CHEIRON Classic Values, Innovative Advice

San Diego City Employees' Retirement System

June 30, 2006 Actuarial Valuation for the

San Diego Unified Port District

Produced by Cheiron

January 2007

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LETTER OF TRANSMITTAL

January 12, 2007

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

Dear Members of the Board:

At your request, we performed the June 30, 2006 actuarial valuation of the San Diego City Employees' Retirement System (SDCERS). The valuation results with respect to the San Diego Unified Port District (UPD) are contained in this report. In the table below we present the key results of the valuation:

- the unfunded actuarial liability (UAL),
- the funding ratio, and
- the Unified Port District contribution rate and GASB's annual required contribution (GASB ARC Statement No. 25).

Valuation results are shown as of June 30, 2006 (rates effective Fiscal Year 2008) and June 30, 2005 (rates effective for Fiscal Year 2007). The contribution rates and dollar amounts shown below are in full compliance with Governmental Accounting Standards Board (GASB) Statement No. 25 as far as determining the annual required contributions (ARC).

Table I-1
SDCERS - Unified Port District

Valuation Date	**6/30/2006**	**6/30/2005**
Unfunded Actuarial Liability (millions)	$ 17.4	$ 34.4
Funding Ratio	92.1%	82.6%
Fiscal Year	**2008**	**2007**
UPD Contribution Rate during year	19.83%	22.86%
UPD Contribution Rate start of year	19.08%	22.00%
Annual Required Contribution (GASB):		
-if paid at the beginning of the year	$ 6.9 million	$ 8.3 million
-if paid throughout the year	$ 7.2 million	$ 8.6 million

These results are based on the same actuarial assumptions used in the June 30, 2005 valuation, but reflect methodology changes that the Board approved based on Cheiron's on-going actuarial funding study and recommendations. Details on these methodology changes and their impact on the June 30, 2006 valuation results can be found in the Board Summary section.

In conclusion, we certify that, to the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable actuarial standards set out by the Actuarial Standards Board and Actuarial Standards of Practice (ASOPs) Nos. 4, 27 and 35. As such, it reflects the actuary's responsibility under Section 5.8 of ASOP No. 4 "for assessing the implications of the overall results, in terms of short- and long-range benefit security and expected cost progression." In preparing our report, we relied without audit, on information supplied by SDCERS staff. This information includes, but is not limited to, plan provisions, employee data, and financial information.

Finally, in our best professional judgment, the assumptions and methodologies as adopted by the SDCERS Board of Administration are reasonably related to the experience and expectations for the Unified Port District's Retirement Plan. In our opinion, the use of these assumptions and methodologies for the June 30, 2006 actuarial valuation will not, in and of itself, expose SDCERS to unsound financial risk.

Sincerely,

Cheiron

Gene Kalwarski, FSA, EA, MAAA
Principal Consulting Actuary

Ken Kent, FSA, EA, MAAA
Consulting Actuary

Margaret Tempkin, FSA, EA
Actuary

SECTION I
BOARD SUMMARY

The primary purpose of the actuarial valuation and this report is to measure, describe and identify as of the valuation date:

- The financial condition of the SDCERS-Unified Port District,
- Past and expected trends in the financial condition of SDCERS-Unified Port District,
- The Unified Port District's contribution rates for Fiscal Year 2008, and
- Information required by the Governmental Accounting Standards Board (GASB).

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

A. Valuation Basis

This valuation represents Cheiron's second valuation performed for SDCERS. As stated in the Letter of Transmittal, the June 30, 2006 valuation results, while based on the same actuarial assumptions used in the prior valuation, reflect a number of methodology changes that Cheiron recommended and the Board approved. These changes include:

- A move from a "book value based" asset smoothing method to the "expected asset value" smoothing method. For June 30, 2006, the asset value would be set to market value as of the same date, with the actual smoothing method commencing on June 30, 2007.

- The asset apportionment method between SDCERS' three plan sponsors (City of San Diego, Unified Port District, and San Diego County Regional Airport Authority) was changed from an allocation method based on various approximations to one that will directly reflect as of June 30, 2005 and forward, the actual cash flows attributable to each plan sponsor since June 30, 2005.

- All "contingent" liabilities (13^{th} check) are now reflected in the June 30, 2006 valuation liabilities.

- SDCERS assets and liabilities as of June 30, 2006 now reflect both the future liabilities for DROP retirements and supplemental COLA as well as the asset reserves held for such liabilities. Previously, both amounts were excluded from SDCERS reported assets and liabilities.

- All future benefits payable from the SDCERS Trust Fund are capped at the maximum benefit level allowable under Internal Revenue Service Code Section 415.

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BOARD SUMMARY

- Minor adjustments in the allocation of liabilities amongst the three plan sponsors were made to ensure that when participants have service with more than one contributing employer the resulting liability allocation is equitably determined.

In Part B of this section, we present the financial impact on the current valuation of each of the changes.

In addition to the above, there will be a change to the actuarial funding method commencing with the June 30, 2007 valuation, from the Projected Unit Credit (PUC) method to the Entry Age Normal (EAN) method based upon the Board's approval of Cheiron's recommendation at its October 2006 meeting. For informational purposes the EAN calculation has been included in Table III-1a.

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BOARD SUMMARY**

B. Current Financial Condition of SDCERS-Unified Port District

On the following pages we summarize the key results of the June 30, 2006 valuation and how they compare to the results from the June 30, 2005 valuation.

1. UPD Membership:

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

Item	June 30, 2006	June 30, 2005	% Change
Active Counts	532	558	-4.7%
Terminated Vesteds	261	250	4.4%
Disabled	62	60	3.3%
Retirees	211	192	9.9%
Beneficiaries	52	54	-3.7%
Total UPD Members	1,118	1,114	0.4%
Active Member Payroll	$ 33,927,372	$ 35,077,367	-3.3%
Average Pay per Active Member	63,773	62,863	1.4%

Total membership in SDCERS-Unified Port District increased from 2005 to 2006 by 0.4%. Total payroll decreased by 3.3% due largely to the decline in active membership of 4.7%. Average pay per active member increased by only 1.4% which is lower than the salary inflation assumption of 4.25%.

2. UPD Assets and Liabilities:

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

Item	June 30, 2006	June 30, 2005	% Change
Actives	$ 105,432,437	$ 101,504,753	3.9%
Terminated Vesteds	13,662,803	10,324,670	32.3%
Disabled	13,848,390	12,722,419	8.9%
Retirees	81,768,654	67,889,543	20.4%
Beneficiaries	5,924,995	5,630,515	5.2%
Total Actuarial Liability	220,637,279	198,071,900	11.4%
Market Value Assets	$ 203,285,828	$ 175,908,318	15.6%
Actuarial Value Assets	203,285,828	163,691,226	24.2%
Unfunded Actuarial Liability	$ 17,351,451	$ 34,380,674	-49.5%
Funding Ratio-Actuarial Value	92.1%	82.6%	9.5%

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BOARD SUMMARY

Table I-3 presented the SDCERS-Unified Port District funding ratio. This is the ratio of assets smoothed (actuarial value of assets) over total actuarial liabilities. For the year ending June 30, 2006 the ratio has improved from 82.6% to 92.1%.

Between June 30, 2005 and June 30, 2006, SDCERS-Unified Port District unfunded actuarial liability decreased by 49.5%, from $34.4 million to $17.4 million, or $17.0 million. If all assumptions had been exactly realized, and no changes were made to any actuarial method or procedure, the UAL was expected to decrease by $0.5 million. The fact that the UAL decreased by $17.0 million means that there was a net overall positive experience of $16.5 million.

The specific components of this positive change were as follows:

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

	Experience		
1.	UAL change due to investment experience	$	(20.9)
2.	UAL change due to purchased service credit		0.3
3.	UAL change due to overall liability gain		0.5
	Contributions		
4.	UAL change due to contributions in excess of expected		(1.2)
	Actuarial		
5.	UAL change due to marking the smoothing method to market value		2.7
6.	UAL change due to reflection of "contingent" liabilities		2.1
7.	UAL change due to DROP and supplemental COLA		-
8.	UAL change due to removal of liabilities in excess of IRC S. 415 limits		-
9.	UAL change due to removal of future disability benefits		-
	Total		
10.	Total net overall experience: sum 1 through 9	$	(16.5)
11.	Expected change in UAL	$	(0.5)
12.	Total change in UAL: 10 + 11	$	(17.0)

It is important to note that the current amortization basis used to pay off the UAL is based on increasing payments which are a level percent of expected payroll. This amortization approach is an acceptable and common method used by many public sector retirement systems, and specifically accepted by GASB in Statement No. 25. This is commonly acceptable for two key reasons: first, the schedule of increasing payments both fully amortize the UAL, and remain level as a percent of payroll, thus resulting in an equal tax burden to all generations of taxpayers; and second, experience gains in any given year are just as likely as experience losses, and level percent of payroll amortization results in a more stable pattern of costs.

****This valuation page being sent on June 26, 2007 is a revision to the report issued on January 12, 2007.***

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BOARD SUMMARY

3. UPD Contributions:

Table I-5
SDCERS - Unified Port District - Contributions

Item	June 30, 2006	June 30, 2005	% Change
Gross Normal Cost %	25.65%	25.09%	2.3%
Member Cost %	10.12%	10.09%	0.2%
Employer Normal Cost %	15.53%	15.00%	3.6%
Employer Unfunded Liability Cost %	4.30%	7.86%	-45.3%
Total Employer Cost %	19.83%	22.86%	-13.2%
Employer Cost % Beginning of Year	19.08%	22.00%	-13.2%
Annual Required Contribution (GASB):			
-if paid at the beginning of the year	$ 6.9 million	$ 8.3 million	-14.8%
-if paid throughout the year	$ 7.2 million	$ 8.6 million	-14.9%

The Unified Port District's fiscal year 2008 contribution rate is 19.83%, which is down by a little over 3% from the 22.86% required contribution for the prior year.

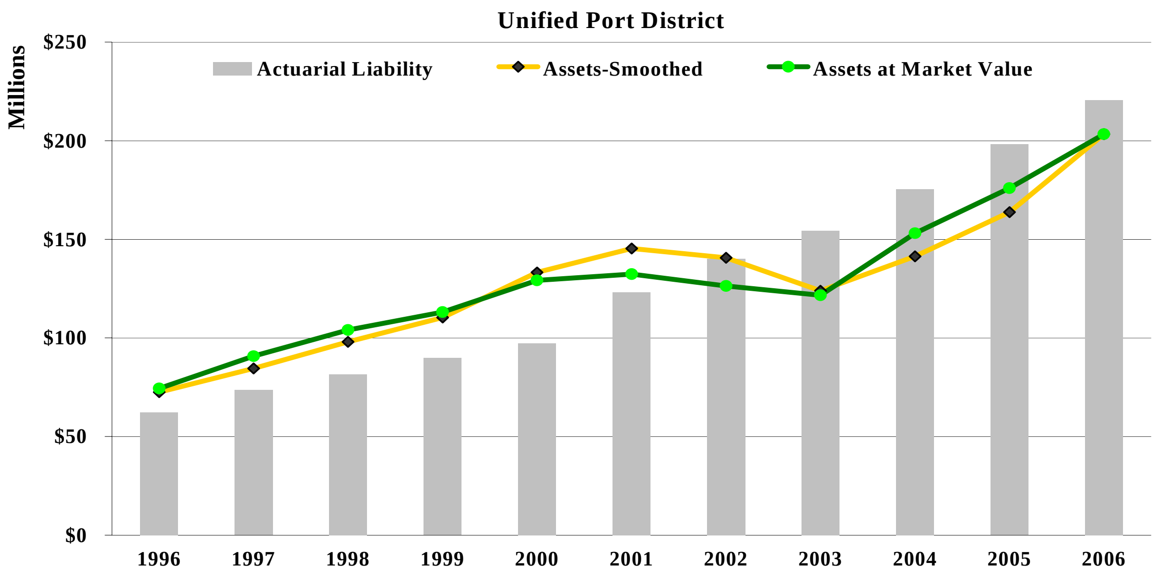
In dollars, the contribution rates shown here translate to a FY 2008 Unified Port District contribution of $6.9 million, if paid in full as of July 1, 2008. If that amount is paid evenly throughout FY 2008, we would expect a payment of about $7.2 million, or $0.6 million per month. In Section IV of this report, we provide more detail on the development of this contribution rate.

C. Historical Trends SDCERS-Unified Port District

Despite the fact that most of the attention given to the valuation results has always been with respect to the most recently computed unfunded actuarial liability, funding ratio, and the UPD's contribution rate, it is important to remember that each valuation is merely a snapshot in the long-term progress of a pension fund. It is more important to judge a current year's valuation result relative to historical trends, as well as trends expected into the future.

In the chart below, we present the historical trends for assets (both market and smoothed) versus actuarial liabilities, and also show the progress of SDCERS-Unified Port District funding ratios since 1996.

SDCERS- Unified Port District Assets and Liabilities 1996-2006



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Funded Ratio	116.5%	114.9%	120.1%	122.8%	137.1%	118.0%	100.3%	80.3%	80.6%	82.6%	92.1%
UAL	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.04)	$ (0.02)	$ (0.00)	$ 0.03	$ 0.03	$ 0.03	$ 0.02

The chart above indicates that from 1996 to 2002, SDCERS-Unified Port District maintained full funding. However, in 2003 the funding ratio significantly declined. 2005 and 2006 showed much improvement for the funding ratio.

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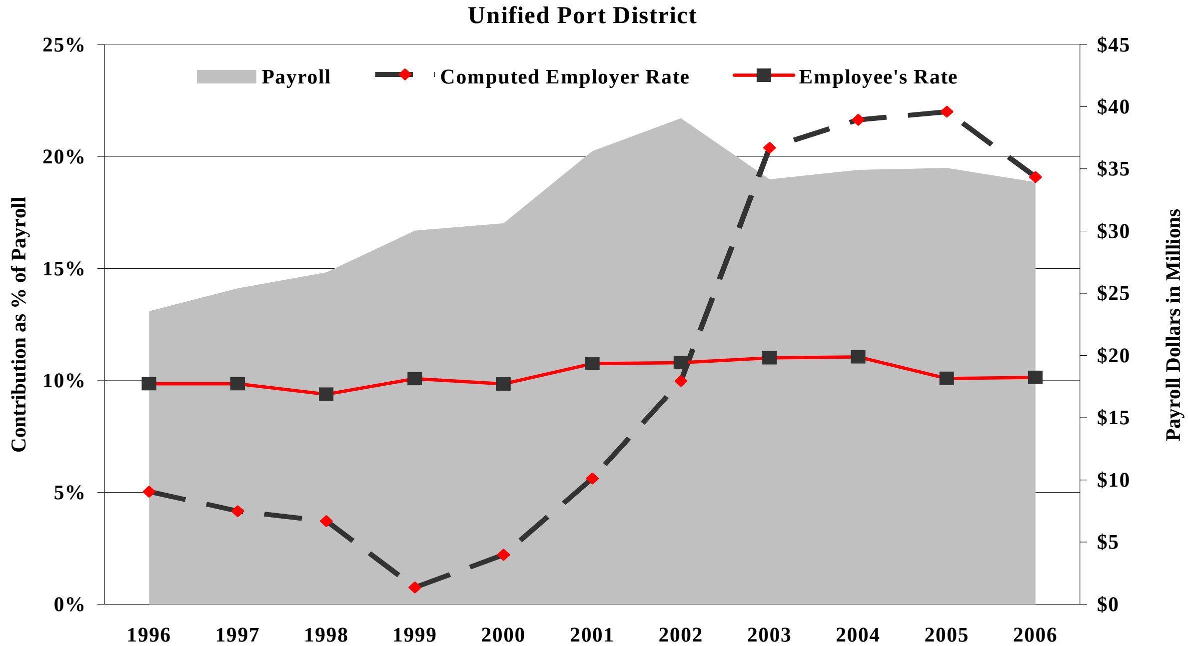
BOARD SUMMARY

In the chart below, we present the historical trends for the SDCERS-Unified Port District contribution rates and membership payroll since 1996. The chart below does not show the actual contribution rate made by the Unified Port District, but rather the rate calculated in each of the prior valuations.

SDCERS-Unified Port District and Member Contribution Rates 1996-2006



The most striking information indicated by this chart is the escalation in the computed employer contribution rate between 1999 and the year 2003. This rate stabilized and in 2006 has actually declined. This chart also shows the escalation of the UPD's total payroll from 1996 through 2002, and the subsequent decline and stabilization of payroll growth since then. Finally, the chart indicates that the members' rate has remained relatively stable throughout the period 1996 through 2006.

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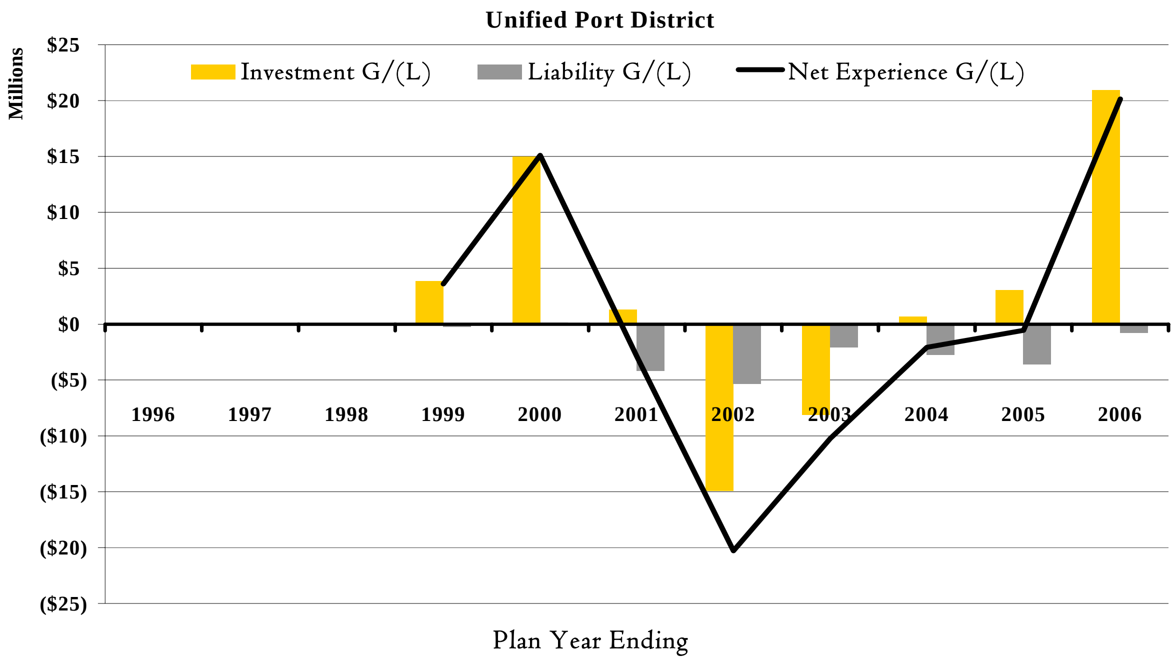
BOARD SUMMARY

The last historical chart for SDCERS-Unified Port District presents the pattern of annual gains and losses, broken into the investment and liability components. The chart does not include any changes in the system's assets and liabilities attributable to changes to methods, procedures or assumptions. The experience prior to 1999 is not available for SDCERS-Unified Port District.

SDCERS-Unified Port District Historical Gain/(Loss) 1996-2006



The key insights from this chart are:

- Investment gains (gold bars) in the years 1999 through 2001 were significantly offset by investment losses in 2002 and 2003.
- The SDCERS-Unified Port District has recently turned the investment trend back to positive, as there have been investment gains for the past three years.
- On the liability side prior to 2006 in which a gain was reported, there had been a pattern of consistent losses since 2001. Losses generally occur if members retire earlier than expected, receive pay increases higher than expected, or live longer. Losses also result when participants have purchased service credits.

The pattern of steady liability losses is an important concern. In future valuations, we will continue to closely monitor these trends and make recommendations as necessary to ensure that our assumptions conform as closely as possible to the plan's experience. In that connection, following the June 30, 2007 actuarial valuation, Cheiron is scheduled to perform an experience study that is intended to determine what the sources of any experience gains or losses are.

D. Projected Financial Trends SDCERS-Unified Port District

Our analysis of SDCERS-Unified Port District projected financial trends is an important part of this valuation. In this Section we present our assessment of the implications of the June 30, 2006 valuation results on the future outlook of the SDCERS-Unified Port District in terms of benefit security (assets over liabilities) and the Unified Port District's expected cost progression. In addition, given the concern regarding unfunded liabilities, we also show their expected future pay down.

Our projections are shown on two different investment return bases, level returns (as assumed) and volatile returns which average the assumed. We show volatile investment returns which average 8% over the projection period to demonstrate the impact investment risk has on SDCERS financial trends.

In the three set of charts that follow, we project SDCERS-Unified Port District plan assets and liabilities, the pay down of UAL, and the Unified Port District's contributions as a percent of payroll. All charts are shown on two different bases:

1) Assuming 8% returns each and every year, and the continuation of the pay down of the UAL over 15 years as of June 30, 2006, and

2) Assuming returns that vary each year but over the projection period equals on average the assumed 8% return, and the continuation of the 15-year UAL pay down.

The following table shows the assumed rate of return for each projected valuation year under the varying return exhibits. These rates average 8% over the 30-year period.

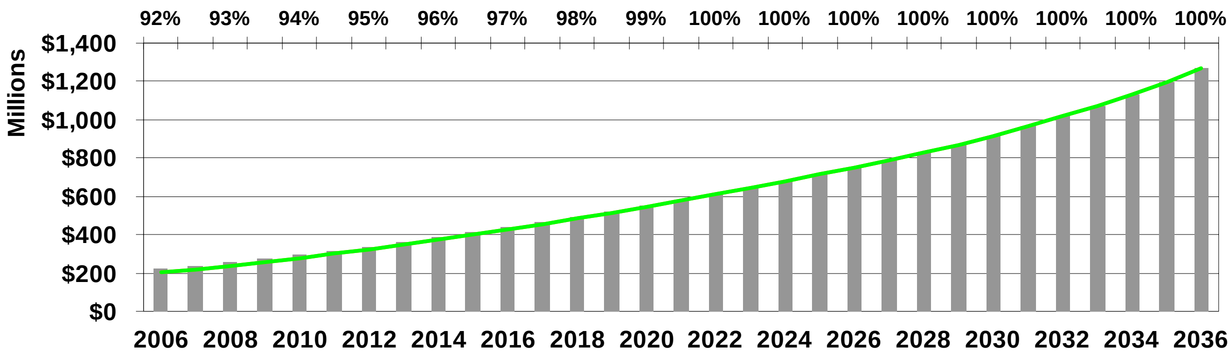
Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Return	8%	12%	16%	20%	16%	12%	8%	4%	0%	-4%
Fiscal Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return	0%	4%	8%	8%	12%	16%	20%	16%	12%	8%
Fiscal Year	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Return	4%	0%	-4%	0%	4%	8%	4%	0%	12%	16%

SECTION I
BOARD SUMMARY

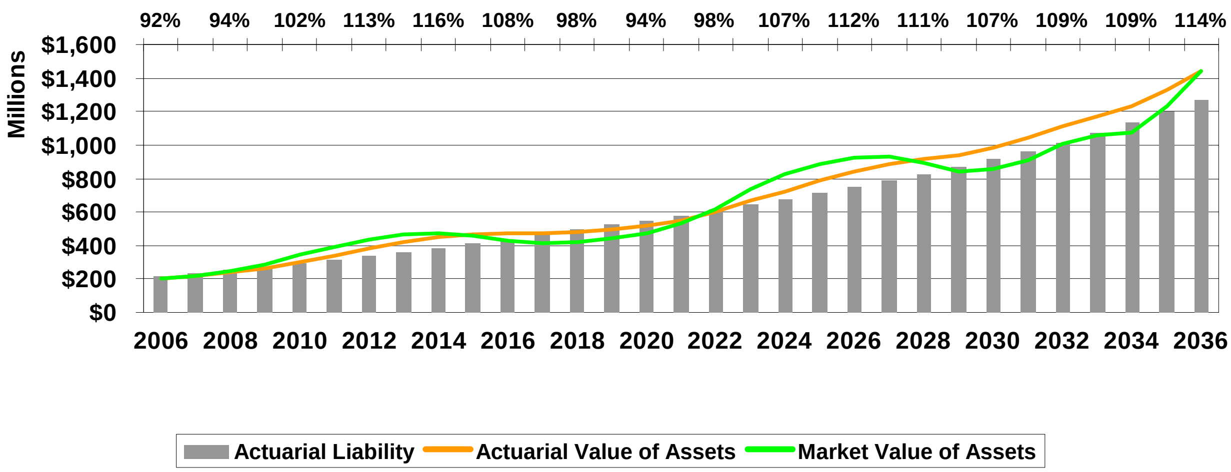
Projection Set 1
Assets and Liabilities – Unified Port District

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

8% Return Every Year, 15 year amortization



Varying Returns average 8%, 15 year amortization



SECTION I
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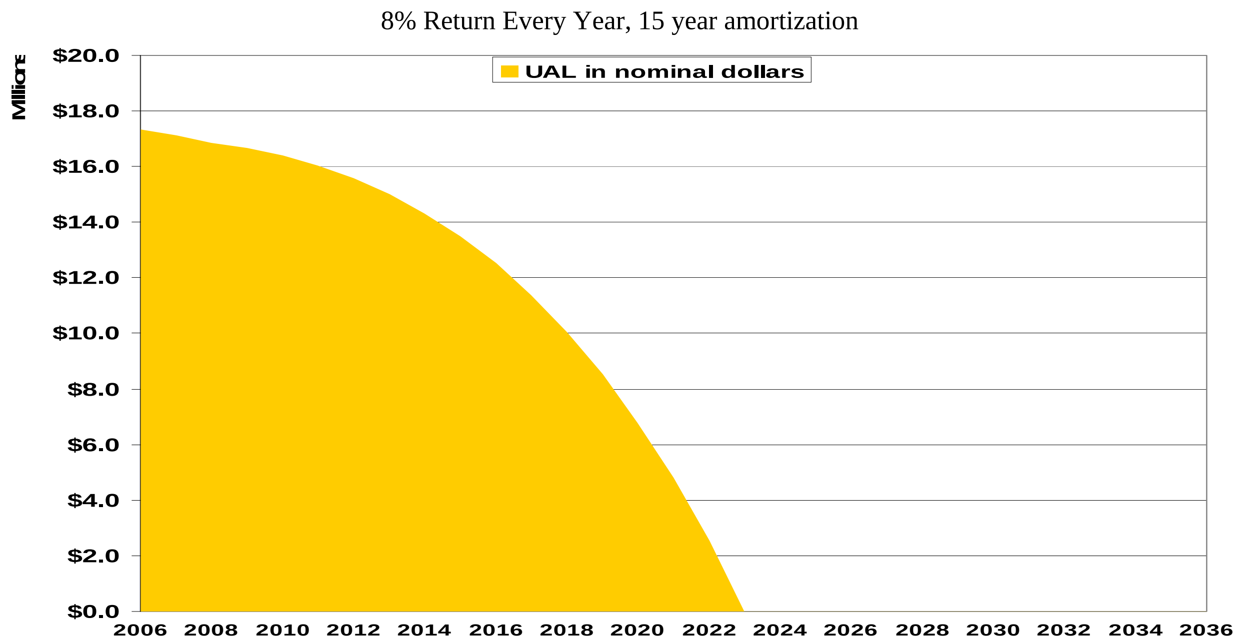
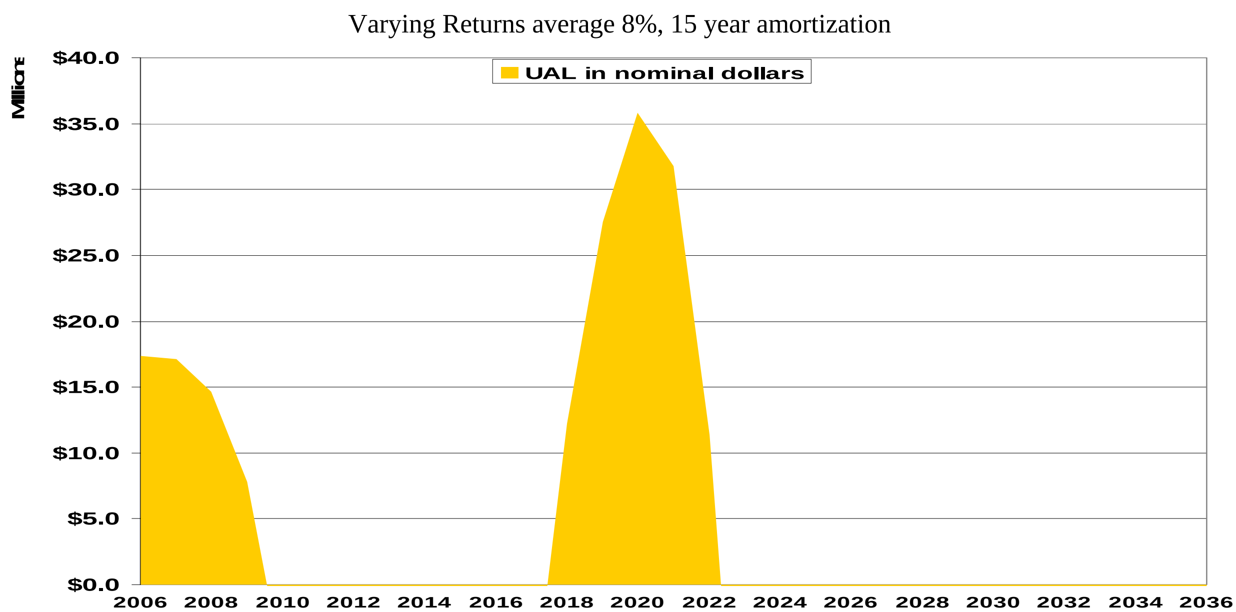
Projection Set 2
Write down of the Unfunded Actuarial Liability (UAL) Unified Port District

The lower set of charts demonstrates that with varying returns, which will occur, it is very likely that <u>there will often be</u> dramatic swings in the annually computed UAL.



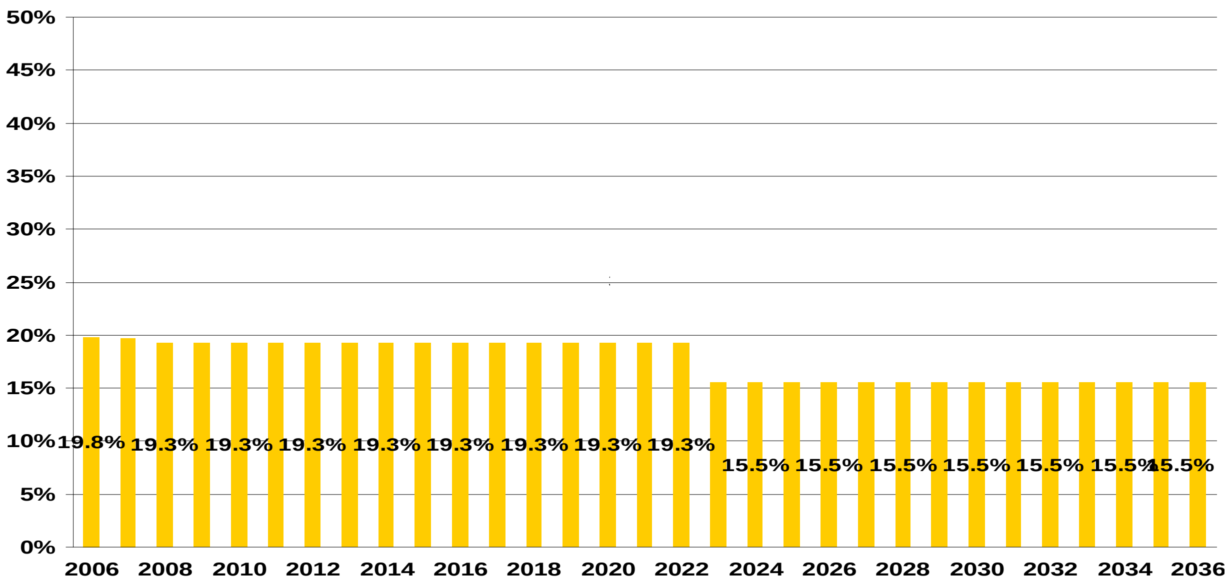


SECTION I
BOARD SUMMARY

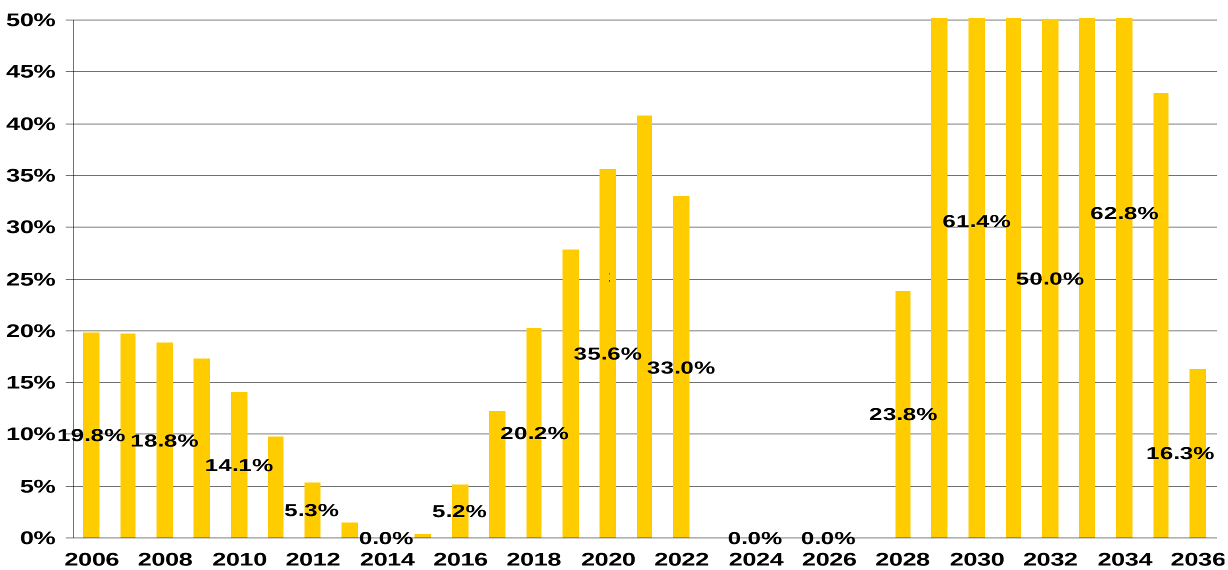
Projection Set 3
Contribution Rate – Unified Port District

As can be seen in the bottom chart below, varying returns also has a significant impact on the actuarially computed UPD contribution rate.

8% Return Every Year, 15 year amortization



Varying Returns average 8%, 15 year amortization



SECTION II
ASSETS

SDCERS has historically used and disclosed three different asset measurements which are presented in this Section of the report: market value, book value and actuarial value of assets. The market value represents, as of the valuation date, the value of the assets if they were liquidated on that date. The book value of assets measures assets based on their value when they were first purchased (cost value), plus earnings that have been realized such as interest and dividends and less depreciation for certain fixed assets. The actuarial value of assets is a value that attempts to smooth annual investment return performance and is used in determining SDCERS' contribution rates for the three participating employer plans.

Each employer receives a separate actuarial valuation report and cost determination. However, the assets of all employer plans are pooled for investment purposes. The apportionment of the assets between the employer plans directly impacts each employer's costs. Therefore, in the interest of ensuring transparency, we disclose in this section information on the total assets of SDCERS-All Employers. How those assets are apportioned to the City of San Diego, the Unified Port District, and the San Diego County Regional Airport Authority is explained here.

On the following pages we present detailed information on SDCERS-All Employers assets:

- Disclosure of assets at June 30, 2005 and June 30, 2006,
- Statement of cash flows during the year,
- Development of the actuarial value of assets,
- Apportionment of assets to contributing employers, and member groups within each, and
- Disclosure of investment performance for the year.

SECTION II
ASSETS

A. Disclosure

The market value of assets represents a "snap-shot" value as of the last day of the fiscal year that provides the principal basis for measuring financial performance from one year to the next. Market values, however, can fluctuate widely with corresponding swings in the marketplace. Because these fluctuations would result in volatility in employer contributions, an actuarial value of assets is developed. Table II-1 below discloses the market value by asset class of SDCERS– All Employers' gross assets on June 30, 2006. Table II-2 which follows, discloses the book value of gross assets, by type of book reserve.

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

Cash	$ 493,016,555
US Stocks	1,605,508,248
International Stocks	703,112,207
Bonds	940,867,782
Mortgages	5,915
Real Estate	373,123,539
Receivables	91,987,716
Short Term Investments	192,171,460
Fixed Assets	116,125
Miscellaneous	8,955
Accounts Payable	(173,478,701)
Market Value of Assets – June 30, 2006	**$ 4,226,439,801**

Table II-2
SDCERS – All Employers
Summary of Book Value of Reserves of Total Defined Benefit Plan Assets

Member Deposit Reserve	$ 567,766,248
DROP Reserve	225,570,127
Employer Reserve	116,846,660
Retired Members Reserve	2,126,403,964
Undistributed Reserve	619,925,093
Encumbrance Reserve	721,973
Receivables Reserve	20,300,054
Fixed Assets Reserve	116,125
Retiree Health 401(h) Reserve	0
Supplemental COLA Reserve	17,273,016
Employee Contribution Rate Inc. Reserve	0
Other	0
Book Value of Reserves – June 30, 2006	**$ 3,694,923,260**
Unrealized Appreciation	**531,516,541**
Market Value of Assets – June 30, 2006	**$ 4,226,439,801**

SECTION II
ASSETS

B. System Cash Flows Year June 30, 2005 through June 30, 2006

Table II-3
SDCERS – All Employers
SDCERS Net Monthly Cash Flows

	City	Unified Port District	Airport Authority	Total SDCERS
Reported Market Value as of June 30, 2005	**$ 3,205,721,975**	**$ 175,908,319**	**$ 30,682,414**	**$ 3,412,312,708**
Adjustments due to Methodology Changes [1]	265,881,858	1,133,194	157,277	267,172,329
Adjusted Market Value as of June 30, 2005	**$ 3,471,603,833**	**$ 177,041,513**	**$ 30,839,691**	**$ 3,679,485,037**
Monthly Cash Flows				
July 2005	$ 149,098,642	$ 7,762,293	$ 3,282,675	$ 160,143,610
August 2005	(15,899,980)	(337,811)	75,197	(16,162,595)
September 2005	(322,468)	(31,452)	324,787	(29,133)
October 2005	(9,374,515)	(86,194)	153,786	(9,306,923)
November 2005	(21,151,516)	(363,954)	1,074,703	(20,440,767)
December 2005	(12,190,972)	(232,101)	349,844	(12,073,229)
January 2006	(36,824,678)	(241,603)	165,156	(36,901,125)
February 2006	(11,712,901)	(207,607)	79,663	(11,840,845)
March 2006	(12,096,786)	(243,285)	249,604	(12,090,467)
April 2006	(10,158,304)	(268,228)	43,611	(10,382,921)
May 2006	(9,118,186)	(201,453)	256,214	(9,063,426)
June 2006	100,220,328	43,107	358,277	100,621,712
Total Net Cash Flows[2]	**$ 110,468,662**	**$ 5,591,710**	**$ 6,413,517**	**$ 122,473,889**
Internal Rate of Return	11.28%	11.28%	11.28%	11.28%
Investment Income: (net of expenses)	$ 399,859,199	$ 20,652,605	$ 3,969,071	$ 424,480,875
Market Value as of June 30, 2006	**$ 3,981,931,694**	**$ 203,285,828**	**$ 41,222,279**	**$ 4,226,439,801**

[1] Adjustments due to methodology changes are the reflection of reserves held for DROP contributions, undistributed earnings, employee contribution rate increase and supplemental COLA as of June 30, 2005. Please see page 16 of the June 30, 2005 actuarial report.

[2] Totals may not sum correctly due to rounding.

SECTION II
ASSETS

B. System Cash Flows Year June 30, 2005 through June 30, 2006 - continued

Table II-4
SDCERS – All Employers
SDCERS Cash Flows

	City	Unified Port District	Airport Authority	Total SDCERS
Adjusted Market Value as of June 30, 2005	**$ 3,471,603,833**	**$ 177,041,513**	**$ 30,839,691**	**$ 3,679,485,037**
Additions				
Contributions: **Employers'**				
Contributions	$ 271,349,109	$ 8,121,319	$ 4,300,000	$ 283,770,428
DROP Contributions	1,953,165	45,719	6,104	2,004,988
Offset Contributions	19,261,595	2,853,120	1,333,732	23,448,447
Total Employers' Contributions	$ 292,563,869	$ 11,020,158	$ 5,639,836	$ 309,223,863
Contributions: **Employees'**				
Members Contributions	$ 31,426,532	$ 1,209,380	$ 575,920	$ 33,211,832
Members PSC Contributions	8,220,378	769,278	280,570	9,270,226
Members DROP Contributions	2,015,431	45,719	6,104	2,067,254
Members PSC Interest Earned	1,495,502	230,355	100,064	1,825,921
Total Employees' Contributions	$ 43,157,843	$ 2,254,732	$ 962,658	$ 46,375,233
Contributions: **DROP**				
Pension Allowances	$ 48,793,017	$ 847,117	$ 98,650	$ 49,738,784
Supplemental Benefit	715,645	10,307	1,178	727,130
Total DROP Contributions	$ 49,508,662	$ 857,424	$ 99,828	$ 50,465,914
Total Contributions	**$ 385,230,374**	**$ 14,132,315**	**$ 6,702,322**	**$ 406,065,011**
Other Additions – Litigation Settlement	$ 15,500,000	$ 0	$ 0	$ 15,500,000
Investment Income: (net of expenses)	$ 399,859,199	$ 20,652,605	$ 3,969,071	$ 424,480,875
Total Additions	**$ 800,589,573**	**$ 34,784,921**	**$ 10,671,393**	**$ 846,045,886**

SECTION II
ASSETS

B. System Cash Flows Year June 30, 2005 through June 30, 2006 - continued

Table II-4 (continued)
SDCERS – All Employers
SDCERS Cash Flows

	City	Unified Port District	Airport Authority	Total SDCERS
Deductions				
Monthly Retirement Allowances	$ (143,515,914)	$ (7,070,316)	$ (112,049)	$ (150,698,278)
Monthly Retirement Allowances – DROP	(48,793,017)	(847,117)	(98,650)	(49,738,784)
Monthly Retirement Allowances – Supp COLA	(3,685,076)	(48,225)	(0)	(3,733,301)
Supplemental Benefit Payments	(4,206,260)	(150,183)	(2,380)	(4,358,823)
Corbett Retro Payment	(5,498,098)	(0)	(0)	(5,498,098)
DROP Payments to Members	(74,911,006)	(287,387)	(32,507)	(75,230,900)
Death Benefit Payments	(387,155)	(0)	(0)	(387,155)
Retiree Death Benefit Payments	(280,255)	(8,000)	(2,000)	(290,255)
Refunds of Member Contributions	(4,449,250)	(129,377)	(41,220)	(4,619,847)
Litigation Settlement Expense	(4,535,682)	(0)	(0)	(4,535,682)
Total Deductions	**$ (290,261,712)**	**$ (8,540,605)**	**$ (288,805)**	**$ (299,091,122)**
Total Net Increase (Decrease)	**$ 510,327,861**	**$ 26,244,315**	**$ 10,382,588**	**$ 546,954,764**
Market Value as of June 30, 2006	**$ 3,981,931,694**	**$ 203,285,828**	**$ 41,222,279**	**$ 4,226,439,801**

SECTION II
ASSETS

C. Actuarial Value of Assets

To determine on-going funding requirements, most pension funds utilize an actuarial value of assets which will differ from the market value of assets. The actuarial value of assets typically represents an asset value based on averaging or smoothing year-to-year market value returns for purposes of reducing the resulting volatility on contributions. Prior to this June 30, 2006 actuarial valuation, the actuarial value of assets used by SDCERS was one which did not effectively achieve the goal of reducing contribution volatility. In addition, the method that had been in place was based on smoothing the "book value" of assets. Using book value in asset smoothing is no longer a commonly accepted method for pension funds, and for good reasons, had been on the decline for many years. Soon after the completion of Cheiron's June 30, 2005 valuation of SDCERS, Cheiron commenced a study of this smoothing method, and reached the same conclusion that the prior actuary, and actuaries in prior audits of SDCERS reached; a recommendation to discontinue the use of the book value smoothing method.

Cheiron's specific recommendation, which was adopted by the Board at its September 2006 meeting, was to set the actuarial value of assets equal to the market value of assets as of June 30, 2006. Then, for the 2007 valuation year, the actuarial value will be calculated by accepting 100% of the expected asset value as of June 30, 2007 (assuming 8% earnings for the year) plus 25% of the difference between the actual market value next year and expected asset value.

D. Apportionment of Actuarial Value of Assets

In addition to the change in the asset smoothing method, there has been a change in the method to apportion assets amongst contributing employers. Prior to June 30, 2006, the allocation method had been based on utilizing estimating techniques for allocating undistributed earnings. Cheiron advised the Board at its September 2006 meeting that such estimation techniques were not necessary, as all specific plan sponsor cash flows were identifiable, so that an accurate asset apportionment could be made each year. The Board adopted Cheiron's recommendation to change the asset apportionment method to reflect the actual cash flows by each plan sponsor, and proportional allocation of investment earnings. On the next page we show the assets now apportioned under this method amongst the three contributing employers, and then amongst the different member groups for SDCERS. For the June 30, 2006 valuation, the market value includes all reserves for contingencies, supplemental COLA and DROP. As explained above, as of June 30, 2006 the actuarial value was set equal to the market value for all employer groups.

SECTION II
ASSETS

Table II-5
Summary of Actuarial Assets Available for Each Member Group
As of June 30, 2006

Employer Groups	Reported Market Value Total Net Assets June 30, 2005 [1]	Adjusted Market Value Total Assets June 30, 2005 [2]	Market Value Total Assets June 30, 2006	Actuarial Value Total Assets June 30, 2006
General	$ 1,655,133,812	$ 1,730,347,325	$ 1,977,823,235	$ 1,977,823,235
Elected Officers	4,419,233	4,462,487	6,846,931	6,846,931
Safety	1,546,168,929	1,715,975,921	1,997,261,528	1,997,261,528
Total City	***$ 3,205,721,975***	***$ 3,471,603,833***	***$ 3,981,931,694***	***$ 3,981,931,694***
Unified Port District	175,908,318	177,041,512	203,285,828	203,285,828
Airport Authority	30,682,414	30,839,691	41,222,279	41,222,279
Total-SDCERS	**$ 3,412,312,708**	**$ 3,679,485,037**	**$ 4,226,439,801**	**$ 4,226,439,801**

[1] As reflected in the June 30, 2005 report. These numbers do not include reserves for DROP, undistributed earnings, employee contribution rate increase and supplemental COLA.

[2] Reflects total net assets plus reserves held for DROP contributions, undistributed earnings, employee contribution rate increase and supplemental COLA as of June 30, 2005.

E. Investment Performance

The market value of assets returned 11.28% for the year ending June 30, 2006. This is compared to an assumed return of 8%. The return in FY 2005 was 10.21%.

On an actuarial value of assets basis, the return for FY 2006 was 13.65%. This return produced for SDCERS-All Employers, an overall investment gain of $185.7 million for the year ending June 30, 2006. (Note this reported gain is different than the investment gain of $20.9 million reported on page 4 in this report. (The latter is the gain only for the SDCERS–Unified Port District.)

SECTION III
LIABILITIES

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

- Disclosure of liabilities at June 30, 2005 and June 30, 2006,
- Statement of changes in the unfunded actuarial liabilities during the year, and
- Disclosure of certain contingent liabilities not reflected in determining the costs and liabilities, and how they have been funded.

A. Disclosure

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

- **Present Value of all Future Benefits:** Used for measuring all future SDCERS obligations, represents the amount of money needed today to fully pay off all benefits of SDCERS both earned as of the valuation date and those to be earned in the future by current plan participants, under the current Plan provisions.

- **Actuarial Liability-Projected Unit Credit (PUC):** Used for determining employer contributions and GASB accounting disclosures, this liability is calculated taking the present value of future benefits based on service as of the valuation date, but including future salaries growth.

- **Actuarial Liability-Entry Age Normal (EAN):** Used in this report purely for informational purposes here. 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.

- **Present Value of Accrued Benefits:** Disclosed in Section V of this report for accounting statement purposes (FASB 35). This liability represents the present value of future benefits payable to all plan participants if the plan were terminated as of the valuation date, and future accruals and contributions stopped.

Table III-1 on the following page discloses the first three of these liabilities for the current and prior year valuations. With respect to the actuarial liability a subtraction of the actuarial value of assets yields a net surplus or an unfunded actuarial liability (UAL).

SECTION III
LIABILITIES

Table III-1a
SDCERS - Unified Port District - Total

Item	June 30, 2006	June 30, 2005*
Present Value of Future Benefits		
Actives	$ 200,532,900	$ 199,264,615
Terminated Vesteds	13,662,803	10,324,670
Disabled	13,848,390	12,722,419
Retirees	81,768,654	67,889,543
Beneficiaries	5,924,995	5,630,515
Total Unified Port District	$ 315,737,742	$ 295,831,762
Actuarial Liability - PUC		
Actives	$ 105,432,437	$ 101,504,753
Terminated Vesteds	13,662,803	10,324,670
Disabled	13,848,390	12,722,419
Retirees	81,768,654	67,889,543
Beneficiaries	5,924,995	5,630,515
Total Unified Port District	$ 220,637,279	$ 198,071,900
Market Value of Assets	$ 203,285,828	$ 175,908,318
Actuarial Value of Assets	$ 203,285,828	$ 163,691,226
Unfunded Actuarial Liability	$ 17,351,451	$ 34,380,674
Actuarial Liability - EAN		
Total Present Value of Benefits	$ 315,737,742	$ 295,831,762
Present Value of Future Normal Costs		
Employer Portion	54,522,221	53,930,967
Employee Portion	35,061,669	36,372,694
Actuarial Liability - EAN	$ 226,153,853	$ 205,528,101
Actuarial Value of Assets	$ 203,285,828	$ 163,691,226
Unfunded EAN Actuarial Liability	$ 22,868,025	$ 41,836,875

* June 30, 2005 results do not reflect additional liabilities/assets associated with contingent liabilities, DROP reserves, supplemental COLA, nor 415 limits.

SECTION III
LIABILITIES

During the 2006 valuation review process, the Board adopted the recommendation of the Actuary to reflect the cost associated with the contingent liabilities, DROP reserves, supplemental COLA reserves and reflection of IRC Section 415 limits. In the above Table III-1a, we have reflected these changes in the June 30, 2006 results. In our June 30, 2005 report, the values in Table III-1a did not reflect the additional liabilities associated with the contingent liabilities (13th check), DROP reserves, supplemental COLA reserves, nor did it apply IRC Section 415 limits to expected benefits at retirement. Table III-1b below reflects these additional liabilities for June 30, 2005 on both the present value of future benefits (PVFB) and the actuarial liability on a Projected Unit Credit basis. This table is shown for comparison purposes only and should not be used to determine the solvency of SDCERS.

Table III-1b
SDCERS - Unified Port District

Item	June 30, 2005	June 30, 2005
Additional Liabilities	**PVFB**	**Actuarial Liability - PUC**
Reported June 30, 2005	$ 295,831,762	$ 198,071,900
13th Check	$ 2,778,933	$ 2,178,982
Apply IRC Section 415 limits	(304,123)	(136,331)
DROP	1,133,194	1,133,194
Supplemental COLA	-	-
Total Additional Liabilities	$ 3,608,004	$ 3,175,845
Total of Reported and Additional	$ 299,439,766	$ 201,247,745

SECTION III
LIABILITIES

Table III-2 shows actuarial liability as of June 30, 2006 for general, executive and safety members of SDCERS-Unified Port District.

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

Item	June 30, 2006	June 30, 2006	June 30, 2006	June 30, 2006
Present Value of Future Benefits	**Total**	**General**	**Executives**	**Safety**
Actives	$ 200,532,900	$ 125,919,067	$ 4,773,211	$ 69,840,623
Terminated Vesteds	13,662,803	11,914,406	112,248	1,636,149
Disabled	13,848,390	7,837,922	-	6,010,468
Retirees	81,768,654	58,001,995	5,715,108	18,051,551
Beneficiaries	5,924,995	5,608,231	-	316,764
Total Unified Port District	**$ 315,737,742**	**$ 209,281,621**	**$ 10,600,567**	**$ 95,855,555**
Actuarial Liability - PUC				
Actives	$ 105,432,437	$ 67,034,328	$ 3,367,627	$ 35,030,481
Terminated Vesteds	13,662,803	11,914,406	112,248	1,636,149
Disabled	13,848,390	7,837,922	-	6,010,468
Retirees	81,768,654	58,001,995	5,715,108	18,051,551
Beneficiaries	5,924,995	5,608,231	-	316,764
Total Unified Port District	**$ 220,637,279**	**$ 150,396,882**	**$ 9,194,984**	**$ 61,045,413**

SECTION III
LIABILITIES

B. Changes in Unfunded Actuarial Liabilities

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

Table III-3
Development of 2006 Experience Gain/(Loss) SDCERS - Unified Port District

1.	Unfunded Actuarial Liability at June 30, 2005	$	34,380,674
2.	Beginning of year accrued liability payment		(2,996,413)
3.	Interest accrued ((1+2) x .08)		2,510,741
4.	Expected Unfunded Actuarial Liability at June 30, 2006 (1+2+3)		33,895,002
5.	Actual Unfunded Liability at June 30, 2006		17,351,451
6.	Difference: (4 - 5)		16,543,551
7.	Portion of difference (6) due to experience Gain/(Loss)		20,138,814
8.	Portion of difference (6) due to contributions more than expected		1,208,470
9.	Portion of difference (6) due to actuarial changes		(4,803,734)
	Elements of Experience Gain/(Loss)		
1.	G(L) due to investment experience	$	20,926,668
2.	G(L) due to purchased service credit		(335,003)
3.	G/(L) due to demographic and payroll experience		(452,851)
4.	Other Gain/(Loss)	$	-
5.	Total Estimated Experience Gain/(Loss): sum 1 through 4	**$**	**20,138,814**
	Elements of Contributions Gain/(Loss)		
1.	Total Estimated Contribution Gain/(Loss)	**$**	**1,208,470**
	Elements of Actuarial Changes Gain/(Loss)		
1.	G(L) due to smoothing method to market value	$	(2,666,952)
2.	G(L) due to reflection of "contingent" liabilities		(2,136,782)
3.	G/(L) due to IRS Section 415 limits		-
4.	G/(L) due to removal of future disability benefits	$	-
5.	Total Estimated Actuarial Changes Gain/(Loss): sum 1 through 4	**$**	**(4,803,734)**

**This valuation page being sent on June 26, 2007 is a revision to the report issued on January 12, 2007.*

SECTION III
LIABILITIES

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

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

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

* Airport Authority split as of December 31, 2002.

SECTION IV
CONTRIBUTIONS

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

The funding methodology employed is the Projected Unit Credit Cost Method. Under this method, there are two components to the total contribution: the normal cost and the unfunded actuarial liability contribution. The normal cost represents for each active participant, the present value as of the valuation date of that portion of the projected benefit assigned to the current year. Subtracting from the normal cost the expected employee contribution for the year yields the employer's normal cost contribution. The difference between the PUC actuarial liability and the actuarial value of assets is the unfunded actuarial liability. The UAL for FY 2008 is to be amortized over 15 years.

Table IV-1 shows the Unified Port District normal cost rate by decrement for FY 2008. Table IV-2 on the following page shows how the Unified Port District's contribution rate for SDCERS for FY 2008 is developed. The methodology and assumptions used are in full compliance with the parameters set in GASB Statement No. 25 for purposes of determining the annual required contribution (ARC).

Table IV-1
SDCERS - Unified Port District
Development of the UPD's Total Normal Cost Rate as of June 30, 2006, For (FY 2008)

		WEIGHTED TOTAL UPD	Non-Safety			Safety
			Weighted Total	General	Executives	Safety Total
1.	Retirement Normal Cost Rate	**20.71%**	20.07%	19.81%	27.08%	22.29%
2.	Termination Normal Cost Rate	**1.18%**	1.39%	1.43%	0.36%	0.64%
3.	Death Normal Cost Rate	**0.44%**	0.31%	0.31%	0.40%	0.74%
4.	Disability Normal Cost Rate	**3.33%**	1.93%	1.94%	1.54%	6.75%
5.	Total Normal Cost Rate (sum 1-4)	**25.65%**	23.71%	23.49%	29.37%	30.43%

SECTION IV
CONTRIBUTIONS

Table IV-2
SDCERS - Unified Port District
Development of the UPD's Contribution as of June 30, 2006, For (FY 2008)
(dollars in millions)

	WEIGHTED TOTAL UPD	Non-Safety Weighted Total	Non-Safety General	Non-Safety Executives	Safety Safety Total
1. Total Normal Cost Rate	**25.65%**	23.71%	23.49%	29.37%	30.43%
2. Member Contribution Rate	**10.13%**	9.27%	9.25%	10.27%	11.93%
3. Employer Normal Cost Rate (1-2)	**15.53%**	14.43%	14.24%	19.11%	18.50%
4. June 30, 2006 Payroll	**$ 33.9**	$ 24.1	$ 23.2	$ 0.9	$ 9.8
5. Present Value Future Payroll	**343.8**	234.2	229.5	4.7	109.6
6. Present Value Future Normal Costs (1 x 5)	**88.7**	55.3	53.9	1.4	33.4
7. Actuarial Liability	**$ 220.6**	$ 159.6	$ 150.4	$ 9.2	$ 61.0
8. Actuarial Assets[1]	**203.3**	147.0	138.6	8.5	56.2
9. Unfunded Actuarial Liability (7-8)	**$ 17.4**	$ 12.6	$ 11.8	$ 0.8	$ 4.8
10. Unfunded Actuarial Liability Rate	**4.30%**	4.38%	4.28%	7.00%	4.11%
11. Total Contribution Rate (3+10)	**19.83%**	18.82%	18.52%	26.11%	22.61%
12. Total Contribution Rate Beginning of Year	**19.08%**	18.10%	17.82%	25.13%	21.74%
13. Projected Payroll	**$ 36.3**	$ 25.8	$ 24.8	$ 0.9	$ 10.5
13. Beginning of Year FY 2008 Contribution	**$ 6.9**	$ 4.7	$ 4.4	$ 0.2	$ 2.3
14. FY 2008 Contribution if Paid During Year	**$ 7.2**	$ 4.8	$ 4.6	$ 0.2	$ 2.4

[1] Assets are allocated to subset member groups within Non-Safety and Safety proportionately to each group's liabilities in row 8.

SECTION V
ACCOUNTING STATEMENT INFORMATION

Statement No. 35 of the Financial Accounting Standards Board (FASB) requires the disclosure of certain information regarding funding status. Statement No. 25 of the Governmental Accounting Standards Board (GASB) establishes standards for disclosure of pension information by public employee retirement systems and governmental employers in notes to financial statements and supplementary information.

The FASB-35 disclosures provide a “snap shot” view of how assets compare to liabilities if contributions stopped and accrued benefit claims had to be satisfied.

The GASB-25 actuarial accrued liability is the same as the actuarial liability amount calculated for funding purposes, that is, the PUC actuarial liability.

Both the present value of accrued benefits (FASB-35) and the actuarial liability (GASB-25) are determined assuming that a plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions. Liabilities are discounted at the assumed valuation interest rate of 8% per annum.

FASB Statement No. 35 specifies that a comparison of the present value of accrued (accumulated) benefits with the market value of the assets as of the valuation date must be provided. GASB Statement No. 25 requires the actuarial accrued liability be compared with the actuarial value of assets for funding purposes. The relevant amounts as of June 30, 2005 and June 30, 2006 are exhibited in Table V-1 and Table V-2.

SECTION V
ACCOUNTING STATEMENT INFORMATION

Table V-1
SDCERS - Unified Port District - Total

Item	June 30, 2006	June 30, 2005	% Change
FASB No. 35 Basis			
1. Present Value of Benefits Accrued and Vested to Date			
a. Members Currently Receiving Payments	$ 101,542,038	$ 86,242,477	17.7%
b. Vested Terminated and Inactive Members	13,662,803	10,324,670	32.3%
c. Active Members	68,705,464	66,256,419	3.7%
d. Total PVAB	$ 183,910,305	$ 162,823,566	13.0%
2. Assets at Market Value	203,285,828	175,908,318	15.6%
3. Unfunded Present Value of Accrued Benefits, But Not Less Than Zero	$ -	$ -	
4. Ratio of Assets to Value of Benefits (2)/(1)(d)	110.54%	108.04%	2.5%
GASB No. 25 Basis			
1. Actuarial Liabilities			
a. Members Currently Receiving Payments	$ 101,542,039	$ 86,242,477	17.7%
b. Vested Terminated and Inactive Members	13,662,803	10,324,670	32.3%
c. Active Members	105,432,437	101,504,753	3.9%
d. Total PVAB	$ 220,637,279	$ 198,071,900	11.4%
2. Actuarial Value of Assets	$ 203,285,828	$ 163,691,226	24.2%
3. Unfunded Actuarial Liability	$ 17,351,451	$ 34,380,674	-49.5%
4. Ratio of Actuarial Value of Assets to Actuarial Liability (2)/(1)(d)	92.14%	82.64%	9.5%

Table V-2
SDCERS - Unified Port District - Total

Item	Accumulated Benefit Obligation (FASB 35)
Actuarial Present Value of Benefits Accrued and Vested as of June 30, 2005	**$ 162,823,566**
Increase (Decrease) During Year Attributable to:	
Passage of Time	12,684,261
Benefits Paid	(8,540,605)
Assumption Change	-
Plan Amendment	-
Additional Net Liabilities not reflected in prior valuation *	4,032,653
Benefits Accrued, Other Gains/Losses	12,910,430
Net Increase (Decrease)	$ 21,086,739

* Apply IRC Section 415 limits, 13th check and DROP reserves.

SECTION V
ACCOUNTING STATEMENT INFORMATION

Tables V-3 through V-5 are exhibits required for the UPD's Comprehensive Annual Financial Report (CAFR). The GFOA recommends showing at least 6 years of experience in each of these exhibits. Table V-3 shows the Notes to Required Supplementary Information. Table V-4 is a history of gains and losses in actuarial liability, and Table V-5 is the Solvency Test which shows the portion of actuarial liability covered by assets.

Table V-3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the required supplementary schedules to the Financial Section of the CAFR was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	June 30, 2006
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent closed
Remaining amortization period	15 years
Asset valuation method [1]	Expected Value Method
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases due to inflation [2]	4.25%
Cost-of-living adjustments	2.0%

The actuarial assumptions used have been recommended by the actuary and adopted by SDCERS Board of Administration based on the review of SDCERS' experience, completed in 2000.

The rate of employer contributions to SDCERS is composed of the normal cost and an amortization of the unfunded actuarial liability. The normal cost is a level percent of payroll cost which, along with the member contributions, will pay for projected benefits at retirement for the average plan participant. The actuarial liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and the funds accumulated as of the same date is the unfunded actuarial liability.

[1] The asset valuation method was changed to reflect actual cash flows by employer group. This year the actuarial value of assets will be equal to the market value of assets.

[2] Additional merit salary increases of 0.50% to 4.50% based on a participant's years of service, and membership group are also assumed. These increases are not used in the amortization of SDCERS' UAL.

SECTION V
ACCOUNTING STATEMENT INFORMATION

Table V-4
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, 2006*
Investment Income	$ 20,926,668
Combined Liability Experience	$ (787,854)
Gain (or Loss) During Year from Financial Experience	$ 20,138,814
Non-Recurring Gain (or Loss) Items	NA
Composite Gain (or Loss) During Year	**$ 20,138,814**

SECTION V
ACCOUNTING STATEMENT INFORMATION

Table V-5
GASB SOLVENCY TEST
Actuarial Liabilities For
($ in thousands)

Valuation Date June 30,	(A) Active Member Contributions	(B) Retirees And Beneficiaries	(C) Remaining Active Members' Liabilities	Reported Assets [1]	Portion of Actuarial Liabilities Covered by Reported Assets (A)	(B)	(C)
2006 [4]	$ 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 [5]	75,994	86,487	141,375	100	100	60.70
2003	12,000 [5]	65,581	76,719	123,884	100	100	60.37
12/31/2002 [3]	11,578	63,843	62,403	125,619	100	100	80.44
2002	12,317	57,650	70,230	140,613	100	100	100
2001	10,754	52,025	60,347	145,278	100	100	100
2000	9,609	44,774	42,777	133,183	100	100	100
1999	8,792	40,725	40,292	110,310	100	100	100
1998 [2]	7,325	39,282	35,026	98,007	100	100	100
1997	7,656	29,979	35,929	84,511	100	100	100

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

APPENDIX A
MEMBERSHIP INFORMATION

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

	June 30, 2006	June 30, 2005	% Change
Total			
Count	532	558	-4.7%
Average Current Age	44.8	44.6	0.5%
Average Service	10.0	9.6	4.5%
Average Valuation Pay	$ 63,773	$ 62,863	1.4%
Annual Compensation	$ 33,927,372	$ 35,077,367	-3.3%
Service Without Permissive Service Purchased	8.8	9.0	-2.8%
Members with Purchased Service	150	119	26.1%
Amount of Service Purchased	608	316	92.4%
General			
Count	400	428	-6.5%
Average Current Age	46.8	46.4	0.9%
Average Service	10.0	9.5	5.3%
Average Valuation Pay	$ 60,250	$ 59,604	1.1%
Annual Compensation	$ 24,099,935	$ 25,510,582	-5.5%
Service Without Permissive Service Purchased	8.7	8.8	-1.1%
Members with Purchased Service	123	99	24.2%
Amount of Service Purchased	515	286	80.2%
Safety			
Count	132	130	1.5%
Average Current Age	38.6	38.6	0.0%
Average Service	10.0	9.8	2.0%
Average Valuation Pay	$ 74,450	$ 73,591	1.2%
Annual Compensation	$ 9,827,437	$ 9,566,785	2.7%
Service Without Permissive Service Purchased	9.3	9.6	-3.1%
Members with Purchased Service	27	20	35.0%
Amount of Service Purchased	93	30	209.2%

APPENDIX A
MEMBERSHIP INFORMATION

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

	Count June 30, 2006	Count June 30, 2005	Count %Change	Average Age June 30, 2006	Average Age June 30, 2005	Average Age %Change
Total						
Retired	211	192	9.9%	69.1	69.7	-0.9%
Disabled	62	60	3.3%	58.7	58.4	0.5%
Beneficiaries	52	54	-3.7%	75.8	75.6	0.3%
Payee Total	325	306	6.2%	68.2	68.5	-0.5%
DROP Participants	26	15	73.3%	59.7	60.9	-2.1%
Deferred Vested [1]	261	250	4.4%	46.2	45.6	1.4%
Vested < 5(10*) yrs svc	195	164	18.9%			
General						
Retired	182	168	8.3%	70.4	70.9	-0.7%
Disabled	48	48	0.0%	61.5	60.6	1.5%
Beneficiaries	51	53	-3.8%	76.2	76.0	0.3%
Payee Total [2]	281	269	4.5%	69.9	70.1	-0.3%
DROP Participants [2]	22	12	83.3%	61.2	62.5	-2.1%
Deferred Vested [1]	230	219	5.0%	46.9	46.4	1.1%
Vested < 5(10*) yrs svc	168	145	15.9%			
Safety						
Retired	29	24	20.8%	60.8	61.4	-1.0%
Disabled	14	12	16.7%	49.1	49.7	-1.2%
Beneficiaries	1	1	0.0%	55.0	54.0	1.9%
Payee Total	44	37	18.9%	57.0	57.4	-0.7%
DROP Participants	4	3	33.3%	51.7	54.2	-4.6%
Deferred Vested [1]	31	31	0.0%	40.8	40.4	1.0%
Vested < 5(10*) yrs svc	27	19	42.1%			

1 Includes all members having a contribution balance still on account with SDCERS.
2 There are 3 additional non-active general members due to blended benefits. These counts were not available in 2005. 2 of them are DROP participants.
* 10 years of service required for vesting if terminated prior to December 31, 2002.

APPENDIX A
MEMBERSHIP INFORMATION

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

	Total Annual Benefit			Average Annual Benefit		
	June 30, 2006	June 30, 2005	%Change	June 30, 2006	June 30, 2005	%Change
Total						
Retired	6,949,595	6,003,129	15.8%	32,936	31,266	5.3%
Disabled	1,175,661	1,081,191	8.7%	18,962	18,020	5.2%
Beneficiaries	605,881	568,534	6.6%	11,652	10,528	10.7%
Payee Total	8,731,137	7,652,853	14.1%	26,865	25,009	7.4%
DROP Participants	1,256,412	706,486	77.8%	48,324	47,099	2.6%
Deferred Vested [1]	3,909,366	3,355,126	16.5%	14,978	13,421	11.6%
General						
Retired	5,618,432	4,951,690	13.5%	30,871	29,474	4.7%
Disabled	732,544	708,543	3.4%	15,261	14,761	3.4%
Beneficiaries	583,041	546,435	6.7%	11,432	10,310	10.9%
Payee Total	6,934,016	6,206,668	11.7%	24,676	23,073	6.9%
DROP Participants	1,018,500	550,825	84.9%	46,295	45,902	0.9%
Deferred Vested [1]	3,455,390	2,815,653	22.7%	15,023	12,857	16.9%
Safety						
Retired	1,331,163	1,051,439	26.6%	45,902	43,810	4.8%
Disabled	443,117	372,648	18.9%	31,651	31,054	1.9%
Beneficiaries	22,840	22,098	3.4%	22,840	22,098	3.4%
Payee Total	1,797,121	1,446,185	24.3%	40,844	39,086	4.5%
DROP Participants	237,912	155,661	52.8%	59,478	51,887	14.6%
Deferred Vested [1]	453,976	539,473	-15.8%	14,644	17,402	-15.8%

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

APPENDIX A
MEMBERSHIP INFORMATION

Table A-4
SDCERS - Unified Port District
Distribution of Active Members (Excludes DROP Particiapants) as of June 30, 2006
Total UPD

Age	Years of Service										Total Count	Average Salary
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up		
Under 25	3	2	-	-	-	-	-	-	-	-	5	$ 40,924
25 to 29	5	26	2	-	-	-	-	-	-	-	33	52,005
30 to 34	7	32	17	2	-	-	-	-	-	-	58	59,386
35 to 39	3	26	24	15	5	-	-	-	-	-	73	61,178
40 to 44	1	21	21	27	22	7	-	-	-	-	99	67,075
45 to 49	2	16	24	24	19	9	6	-	-	-	100	68,512
50 to 54	1	13	16	16	17	11	4	1	-	-	79	67,048
55 to 59	1	7	11	15	11	4	4	-	-	-	53	62,710
60 to 64	-	2	4	10	12	3	-	-	1	-	32	62,003
65 to 69	-	-	-	-	-	-	-	-	-	-	-	-
70 and up	-	-	-	-	-	-	-	-	-	-	-	-
Total Count	23	145	119	109	86	34	14	1	1	-	532	
Avg. Salary	$ 48,413	$ 54,506	$ 64,522	$ 70,725	$ 67,826	$ 75,149	$ 72,608	$ 39,686	$ 78,894	$ -		$ 63,773

APPENDIX A
MEMBERSHIP INFORMATION

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

	Age										
Plan Year	Under 50	50 to 54	55 to 59	60 to 64	65 to 69	70 to 74	75 to 79	80 to 84	85 to 89	90 and up	Total
Pre-1987	-	-	3	1	2	1	3	9	9	2	30
1987	-	1	1	1	-	1	2	3	1	-	10
1988	-	-	-	1	1	-	1	3	-	-	6
1989	1	-	-	1	1	3	-	-	1	-	7
1990	2	1	-	1	-	-	3	3	-	-	10
1991	-	-	-	-	-	-	3	-	-	2	5
1992	-	1	1	-	1	-	8	1	1	-	13
1993	-	1	-	2	-	3	5	2	-	-	13
1994	-	-	1	-	1	2	4	1	-	-	9
1995	-	-	1	-	1	1	4	-	1	-	8
1996	2	-	-	-	1	6	4	1	-	-	14
1997	2	-	-	1	-	5	1	1	-	-	10
1998	2	3	1	3	8	11	2	3	-	1	34
1999	1	2	-	1	5	1	-	1	1	-	12
2000	1	-	2	4	5	2	1	2	-	-	17
2001	3	-	-	3	6	2	1	-	-	1	16
2002	3	1	8	3	7	-	-	-	-	-	22
2003	-	1	3	3	8	-	2	1	-	-	18
2004	1	-	7	8	8	3	2	-	-	-	29
2005	-	3	8	6	1	1	-	-	-	-	19
2006	-	4	8	7	4	-	-	-	-	-	23
Total	18	18	44	46	60	42	46	31	14	6	325

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

Average Age at Retirement/Disability		58.8
Average Current Age		68.2
Average Annual Pension	$	26,865

APPENDIX A
MEMBERSHIP INFORMATION

Data Assumptions and Practices

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

- Service used in the valuation is the "Benefit Service" field supplied by the retirement system plus any outstanding active permissible purchased service. We assumed that purchased service that has been paid for is included in the "Benefit Service" field. We assume that all additional purchased service—to be paid in the future—will eventually be added to the "Benefit Service" field in future valuations.

- Salary in the report is based on the "Current Annual Pensionable Salary". However, when calculating future benefits, the maximum of "Current Annual Pensionable Salary" and annualized "Average Compensation" is used as salary.

- For accounts having duplicate records, we assume that any records with the same Social Security Number, Plan ID, and "Mandatory Employee Contributions" are duplicates and value only one copy.

- For accounts having duplicate records in the Actives and Inactives by Social Security Number, but having different "Mandatory Employee Contribution" amounts, the information from the latest payroll date is regarded as most up-to-date to determine active or inactive status. The other records are assumed to be frozen pieces from other Plan IDs. They are taken into account, but not as something that will change in the future.

- For members in payment having duplicate records, we valued only one copy. With the exception of any retiree who had two records with different benefit start dates, different plans and different benefit amounts, we combined these records to make one copy.

- Records on the provided "Member" file are considered to be Actives if they have no "Date of Death" and no "Date of Separation" and they received pay in the last pay period (Last Pay Period = 27) of the current fiscal year.

- Records on the "Member" file are considered to be Inactives if they do not have a "Date of Death" and do not fit the Active criteria list above.

- Pension Benefit for retirees for each plan was calculated by summing "Monthly Pension", "Monthly Annuity", "Cola Annuity", "Surviving Spouse Annuity", and "Cola Pension" and subtracting "Non-Cola Adjustments". "Non-Cola Adjustments" field is mainly for QDRO purposes.

- Unlike the 2005 and preceding valuations, members who retire from multiple Plan IDs (e.g., a City police member who also worked for Unified Port District) will be counted towards each of their Plan IDs. The benefits and liabilities of a member correspond to their respective salary and service earned under each Plan ID.

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

1. Investment Return Rate

SDCERS assets are assumed to earn 8.0% net of expenses

2. Inflation Rate

An inflation assumption of 4.25% compounded annually is used for projecting the total annual payroll growth for amortization of the UAL. It also represents the difference between the investment return rate and the assumed real rate of return.

3. Interest Credited to Member Contributions

8.0%, compounded annually.

4. Salary Increase Rate

Inflation component 4.25%

The additional merit component:

Table B-1

Years of Service at Valuation Date	General	Safety
0	4.50%	7.50%
1	3.50%	6.50%
2	2.50%	5.50%
3	1.50%	3.00%
4	0.50%	1.50%
5+	0.50%	0.50%

5. Cost-of-Living Increase in Benefits

Assumed to be 2.0% per annum, compounded.

6. COLA Annuity Benefit

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

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

7. Member Refunds

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

8. Rates of Termination

Table B-2
SDCERS - Unified Port District
Rates of Termination at Selected Ages and Service

Service	Age	General	Safety
0	All	5.63%	2.20%
1	All	5.53	2.20
2	All	4.33	2.15
3	All	4.33	2.05
4	All	4.24	2.00
5 & Over	20	4.62	2.12
	25	4.62	2.12
	30	3.13	1.48
	35	2.32	0.93
	40	1.60	0.39
	45	1.34	0.20
	50	1.03	0.07
	55	0.77	0.03
	60	0.00	0.00

20% of terminating employees, with 5+ years of service at termination, are assumed to subsequently work for a reciprocal employer and receive 4.75% pay increases per year.

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

9. Rates of Disability

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

Age	General	Safety
20	0.06%	0.54%
25	0.08	0.60
30	0.10	0.65
35	0.16	0.71
40	0.22	0.90
45	0.33	1.15
50	0.50	1.25
55	0.75	1.50
60	0.97	--

70% of the general disabilities and 85% of the safety disabilities are assumed to be industrial disability retirements. Non-industrial disability retirement is subject to service requirement.

10. Rates of Mortality for Active Lives

General members follow the Uninsured Pensioner 1994 (UP1994) set back 5 years (male and female). Set back 5 years is when a member currently age 50 uses the age 45 mortality rate.
Safety members follow the Male UP 1994 set back 5 years.

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

	General		Safety
Age	Male	Female	
20	0.04%	0.02%	0.04%
25	0.05	0.03	0.05
30	0.07	0.03	0.07
35	0.09	0.04	0.09
40	0.09	0.05	0.09
45	0.12	0.08	0.12
50	0.17	0.10	0.17
55	0.28	0.15	0.28
60	0.48	0.25	0.48
65	0.86	0.48	0.86
70	1.56	0.93	1.56

All active member deaths are assumed to be duty-related for safety members and not duty-related for other members.

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

11. Rates of Mortality for Retired Healthy Lives

All retired healthy members use the Uninsured Pensioners (UP1994) table set back 2 years (male and female).

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

Age	Male	Female
40	0.10%	0.06%
45	0.15	0.09
50	0.23	0.13
55	0.39	0.21
60	0.68	0.36
65	1.23	0.72
70	2.14	1.26
75	3.35	1.97
80	5.40	3.41
85	8.87	5.90
90	13.65	10.09

12. Rates of Mortality for Retired Disabled Lives

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

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

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

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

13. The Rates of Retirement

Table B-7
SDCERS - Unified Port Authority
Rates of Retirement at Selected Ages

Age	General	Safety
50	--	10%
51	--	10
52	--	10
53	--	10
54	--	20
55	20%	40
56	10	40
57	10	40
58	15	50
59	15	80
60	20	85
61	25	90
62	50	100
63	40	100
64	25	100
65	50	100
66	40	100
67	40	100
68	40	100
69	40	100
70	100	100

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

For vested deferred members, we assume that retirement will occur provided they have at least 5 years of service (excluding the 5 year permissible purchased service) on the later of attained age or:

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

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

If the inactive member is not vested, the liability is the member's contributions with interest.

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

14. Family Composite Assumptions

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

15. Member Contributions for Spousal Continuance

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

16. Deferred Member Actuarial Accrued Benefit

For the Deferred Vested and Non-Vested participants, 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 members without sufficient data or service, accumulated member contribution balances, with interest, were used as the actuarial accrued liability.

17. 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 cost methods described in the following section.

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

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

B. Actuarial Methods

1. Funding Method

The Projected Unit Credit Method is used to determine costs. Under this funding method, a total contribution rate is determined which consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

The normal cost is the present value of the amount of benefits allocated to the participant during the year. This amount is the increase in all participants' accumulated plan benefits during the year. For the Unified Port District, the normal cost rate is determined by taking the sum of the normal cost for all participants divided by the total annual payroll and subtracting expected member contributions.

In addition to contributions required to meet the Plan's normal cost, contributions are required to fund the Plan's unfunded actuarial liability. The actuarial liability is defined as the total of the cumulative benefit allocated to each participant on the date of the valuation. The unfunded actuarial liability is the actuarial liability for all members less the actuarial value of a system's assets.

The unfunded actuarial liability is amortized by annual payments. The payments are determined so that they will be a level percentage of pay, assuming payroll increases 4.25% per year. The UAL measured as of June 30, 2006 is amortized over a 15 year period. A 30 year period was established beginning July 1, 1991, 15 years remain.

2. Asset Valuation Method

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

The actuarial value of assets is a weighted average giving 25% weight to the current market value and 75% weight to the prior year's actuarial value increased by expected interest and contributions and decreased by benefit payments and expenses. This is mathematically equivalent to recognizing 100% of the actuarially assumed interest rate, plus contribution, less payment each year and 25% of the portion of each year's returns that have not already been reflected in asset values. This method will start in the June 30, 2007 valuation. The actuarial value of assets for the June 30, 2006 valuation is determined to be the market value as of June 30, 2006.

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

3. Changes Since Last Valuation

As was stated several times throughout this report, there have been a number of changes in actuarial methods and procedures since the last actuarial valuation:

- A move from a "book value based" asset smoothing method to the "expected asset value" smoothing method. For June 30, 2006, the actuarial value of assets was set to market value (see Section II).

- The asset apportionment method between SDCERS' three plan sponsors, (City of San Diego, Unified Port District, and San Diego County Regional Airport Authority) was changed from an allocation method based on various approximations, to one that will directly reflect as of June 30, 2005 and forward, the actual cash flows attributable to each plan sponsor since June 30, 2005.

- All "contingent" liabilities (13^{th} check) are now reflected in the June 30, 2006 valuation liabilities.

- SDCERS assets and liabilities as of June 30, 2006 now reflect both the future liabilities for DROP retirements and supplemental COLA as well as the asset reserves held for such liabilities. Previously, both amounts were excluded from SDCERS reported assets and liabilities.

- All future benefits payable from the SDCERS Trust Fund are capped at the maximum benefit level allowable under Internal Revenue Service Code Section 415.

- Minor adjustments in the allocation of liabilities amongst the three plan sponsors were made to ensure that when participants have service with more than one contributing employer the resulting liability allocation is equitably determined.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

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

1. Membership Requirement

Salaried Employees – immediate eligibility upon employment (compulsory) (§ 0101).

2. Monthly Compensation Base for Benefits

Highest one-year average – (§ 0102), subject to a 10% increase, if the General or Safety Member elects such increase in lieu of an increased benefit formula.

3. Service Requirement

<u>Eligibility</u>

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

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

<u>Benefit</u>

General Members:
Member choice of formula in place on December 31, 2001 with 10% increase in Final Average Compensation, "Andrecht" formula effective as of January 1, 2002, or "2.5 % at 55" multiplier with a benefit cap of 90% of Final Average Compensation effective April 1, 2004 for Non-Executive General Members. Executives General Members receive "3% at 55" multiplier without an increase in Final Average Compensation.

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

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

APPENDIX C
SUMMARY OF PLAN PROVISIONS

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

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

GENERAL:

Table C-2
SDCERS – Unified Port District

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

SAFETY:

Table C-3
SDCERS – Unified Port District

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

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SUMMARY OF PLAN PROVISIONS

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

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

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

Maximum Benefit

Safety Members: 90% of Final Average Compensation (subject to 10% increase).

General Members: 90% of Final Average Compensation if Post 4/1/2004 factor is chosen.

Executive Members (General): None.

Unmodified Form of Payment

Monthly payments continued for the life of the member, with 50% continuance to the eligible spouse upon member's death.

Note: Unified Port District employees are in Social Security.

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SUMMARY OF PLAN PROVISIONS

4. Non-Industrial Disability

Eligibility

Ten years of service (§ 0503).

Benefit

General Members:
Greater of 1.5% per year of service, one-third of final compensation (subject to 10% increase), or the earned service retirement benefit (§ 0505).

Safety Members:
Greater of 1.8% per year of service, one-third of final compensation (subject to 10% increase), or the earned service retirement benefit (§ 0504).

5. Industrial Disability

Eligibility

No age or service requirement (§ 0500).

Benefit

General Members:
Greater of one-third of final compensation (subject to 10% increase), or the earned service retirement benefit (§ 0502).

Safety Members:
Greater of one-half of final compensation (subject to 10% increase), or the earned service retirement benefit (§ 0501).

6. Non-Industrial Death Before Eligible to Retire

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

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

50% of earned benefit payable to surviving eligible spouse.

8. Industrial Death

50% of the final average compensation (subject to 10% increase) preceding death, payable to eligible spouse.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

9. Death After Retirement

50% of member's unmodified allowance continued to eligible spouse.
$2,000 payable in lump sum to the beneficiary or the estate of the retiree.

10. Withdrawal Benefits

Pre-12/8/76 Hires

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

Post-12/7/76 Hires

Less than five years of service (ten years of service if employee terminated before December 31, 2002) – Refund of accumulated employee contributions with interest, or may keep deposits in the System and earn additional interest.

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

11. Post-retirement Cost-of-Living Benefit

General and Safety Members:
Based on changes in Consumer Price Index, to a maximum of 2% per year.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

12. Member Contributions

Vary by age at time of entrance into SDCERS (§ 0200). While a significant portion of these contributions are "picked up", such pick ups are not directly reflected in either the employee contributions or related refund calculations.

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

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

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

APPENDIX C
SUMMARY OF PLAN PROVISIONS

Interest:	8.00%
Salary:	5.00%
Mortality:	83 Group Annuity Mortality (GAM) male (Males set back 3 years, Females set back 8 years)

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

13. Internal Revenue Code Compliance

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

Starting with the June 30, 2006 valuation, Section 415 of the Internal Revenue Code will be reflected.

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

APPENDIX D
GLOSSARY OF TERMS

1. Actuarial Accrued 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 liability".

2. Actuarial Assumptions

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

3. Accrued Service

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

4. Actuarial Equivalent

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

5. Actuarial Cost Method

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

6. Actuarial Gain (Loss)

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

7. Actuarial Present Value

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

8. Amortization

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

APPENDIX D
GLOSSARY OF TERMS

9. Annual Required Contribution (ARC) under GASB 25

The Governmental Accounting Standards Board (GASB) Statement No. 25 defines the Plan Sponsor's "Annual Required Contribution" (ARC) that must be disclosed annually. The SDCERS-Unified Port District's Computed Contribution rate for FY 2007 meets the parameters of GASB 25.

10. Normal Cost.

The actuarial present value of retirement system benefits allocated to the current year by the actuarial cost method.

11. Set back/set forward

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

12. Unfunded Actuarial Accrued Liability

The difference between actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded actuarial liability" or "unfunded accrued liability".

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

The existence of unfunded actuarial accrued liability is not in itself bad, any more than a mortgage on a house is bad. Unfunded actuarial accrued 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).