

March 27, 2015

Mr. Mark Hovey  
 Chief Executive Officer  
 San Diego City Employees' Retirement System  
 401 West A Street, Suite 400  
 San Diego, CA 92101

Re: July 1, 2015 Cost-of-Living Adjustment (COLA)

Dear Mark:

We were asked to provide you with the July 1, 2015 cost-of-living adjustment schedule for SDCERS members, prepared in accordance with Article 4, Section 24.1505, of the San Diego Municipal Code. Below we present our calculation of the July 1, 2015 adjustment.

1. Special Class Safety Members:

Adjustments for the Special Class Safety retired members are determined individually based upon ½ the amount of the current salary of their retired rank.

2. 1981 Plan:

Retired members from the 1981 Plan are adjusted each July 1 (following the third anniversary of the pension commencement) based on the *Consumer Price Index for All Urban Consumers, All Items, (1982 – 1984 = 100), San Diego*. This index is computed semi-annually. The adjustment is made annually and is 50% of the CPI change, but not to exceed 10%.

**1981 Plan CPI adjustment July 1, 2015**

Measurement Period	CPI	Percentage Change	July 1, 2015 COLA used *
CPI 2 <sup>nd</sup> half of '13	261.679		
CPI 2 <sup>nd</sup> half of '14	265.039	1.284%	<b>0.6%</b>

\* *This COLA applies only to those members who retired on or before June 30, 2012.*



3. All other Retired Members:

The remaining members' adjustments according to the Municipal Code are to be based on the *Consumer Price Index for All Urban Consumers, All Items, (1982 – 1984 = 100), United States city average*, with a maximum annual adjustment of 2%. This index is computed monthly.

**All other members CPI adjustment July 1, 2015**

Measurement Period	CPI	Percentage Change
December 2013	233.049	
December 2014	234.812	0.756%

July 1, 2015 COLA used for retirees coming onto rolls:	
before 7/1/06	<b>2.0%</b>
between 7/1/06 – 6/30/07	<b>1.9%</b>
between 7/1/07 – 6/30/08	<b>1.4%</b>
between 7/1/08 – 6/30/10	<b>1.2%</b>
between 7/1/10 – 6/30/12	<b>1.0%</b>
between 7/1/12 – 6/30/15	<b>0.8%</b>

Finally, with respect to all other members, the Municipal Code specifies that the difference between the actual CPI percentage calculated without regard to the cap and the actual COLA used is to be accumulated and carried over each year. Exhibit I shows the historical annual CPI and SDCERS adjustments made since June 30, 1971. The right hand box shows the accumulated “carryover” amounts for all retirees prior to July 1, 2015.

In preparing this letter, on information (some oral and some written) supplied by SDCERS' staff. This information includes, but is not limited to, the plan provisions and historical COLA information.

To the best of our knowledge, this letter and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this letter. This letter does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Mr. Mark Hovey

March 27, 2015

Page 3 of 3

This letter was prepared exclusively for SDCERS for the purpose of determining the July 1, 2015 cost-of-living adjustment schedule for SDCERS members. This letter is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

Please call if you have any questions.

Sincerely,

Cheiron



Gene M. Kalwarski, FSA  
Principal Consulting Actuary



David Holland, FSA  
Consulting Actuary

Enclosure