Used in Development of the UPD's Contribution for FY 2015

Type of Base	Date Established	Initial Amount	Initial Amortization Years	July 1, 2013 Outstanding Balance	Outstanding Balance for FY 2015 (BOY)*	Remaining Amortization Years	FY 2015 Amortization Amount
1. June 30, 2007 UAL	7/1/2007	$ 15,953,422	14	$ 13,852,536	$ 12,962,138	8	$ 1,840,865
2. Assumption Change	7/1/2008	3,749,736	30	4,326,390	4,371,510	25	264,527
3. Experience Loss	7/1/2008	865,441	15	850,092	813,359	10	95,741
4. Experience Loss	7/1/2009	43,763,842	15	44,353,510	42,786,159	11	4,659,530
5. Experience Loss	7/1/2010	8,786,725	15	9,125,192	8,863,363	12	900,353
6. Experience Gain	7/1/2011	(488,764)	15	(517,112)	(505,212)	13	(48,199)
7. Plan Change (ERIP)	7/1/2011	9,482,154	20	10,205,979	10,167,697	18	762,562
8. Assumption Change	7/1/2011	10,225,742	30	11,188,099	11,348,142	28	642,695
9. Experience Loss	7/1/2012	6,509,649	15	6,997,873	6,871,179	14	619,265
10. Method Change	7/1/2012	2,411,525	30	2,592,389	2,632,341	29	146,186
11. Experience Gain	7/1/2013	(3,358,988)	15	(3,358,988)	(3,602,514)	15	(308,248)
12. Assumption Change	7/1/2013	8,088,814	30	8,088,814	8,675,252	30	472,930
TOTAL				**$ 107,704,774**	**$ 105,383,415**		**$ 10,048,208**

* July 1, 2013 outstanding balance adjusted to the FY2015 beginning of year (BOY), July 1, 2014.

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 Number 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 Number 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 Number 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 7.25% 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 Number 25 requires the actuarial liability be compared with the actuarial value of assets for funding purposes. The relevant amounts as of June 30, 2012 and June 30, 2013 are presented in Table V-1 and Table V-2.

SECTION V
ACCOUNTING STATEMENT INFORMATION

Table V-1
SDCERS - Unified Port District - Total

	Valuation as of:	June 30, 2013	June 30, 2012	% Change
ASC Topic 960 Basis				
1.	Present Value of Benefits Accrued and Vested to Date			
	a. Members Currently Receiving Payments	$ 230,880,043	$ 218,953,628	5.4%
	b. Vested Terminated and Inactive Members	15,467,373	14,447,739	7.1%
	c. Active Members	120,656,968	98,585,863	22.4%
	d. Total PVAB	$ 367,004,384	$ 331,987,230	10.5%
2.	Assets at Market Value	$ 309,699,000	$ 271,703,000	14.0%
3.	Unfunded Present Value of Accrued Benefits, But Not Less Than Zero	$ 57,305,384	$ 60,284,230	
4.	Ratio of Assets to Value of Benefits (2)/(1)(d)	84.39%	81.84%	2.6%
GASB No. 25 Basis				
1.	Actuarial Liabilities			
	a. Members Currently Receiving Payments	$ 230,880,043	$ 218,953,628	5.4%
	b. Vested Terminated and Inactive Members	15,467,373	14,447,739	7.1%
	c. Active Members	163,679,055	148,611,793	10.1%
	d. Total Actuarial Liability	$ 410,026,471	$ 382,013,160	7.3%
2.	Actuarial Value of Assets	$ 302,321,696	$ 277,821,539	8.8%
3.	Unfunded Actuarial Liability	$ 107,704,774	$ 104,191,621	3.4%
4.	Ratio of Actuarial Value of Assets to Actuarial Liability (2)/(1)(d)	73.73%	72.73%	1.0%

Table V-2
SDCERS - Unified Port District - Total
Accumulated Benefit Obligation (ASC Topic 960)

Actuarial Present Value of Benefits Accrued and Vested as of June 30, 2012	**$**	**331,987,230**
Increase (Decrease) During Year Attributable to:		
Passage of Time		24,222,842
Benefits Paid		(18,032,000)
Assumption Changes		9,601,573
Plan Changes		-
Benefits Accrued, Other Gains/Losses		19,224,739
Net Increase (Decrease)	$	35,017,154
Actuarial Present Value of Benefits Accrued and Vested as of June 30, 2013	**$**	**367,004,384**

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 in the CAFR. 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, 2013
Actuarial funding method	Entry Age Normal
Amortization method	Level percent closed
Equivalent single amortization period	13.382 years [1]
Asset valuation method	Expected Value Method
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases due to inflation [2]	3.30%
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 reviews of SDCERS' experience, completed in 2011 and 2013.

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] Eight 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 UPD's 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, 2013*
Investment Income	$ 2,471,939
Combined Liability Experience	2,915,682
Gain (or Loss) During Year from Financial Experience	$ 5,387,622
Non-Recurring Gain (or Loss) Items (e.g., Contributions, Assumption Changes)	(10,117,448)
Composite Gain (or Loss) During Year	$ (4,729,826)

SECTION V
ACCOUNTING STATEMENT INFORMATION

Table V-5
SDCERS - Unified Port District
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)
2013 [7]	$ 23,744	$ 230,880	$ 155,402	$ 302,322	100%	100%	30.69%
2012	21,236	218,954	141,824	277,822	100	100	26.53
2011 [6]	19,138	207,854	127,845	259,315	100	100	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 [5]	19,397	123,029	124,611	245,580	100	100	82.78
2007 [4]	18,374	115,021	113,143	230,585	100	100	85.90
2006 [3]	16,140	101,542	102,955	203,286	100	100	83.15
2005	15,122	86,242	96,708	163,691	100	100	64.45
2004	12,885 [2]	75,994	86,487	141,375	100	100	60.70
2003	12,000 [2]	65,581	76,719	123,884	100	100	60.37

[1] Actuarial Value of Assets.
[2] Estimated.
[3] Reflects contingent liabilities (13th check), DROP reserves, and IRC Section 415 limits.
[4] 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.
[5] Reflects revised actuarial and economic assumptions.
[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, 2013	June 30, 2012	% Change
Total			
Count	417	435	-4.1%
Average Current Age	46.0	45.1	1.9%
Average Service	12.5	11.5	8.7%
Average Pensionable Earnings	$ 82,802	$ 79,406	4.3%
Annual Pensionable Earnings	$ 34,528,283	$ 34,541,640	0.0%
Average Valuation Compensation[1]	$ 82,802	$ 79,406	4.3%
Annual Valuation Compensation[1]	$ 34,528,283	$ 34,541,640	0.0%
Service Without Permissive Service Purchased	11.7	10.8	8.2%
Members with Paid Purchased Service	76	65	16.9%
Members with Any Purchased Service	93	82	13.4%
Amount of Paid Purchased Service	213	181	17.9%
Amount of Total Purchased Service	345	308	11.9%
General			
Count	301	317	-5.0%
Average Current Age	47.6	46.5	2.4%
Average Service	12.2	10.9	11.9%
Average Pensionable Earnings	$ 75,954	$ 73,008	4.0%
Annual Pensionable Earnings	$ 22,862,209	$ 23,143,577	-1.2%
Average Valuation Compensation[1]	$ 75,954	$ 73,008	4.0%
Annual Valuation Compensation[1]	$ 22,862,209	$ 23,143,577	-1.2%
Service Without Permissive Service Purchased	11.5	10.3	11.7%
Members with Paid Purchased Service	44	35	25.7%
Members with Any Purchased Service	56	47	19.1%
Amount of Paid Purchased Service	138	112	23.6%
Amount of Total Purchased Service	215	185	16.2%
Safety			
Count	116	118	-1.7%
Average Current Age	41.8	41.5	0.7%
Average Service	13.4	13.1	2.3%
Average Pensionable Earnings	$ 100,570	$ 96,594	4.1%
Annual Pensionable Earnings	$ 11,666,074	$ 11,398,064	2.4%
Average Valuation Compensation[1]	$ 100,570	$ 96,594	4.1%
Annual Valuation Compensation[1]	$ 11,666,074	$ 11,398,064	2.4%
Service Without Permissive Service Purchased	12.3	12.1	1.7%
Members with Paid Purchased Service	32	30	6.7%
Members with Any Purchased Service	37	35	5.7%
Amount of Paid Purchased Service	75	69	8.7%
Amount of Total Purchased Service	130	123	5.2%

[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			Average Age		
	June 30, 2013	June 30, 2012	%Change	June 30, 2013	June 30, 2012	%Change
Total						
Retired	346	342	1.2%	67.6	67.2	0.6%
Disabled	64	64	0.0%	62.8	61.8	1.6%
Beneficiaries	75	69	8.7%	74.9	75.2	-0.4%
Payee Total	485	475	2.1%	68.1	67.6	0.7%
DROP Participants	29	31	-6.5%	60.7	61.1	-0.8%
Deferred Vested [1]	286	290	-1.4%	49.2	49.0	0.5%
Vested < 5(10*) yrs svc	198	206	-3.9%			
General						
Retired	288	289	-0.3%	69.2	68.6	0.9%
Disabled	44	44	0.0%	66.4	65.4	1.5%
Beneficiaries	69	63	9.5%	76.1	76.6	-0.7%
Payee Total	401	396	1.3%	70.1	69.5	0.9%
DROP Participants	21	26	-19.2%	63.5	62.6	1.4%
Deferred Vested [1]	253	256	-1.2%	49.9	49.8	0.2%
Vested < 5(10*) yrs svc	172	179	-3.9%			
Safety						
Retired	58	53	9.4%	60.0	59.8	0.3%
Disabled	20	20	0.0%	54.7	53.7	1.9%
Beneficiaries	6	6	0.0%	61.4	60.4	1.7%
Payee Total	84	79	6.3%	58.8	58.3	0.9%
DROP Participants	8	5	60.0%	53.2	53.4	-0.4%
Deferred Vested [1]	33	34	-2.9%	43.5	42.6	2.1%
Vested < 5(10*) yrs svc	26	27	-3.7%			

[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, 2013	June 30, 2012	%Change	June 30, 2013	June 30, 2012	%Change
Total						
Retired	$ 15,717,792	$ 15,235,817	3.2%	$ 45,427	$ 44,549	2.0%
Disabled	1,592,871	1,561,905	2.0%	24,889	24,405	2.0%
Beneficiaries	1,360,274	1,050,208	29.5%	18,137	15,220	19.2%
Payee Total	$ 18,670,937	$ 17,847,929	4.6%	$ 38,497	$ 37,575	2.5%
DROP Participants	$ 1,705,939	$ 1,704,207	0.1%	$ 58,825	$ 54,974	7.0%
Deferred Vested [1]	$ 5,071,031	$ 5,094,210	-0.5%	$ 17,731	$ 17,566	0.9%
General						
Retired	$ 11,661,098	$ 11,713,157	-0.4%	$ 40,490	$ 40,530	-0.1%
Disabled	824,627	808,656	2.0%	18,742	18,379	2.0%
Beneficiaries	1,223,337	915,926	33.6%	17,730	14,539	21.9%
Payee Total	$ 13,709,062	$ 13,437,740	2.0%	$ 34,187	$ 33,934	0.7%
DROP Participants	$ 925,521	$ 1,248,531	-25.9%	$ 44,072	$ 48,020	-8.2%
Deferred Vested [1]	$ 4,511,825	$ 4,599,088	-1.9%	$ 17,833	$ 17,965	-0.7%
Safety						
Retired	$ 4,056,694	$ 3,522,659	15.2%	$ 69,943	$ 66,465	5.2%
Disabled	768,244	753,249	2.0%	38,412	37,662	2.0%
Beneficiaries	136,937	134,282	2.0%	22,823	22,380	2.0%
Payee Total	$ 4,961,875	$ 4,410,190	12.5%	$ 59,070	$ 55,825	5.8%
DROP Participants	$ 780,418	$ 455,676	71.3%	$ 97,552	$ 91,135	7.0%
Deferred Vested [1]	$ 559,206	$ 495,122	12.9%	$ 16,946	$ 14,562	16.4%

[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, 2013
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	-	-	-	-	-	-	-	-	-	-	-	$ -
25 to 29	1	7	3	-	-	-	-	-	-	-	11	65,168
30 to 34	1	10	30	4	-	-	-	-	-	-	45	75,504
35 to 39	1	5	33	22	1	-	-	-	-	-	62	82,334
40 to 44	-	2	30	27	13	3	-	-	-	-	75	85,576
45 to 49	-	4	19	19	16	16	8	-	-	-	82	90,091
50 to 54	-	4	12	19	19	14	5	2	-	-	75	85,072
55 to 59	-	3	4	14	17	8	-	-	-	-	46	80,278
60 to 64	-	1	6	6	2	1	-	-	-	-	16	72,508
65 to 69	-	-	1	2	-	1	-	-	-	-	4	56,477
70 and up	-	-	1	-	-	-	-	-	-	-	1	44,179
Total Count	3	36	139	113	68	43	13	2	-	-	417	
Avg. Salary	$ 75,109	$ 74,061	$ 74,671	$ 82,726	$ 90,765	$ 94,510	$ 113,925	$ 96,198	$ -	$ -		$ 82,802

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-1994	1	1	2	4	7	8	5	11	10	8	57
1994	-	-	-	1	-	-	1	3	2	-	7
1995	-	-	-	1	-	1	-	3	1	-	6
1996	1	1	-	-	-	1	4	1	2	-	10
1997	1	1	-	-	-	1	-	4	-	-	7
1998	1	1	1	1	-	6	9	3	2	1	25
1999	1	-	1	1	1	1	3	1	-	1	10
2000	1	-	-	-	6	1	5	1	3	-	17
2001	2	1	-	-	2	6	-	2	1	-	14
2002	-	1	2	1	10	5	2	-	-	-	21
2003	-	-	-	1	5	7	1	2	1	-	17
2004	1	-	-	3	9	9	4	1	-	-	27
2005	-	-	3	4	10	2	-	-	-	-	19
2006	-	-	3	4	11	3	1	-	-	-	22
2007	-	-	1	10	16	2	1	2	1	-	33
2008	-	1	2	6	8	2	2	-	1	-	22
2009	1	1	5	7	15	3	-	-	-	-	32
2010	1	4	4	4	7	-	-	-	-	-	20
2011	1	14	24	20	10	1	2	2	-	1	75
2012	-	1	6	10	2	2	-	1	2	1	25
2013	-	5	8	2	3	-	-	1	-	-	19
Total	12	32	62	80	122	61	40	38	26	12	485

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

Average Age at Retirement/Disability	58.5
Average Current Age	68.1
Average Annual Pension	$ 38,497

APPENDIX A
MEMBERSHIP INFORMATION

Data Assumptions and Practices

In preparing our data, we relied 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 Plans (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 Final 415 Regulations were used to calculate the present value of Member benefits over the Internal Revenue Service Code 415 Benefit Limits.

Changes Since Last Valuation

- Members with service in one SDCERS plan who are now active in another SDCERS plan have "frozen service" in the original plan. In prior valuations, Member records associated with frozen service were treated as active, but effective with this valuation they are treated as inactive. This affects the allocation of their total benefit liability between past (actuarial liability) and future (present value of future normal costs) but does not impact the value of the total benefit liability itself.

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

1. Investment Return Rate

SDCERS' assets are assumed to earn 7.25% net of both administrative and investment expenses.

2. Inflation Rate

An inflation assumption of 3.3% compounded annually is used for projecting the total annual payroll growth for amortization of the UAL.

3. Interest Credited to Member Contributions

7.25%, compounded annually.

4. Salary Increase Rate

Inflation component: 3.3%

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 3.8% pay increases per year.

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. In the next experience study we will examine the mortality experience and consider the projection of future improvement.

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. In the next experience study we will examine the mortality experience and consider the projection of future improvement.

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

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

For vested deferred participants, we assume that retirement will occur provided they have at least five years of service (at least ten years of service if terminated prior to December 31, 2002) on the later of attained age or:

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

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

If the inactive participant is not vested, the liability is the contributions with interest.

14. Family Composition Assumptions

80% of men and 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 1.2%. Thereafter, it was assumed the account balance would be converted to an annuity at an interest rate of 3.3% 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. The liability for pre-2006 DROP account balances still left on account was valued assuming they would be paid out until age 70½, with an interest crediting rate of 1.2%. The liability for the remaining account balances was adjusted based on the DROP annuity rate in effect at the Member's benefit effective date.

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

These adjustments are applied to the DROP account balance values provided in the financial statements. The account balance liability is allocated to each individual sub-group (e.g., General) based on the total amount of the DROP account balances for that sub-group in the valuation data.

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 following revisions to the economic assumptions were adopted by the SDCERS Board at its November 8, 2013 meeting:

- The assumed investment return was lowered from 7.5% to 7.25%, and
- The inflation assumption used for amortization of the UAL and across the board pay increases was lowered from 3.75% to 3.3%.

The DROP interest crediting and annuity rates used to value the liability for account balances were reduced from 1.9% to 1.2% and from 4.4% to 3.3%, respectively, to reflect the Board’s adoption of these rates at its December 2012 meeting.

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

B. Actuarial Methods

1. Actuarial Funding Method

The Entry Age Normal funding method was used for active employees, whereby the normal cost rate is computed as the average level annual percent of pay required to fund the retirement benefits for all Members between their dates of hire and assumed dates of retirement. The EAN actuarial liability is the difference between the plan's total present value of future benefits and the present value of future normal costs, calculated for each sub-group (e.g., General). The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets, and is allocated to each sub-group based on its liability.

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 3.3% 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). Funding surplus, if any, is amortized over 30 years. Finally, if necessary, there is an additional UAL cost component to ensure that there is no negative amortization in any year.

2. Asset Valuation Method

For the purposes of determining the 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

The SDCERS Board adopted a policy of 30-year amortization of funding surplus, if any, at its November 8, 2013 meeting.

The gross normal cost rate is now determined by dividing the sum of the individual normal costs by the total valuation salary, instead of by dividing the total present value of

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

future normal costs by the total present value of future salaries. This change was made to be consistent with the disclosure requirements of GASB Statements Number 67 and Number 68.

[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.

The California Public Employees' Pension Reform Act (PEPRA) was effective January 1, 2013 and has a significant impact on the plan provisions for most employees hired on or after that date. This summary of plan provisions has not been modified to reflect the provisions of PEPRA, as there were no such members in the June 30, 2013 valuation. The next valuation report will reflect the provisions of PEPRA as well as any other revisions to the plan subsequent to the current valuation date.

1. Membership Requirement

Membership is mandatory upon first day of employment for all Safety Members and for General Members hired before January 1, 2009. (§0103) For Miscellaneous 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 (§ 0102).*

2. Monthly Compensation Base for Benefits

Highest one-year average for General Members hired before October 1, 2006, and Safety Members hired before January 1, 2010. For General Members hired on or after October 1, 2006, and all Miscellaneous Members highest three-year average. (§0102) For Safety Members hired on or after January 1, 2010, the highest three-year average during his or her final three year period while contributing to the plan. (§0102 and Amendment 1) Subject to a 10% increase for General Members who joined the SDCERS plan before November 9, 2001 and were contributing to the Plan on January 1, 2002 and all Safety Members, if the Member elects such increase in lieu of an increased benefit formula.

3. Service Retirement

Eligibility

General Members:
Age 62 with five years of service (excludes five year permissible purchased service), or age 55 with 20 years of service. Miscellaneous Members begin earning service credit during their sixth year of employment (§ 0300).

* All "§ "references are to the Unified Port District Plan Document.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

Safety Members:
For Safety Members hired before January 1, 2010, age 55 with five years of service (excludes five year permissible purchased service), or age 50 with 20 years of service. For Safety Members hired on or after January 1, 2010, age 55 with five years of service (excludes five year permissible purchased service), or any age with 30 years of service with the UPD (§ 0301).

Benefit

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

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

For Miscellaneous 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:
For Safety Members hired before January 1, 2010 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.

Safety Members hired on or after January 1, 2010 receive a 3% multiplier without an increase in 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.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

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 Table C-4
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 Table C-4
January 1, 2002 - Present	Pre 12/31/2001 factors above with 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

General Executive Members: 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. Miscellaneous Members hired on or after January 1, 2009 who do not begin to accrue service credit until their sixth year of employment, must have 10 years of service credit, which means 15 years of Port employment (§ 0504).

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 (§ 0506).

For Miscellaneous Members hired on or after January 1, 2009, the greater of 11% of Final Compensation or earned service retirement benefit (§ 0507).

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. Miscellaneous Members hired on or after January 1, 2009 must have five 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, if eligible (§ 0502).

For Miscellaneous Members hired on or after January 1, 2009, the greater of 11% of Final Compensation or earned service retirement benefit, if eligible (§ 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. Miscellaneous Members hired on or after January 1, 2009 must have five years of Port employment to be eligible for a non-industrial death benefit (§ 0701).

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 dependent child under 21 years of age. General Members hired on or after January 1, 2009 must have five years of Port employment to be eligible for a non-industrial death benefit (§ 0701, § 0703).

8. Industrial Death

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

9. Death After Retirement

Maximum Benefit

Continuance to surviving beneficiary depending on benefit selection made at retirement.

$2,000 payable in lump sum to the beneficiary or the estate of the retiree (§ 0708).

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 with SDCERS and earn additional interest, and use service with a reciprocal system to establish eligibility for earned benefits upon concurrent retirement from reciprocal system. (§ 0205, 0401).

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 (§ 1301).

APPENDIX C
SUMMARY OF PLAN PROVISIONS

12. COL Annuity

Actuarial equivalent of accumulated contributions in cost-of-living annuity account at time of retirement (§ 0300).

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. Rates include cost of providing spouse's continuance, cost of providing COL Annuity, and cost of funding final one-year average in lieu of final three-year average (§ 0102, 0200, 0201).

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)

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 UPD Members under the SDCERS Plan as an alternative method of benefit accrual. The DROP provision is effective under this Plan on January 1, 2003 (§1200). Members eligible for service retirement are eligible to participate in DROP, but only those hired before October 1, 2005 may enter the program (§1201).

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 (§1202). The maximum DROP participation period is 60 months (§1201).

A DROP participation account is a nominal account established with the Retirement System, which is credited with the following amounts (§1203):

- 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 (§1206).

APPENDIX C
SUMMARY OF PLAN PROVISIONS

DROP is not intended to jeopardize the tax-qualified status of the retirement system under the rules and regulations of the Internal Revenue Service. Benefits provided under this division are subject to the limitations of Section 415 of the Internal Revenue Code relating to the amount of benefits that can be paid (§1207).

16. Blended Benefit with Participating Agencies

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

17. Changes Since Last Valuation

The California Public Employees' Pension Reform Act (PEPRA) was effective January 1, 2013 and has a significant impact on the plan provisions for most employees hired on or after that date. This summary of plan provisions has not been modified to reflect the provisions of PEPRA, as there were no such members in the June 30, 2013 valuation. The next valuation report will reflect the provisions of PEPRA as well as any other revisions to the plan subsequent to the current valuation date.

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 Cost 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. Actuarially Determined Contribution (ADC)

Contribution determined each year based on the SDCERS Board's adopted funding policy. The term also exists in GASB 67 and 68 as a contribution determined by the actuary in accordance with Actuarial Standards of Practice, but no further guidance is provided.

APPENDIX D
GLOSSARY OF TERMS

9. Amortization

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

10. Annual Required Contribution (ARC) under GASB 25

The Governmental Accounting Standards Board (GASB) Statement Number 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 Number 25. Starting in FY 2014, GASB Statement Number 67, which does not contain the concept of an ARC, will replace Statement Number 25 for public pension plan accounting and financial reporting.

11. Normal Cost

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

12. 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.

13. 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).