

**San Diego City
Employees' Retirement System**

**June 30, 2009
Actuarial Valuation for the**

**San Diego
Unified Port District**

Produced by [Cheiron](#)

January 2010

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LETTER OF TRANSMITTAL

January 8, 2010

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

Dear Members of the Board:

At your request, we performed the June 30, 2009 actuarial valuation of the San Diego City Employees' Retirement System (SDCERS). The valuation results with respect to the San Diego Unified Port District (UPD) are contained in this valuation report. The table below presents the key results of the valuation for the UPD.

Table I-1 SDCERS - Unified Port District (all dollar amounts in millions)		
Valuation Date	6/30/2009	6/30/2008
Unfunded Actuarial Liability (UAL)	\$ 64.8	\$ 21.5
Funding Ratio	77.5%	92.0%
UPD Contribution Rate	27.61%	17.57%
Fiscal Year	2011	2010
Annual Required Contribution (GASB):		
-if paid at the beginning of the year	\$ 11.5 million	\$ 7.2 million
-if paid throughout the year	\$ 12.0 million	\$ 7.5 million

- Unfunded Actuarial Liability (UAL):* The UPD's UAL has increased by \$43.3 million. The primary cause of this increase was the significant investment loss experienced during the worst equity market since the Great Depression.
- Funding Ratio:* This is the ratio of the system's actuarial value of assets to actuarial liabilities, which declined by 14.5%.
- Contributions (GASB ARC):* UPD contributions were determined under full compliance with the Governmental Accounting Standards Board (GASB) Statement Number 25, defining the annual required contribution (ARC) for the UPD for fiscal year July 1, 2010 through June 30, 2011 (FY 2011). The results of this valuation produced an increase in the UPD's ARC of \$4.3 million. When measured as a percent of membership payroll, the ARC increased by 10.04%.

More details on Plan experience for the past year and its impact on these June 30, 2009 valuation results can be found in the valuation report.

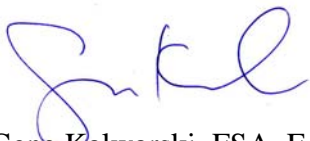


We certify that, to the best of our knowledge, this valuation report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable actuarial standards set out by the Actuarial Standards Board, including Actuarial Standards of Practice (ASOPs) Nos. 4, 27, 35 and 44. As such, it reflects the actuary's responsibility under 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.

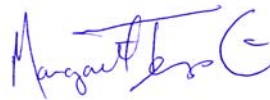
Finally, it is important to note that this valuation was prepared using census data and financial information as of the valuation date, June 30, 2009. Therefore, changes in membership and investment experience following that date are not, and should not be, reflected in this report. The next valuation will reflect all membership and investment experience changes through June 30, 2010.

Sincerely,

Cheiron



Gene Kalwarski, FSA, EA, MAAA
Principal Consulting Actuary



Margaret Tempkin, FSA, EA, MAAA
Consulting Actuary

**SECTION I
BOARD SUMMARY**

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

- The financial condition of the SDCERS-Unified Port District Defined Benefit Plan,
- Past and expected trends in the financial condition of SDCERS-Unified Port District,
- The UPD's contribution rates for Fiscal Year 2011, and
- Information required by the Governmental Accounting Standards Board (GASB).

In this Section, we present a summary of the principal valuation results. This summary includes the basis upon which the June 30, 2009 valuation was completed and an examination of the current financial condition of SDCERS-Unified Port District. In addition, we present a review of the key historical trends followed by the projected financial outlook for SDCERS-Unified Port District.

A. Valuation Basis

The Unified Port District's June 30, 2009 valuation results are based on the same actuarial methods and assumptions used in the June 30, 2008 valuation, except for the assumption used to calculate the value of the Deferred Retirement Option Plan (DROP) account balances. More details on the methods and assumptions can be found in Appendix B.

General and Executive Members hired on or after January 1, 2009 participate in a new Plan with lower benefits and costs. In particular, new Members do not begin to accrue service and are not eligible for any benefits until they have completed at least five years of UPD employment. The UPD's contribution for FY 2011 reflects the anticipated cost reduction on the projected FY 2011 payroll for new hires. As experience under the new Plan emerges, further study will be required and the actual cost implications may vary.

**SDCERS-UNIFIED PORT DISTRICT
JUNE 30, 2009 ACTUARIAL VALUATION**

**SECTION I
BOARD SUMMARY**

B. Current Financial Condition of SDCERS-Unified Port District

The following discussion summarizes the key results of the June 30, 2009 valuation and how they compare to the results from the June 30, 2008 valuation.

1. UPD Membership

Table I-2 shows that total membership in SDCERS-Unified Port District increased by 2.8% from 2008 to 2009. The increase was attributable to the growth in the inactive membership (terminated vested, disabled, retirees, and beneficiaries), as the active membership count decreased by 0.2%. Active Member payroll increased by 4.5%, which is above the assumed payroll inflation of 4%.

Table I-2			
SDCERS - Unified Port District - Membership Total			
Item	June 30, 2009	June 30, 2008	% Change
Active Counts	564	565	-0.2%
Terminated Vested	281	276	1.8%
Disabled	63	60	5.0%
Retirees	268	246	8.9%
Beneficiaries	60	55	9.1%
Total UPD Participants	1,236	1,202	2.8%
Active Member Payroll	\$ 40,370,258	\$ 38,634,835	4.5%
Average Pay per Active Member	\$ 71,578	\$ 68,380	4.7%

**SDCERS-UNIFIED PORT DISTRICT
JUNE 30, 2009 ACTUARIAL VALUATION**

**SECTION I
BOARD SUMMARY**

2. UPD Assets and Liabilities

Table I-3 presents a comparison between the June 30, 2009 and June 30, 2008 SDCERS-Unified Port District assets, liabilities, unfunded actuarial liability, and funding ratios.

The key results shown in Table I-3 indicate that due to the total actuarial liability increase of 8.1% and the actuarial value of assets decrease of 8.8%, the funding ratio decreased from 92.0% as of June 30, 2008 to 77.5% as of June 30, 2009. SDCERS employs a commonly used actuarial smoothing method on the market value that dampens market volatility, so the actuarial value of assets did not decline as much as the market value (19.9%).

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

Table I-3			
SDCERS - Unified Port District - Assets & Liabilities			
Entry Age Normal (EAN) Liabilities	June 30, 2009	June 30, 2008	% Change
Actives	\$ 137,987,124	\$ 130,541,076	5.7%
Terminated Vested	12,908,003	13,467,043	-4.2%
Disabled	14,884,521	13,776,914	8.0%
Retirees	115,138,009	102,962,596	11.8%
Beneficiaries	<u>7,780,488</u>	<u>6,289,100</u>	<u>23.7%</u>
Total Actuarial (EAN) Liability	288,698,145	267,036,729	8.1%
Market Value Assets	\$ 186,565,603	\$ 233,027,785	-19.9%
Actuarial Value Assets	\$ 223,878,723	\$ 245,580,297	-8.8%
Unfunded Actuarial Liability	\$ 64,819,422	\$ 21,456,432	202.1%
Funding Ratio-Actuarial Value	77.5%	92.0%	-14.5%

**SDCERS-UNIFIED PORT DISTRICT
JUNE 30, 2009 ACTUARIAL VALUATION**

**SECTION I
BOARD SUMMARY**

3. Components of UAL Change between June 30, 2008 and June 30, 2009

SDCERS-Unified Port District unfunded actuarial liability (UAL) increased by \$43.3 million from \$21.5 million to \$64.8 million. The table below (shown in thousands for detail) presents the specific components of the change in the UAL.

The key finding in Table I-4 is that investment experience increased the UAL by \$42.2 million. Liability experience increased the UAL by \$2.4 million. Partially offsetting that increase was UPD and Member contributions \$0.8 million in excess of expected.

Table I-4		
SDCERS - Unified Port District-Change in UAL		
(In Thousands)		
UAL change due to experience factors		
1.	Investment experience	\$ 42,227.1
2.	Purchased service credits paid for during the year*	11.6
3.	Liability experience	2,368.4
UAL change due to contribution factors		
4.	Contributions paid in excess of expected	(843.2)
Total		
5.	Total net overall change: (sum 1 through 4)	43,763.8
6.	Expected change in UAL	(400.9)
7.	Total actual change in UAL: 5 + 6	\$ 43,362.9

* *Attributable to Members who have entered into a purchased service contract after June 30, 2008. (Gain) or Loss equals the difference between the actuarial liability before and after the additional service purchased. Only Members hired before October 1, 2005 are still eligible to purchase additional service credits.*

**SDCERS-UNIFIED PORT DISTRICT
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**SECTION I
BOARD SUMMARY**

4. UPD Contributions

The Unified Port District's contribution for FY 2011 measured as a percent of membership payroll increased from 17.57% to 27.61%. In dollars, the required beginning of year contribution increased by \$4.3 million, from \$7.2 million to \$11.5 million.

The contribution increase was primarily attributable to the significant downturn in the markets over the FY ending June 30, 2009, which led to a large increase in the unfunded liability cost component of the annual required contribution (ARC).

In Section IV we provide more detail on the development of this contribution rate.

Table I-5 SDCERS – Unified Port District – Contributions			
EAN Funding Method	June 30, 2009	June 30, 2008	% Change
Current Plan Gross Normal Cost %	25.57%	23.58%	2.0%
Current Plan Member Cost %	<u>11.15%</u>	<u>10.53%</u>	<u>0.6%</u>
Current Plan Employer Normal Cost %	14.42%	13.05%	1.4%
New Plan Employer Normal Cost %*	4.39%	N/A	N/A
Total Employer Normal Cost %**	13.57%	13.05%	0.5%
Employer Unfunded Liability Cost %	14.04%	4.52%	9.5%
Negative Amortization Adjustment Cost %	<u>0.00%</u>	<u>0.00%</u>	<u>0.0%</u>
Total Employer Cost %	27.61%	17.57%	10.0%
Annual Required Contribution (GASB):			
-if paid at the beginning of the year	\$ 11.5 million	\$ 7.2 million	60.9%
-if paid throughout the year	\$ 12.0 million	\$ 7.5 million	60.9%
The total \$11.5 million ARC is made up of the following components (shown in thousands for detail):			
<u>in thousands</u>	Beginning of Year ARC Component		
\$ 5,671.3	Employer Normal Cost		
1,577.4	12-year amortization of the outstanding 2007 UAL balance 06/30/2010		
223.4	29-year amortization of the FY2008 UAL increase due to assumptions changes		
81.9	14-year amortization of the UAL due to the experience loss in FY2008		
3,981.6	15-year amortization of the UAL due to the experience loss in FY2009		
-	Amount needed to avoid negative amortization of UAL for FY 2011		
<u>\$ 11,535.6</u>	Total FY 2011 beginning of year ARC		

* The New Plan Employer Normal Cost % is a payroll-weighted average of General and Executive Members (new Plan for hires on or after January 1, 2009) and Safety Members (no change). New Plan Members have no service accrual or benefit eligibility for the first five years, so the normal cost is zero during that time.

** Total Employer Normal Cost % is a payroll-weighted average of the Current Plan Employer Normal Cost % and the New Plan Employer Normal Cost %.

Note: The differing amortization periods above for the respective tiers of the UAL were approved by the SDCERS Board effective with the June 30, 2007 valuation.

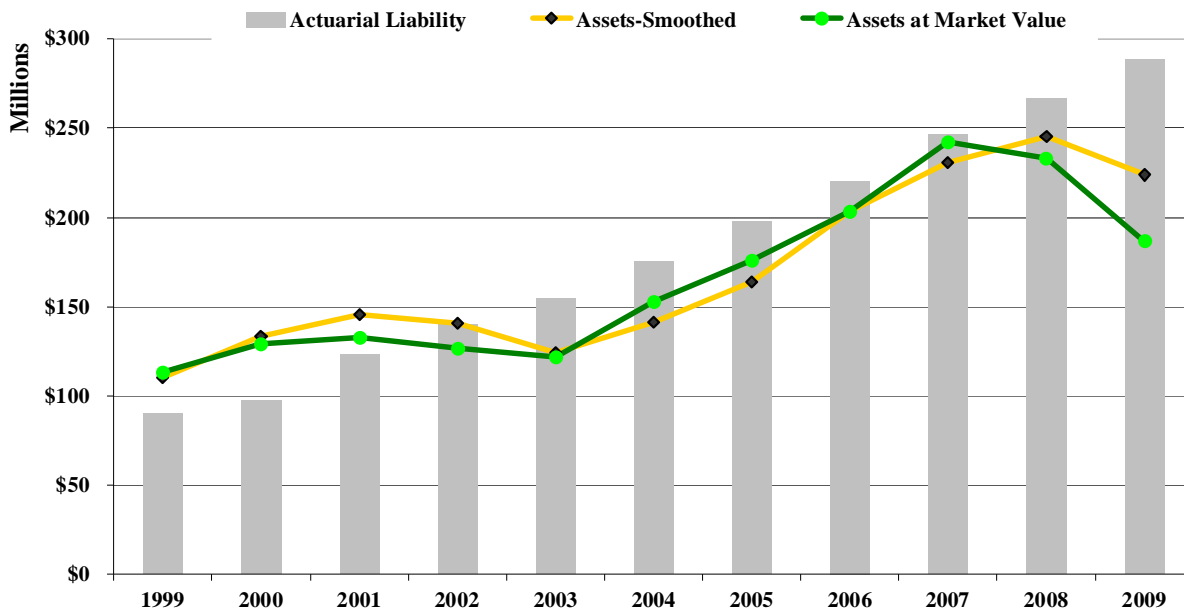
SECTION I
 BOARD SUMMARY

C. Historical Trends SDCERS-Unified Port District

Despite the fact that most of the attention given to the valuation focuses on the most recently computed unfunded actuarial liability (UAL), funding ratio, and the UPD’s contribution rate, it is important to remember that each valuation is merely a snapshot of the long-term progress of a pension fund. It is more important to judge a current year’s valuation result relative to historical trends, and trends expected into the future.

In the chart below, we present the historical trends for the market value and smoothed assets compared to actuarial liabilities and also show the SDCERS-Unified Port District funding ratios since 1999.

SDCERS- Unified Port District Assets and Liabilities 1999-2009



Funding Ratio	122.8%	137.1%	118.0%	100.3%	80.3%	80.6%	82.6%	92.1%	93.5%	92.0%	77.5%
UAL (millions)	\$ (20.5)	\$ (36.0)	\$ (22.2)	\$ (0.4)	\$ 30.4	\$ 34.0	\$ 34.4	\$ 17.4	\$ 16.0	\$ 21.5	\$ 64.8 *

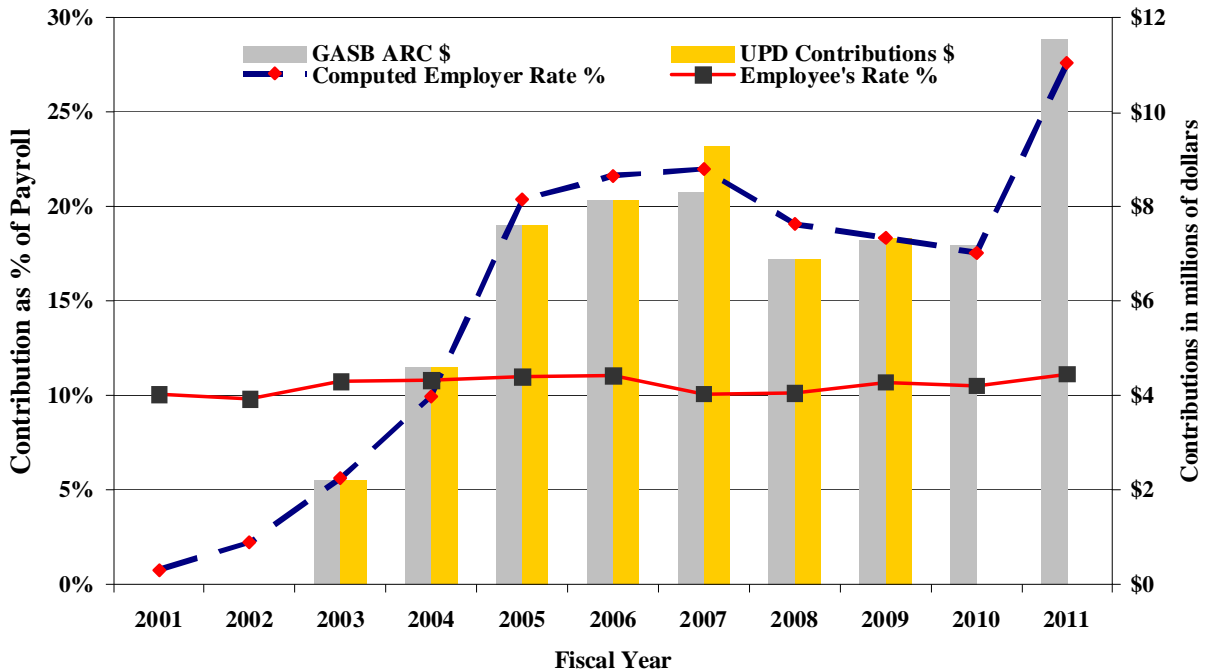
* The UAL for 2007 and after is calculated using the Entry Age Normal method; 2006 and prior years are calculated using the Projected Unit Credit method.

The chart indicates that from 1999 to 2002, SDCERS-Unified Port District maintained full funding. However, in 2003 the funding ratio declined significantly. From 2004 to 2007, the ratio improved significantly, primarily due to strong investment performance. In 2008, the funding ratio declined slightly primarily due to a change in actuarial assumptions, and in 2009 the funding ratio declined significantly due to investment losses.

SECTION I
 BOARD SUMMARY

In the chart below, we present the historical trends for the SDCERS-Unified Port District contribution rates since FY 2001, as well as actual contributions made by the UPD and the actuarially computed GASB ARC since FY 2003.

SDCERS-Unified Port District and Member Contribution Rates FY 2001-2011



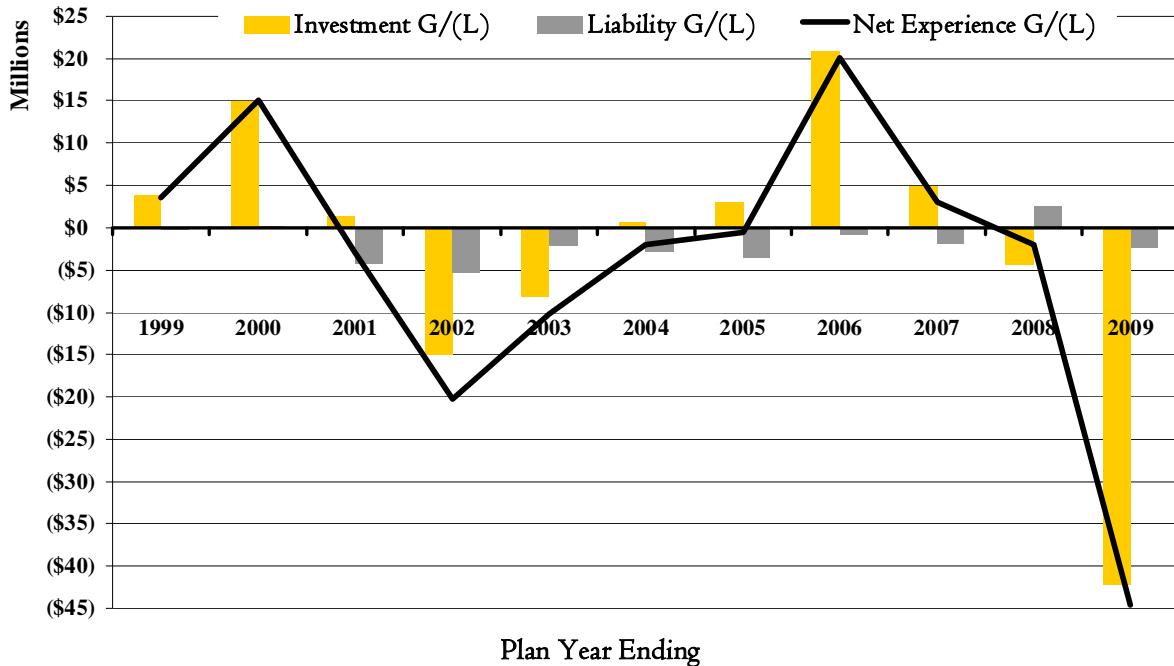
The key information in this chart is the escalation in the computed employer contribution rate between fiscal years 2001 and 2007, and the significant increase from fiscal year 2010 to fiscal year 2011. The chart indicates that the Members' contribution rate has remained relatively stable throughout the fiscal years shown in contrast to the volatility in the employer rates.

This chart also compares the actual contributions made by the Unified Port District beginning in FY 2003, to the annual required contribution (ARC) based on the Board's adopted funding practice of Normal Cost plus various amortization of UALs, including the requirement beginning in fiscal year 2009 that there be no negative amortization. The chart indicates that the Unified Port District has been consistently paying at or above the ARC since FY 2003.

**SECTION I
BOARD SUMMARY**

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

SDCERS-Unified Port District Historical Gain/(Loss) 1999-2009



The key insights from this chart are:

- Investment gains (gold bars) from 1999 through 2000 were significantly offset by investment losses from 2001 through 2003. From 2004 to 2007, there were additional investment gains, but the investment losses of 2008 and 2009 more than offset those gains.
- The investment loss in 2009 was by far the most significant gain or loss during the last ten years.
- There was a pattern of liability losses from 2001 to 2007. The plan experienced a small liability gain in 2008 and a small loss in 2009.

**SECTION I
BOARD SUMMARY**

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. A new Plan has been implemented for General and Executive Members hired on or after January 1, 2009, and these projections will be completed upon further analysis of the Plan's impact.

SECTION II ASSETS

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

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

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

- A. Disclosure of the June 30, 2009 total SDCERS market value of assets, by asset class
- B. Market value of assets by Plan Sponsor
- C. Development of the actuarial value of assets
- D. Disclosure of the investment performance for the year

**SECTION II
 ASSETS**

A. Disclosure of Market Value of Assets

The market value of assets represents a “snap-shot” value as of June 30, the last day of the fiscal year, which provides the principal basis for measuring financial performance from one year to the next. Market values, however, can fluctuate widely with swings in the investment markets. Because these fluctuations would cause volatility in employer contributions, an actuarial value of assets is developed. Table II-1 below discloses the market value by asset class of SDCERS – All Employers’ gross assets on June 30, 2009.

Table II-1 SDCERS – All Employers Summary of Reported Market Value of Total Defined Benefit Plan Assets	
Cash	\$ 374,935,440
US Stocks	1,444,848,678
International Stocks	614,245,022
Bonds	1,005,232,083
Real Estate	350,499,079
Receivables	109,333,112
Short Term Investments	33,311,264
Fixed Assets	1,274,343
Miscellaneous	72,718
Accounts Payable	<u>(218,678,061)</u>
Market Value of Assets – June 30, 2009	\$ 3,715,073,678

**SECTION II
 ASSETS**

B. Market Value of Assets by Plan Sponsor

As of July 1, 2007, the City, Unified Port District and Airport Authority plans were separated into independent, qualified, single employer governmental defined benefit plans and trusts. The assets of the three separate plans and trusts are pooled in the SDCERS Group Trust, which was established as of July 1, 2007. SDCERS invests and administers the Group Trust as a common investment fund and accounts separately for the proportional interest of each plan and trust that participates in the Group Trust. Cash flow activity for each plan is recorded directly to that plan, with investment activity and other cash flow activity not specific to any one plan being allocated based upon each plan's respective share of the Group Trust's total assets, with time-weighted adjustments for the plan-specific cash flows. Table II-2 below discloses the market value of assets by plan.

Table II-2 Summary of Market and Actuarial Assets for Each Employer Group as of June 30, 2009			
	<u>Market Value</u> Total Net Assets June 30, 2008	<u>Market Value</u> Total Assets June 30, 2009	<u>Actuarial Value</u> Total Assets June 30, 2009
City of San Diego	\$4,408,719,440	\$3,479,357,154	\$4,175,228,585
Unified Port District	233,027,785	\$186,565,603	\$223,878,723
Airport Authority	<u>54,856,234</u>	<u>\$49,150,920</u>	<u>\$58,981,105</u>
Total-SDCERS	\$4,696,603,459	\$3,715,073,678	\$4,458,088,413

**SDCERS-UNIFIED PORT DISTRICT
JUNE 30, 2009 ACTUARIAL VALUATION**

**SECTION II
ASSETS**

C. Actuarial Value of Assets

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

The actuarial value of assets is equal to 100% of the expected actuarial value of assets as of June 30, 2009 (assuming 7.75% earnings for the year) plus 25% of the difference between the current actual market value of assets and the expected actuarial value of assets. (See Appendix B, section B-2 for further explanation of the asset valuation method). In no event will the actuarial value of assets ever be less than 80% of the market value of assets, nor ever greater than 120% of the market value of assets.

Table II-3 SDCERS – Unified Port District Development of Actuarial Value of Assets at June 30, 2009 Expected Value of Assets Method		
1.	Actuarial Value of Assets at June 30, 2008	\$ 245,580,297
2.	Amount in (1) with interest at 7.75% to June 30, 2009	264,612,770
3.	Employer, and Member contributions for the Plan Year ended June 30, 2009	12,374,662
4.	Disbursements from Trust excluding investment expenses, June 30, 2008 through June 30, 2009	11,183,488
5.	Interest on cash flows to June 30, 2009 at 7.75% per year	313,668
6.	Expected Actuarial Value of Assets at June 30, 2009 = (2) + (3) – (4) + (5)	266,117,612
7.	Actual Market Value of Assets at June 30, 2009	186,565,603
8.	Excess of (7) over (6)	(79,552,009)
9.	Preliminary Actuarial Value of Assets at June 30, 2009 = (6) + 25% of (8)	\$ 246,229,609
10.	80% Minimum Corridor on the Actuarial Value of Assets = 80% of (7)	149,252,482
11.	120% Maximum Corridor on the Actuarial Value of Assets = 120% of (7)	223,878,723
12.	Final Actuarial Value of Assets at June 30, 2009 = (9), but no less than (10) and no more than (11)	\$ 223,878,723

SECTION II
ASSETS

D. Investment Performance

The return on the market value of assets, as reported by SDCERS' investment advisor Callan Associates, was negative 19.2%. The return in FY 2008 was negative 4.66%.

On an actuarial (smoothed) value of assets basis, the return for FY 2009 was negative 6.18%. This return produced for SDCERS-All Employers an overall investment loss of \$863.2 million for the year ending June 30, 2009. (Note this reported loss is different than the investment loss of \$42.2 million reported on page 4 in this report. The latter is the loss only for the SDCERS-Unified Port District.)

SECTION III LIABILITIES

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

- Disclosure of liabilities at June 30, 2008 and June 30, 2009, and
- Statement of changes in the unfunded actuarial liabilities during the year.

A. Disclosure

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

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

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

SDCERS-UNIFIED PORT DISTRICT
JUNE 30, 2009 ACTUARIAL VALUATION

**SECTION III
LIABILITIES**

Table III-1		
SDCERS - Unified Port District - Total		
Item	June 30, 2009	June 30, 2008
Present Value of Future Benefits		
Actives	\$ 219,019,033	\$ 211,520,056
Terminated Vested	12,908,003	13,467,043
Disabled	14,884,521	13,776,914
Retirees	115,138,009	102,962,596
Beneficiaries	<u>7,780,488</u>	<u>6,289,100</u>
Total UPD	\$ 369,730,053	\$ 348,015,709
Actuarial Liability – EAN		
Total Present Value of Benefits	\$ 369,730,053	\$ 348,015,709
Present Value of Future Normal Costs		
Employer Portion	45,667,872	44,905,423
Employee Portion	<u>35,364,036</u>	<u>36,073,557</u>
Actuarial Liability – EAN	\$ 288,698,145	\$ 267,036,729
Actuarial Value of Assets	\$ 223,878,723	\$ 245,580,297
Unfunded EAN Actuarial Liability	\$ 64,819,422	\$ 21,456,432

Table III-2 shows the actuarial liability as of June 30, 2009 for General, Executive and Safety Members of SDCERS-Unified Port District.

Table III-2				
SDCERS - Unified Port District – General, Executives & Safety				
Item	June 30, 2009	June 30, 2009	June 30, 2009	June 30, 2009
Present Value of Benefits	Total	General	Executives	Safety
Actives	\$ 219,019,032	\$ 132,702,238	\$ 5,659,595	\$ 80,657,199
Terminated Vested	12,908,003	11,521,323	-	1,386,680
Disabled	14,884,521	8,636,235	-	6,248,286
Retirees	115,138,009	80,723,575	11,394,985	23,019,449
Beneficiaries	<u>7,780,488</u>	<u>6,659,760</u>	<u>-</u>	<u>1,120,728</u>
Total UPD	\$ 369,730,053	\$ 240,243,131	\$ 17,054,580	\$ 112,432,342
Actuarial Liability – EAN				
Actives	\$ 137,987,125	\$ 81,092,303	\$ 4,122,829	\$ 52,771,992
Terminated Vested	12,908,003	11,521,323	-	1,386,680
Disabled	14,884,521	8,636,235	-	6,248,286
Retirees	115,138,009	80,723,575	11,394,985	23,019,449
Beneficiaries	<u>7,780,488</u>	<u>6,659,760</u>	<u>-</u>	<u>1,120,728</u>
Total UPD	\$ 288,698,145	\$ 188,633,196	\$ 15,517,814	\$ 84,547,135

**SECTION III
LIABILITIES**

B. Changes in Unfunded Actuarial Liabilities

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

Table III-3		
Development of 2009 Experience Gain/(Loss) SDCERS - Unified Port District		
(In Thousands)		
1.	Unfunded Actuarial Liability at June 30, 2008	\$21,456.4
2.	Beginning of year unfunded actuarial liability payment	(1,915.3)
3.	Interest accrued $((1+2) \times 7.75\%)$	<u>1,514.4</u>
4.	Expected Unfunded Actuarial Liability at June 30, 2009 (1+2+3)	21,055.6
5.	Actual Unfunded Liability at June 30, 2009	64,819.4
6.	Difference: (4 - 5)	(43,763.8)
7.	Portion of difference (6) due to actuarial assumption changes	0.0
8.	Portion of difference (6) due to benefit changes	0.0
9.	Portion of difference (6) due to net experience Gain/(Loss)	(43,763.8)
	a) portion of (9) due to contributions more than expected	\$843.2
	b) portion of (9) due to investment experience	\$(42,227.1)
	c) portion of (9) due to liability experience	\$(2,379.9)
Elements of Liability Gain/(Loss)		
1.	G/(L) due to demographic and payroll experience	(2,368.4)
2.	G/(L) due to purchased service credit	(11.6)
3.	Other Gain/(Loss)	<u>0.0</u>
4.	Total Estimated Liability Gain/(Loss): sum 1 through 3	\$(2,379.9)

**SDCERS-UNIFIED PORT DISTRICT
JUNE 30, 2009 ACTUARIAL VALUATION**

**SECTION III
LIABILITIES**

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

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

* Airport Authority split as of December 31, 2002.

SECTION IV CONTRIBUTIONS

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

The actuarial funding methodology employed is the Entry Age Normal (EAN) actuarial funding method. Under EAN, there are two components to the total contribution: the normal cost and an amortization payment on the unfunded actuarial liability. The normal cost rate is determined by taking the value, as of entry age into the plan, of each Member's projected future benefits. This value is then divided by the value, also at entry age, of each Member's expected future salary. The normal cost rate is multiplied by current salary to determine each Member's normal cost. Finally, the normal cost is reduced by the Member contribution to produce the employer normal cost. The difference between the EAN actuarial liability and the actuarial value of assets is the unfunded actuarial liability. The UAL for FY 2011 is to be amortized over several different periods. The fiscal year ending June 30, 2009 experience loss is amortized over 15 years, the outstanding balance of the June 30, 2008 UAL due to assumption changes is amortized over 29 years, the outstanding balance of the fiscal year ending June 30, 2008 experience loss is amortized over 14 years, and the outstanding balance of the June 30, 2007 UAL is amortized over 12 years. Finally, if necessary, there is an additional UAL cost component to ensure that there is no negative amortization in any year.

Table IV-1 on the following page shows how the Unified Port District's contribution rate for SDCERS for FY 2011 is developed. The methodology and assumptions used are in full compliance with the parameters set in GASB Statement No. 25 for purposes of determining the annual required contribution (ARC).

**SDCERS-UNIFIED PORT DISTRICT
JUNE 30, 2009 ACTUARIAL VALUATION**

**SECTION IV
CONTRIBUTIONS**

**Table IV-1
SDCERS - Unified Port District
Development of the UPD's Contribution as of June 30, 2009, For (FY 2011)
(dollars in millions)**

	WEIGHTED TOTAL UPD	Non-Safety			Safety
		Weighted Total	General	Executives	Safety Total
1. Total Normal Cost Rate for Current Members	25.57%	23.71%	23.56%	27.66%	30.09%
2. Member Contribution Rate for Current Members	11.15%	10.28%	10.27%	10.53%	13.25%
3. Employer Normal Cost Rate for Current Members (1-2)	14.42%	13.43%	13.29%	17.13%	16.84%
4. Actuarial Liability	\$ 288.7	\$ 204.2	\$ 188.6	\$ 15.5	\$ 84.5
5. Actuarial Assets	\$ 223.9	\$ 158.3	\$ 146.3	\$ 12.0	\$ 65.6
6. Total Unfunded Actuarial Liability (UAL)(4-5)	\$ 64.8	\$ 45.8	\$ 42.4	\$ 3.5	\$ 19.0
a. Balance of 6/30/2007 UAL on 07/01/10 ¹	\$ 15.7	\$ 11.1	\$ 10.3	\$ 0.8	\$ 4.6
b. Balance 2008 assumption change on 07/01/10	\$ 4.1	\$ 2.9	\$ 2.7	\$ 0.2	\$ 1.2
c. Balance of FY08 experience loss on 07/01/10	\$ 0.9	\$ 0.7	\$ 0.6	\$ 0.0	\$ 0.3
d. Balance of FY09 experience loss on 07/01/10	\$ 47.2	\$ 33.3	\$ 30.8	\$ 2.5	\$ 13.8
7. a. amortization payment (12 years) for 6a.	\$ 1.6	\$ 1.1	\$ 1.0	\$ 0.1	\$ 0.5
b. amortization payment (29 years) for 6b.	\$ 0.2	\$ 0.2	\$ 0.1	\$ 0.0	\$ 0.1
c. amortization payment (14 years) for 6c.	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.0	\$ 0.0
d. amortization payment (15 years) for 6d.	\$ 4.0	\$ 2.8	\$ 2.6	\$ 0.2	\$ 1.2
e. preliminary FY11 UAL amortization	\$ 5.9	\$ 4.1	\$ 3.8	\$ 0.3	\$ 1.7
8. <u>Negative Amortization Test for FY11</u>					
a. Total UAL on 6/30/09 less FY10 UAL payment	\$ 63.0	\$ 44.6	\$ 41.2	\$ 3.4	\$ 18.5
b. interest on 8a. To 6/30/10	\$ 4.9	\$ 3.5	\$ 3.2	\$ 0.3	\$ 1.4
c. preliminary FY11 UAL amortization (7e.)	\$ 5.9	\$ 4.1	\$ 3.8	\$ 0.3	\$ 1.7
d. Negative interest (8b - 8c, not less than zero)	-	-	-	-	-
9. Total FY11 UAL payment on 7/01/10 (8c + 8d)	\$ 5.9	\$ 4.1	\$ 3.8	\$ 0.3	\$ 1.7
10. Total FY11 UAL payment throughout year	\$ 6.1	\$ 4.3	\$ 4.0	\$ 0.3	\$ 1.8
11. Total Expected Payroll for FY11	\$ 43.4	\$ 30.8	\$ 29.7	\$ 1.1	\$ 12.6
12. Expected Payroll for Current Members in FY11	\$ 39.7	\$ 28.1	\$ 27.1	\$ 1.0	\$ 11.6
13. Expected Payroll for New Hires in FY11	\$ 3.7	\$ 2.7	\$ 2.6	\$ 0.2	\$ 1.0
14. Employer Normal Cost Rate for Current Members	14.42%	13.43%	13.29%	17.13%	16.84%
15. Employer Normal Cost Rate for New Hires	4.39%	0.00%	0.00%	0.00%	16.84%
16. FY11 Normal Cost paid throughout the year (12x14 + 13x15)	\$ 5.9	\$ 3.8	\$ 3.6	\$ 0.2	\$ 2.1
17. FY11 Normal Cost paid at start of year	\$ 5.7	\$ 3.6	\$ 3.5	\$ 0.2	\$ 2.0
18. Determination of FY11 GASB ARC %					
a. Employer Normal Cost Rate (16 divided by 11)	13.57%	12.25%	12.15%	14.73%	16.84%
b. UAL Rate (line 10 divided by line 11)	14.04%	<u>13.98%</u>	<u>13.41%</u>	<u>29.44%</u>	<u>14.17%</u>
c. Total employer ARC % (18a + 18b)	27.61%	26.23%	25.55%	44.17%	31.01%
19. Determination of FY11 GASB ARC dollars					
a. FY11 ARC if paid throughout year	\$ 12.0	\$ 8.1	\$ 7.6	\$ 0.5	\$ 3.9
b. FY11 ARC if paid at beginning of year	\$ 11.5	\$ 7.8	\$ 7.3	\$ 0.5	\$ 3.8

1. Adjusts reported 7/1/07 UAL to 7/1/10 by adding interest and removing UAL payments

Note: Numbers may not add due to rounding.

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 No. 35 disclosure provides a “snap shot” view of how System assets at market value compare to liabilities if contributions stopped and accrued benefit claims had to be satisfied.

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

Both the present value of accrued benefits (FASB No. 35) and the actuarial liability (GASB No. 25) are determined assuming that participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions. Liabilities are discounted at the assumed valuation interest rate of 7.75% per annum.

FASB Statement No. 35 specifies that a comparison of the present value of accrued (accumulated) benefits to the market value of the assets as of the valuation date must be provided. GASB Statement No. 25 requires the actuarial liability be compared with the actuarial value of assets for funding purposes. The relevant amounts as of June 30, 2008 and June 30, 2009 are presented in Table V-1 and Table V-2.

SDCERS-UNIFIED PORT DISTRICT
JUNE 30, 2009 ACTUARIAL VALUATION

SECTION V
ACCOUNTING STATEMENT INFORMATION

Table V-1			
SDCERS - Unified Port District – Total			
Item	June 30, 2009	June 30, 2008	% Change
FASB No. 35 Basis			
1. Present Value of Benefits Accrued and Vested to Date			
a. Members Currently Receiving Payments	\$137,803,018	\$123,028,610	12.0%
b. Vested Terminated and Inactive Members	12,908,003	13,467,043	-4.2%
c. Active Members	<u>94,467,763</u>	<u>84,563,379</u>	11.7%
d. Total PVAB	\$245,178,784	\$221,059,032	10.9%
2. Assets at Market Value	186,565,603	233,027,785	-19.9%
3. Unfunded Present Value of Accrued Benefits, But Not Less Than Zero	58,613,181	-	
4. Ratio of Assets to Value of Benefits (2)/(1)(d)	76.09%	105.41%	-29.3%
GASB No. 25 Basis			
1. Actuarial Liabilities			
a. Members Currently Receiving Payments	\$137,803,018	\$123,028,610	12.0%
b. Vested Terminated and Inactive Members	12,908,003	13,467,043	-4.2%
c. Active Members	<u>137,987,124</u>	<u>130,541,076</u>	5.7%
d. Total Actuarial Liability	\$288,698,145	\$267,036,729	8.1%
2. Actuarial Value of Assets	\$223,878,723	\$245,580,297	-8.8%
3. Unfunded Actuarial Liability	\$64,819,422	\$21,456,432	202.1%
4. Ratio of Actuarial Value of Assets To Actuarial Liability (2)/(1)(d)	77.55%	91.96%	-14.5%

Table V-2	
SDCERS - Unified Port District – Total	
Item	Accumulated Benefits Obligation (FASB 35)
Actuarial Present Value of Benefits Accrued and Vested as of June 30, 2008	\$221,059,032
Increase (Decrease) During Year Attributable to:	
Passage of Time	16,698,715
Benefits Paid	(11,183,488)
Assumption Change	-
Plan Amendment	-
Benefits Accrued, Other Gains/Losses	<u>18,604,525</u>
Net Increase (Decrease)	\$24,119,752
Actuarial Present Value of Benefits Accrued and Vested as of June 30, 2009	\$245,178,784

SECTION V
ACCOUNTING STATEMENT INFORMATION

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

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

The information presented in the required supplementary schedules to the Financial Section of the 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, 2009
Actuarial funding method	Entry Age Normal
Amortization method	Level percent closed
Equivalent single amortization period	13.709 years ¹
Asset valuation method	Expected Value Method
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases due to inflation ²	4.00%
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 most recent review of SDCERS’ experience, completed in 2008.

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

1 12 years for the outstanding balance of the 2007 UAL, 15 years for experience gains and losses, 30 years for changes in methods and assumptions, 20 years for benefit changes.
2 Additional merit salary increases of 0.50% to 8.00% based on a participant’s years of service, and membership group are also assumed. These increases are not used in the amortization of SDCERS’ UAL.

SDCERS-UNIFIED PORT DISTRICT
JUNE 30, 2009 ACTUARIAL VALUATION

SECTION V
ACCOUNTING STATEMENT INFORMATION

Table V-4	
SDCERS - Unified Port District	
ANALYSIS OF FINANCIAL EXPERIENCE	
Gain and Loss in Actuarial Liability During Years Ended June 30	
Resulting from Differences Between Assumed Experience	
and Actual Experience	
	<i>Gain (or Loss) for Year ending June 30, 2009</i>
Type of Activity	
Investment Income	\$ (42,227,122)
Combined Liability Experience	<u>(2,379,929)</u>
Gain (or Loss) During Year from Financial Experience	\$ (44,607,050)
Non-Recurring Gain (or Loss) Items (e.g., Contributions)	<u>843,209</u>
Composite Gain (or Loss) During Year	\$ (43,763,842)

**SDCERS-UNIFIED PORT DISTRICT
JUNE 30, 2009 ACTUARIAL VALUATION**

**SECTION V
ACCOUNTING STATEMENT INFORMATION**

**Table V-5
SDCERS - Unified Port District
GASB SOLVENCY TEST
Actuarial Liabilities For
(\$ in thousands)**

Valuation Date June 30,	(A)	(B)	(C)	Reported Assets ¹	Portion of Actuarial Liabilities Covered by Reported Assets		
	Active Member Contributions	Retirees And Beneficiaries	Remaining Active Members' Liabilities		(A)	(B)	(C)
2009	\$ 20,784	\$ 137,803	\$ 130,112	\$ 223,879	100%	100%	50.18%
2008	19,397	123,029	124,611	245,580	100	100	82.78
2007 ⁵	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 ⁴	75,994	86,487	141,375	100	100	60.70
2003	12,000 ⁴	65,581	76,719	123,884	100	100	60.37
12/31/2002 ²	11,578	63,843	62,403	125,619	100	100	80.44
2002	12,317	57,650	70,230	140,613	100	100	100.00
2001	10,754	52,025	60,347	145,278	100	100	100.00
2000	9,609	44,774	42,777	133,183	100	100	100.00
1999	8,792	40,725	40,292	110,310	100	100	100.00

1 Actuarial Value of Assets

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

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

4 Estimated

5 The actuarial liability on June 30, 2007 and after is based on the entry age actuarial funding method. All prior years are based on the projected unit credit actuarial funding method.

**SDCERS-UNIFIED PORT DISTRICT
JUNE 30, 2009 ACTUARIAL VALUATION**

**APPENDIX A
MEMBERSHIP INFORMATION**

Table A-1			
SDCERS - Unified Port District			
Active Member Data			
	June 30, 2009	June 30, 2008	% Change
<u>Total</u>			
Count	564	565	-0.2%
Average Current Age	44.3	44.3	0.0%
Average Service	9.9	9.7	1.9%
Average Pensionable Earnings	\$ 71,578	\$ 68,380	4.7%
Annual Pensionable Earnings	\$ 40,370,258	\$ 38,634,835	4.5%
Average Valuation Compensation ¹	\$ 71,578	\$ 68,380	4.7%
Annual Valuation Compensation ¹	\$ 40,370,258	\$ 38,634,835	4.5%
Service Without Permissive Service Purchased	9.1	8.8	3.5%
Members with Paid Purchased Service	91	99	-8.1%
Members with Any Purchased Service	112	126	-11.1%
Amount of Paid Purchased Service	261	277	-5.8%
Amount of Total Purchased Service	441	509	-13.2%
<u>General</u>			
Count	430	431	-0.2%
Average Current Age	45.5	45.8	-0.7%
Average Service	9.4	9.4	0.0%
Average Pensionable Earnings	\$ 66,700	\$ 64,192	3.9%
Annual Pensionable Earnings	\$ 28,681,041	\$ 27,666,659	3.7%
Average Valuation Compensation ¹	\$ 66,700	\$ 64,192	3.9%
Annual Valuation Compensation ¹	\$ 28,681,041	\$ 27,666,659	3.7%
Service Without Permissive Service Purchased	8.5	8.4	1.2%
Members with Paid Purchased Service	69	79	-12.7%
Members with Any Purchased Service	87	102	-14.7%
Amount of Paid Purchased Service	226	254	-10.9%
Amount of Total Purchased Service	359	428	-15.9%
<u>Safety</u>			
Count	134	134	0.0%
Average Current Age	40.2	39.4	2.0%
Average Service	11.7	10.8	8.3%
Average Pensionable Earnings	\$ 87,233	\$ 81,852	6.6%
Annual Pensionable Earnings	\$ 11,689,217	\$ 10,968,176	6.6%
Average Valuation Compensation ¹	\$ 87,233	\$ 81,852	6.6%
Annual Valuation Compensation ¹	\$ 11,689,217	\$ 10,968,176	6.6%
Service Without Permissive Service Purchased	11.1	10.2	8.8%
Members with Paid Purchased Service	22	20	10.0%
Members with Any Purchased Service	25	24	4.2%
Amount of Paid Purchased Service	35	23	50.2%
Amount of Total Purchased Service	82	81	1.2%

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

**SDCERS-UNIFIED PORT DISTRICT
JUNE 30, 2009 ACTUARIAL VALUATION**

**APPENDIX A
MEMBERSHIP INFORMATION**

Table A-2 SDCERS - Unified Port District Non-Active Participant Data						
	Count			Average Age		
	June 30, 2009	June 30, 2008	%Change	June 30, 2009	June 30, 2008	%Change
<u>Total</u>						
Retired	268	246	8.9%	68.4	68.4	0.0%
Disabled	63	60	5.0%	60.0	59.8	0.4%
Beneficiaries	<u>60</u>	<u>55</u>	9.1%	<u>75.2</u>	<u>76.1</u>	-1.2%
Payee Total	391	361	8.3%	68.1	68.2	-0.1%
DROP Participants	37	39	-5.1%	61.2	60.1	1.8%
Deferred Vested ¹	281	276	1.8%	47.1	46.6	1.1%
Vested < 5(10*) yrs svc	209	208	0.5%			
<u>General</u>						
Retired	234	212	10.4%	69.4	69.5	-0.1%
Disabled	48	46	4.3%	62.7	62.4	0.5%
Beneficiaries	<u>56</u>	<u>54</u>	3.7%	<u>76.3</u>	<u>76.5</u>	-0.3%
Payee Total	338	312	8.3%	69.6	69.7	-0.1%
DROP Participants	35	32	9.4%	61.6	61.6	0.0%
Deferred Vested ¹	245	242	1.2%	47.9	47.3	1.3%
Vested < 5(10*) yrs svc	179	180	-0.6%			
<u>Safety</u>						
Retired	34	34	0.0%	62.0	61.4	1.0%
Disabled	15	14	7.1%	51.2	51.0	0.4%
Beneficiaries	<u>4</u>	<u>1</u>	300.0%	<u>59.5</u>	<u>57.1</u>	4.2%
Payee Total	53	49	8.2%	58.8	58.3	0.9%
DROP Participants	2	7	-71.4%	54.0	53.1	1.7%
Deferred Vested ¹	36	34	5.9%	41.5	41.3	0.5%
Vested < 5(10*) yrs svc	30	28	7.1%			

¹ Includes all participants having a contribution balance still on account with SDCERS.

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

**SDCERS-UNIFIED PORT DISTRICT
JUNE 30, 2009 ACTUARIAL VALUATION**

**APPENDIX A
MEMBERSHIP INFORMATION**

Table A-3 SDCERS - Unified Port District Non-Active Participant Data							
	Total Annual Benefit			Average Annual Benefit			
	June 30, 2009	June 30, 2008	%Change	June 30, 2009	June 30, 2008	%Change	
<u>Total</u>							
Retired	\$ 9,744,449	\$ 8,693,247	12.1%	\$ 36,360	\$ 35,338	2.9%	
Disabled	1,279,376	1,184,093	8.0%	20,308	19,735	2.9%	
Beneficiaries	<u>844,145</u>	<u>700,342</u>	20.5%	<u>14,069</u>	<u>12,733</u>	10.5%	
Payee Total	\$ 11,867,970	\$ 10,577,683	12.2%	\$ 30,353	\$ 29,301	3.6%	
DROP Participants	\$ 1,607,999	\$ 2,082,011	-22.8%	\$ 43,459	\$ 53,385	-18.6%	
Deferred Vested ¹	\$ 4,043,994	\$ 3,987,972	1.4%	\$ 14,391	\$ 14,449	-0.4%	
<u>General</u>							
Retired	\$ 7,997,674	\$ 6,964,366	14.8%	\$ 34,178	\$ 32,851	4.0%	
Disabled	807,919	725,747	11.3%	16,832	15,777	6.7%	
Beneficiaries	<u>755,785</u>	<u>676,591</u>	11.7%	<u>13,496</u>	<u>12,529</u>	7.7%	
Payee Total	\$ 9,561,378	\$ 8,366,703	14.3%	\$ 28,288	\$ 26,816	5.5%	
DROP Participants	\$ 1,449,947	\$ 1,569,635	-7.6%	\$ 41,427	\$ 49,051	-15.5%	
Deferred Vested ¹	\$ 3,512,412	\$ 3,455,645	1.6%	\$ 14,336	\$ 14,280	0.4%	
<u>Safety</u>							
Retired	\$ 1,746,774	\$ 1,728,882	1.0%	\$ 51,376	\$ 50,849	1.0%	
Disabled	471,456	458,346	2.9%	31,430	32,739	-4.0%	
Beneficiaries	<u>88,361</u>	<u>23,751</u>	272.0%	<u>22,090</u>	<u>23,751</u>	-7.0%	
Payee Total	\$ 2,306,591	\$ 2,210,979	4.3%	\$ 43,521	\$ 45,122	-3.5%	
DROP Participants	\$ 158,052	\$ 512,376	-69.2%	\$ 79,026	\$ 73,197	8.0%	
Deferred Vested ¹	\$ 531,583	\$ 532,328	-0.1%	\$ 14,766	\$ 15,657	-5.7%	

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

SDCERS-UNIFIED PORT DISTRICT
JUNE 30, 2009 ACTUARIAL VALUATION

APPENDIX A
MEMBERSHIP INFORMATION

Table A-4
SDCERS - Unified Port District
Distribution of Active Members (Excludes DROP Participants) as of June 30, 2009
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	4	-	-	-	-	-	-	-	-	7	\$ 49,498
25 to 29	11	25	3	-	-	-	-	-	-	-	39	56,467
30 to 34	8	39	24	1	-	-	-	-	-	-	72	62,342
35 to 39	1	28	33	14	2	-	-	-	-	-	78	71,560
40 to 44	3	21	26	16	15	6	-	-	-	-	87	72,539
45 to 49	6	13	24	24	25	16	4	-	-	-	112	78,676
50 to 54	5	6	22	15	22	11	8	-	-	-	89	78,477
55 to 59	1	6	13	11	15	4	-	2	-	-	52	70,179
60 to 64	-	5	5	7	6	1	-	-	-	1	25	71,216
65 to 69	-	1	1	-	-	-	1	-	-	-	3	71,462
70 and up	-	-	-	-	-	-	-	-	-	-	-	-
Total Count	38	148	151	88	85	38	13	2	-	1	564	
Avg. Salary	\$ 55,602	\$ 61,262	\$ 72,192	\$ 78,285	\$ 78,887	\$ 87,573	\$ 85,738	\$ 81,775	\$ -	\$ 89,190		\$ 71,578

SDCERS-UNIFIED PORT DISTRICT
JUNE 30, 2009 ACTUARIAL VALUATION

**APPENDIX A
MEMBERSHIP INFORMATION**

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

Plan Year	Age										Total
	Under 50	50 to 54	55 to 59	60 to 64	65 to 69	70 to 74	75 to 79	80 to 84	85 to 89	90 and up	
Pre-1990	1	-	1	5	5	3	7	3	13	5	43
1990	1	1	1	-	1	-	-	4	1	-	9
1991	-	-	-	-	-	-	1	2	-	-	3
1992	-	-	1	1	1	-	4	4	-	1	12
1993	-	-	1	1	1	-	4	4	2	-	13
1994	-	-	1	-	-	1	4	2	-	-	8
1995	-	-	1	-	1	-	2	2	-	1	7
1996	2	-	-	-	1	1	5	2	-	-	11
1997	1	1	-	-	1	1	4	-	-	-	8
1998	2	-	3	-	5	9	5	3	1	-	28
1999	1	1	1	-	2	3	1	1	1	-	11
2000	1	-	-	5	1	6	1	3	-	-	17
2001	2	1	-	1	4	3	2	1	-	-	14
2002	1	2	1	10	4	3	-	-	-	-	21
2003	-	-	1	5	6	3	1	1	1	-	18
2004	1	-	-	12	10	5	-	2	-	-	30
2005	-	3	3	11	3	-	1	-	-	-	21
2006	1	3	3	10	4	3	-	-	-	-	24
2007	-	1	9	18	3	1	1	2	-	1	36
2008	1	2	8	9	2	2	-	1	-	-	25
2009	1	1	9	14	6	1	-	-	-	-	32
Total	16	16	44	102	61	45	43	37	19	8	391

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

Average Age at Retirement/Disability 58.8
Average Current Age 68.1
Average Annual Pension \$ 30,353

APPENDIX A
MEMBERSHIP INFORMATION

Data Assumptions and Practices

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

- Service for Actives and Inactives was calculated using Benefit Service. An adjusted date of hire is retroactively calculated from the valuation date. Purchased Service that has been paid for is included in the Benefit Service field. Purchased Service that has been applied for, but not paid as of the valuation date will be assumed to be paid in full and this service will be reflected in the projected benefit.
- Valuation Salary will be the maximum of "Current Annual Pensionable Salary" and annualized "Average Compensation."
- For accounts having duplicate records in the Actives and Inactives by Social Security Number the information from the latest payroll date is regarded as most up to date. The other record is treated as out of date and invalid.
- There are two duplicate records (based on SSN and Benefit Type) in the payee file. The records are from the same plan and same benefit type, but different benefit amounts. We have added those amounts together.
- Records on the provided "Member" file are considered to be Active if they have no "Date of Death," no "Date of Separation," do not have a retiree record and they received pay in the last pay period (Last Pay Period = 26) of the current FY.
- Records on the "Member" file are considered to be Inactive if they do not have a "Date of Death," do not have a retiree record and either have a "Date of Separation" or have a "Last Pay Period" earlier than the last pay period of the current FY.
- Records on the "Payee" file are considered in pay status if their benefit is not suspended.
- Pension Benefit for retirees for each plan was calculated by summing "Monthly Pension," "Monthly Annuity," "Cola Annuity," "Surviving Spouse Annuity," and "Cola Pension" and subtracting "Non-Cola Adjustments." "Non-Cola Adjustments" field is mainly for Qualified Domestic Relation Order purposes. The "Supplement Amt" field is added as an annual benefit (i.e., 13th check) and the "Corbett Supplemental Payment" is annualized for new retirees in the City only. It is assumed the payment is annual for retirees already in pay status prior to this valuation.
- Members retiring since 11/1/2006 and not having a "Supplement Amt" (13th check) will have their projected "Supplement Amt" (13th check) calculated assuming \$30 multiplied by the "Total Service Credit."

APPENDIX A
MEMBERSHIP INFORMATION

- Members may retire and receive benefits from multiple Plan IDs (e.g., a City police officer could have also worked for the Airport Authority); we will value each Member's blended benefit individually. This will result in the counts being slightly higher than actual counts due to people having more than one benefit payable from multiple plans.
- We assume any retiree found in last year's "Payee" file and not in this year's file has died without a beneficiary and should be removed from the valuation data.
- We assume all deceased retirees with payments continuing to a beneficiary have already been accounted for in the "Payee" file.
- We exclude any payee receiving \$0.00 from a blended benefit plan.
- We assume that any active Member found in the inactive data last year has returned to work and should be valued as active.
- The VCP filing procedure was used to calculate the present value of Member benefits over the Internal Revenue Service Code Section 415 Benefit Limits.

**APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS**

A. Actuarial Assumptions

1. Investment Return Rate

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

2. Inflation Rate

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

3. Interest Credited to Member Contributions

7.75%, compounded annually.

4. Salary Increase Rate

Inflation component: 4.00%

The additional merit component:

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

5. Cost-of-Living Increase in Benefits

Assumed to be 2.0% per annum, compounded.

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

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. The liability for potential refunds is reduced to reflect this.

8. Rates of Termination

Age	General	Safety
20	12.78%	5.00%
25	8.33	4.07
30	5.83	3.57
35	4.60	3.07
40	3.36	2.67
45	2.78	2.33
50	2.78	2.33
55	2.78	2.33
60	2.78	2.33

*Add 1% to every age for each year of service less than 5 years.

20% of terminating employees, with 5+ years of service at termination, are assumed to subsequently work for a reciprocal employer and receive 4.50% pay increases per year.

**APPENDIX B
 ACTUARIAL ASSUMPTIONS AND METHODS**

9. Rates of Disability

Age	General	Safety
20	0.04%	0.40%
25	0.06	0.40
30	0.07	0.40
35	0.11	0.50
40	0.15	0.63
45	0.23	0.82
50	0.35	0.95
55	0.53	1.80
60	0.68	--

60% of the General disabilities and 80% of the Safety disabilities are assumed to be industrial disability retirements. Non-industrial disability retirement is subject to service requirement.

10. Rates of Mortality for Active Lives

General Members follow the RP2000 Combined Healthy table (male and female) projected to 2008. Safety Members follow the Male RP2000 projected to 2008, set forward two years.

Age	General		Safety
	Male	Female	
20	0.03%	0.02%	0.03%
25	0.03	0.02	0.04
30	0.04	0.02	0.05
35	0.07	0.04	0.09
40	0.10	0.06	0.11
45	0.14	0.10	0.15
50	0.18	0.15	0.23
55	0.31	0.25	0.41
60	0.59	0.49	0.78
65	1.14	0.93	1.45
70	1.97	1.61	2.42

All active Member deaths are assumed to be duty-related for Safety Members and not duty-related for other Members.

**APPENDIX B
 ACTUARIAL ASSUMPTIONS AND METHODS**

11. Rates of Mortality for Retired Healthy Lives

General retired healthy participants use the RP2000 Combined Healthy table (male and female). Safety participants use the RP2000 Combined Healthy table set forward two years (male and female).

Age	General		Safety	
	Male	Female	Male	Female
40	0.11%	0.07%	0.12%	0.09%
45	0.15	0.11	0.17	0.13
50	0.21	0.17	0.27	0.20
55	0.36	0.27	0.47	0.35
60	0.67	0.51	0.88	0.67
65	1.27	0.97	1.61	1.22
70	2.22	1.67	2.73	2.07
75	3.78	2.81	4.69	3.41
80	6.44	4.59	8.05	5.63
85	11.08	7.74	13.60	9.63
90	18.34	13.17	21.66	15.76

12. Rates of Mortality for Retired Disabled Lives

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

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

**APPENDIX B
 ACTUARIAL ASSUMPTIONS AND METHODS**

13. The Rates of Retirement

Table B-7 SDCERS - Unified Port District Rates of Retirement by Service Years		
Service	General	Safety
5-9	9%	9%
10-19	33	32
20	41	32
21	33	14
22	35	18
23	37	23
24	39	27
25	41	32
26	42	36
27	44	41
28	46	45
29	48	50
30	50	100
31	51	100
32	53	100
33	55	100
34	57	100
35+	100	100

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

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

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

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

14. Family Composition Assumptions

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

**APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS**

15. Member Contributions for Spousal Continuance

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

16. Deferred Member Actuarial Accrued Benefit

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

17. DROP Account Balances

For DROP participants still working, the liability for the account balances in the asset information received from SDCERS staff was adjusted to assume average commencement in 2 ½ years and an interest crediting rate of 3.54%. Thereafter, it was assumed the account balance would be converted to an annuity at an interest rate of 5% over an average period of 10 years. The 10-year period was selected to average among the available DROP payment elections, including a lump sum, life expectancy, and 20 years. Pre-2006 DROP account balances still left on account were valued assuming they would be paid out until age 70 ½, with an interest crediting rate of 3.54%. The remaining account balances were valued without adjustment.

18. Other

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

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

19. Changes Since Last Valuation

The calculated liability for DROP account balances reflects the reduction in the interest crediting and annuity conversion rates adopted by the Board in February 2009. In prior years, the liability was set equal to the account balances, with no adjustments.

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

B. Actuarial Methods

1. Actuarial Funding Method

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

The unfunded actuarial liability is amortized by annual payments. The payments are determined so that they will be a level percentage of pay, assuming payroll increases 4.00% per year. The UAL is amortized over different closed periods depending on the source of the loss. The entire UAL as of June 30, 2007 is amortized over 14 years. Subsequent gains and losses are amortized over 15 years, changes in assumptions over 30 years, and changes in benefits over 20 years (or period over which benefit changes are paid, if shorter). Finally, if necessary, there is an additional UAL cost component to ensure that there is no negative amortization in any year.

2. Asset Valuation Method

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

The actuarial value of assets each year is equal to 100% of the *expected actuarial value of assets*¹ plus 25% of the difference between the current market value of assets and the expected actuarial value of assets. In no event will the actuarial value of assets ever be less than 80% of the market value of assets nor greater than 120% of the market value of assets.

3. Changes Since Last Valuation

None.

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

APPENDIX C
SUMMARY OF PLAN PROVISIONS

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

1. Membership Requirement

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

2. Monthly Compensation Base for Benefits

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

3. Service Requirement

Eligibility

General Members:

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

Safety Members:

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

Benefit

General Members:

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

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

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

**SDCERS-UNIFIED PORT DISTRICT
JUNE 30, 2009 ACTUARIAL VALUATION**

**APPENDIX C
SUMMARY OF PLAN PROVISIONS**

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

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

Safety Members:

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

For all employees, there is an additional benefit equal to the annuitized Member 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.

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

APPENDIX C
 SUMMARY OF PLAN PROVISIONS

GENERAL:

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

SAFETY:

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

APPENDIX C
 SUMMARY OF PLAN PROVISIONS

Table C-4		
SDCERS - Unified Port District		
Pre-1997¹ Member Service Retirement		
Accrual Factors		
Age	General	Safety
50	--	2.00%
51	--	2.10%
52	--	2.22%
53	--	2.34%
54	--	2.47%
55	1.48%	2.62%
56	1.55%	2.62%
57	1.63%	2.62%
58	1.72%	2.62%
59	1.81%	2.62%
60	1.92%	2.62%
61	1.99%	2.62%
62	2.09%	2.62%
63	2.20%	2.62%
64	2.31%	2.62%
65 and up	2.43%	2.62%

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

Maximum Benefit

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

Safety Members: 90% of Final Average Compensation

Executive Members (General): None.

Unmodified Form of Payment

Monthly payments continued for the life of the Member, with 50% continuance to the eligible surviving spouse, domestic partner, or dependent child under 21 years of age upon Member's death. If there is no eligible spouse, the Member may receive either a lump sum payment equal to the accumulated surviving spouse contributions or an actuarially equivalent annuity (§ 24.0601).

Note: Unified Port District employees participate in Social Security.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

4. Non-Industrial Disability

Eligibility

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

Benefit

General Members:

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

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

Safety Members:

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

5. Industrial Disability

Eligibility

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

Benefit

General Members:

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

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

Safety Members:

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

6. Non-Industrial Death Before Eligible to Retire

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

**APPENDIX C
SUMMARY OF PLAN PROVISIONS**

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

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

8. Industrial Death

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

9. Death After Retirement

Maximum Benefit

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

10. Withdrawal Benefits

Pre-12/8/76 Hires

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

Post-12/7/76 Hires

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

All Members

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

11. Post-retirement Cost-of-Living Benefit

General and Safety Members:

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

**SDCERS-UNIFIED PORT DISTRICT
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**APPENDIX C
SUMMARY OF PLAN PROVISIONS**

12. Cola Annuity

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

13. Member Contributions

Vary by age at time of entrance into SDCERS (§ 0200). While a significant portion of these contributions may be “offset,” such offsets are not directly reflected in either the employee contributions or related refund calculations.

Table C-5				
SDCERS - Unified Port District				
Employee Contribution Rates¹				
Entry Age	General		Safety	
	Integrated Members²		Integrated Members²	
	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		

¹Contribution Rate = Normal Cost + Cost-of-Living Rate

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

APPENDIX C
SUMMARY OF PLAN PROVISIONS

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

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

14. Internal Revenue Code Compliance

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

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

15. Deferred Retirement Option Plan

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.

A participant in DROP may leave DROP at any time before the end of his or her designated DROP participation period by voluntarily leaving City employment.

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

16. Blended Benefit with Participating Agencies

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

17. Changes Since Last Valuation

Effective in 2009, the pricing for purchased service contracts was changed to reflect the actual cost at the time of purchase.

General and Executive Members hired on or after January 1, 2009 participate in a new Plan, as described in the provisions above. Employee contribution rates will also be changed to reflect the new provisions.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

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 Funding Method

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

6. Actuarial Gain/(Loss)

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

7. Actuarial Present Value

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

8. Amortization

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

**APPENDIX D
GLOSSARY OF TERMS**

9. Annual Required Contribution (ARC) under GASB 25

The Governmental Accounting Standards Board (GASB) Statement No. 25 defines the Plan Sponsor's "Annual Required Contribution" (ARC) as the employer's periodic required contributions to a defined benefit plan, calculated in accordance with the parameters outlined in Statement No. 25. The SDCERS-Unified Port District's Computed Contribution rate for FY 2011 meets the parameters of GASB 25.

10. Normal Cost

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

11. Set Back/Set Forward

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

12. Unfunded Actuarial 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).