

**San Diego City
Employees' Retirement System**

San Diego Unified Port District

**Actuarial Valuation Report
as of June 30, 2022**

Produced by Cheiron

February 2023

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February 23, 2023

Board of Administration
San Diego City Employees' Retirement System
401 West A Street, Suite 800
San Diego, California 92101

Re: San Diego Unified Port District June 30, 2022 Actuarial Valuation

Dear Members of the Board:

We are pleased to submit the June 30, 2022 Actuarial Valuation Report for the San Diego Unified Port District (Port District, the "Plan") of the San Diego City Employees' Retirement System (SDCERS).

The purpose of this report is to present the annual actuarial valuation of the SDCERS- Port District Defined Benefit Plan. This report is for the use of the SDCERS Board and its auditors in preparing financial reports in accordance with applicable law and accounting requirements.

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, the 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 No. 23.

Future results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.


This report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. 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.

This actuarial valuation report was prepared for the San Diego City Employees' Retirement System for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. Other users of this report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

Sincerely,
Cheiron



Gene Kalwarski, FSA, EA, MAAA, FCA
Principal Consulting Actuary



Alice Alsberghe, ASA, EA, MAAA
Consulting Actuary

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

SECTION I – BOARD SUMMARY

The primary purpose of the SDCERS-Port District actuarial valuation is to disclose and comment on, as of the valuation date, on the following:

- The financial condition of the SDCERS-Port District Defined Benefit Plan,
- Past and expected trends in the financial condition of SDCERS-Port District,
- Disclosures related to the Plan’s risks of SDCERS-Port District,
- The Port District’s Actuarially Determined Contribution (ADC) for Fiscal Year 2024,
- PEPPRA Member contribution rates as required under California Government Code section 7522.30, and
- Information required for the Annual Comprehensive Financial Report (ACFR).

In this Section, we present a summary of the principal valuation results. This summary includes the basis upon which the June 30, 2022 valuation was completed and an examination of the current financial condition of SDCERS-Port District. In addition, we present a review of the key historical trends followed by the projected financial outlook for SDCERS-Port District.

A. Valuation Basis

For the second year in a row, the unfunded actuarial liability (UAL) calculated amortization payment is below the UAL contribution floor. The calculated UAL payment is \$12,954,661 compared to the UAL contribution floor of \$13,270,628. As such, the UAL payment component of the FY 2024 Actuarially Determined Contribution (ADC) is equal to the UAL contribution floor. Details of this calculation are shown in Table V-1 of this report.

The results of the June 30, 2022 actuarial valuation reflect expected across the board salary increases for FY 2023. General members are assumed to receive a 6.00% increase in pay and safety members are assumed to receive a 5.50% increase in pay, effective October 1, 2022. All other projected pay increases are outlined in the salary increase assumption found in Appendix B of this report.

Besides the above salary increase assumptions for FY 2023, there were no other changes in assumptions, methods, or plan provisions with this valuation. All assumptions and methods can be found in Appendix B of this report. A summary of plan provisions can be found in Appendix C.

Numbers in the tables of this report may not always add exactly to the dollar due to rounding.

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ACTUARIAL VALUATION AS OF JUNE 30, 2022**

SECTION I – BOARD SUMMARY

B. Experience between June 30, 2021 and June 30, 2022

The following discussion summarizes the key results of the June 30, 2022 valuation and how they compare to the results from the June 30, 2021 valuation.

1. SDCERS-Port District Assets, Liabilities and Contributions

Table I-1 presents a comparison between the June 30, 2022 and June 30, 2021 SDCERS-Port District assets, liabilities, unfunded actuarial liability, funding ratios and contributions.

The key results shown in Table I-1 show that the funding ratio, measured using an actuarial smoothing method, increased from 78.2% as of June 30, 2021 to 79.9% as of June 30, 2022. The funding ratio increased because the actuarial value of assets grew by 5.4% which was more than the liability growth of 3.3%. Measured on a market value of assets basis, the June 30, 2022 funding ratio decreased to 81.5% compared to 86.9% in the prior year. Investment return on a market value basis was -1.44% whereas on the actuarial value basis return was 7.32%. Section III of this report provides additional detail on SDCERS’ assets, including an explanation of the development of the actuarial value of assets. More details on the liability growth are presented in Item 2 of this section, and in Section IV of this report.

The Port District’s Actuarially Determined Contribution (ADC) remained constant at \$19.2 million. The components of this change are shown in Table I-3. These ADC figures assume payment at the beginning of the fiscal year in which they are paid. Contribution amounts assuming payment throughout the year may be found in Table V-1.

Table I-1				
SDCERS - Port District - Assets, Liabilities and Contributions				
		June 30, 2022	June 30, 2021	% Change
Actuarial Liability	\$	680,794,188	\$ 659,059,303	3.3%
Actuarial Value Assets	\$	543,631,218	\$ 515,649,885	5.4%
Unfunded Actuarial Liability-Actuarial Value	\$	137,162,969	\$ 143,409,418	-4.4%
Funding Ratio-Actuarial Value		79.9%	78.2%	1.7%
Market Value Assets	\$	554,779,179	\$ 572,703,787	-3.1%
Unfunded Actuarial Liability-Market Value	\$	126,015,008	\$ 86,355,516	45.9%
Funding Ratio-Market Value		81.5%	86.9%	-5.4%
Actuarially Determined Contribution (ADC) ¹	\$	19.2	\$ 19.2	0.0%

¹ ADC reported in millions

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ACTUARIAL VALUATION AS OF JUNE 30, 2022**

SECTION I – BOARD SUMMARY

2. Components of UAL Change between June 30, 2021 and June 30, 2022

The unfunded actuarial liability (UAL) for SDCERS-Port District decreased by \$6.2 million, from \$143.4 million to \$137.2 million. Table I-2 below presents the specific components of the change in the UAL.

The Plan’s UAL was expected to decrease by approximately \$23.4 million, assuming all assumptions were met. Despite the actuarial investment gain of \$3.6 million (7.32% return on the actuarial value of assets being above the assumed return of 6.50%), the net asset experience fell short of the anticipated gain by \$11.8 million. This is due to the partial recognition (25% asset smoothing) of the market value asset loss for the year ending June 30, 2022, which offset the large anticipated investment gain.

The Plan experienced a liability loss of \$5.4 million, primarily due to salary increases above those assumed, offset by demographic experience (retirement, death, disability, and termination) deviating from the assumptions.

Table I-2	
SDCERS - Port District - Change in UAL	
(In Millions)	
1. UAL at June 30, 2021	\$ 143.4
2. Expected change in UAL	(23.4)
3. Asset experience	
a. Anticipated investment loss/(gain)	(15.3)
b. Actual investment loss/(gain) ¹	(3.6)
c. Member contributions paid less than expected	0.1
d. Net asset experience (b - a + c)	11.8
4. Liability experience loss ¹	5.4
5. Change in assumptions or methods	0
6. Other miscellaneous	(0)
7. Total change in UAL: 2 + 3d + sum of 4 through 6	(6.2)
8. UAL at June 30, 2022: 1 + 7	\$ 137.2

¹ Net impact of asset and liability experience is an actuarial loss of \$1.8 million (\$3.6 million actual investment gain minus \$5.4 million actual liability experience loss).

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

SECTION I – BOARD SUMMARY

3. SDCERS-Port District Change in Contributions

The Port District’s actuarially determined contribution (ADC) for FY 2024 remained constant compared to FY 2023 at \$19.2 million. The ADC would have been expected to decrease by approximately \$1.8 million, assuming continued phase-in of investment experience from prior years.

Despite the actuarial investment gain, the net asset experience fell short of the anticipated asset gain by approximately \$1.0 million. The liability experience loss increased the ADC by approximately \$0.8 million.

Table I-3 below presents the specific components of the change in the ADC. We provide more detail on the development of this contribution in Section V.

Table I-3	
SDCERS - Port District - Change in ADC	
(In Millions)	
1. ADC at June 30, 2021	\$ 19.2
2. Expected change in ADC	(1.8)
3. Asset experience	
a. Anticipated investment loss/(gain)	(1.3)
b. Actual investment loss/(gain)	(0.3)
c. Member contributions paid less than expected	0.0
d. Net asset experience (b - a + c)	1.0
4. Liability experience loss	0.8
5. Change in assumptions or methods	0
6. Other miscellaneous	(0)
7. Total change in ADC: 2 + 3d + sum of 4 through 6	(0.0)
8. ADC at June 30, 2022: 1 + 7	\$ 19.2

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

SECTION I – BOARD SUMMARY

4. SDCERS-Port District Membership

Table I-4 shows that total membership in SDCERS-Port District increased by 2.2% from 2021 to 2022. There was an increase in active counts of 1.2% and an increase of 2.7% in retiree counts.

The payroll figures shown below are based on June 30, 2022 data with expected salary increases for the fiscal year beginning July 1, 2022. Expected total payroll for active members increased by 6.2% from 2021 to 2022, and the average pay per active member increased by 5.0%. Total annual benefits in pay status increased by 4.5% from 2021 to 2022, with the average benefit increasing by 2.1%.

Table I-4				
SDCERS - Port District - Membership Total				
Valuation as of:	June 30, 2022	June 30, 2021	% Change	
Active Counts	351	347	1.2%	
Terminated	271	262	3.4%	
Disabled	56	57	-1.8%	
Retirees	525	511	2.7%	
Beneficiaries	84	82	2.4%	
Total Port District Members	1,287	1,259	2.2%	
Active Member Payroll	\$ 39,939,171	\$ 37,599,227	6.2%	
Average Pay per Active Member	\$ 113,787	\$ 108,355	5.0%	
Benefits in Pay Status	\$ 34,075,679	\$ 32,611,698	4.5%	
Average Benefit	\$ 51,242	\$ 50,172	2.1%	

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

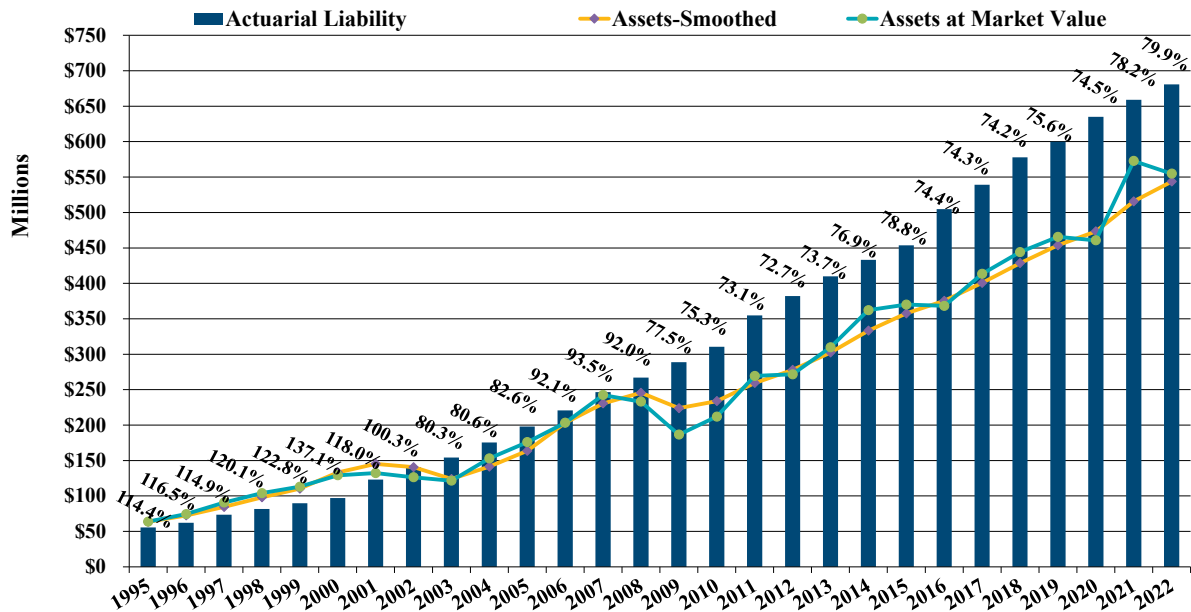
SECTION I – BOARD SUMMARY

C. Historical Trends SDCERS-Port District

Despite the primary focus given each year on the most recently computed unfunded actuarial liability (UAL), funding ratio, and the Port District’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 results 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, with SDCERS-Port District funding ratios, measured as the ratio of smoothed (actuarial) value of assets to actuarial liabilities, since 1995.

SDCERS- Port District Assets and Liabilities 1995-2022



This chart shows two periods of significant declines in Port District funded status. The first being the period 2001 to 2003 where the funding ratio declined from being as high as 137% to as low as 80.3%. This was primarily caused by the “dot com” market decline. The second serious decline occurred in 2009 following the “Great Recession” where the funding ratio dropped from 93.5% in 2007 to 77.5% in 2009. Other than those two periods, the plan generally showed improvement in its funding status to where it is now 79.9% funded. It is important to note that this improved funding status over the period since 2009 was achieved while the Board gradually lowered the discount rate from 8.00% to 6.50% and significantly strengthened its demographic assumptions, in particular mortality.

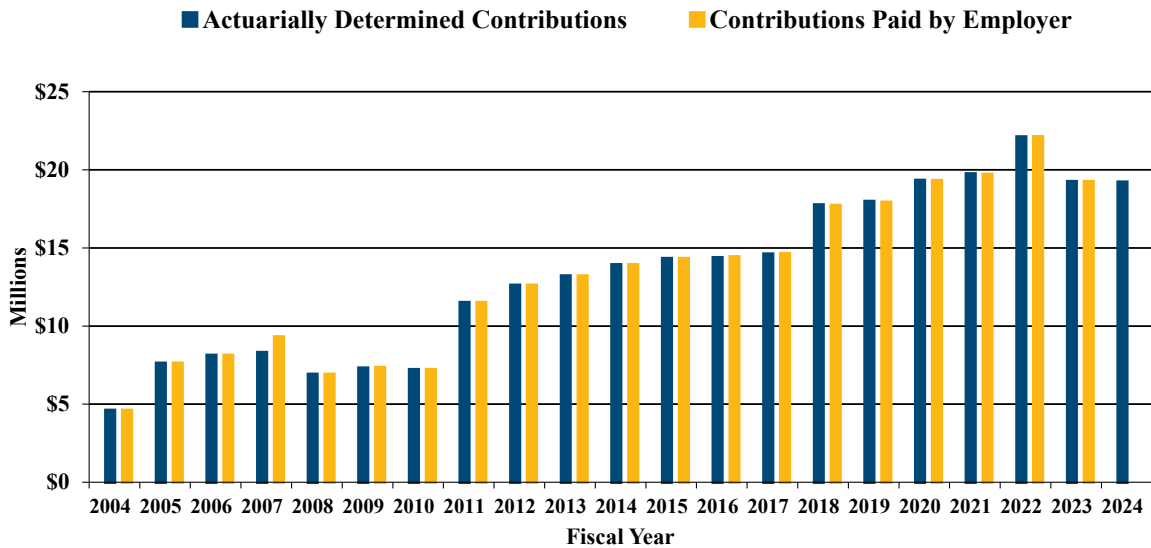
**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

SECTION I – BOARD SUMMARY

As mentioned earlier, the funding ratios represent the ratio of the smoothed (actuarial) assets over the actuarial liabilities. If the market value of assets were used instead, the funding ratio as of June 30, 2022 would be 81.5%.

In the next chart below, we present the historical trends for the SDCERS-Port District contributions: actual contributions paid by the Port District and the actuarially determined contributions (ADC).

SDCERS-Port District Contributions FY 2004-2024



This chart compares the actual contributions made by the Port District to the actuarially determined contributions (ADC). The contributions paid by the Port District are based on the Board’s adopted funding practice of Normal Cost plus amortization of the various UAL components, including the requirement beginning in FY 2009 that there is no negative amortization and the requirement beginning in FY 2016 to fund the expected administrative expenses. In addition, beginning in FY 2019 when applicable, there is a UAL contribution floor.

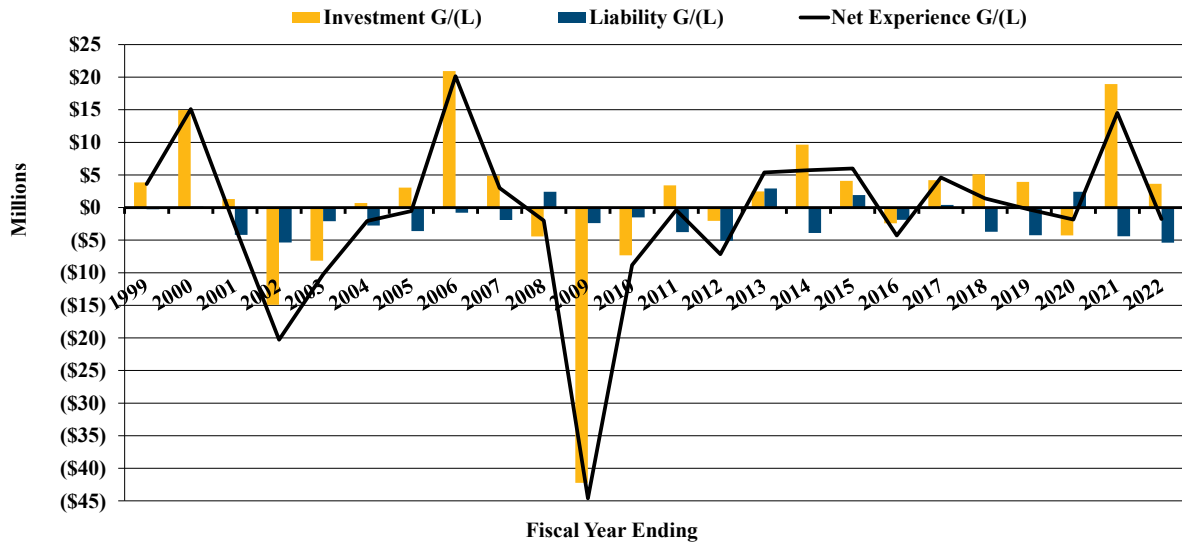
The chart indicates that the Port District has been consistently paying at or above the ADC for the entire period shown.

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The chart below for SDCERS-Port District presents the pattern of annual experience 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 in actuarial methods, procedures, assumptions, or to changes in plan benefits.

SDCERS-Port District Historical Gain/(Loss) 1999-2022



As seen in the chart (gold bars) the System experienced two periods of significant investment losses in the 2002 and 2003 period and 2008–2010 period. In most other years there were investment gains, with the years ending June 30, 2006 and June 30, 2021 reporting the largest gains.

Liability experience gains and losses (blue bars) are attributed to actual demographic experience – rates of retirement, death, disability, and termination, as well as salary increases – deviating from the underlying assumptions. During the period shown there has generally been a pattern of liability losses, which have been small relative to the total liability of the Plan. The liability experience loss in FY 2022 was primarily due to salary increases that were greater than expected. The liability experience loss in FY 2022 was approximately 0.8% of the total liability.

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SECTION I – BOARD SUMMARY

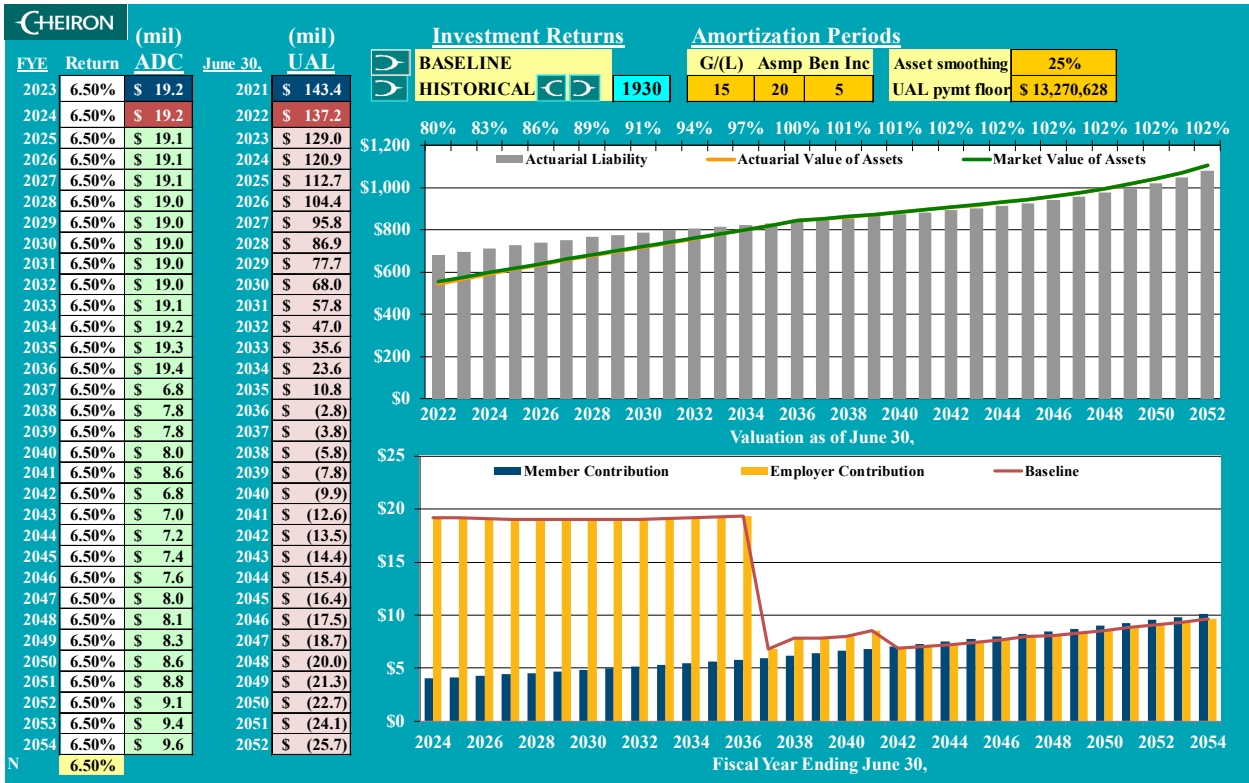
D. Projected Financial Trends

Our analysis of SDCERS-Port District projected financial trends is one of the most important parts of this valuation. These projections based on the June 30, 2022 valuation results are presented in terms of benefit security (assets over liabilities) and the Port District’s expected cost progression.

In the chart that follows, we project the SDCERS-Port District assets and liabilities and the Port District’s contributions. 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 navy bars). The left side of the exhibit shows the returns assumed each year followed by the annual ADC and UAL in dollar amounts.

These projections assume a 6.50% investment return and discount rate, constant active plan membership with payroll growing at the assumed payroll growth of 3.05%, as well as all experience conforming to the Plan’s assumptions.

SDCERS-Port District Projections FY 2024-2054 (earnings as assumed)



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SECTION I – BOARD SUMMARY

These projections do not assume that all UAL amortization bases are reset to zero once the Plan reaches 100% funding, rather the existing bases continue to be amortized under the Plan's current amortization method. Based on the assumed earnings and the UAL contribution floor amortization method, the Port District's funded status (percentages at the top of the upper graph) is projected to reach 100% by the June 30, 2035 valuation at which time the FY 2037 ADC declines sharply. The Port District's ADC is then projected to increase gradually with growing normal costs of the Plan for the remainder of the period shown.

However, it is very important to note that these projections, while valid as baseline projections, **are not going to occur** as experience never conforms exactly to assumptions from year to year. As a result, in Section II of this report, *Disclosures Related to Risk*, we present a stress testing projection based on assuming varying returns in the future, which are 6.50% on average.

SECTION II – DISCLOSURES RELATED TO RISK

Actuarial Standard of Practice (ASOP) No. 51 was published by the Actuarial Standards Board to provide guidance to actuaries on the assessment and disclosure of risks related to the possibility that future pension plan experience will deviate from assumptions. This standard does not introduce new concepts to actuarial work; it simply attempts to provide some codification of the practice. Our reports have routinely included stress testing of the valuation results showing the impact of future experience deviating from the underlying assumptions.

The pension plan's actuarial valuation results are dependent on assumptions about future economic and demographic experience. Based on actuarial standards of practice, the assumptions represent a reasonable estimate for future experience. However, actual experience will never conform exactly to the assumptions and may differ significantly from the assumptions. This deviation is the risk that pension plan sponsors undertake in relying on a pension plan's actuarial valuation results.

This section of this report is intended to identify the primary drivers of these risks, provide background information and assessments about these identified risks, and communicate the significance of these risks to this plan.

A. Identification of Risks

For pension plans, the three primary valuation results that can significantly differ from those expected are in the assets, liabilities, and employer contributions. While there are several factors that could lead to these results being different, we believe the primary risks to this plan are:

- Investment risk,
- Longevity and other demographic risks,
- Plan change risk,
- Contribution risk, and
- Assumption change risk.

Other risks that we have not identified may also turn out to be important.

Investment Risk is the potential for investment returns to deviate from what is expected. When actual investment returns are lower than the investment assumption used in the actuarial valuation, the unfunded liability will increase and the period of time over which the unfunded liability is expected to be paid will increase. But, when actual returns exceed the assumption, the resulting unfunded liability measurements and resulting amortization period will be lower than anticipated.

Longevity and Other Demographic Risk is the potential for mortality or other demographic experience to be different than expected. Generally, longevity and other demographic risks emerge slowly over time as the actual experience deviates from expected. In addition, the extensive number of assumptions related to longevity and demographic experience often result in offsetting factors contributing to the System's overall liability experience. As such,

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SECTION II – DISCLOSURES RELATED TO RISK

these risks are often dwarfed by other risks, particularly those due to the investment returns. The historical gain loss charts on page 9 shows that this has been true for this System, with the magnitude of the gains and losses from liability experience significantly smaller than those from investment experience.

Plan Change Risk is the potential for the provisions of the System to be changed such that the funding or benefits are changed materially. In addition to the actual payments to and from the System being changed, future valuation measurements can also be impacted, with plan changes leading to deviations between actual future measurements and those expected by the current valuation.

Contribution Risk is the potential for actual future contributions to deviate from expected future contributions, or that the anticipated contributions will be inadequate to fund the plan benefits. There are different sources of contribution risk ranging from the sponsor choosing to not make contributions in accordance with the funding policy to material changes in the contribution base (e.g., covered employees, covered payroll, sponsor revenue) that affect the amount of contributions the plan can collect.

Assumption Change Risk is the potential for the environment to change such that future valuation assumptions are adjusted to be different than the current assumptions. For example, declines in interest rates over time may result in a change in the assumed rates of return used in the valuation. A healthier workforce may result in changes in employee behavior such that retirement rates are adjusted to reflect employees working longer. Assumption change risk is an extension of the risks previously identified, but rather than capturing the risk as it is experienced, it captures the cost of recognizing a change in the environment when the current assumption is no longer reasonable.

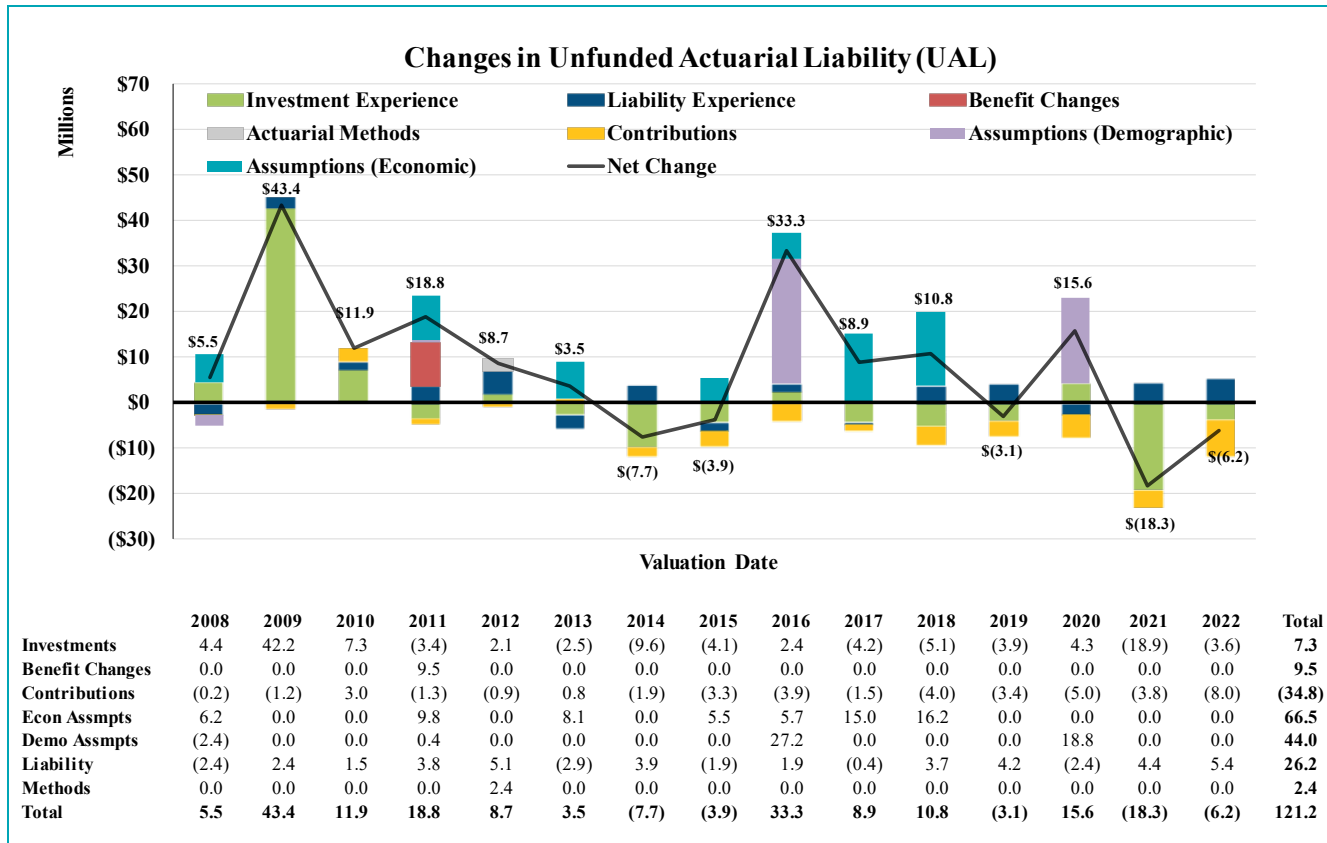
B. Historical Review

In understanding the impact of some of these risks, it is useful to look at what factors contributed to the Port District's Unfunded Actuarial Liability (UAL). These factors consist of annual actuarial experience gains and losses, assumption changes, plan changes, and contribution shortfalls or excesses. The following chart shows how these factors have contributed, at each valuation date, to the Port District's UAL growth since 2008.

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SECTION II – DISCLOSURES RELATED TO RISK

Factors Contributing to UAL Changes since 2008



As is evident in this chart, assumption changes have been by far the most significant factors contributing to the Port District’s UAL.

Over this period, net investment and liability experience increased the UAL by \$33.6 million, while method changes and economic and demographic assumption changes increased the UAL by \$112.9 million. All other sources of change, contributions made, and benefit changes, served to decrease the UAL by \$25.3 million. The net change in the UAL over this period was an increase of \$121.2 million.

SECTION II – DISCLOSURES RELATED TO RISK

C. Plan Maturity Measures

As pension plans become more mature, the identified risks become of more significant concern. As a result, it has become increasingly important to examine measures that indicate a pension plan’s maturity level.

The balance of this section discloses and examines two maturity measures: the asset leverage ratio, and the net cash flow ratio.

Asset Leverage Ratio

Typically, one of the most important pension plan maturity measures is the asset leverage ratio — the Market Value of Assets divided by the Plan’s payroll. The greater the plan’s assets are relative to payroll, the more vulnerable the plan is to investment volatility. The following example demonstrates this.

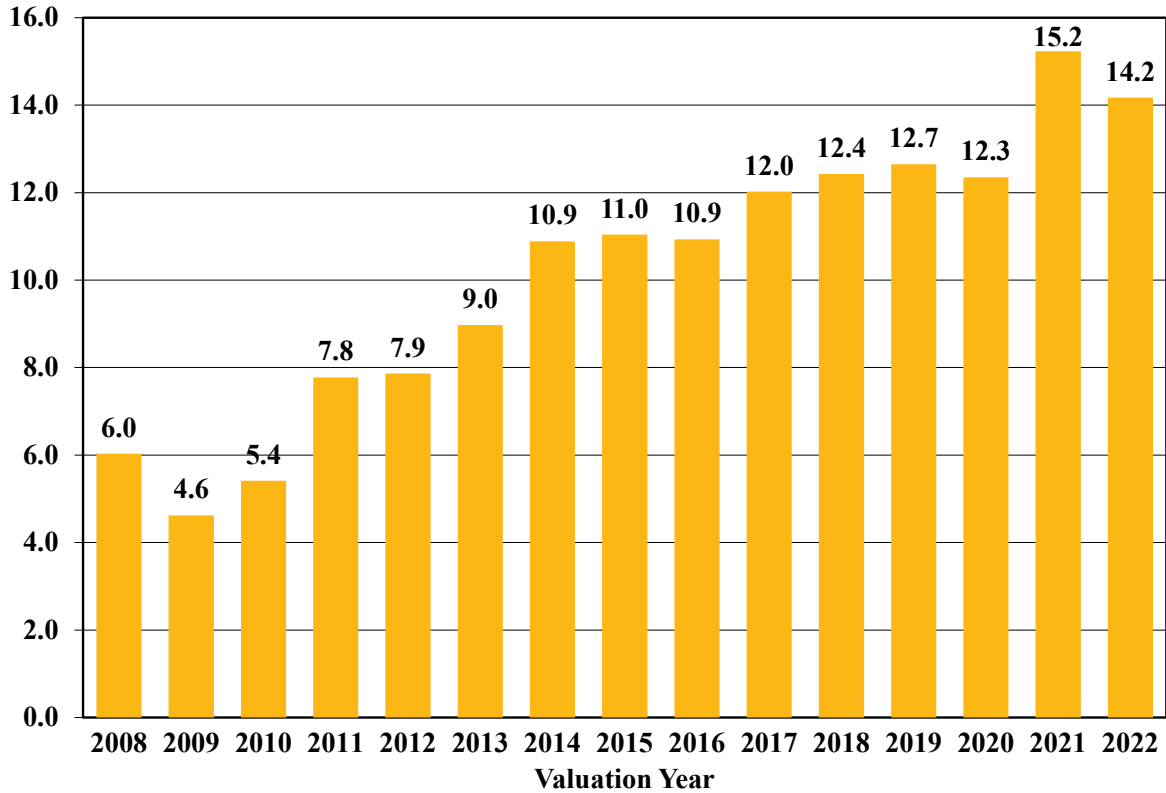
(\$ in millions)		
	Plan A	Plan B
Plan Assets	\$ 5,000	\$ 5,000
Payroll	\$ 500	\$ 1,000
Asset Leverage Ratio	10.0	5.0
10% Investment Loss	\$ 500	\$ 500

This example shows two plans that both experience a 10% investment loss equaling \$500 million. Although their assets are the same, because of the size of payroll for Plan A is half of that of Plan B, its asset leverage ratio is 10 and Plan B’s ratio is 5. This means that the Plan A has to make up (i.e., amortize) that loss over a payroll that is half as large as Plan B’s.

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SECTION II – DISCLOSURES RELATED TO RISK

Asset Leverage Ratio



The chart above shows that the Port District’s Asset Leverage ratio has more than doubled since 2008, growing from a ratio of 6.0 to a ratio of 14.2. This also means that the impact of another market turndown like the Great Recession of 2008/2009 would be more than double the impact relative to contributions than it was then.

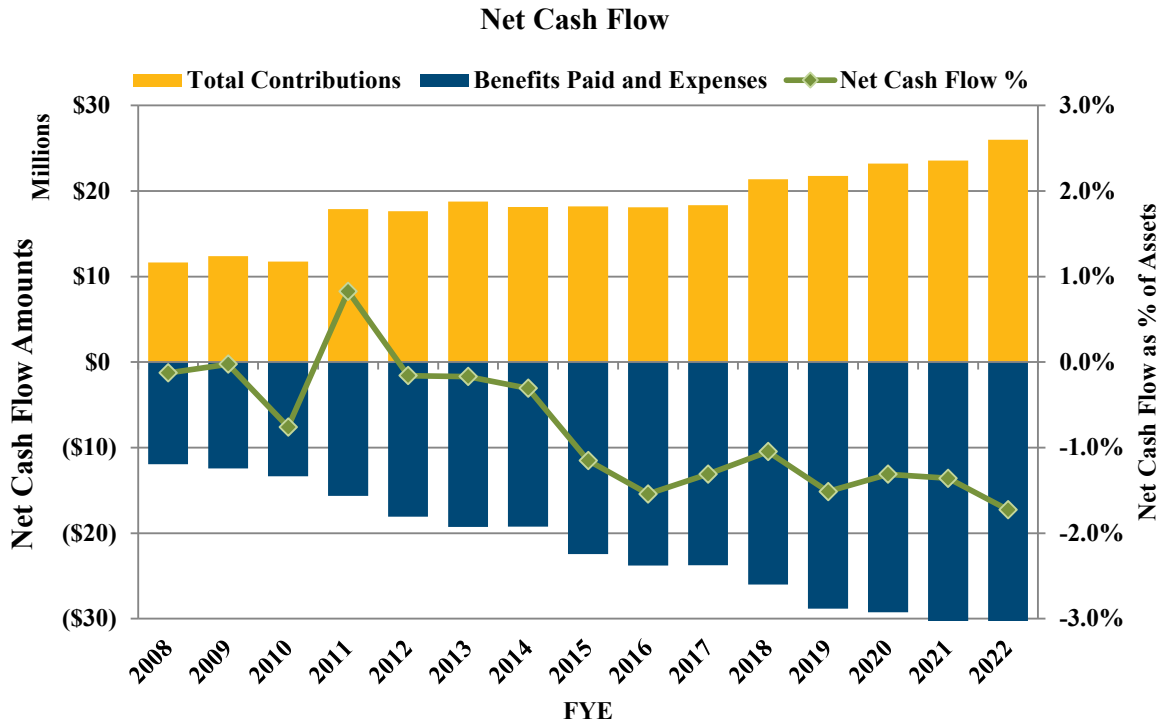
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Net Cash Flow Ratio

Another and more important measure of plan maturity is the ratio of the net cash flow out of the plan, benefits and expenses less contributions, divided by the market value of plan assets. With shrinking workforces, aging Baby Boomers, and retirees living longer, plans pay out more in benefits than they receive in contributions, leading to negative net cash flows, excluding investment income.

When plans with negative net cash flows suffer investment losses, they need to liquidate enough assets to pay for benefits in excess of contributions. That means these plans will need to earn higher returns to rebuild their assets to the previous levels. Plans with significant negative cash flows are more vulnerable to market declines. However, negative cash flows are expected with maturing plans and a plan’s asset allocation may be adjusted to minimize sensitivity to investment risk.



The Port District’s net cash flow as a percentage of assets has largely trended more negative over the years, with the most recent ratio being at -1.7% of assets. This should not be of any significant concern. It is to be expected that the negative net cash flow would be increasing.

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SECTION II – DISCLOSURES RELATED TO RISK

D. Assessment of Future Risks

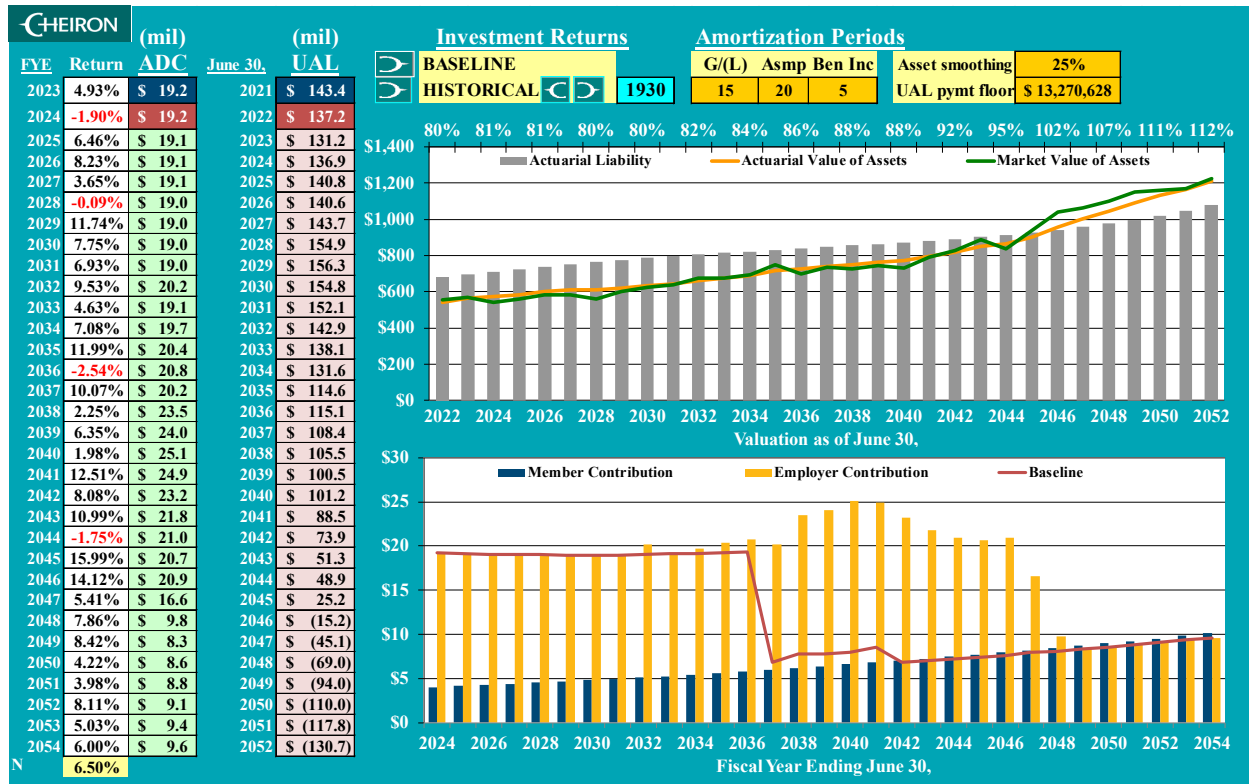
Stress Testing the Plan’s Funded Status and Contribution Levels

The fundamental risk to the Plan is that contributions will not adequately fund plan benefits. In assessing this risk, we performed stress tests on the Plan’s funded status and contribution level assuming varying returns in the future which over the entire projection period average 6.5%.

With varying annual earnings, the chart that follows shows the volatility in the plan’s funded status (top graph) and in the Port District’s contributions (bottom chart). Note that this chart reflects an illustrative scenario and is not intended to reflect future expectations.

What these charts show is that whether the Plan is fully funded or poorly funded, subsequent returns can quickly alter the financial position of the Plan dramatically. It is impossible to judge the financial soundness of a Plan with a single year point measurement. What is more important to consider is the Plan’s 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. In SDCERS’ case, the Plan has been conservative relative to most other public pension funds, and since 2005 the Port District has contributed at least as much as the ADC, if not more.

SDCERS-Port District Projections FY 2024-2054 (earnings which vary by year)



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SECTION III – ASSETS

Like most other public pension plans, SDCERS uses two different asset measurements that are presented in this section: the market value and the actuarial value of assets. The market value of assets 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 contributions. The actuarial value of assets is used in determining SDCERS' contributions 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, and the San Diego County Regional Airport Authority is included.

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

- A. Disclosure of the June 30, 2022 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.

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SECTION III – ASSETS

A. Disclosure of Market Value of Assets

The market value of assets represents a “snap-shot” value as of June 30, 2022, 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 III-1 below discloses the market value by asset class of SDCERS – All Employers’ gross assets on June 30, 2022.

Table III-1 SDCERS – All Employers Summary of Reported Market Value of Total Defined Benefit Plan Assets	
Cash	\$ 385,905,534
US Stocks	2,322,351,891
International Stocks	1,985,773,242
Private Equity	1,780,739,686
Bonds	2,555,801,130
Real Estate	1,201,435,051
Receivables	262,096,613
Miscellaneous	150,193,899
Accounts Payable	<u>(644,265,272)</u>
Market Value of Assets – June 30, 2022	\$ 10,000,031,774

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

SECTION III – ASSETS

B. Market Value of Assets by Plan Sponsor

As of July 1, 2007, the City of San Diego, 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 III-2 below discloses the market value and actuarial value of assets by Plan.

Table III-2 Summary of Market and Actuarial Assets for Each Employer Group as of June 30, 2022			
	<u>Actuarial Value</u> Total Assets June 30, 2022	<u>Market Value</u> Total Net Assets June 30, 2022	<u>Market Value</u> Total Net Assets June 30, 2021
City of San Diego	\$ 9,008,489,093	\$ 9,182,686,922	\$ 9,457,378,818
Port District	543,631,218	554,779,179	572,703,787
Airport Authority	<u>259,606,440</u>	<u>262,565,673</u>	<u>263,538,875</u>
Total-SDCERS	\$ 9,811,726,751	\$ 10,000,031,774	\$ 10,293,621,479

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

SECTION III – ASSETS

C. Actuarial Value of Assets

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

The actuarial value of assets is equal to 100% of the expected actuarial value of assets as of June 30, 2022 plus 25% of the difference between the current actual market value of assets and the expected actuarial value of assets. (See Appendix B, Section B-2 for further explanation of the asset valuation method.) In no event will the actuarial value of assets ever be less than 80% of the market value of assets, nor greater than 120% of the market value of assets.

Table III-3 SDCERS - Port District Development of Actuarial Value of Assets at June 30, 2022 Expected Value of Assets Method	
1. Actuarial Value of Assets at June 30, 2021	\$ 515,649,885
2. Amount in (1) with interest at 6.50% to June 30, 2022	549,167,128
3. Employer and Member contributions for the Plan Year ended June 30, 2022	25,981,542
4. Disbursements from Trust excluding investment expenses, June 30, 2021 through June 30, 2022	35,565,308
5. Interest on cash flows to June 30, 2022 at 6.50% per year	<u>331,869</u>
6. Expected Actuarial Value of Assets at June 30, 2022 = (2) + (3) – (4) + (5)	539,915,231
7. Actual Market Value of Assets at June 30, 2022	<u>554,779,179</u>
8. Excess of (7) over (6)	14,863,948
9. Preliminary Actuarial Value of Assets at June 30, 2022 = (6) + 25% of (8)	\$ 543,631,218
10. 80% Minimum Corridor on the Actuarial Value of Assets = 80% of (7)	443,823,343
11. 120% Maximum Corridor on the Actuarial Value of Assets = 120% of (7)	665,735,015
12. Final Actuarial Value of Assets at June 30, 2022 = (9), but no less than (10) and no more than (11)	\$ 543,631,218

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

SECTION III – ASSETS

D. Investment Performance

The FY 2022 return on the market value of assets, as reported by SDCERS' investment consultant Aon Hewitt Investment Consulting, was -1.7%. The reported return for FY 2021 was 24.9%.

On an actuarial (smoothed) value of assets basis, the return for FY 2022 was 7.32%. This return produced for SDCERS-All Employers an overall investment gain of \$61.4 million for the year ending June 30, 2022. This reported gain is different than the investment gain of \$3.6 million reported in Table I-2 of this report. The \$3.6 million is the gain only for SDCERS-Port District.

Finally, it should be noted that rates of investment returns disclosed in this actuarial report will often differ slightly from those reported by SDCERS as well as SDCERS' investment consultant. This is because the returns disclosed in this report are dollar weighted returns, whereas returns reported by SDCERS and its consultant are usually time weighted returns.

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

SECTION IV – LIABILITIES

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

- Disclosure of liabilities on June 30, 2021 and June 30, 2022, 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. Note that these liabilities are not applicable for settlement purposes, including the purchase of annuities and the payment of lump sums.

- **Present Value of Future Benefits:** Used for measuring all future SDCERS-Port District obligations, represents the amount of money needed today to fully fund all benefits of SDCERS-Port District both earned as of the valuation date and those to be earned in the future by current plan members, under the current plan provisions.
- **Actuarial Liability-Entry Age Normal (EAN):** Used for determining employer contributions. 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:** This liability represents the present value of future benefits payable to all plan participants as of the valuation date, if future accruals and contributions stopped.

Table IV-1 on the following page discloses the first two of these liabilities for the current and prior year valuations. Table IV-2 breaks down these liabilities by tier. Subtracting the actuarial value of assets from the actuarial liability results in a net surplus or an unfunded actuarial liability (UAL). Table IV-3 discloses the third of these liabilities, present value of accrued benefits, for the current and prior year valuations.

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

SECTION IV – LIABILITIES

Table IV-1				
SDCERS - Port District - Total				
Valuation as of:	June 30, 2022		June 30, 2021	
Present Value of Future Benefits				
Actives	\$	242,195,333	\$	238,574,375
Terminated		28,760,258		26,309,835
Disabled		27,548,455		27,064,003
Retirees		421,501,208		406,299,433
Beneficiaries		<u>20,376,137</u>		<u>19,879,525</u>
Total Port District	\$	740,381,392	\$	718,127,170
Actuarial Liability - EAN				
Total Present Value of Future Benefits	\$	740,381,392	\$	718,127,170
Present Value of Future Normal Costs				
Employer Portion		33,654,163		34,022,886
Employee Portion		<u>25,933,041</u>		<u>25,044,981</u>
Actuarial Liability - EAN	\$	680,794,188	\$	659,059,303
Actuarial Value of Assets	\$	543,631,218	\$	515,649,885
Unfunded EAN Actuarial Liability	\$	137,162,969	\$	143,409,418

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

SECTION IV – LIABILITIES

Table IV-2 shows the actuarial liability as of June 30, 2022 for General, Miscellaneous, Executive and Safety Members of SDCERS-Port District.

Table IV-2									
SDCERS - Port District as of June 30, 2022									
	Total	General	Miscellaneous Classic	Miscellaneous PEPRA	Executives	Safety Pre-2010	Safety Post-2010	Safety-PEPRA	
Present Value of Future Benefits									
Actives	\$ 242,195,333	\$ 121,388,125	\$ 6,682,377	\$ 9,527,616	\$ 1,694,714	\$ 69,333,727	\$ 8,657,650	\$ 24,911,124	
Terminated	28,760,258	20,926,583	378,276	151,359	588,915	4,137,109	1,901,707	676,309	
Disabled	27,548,455	8,037,193	0	167,845	0	19,343,417	0	0	
Retirees	421,501,208	232,555,792	232,821	0	28,810,055	158,694,512	1,208,028	0	
Beneficiaries	20,376,137	15,431,574	0	0	0	4,944,563	0	0	
Total Port District	\$ 740,381,392	\$ 398,339,267	\$ 7,293,474	\$ 9,846,820	\$ 31,093,684	\$ 256,453,328	\$ 11,767,385	\$ 25,587,433	
Actuarial Liability - EAN									
Actives	\$ 182,608,130	\$ 104,515,899	\$ 3,188,493	\$ 1,526,500	\$ 1,319,027	\$ 60,465,681	\$ 4,886,533	\$ 6,705,998	
Terminated	28,760,258	20,926,583	378,276	151,359	588,915	4,137,109	1,901,707	676,309	
Disabled	27,548,455	8,037,193	0	167,845	0	19,343,417	0	0	
Retirees	421,501,208	232,555,792	232,821	0	28,810,055	158,694,512	1,208,028	0	
Beneficiaries	20,376,137	15,431,574	0	0	0	4,944,563	0	0	
Total Port District	\$ 680,794,188	\$ 381,467,040	\$ 3,799,590	\$ 1,845,704	\$ 30,717,996	\$ 247,585,283	\$ 7,996,268	\$ 7,382,307	

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

SECTION IV – LIABILITIES

Table IV-3 shows the present value of accrued benefits as of June 30, 2022 for all Members of SDCERS-Port District.

Table IV-3				
SDCERS - Port District - Present Value of Accrued Benefits				
	Valuation as of:	June 30, 2022	June 30, 2021	% Change
1. Present Value of Accrued Benefits				
a. Members Currently Receiving Payments	\$	469,425,800	\$ 453,242,961	3.6%
b. Terminated and Inactive Members		28,760,258	26,309,835	9.3%
c. Active Members		<u>137,400,445</u>	<u>133,971,813</u>	<u>2.6%</u>
d. Total PVAB	\$	635,586,502	\$ 613,524,609	3.6%
2. Assets at Market Value	\$	554,779,179	\$ 572,703,787	-3.1%
3. Unfunded Present Value of Accrued Benefits, But Not Less Than Zero	\$	80,807,323	\$ 40,820,822	
4. Ratio of Assets to Value of Benefits (2)/(1)(d)		87.29%	93.35%	-6.0%

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

SECTION IV – 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 IV-4	
Development of 2022 Experience Gain/(Loss) SDCERS - Port District	
(In Thousands)	
1. Unfunded Actuarial Liability at June 30, 2021	\$ 143,409.4
2. Beginning of year Unfunded Actuarial Liability payment	(16,406.9)
3. Interest accrued ((1+2) x 6.50%)	<u>8,255.2</u>
4. Expected Unfunded Actuarial Liability at June 30, 2022 (1+2+3)	135,257.7
5. Actual Unfunded Liability at June 30, 2022	137,163.0
6. Difference: (4 - 5)	(1,905.3)
7. Portion of difference (6) due to actuarial assumption or method changes	0
8. Portion of difference (6) due to plan changes	0
9. Portion of difference (6) due to contributions less than expected	(135.5)
10. Portion of difference (6) due to net experience Gain/(Loss)	(1,769.8)
a) portion of (10) due to investment experience	\$ 3,629.8
b) portion of (10) due to liability experience	\$ (5,399.6)
c) portion of (10) due to service purchases	\$ 0

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

SECTION IV – LIABILITIES

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

Table IV-5			
Experience Gain/(Loss) - Historical SDCERS - Port District ¹			
Valuation Date	Gain/(Loss)	Beginning-of-Year Actuarial Liabilities	Gain/(Loss) % of Liability
06/30/1999	\$ 3,601,033	\$ 81,632,570	4.4%
06/30/2000	15,094,373	89,808,543	16.8%
06/30/2001	(2,899,896)	97,159,852	-3.0%
06/30/2002	(20,288,699)	123,125,659	-16.5%
12/31/2002 ¹	(11,097,105)	140,196,959	-7.9%
06/30/2003	(10,248,435)	137,824,047	-7.4%
06/30/2004	(2,070,099)	154,299,669	-1.3%
06/30/2005	(552,547)	175,366,198	-0.3%
06/30/2006	20,138,814	198,071,900	10.2%
06/30/2007	2,994,479	220,637,279	1.4%
06/30/2008	(1,999,505)	246,538,326	-0.8%
06/30/2009	(44,607,050)	267,036,729	-16.7%
06/30/2010	(8,831,078)	288,698,145	-3.1%
06/30/2011	(388,359)	310,467,297	-0.1%
06/30/2012	(7,152,892)	354,837,169	-2.0%
06/30/2013	5,648,661	382,013,160	1.5%
06/30/2014	5,568,248	410,026,471	1.4%
06/30/2015	6,000,467	433,271,687	1.4%
06/30/2016	(4,288,969)	453,773,528	-0.9%
06/30/2017	4,603,012	504,763,128	0.9%
06/30/2018	1,384,171	539,060,501	0.3%
06/30/2019	(311,990)	577,844,033	-0.1%
06/30/2020	(1,840,198)	599,822,515	-0.3%
06/30/2021	14,520,011	635,085,235	2.3%
06/30/2022	(1,769,789)	659,059,303	-0.3%

¹ Airport Authority split as of December 31, 2002.

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

SECTION V – 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 the funding method, there are three components to the total contribution: the normal cost, an amortization payment on the unfunded actuarial liability, and the expected administrative expenses. 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 2024 payroll to determine the normal cost component of the FY 2024 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 actuarial value of assets is allocated to each sub-group based on the proportion of the EAN actuarial liability for that sub-group. The difference between the EAN actuarial liability and the actuarial value of assets is the unfunded actuarial liability. The UAL for FY 2024 is to be amortized over several different periods. Table V-2 shows the outstanding balance, the FY 2024 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 aggregate in any year.

In January 2015, the Board voted to account for expected administrative expenses explicitly in the actuarially determined contribution (ADC). The administrative expense component is \$745,944 for FY 2024 (assuming payment at the beginning of the year). This amount is assumed to increase by 2.5% per year.

In September 2017, the Board adopted a five-year layering method for the 2009 experience loss amortization base, in order to improve the projected stability of future employer contributions. Details are shown in Table V-2 of this section.

In January 2019, the Board adopted a UAL contribution floor amortization method, setting a minimum of \$13,270,628 on the UAL payment until the Plan achieves a 100% funding ratio. This UAL payment floor was based on the fiscal year 2020 amortization payment as determined by the results of the June 30, 2018 actuarial valuation.

Table V-1 on the following page shows how the Port District's contribution rate for SDCERS for FY 2024 is developed.

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

SECTION V – CONTRIBUTIONS

Table V-1 SDCERS - Port District Development of the Port District's Contribution as of June 30, 2022 for FY 2024 (dollars in millions)										
	WEIGHTED	Non-Safety					Safety			
	TOTAL PORT DISTRICT	Weighted Total	General	Misc CLASSIC	Misc PEPRA	Executives	Weighted Total	Safety Pre-2010	Safety Post-2010	Safety PEPRA
1. Total Normal Cost Rate as of June 30, 2022	23.30%	18.44%	25.21%	10.38%	11.50%	15.51%	31.89%	33.78%	33.87%	29.67%
2. Member Contribution Rate as of June 30, 2022	9.64%	7.05%	9.65%	0.00%	6.49%	8.55%	14.22%	12.71%	12.80%	15.95%
3. Employer Normal Cost Rate as of June 30, 2022 (1-2)	13.66%	11.39%	15.56%	10.38%	5.01%	6.96%	17.67%	21.07%	21.07%	13.72%
4. Actuarial Liability	\$ 680.8	\$ 417.8	\$ 381.5	\$ 3.8	\$ 1.8	\$ 30.7	\$ 263.0	\$ 247.6	\$ 8.0	\$ 7.4
5. Actuarial Assets	\$ 543.6	\$ 333.6	\$ 304.6	\$ 3.0	\$ 1.5	\$ 24.5	\$ 210.0	\$ 197.7	\$ 6.4	\$ 5.9
6. Total Unfunded Actuarial Liability (UAL) (4-5) ¹	\$ 137.2	\$ 84.2	\$ 76.9	\$ 0.8	\$ 0.4	\$ 6.2	\$ 53.0	\$ 49.9	\$ 1.6	\$ 1.6
7. Preliminary FY24 UAL amortization ¹	\$ 13.0	\$ 8.0	\$ 7.3	\$ 0.1	\$ 0.0	\$ 0.6	\$ 5.0	\$ 4.7	\$ 0.2	\$ 0.2
8. UAL Payment Floor ²	\$ 13.3	\$ 8.1	\$ 7.4	\$ 0.1	\$ 0.0	\$ 0.6	\$ 5.1	\$ 4.8	\$ 0.2	\$ 0.1
9. <u>Negative Amortization Test for FY24</u>										
a. Total UAL on 6/30/22 less FY23 UAL payment	\$ 124.7	\$ 76.5	\$ 69.9	\$ 0.7	\$ 0.3	\$ 5.6	\$ 48.2	\$ 45.3	\$ 1.5	\$ 1.5
b. Interest on 9a. To 6/30/23	\$ 8.1	\$ 5.0	\$ 4.5	\$ 0.0	\$ 0.0	\$ 0.4	\$ 3.1	\$ 2.9	\$ 0.1	\$ 0.1
c. Preliminary FY24 UAL amortization (line 7)	\$ 13.0	\$ 8.0	\$ 7.3	\$ 0.1	\$ 0.0	\$ 0.6	\$ 5.0	\$ 4.7	\$ 0.2	\$ 0.2
d. Negative interest (9b - 9c, not less than zero)	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
10. Total FY24 UAL payment on 7/1/23 (9c + 9d, not less than 8)	\$ 13.3	\$ 8.1	\$ 7.4	\$ 0.1	\$ 0.0	\$ 0.6	\$ 5.1	\$ 4.8	\$ 0.2	\$ 0.2
11. Total FY24 UAL payment throughout year	\$ 13.7	\$ 8.4	\$ 7.7	\$ 0.1	\$ 0.0	\$ 0.6	\$ 5.3	\$ 5.0	\$ 0.2	\$ 0.2
12. Total Expected Payroll for FY24	\$ 41.8	\$ 27.0	\$ 11.9	\$ 3.8	\$ 11.1	\$ 0.3	\$ 14.8	\$ 5.7	\$ 1.3	\$ 7.8
13. FY24 Normal Cost paid throughout the year	\$ 5.4	\$ 2.8	\$ 1.8	\$ 0.4	\$ 0.6	\$ 0.0	\$ 2.5	\$ 1.2	\$ 0.3	\$ 1.1
14. FY24 Normal Cost paid at start of year	\$ 5.2	\$ 2.7	\$ 1.8	\$ 0.4	\$ 0.5	\$ 0.0	\$ 2.5	\$ 1.2	\$ 0.3	\$ 1.0
15. Administrative Expenses paid throughout the year	\$ 0.8	\$ 0.5	\$ 0.4	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.3	\$ 0.2	\$ 0.0	\$ 0.0
16. Determination of FY24 ADC %										
a. Employer Normal Cost Rate (13 divided by 12)	12.82%	10.43%	15.56%	10.38%	5.01%	6.96%	17.20%	21.07%	21.07%	13.72%
b. UAL Rate (line 11 divided by line 12)	32.78%	31.14%	64.68%	2.00%	0.34%	245.06%	35.77%	87.23%	12.40%	2.02%
c. Admin Expense Rate (line 15 divided by line 12)	1.84%	1.68%	3.24%	0.50%	0.22%	10.18%	2.14%	4.38%	1.35%	0.64%
d. Total employer ADC % (16a + 16b + 16c)	47.45%	43.25%	83.48%	12.88%	5.56%	262.20%	55.11%	112.67%	34.82%	16.37%
17. Determination of FY24 ADC dollars										
a. FY24 ADC if paid throughout year	\$ 19.8	\$ 11.7	\$ 9.9	\$ 0.5	\$ 0.6	\$ 0.7	\$ 8.2	\$ 6.4	\$ 0.5	\$ 1.3
b. FY24 ADC if paid at beginning of year	\$ 19.2	\$ 11.3	\$ 9.6	\$ 0.5	\$ 0.6	\$ 0.6	\$ 7.9	\$ 6.2	\$ 0.4	\$ 1.2

¹ See Table V-2 for components of these amounts.

² See Appendix B for details on the UAL Payment Floor.

Note: Numbers may not add due to rounding.

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

SECTION V – CONTRIBUTIONS

Table V-2 shows information on each layer of the June 30, 2022 UAL.

Table V-2 SDCERS - Port District Schedule of Amortization Bases as of July 1, 2022 Used in Development of the Port District's Contribution for FY 2024								
Type of Base	Date		Initial	July 1, 2022	FY 2024	Remaining	FY 2024	
	Established	Initial Amount	Amortization Years	Outstanding Balance	Outstanding Balance (BOY) ¹	Amortization Years	Amortization Payment (BOY)	
1. Assumption Change	07/01/2008	\$ 3,749,736	30	\$ 4,276,855	\$ 4,210,658	16	\$ 333,043	
2. Experience Loss	07/01/2008	865,441	15	236,987	124,118	1	124,118	
3. Experience Loss	07/01/2009	43,763,842	15					
- Layer 1				3,397,103	2,372,019	2	1,205,536	
- Layer 2				3,961,805	3,111,830	3	1,071,616	
- Layer 3				4,400,360	3,686,383	4	967,606	
- Layer 4				4,750,614	4,145,258	5	884,533	
- Layer 5				5,036,650	4,520,004	6	816,686	
4. Experience Loss	07/01/2010	8,786,725	15	4,296,935	3,375,060	3	1,162,264	
5. Experience Gain	07/01/2011	(488,764)	15	(282,369)	(236,553)	4	(62,091)	
6. Plan Change (ERIP)	07/01/2011	9,482,154	20	8,174,276	7,700,490	9	972,554	
7. Assumption Change	07/01/2011	10,225,742	30	11,633,666	11,557,899	19	805,005	
8. Experience Loss	07/01/2012	6,509,649	15	4,275,693	3,730,854	5	796,106	
9. Method Change	07/01/2012	2,411,525	30	2,733,572	2,722,335	20	182,800	
10. Experience Gain	07/01/2013	(3,358,988)	15	(2,438,936)	(2,188,757)	6	(395,470)	
11. Assumption Change	07/01/2013	8,088,814	30	9,115,893	9,098,249	21	590,411	
12. Experience Gain	07/01/2014	(5,340,373)	15	(4,214,332)	(3,860,483)	7	(607,445)	
13. Experience Gain	07/01/2015	(5,825,601)	15	(4,918,970)	(4,577,068)	8	(640,203)	
14. Assumption Change	07/01/2015	5,479,948	30	6,114,667	6,125,972	23	373,640	
15. Experience Loss	07/01/2016	4,128,942	15	3,689,114	3,475,291	9	438,921	
16. Assumption Change	07/01/2016	32,900,945	30	36,481,532	36,609,334	24	2,170,821	
17. Experience Gain	07/01/2017	(4,479,007)	15	(4,197,777)	(3,994,057)	10	(461,138)	
18. Assumption Change	07/01/2017	15,033,270	30	16,559,989	16,643,179	25	961,035	
19. Experience Gain	07/01/2018	(1,282,116)	15	(1,251,351)	(1,200,436)	11	(127,968)	
20. Assumption Change	07/01/2018	16,228,868	30	17,748,822	17,862,854	26	1,005,963	
21. Experience Loss	07/01/2019	303,893	15	307,061	296,601	12	29,434	
22. Experience Loss	07/01/2020	1,543,680	15	1,507,391	1,464,577	13	136,234	
23. Assumption Change	07/01/2020	20,054,716	20	19,924,106	19,741,263	18	1,430,034	
24. Experience Gain	07/01/2021	(14,269,609)	15	(15,197,134)	(14,839,878)	14	(1,301,497)	
25. Experience Loss	07/01/2022	1,040,747	15	1,040,747	1,108,396	15	92,115	
TOTAL				\$ 137,162,969	\$ 132,785,392		\$ 12,954,661	

¹ July 1, 2022 outstanding balance adjusted to the FY 2024 beginning of year (BOY), July 1, 2023.

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

SECTION VI – ANNUAL COMPREHENSIVE FINANCIAL REPORT INFORMATION

Tables VI-1 and VI-2 are exhibits required for the System’s Annual Comprehensive Financial Report (ACFR). The Government Finance Officers Association (GFOA) recommends showing at least six years of experience in each of these exhibits in the ACFR. Table VI-1 presents an analysis of financial experience for the valuation year, and Table VI-2 presents the Schedule of Funded Liabilities by Type which shows the portion of actuarial liability covered by assets.

The disclosures needed to satisfy the requirements of Governmental Accounting Standards Board (GASB) Statement Nos. 67 and 68 are contained in our separate GASB 67/68 report as of June 30, 2022, issued on November 1, 2022.

Table VI-1 SDCERS - 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, 2022
Investment Income	\$ 3,629,824
Combined Liability Experience	<u>(5,399,614)</u>
Gain (or Loss) During Year from Financial Experience	\$ (1,769,789)
Non-Recurring Gain (or Loss) Items (e.g., Contributions, Assumption Changes)	<u>(135,486)</u>
Composite Gain (or Loss) During Year	\$ (1,905,276)

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

SECTION VI – ANNUAL COMPREHENSIVE FINANCIAL REPORT INFORMATION

**Table VI-2
SDCERS - Port District**

**Schedule of Funded Liabilities by Type
(\$ in thousands)**

Valuation Date June 30,	(A)	(B)	(C)	Reported Assets ¹	Portion of Actuarial Liabilities Covered by Reported Assets		
	Active Member Contributions	Retirees And Beneficiaries	Remaining Active Members' Liabilities		(A)	(B)	(C)
2022	\$ 21,301	\$ 469,426	\$ 190,068	\$ 543,631	100%	100%	27.83%
2021	21,340	453,243	184,476	515,650	100	100	22.26
2020 ⁵	22,171	428,909	184,005	473,328	100	100	12.09
2019	22,757	388,821	188,245	453,709	100	100	22.38
2018 ⁵	22,945	371,025	183,875	428,619	100	100	18.84
2017 ⁵	23,006	346,947	169,108	400,674	100	100	18.17
2016 ⁵	22,964	318,513	163,286	375,301	100	100	20.71
2015 ⁵	21,857	285,175	146,742	357,600	100	100	34.46
2014	22,613	261,029	149,630	333,229	100	100	33.14
2013 ⁵	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 ⁵	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

² Actuarial Value of Assets.

² Estimated.

³ Reflects contingent liabilities (Annual Supplemental Benefit), 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.

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

APPENDIX A – MEMBERSHIP INFORMATION

Table A-1 Reconciliation of Member Data Port District								
	<u>Active</u>	<u>Terminated Vested</u>	<u>Terminated Non-Vested</u>	<u>Disabled</u>	<u>Retired</u>	<u>Beneficiaries</u>	<u>DROP</u>	<u>Totals</u>
Participants as of 7/1/2021	347	105	157	57	464	82	47	1,259
New Entrants	48	0	0	0	0	0	0	48
Returned to Work	0	0	0	0	0	0	0	0
Vested Terminations	(15)	15	0	0	0	0	0	0
Non-Vested Terminations	(12)	0	12	0	0	0	0	0
Retirements	(9)	(5)	0	0	28	0	(14)	0
DROP	(5)	0	0	0	0	0	5	0
Disabilities	0	(1)	(1)	2	0	0	0	0
New Continuants	0	0	0	0	0	6	0	6
New Dissolutions ¹	0	0	0	0	1	0	2	3
Deceased	(1)	(2)	(1)	(3)	(8)	(4)	0	(19)
Benefits Ceased ²	0	0	0	0	0	0	0	0
Lump Sum Cashout	(3)	0	(5)	0	0	0	0	(8)
Transfers In/Out	1	0	(1)	0	0	0	0	0
Miscellaneous Adjustments	0	(1)	(1)	0	0	0	0	(2)
Participants as of 7/1/2022	351	111	160	56	485	84	40	1,287

¹ Includes participants who may have previously had a frozen benefit and retired from a different plan.

² Includes benefits that were terminated or suspended.

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

APPENDIX A – MEMBERSHIP INFORMATION

Table A-2 SDCERS - Port District Active Member Data				
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>% Change</u>	
<u>Total</u>				
Count	351	347	1.2%	
Average Current Age	46.9	46.8	0.2%	
Average Service	11.2	11.7	-4.3%	
Average Pensionable Earnings	\$ 113,787	\$ 108,355	5.0%	
Annual Pensionable Earnings	\$ 39,939,171	\$ 37,599,227	6.2%	
Average Valuation Compensation ¹	\$ 113,787	\$ 108,355	5.0%	
Annual Valuation Compensation ¹	\$ 39,939,171	\$ 37,599,227	6.2%	
Average Service Without Purchased Service	11.0	11.5	-4.0%	
Members with Paid Purchased Service	20	21	-4.8%	
Members with Any Purchased Service	21	24	-12.5%	
Years of Paid Purchased Service	76	85	-11.1%	
Years of Total Purchased Service	81	94	-13.5%	
<u>General</u>				
Count	239	232	3.0%	
Average Current Age	50.3	50.1	0.4%	
Average Service	12.0	12.5	-4.0%	
Average Pensionable Earnings	\$ 107,959	\$ 101,258	6.6%	
Annual Pensionable Earnings	\$ 25,802,200	\$ 23,491,915	9.8%	
Average Valuation Compensation	\$ 107,959	\$ 101,258	6.6%	
Annual Valuation Compensation	\$ 25,802,200	\$ 23,491,915	9.8%	
Average Service Without Purchased Service	11.7	11.9	-1.7%	
Members with Paid Purchased Service	13	13	0.0%	
Members with Any Purchased Service	14	15	-6.7%	
Years of Paid Purchased Service	53	54	-1.8%	
Years of Total Purchased Service	58	61	-4.9%	
<u>Safety</u>				
Count	112	115	-2.6%	
Average Current Age	39.5	40.0	-1.3%	
Average Service	9.7	10.3	-5.8%	
Average Pensionable Earnings	\$ 126,223	\$ 122,672	2.9%	
Annual Pensionable Earnings	\$ 14,136,971	\$ 14,107,312	0.2%	
Average Valuation Compensation ¹	\$ 126,223	\$ 122,672	2.9%	
Annual Valuation Compensation ¹	\$ 14,136,971	\$ 14,107,312	0.2%	
Average Service Without Purchased Service	9.5	10.0	-5.0%	
Members with Paid Purchased Service	7	8	-12.5%	
Members with Any Purchased Service	7	9	-22.2%	
Years of Paid Purchased Service	23	31	-27.1%	
Years of Total Purchased Service	23	32	-29.7%	

¹ The definition of valuation compensation differs from pensionable earnings due to the PEPR Compensation Limit per Gov. Code §7522.10.

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

APPENDIX A – MEMBERSHIP INFORMATION

Table A-3 SDCERS - Port District Non-Active Participant Data						
	Count			Average Age		
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>%Change</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>%Change</u>
<u>Total</u>						
Retired ¹	525	511	2.7%	69.1	68.7	0.7%
Disabled	56	57	-1.8%	65.9	66.2	-0.4%
Beneficiaries	<u>84</u>	<u>82</u>	2.4%	<u>73.0</u>	<u>72.8</u>	0.3%
Payee Total	665	650	2.3%	69.4	69.0	0.6%
DROP Participants	40	47	-14.9%	59.1	59.1	0.0%
Terminated ²	271	262	3.4%	52.0	52.5	-1.0%
Non-Vested < 5 (10) yrs svc ³	160	157	1.9%			
<u>General</u>						
Retired ¹	400	391	2.3%	71.4	70.9	0.7%
Disabled	30	32	-6.3%	72.0	71.0	1.4%
Beneficiaries	<u>67</u>	<u>66</u>	1.5%	<u>76.6</u>	<u>76.9</u>	-0.4%
Payee Total	497	489	1.6%	72.1	71.7	0.6%
DROP Participants	27	31	-12.9%	61.6	61.8	-0.3%
Terminated ²	220	221	-0.5%	54.1	54.0	0.2%
Non-Vested < 5 (10) yrs svc ³	130	129	0.8%			
<u>Safety</u>						
Retired ¹	125	120	4.2%	62.0	61.5	0.8%
Disabled	26	25	4.0%	58.9	60.1	-2.0%
Beneficiaries	<u>17</u>	<u>16</u>	6.3%	<u>59.1</u>	<u>56.0</u>	5.5%
Payee Total	168	161	4.3%	61.3	60.7	1.0%
DROP Participants	13	16	-18.8%	54.0	53.8	0.4%
Terminated ²	51	41	24.4%	42.8	44.0	-2.7%
Non-Vested < 5 (10) yrs svc ³	30	28	7.1%			

¹ Includes DROP Participants.

² Includes all Participants having a contribution balance still on account with SDCERS.

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

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

APPENDIX A – MEMBERSHIP INFORMATION

Table A-4 SDCERS - Port District Non-Active Participant Data							
	Total Annual Benefit			Average Annual Benefit			
	June 30, 2022	June 30, 2021	%Change	June 30, 2022	June 30, 2021	%Change	
Total							
Retired ¹	\$ 30,058,376	\$ 28,698,662	4.7%	\$ 57,254	\$ 56,162	1.9%	
Disabled	1,997,434	1,981,682	0.8%	35,668	34,766	2.6%	
Beneficiaries	<u>2,019,868</u>	<u>1,931,354</u>	4.6%	<u>24,046</u>	<u>23,553</u>	2.1%	
Payee Total	\$ 34,075,678	\$ 32,611,698	4.5%	\$ 51,242	\$ 50,172	2.1%	
DROP Participants	\$ 2,805,217	\$ 3,233,185	-13.2%	\$ 70,130	\$ 68,791	1.9%	
Terminated ²	\$ 8,409,109	\$ 7,682,141	9.5%	\$ 30,916	\$ 29,321	5.4%	
General							
Retired ¹	\$ 20,162,451	\$ 19,484,924	3.5%	\$ 50,406	\$ 49,834	1.1%	
Disabled	716,779	749,982	-4.4%	23,893	23,437	1.9%	
Beneficiaries	<u>1,657,503</u>	<u>1,596,590</u>	3.8%	<u>24,739</u>	<u>24,191</u>	2.3%	
Payee Total	\$ 22,536,732	\$ 21,831,496	3.2%	\$ 45,346	\$ 44,645	1.6%	
DROP Participants	\$ 1,708,710	\$ 1,961,419	-12.9%	\$ 63,286	\$ 63,272	0.0%	
Terminated ²	\$ 6,426,185	\$ 6,565,492	-2.1%	\$ 29,078	\$ 29,708	-2.1%	
Safety							
Retired ¹	\$ 9,895,925	\$ 9,213,738	7.4%	\$ 79,167	\$ 76,781	3.1%	
Disabled	1,280,656	1,231,700	4.0%	49,256	49,268	0.0%	
Beneficiaries	<u>362,365</u>	<u>334,764</u>	8.2%	<u>21,316</u>	<u>20,923</u>	1.9%	
Payee Total	\$ 11,538,946	\$ 10,780,202	7.0%	\$ 68,684	\$ 66,958	2.6%	
DROP Participants	\$ 1,096,507	\$ 1,271,765	-13.8%	\$ 84,347	\$ 79,485	6.1%	
Terminated ²	\$ 1,982,924	\$ 1,116,649	77.6%	\$ 38,881	\$ 27,235	42.8%	

¹Includes DROP Participants.

²Includes all Participants having a contribution balance still on account with SDCERS. Annual benefit for Terminated Participants is the total contribution balance in account as of the valuation date.

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

APPENDIX A – MEMBERSHIP INFORMATION

**Table A-5
SDCERS - Port District
Distribution of Active Members (Excludes DROP Participants) as of June 30, 2022
Total Port District**

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	1	-	-	-	-	-	-	-	-	-	1	\$ 82,694
25 to 29	11	7	5	-	-	-	-	-	-	-	23	99,637
30 to 34	5	22	5	1	-	-	-	-	-	-	33	107,165
35 to 39	9	9	5	3	-	-	-	-	-	-	26	96,412
40 to 44	6	13	6	13	17	3	-	-	-	-	58	115,816
45 to 49	5	13	6	7	25	16	3	-	-	-	75	130,425
50 to 54	2	8	5	5	19	14	2	3	-	-	58	101,886
55 to 59	3	6	2	7	13	8	5	2	-	-	46	102,866
60 to 64	3	5	2	3	4	2	2	-	-	-	21	100,069
65 to 69	-	2	4	-	2	-	-	-	-	-	8	158,776
70 and up	-	1	-	-	-	1	-	-	-	-	2	111,095
Total Count	45	86	40	39	80	44	12	5	-	-	351	
Avg. Salary	\$ 94,122	\$ 119,091	\$ 107,904	\$ 98,157	\$ 114,509	\$ 119,926	\$ 123,757	\$ 121,530	\$ -	\$ -		\$ 111,544

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

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. Terms in quotations below are column headings in the data provided by SDCERS. Our methodology for obtaining the data used for the valuation is based upon the following assumptions and practices:

- Benefit service for Actives and Inactives was calculated using “SDCERS Srv Credit.” An adjusted date of hire is retroactively calculated from the valuation date based on benefit service. Purchased Service that has been paid for is already included in the “SDCERS Srv Credit” field. Purchased Service that has been contracted for, but not paid as of the valuation date is assumed to be paid in full, and this service will be reflected in the projected benefit.
- Valuation Salary will be the maximum of “Current Fiscal Year Pensionable Salary” and an annualized last pay period “Pensionable Salary,” carried forward with assumed salary increases. Historical salaries, “1 Yr Prior Fiscal Year Pensionable Salary,” “2 Yr Prior Fiscal Year Pensionable Salary,” “3 Yr Prior Fiscal Year Pensionable Salary,” and “4 Yr Prior Fiscal Year Pensionable Salary,” are considered in the calculation of the projected benefit.
- “Current Contrib Rate” was updated to reflect the new contribution rates for active employees. If the “Current Contrib Rate” was not provided, the prior year contribution for the member was used to update and reflect the new rate.
- 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.
- Records on the provided “Member” file are considered to be Active if they have no “Death Date,” no “Separation Date,” do not have a retiree record and they received pay in the last pay period (Last Pay Period = 26 or 27) of the current FY.
- Records on the “Member” file are considered to be Inactive if they do not have a “Death Date,” do not have a retiree record, and either have a “Separation Date” or have a “Last Pay Period” earlier than the last pay period of the current FY. Inactive non-vested members without an account balance are excluded from the valuation.
- For Inactives, the “Final Average Salary” as provided in the Member file was used for calculating projected benefits as applicable. If this field was missing a value, the “Highest Pensionable Salary” as provided in the supplemental file was used. If an amount was not available in either of these, the maximum of the annualized pay over the prior year and the last four fiscal years’ pensionable salaries was used.
- We assume that any active member found in the inactive data last year has returned to work and should be valued as active.

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

APPENDIX A – MEMBERSHIP INFORMATION

- Records on the “Payee” file are considered in pay status if their benefit is not suspended.
- 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 benefit amounts together.
- Pension Benefit for retirees for each plan was calculated by summing “Monthly Pension,” “Monthly Annuity,” “COLA Annuity,” “Surv Spouse Annuity,” and “COLA Pension” and subtracting “DRO Reduction Amt.” The “DRO Reduction Amt” field is mainly for Qualified Domestic Relations Order purposes. The “13th Check Supplement Amount” field is added as an annual benefit. 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 “13th Check Supplement Amount” will have their projected “13th Check Supplement Amount” calculated assuming \$30 multiplied by the “13th Check Supplement Years,” provided they are eligible based on “13th Check Supplement Years.”
- Payees’ “Taxable COLA” and “Taxable Star COLA” include COLA effective July 1, 2022.
- Members may retire and receive benefits from multiple plans (e.g., a Port District member 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.
- The Final 415 Regulations were used to calculate the present value of Member benefits over the Internal Revenue Service Code 415 Benefit Limits.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

The SDCERS Board has the authority to select economic and demographic assumptions for the Plan. The assumptions used in this report reflect the results of an experience study performed by Cheiron covering the period July 1, 2015 through June 30, 2019 and adopted by the SDCERS Board in July 2020. This study is incorporated by reference as the rationale for both economic and demographic assumptions.

1. Investment Return

SDCERS' assets are assumed to earn 6.50% annually net of investment expenses.

2. Inflation Rate

An inflation assumption of 3.05% compounded annually is used for projecting the total annual payroll growth for amortization of the UAL.

This assumption of 3.05% is also used for increasing the compensation limit that applied to PEPRAs Members.

3. Administrative Expense

Administrative expenses are assumed to be \$745,944 for FY 2023 (assuming payment at the beginning of the year), increasing by 2.50% annually.

4. Interest Credited to Member Contributions

6.50%, compounded annually.

5. Cost-of-Living Increase in Benefits

Assumed to be 1.9% per annum, compounded.

6. COL Annuity Benefit

For both active and terminated vested Members, the actuarial liability for the COL annuity benefit is valued by adding one-sixth of accumulated member contribution accounts. For active Members, a 2.5% load is applied on the normal cost for future member contributions. For PEPRAs Members, the normal cost of the COL annuity benefit is equal to one-sixth of the employee contribution rate.

Members of the Miscellaneous General Plan who are not New Members under PEPRAs do not make contributions towards the COL annuity benefit. The Port District makes COL annuity contributions on behalf of these members calculated as 0.47% of Base Compensation.

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

7. Member Refunds

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

100% of non-vested and 0% of vested deferred Members are assumed to elect a refund of Member contributions at termination.

8. Salary Increase Rate

Salary inflation and merit increases are compounded rather than additive.

Inflation component: 3.05%

The additional merit component:

Table B-1		
<u>Years of Service at Valuation Date</u>	<u>Port District General</u>	<u>Port District Safety</u>
0	5.00%	10.00%
1	4.00%	8.00%
2	3.00%	6.00%
3	2.00%	4.00%
4	1.00%	2.00%
5+	0.75%	0.75%

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

9. Rates of Termination

Table B-2 SDCERS - Port District Rates of Termination		
<u>Service</u>	<u>General</u>	<u>Safety</u>
0	11.00%	14.00%
1	10.00	12.00
2	9.00	9.00
3	7.00	6.00
4	6.00	5.00
5	5.75	4.25
6	5.50	4.25
7	5.00	4.25
8	5.00	4.25
9	5.00	4.25
10	5.00	4.00
11	4.50	4.00
12	4.50	4.00
13	4.50	4.00
14	4.50	4.00
15+	3.00	2.50

10% of terminating employees, with 5+ years of service at termination (10+ years of service if terminated prior to December 31, 2002), are assumed to subsequently work for a reciprocal employer and receive 3.05% salary inflation increases per year.

No terminations are assumed once retirement eligible.

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

10. Rates of Disability

Table B-3 SDCERS - Port District Rates of Disability at Selected Ages		
Age	General	Safety
20	0.01%	0.15%
25	0.02	0.15
30	0.03	0.15
35	0.04	0.15
40	0.05	0.35
45	0.08	0.35
50	0.10	0.65
55	0.20	0.65
60	0.20	--

75% of the General disabilities and 90% of the Safety disabilities are assumed to be industrial disability retirements. Non-industrial disability retirement is subject to a service requirement.

11. Rates of Mortality for Active Lives

Mortality rates for General active members are based on the sex distinct 2010 SOA Public General Employees Amount-Weighted Mortality Table, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019.

Mortality rates for Safety active members are based on the sex distinct 2010 SOA Public Safety Employees Amount-Weighted Mortality Table, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019.

Projection Scale MP-2019 was modified using the Society of Actuaries’ model improvement tool with rates converging in 2035 to an ultimate rate of improvement of 0.68% up to age 95, instead of 1.00% up to age 85 and 0.85% at age 95.

25% 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

12. Rates of Mortality for Retired Healthy Lives & Terminated Vested Members

Mortality rates for General healthy annuitants and beneficiaries are based on the sex distinct 2010 SOA Public General Healthy Retirees Amount-Weighted Mortality Table, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019.

Mortality rates for Safety healthy annuitants and beneficiaries are based on the sex distinct 2010 SOA Public Safety Healthy Retirees Amount-Weighted Mortality Table, adjusted by 90% for males and no adjustment for females, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019.

Projection Scale MP-2019 was modified using the Society of Actuaries' model improvement tool with rates converging in 2035 to an ultimate rate of improvement of 0.68% up to age 95, instead of 1.00% up to age 85 and 0.85% at age 95.

13. Rates of Mortality for Retired Disabled Lives

Mortality rates for General disabled annuitants are based on the sex distinct CalPERS Industrial Related Disability Retirees Mortality Table from the CalPERS December 2017 experience study, without adjustment, with generational mortality improvements projected from 2013 using a variation of Projection Scale MP-2019.

Mortality rates for Safety disabled annuitants are based on the sex distinct 2010 SOA Public Safety Disabled Retirees Amount-Weighted Mortality Table, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019.

Projection Scale MP-2019 was modified using the Society of Actuaries' model improvement tool with rates converging in 2035 to an ultimate rate of improvement of 0.68% up to age 95, instead of 1.00% up to age 85 and 0.85% at age 95.

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APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

14. Rates of Retirement

Rates of Retirement are shown in the table below. Retirement rates include both service retirements and entry into DROP.

Table B-4 SDCERS - Port District Rates of Retirement by Age and Service				
Age	General Plans		Safety Plans	
	Service < 20	Service 20+	Service < 20	Service 20+
50	--	--	30%	60%
51	--	--	25	50
52	--	--	25	50
53	--	--	25	50
54	--	--	25	50
55	--	35%	40	55
56	--	25	40	55
57	--	25	40	55
58	--	25	40	55
59	--	35	40	55
60	--	45	40	55
61	--	50	40	55
62	55%	55	40	55
63	25	55	40	55
64	25	55	40	55
65	25	100	100	100
66	25	100	100	100
67	25	100	100	100
68	25	100	100	100
69	25	100	100	100
70+	100	100	100	100

For terminated vested members, we assume that retirement will occur provided they have at least five years of service (at least 10 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: For those hired before January 1, 2010, earlier of age 55 or age 50 and 20+ years of service. For those hired on or after January 1, 2010, earlier of age 55 or any age and 30+ years of service. For PEPRA Members, age 50 and 5 years of service.

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

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

15. Family Composition

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.

16. Member Contributions for Spousal Continuance

Active Members, except Miscellaneous General 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. For Members of the Miscellaneous General Plan the survivor continuance is funded by the Port District calculated as 0.21% of Base Compensation.

17. Deferred Member Benefit

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

18. DROP Account Balances

For DROP participants still working, the liability for the account balances in the asset information received from SDCERS staff was adjusted to assume average commencement in 2½ years and an interest crediting rate of 2.5%. Thereafter, it was assumed the account balance would be converted to an annuity at an interest rate of 2.9% 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 at age 72, with an interest crediting rate of 2.5%. The liability for the remaining account balances was adjusted based on the DROP annuity rate in effect at the Member's benefit effective date.

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

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APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

19. 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 this report.

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.

20. Changes Since Last Valuation

Effective January 1, 2023, the DROP annuity rate used to convert the account balances to an annuity increased from 2.1%, to 2.9% reflect the Board's adoption of these rates at the November 2022 meeting.

Effective January 1, 2023, the DROP interest crediting rate used to value the liability for account balances increased from 0.8% to 2.5%, to reflect the Board's adoption of these rates at the November 2022 meeting.

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 3.05% per year. The UAL is amortized over different closed periods depending on the source of the loss. Gains and losses are amortized over 15 years. Changes in assumptions and methods were being amortized over 30 years and are being amortized over 20 years as of June 30, 2020. Changes in benefits are amortized over

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APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

20 years (or period over which benefit changes are paid, if shorter). Funding surplus, if any, is amortized over 30 years.

Effective with the June 30, 2017 valuation, the remaining balance of the 2009 experience loss was re-amortized using a five-year layering approach, in which one-fifth of the remaining balance continues to be amortized over the same period, while each additional one-fifth is amortized over an additional year. For details, see Table V-2.

In January 2019, the Board adopted a UAL contribution floor amortization method, setting a minimum of \$13,270,628 on the UAL payment until the Plan achieves a 100% funding ratio. This UAL payment floor was based on the fiscal year 2020 amortization payment as determined by the results of the June 30, 2018 actuarial valuation.

Finally, if necessary, there is an additional UAL cost component to ensure that there is no negative amortization in any year.

Expected administrative expenses are included in the actuarially determined contribution (ADC). The administrative expense component is \$745,944 for FY 2023 (assuming payment at the beginning of the year). This amount is assumed to increase by 2.50% per year.

2. Asset Valuation Method

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

The actuarial value of assets is equal to 100% of the expected actuarial value of assets* 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.

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

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APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

3. ASOP 56 - Modeling

Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this valuation.

Deterministic projections in this valuation report were developed using P-Scan, a proprietary tool used to illustrate the impact of changes in assumptions, methods, plan provisions, or actual experience (particularly investment experience) on the future financial status of the Plan. P-Scan uses standard roll-forward techniques that implicitly assume a stable active population. Because P-Scan does not automatically capture how changes in one variable affect all other variables, some scenarios may not be consistent.

4. Changes Since Last Valuation

None.

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APPENDIX C – SUMMARY OF PLAN PROVISIONS

In 1963, the San Diego Unified Port District (Port District) 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 District 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 Port District employees earned before 2003.

1. Membership Requirement

Membership is mandatory from the 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, however, does not begin earning service credit until the 1st day of their 6th year of employment (§0102). Any new employee who becomes a member on or after January 1, 2013 is subject to the provisions of California Public Employees' Pension Reform Act of 2013 (PEPRA). (California Government Code Section 7522 et seq. and Assembly Bill (AB) 197)*

2. Monthly Compensation Base for Benefits

Classic General Members:

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)

Classic Safety Members:

For Safety Members hired after January 1, 2010 but before January 1, 2013, the highest three-year average during his or her final three-year period while contributing to the Plan. (§0102 and Amendment 1)

PEPRA Members:

For Miscellaneous Members and Safety Members hired on or after January 1, 2013, the highest average annual pensionable compensation earned by the member during a period of at least 36 consecutive months. For Safety Members under PEPRA, compensation is limited to the PEPRA Compensation Limit for members participating in the federal system. The PEPRA Limit for 2022 is \$134,974 and for 2023 is \$146,042. (Gov. Code §7522.32)

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.

* All “§” references are to the Port District Plan Document.

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APPENDIX C – SUMMARY OF PLAN PROVISIONS

3. Service Retirement

Eligibility

Classic 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).

Classic 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 after January 1, 2010 but before January 1, 2013, age 55 with five years of service (excludes five-year permissible purchased service), or any age with 30 years of service with the Port District (§0301).

PEPRA Members:

For Miscellaneous Members hired on or after January 1, 2013, age 52 with five or more years of service. (Gov. Code §7522.20)

For Safety Members hired on or after January 1, 2013, age 50 with five or more years of earned service. (Gov. Code §7522.25)

Benefit

Classic 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, and before January 1, 2013, the formula is (not to exceed 90% of final compensation): (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 16, 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. (§0300)

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APPENDIX C – SUMMARY OF PLAN PROVISIONS

Executive Members who were initially hired prior to January 1, 2013, and take office on or after January 1, 2013 - a blended benefit based on their two categories of service. (§0300)

PEPRA General Members:

Miscellaneous Members hired on or after January 1, 2013, the formula is (not to exceed 90% of final compensation): (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 16, 1.5% of Final Compensation per year (§0301(g)).

Classic 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, not to exceed 90% of final compensation.

PEPRA Safety Members:

Safety Members hired on or after January 1, 2013, receive 2% per year of service at age 50, increasing 0.1% each year up to 2.7% at age 57, not to exceed 90% of final compensation. (Gov. Code §7522.25)

In all cases, with the exception of Miscellaneous members, there is an integration feature which provides for 2/3 of the formula multiplier on the first \$400 of monthly Final Average Compensation. The 2/3 equals the Social Security integration factor.

Table C-1 SDCERS - Port District Member Service Retirement Accrual Factors							
<u>Age</u>	<u>General Members hired prior to 1/1/2009</u>				<u>Safety</u>		
	<u>Pre 12/31/2001</u>	<u>Andrecht</u>	<u>Post 4/1/2004</u>	<u>Management</u>	<u>Pre 12/31/2001</u>	<u>Andrecht</u>	<u>PEPRA</u>
50	--	--	--	--	2.50%	3.00%	2.00%
51	--	--	--	--	2.54%	3.00%	2.10%
52	--	--	--	--	2.58%	3.00%	2.20%
53	--	--	--	--	2.62%	3.00%	2.30%
54	--	--	--	--	2.66%	3.00%	2.40%
55	2.00%	2.25%	2.50%	3.00%	2.70%	3.00%	2.50%
56	2.00%	2.25%	2.60%	3.00%	2.70%	3.00%	2.60%
57	2.00%	2.25%	2.70%	3.00%	2.70%	3.00%	2.70%
58	2.00%	2.25%	2.80%	3.00%	2.70%	3.00%	2.70%
59	2.08%	2.25%	2.90%	3.00%	2.70%	3.00%	2.70%
60	2.16%	2.30%	3.00%	3.00%	2.70%	3.00%	2.70%
61	2.24%	2.35%	3.00%	3.00%	2.70%	3.00%	2.70%
62	2.31%	2.40%	3.00%	3.00%	2.70%	3.00%	2.70%
63	2.39%	2.45%	3.00%	3.00%	2.70%	3.00%	2.70%
64	2.47%	2.50%	3.00%	3.00%	2.70%	3.00%	2.70%
65 and up	2.55%	2.55%	3.00%	3.00%	2.70%	3.00%	2.70%

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APPENDIX C – SUMMARY OF PLAN PROVISIONS

GENERAL:

Table C-2 SDCERS - Port District	
For Vested Members hired before	
<u>January 1, 2009 who terminated----</u>	<u>--the accrual factors are--</u>
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); or Current Accrual Factors

SAFETY:

Table C-3 SDCERS - Port District	
For Vested Members who terminated--	
<u>January 1, 2002 - Present</u>	<u>--the accrual factors are--</u>
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; or Current Accrual Factors

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APPENDIX C – SUMMARY OF PLAN PROVISIONS

Table C-4 SDCERS - Port District Pre-1997¹ Member Service Retirement Accrual Factors		
<u>Age</u>	<u>General</u>	<u>Safety</u>
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%

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

COL Annuity Benefit

For all employees there is an additional benefit equal to the annuitized Member COL Annuity contributions at retirement date.

Maximum Benefit

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

General Members hired on or after January 1, 2009: 90% of Final Average Compensation

General Executive Members: 90% of Final Average Compensation

Safety Members: 90% of Final Average Compensation

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 at the time of retirement, the Member may receive either a lump sum payment equal to the accumulated surviving spouse contributions or use those contributions to provide a larger annuity. (\$0600)

APPENDIX C – SUMMARY OF PLAN PROVISIONS

Note: Port District employees participate in Social Security.

4. Non-Industrial Disability

Eligibility

10 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, if eligible (§0506).

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

Safety Members:

Greater of 1.8% per year of service, one-third of final compensation, or the earned service retirement benefit, if eligible (§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, if eligible (§0501).

APPENDIX C – SUMMARY OF PLAN PROVISIONS

6. Non-Industrial Death Before Eligible to Retire

Refund of employee contributions with interest plus one month's salary for each completed year of service to a maximum of six months' salary. Miscellaneous Members hired on or after January 1, 2009, must have five years of Port District employment to be eligible for a non-industrial death benefit (§0701).

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 District 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 more than five years of Port District employment to be eligible for an industrial death benefit.

9. Death After Retirement

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 any time after eligible to retire.

Post-12/7/76 Hires

Less than five years of service (10 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).

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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).

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).

For General and Safety Members hired prior to January 1, 2013, the current contribution rates have been in place since at least the 2004 valuation. Miscellaneous Plan Members hired prior to January 1, 2013, do not make contributions. For members hired on or after January 1, 2013, under the California Public Employees’ Pension Reform Act (PEPRA), Miscellaneous PEPRA Members and Safety PEPRA Members, the employee contribution rates were recalculated with the June 30, 2020 valuation. These rates will be effective July 1, 2021.

The employee contribution rates for Safety Members and Miscellaneous Members under PEPRA are determined based on 50/50 cost-sharing of the total normal cost rate (excluding the COL Annuity) at each entry age. In addition, the rates include the full expected cost of the Cost-of Living (COL) Annuity, which results in PEPRA Members paying more than half of the total normal cost rate. These rates are rounded to the nearest quarter of 1%. The COL Annuity contribution rate is equal to 20% of the sum of other employee contributions, in accordance with the plan document. Based on the provisions of PEPRA and the methodology applied by SDCERS, if the aggregate total normal cost rate changes by more than 1% of payroll since the time the prior rates were established, then a recalculation of employee contribution rates is required. Since the current employee rates reflect the current actuarial assumptions, no recalculation is required with the June 30, 2022 valuation.

The assumptions used to calculate the employee contribution rates for PEPRA members are the same as reported in this June 30, 2022 actuarial valuation, with the exception of fully generational mortality improvement and any sex distinct assumptions. For the purposes of calculating the Miscellaneous PEPRA Member rates, mortality tables were blended 60/40 between male and female members and 40/60 for male and female beneficiaries. In addition, a static mortality improvement projection was used to approximate fully generational mortality improvements. A projection to 2054 using the mortality improvement scale described in Appendix B was used. For the purposes of calculating the Safety PEPRA Member rates, mortality tables were blended 90/10 between male and female members and

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APPENDIX C – SUMMARY OF PLAN PROVISIONS

10/90 for male and female beneficiaries. In addition, a static mortality improvement projection was used to approximate fully generational mortality improvements. A projection to 2054 using the mortality improvement scale described in Appendix B was used.

Table C-5 SDCERS - Port District Employee Contribution Rates								
Hired Before January 1, 2013					Hired On or After January 1, 2013			
Entry Age	General		Safety		Safety		Miscellaneous	
	Integrated Members		Integrated Members		Integrated Members		Non-Integrated	
	First \$400/Mo.	Over \$400/Mo.	First \$400/Mo.	Over \$400/Mo.	First \$400/Mo.	Over \$400/Mo.	All	
20	5.52%	8.28%	7.75%	11.63%	8.25%	12.50%	5.25%	
21	5.59	8.38	7.86	11.79	8.50	12.75	5.50	
22	5.66	8.49	7.95	11.93	8.75	13.00	5.50	
23	5.73	8.60	8.06	12.09	9.00	13.50	5.75	
24	5.80	8.70	8.16	12.24	9.25	13.75	5.75	
25	5.89	8.83	8.27	12.41	9.50	14.00	6.00	
26	5.97	8.95	8.37	12.56	9.50	14.50	6.00	
27	6.04	9.06	8.49	12.73	9.75	14.75	6.00	
28	6.12	9.18	8.59	12.89	10.00	15.25	6.25	
29	6.20	9.30	8.71	13.06	10.25	15.50	6.25	
30	6.28	9.42	8.81	13.22	10.50	16.00	6.25	
31	6.37	9.55	8.93	13.39	11.00	16.50	6.50	
32	6.45	9.67	9.03	13.55	11.25	17.00	6.50	
33	6.53	9.79	9.15	13.72	11.50	17.50	6.50	
34	6.61	9.91	9.27	13.90	12.00	18.00	6.50	
35	6.70	10.05	9.39	14.08	12.25	18.50	6.50	
36	6.79	10.18	9.50	14.25	12.50	19.00	6.50	
37	6.88	10.32	9.62	14.43	13.00	19.50	6.50	
38	6.97	10.45	9.75	14.62	13.25	19.75	6.50	
39	7.05	10.58	9.87	14.80	13.50	20.25	6.50	
40	7.15	10.72	9.99	14.99	13.75	20.75	6.50	
41	7.24	10.86	10.12	15.18	14.00	21.00	6.50	
42	7.33	10.99	10.24	15.36	14.25	21.50	6.50	
43	7.42	11.13	10.37	15.56	14.75	22.00	6.75	
44	7.52	11.28	10.51	15.76	15.00	22.25	6.75	
45	7.61	11.42	10.63	15.94	15.25	22.75	6.75	
46	7.71	11.56	10.77	16.15	15.50	23.50	6.75	
47	7.81	11.71	10.90	16.35	16.00	24.00	6.75	
48	7.91	11.86	11.03	16.54	16.25	24.50	6.75	
49	8.01	12.01	11.16	16.74	16.75	25.00	6.75	
50	8.10	12.15					6.75	
51	8.21	12.32					6.75	
52	8.31	12.47					6.50	
53	8.42	12.63					6.50	
54	8.53	12.79					6.50	
55	8.63	12.95					6.50	
56	8.74	13.11					6.50	
57	8.87	13.31					6.25	

APPENDIX C – SUMMARY OF PLAN PROVISIONS

14. Internal Revenue Code Compliance

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

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

15. Deferred Retirement Option Plan

Effective April 1, 1997, a deferred retirement option plan (DROP) was created and offered to Members as an alternative method of benefit accrual. Members eligible for service retirement are eligible to participate in DROP, 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 District 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 Annual Supplemental Benefit, if applicable, credited annually.
- 3.05% of base compensation, payable by the Port District and credited bi-weekly.
- 3.05% of base compensation, payable by the Member and credited bi-weekly.
- Interest credited to the DROP account, at the rate determined by the Board.

When a Member leaves DROP and Port District employment, they begin to collect their monthly service retirement allowance, their Annual Supplemental 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).

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).

**SDCERS-PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

APPENDIX C – SUMMARY OF PLAN PROVISIONS

16. Blended Benefit with Participating Agencies

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

17. Annual Supplemental Benefit (13th Check)

When the fund's investment earnings are sufficient to qualify in a given year, SDCERS will calculate and pay the Annual Supplemental Benefit, also known as the "13th Check" to all eligible retirees. Survivors of eligible retirees will receive a proportionate share of this benefit.

18. Changes Since Last Valuation

None.

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

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

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.

**SDCERS- PORT DISTRICT
ACTUARIAL VALUATION AS OF JUNE 30, 2022**

APPENDIX D – GLOSSARY OF TERMS

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.

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. Normal Cost

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

11. 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).



Classic Values, Innovative Advice