

**San Diego City
Employees' Retirement System**

City of San Diego

**Actuarial Valuation Report
as of June 30, 2016**

Produced by Cheiron

February 2017

TABLE OF CONTENTS

<i>Section</i>	<i>Page</i>
Letter of Transmittal	i
Section I Board Summary	1
Section II Assets	13
Section III Liabilities	18
Section IV Contributions.....	25
Section V Comprehensive Annual Financial Report Information.....	29
 <i>Appendices</i>	
Appendix A Membership Information	31
Appendix B Actuarial Assumptions and Methods	47
Appendix C Summary of Plan Provisions.....	59
Appendix D Glossary of Terms.....	71

February 24, 2017

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

Re: SDCERS-City of San Diego June 30, 2016 Actuarial Valuation

Dear Members of the Board:

We are pleased to submit the June 30, 2016 Actuarial Valuation Report for the San Diego City Employees' Retirement System (SDCERS). The valuation results with respect to the City of San Diego (City) are contained in this valuation report. This report is for the use of the SDCERS Board and its auditors in preparing financial reports in accordance with applicable law and accounting requirements. This report contains information on SDCERS' financial condition including assets, liabilities, and contributions, as well as certain exhibits required for SDCERS' Comprehensive Annual Financial Report (CAFR).

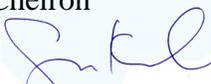
In preparing our report, we relied on information (some oral and some written) supplied by SDCERS' staff. This information includes, but is not limited to, plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

The results of this report rely on future plan experience conforming to the underlying assumptions and methods outlined in this report. To the extent that the actual plan experience deviates from the underlying assumptions and methods, or there are any changes in plan provisions or applicable laws, the results would vary accordingly.

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

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

Sincerely,
Cheiron



Gene Kalwarski, FSA, EA, MAAA
Principal Consulting Actuary



David Holland, FSA, EA, MAAA
Consulting Actuary

cc: Alice Alsberghe, ASA, MAAA

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION I - BOARD SUMMARY

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

- The financial condition of the SDCERS-City of San Diego Defined Benefit Plan,
- Past and expected trends in the financial condition of SDCERS-City of San Diego,
- The City's Actuarially Determined Contribution for Fiscal Year 2018, and
- Information required for the Comprehensive Annual Financial Report (CAFR).

In this section, we present a summary of the principal valuation results. This summary includes the basis upon which the June 30, 2016 valuation was completed and an examination of the current financial condition of SDCERS-City of San Diego. In addition, we present a review of the key historical trends followed by the projected financial outlook for SDCERS-City of San Diego.

A. Valuation Basis

In September 2016, the SDCERS Board voted to adopt the results of a comprehensive experience study covering the period July 1, 2010 through June 30, 2015. The detailed findings of that study can be found in Cheiron's July 2016 presentation to the SDCERS Board. The revised assumptions have been reflected in this valuation and can be found in Appendix B of this report.

The most notable change to the demographic assumptions was the update to the base mortality tables, reflecting fewer deaths than expected, as well as the addition of a mortality improvement scale to anticipate future improvements in members' lifespans.

In November 2015, the SDCERS Board voted to reduce the discount rate and wage inflation assumptions by 0.25% each, over two years. A decrease of 0.125% was reflected in the previous valuation and another decrease of 0.125% was reflected in this June 30, 2016 valuation, bringing the discount rate assumption down to 7.00% and the wage inflation assumption down to 3.05%.

The results of this valuation also include adjustments to the employee contribution rates as required under San Diego City Charter Section 143 ("substantially equal") which were developed under the new actuarial assumptions. The new employee contribution rates can be found in Appendix C.

The June 30, 2016 valuation reflects the final year of the three-year phase-in of expected administrative expenses. The development of this component of the ADC is shown in Table IV-1.

SDCERS was closed to new City employees (except for Police) effective July 20, 2012, as a result of Proposition B. The non-Police portion of the UAL as of June 30, 2012 is being amortized in level dollar amounts over a closed 15-year period. Subsequent gains and losses are being amortized over new 15-year periods in accordance with the System's funding

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION I - BOARD SUMMARY

policy, also in level dollar amounts. The portion of the UAL associated with the Police Plan will continue to be amortized in layers as a level percentage of pay. More detail on the amortization of the UAL can be found in Section B of Appendix B.

Throughout this report there will be references to “Old Plan,” “2009 Plan,” “2011 Plan,” “2012 Plan,” “2012 No COL Plan,” and “Prop B Plan” which distinguishes each membership category’s various benefit tiers according to their effective dates. More details on the plan provisions for all tiers can be found in Appendix C.

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

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION I - BOARD SUMMARY

B. Experience between June 30, 2015 and June 30, 2016

The following discussion summarizes the key results of the June 30, 2016 valuation and how they compare to the results from the June 30, 2015 valuation.

1. SDCERS-City Assets, Liabilities and Contributions

Table I-1 presents a comparison between the June 30, 2016 and June 30, 2015 SDCERS-City of San Diego assets, liabilities, unfunded actuarial liability, funding ratios and contributions.

The key results shown in Table I-1 indicate that due to the large increase in total actuarial liability of 9.8% compared to the actuarial value of assets increase of only 4.0%, the funding ratio decreased from 75.6% as of June 30, 2015 to 71.6% as of June 30, 2016. SDCERS employs a commonly used actuarial smoothing method on the market value that dampens market volatility, so the actuarial value of assets increased whereas the market value of assets decreased by 1.3%. Measuring the funding ratio on a market value of assets basis, the ratio would be 70.0% as of June 30, 2016. Section II-C provides additional information explaining the development of the actuarial value of assets.

There was a significant increase in the Actuarially Determined Contribution (ADC), from \$261.1 million to \$324.5 million. The components of change are shown in Table I-3. These figures assume payment at the beginning of the year; the amounts assuming payment throughout the year may be found in Table IV-1.

Table I-1				
SDCERS - City of San Diego - Assets, Liabilities and Contributions				
		June 30, 2016	June 30, 2015	% Change
Actuarial Liability	\$	9,013,130,184	\$ 8,205,952,554	9.8%
Actuarial Value Assets	\$	6,455,378,088	\$ 6,204,243,990	4.0%
Unfunded Actuarial Liability-Actuarial Value	\$	2,557,752,096	\$ 2,001,708,564	27.8%
Funding Ratio-Actuarial Value		71.6%	75.6%	-4.0%
Market Value Assets	\$	6,307,412,212	\$ 6,387,828,761	-1.3%
Unfunded Actuarial Liability-Market Value	\$	2,705,717,972	\$ 1,818,123,793	48.8%
Funding Ratio-Market Value		70.0%	77.8%	-7.8%
Actuarially Determined Contribution (ADC)	\$	324.5	\$ 261.1	24.3%

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION I - BOARD SUMMARY

2. Components of UAL Change between June 30, 2015 and June 30, 2016

The unfunded actuarial liability (UAL) for SDCERS-City of San Diego increased by \$556.0 million; from \$2,001.7 million to \$2,557.8 million. Table I-2 below presents the specific components of the change in the UAL.

The Plan's UAL was expected to decline by \$127.7 million. The significant increase in the UAL was driven by the changes in demographic and economic assumptions (total of \$543.8 million), with the largest increase coming from changes in the mortality assumption. Net asset experience increased the UAL by \$87.3 million. There was also a liability experience loss of \$49.7 million, with the largest sources being mortality (members living longer than expected) and salary (promotional increases greater than expected).

Table I-2	
SDCERS - City of San Diego-Change in UAL	
(In Millions)	
1. UAL at June 30, 2015	\$ 2,001.7
2. Expected change in UAL	(127.7)
3. Asset experience	
a. Anticipated investment loss/(gain)	(41.7)
b. Actual investment loss/(gain)*	50.0
c. Employee contributions paid greater than expected	(4.4)
d. Net asset experience (b - a + c)	87.3
4. Liability experience loss*	49.7
5. Changes in economic assumptions	99.5
6. Changes in demographic assumptions	444.3
7. Other misc (includes purchased service)	2.9
8. Total change in UAL: 2 + 3d + sum of 4 through 7	556.0
9. UAL at June 30, 2016: 1 + 8	\$ 2,557.8

* Combined impact from experience of \$99.7 million (\$50.0 million actual investment loss plus \$49.7 million actual liability experience loss).

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION I - BOARD SUMMARY

3. SDCERS-City Change in Contributions (ADC)

The City's actuarially determined contribution (ADC) for FY 2018 increased by \$63.4 million; from \$261.1 million to \$324.5 million. The ADC was expected to increase by \$0.1 million, assuming continued phase-in of investment experience from prior years, recognizing the final year of a three-year phase-in of expected administrative expenses, and no changes in assumptions.

There were however significant changes in assumptions which were the leading cause of the increase to the ADC (total of \$49.1 million). Two other notable factors causing the ADC to be greater than expected were net asset experience, which increased the ADC by \$9.1 million, and liability experience losses, which increased the ADC by \$6.6 million.

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

Table I-3	
SDCERS - City of San Diego-Change in ADC	
(In Millions)	
1. ADC at June 30, 2015	\$ 261.1
2. Expected change in ADC	0.1
3. Asset experience	
a. Anticipated investment loss/(gain)	(4.3)
b. Actual investment loss/(gain)	5.2
c. Employee contributions paid greater than expected	(0.5)
d. Net asset experience (b - a + c)	9.1
4. Liability experience loss	6.6
5. Changes in economic assumptions	6.7
6. Changes in demographic assumptions	42.4
7. Other misc (includes purchased service)	(1.5)
8. Total change in ADC: 2 + 3d + sum of 4 through 7	63.4
9. ADC at June 30, 2016: 1 + 8	\$ 324.5

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION I - BOARD SUMMARY

4. SDCERS-City Membership

Table I-4 shows that total membership in SDCERS-City of San Diego remained steady, with an increase of 0.1% from 2015 to 2016. However, there was movement from active and terminated vested to retiree status, with a 4.7% increase in retirees and decreases of 4.1% and 1.4% for active and terminated vested members, respectively. There was a decrease in expected active member payroll of 3.2% driven by the decrease in active members, but the average pay per active member increased slightly. The closure of the Plan to non-Police new hires is expected to result in continued decreases in active member counts and total payroll.

Note: The payroll figures shown below are the expected amounts for the fiscal year beginning July 1, 2016.

Table I-4				
SDCERS - City of San Diego - Membership Total				
Valuation as of:	June 30, 2016	June 30, 2015	% Change	
Active Counts	6,748	7,038	-4.1%	
Terminated Vested	2,865	2,907	-1.4%	
Disabled	1,180	1,190	-0.8%	
Retirees	6,961	6,648	4.7%	
Beneficiaries	1,313	1,265	3.8%	
Total City Members	19,067	19,048	0.1%	
Active Member Payroll	\$ 465,100,254	\$ 480,662,378	-3.2%	
Average Pay per Active Member	\$ 68,924	\$ 68,295	0.9%	
Benefits in Pay Status	\$ 443,788,677	\$ 419,209,660	5.9%	
Average Benefit	\$ 46,942	\$ 46,052	1.9%	

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

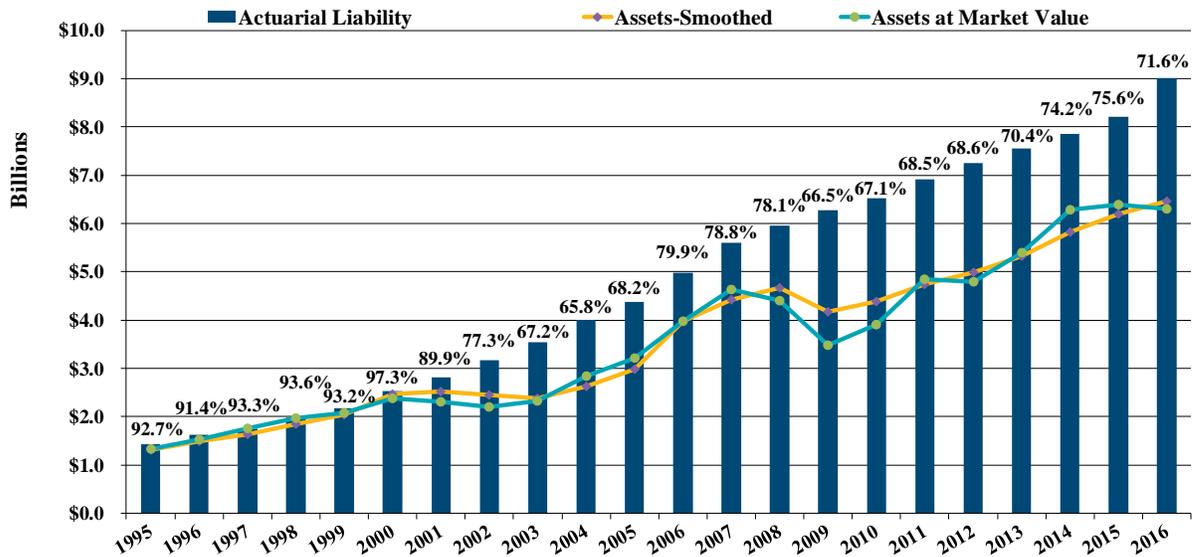
SECTION I - BOARD SUMMARY

C. Historical Trends for SDCERS-City of San Diego

Despite the primary focus given each year on the most recently computed unfunded actuarial liability (UAL), funding ratio, and City contribution (ADC), it is important to remember that each valuation is merely a snapshot of the long-term progress of a pension plan. It is more important to judge a current year’s valuation results relative to historical trends, and trends expected into the future.

In the chart below, we present the historical trends of the market value and smoothed assets compared to actuarial liabilities, with SDCERS-City of San Diego funding ratios since 1995.

SDCERS-City of San Diego Assets and Liabilities 1995-2016



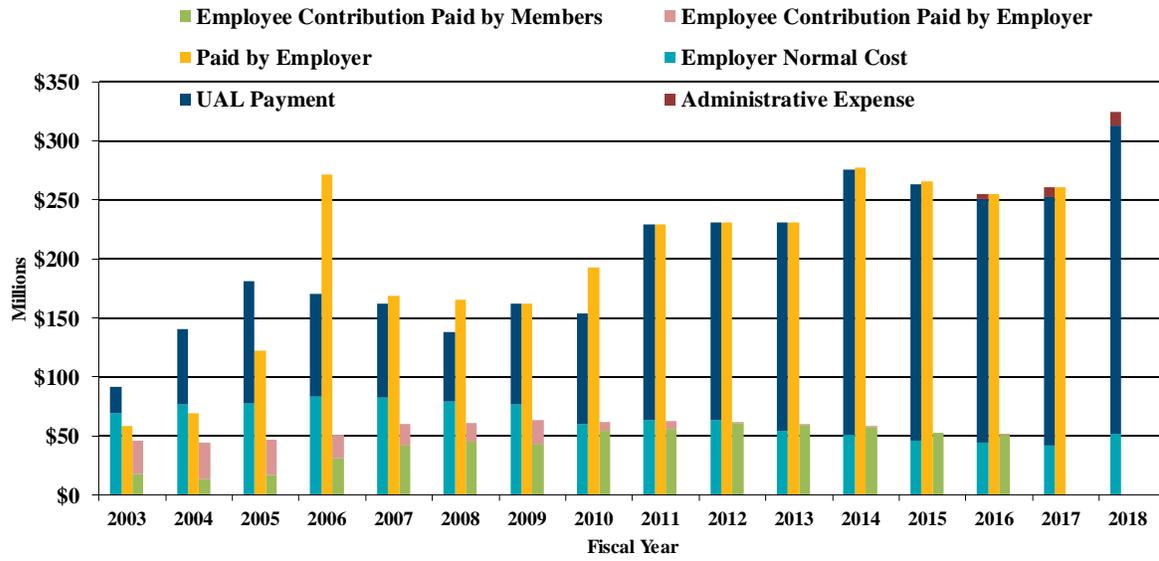
From a low of 65.8% in 2004, the funding ratio improved significantly over the next several years primarily due to strong investment performance. In 2009, the funding ratio declined significantly due to investment losses but had been increasing steadily until 2016. In 2016, the drop in the funding ratio from 75.6% to 71.6% is primarily due to changes in assumptions. As mentioned earlier, the funding ratios represent the ratio of the smoothed (actuarial) assets over the actuarial liabilities. If the market value of assets were used instead, the funding ratio as of June 30, 2016 would be 70.0%.

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION I - BOARD SUMMARY

In the next chart below, we present the historical trends for the SDCERS-City of San Diego contributions: actual contributions paid by the City and by the Members, and the actuarially determined contributions (ADC).

SDCERS-City of San Diego City and Member Contributions FY 2003-2018



This chart compares the actual contributions made by the City (gold bars) to the actuarially determined contributions (ADC). The ADC is broken out by component - Employer Normal Cost, plus UAL payment, plus administrative expense. The contributions paid by the City are based on the Board’s adopted funding practice of Normal Cost plus amortization of the various UAL components, including the requirement beginning in FY 2009 that there is no negative amortization and the requirement beginning in FY 2016 to fund the administrative expenses. The FY 2018 ADC reflects the final year of the three-year phase-in of the administrative expense assumption. The chart indicates that the City has been consistently paying at or above the ADC since FY 2006.

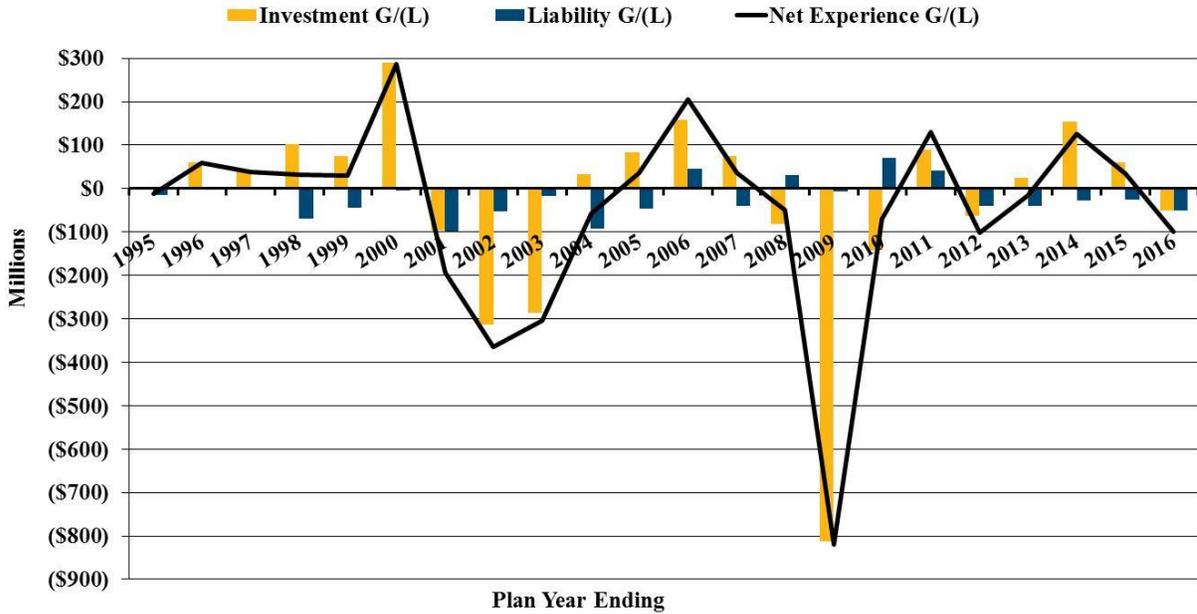
Employee contributions paid by the City and the Members are also shown in this chart. In the earlier years a substantial portion of employee contributions were “offset” (paid for) by the City (pink bars), but such offsets have disappeared almost completely in recent years.

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION I - BOARD SUMMARY

The chart below for SDCERS-City of San Diego presents the pattern of annual experience gains and losses, broken into the investment and liability components. The chart does not include any changes in SDCERS' assets and liabilities attributable to changes in actuarial methods, procedures, or assumptions, or to changes in plan benefits.

SDCERS-City of San Diego Historical Gain/(Loss) 1995-2016



The key insights from this chart are:

- In 2002 and 2003 the System experienced significant investment losses (gold bars), depicted on an actuarial value of assets basis, which were offset by investment gains from 2004 to 2007. However, the investment losses from 2008 through 2010 more than offset those gains.
- The investment loss in 2009 was by far the most significant gain or loss during the period shown.
- From 1995 to 2005 there was a pattern of liability losses. From 2006 to 2011 the liability experience was more varied (small gains and small losses) each year. Over the past five years, however, there have been losses each year. The 2010-2015 Experience Study, adopted by the Board in September 2016, resulted in revisions to many demographic assumptions. The most important change was to the mortality assumption, which was responsible for a significant portion of the liability losses during that period. The liability experience under the new assumptions will first be measured in the June 30, 2017 actuarial valuation.

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

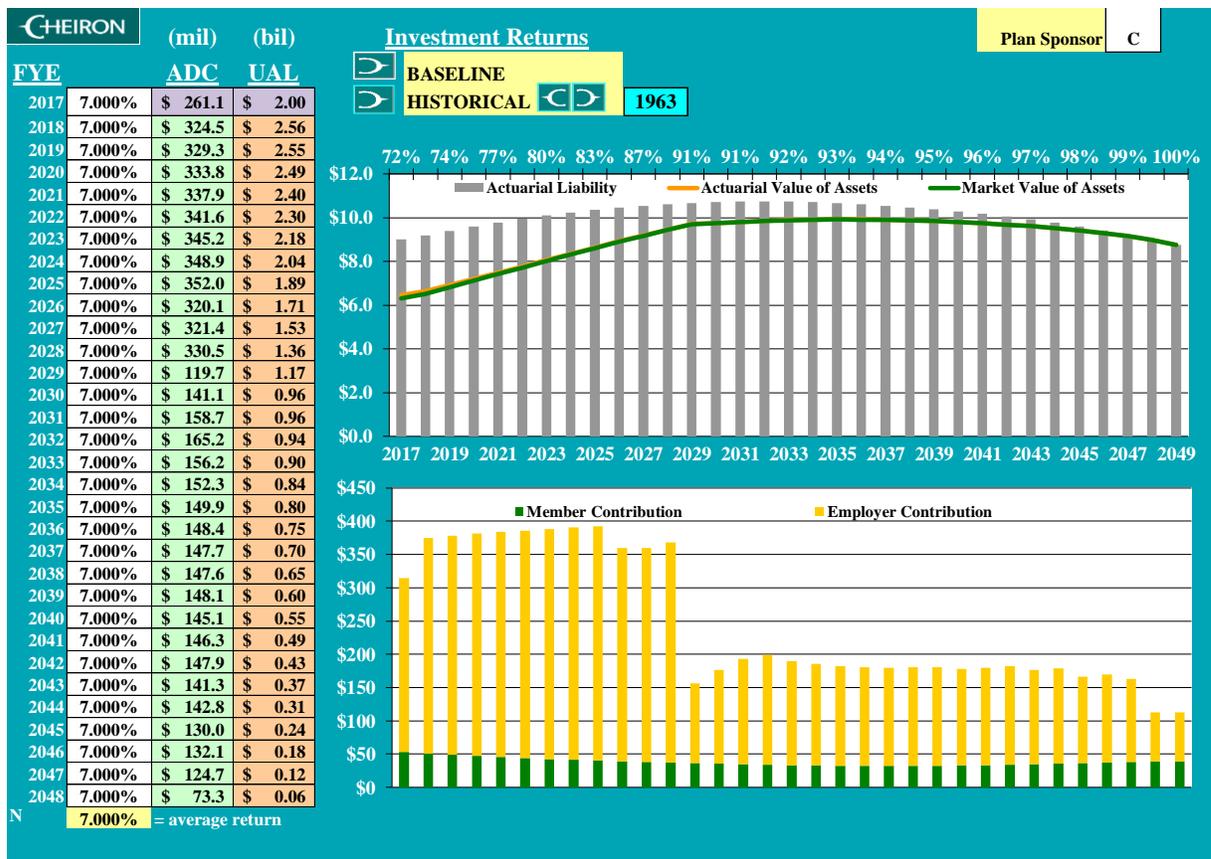
SECTION I - BOARD SUMMARY

D. Projected Financial Trends

Our analysis of SDCERS-City of San Diego projected financial trends is a very important part of this valuation. These projections based on the June 30, 2016 valuation results are presented in terms of benefit security (assets over liabilities) and the City's expected cost progression.

In the chart that follows, we project the SDCERS-City of San Diego assets and liabilities and the City's contributions. These projections assume a 7.00% investment return and discount rate for all years, as well as all experience conforming to the Plan's assumptions. The upper chart compares the assets (green and yellow lines) and liabilities (gray bars) and the lower chart shows contributions in dollars (employer contributions in yellow bars and member contributions in green bars). The left side of the exhibit shows the returns assumed each year followed by the annual ADC and UAL in dollar amounts.

SDCERS-City of San Diego Projections FY 2017-2049 (earnings as assumed)



Based on assuming 7.00% earnings, the City's funded status (percentages at the top of the upper graph) is projected to reach 100% by the end of the period. The Plan's assets and liabilities peak around 2032, and then begin to decline. This is primarily due to the closure of

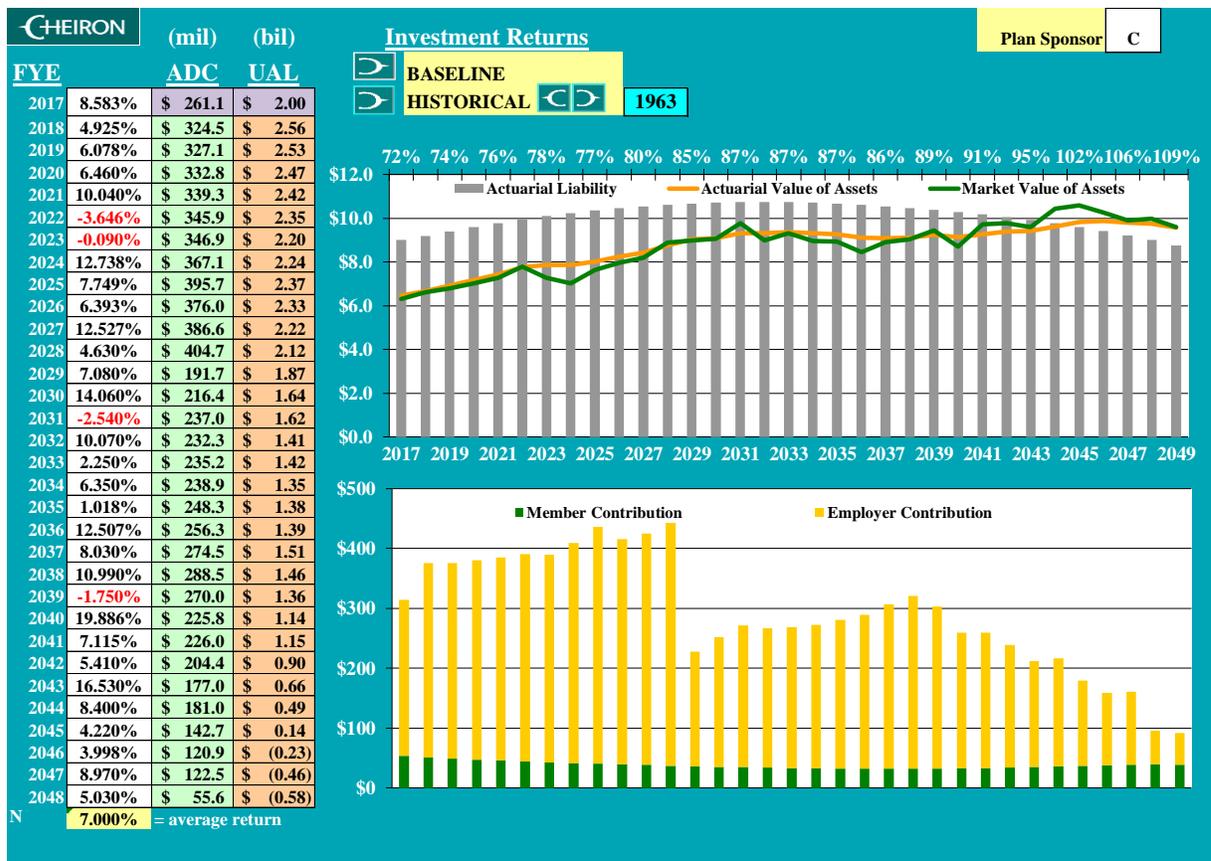
**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION I - BOARD SUMMARY

the non-Police portion of the Plan to new hires. The City's ADC is projected to gradually increase from approximately \$325 million in FY 2018 to \$352 million in FY 2025. The projected contributions drop slightly in the following few years and then beginning in FY 2029 and for the remainder of the period are significantly lower as several of the largest UAL layers drop off and the Plan approaches full funding.

However, it is very important to note that these projections, while valid as baseline projections, **are not going to occur** as experience never conforms exactly to assumptions from year to year. As a result, we present the following additional stress testing projection based on assuming varying returns in the future, which are approximately 7.00% on average.

SDCERS-City of San Diego Projections FY 2017-2049 (earnings which vary by year)



With varying annual earnings that average over the period to approximately 7.00%, one can see the volatility in the funding ratios in the top chart and the employer contributions in the bottom chart. Note that this chart reflects an illustrative scenario and is not intended to reflect future expectations.

This last chart demonstrates the risks faced by SDCERS measured in terms of funding ratios and contributions. Whether the System is fully funded or poorly funded, subsequent returns

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION I - BOARD SUMMARY

can quickly alter the financial position of the Plan dramatically. It is impossible to judge the financial soundness of a System with a single year point measurement. What is more important to consider is the System's level of conservatism in funding the Plan, and the discipline and ability of the plan sponsor to consistently contribute the ADC as determined by the plan actuary.

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION II - ASSETS

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

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

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

- A. Disclosure of the June 30, 2016 total SDCERS market value of assets, by asset class;
- B. Market value of assets by Plan Sponsor;
- C. Development of the actuarial value of assets; and
- D. Disclosure of the investment performance for the year.

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION II - ASSETS

A. Disclosure of Market Value of Assets

The market value of assets represents a “snap-shot” value as of June 30, 2016, 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, 2016.

Table II-1 SDCERS – All Employers Summary of Reported Market Value of Total Defined Benefit Plan	
Cash	\$ 219,352,982
US Stocks	1,510,118,261
International Stocks	1,420,376,041
Private Equity	882,731,916
Bonds	2,118,119,346
Real Estate	829,319,267
Receivables	205,300,226
Miscellaneous	202,211,692
Accounts Payable	<u>(568,011,622)</u>
Market Value of Assets – June 30, 2016	\$ 6,819,518,109

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION II - ASSETS

B. Market Value of Assets by Plan Sponsor

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

Table II-2 Summary of Market and Actuarial Assets for Each Employer Group as of June 30, 2016			
	<u>Market Value</u> Total Net Assets June 30, 2015	<u>Market Value</u> Total Net Assets June 30, 2016	<u>Actuarial Value</u> Total Assets June 30, 2016
City of San Diego	\$ 6,387,828,761	\$ 6,307,412,212	\$ 6,455,378,088
Unified Port District	370,053,588	368,232,658	375,301,415
Airport Authority	138,544,185	143,873,239	148,084,058
Total-SDCERS	\$ 6,896,426,535	\$ 6,819,518,109	\$ 6,978,763,560

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

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, 2016 plus 25% of the difference between the current actual market value of assets and the expected actuarial value of assets. (See Appendix B, Section B-2 for further explanation of the asset valuation method). In no event will the actuarial value of assets ever be less than 80% of the market value of assets nor greater than 120% of the market value of assets.

Table II-3 SDCERS - City of San Diego Development of Actuarial Value of Assets at June 30, 2016 Expected Value of Assets Method	
1. Actuarial Value of Assets at June 30, 2015	\$ 6,204,243,990
2. Amount in (1) with interest at 7.125% to June 30, 2016	6,646,296,374
3. Employer and Member contributions for the Plan Year ended June 30, 2016	318,919,627
4. Disbursements from Trust excluding investment expenses, June 30, 2015 through June 30, 2016	463,491,210
5. Interest on cash flows to June 30, 2016 at 7.125% per year	<u>2,975,255</u>
6. Expected Actuarial Value of Assets at June 30, 2016 = (2) + (3) - (4) + (5)	6,504,700,047
7. Actual Market Value of Assets at June 30, 2016	<u>6,307,412,212</u>
8. Excess of (7) over (6)	(197,287,835)
9. Preliminary Actuarial Value of Assets at June 30, 2016 = (6) + 25% of (8)	\$ 6,455,378,088
10. 80% Minimum Corridor on the Actuarial Value of Assets = 80% of (7)	5,045,929,770
11. 120% Maximum Corridor on the Actuarial Value of Assets = 120% of (7)	7,568,894,654
12. Final Actuarial Value of Assets at June 30, 2016 = (9), but no less than (10) and no more than (11)	\$ 6,455,378,088

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION II - ASSETS

D. Investment Performance

The return on the market value of assets, as reported by SDCERS' investment consultant Aon Hewitt Investment Consulting, was 1.1%. The return in FY 2015 was 3.3%.

On an actuarial (smoothed) value of assets basis, the return for FY 2016 was 6.46%. This return produced for SDCERS-All Employers an overall investment loss of \$53.8 million for the year ending June 30, 2016. (Note: this reported loss is different than the investment loss of \$50.0 million reported in Table I-4 of this report. \$50.0 million is the loss only for SDCERS-City).

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION III - LIABILITIES

In this section, we present detailed information on liabilities for SDCERS-City of San Diego, including:

- Disclosure of liabilities at June 30, 2015 and June 30, 2016, and
- Statement of changes in the unfunded actuarial liabilities during the year.

A. Disclosure

Several types of liabilities are calculated and presented in this report. Each type is distinguished by the purpose for which the figures are ultimately used. Note that these liabilities are not applicable for settlement purposes, including the purchase of annuities and the payment of lump sums.

- **Present Value of Future Benefits:** Used for measuring all future SDCERS obligations, represents the amount of money needed today to fully fund all benefits of SDCERS, both earned as of the valuation date and those to be earned in the future by current plan members, under the current plan provisions.
- **Actuarial Liability-Entry Age Normal (EAN):** Used for determining employer contributions. This liability is calculated taking the present value of all future benefits and subtracting the present value of future member contributions and future employer normal costs as determined under the EAN actuarial funding method. It represents the portion of the present value of future benefits attributed to service prior to the valuation date by the Entry Age Normal method.
- **Present Value of Accrued Benefits:** This liability represents the present value of future benefits payable to all plan participants as of the valuation date, if future accruals and contributions stopped.

Table III-1, on the following page, discloses the first two of these liabilities for the current and prior year valuations. Tables III-2 through III-4 break down these liabilities by tier. Subtracting the actuarial value of assets from the actuarial liability results in a net surplus or an unfunded actuarial liability (UAL). Table III-5 discloses the third of these liabilities, present value of accrued benefits, for the current and prior year valuations.

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION III - LIABILITIES

Table III-1			
SDCERS - City of San Diego - Total			
Valuation as of:	June 30, 2016		June 30, 2015
Present Value of Future Benefits			
Actives	\$	3,266,127,803	\$ 3,001,212,643
Terminated Vested		297,112,955	278,422,504
Disabled		507,024,032	473,590,631
Retirees		5,447,716,224	4,879,583,609
Beneficiaries		266,652,626	226,328,553
Total City	\$	9,784,633,641	\$ 8,859,137,940
Actuarial Liability - EAN			
Total Present Value of Future Benefits	\$	9,784,633,641	\$ 8,859,137,940
Present Value of Future Normal Costs			
Employer Portion		397,156,705	307,471,358
Employee Portion		374,346,752	345,714,028
Actuarial Liability - EAN	\$	9,013,130,184	\$ 8,205,952,554
Actuarial Value of Assets	\$	6,455,378,088	\$ 6,204,243,990
Unfunded EAN Actuarial Liability	\$	2,557,752,096	\$ 2,001,708,564

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION III - LIABILITIES

Table III-2 shows the actuarial liability as of June 30, 2016 for General and Elected Members of SDCERS-City of San Diego.

Table III-2				
SDCERS - City of San Diego - General & Elected as of June 30, 2016				
	Total	General-Old	General-2009	Elected
Present Value of Future Benefits				
Actives	\$ 1,825,095,746	\$ 1,732,490,435	\$ 90,349,081	\$ 2,256,230
Terminated Vested	224,247,226	221,255,200	2,490,745	501,281
Disabled	105,302,017	105,302,017	-	-
Retirees	2,775,455,897	2,766,687,705	-	8,768,192
Beneficiaries	107,896,199	107,252,000	-	644,199
Total City General & Elected	\$ 5,037,997,085	\$ 4,932,987,357	\$ 92,839,826	\$ 12,169,902
Actuarial Liability - EAN				
Actives	\$ 1,471,699,278	\$ 1,440,533,958	\$ 29,619,045	\$ 1,546,275
Terminated Vested	224,247,226	221,255,200	2,490,745	501,281
Disabled	105,302,017	105,302,017	-	-
Retirees	2,775,455,897	2,766,687,705	-	8,768,192
Beneficiaries	107,896,199	107,252,000	-	644,199
Total City General & Elected	\$ 4,684,600,617	\$ 4,641,030,880	\$ 32,109,790	\$ 11,459,947

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION III - LIABILITIES

Table III-3 shows the actuarial liability as of June 30, 2016 for Police Members of SDCERS-City of San Diego.

Table III-3							
SDCERS - City of San Diego - Police as of June 30, 2016							
	Total	Police-Old	Police-2009	Police-2012	Police-2012 No COL	Police-Prop B	
Present Value of Future Benefits							
Actives	\$ 976,748,852	\$ 827,218,635	\$ 44,939,817	\$ 11,824,062	\$ 24,612,468	\$ 68,153,870	
Terminated Vested	64,631,761	63,767,497	392,820	82,153	245,207	144,084	
Disabled	277,142,350	277,142,350	-	-	-	-	
Retirees	1,706,832,773	1,706,832,773	-	-	-	-	
Beneficiaries	107,721,699	107,721,699	-	-	-	-	
Total City Safety	\$ 3,133,077,435	\$ 2,982,682,954	\$ 45,332,637	\$ 11,906,215	\$ 24,857,675	\$ 68,297,954	
Actuarial Liability - EAN							
Actives	\$ 668,802,198	\$ 640,808,841	\$ 15,984,132	\$ 3,040,844	\$ 5,162,032	\$ 3,806,349	
Terminated Vested	64,631,761	63,767,497	392,820	82,153	245,207	144,084	
Disabled	277,142,350	277,142,350	-	-	-	-	
Retirees	1,706,832,773	1,706,832,773	-	-	-	-	
Beneficiaries	107,721,699	107,721,699	-	-	-	-	
Total City Safety	\$ 2,825,130,781	\$ 2,796,273,159	\$ 16,376,952	\$ 3,122,997	\$ 5,407,239	\$ 3,950,433	

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION III - LIABILITIES

Table III-4 shows the actuarial liability as of June 30, 2016 for Fire and Lifeguard Members of SDCERS-City of San Diego.

Table III-4					
SDCERS - City of San Diego - Fire and Lifeguard as of June 30, 2016					
	Total	Fire-Old	Fire-2012	Lifeguard	Lifeguard-2011
Present Value of Future Benefits					
Actives	\$ 464,283,205	\$ 416,513,075	\$ 1,081,338	\$ 46,469,445	\$ 219,347
Terminated Vested	8,233,969	7,362,992	11,947	859,030	-
Disabled	124,579,665	110,979,412	-	13,600,253	-
Retirees	965,427,554	899,156,150	-	66,271,404	-
Beneficiaries	51,034,728	49,286,462	-	1,748,266	-
Total City Safety	\$ 1,613,559,121	\$ 1,483,298,090	\$ 1,093,285	\$ 128,948,398	\$ 219,347
Actuarial Liability - EAN					
Actives	\$ 354,122,869	\$ 321,049,930	\$ 125,945	\$ 32,929,288	\$ 17,706
Terminated Vested	8,233,969	7,362,992	11,947	859,030	-
Disabled	124,579,665	110,979,412	-	13,600,253	-
Retirees	965,427,554	899,156,150	-	66,271,404	-
Beneficiaries	51,034,728	49,286,462	-	1,748,266	-
Total City Safety	\$ 1,503,398,785	\$ 1,387,834,946	\$ 137,893	\$ 115,408,241	\$ 17,706

Table III-5 shows the present value of accrued benefits as of June 30, 2016 for all Members of SDCERS-City of San Diego.

Table III-5				
SDCERS - City of San Diego - Present Value of Accrued Benefits				
	Valuation as of:	June 30, 2016	June 30, 2015	% Change
Present Value of Accrued Benefits				
1. Present Value of Benefits Accrued and Vested to Date				
a. Members Currently Receiving Payments		\$ 6,221,392,882	\$ 5,579,502,793	11.5%
b. Vested Terminated and Inactive Members		297,112,955	278,422,504	6.7%
c. Active Members		<u>2,000,407,740</u>	<u>1,924,990,039</u>	<u>3.9%</u>
d. Total PVAB		\$ 8,518,913,577	\$ 7,782,915,336	9.5%
2. Assets at Market Value		\$ 6,307,412,212	\$ 6,387,828,761	-1.3%
3. Unfunded Present Value of Accrued Benefits, But Not Less Than Zero		\$ 2,211,501,365	\$ 1,395,086,574	
4. Ratio of Assets to Value of Benefits (2)/(1)(d)		74.04%	82.08%	-8.1%

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

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-6 Development of 2016 Experience Gain/(Loss) SDCERS - City of San Diego (In Millions)		
1. Unfunded Actuarial Liability at June 30, 2015		\$ 2,001.7
2. Beginning of year Unfunded Actuarial Liability payment		(210.7)
3. Interest accrued ((1+2) x 7.125%)		<u>127.6</u>
4. Expected Unfunded Actuarial Liability at June 30, 2016 (1+2+3)		1,918.7
5. Actual Unfunded Liability at June 30, 2016		2,557.8
6. Difference: (4 - 5)		(639.1)
7. Portion of difference (6) due to actuarial assumption or method changes		(543.8)
8. Portion of difference (6) due to plan changes		-
9. Portion of difference (6) due to contributions greater than expected		4.4
10. Portion of difference (6) due to net experience Gain/(Loss)		(99.7)
a) portion of (10) due to investment experience	\$	(50.0)
b) portion of (10) due to liability experience	\$	(49.7)
c) portion of (10) due to service purchases	\$	-

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION III - LIABILITIES

Table III-7 shows the history of past experience gains and losses.

Table III-7			
Experience Gain/(Loss) - Historical SDCERS - City of San Diego			
Valuation		Beginning-of-Year	Gain/(Loss)
Date	Gain/(Loss)	Actuarial Liabilities	% of Liability
6/30/1992	\$ 57,952,320	\$ 1,006,299,729	5.8%
6/30/1993	(42,605,778)	1,057,238,917	(4.0)
6/30/1994	(6,744,850)	1,220,830,059	(0.6)
6/30/1995	(11,370,990)	1,338,279,541	(0.8)
6/30/1996	59,592,960	1,476,710,662	4.0
6/30/1997	38,473,993	1,682,604,532	2.3
6/30/1998	31,086,010	1,822,432,018	1.7
6/30/1999	¹ 29,750,299	1,979,668,038	1.5
6/30/2000	286,639,160	2,181,547,453	13.1
6/30/2001	(193,168,984)	2,528,773,900	(7.6)
6/30/2002	(364,815,155)	2,809,537,745	(13.0)
6/30/2003	(303,699,305)	3,168,921,175	(9.6)
6/30/2004	(58,123,874)	3,532,625,521	(1.6)
6/30/2005	36,775,882	3,997,328,084	0.9
6/30/2006	205,249,486	4,377,092,948	4.7
6/30/2007	35,189,811	4,982,699,455	0.7
6/30/2008	(49,930,537)	5,597,652,861	(0.9)
6/30/2009	(818,906,079)	5,963,549,545	(13.7)
6/30/2010	(71,030,037)	6,281,636,108	(1.1)
6/30/2011	130,020,025	6,527,223,751	2.0
6/30/2012	(102,581,872)	6,917,175,002	(1.5)
6/30/2013	(16,759,103)	7,261,730,655	(0.2)
6/30/2014	126,171,209	7,555,526,738	1.7
6/30/2015	34,597,899	7,858,703,380	0.4
6/30/2016	(99,718,170)	8,205,952,554	(1.2)

¹ Beginning with the June 30, 1999 valuation, experience is City only. The prior years include all employers.

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

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 the funding method, there are three components to the total contribution: the normal cost, an amortization payment on the unfunded actuarial liability, and the expected administrative expenses. The normal cost for an individual employee is the ratio of their present value of future benefits to present value of future salaries at entry age, multiplied by their valuation salary. The gross normal cost rate for each sub-group is determined by dividing the sum of the individual normal costs by the total valuation salary for that sub-group. The gross normal cost rate is then reduced by the average employee contribution rate to determine the employer normal cost rate. Finally, the employer normal cost rate for each sub-group is multiplied by that group's projected FY 2018 payroll to determine the normal cost component of the FY 2018 ADC.

The EAN actuarial liability is the Plan's total present value of future benefits minus the total present value of future normal costs. The difference between the EAN actuarial liability and the actuarial value of assets is the unfunded actuarial liability. The UAL for FY 2018 is to be amortized over several different periods. Table IV-2 shows the outstanding balance, the FY 2018 payment and the remaining amortization period for each of these components. If necessary, there is an additional UAL cost component to ensure that there is no negative amortization in any year.

Beginning with the June 30, 2012 valuation, the non-Police portion of the UAL has been amortized in level dollar amounts, due to the closure of that portion of the plan to new hires. The portion of the UAL associated with the open Police Plan continues to be amortized as a level percentage of pay.

In January 2015 the Board voted to account for expected administrative expenses explicitly in the actuarially determined contribution (ADC). The administrative expense component is \$11.5 million for FY 2018 (assuming payment at the beginning of the year), reflecting the final year of a three-year phase-in. This amount is assumed to increase by 2.5% per year.

Table IV-1 on the following page shows how the City's contribution rate for SDCERS for FY 2018 is developed.

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION IV - CONTRIBUTIONS

**Table IV-1
SDCERS - City of San Diego
Development of the City's Contribution as of June 30, 2016 for FY 2018
(dollars in millions)**

	WEIGHTED	Non-Safety			
	TOTAL CITY	Weighted Total	General Old Plan	General 2009 Plan	Elected
1. Total Normal Cost Rate as of June 30, 2016	24.28%	20.17%	20.47%	17.99%	37.47%
2. Member Contribution Rate as of June 30, 2016	11.84%	<u>9.80%</u>	<u>10.02%</u>	<u>8.39%</u>	<u>9.05%</u>
3. Employer Normal Cost Rate as of June 30, 2016 (1-2)	12.44%	10.37%	10.45%	9.60%	28.42%
4. Actuarial Liability	\$9,013.1	\$4,684.6	\$4,641.0	\$32.1	\$11.5
5. Actuarial Assets	\$6,455.4	<u>\$3,364.0</u>	<u>\$3,333.6</u>	<u>\$22.1</u>	<u>\$8.3</u>
6. Total Unfunded Actuarial Liability (UAL) (4-5) ¹	\$2,557.8	\$1,320.6	\$1,307.4	\$10.0	\$3.2
7. Preliminary FY17 UAL amortization ¹	\$261.3	\$140.2	\$138.8	\$1.1	\$0.3
8. <u>Negative Amortization Test for FY18</u>					
a. Total UAL on 6/30/16 less FY17 UAL payment	\$2,347.2	\$1,211.8	\$1,199.8	\$9.2	\$2.9
b. Interest on 8a. To 6/30/17	\$164.3	\$84.8	\$84.0	\$0.6	\$0.2
c. Preliminary FY18 UAL amortization (line 7)	\$261.3	<u>\$140.2</u>	<u>\$138.8</u>	<u>\$1.1</u>	<u>\$0.3</u>
d. Negative interest (8b - 8c, not less than zero)	-	-	-	-	-
9. Total FY18 UAL payment on 7/01/17 (8c + 8d)	\$261.3	\$140.2	\$138.8	\$1.1	\$0.3
10. Total FY18 UAL payment throughout year	\$270.3	\$145.0	\$143.5	\$1.1	\$0.3
11. Total Expected Payroll for FY18	\$427.0	\$248.1	\$213.8	\$34.1	\$0.3
12. FY18 Normal Cost paid throughout the year	\$53.5	\$25.7	\$22.3	\$3.3	\$0.1
13. FY18 Normal Cost paid at start of year	\$51.7	\$24.8	\$21.6	\$3.2	\$0.1
14. Administrative Expenses paid throughout the year	\$11.9	\$6.3	\$6.1	\$0.2	\$0.0
15. Determination of FY18 ADC %					
a. Employer Normal Cost Rate (12 divided by 11)	12.52%	10.35%	10.45%	9.60%	28.42%
b. UAL Rate (line 10 divided by line 11)	63.29%	58.43%	67.15%	3.22%	119.39%
c. Admin Expense Rate (line 14 divided by line 11)	2.79%	<u>2.53%</u>	<u>2.85%</u>	<u>0.47%</u>	<u>5.43%</u>
d. Total employer ADC % (15a + 15b + 15c)	78.60%	71.31%	80.45%	13.29%	153.24%
16. Determination of FY18 ADC dollars					
a. FY18 ADC if paid throughout year	\$335.6	\$177.0	\$172.0	\$4.5	\$0.4
b. FY18 ADC if paid at beginning of year	\$324.5	\$171.1	\$166.3	\$4.4	\$0.4

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

Note: Numbers may not add due to rounding.

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION IV - CONTRIBUTIONS

**Table IV-1 (cont.)
SDCERS - City of San Diego
Development of the City's Contribution as of June 30, 2016 for FY 2018
(dollars in millions)**

	Safety									
	Weighted Total	Police Old	Police 2009	Police 2012	Police 2012 No COL	Police Prop B	Fire Old	Fire 2012	Lifeguard Old	Lifeguard 2011
1. Total Normal Cost Rate as of June 30, 2016	30.50%	31.02%	29.76%	29.93%	27.22%	27.26%	31.27%	31.69%	32.45%	31.50%
2. Member Contribution Rate as of June 30, 2016	<u>14.92%</u>	<u>15.38%</u>	<u>14.42%</u>	<u>14.50%</u>	<u>12.07%</u>	<u>12.15%</u>	<u>15.63%</u>	<u>15.23%</u>	<u>15.94%</u>	<u>15.09%</u>
3. Employer Normal Cost Rate as of June 30, 2016 (1-2)	15.58%	15.64%	15.34%	15.43%	15.15%	15.11%	15.64%	16.46%	16.51%	16.41%
4. Actuarial Liability	\$4,328.5	\$2,796.3	\$16.4	\$3.1	\$5.4	\$4.0	\$1,387.8	\$0.1	\$115.4	\$0.0
5. Actuarial Assets	<u>\$3,091.3</u>	<u>\$1,988.4</u>	<u>\$11.3</u>	<u>\$2.2</u>	<u>\$4.0</u>	<u>\$3.0</u>	<u>\$998.3</u>	<u>\$0.1</u>	<u>\$84.1</u>	<u>\$0.0</u>
6. Total Unfunded Actuarial Liability (UAL) (4-5) ¹	\$1,237.2	\$807.9	\$5.1	\$1.0	\$1.4	\$1.0	\$389.5	\$0.0	\$31.3	\$0.0
7. Preliminary FY17 UAL amortization ¹	\$121.1	\$75.6	\$0.5	\$0.1	\$0.1	\$0.1	\$41.3	\$0.0	\$3.3	\$0.0
8. <u>Negative Amortization Test for FY18</u>										
a. Total UAL on 6/30/16 less FY17 UAL payment	\$1,135.3	\$741.4	\$4.7	\$0.9	\$1.3	\$0.9	\$357.4	\$0.0	\$28.7	\$0.0
b. Interest on 8a. To 6/30/17	\$79.5	\$51.9	\$0.3	\$0.1	\$0.1	\$0.1	\$25.0	\$0.0	\$2.0	\$0.0
c. Preliminary FY18 UAL amortization (line 7)	<u>\$121.1</u>	<u>\$75.6</u>	<u>\$0.5</u>	<u>\$0.1</u>	<u>\$0.1</u>	<u>\$0.1</u>	<u>\$41.3</u>	<u>\$0.0</u>	<u>\$3.3</u>	<u>\$0.0</u>
d. Negative interest (8b - 8c, not less than zero)	-	-	-	-	-	-	-	-	-	-
9. Total FY18 UAL payment on 7/01/17 (8c + 8d)	\$121.1	\$75.6	\$0.5	\$0.1	\$0.1	\$0.1	\$41.3	\$0.0	\$3.3	\$0.0
10. Total FY18 UAL payment throughout year	\$125.3	\$78.2	\$0.5	\$0.1	\$0.1	\$0.1	\$42.8	\$0.0	\$3.4	\$0.0
11. Total Expected Payroll for FY18	\$178.9	\$82.5	\$8.9	\$2.7	\$6.2	\$31.2	\$41.7	\$0.3	\$5.3	\$0.1
12. FY18 Normal Cost paid throughout the year	\$27.8	\$12.9	\$1.4	\$0.4	\$0.9	\$4.7	\$6.5	\$0.0	\$0.9	\$0.0
13. FY18 Normal Cost paid at start of year	\$26.9	\$12.5	\$1.3	\$0.4	\$0.9	\$4.6	\$6.3	\$0.0	\$0.8	\$0.0
14. Administrative Expenses paid throughout the year	\$5.6	\$3.3	\$0.1	\$0.0	\$0.0	\$0.2	\$1.8	\$0.0	\$0.2	\$0.0
15. Determination of FY18 ADC %										
a. Employer Normal Cost Rate (12 divided by 11)	15.54%	15.64%	15.34%	15.43%	15.15%	15.11%	15.64%	16.46%	16.51%	16.41%
b. UAL Rate (line 10 divided by line 11)	70.03%	94.79%	5.54%	3.53%	2.18%	0.30%	102.58%	1.69%	64.64%	1.02%
c. Admin Expense Rate (line 14 divided by line 11)	<u>3.14%</u>	<u>4.06%</u>	<u>0.77%</u>	<u>0.70%</u>	<u>0.64%</u>	<u>0.57%</u>	<u>4.34%</u>	<u>0.67%</u>	<u>2.98%</u>	<u>0.64%</u>
d. Total employer ADC % (15a + 15b + 15c)	88.71%	114.48%	21.65%	19.66%	17.97%	15.98%	122.56%	18.81%	84.13%	18.07%
16. Determination of FY18 ADC dollars										
a. FY18 ADC if paid throughout year	\$158.7	\$94.5	\$1.9	\$0.5	\$1.1	\$5.0	\$51.1	\$0.0	\$4.5	\$0.0
b. FY18 ADC if paid at beginning of year	\$153.4	\$91.4	\$1.9	\$0.5	\$1.1	\$4.8	\$49.4	\$0.0	\$4.3	\$0.0

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

Note: Numbers may not add due to rounding.

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION IV - CONTRIBUTIONS

Table IV-2 shows information on each layer of the June 30, 2016 UAL.

Table IV-2 SDCERS - City of San Diego Schedule of Amortization Bases as of July 1, 2016 Used in Development of the City's Contribution for FY 2018							
Type of Base	Date	Initial	Initial	July 1, 2016	Outstanding	Remaining	Amortization
	Established	Amount	Amortization	Outstanding	Balance for FY	Amortization	Payment for FY
			Years	Balance	2018 (BOY) ¹	Years	2018 (BOY) ²
1. June 30, 2007 UAL	7/1/2007	\$ 1,184,242,049	20	\$ 338,156,842	\$ 325,064,528	11	\$ 35,415,053
2. Assumption Change	7/1/2008	83,787,434	30	30,939,973	30,995,915	22	2,032,878
3. Experience Loss	7/1/2008	13,564,981	15	3,523,505	3,234,639	7	515,830
4. Experience Loss	7/1/2009	810,661,179	15	223,973,306	208,850,667	8	29,669,442
5. Experience Loss	7/1/2010	25,942,732	15	7,530,503	7,108,989	9	913,823
6. Experience Gain ³	7/1/2010	(50,000,000)	14	(12,858,423)	(11,990,224)	8	(1,703,338)
7. Experience Gain	7/1/2011	(141,139,563)	15	(42,617,586)	(40,633,738)	10	(4,784,826)
8. Assumption Change	7/1/2011	188,313,322	30	66,766,160	67,214,897	25	4,070,944
9. Experience Loss	7/1/2012	36,799,824	15	36,731,954	35,309,814	11	3,846,925
10. Method Change	7/1/2012	2,465,954	30	2,755,431	2,777,748	26	164,350
11. Non-Police UAL ⁴	7/1/2012	1,564,122,860	15	1,351,916,580	1,275,406,016	11	158,957,195
12. Experience Loss	7/1/2013	25,877,674	15	25,816,851	24,672,379	12	2,770,710
13. Salary Freeze	7/1/2013	(194,945,486)	15	(194,095,296)	(185,312,837)	12	(20,961,186)
14. Assumption Change	7/1/2013	146,882,570	30	156,602,913	155,757,282	27	11,038,341
15. Experience Gain	7/1/2014	(129,251,561)	15	(134,144,271)	(129,103,396)	13	(13,576,074)
16. Experience Gain	7/1/2015	(37,814,454)	15	(40,508,733)	(39,141,165)	14	(3,946,350)
17. Assumption Change	7/1/2015	95,828,141	30	102,655,896	102,249,652	29	7,087,959
18. Experience Loss	7/1/2016	90,825,538	15	90,825,538	97,183,326	15	9,393,680
19. Assumption Change	7/1/2016	543,780,953	30	<u>543,780,953</u>	<u>581,845,620</u>	30	<u>40,360,723</u>
TOTAL				\$ 2,557,752,096	\$ 2,511,490,110		\$ 261,266,081

¹ July 1, 2016 outstanding balance adjusted to the FY2018 beginning of year (BOY), July 1, 2017.

² For bases established 7/1/2013 and after, payment reflects level percent of pay amortization for Police portion and level dollar amortization for non-Police portion.

³ Reduction in UAL from anticipated impact of PSC correction as of the June 30, 2010 valuation.

⁴ Entire non-Police UAL as of June 30, 2012. Other pre-2013 bases reflect amounts attributable to Police portion.

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION V - COMPREHENSIVE ANNUAL FINANCIAL REPORT INFORMATION

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

The disclosures needed to satisfy the new requirements of Governmental Accounting Standards Board (GASB) Statement Nos. 67 and 68 are contained in our separate GASB 67/68 report as of June 30, 2016, issued on November 10, 2016.

Table V-1 SDCERS - City of San Diego 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, 2016
Investment Income	\$ (49,983,430)
Combined Liability Experience	<u>(49,734,740)</u>
Gain (or Loss) During Year from Financial Experience	\$ (99,718,170)
Non-Recurring Gain (or Loss) Items (e.g., Contributions, Assumption Changes)	<u>(539,381,258)</u>
Composite Gain (or Loss) During Year	\$ (639,099,428)

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

SECTION V - COMPREHENSIVE ANNUAL FINANCIAL REPORT INFORMATION

Table V-2 SDCERS - City of San Diego SOLVENCY TEST Actuarial Liabilities For (\$ in thousands)							
Valuation Date June 30,	(A)	(B)	(C)	Reported Assets¹	Portion of Actuarial Liabilities Covered by Reported Assets		
	Active Member Contributions	Retirees And Beneficiaries	Remaining Active Members' Liabilities		(A)	(B)	(C)
2016 ⁵	\$ 798,226	\$ 6,221,393	\$ 1,993,511	\$ 6,455,378	100%	90.93%	0.00%
2015 ⁵	779,487	5,579,503	1,846,962	6,204,244	100	97.23	0.00
2014	741,628	5,304,270	1,812,805	5,828,594	100	95.90	0.00
2013 ⁵	709,796	4,975,550	1,870,181	5,317,778	100	92.61	0.00
2012	662,488	4,625,110	1,974,133	4,982,442	100	93.40	0.00
2011 ⁵	627,447	4,344,218	1,945,510	4,739,399	100	94.65	0.00
2010	584,296	3,912,113	2,030,816	4,382,047	100	97.08	0.00
2009	535,797	3,673,185	2,072,655	4,175,229	100	99.08	0.00
2008 ⁵	522,966	3,286,668	2,153,916	4,662,346	100	100	39.50
2007 ⁴	482,526	3,101,594	2,013,532	4,413,311	100	100	41.19
2006 ³	456,562	2,822,203	1,703,935	3,981,932	100	100	41.27
2005	457,550	2,183,263	1,736,279	2,983,080	100	100	19.71
2004	414,986 ²	1,946,660	1,635,681	2,628,680	100	100	16.33

¹ Actuarial Value of Assets.

² Estimated.

³ Reflects contingent liabilities (Corbett pre-July 1, 2000 and 13th check), DROP reserves, supplemental COLA reserves, and IRC section 415 limits.

⁴ The actuarial liability on June 30, 2007 and after is based on the entry age actuarial funding method. All prior years are based on the projected unit credit actuarial funding method.

⁵ Reflects revised actuarial and economic assumptions.

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX A - MEMBERSHIP INFORMATION

Table A-1 Reconciliation of Member Data Total SDCERS - City of San Diego								
	<u>Active</u>	<u>Terminated Vested</u>	<u>Terminated Non-Vested</u>	<u>Disabled</u>	<u>Retired</u>	<u>Beneficiaries</u>	<u>DROP</u>	<u>Totals</u>
Participants as of 7/1/2015	7,038	744	2,163	1,190	5,517	1,265	1,131	19,048
New Entrants	213	0	6	0	0	0	0	219
Returned to Work	52	(14)	(30)	0	0	0	0	8
Vested Terminations	(70)	70	0	0	0	0	0	0
Non-Vested Terminations	(99)	0	99	0	0	0	0	0
Retirements	(48)	(46)	(4)	0	393	0	(295)	0
DROP	(289)	(1)	0	0	0	0	290	0
Disabilities	(8)	(1)	(1)	15	(4)	0	(1)	0
New Continuants	0	0	0	0	0	106	0	106
New Dissolutions ¹	0	0	0	0	7	0	11	18
Benefits Ceased ²	(7)	(4)	(5)	(28)	(89)	(58)	0	(191)
Lump Sum Cashout	(33)	(11)	(101)	0	0	0	0	(145)
Transfers In/Out	(3)	0	0	0	0	0	0	(3)
Miscellaneous Adjustments	2	1	0	3	0	0	1	7
Participants as of 7/1/2016	6,748	738	2,127	1,180	5,824	1,313	1,137	19,067

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

² Includes deaths and benefits that were terminated or suspended.

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX A - MEMBERSHIP INFORMATION

Table A-2 Reconciliation of Member Data City General								
	<u>Active</u>	<u>Terminated Vested</u>	<u>Terminated Non-Vested</u>	<u>Disabled</u>	<u>Retired</u>	<u>Beneficiaries</u>	<u>DROP</u>	<u>Totals</u>
Participants as of 7/1/2015	4,860	611	1,725	410	3,731	719	696	12,752
New Entrants	55	0	0	0	0	0	0	55
Returned to Work	46	(14)	(24)	0	0	0	0	8
Vested Terminations	(57)	57	0	0	0	0	0	0
Non-Vested Terminations	(65)	0	65	0	0	0	0	0
Retirements	(42)	(42)	(3)	0	266	0	(179)	0
DROP	(189)	(1)	0	0	0	0	190	0
Disabilities	(3)	(1)	0	6	(2)	0	0	0
New Continuants	0	0	0	0	0	54	0	54
New Dissolutions ¹	0	0	0	0	7	0	10	17
Benefits Ceased ²	(6)	(4)	(5)	(9)	(71)	(36)	0	(131)
Lump Sum Cashout	(24)	(10)	(82)	0	0	0	0	(116)
Transferred Out	(1)	0	0	0	0	0	0	(1)
Miscellaneous Adjustments	0	1	2	2	0	0	0	5
Participants as of 7/1/2016	4,574	597	1,678	409	3,931	737	717	12,643

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

² Includes deaths and benefits that were terminated or suspended.

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX A - MEMBERSHIP INFORMATION

Table A-3 Reconciliation of Member Data City Safety								
	<u>Active</u>	<u>Terminated Vested</u>	<u>Terminated Non-Vested</u>	<u>Disabled</u>	<u>Retired</u>	<u>Beneficiaries</u>	<u>DROP</u>	<u>Totals</u>
Participants as of 7/1/2015	2,178	133	438	780	1,786	546	435	6,296
New Entrants	158	0	6	0	0	0	0	164
Returned to Work	6	0	(6)	0	0	0	0	0
Vested Terminations	(13)	13	0	0	0	0	0	0
Non-Vested Terminations	(34)	0	34	0	0	0	0	0
Retirements	(6)	(4)	(1)	0	127	0	(116)	0
DROP	(100)	0	0	0	0	0	100	0
Disabilities	(5)	0	(1)	9	(2)	0	(1)	0
New Continuants	0	0	0	0	0	52	0	52
New Dissolutions ¹	0	0	0	0	0	0	1	1
Benefits Ceased ²	(1)	0	0	(19)	(18)	(22)	0	(60)
Lump Sum Cashout	(9)	(1)	(19)	0	0	0	0	(29)
Transferred Out	(2)	0	0	0	0	0	0	(2)
Miscellaneous Adjustments	2	0	(2)	1	0	0	1	2
Participants as of 7/1/2016	2,174	141	449	771	1,893	576	420	6,424

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

² Includes deaths and benefits that were terminated or suspended.

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX A - MEMBERSHIP INFORMATION

Table A-4 SDCERS - City of San Diego Active Member Data			
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>% Change</u>
<u>Total</u>			
Count	6,748	7,038	-4.1%
Average Current Age	45.0	44.9	0.1%
Average Service	13.8	13.7	1.0%
Average Pensionable Earnings	\$ 68,924	\$ 68,295	0.9%
Annual Pensionable Earnings	\$ 465,100,255	\$ 480,662,378	-3.2%
Average Valuation Compensation ¹	\$ 68,924	\$ 68,295	0.9%
Annual Valuation Compensation ¹	\$ 465,100,255	\$ 480,662,378	-3.2%
Average Service Without Purchased Service	13.2	13.0	1.5%
Members with Paid Purchased Service	1,242	1,368	-9.2%
Members with Any Purchased Service	1,282	1,414	-9.3%
Amount of Paid Purchased Service	4,172	4,670	-10.7%
Amount of Total Purchased Service	4,450	5,005	-11.1%
<u>General</u>			
Count	4,574	4,860	-5.9%
Average Current Age	47.6	47.2	0.8%
Average Service	14.8	14.4	2.8%
Average Pensionable Earnings	\$ 61,327	\$ 60,692	1.0%
Annual Pensionable Earnings	\$ 280,510,311	\$ 294,962,501	-4.9%
Average Valuation Compensation ¹	\$ 61,327	\$ 60,692	1.0%
Annual Valuation Compensation ¹	\$ 280,510,311	\$ 294,962,501	-4.9%
Average Service Without Purchased Service	14.0	13.6	2.9%
Members with Paid Purchased Service	957	1,055	-9.3%
Members with Any Purchased Service	966	1,066	-9.4%
Amount of Paid Purchased Service	3,411	3,863	-11.7%
Amount of Total Purchased Service	3,507	3,973	-11.7%
<u>Safety</u>			
Count	2,174	2,178	-0.2%
Average Current Age	39.4	39.7	-0.8%
Average Service	11.8	12.1	-2.5%
Average Pensionable Earnings	\$ 84,908	\$ 85,262	-0.4%
Annual Pensionable Earnings	\$ 184,589,944	\$ 185,699,878	-0.6%
Average Valuation Compensation ¹	\$ 84,908	\$ 85,262	-0.4%
Annual Valuation Compensation ¹	\$ 184,589,944	\$ 185,699,878	-0.6%
Average Service Without Purchased Service	11.3	11.7	-3.4%
Members with Paid Purchased Service	285	313	-8.9%
Members with Any Purchased Service	316	348	-9.2%
Amount of Paid Purchased Service	761	807	-5.7%
Amount of Total Purchased Service	943	1,032	-8.6%

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

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX A - MEMBERSHIP INFORMATION

Table A-5 SDCERS - City of San Diego Non-Active Participant Data						
	Count			Average Age		
	June 30, 2016	June 30, 2015	%Change	June 30, 2016	June 30, 2015	%Change
Total						
Retired ¹	6,961	6,648	4.7%	66.0	65.8	0.4%
Disabled	1,180	1,190	-0.8%	66.5	65.9	0.9%
Beneficiaries	1,313	1,265	3.8%	73.7	73.8	-0.1%
Payee Total	9,454	9,103	3.9%	67.1	66.9	0.4%
DROP Participants	1,137	1,131	0.5%	57.3	57.2	0.2%
Deferred Vested ²	2,865	2,907	-1.4%	47.5	47.1	0.9%
Vested < 10 yrs svc	2,127	2,163	-1.7%			
General						
Retired ¹	4,648	4,427	5.0%	67.5	67.3	0.3%
Disabled	409	410	-0.2%	65.3	64.6	1.1%
Beneficiaries	737	719	2.5%	76.1	75.9	0.3%
Payee Total	5,794	5,556	4.3%	68.4	68.2	0.3%
DROP Participants	717	696	3.0%	59.4	59.3	0.2%
Deferred Vested ²	2,275	2,336	-2.6%	48.9	48.4	1.0%
Vested < 10 yrs svc	1,678	1,725	-2.7%			
Safety						
Retired ¹	2,313	2,221	4.1%	63.0	62.7	0.5%
Disabled	771	780	-1.2%	67.2	66.6	0.9%
Beneficiaries	576	546	5.5%	70.7	70.9	-0.3%
Payee Total	3,660	3,547	3.2%	65.1	64.8	0.5%
DROP Participants	420	435	-3.4%	53.8	54.0	-0.4%
Deferred Vested ²	590	571	3.3%	42.2	41.7	1.2%
Vested < 10 yrs svc	449	438	2.5%			

¹ Includes DROP Participants.

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

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX A - MEMBERSHIP INFORMATION

Table A-6 SDCERS - City of San Diego Non-Active Participant Data						
	Total Annual Benefit			Average Annual Benefit		
	June 30, 2016	June 30, 2015	%Change	June 30, 2016	June 30, 2015	%Change
<u>Total</u>						
Retired ¹	\$ 377,042,523	\$ 355,083,956	6.2%	\$ 54,165	\$ 53,412	1.4%
Disabled	41,346,765	40,946,485	1.0%	35,040	34,409	1.8%
Beneficiaries	<u>25,399,388</u>	<u>23,179,220</u>	9.6%	<u>19,345</u>	<u>18,323</u>	5.6%
Payee Total	\$ 443,788,676	\$ 419,209,660	5.9%	\$ 46,942	\$ 46,052	1.9%
DROP Participants	\$ 63,721,088	\$ 63,035,156	1.1%	\$ 56,043	\$ 55,734	0.6%
Deferred Vested ²	\$ 147,243,821	\$ 137,649,546	7.0%	\$ 51,394	\$ 47,351	8.5%
<u>General</u>						
Retired ¹	\$ 204,018,917	\$ 191,716,762	6.4%	\$ 43,894	\$ 43,306	1.4%
Disabled	8,285,148	8,166,760	1.4%	20,257	19,919	1.7%
Beneficiaries	<u>11,152,636</u>	<u>10,187,710</u>	9.5%	<u>15,132</u>	<u>14,169</u>	6.8%
Payee Total	\$ 223,456,701	\$ 210,071,232	6.4%	\$ 38,567	\$ 37,810	2.0%
DROP Participants	\$ 30,116,085	\$ 28,839,776	4.4%	\$ 42,003	\$ 41,436	1.4%
Deferred Vested ²	\$ 117,269,574	\$ 111,930,123	4.8%	\$ 51,547	\$ 47,915	7.6%
<u>Safety</u>						
Retired ¹	\$ 173,023,606	\$ 163,367,194	5.9%	\$ 74,805	\$ 73,556	1.7%
Disabled	33,061,617	32,779,725	0.9%	42,881	42,025	2.0%
Beneficiaries	<u>14,246,752</u>	<u>12,991,510</u>	9.7%	<u>24,734</u>	<u>23,794</u>	4.0%
Payee Total	\$ 220,331,975	\$ 209,138,429	5.4%	\$ 60,200	\$ 58,962	2.1%
DROP Participants	\$ 33,605,003	\$ 34,195,380	-1.7%	\$ 80,012	\$ 78,610	1.8%
Deferred Vested ²	\$ 29,974,247	\$ 25,719,422	16.5%	\$ 50,804	\$ 45,043	12.8%

¹ Includes DROP Participants.

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

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX A - MEMBERSHIP INFORMATION

Table A-7 SDCERS - City of San Diego Distribution of Active Members as of June 30, 2016 Total City											
Age	Years of Service										Total
	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	46	34	-	-	-	-	-	-	-	-	80
25 to 29	93	249	68	-	-	-	-	-	-	-	410
30 to 34	49	242	402	86	3	-	-	-	-	-	782
35 to 39	18	132	318	288	99	3	-	-	-	-	858
40 to 44	11	86	183	289	313	96	2	-	-	-	980
45 to 49	12	84	149	201	417	300	150	7	-	-	1,320
50 to 54	3	48	112	151	339	273	319	134	16	2	1,397
55 to 59	7	30	75	104	190	87	73	24	4	-	594
60 to 64	1	22	46	60	69	30	8	7	1	-	244
65 to 69	1	10	27	11	7	3	2	2	-	1	64
70 and up	-	4	8	3	1	1	1	-	-	1	19
Total Count	241	941	1,388	1,193	1,438	793	555	174	21	4	6,748

Table A-8 SDCERS - City of San Diego Distribution of Active Members as of June 30, 2016 Total City											
Age	Average Salary Years of Service										Total
	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	\$ 50,429	\$ 54,005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,949
25 to 29	52,529	61,934	71,017	-	-	-	-	-	-	-	61,307
30 to 34	50,383	61,663	75,456	71,152	75,463	-	-	-	-	-	69,143
35 to 39	42,724	63,280	73,512	75,565	77,410	81,794	-	-	-	-	72,460
40 to 44	49,550	58,600	70,532	72,765	79,798	75,870	74,356	-	-	-	73,398
45 to 49	48,208	50,684	66,400	66,124	76,273	80,378	79,647	64,963	-	-	72,986
50 to 54	53,105	49,434	64,125	59,607	67,406	72,809	74,217	71,550	67,149	62,346	68,650
55 to 59	33,675	46,583	60,812	55,287	58,107	65,947	72,343	73,207	60,180	-	60,607
60 to 64	20,555	42,335	60,697	60,380	60,054	67,477	71,078	54,364	93,441	-	59,744
65 to 69	36,296	54,034	58,749	72,596	57,243	67,908	51,563	57,658	-	75,607	60,311
70 and up	-	23,243	46,969	104,544	37,762	17,426	67,004	-	-	49,777	50,228
Avg. Salary	\$ 49,868	\$ 58,624	\$ 70,488	\$ 68,472	\$ 71,729	\$ 75,034	\$ 75,298	\$ 70,662	\$ 67,074	\$ 62,519	\$ 68,924

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX A - MEMBERSHIP INFORMATION

Table A-9 SDCERS - City of San Diego Distribution of Active Members as of June 30, 2016 General											
Age	Years of Service										Total
	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	7	16	-	-	-	-	-	-	-	-	23
25 to 29	14	99	32	-	-	-	-	-	-	-	145
30 to 34	9	125	168	44	2	-	-	-	-	-	348
35 to 39	9	92	186	134	55	3	-	-	-	-	479
40 to 44	5	63	128	175	173	64	2	-	-	-	610
45 to 49	9	76	121	154	262	164	93	6	-	-	885
50 to 54	3	47	105	130	276	226	258	129	16	2	1,192
55 to 59	7	30	72	98	182	84	68	23	4	-	568
60 to 64	1	22	45	60	69	29	7	7	1	-	241
65 to 69	1	10	27	11	7	3	2	2	-	1	64
70 and up	-	4	8	3	1	1	1	-	-	1	19
Total Count	65	584	892	809	1,027	574	431	167	21	4	4,574

Table A-10 SDCERS - City of San Diego Distribution of Active Members as of June 30, 2016 General											
Age	Average Salary Years of Service										Total
	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	\$ 26,811	\$ 42,636	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,820
25 to 29	33,497	49,467	54,330	-	-	-	-	-	-	-	48,999
30 to 34	31,989	53,229	61,331	55,349	66,292	-	-	-	-	-	56,934
35 to 39	31,718	59,021	65,786	59,698	64,212	81,794	-	-	-	-	62,063
40 to 44	41,559	55,484	64,643	62,260	68,545	67,320	74,356	-	-	-	64,244
45 to 49	35,850	47,419	62,529	59,654	66,506	65,659	65,254	59,318	-	-	62,482
50 to 54	53,105	49,328	63,005	55,419	61,501	67,748	66,372	70,146	67,149	62,346	63,721
55 to 59	33,675	46,583	59,468	52,867	56,674	64,940	69,157	72,181	60,180	-	58,924
60 to 64	20,555	42,335	58,909	60,380	60,054	66,965	69,388	54,364	93,441	-	59,216
65 to 69	36,296	54,034	58,749	72,596	57,243	67,908	51,563	57,658	-	75,607	60,311
70 and up	-	23,243	46,969	104,544	37,762	17,426	67,004	-	-	49,777	50,228
Avg. Salary	\$ 34,036	\$ 51,443	\$ 62,364	\$ 58,885	\$ 63,114	\$ 66,639	\$ 66,589	\$ 69,226	\$ 67,074	\$ 62,519	\$ 61,327

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX A - MEMBERSHIP INFORMATION

Table A-11 SDCERS - City of San Diego Distribution of Active Members as of June 30, 2016 Safety											
Age	Years of Service										Total
	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	39	18	-	-	-	-	-	-	-	-	57
25 to 29	79	150	36	-	-	-	-	-	-	-	265
30 to 34	40	117	234	42	1	-	-	-	-	-	434
35 to 39	9	40	132	154	44	-	-	-	-	-	379
40 to 44	6	23	55	114	140	32	-	-	-	-	370
45 to 49	3	8	28	47	155	136	57	1	-	-	435
50 to 54	-	1	7	21	63	47	61	5	-	-	205
55 to 59	-	-	3	6	8	3	5	1	-	-	26
60 to 64	-	-	1	-	-	1	1	-	-	-	3
65 to 69	-	-	-	-	-	-	-	-	-	-	-
70 and up	-	-	-	-	-	-	-	-	-	-	-
Total Count	176	357	496	384	411	219	124	7	-	-	2,174

Table A-12 SDCERS - City of San Diego Distribution of Active Members as of June 30, 2016 Safety											
Age	Average Salary Years of Service										Total
	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	\$ 54,668	\$ 64,111	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,650
25 to 29	55,902	70,163	85,850	-	-	-	-	-	-	-	68,042
30 to 34	54,521	70,673	85,597	87,708	93,805	-	-	-	-	-	78,933
35 to 39	53,729	73,074	84,399	89,372	93,908	-	-	-	-	-	85,600
40 to 44	56,210	67,135	84,237	88,890	93,702	92,970	-	-	-	-	88,490
45 to 49	85,283	81,702	83,128	87,326	92,784	98,127	103,129	98,835	-	-	94,357
50 to 54	-	54,445	80,912	85,530	93,276	97,147	107,396	107,764	-	-	97,313
55 to 59	-	-	93,063	94,812	90,692	94,132	115,685	96,824	-	-	97,355
60 to 64	-	-	141,166	-	-	82,334	82,912	-	-	-	102,137
65 to 69	-	-	-	-	-	-	-	-	-	-	-
70 and up	-	-	-	-	-	-	-	-	-	-	-
Avg. Salary	\$ 55,715	\$ 70,370	\$ 85,097	\$ 88,671	\$ 93,254	\$ 97,037	\$ 105,571	\$ 104,926	\$ -	\$ -	\$ 84,908

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX A - MEMBERSHIP INFORMATION

Table A-14 SDCERS - City of San Diego Retirees (Includes DROP Participants), Disabled, and Beneficiaries Tabulated by Attained Age/Benefit Effective Date General											
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-1997	3	8	18	25	33	39	85	129	180	129	649
1997	4	1	4	4	6	15	25	27	7	5	98
1998	1	4	6	3	7	32	46	17	9	4	129
1999	1	2	2	5	5	52	39	20	4	5	135
2000	3	2	8	1	12	54	40	10	8	2	140
2001	1	4	5	9	11	80	44	15	3	7	179
2002	1	2	2	4	37	26	23	12	5	3	115
2003	1	3	2	6	150	93	51	11	5	4	326
2004	2	-	6	10	125	61	24	9	3	7	247
2005	1	2	4	6	180	73	23	5	3	4	301
2006	10	2	5	15	184	50	13	7	4	1	291
2007	2	4	7	146	62	53	9	7	6	7	303
2008	3	3	4	147	57	47	9	6	4	3	283
2009	1	6	16	209	75	33	5	8	8	3	364
2010	3	4	13	161	58	8	5	7	9	3	271
2011	1	1	23	209	55	13	3	1	2	3	311
2012	1	6	153	79	63	11	8	2	5	3	331
2013	6	10	158	35	75	6	6	3	2	5	306
2014	-	10	184	89	31	13	10	2	6	3	348
2015	5	13	195	80	30	10	9	6	7	2	357
2016	-	10	190	65	23	6	6	4	3	3	310
Total	50	97	1,005	1,308	1,279	775	483	308	283	206	5,794

Average Age at Retirement/Disability 58.0
Average Current Age 68.4
Average Annual Pension \$ 38,567



**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX A - MEMBERSHIP INFORMATION

Table A-15											
SDCERS - City of San Diego											
Retirees (Includes DROP Participants), Disabled, and Beneficiaries Tabulated by Attained Age/Benefit Effective Date											
Safety											
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-1997	3	18	38	64	108	136	176	130	71	27	771
1997	2	5	5	4	13	68	33	5	-	1	136
1998	1	4	4	2	20	59	9	-	-	2	101
1999	1	6	6	5	45	54	9	1	1	2	130
2000	-	5	4	2	59	34	2	1	2	3	112
2001	2	5	6	3	93	19	2	-	3	-	133
2002	-	3	4	17	61	13	1	-	-	-	99
2003	1	-	3	52	63	18	1	1	1	1	141
2004	4	2	2	55	41	7	6	2	-	5	124
2005	2	2	4	105	41	10	2	-	2	-	168
2006	4	1	6	113	18	1	2	1	2	3	151
2007	2	1	61	42	13	6	4	2	4	2	137
2008	4	2	67	41	5	1	4	2	2	4	132
2009	4	9	139	50	4	6	4	2	3	1	222
2010	5	2	112	20	4	3	3	4	-	5	158
2011	5	4	109	21	6	4	1	1	1	-	152
2012	2	75	56	10	2	4	-	2	3	-	154
2013	6	83	30	9	6	-	2	-	2	4	142
2014	6	102	34	8	10	5	7	5	4	3	184
2015	8	99	32	8	5	5	6	2	2	1	168
2016	6	85	26	5	8	6	3	3	3	-	145
Total	68	513	748	636	625	459	277	164	106	64	3,660

Average Age at Retirement/Disability 51.7
Average Current Age 65.1
Average Annual Pension \$ 60,200

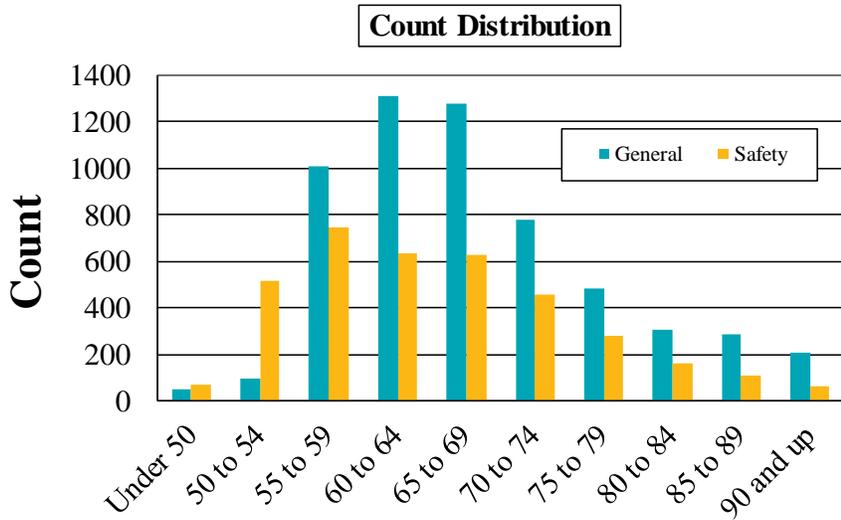


**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX A - MEMBERSHIP INFORMATION

**Table A-16
SDCERS - City of San Diego
Distribution of Retirees (Includes DROP Participants),
Disabled, and Beneficiaries
as of June 30, 2016**

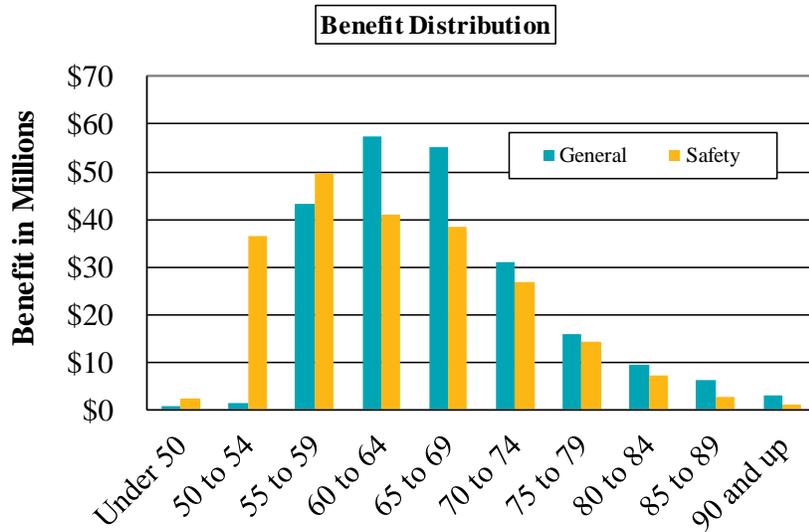
<u>Age</u>	<u>Count</u>		
	<u>General</u>	<u>Safety</u>	<u>Total</u>
Under 50	50	68	118
50 to 54	97	513	610
55 to 59	1,005	748	1,753
60 to 64	1,308	636	1,944
65 to 69	1,279	625	1,904
70 to 74	775	459	1,234
75 to 79	483	277	760
80 to 84	308	164	472
85 to 89	283	106	389
90 and up	206	64	270
Total	5,794	3,660	9,454



**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX A - MEMBERSHIP INFORMATION

Table A-17			
SDCERS - City of San Diego			
Distribution of Retirees (Includes DROP Participants),			
Disabled, and Beneficiaries			
as of June 30, 2016			
	Annual Benefit		
Age	General	Safety	Total
Under 50	\$ 875,697	\$ 2,393,011	\$ 3,268,707
50 to 54	1,319,862	36,481,022	37,800,885
55 to 59	43,205,514	49,646,696	92,852,210
60 to 64	57,409,753	41,091,450	98,501,203
65 to 69	55,217,310	38,363,986	93,581,296
70 to 74	30,947,936	26,878,073	57,826,009
75 to 79	15,766,384	14,243,349	30,009,732
80 to 84	9,389,931	7,274,349	16,664,280
85 to 89	6,251,461	2,731,956	8,983,417
90 and up	3,072,854	1,228,083	4,300,937
Total	\$ 223,456,701	\$ 220,331,975	\$ 443,788,676



APPENDIX A - MEMBERSHIP INFORMATION

Data Assumptions and Practices

In preparing our data, we relied on information supplied by the SDCERS staff. This information includes, but is not limited to, plan provisions, employee data, and financial information. Our methodology for obtaining the data used for the valuation is based upon the following assumptions and practices:

- Service for Actives and Inactives was calculated using “SDCERS Srv Credit” which is benefited service credit. An adjusted date of hire is retroactively calculated from the valuation date. Purchased Service that has been paid for is included in the SDCERS Srv Credit field. Purchased Service that has been contracted for, but not paid as of the valuation date is assumed to be paid in full, and this service will be reflected in the projected benefit.
- Valuation Salary will be the maximum of “Current Fiscal Year Pensionable Salary” and an annualized last pay period “Pensionable Salary”, carried forward with assumed salary increases. Historical salaries, “1 Yr Prior Fiscal Year Pensionable Salary,” “2 Yr Prior Fiscal Year Pensionable Salary,” “3 Yr Prior Fiscal Year Pensionable Salary,” and “4 Yr Prior Fiscal Year Pensionable Salary,” are considered in the calculation of projected benefit.
- New hires with an “Entry Date” after 6/30/2015 had their “Current Fiscal Year Pensionable Salary” annualized based on accrued service to date.
- “Contrib Rate” was updated to reflect the new contribution rates for active employees. If the “Contrib Rate” was not provided, the prior year contribution for the member was used to update and reflect the new rate.
- For accounts having duplicate records in the Actives and Inactives by Social Security Number, the information from the latest payroll date is regarded as most up to date. The other record is treated as out of date and invalid.
- For duplicate records (based on SSN and Benefit Type) in the payee file, records having the same plan and same benefit type but different benefit amounts, we have added those benefit amounts together.
- Records on the provided “Member” file are considered to be Active if they have no “Death Date,” no “Separation Date,” do not have a retiree record and they received pay in the last pay period (Last Pay Period = 26 or 27) of the current FY.
- Records on the “Member” file are considered to be Inactive if they do not have a “Death Date,” do not have a retiree record, and either have a “Separation Date” or have a “Last Pay Period” earlier than the last pay period of the current FY.
- For Inactives, the “Highest Pensionable Salary” from the supplemental file “HighestFiscalPensionableSalary_DFRD and INAC Members _FY2016_20160712.xlsx”

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX A - MEMBERSHIP INFORMATION

was used for calculating projected benefits as applicable. If a participant was not provided in the supplemental file, the maximum of the annualized pay over the prior year and the last four fiscal years' pensionable salaries was used.

- We assume that any active member found in the inactive data last year has returned to work and should be valued as active.
- 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," "Surv Spouse Annuity," and "Cola Pension" and subtracting "DRO Reduction Amt." The "DRO Reduction Amt" field is mainly for Qualified Domestic Relations Order purposes. The "13th Check Supplement Amount" field is added as an annual benefit and the "Corbett Supplement" is annualized for new retirees in the City only. It is assumed the payment is annual for retirees already in pay status prior to this valuation.
- Members retiring since the prior valuation date and not having a "13th Check Supplement Amount" will have their projected "13th Check Supplement Amount" calculated assuming \$30 multiplied by the "13th Check Supplement Years."
- Payees' "Cola Pension" and "Star Cola Pension" do not include a COLA as of July 1, 2016. These COLA increases were provided in the supplemental file "TaxableCOLA_Effective 20160701_Final.xlsx."
- Members may retire and receive benefits from multiple Plans (e.g., a City Police Officer could have also worked for the Airport Authority); we will value each Member's blended benefit individually. This will result in the counts being slightly higher than actual counts due to people having more than one benefit payable from multiple plans.
- We assume any retiree found in last year's "Payee" file and not in this year's file has died without a beneficiary and should be removed from the valuation data.
- We assume all deceased retirees with payments continuing to a beneficiary have already been accounted for in the "Payee" file.
- We exclude any payee receiving \$0.00 from a blended benefit plan.
- The Final 415 Regulations were used to calculate the present value of Member benefits over the Internal Revenue Service Code 415 Benefit Limits.

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

The SDCERS Board has the authority to select economic and demographic assumptions for the plan. The assumptions used in this report reflect the results of a full experience study performed by Cheiron covering the period July 1, 2010 through June 30, 2015, and adopted by the SDCERS Board in September 2016, as well as an economic experience study performed by Cheiron and presented to the SDCERS Board in November 2015.

1. Investment Return

SDCERS’ assets are assumed to earn 7.00% net of investment expenses.

2. Inflation Rate

An inflation assumption of 3.05% compounded annually is used for projecting the total annual payroll growth for amortization of the UAL (except for the City non-Police tiers, which is amortized in level dollar amounts).

3. Administrative Expense

Administrative expenses are assumed to be \$11.5 million for FY 2018 (assuming payment at the beginning of the year), increasing by 2.50% annually.

4. Interest Credited to Member Contributions

7.00%, compounded annually.

5. Salary Increase Rate

Inflation component: 3.05% (Freezes assumed for FYs 2013 - 2018).

The additional merit component:

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

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

6. Cost-of-Living Increase in Benefits

Assumed to be 1.9% per annum, compounded.

7. COL Annuity Benefit

For both active and terminated vested Members, the actuarial liability for the COL annuity benefit is valued by adding one-sixth of accumulated member contribution accounts. For active Members, the normal cost of the COL annuity benefit is equal to one-sixth of the employee contribution rate.

Members under the Elected, City Police 2012 No COL Plan, and City Police Prop B Plan do not receive a COL annuity benefit.

8. Member Refunds

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

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

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

9. Rates of Termination

Table B-2 SDCERS - City of San Diego Rates of Termination		
<u>Service</u>	<u>General</u>	<u>Safety</u>
0	10.00%	10.00%
1	9.00	8.00
2	8.50	6.00
3	7.50	5.00
4	6.50	4.00
5	5.50	3.00
6	4.50	2.75
7	4.25	2.50
8	4.00	2.25
9	3.25	2.00
10	2.75	1.80
11	2.75	1.80
12	2.75	1.80
13	2.75	1.80
14	2.75	1.80
15	2.75	1.60
16	2.75	1.60
17	2.75	1.60
18	2.75	1.60
19	2.75	1.60
20+	2.75	1.50

20% of terminating employees, with 10+ years of service at termination (4+ years of service for Elected), are assumed to subsequently work for a reciprocal employer and receive 3.55% pay increases per year.

No terminations are assumed once retirement eligible.

SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

10. Rates of Disability

Table B-3		
SDCERS - City of San Diego		
Rates of Disability at Selected Ages		
<u>Age</u>	<u>General</u>	<u>Safety</u>
20	0.01%	0.15%
25	0.02	0.18
30	0.03	0.20
35	0.04	0.27
40	0.05	0.37
45	0.08	0.47
50	0.15	0.57
55	0.20	0.67
60	0.30	--

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

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

11. Rates of Mortality for Active Lives

Active Members use the CalPERS Pre-Retirement Mortality Table base rates from the CalPERS January 2014 experience study, projected 20 years from the 2009 base year using a variation of Scale MP-2015 from the Society of Actuaries. The scale was modified using the Society of Actuaries’ model implementation tool with rates converging to the ultimate rate in 2019 (instead of 2029) and an ultimate rate of improvement of 0.75% (instead of 1.0%) up to age 85 and decreasing to 0.60% (instead of 0.85%) at age 95.

Sample rates are as follows (including mortality improvement projection):

Table B-4 SDCERS - City of San Diego Rates of Mortality for Active Lives at Selected Ages		
General and Safety		
<u>Age</u>	<u>Male</u>	<u>Female</u>
20	0.02%	0.02%
25	0.03	0.02
30	0.04	0.02
35	0.05	0.03
40	0.06	0.04
45	0.09	0.06
50	0.13	0.09
55	0.21	0.14
60	0.31	0.19
65	0.42	0.27
70	0.58	0.38

50% of active Member deaths for Safety Members are assumed to be industrial and all active Member deaths for General and Elected Members are assumed to be non-industrial deaths.

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

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

Retired healthy and terminated vested Members use the CalPERS Post-Retirement Healthy Mortality Table base rates from the CalPERS January 2014 Experience Study, with a 10% increase to female rates, projected 20 years from the 2009 base year using a variation of Scale MP-2015 from the Society of Actuaries. The scale was modified using the Society of Actuaries' model implementation tool with rates converging to the ultimate rate in 2019 (instead of 2029) and an ultimate rate of improvement of 0.75% (instead of 1.0%) up to age 85 and decreasing to 0.60% (instead of 0.85%) at age 95.

Sample rates are as follows (including mortality improvement projection):

Table B-5		
SDCERS - City of San Diego		
Rates of Mortality for Retired Healthy Lives at Selected Ages		
<u>Age</u>	<u>Male</u>	<u>Female</u>
40	0.09%	0.09%
45	0.18	0.19
50	0.42	0.46
55	0.54	0.45
60	0.71	0.50
65	0.88	0.67
70	1.44	1.13
75	2.42	1.98
80	4.30	3.38
85	7.76	6.13
90	13.54	11.42

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

13. Rates of Mortality for Retired Disabled Lives

Disabled Members use the CalPERS Work-Related Disability Mortality Table base rates from the CalPERS January 2014 Experience Study, projected 20 years from the 2009 base year using a variation of Scale MP-2015 from the Society of Actuaries. The scale was modified using the Society of Actuaries’ model implementation tool with rates converging to the ultimate rate in 2019 (instead of 2029) and an ultimate rate of improvement of 0.75% (instead of 1.0%) up to age 85 and decreasing to 0.60% (instead of 0.85%) at age 95.

Sample rates are as follows (including mortality improvement projection):

Table B-6 SDCERS - City of San Diego Rates of Mortality for Disabled Lives at Selected Ages		
<u>Age</u>	<u>Male</u>	<u>Female</u>
40	0.19%	0.17%
45	0.26	0.24
50	0.42	0.42
55	0.54	0.41
60	0.75	0.54
65	1.19	0.86
70	1.80	1.44
75	3.11	2.42
80	5.41	4.14
85	8.55	6.64

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

14. Rates of Retirement

Rates of Retirement for City General and City Safety are shown in the two tables below. Retirement rates include both service retirements and entry into DROP.

**Table B-7
SDCERS - City of San Diego
Rates of Retirement by Age and Service**

<u>Service</u>	<u>General - Old Plan</u>		<u>Safety - Old Plan</u>	
	<u>Prior to age 62</u>	<u>Age 62 or greater</u>	<u>Prior to age 55</u>	<u>Age 55 or greater</u>
10	--	45.0%	--	45.0%
11	--	40.0	--	40.0
12	--	40.0	--	40.0
13	--	40.0	--	40.0
14	--	40.0	--	40.0
15	--	40.0	--	35.0
16	--	43.0	--	35.0
17	--	46.0	--	35.0
18	--	49.0	--	35.0
19	--	52.0	--	35.0
20	50.0	55.0	25.0	50.0
21	35.0	40.0	30.0	45.0
22	37.5	40.0	35.0	45.0
23	40.0	40.0	40.0	45.0
24	42.5	40.0	45.0	45.0
25	45.0	40.0	50.0	45.0
26	47.5	40.0	55.0	45.0
27	47.5	40.0	60.0	45.0
28	47.5	40.0	65.0	45.0
29	47.5	40.0	65.0	45.0
30	55.0	40.0	100.0	100.0
31	57.5	40.0	100.0	100.0
32	60.0	40.0	100.0	100.0
33	62.5	40.0	100.0	100.0
34	65.0	40.0	100.0	100.0
35+	100.0	100.0	100.0	100.0

**Table B-8
SDCERS - City of San Diego
Rates of Retirement by Age
for General 2009 Plan**

<u>Age</u>	<u>Rates</u>
55	3.0%
56	3.0
57	3.0
58	5.0
59	5.0
60	10.0
61	15.0
62	20.0
63	30.0
64	40.0
65	50.0
66	50.0
67	50.0
68	50.0
69	50.0
70	100.0

All members are assumed to retire at the later of current age or age 70, regardless of service.

For terminated vested Members, we assume that retirement will occur provided they have at least 10 years of service on the later of attained age or:

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

General 2009 Members: Age 65.

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

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

Rates of Retirement for City Elected Officials are based on age and are shown in the table below.

Table B-9 SDCERS - City of San Diego Rates of Retirement at Selected Ages	
<u>Age</u>	<u>Elected Officials</u>
50	--
51	--
52	--
53	15%
54	1
55	5
56	3
57	4
58	5
59	6
60	60
61	25
62	37
63	23
64	34
65	68
66	69
67	74
68	80
69	90
70	100

For terminated vested City Elected Officials, we assume that retirement will occur provided they have at least four years of service on the later of attained age or the earlier of age 55 or age 53 and at least eight years of service.

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

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

15. Family Composition

80% of men and 55% of women were assumed married at retirement. A female spouse is assumed to be three-years younger than her male spouse.

Actual data is used for current pensioners, if available.

16. 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.

17. Deferred Member Benefit

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

18. DROP Account Balances

For DROP participants still working, the liability for the account balances in the asset information received from SDCERS staff was adjusted to assume average commencement in 2½ years and an interest crediting rate of 1.5%. Thereafter, it was assumed the account balance would be converted to an annuity at an interest rate of 2.8% over an average period of 10 years. The 10-year period was selected to average among the available DROP payment elections, including a lump sum, life expectancy, and 20 years. The liability for pre-2006 DROP account balances still left on account was valued assuming they would be paid out until age 70½, with an interest crediting rate of 1.5%. The liability for the remaining account balances was adjusted based on the DROP annuity rate in effect at the Member's benefit effective date.

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

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

19. Other

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

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

B. Actuarial Methods

1. Actuarial Funding Method

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

The unfunded actuarial liability is amortized by annual payments. For the non-Police portion of the Plan, the UAL payments are determined as level dollar amounts. For the Police portion of the Plan, the payments are determined as a level percentage of pay, assuming payroll increases of 3.05% per year. The UAL is amortized over various closed periods. The UAL as of June 30, 2007 is amortized over 20 years. Subsequent gains and losses are amortized over 15 years, changes in assumptions over 30 years, and changes in benefits over five years. The non-Police portion of the UAL as of June 30, 2012 is amortized over 15 years. Funding surplus, if any, is amortized over 30 years. Finally, if necessary, there is an additional UAL cost component to ensure that there is no negative amortization in any year.

Expected administrative expenses are included in the actuarially determined contribution (ADC). The administrative expense component is \$11.5 million for FY 2018 (assuming payment at the beginning of the year), reflecting the final year of a three-year phase-in. This amount is assumed to increase by 2.5% per year.

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

2. Asset Valuation Method

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

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

3. Changes Since Last Valuation

The assumed payroll increases used to set the payment schedule for the Police UAL were updated from 3.175% to 3.05% in order to align with the current assumption.

* *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

1. Membership Requirement

Membership is mandatory from the first day of employment with the City, for all full, three-quarter, and half-time classified employees initially hired between July 1, 1991 and July 19, 2012 and for any unclassified employees initially hired between August 11, 1993 and July 19, 2012 (§24.0104).*

Membership is mandatory from the first day of employment for Police Recruits hired between July 1, 1991 and June 30, 2015 and for all sworn Police Officers initially hired on or after July 1, 1991 (City Charter §140).

As a result of Proposition B, new employees (other than sworn Police) initially hired on or after July 20, 2012 will not participate in SDCERS.

2. Monthly Salary Base for Benefits

General and Safety Old Plan Members:

Highest consecutive 12-month average in any qualified employment with a California governmental jurisdiction (§24.0103), subject to a 10% increase for those who joined the system before July 1, 2002, if the General or Safety Member elects such increase in lieu of an increased benefit formula (§24.0402 and §24.0403).

General-2009 Plan Members:

Average of highest three years in any qualified employment with a California governmental jurisdiction (§24.0103).

Police-2009 Plan Members:

Highest consecutive 12-month average in any qualified employment with a California governmental jurisdiction (§24.0103).

Lifeguard-2011 Plan, Fire-2012 Plan, Police-2012 Plan, Police-2012 No COL Plan, and Police-Prop B Plan Members:

Average of highest three years in any qualified employment with a California governmental jurisdiction (§24.0103).

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

APPENDIX C - SUMMARY OF PLAN PROVISIONS

3. Service Retirement

Eligibility

General Members:

Age 62 with 10 years of service, or age 55 with 20 years of service (§141 of City Charter).

Safety Members (includes Fire, Lifeguard, and Police):

Age 55 with 10 years of service, or age 50 with 20 years of service (§141 of City Charter).

Elected Officers:

Age 55 with 4 years of service. Eligible to retire at any age with 8 years of service, however, benefit is reduced by 2% per year for each year under age 55 (§24.1705).

Benefit

The basic formula used to calculate monthly retirement allowances for all membership categories is: Retirement Factor X Final Average Compensation X Years of Service Credit.

General Members:

For General-Old Plan Members, choice of factors in place on June 30, 2000 (Option 1), or factors effective as of July 1, 2000 (Option 2), or factors in effect as of July 1, 2002 (Option 3), with a benefit cap of 90% of Final Average Compensation unless an exception to the 90% cap applies (§24.0402).

For General-2009 Plan Members, factors shown in Table C-1 (§24.0402.1).

There is an additional amount equal to the annuitized Member COL Annuity contributions at retirement date.

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX C - SUMMARY OF PLAN PROVISIONS

General Member Service Retirement Accrual Factors

Table C-1				
SDCERS - City of San Diego				
General Member Service Retirement Accrual Factors				
Retirement	Hired Before July 1, 2009			Hired on or After
<u>Age</u>	<u>Option 1</u>	<u>Option 2</u>	<u>Option 3</u>	<u>July 1, 2009</u>
55	2.00%	2.25%	2.50%	1.00%
56	2.00%	2.25%	2.50%	1.25%
57	2.00%	2.25%	2.50%	1.65%
58	2.00%	2.25%	2.50%	1.758%
59	2.08%	2.25%	2.50%	1.874%
60	2.16%	2.30%	2.55%	2.00%
61	2.24%	2.35%	2.60%	2.12%
62	2.31%	2.40%	2.65%	2.24%
63	2.39%	2.45%	2.70%	2.36%
64	2.47%	2.50%	2.75%	2.46%
65 and up	2.55%	2.55%	2.80%	2.60%

Elected Officers:

The retirement factor for Elected Officers is 3.5% (§24.1706). A 2% annual reduction factor applies to benefits for Members retiring prior to age 55 (§24.1705).

Safety Members:

For all Safety-Old Plan Members, choice of factors in place on June 30, 2000 (Option 1), or factors effective as of July 1, 2000 (Option 2), with a benefit cap of 90% of Final Average Compensation unless an exception to the 90% cap applies (§24.0403).

For Police-2009 Plan, Lifeguard-2011 Plan, Fire-2012 Plan, Police-2012 Plan, Police-2012 No COL Plan, and Police-Prop B Plan Members, formula shown in Table C-2 (§24.0403).

There is an additional amount equal to the annuitized Member COL Annuity contributions at retirement date, with the exception of Police-2012 No COL Plan and Police-Prop B Plan Members.

SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016

APPENDIX C - SUMMARY OF PLAN PROVISIONS

Safety Member Service Retirement Accrual Factors

Table C-2				
SDCERS - City of San Diego				
Safety Member Service Retirement Accrual Factors				
	Police Hired Before July 1, 2009 Lifeguard Hired Before July 1, 2011 Fire Hired Before January 1, 2012			Police-2009 Lifeguard-2011 Fire-2012
Retirement	Police & Fire	Lifeguard	Safety	Police-2012
<u>Age</u>	<u>Option 1</u>	<u>Option 1</u>	<u>Option 2</u>	<u>Police Prop B</u>
50	2.50%	2.20%	3.00%	2.50%
51	2.60%	2.32%	3.00%	2.60%
52	2.70%	2.44%	3.00%	2.70%
53	2.80%	2.57%	3.00%	2.80%
54	2.90%	2.72%	3.00%	2.90%
55 and up	2.99%	2.77%	3.00%	3.00%

For vested Members who terminate City employment, different retirement accrual factors may apply depending on which options were available at the time of termination.

For Members of the General-2009 Plan who terminate City employment, the accrual factors are those shown in Tables C-1. For Members of the Police-2009 Plan, Lifeguard-2011 Plan, Fire-2012 Plan, Police-2012 Plan, Police-2012 No COL Plan, and Police-Prop B Plan who terminate City employment, the accrual factors are those shown in Table C-2. For General-Old Plan and Safety-Old Plan Members, the accrual factors are as shown in Tables C-3 and C-4:

GENERAL:

Table C-3	
SDCERS - City of San Diego	
<u>For Vested Members who terminated--</u>	<u>--the accrual factors are--</u>
Prior to January 1, 1997	See Table C-5
January 1, 1997 - June 30, 2000	Option 1 without 10% increase in Final Average Compensation
July 1, 2000 - June 30, 2002	Option 1 with 10% increase in Final Average Compensation; or Option 2
July 1, 2002 - Present	Option 3

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX C - SUMMARY OF PLAN PROVISIONS

SAFETY:

Table C-4 SDCERS - City of San Diego	
<u>For Vested Members who terminated--</u>	<u>--the accrual factors are--</u>
Prior to January 1, 1997	See Table C-5
January 1, 1997 - June 30, 2000	Option 1 without 10% increase in Final Average Compensation
July 1, 2000 - Present	Option 1 with 10% increase in Final Average Compensation; or Option 2

Table C-5 SDCERS - City of San Diego Pre-1997 Member Service Retirement Accrual Factors				
<u>Age</u>	<u>General</u>	<u>Safety</u>		
		<u>Police</u>	<u>Fire</u>	<u>Lifeguard</u>
50	--	2.50%	2.20%	2.00%
51	--	2.54%	2.32%	2.10%
52	--	2.58%	2.44%	2.22%
53	--	2.62%	2.57%	2.34%
54	--	2.66%	2.72%	2.47%
55	1.48%	2.70%	2.77%	2.62%
56	1.55%	2.77%	2.77%	2.62%
57	1.63%	2.77%	2.77%	2.62%
58	1.72%	2.77%	2.77%	2.62%
59	1.81%	2.77%	2.77%	2.62%
60	1.92%	2.77%	2.77%	2.62%
61	1.99%	2.77%	2.77%	2.62%
62	2.09%	2.77%	2.77%	2.62%
63	2.20%	2.77%	2.77%	2.62%
64	2.31%	2.77%	2.77%	2.62%
65 and up	2.43%	2.77%	2.77%	2.62%

Maximum Benefit

General-Old Plan Members: 90% of Final Average compensation if Option 3 is chosen, unless an exception to the 90% cap applies.

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX C - SUMMARY OF PLAN PROVISIONS

General-2009 Plan Members: 80% of Final Average compensation.

Safety-Old Plan Members: 90% of Final Average Compensation.

Police-2009 Plan, Lifeguard-2011 Plan, Fire-2012 Plan, Police-2012 Plan and Police-2012 No COL Plan Members: 90% of Final Average compensation.

Police-Prop B Plan Members: 80% of Final Average compensation.

Elected Officers: 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. 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: City employees withdrew from Social Security effective January 1, 1982. We assume that all future benefits for active Members will be determined on a non-integrated basis.

Note: Effective July 1, 1991, service credit earned under the 1981 Pension System will be considered equivalent to SDCERS service for the purpose of benefit calculations (i.e., the above formulas will apply to 1981 Pension System service) (§24.1102, 24.0210, 24.0310).

4. Non-Industrial Disability

Eligibility

Ten years of service (Charter §141).

Benefit

General Members:

Greater of 1.5% per year of service, one-third of final compensation, or the earned service retirement benefit (§24.0502, §24.0505).

Safety Members:

Greater of 1.8% per year of service, one-third of final compensation, or the earned service retirement benefit (§24.0502, §24.0504).

Elected Officers:

Earned service retirement benefit (§24.1707).

APPENDIX C - SUMMARY OF PLAN PROVISIONS

5. Industrial Disability

Eligibility

No age or service requirement (§24.0501).

Benefit

General Members:

Greater of one-half of final compensation, or the earned service retirement benefit if eligible. (§24.0502, §24.0505).

Safety Members:

Greater of one-half of final compensation, or the earned service retirement benefit if eligible. (§24.0502, §24.0503).

Elected Officers:

Earned service retirement benefit (§24.1707).

6. Non-Industrial Active 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 (§24.0702).

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

50% of earned benefit payable to surviving eligible spouse, domestic partner, or dependent child under 18 years of age (§24.0704).

8. Industrial Active Death

50% of the final average compensation preceding death, payable to eligible spouse, domestic partner, or dependent child under 18 years of age (§24.0705).

9. Death After Retirement

Continuance to surviving beneficiary depending on benefit selection made at retirement (§24.0601).

\$2,000 payable in lump sum to the beneficiary or the estate of the retiree. (§24.0710).

APPENDIX C - SUMMARY OF PLAN PROVISIONS

10. Withdrawal Benefits (§24.0206, §24.0306)

Pre-12/8/76 Hires

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

Post-12/7/76 Hires

Less than ten years of service:

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 system (§24.0206, 24.0306, 24.1005).

Ten or more years of service:

If contributions left on deposit, entitled to earned benefits commencing any time after eligible to retire (§24.0206, 24.0306)

11. Post-retirement Cost-of-Living Adjustment Benefit

General and Safety Members:

Based on changes in Consumer Price Index, to a maximum of 2% per year (§24.1505).

12. COL Annuity

Actuarial equivalent of accumulated contributions in cost-of-living annuity account at time of retirement (§24.0103).

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX C - SUMMARY OF PLAN PROVISIONS

13. Member Contributions

Member contributions vary by age at time of entrance into SDCERS (§24.0201, §24.0301), and were recalculated following the experience study in 2011 based on the then current actuarial assumptions, in accordance with the requirement in San Diego City Charter Section 143 for “substantially equal” employer and employee contributions. Member contributions were later adjusted in 2013 and 2015 for assumption changes and have been adjusted again in the 2016 valuation based on the most recent changes to the actuarial assumptions as listed in Appendix B of this report. Table C-6 and Table C-7 contain the contribution rates by Plan.

Table C-6					
SDCERS - City of San Diego					
General Member Contribution Rates					
<u>Entry Age</u>	<u>GENERAL</u>		<u>Entry Age</u>	<u>GENERAL</u>	
	<u>Hired Before 7/1/2009</u>	<u>Hired On or After 7/1/2009</u>		<u>Hired Before 7/1/2009</u>	<u>Hired On or After 7/1/2009</u>
20	8.06%	4.53%	40	10.93	9.52
21	8.17	4.75	41	11.01	9.74
22	8.34	4.98	42	11.10	9.95
23	8.54	5.22	43	11.36	10.18
24	8.75	5.46	44	11.58	10.40
25	8.96	5.71	45	11.78	10.62
26	9.15	5.96	46	11.96	10.83
27	9.35	6.22	47	12.12	11.03
28	9.57	6.48	48	12.26	11.22
29	9.78	6.76	49	12.39	11.40
30	9.98	7.03	50	12.50	11.56
31	10.17	7.31	51	12.58	11.70
32	10.35	7.58	52	12.65	11.81
33	10.52	7.85	53	12.51	11.89
34	10.67	8.13	54	12.33	11.93
35	10.91	8.40	55	12.07	11.80
36	10.86	8.66	56	11.83	11.54
37	10.82	8.89	57	11.60	11.29
38	10.80	9.10	58	11.60	11.29
39	10.84	9.31	59	11.60	11.29

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX C - SUMMARY OF PLAN PROVISIONS

Table C-7 SDCERS - City of San Diego Safety Member Contribution Rates									
<u>Entry Age</u>	<u>FIRE</u>		<u>LIFEGUARD</u>		<u>POLICE</u>				
	<u>Hired Before 1/1/2012</u>	<u>Hired On or After 1/1/2012</u>	<u>Hired Before 7/1/2011</u>	<u>Hired On or After 7/1/2011</u>	<u>Hired Before 7/1/2009</u>	<u>Hired On or After 7/1/2009 and Before 1/1/2012</u>	<u>Hired On or After 1/1/2012 and and Before 8/2/2012</u>	<u>Hired On or After 8/2/2012 and and Before 7/1/2013</u>	<u>Hired On or After 7/1/2013</u>
20	13.67%	11.98%	13.93%	11.98%	13.67%	12.14%	11.98%	10.03%	9.05%
21	13.78	12.34	14.03	12.34	13.78	12.50	12.34	10.34	9.45
22	14.02	12.66	14.27	12.66	14.02	12.82	12.66	10.60	9.92
23	14.31	12.96	14.53	12.96	14.31	13.13	12.96	10.86	10.42
24	14.60	13.27	14.80	13.27	14.60	13.45	13.27	11.12	10.96
25	14.89	13.58	15.06	13.58	14.89	13.76	13.58	11.38	11.41
26	15.17	13.89	15.31	13.89	15.17	14.07	13.89	11.63	11.75
27	15.44	14.19	15.54	14.19	15.44	14.38	14.19	11.89	12.05
28	15.70	14.49	15.75	14.49	15.70	14.68	14.49	12.14	12.32
29	15.95	14.79	15.93	14.79	15.95	14.98	14.79	12.39	12.58
30	16.18	15.08	16.08	15.08	16.18	15.27	15.08	12.63	12.83
31	16.28	15.39	15.99	15.39	16.28	15.59	15.39	12.89	13.09
32	16.45	15.65	15.93	15.65	16.45	15.86	15.65	13.11	13.32
33	16.66	15.87	15.92	15.87	16.66	16.08	15.87	13.30	13.51
34	16.83	16.05	15.97	16.05	16.83	16.26	16.05	13.44	13.67
35	17.03	16.25	16.14	16.25	17.03	16.46	16.25	13.61	13.84
36	17.25	16.46	16.35	16.46	17.25	16.67	16.46	13.79	14.02
37	17.50	16.69	16.58	16.69	17.50	16.91	16.69	13.98	14.23
38	17.77	16.95	16.84	16.95	17.77	17.17	16.95	14.20	14.45
39	18.04	17.21	17.10	17.21	18.04	17.44	17.21	14.42	14.67
40	18.32	17.47	17.36	17.47	18.32	17.70	17.47	14.64	14.89
41	18.66	17.80	17.68	17.80	18.66	18.03	17.80	14.91	15.17
42	18.96	18.08	17.96	18.08	18.96	18.32	18.08	15.15	15.42
43	19.22	18.34	18.21	18.34	19.22	18.58	18.34	15.36	15.63
44	19.44	18.55	18.42	18.55	19.44	18.79	18.55	15.54	15.81
45	19.69	18.78	18.65	18.78	19.69	19.03	18.78	15.73	16.01
46	19.33	18.44	18.32	18.44	19.33	18.69	18.44	15.45	15.72
47	19.09	18.21	18.09	18.21	19.09	18.45	18.21	15.26	15.53
48	18.83	17.96	17.84	17.96	18.83	18.20	17.96	15.05	15.31
49	18.55	17.69	17.58	17.69	18.55	17.93	17.69	14.82	15.08

**SDCERS-CITY OF SAN DIEGO
ACTUARIAL VALUATION AS OF JUNE 30, 2016**

APPENDIX C - SUMMARY OF PLAN PROVISIONS

The employee contribution rates are the sum of four components, three of which are specified in the Municipal Code: a cost-of-living rate (§24.1506(a)), a surviving spouse rate (§24.0601), and, other than Police hired on or after August 2, 2012, a COL Annuity rate (§24.1506(b)). The fourth component is the “substantially equal” rate as defined in San Diego City Charter Section 143, which is 50% of the normal cost of accrued service retirement allowances, payable either immediately or deferred until a later age, when a member leaves employment via termination, disability, or service retirement. Since the cost-of-living rate funds the Member’s portion of the post-retirement cost-of-living benefit, the surviving spouse rate funds the Member’s portion of surviving spouse allowances, and the COL Annuity rate funds the COL Annuity, these benefits are not included in the calculation of the “substantially equal” rate.

All benefits not included in the components described above are paid for entirely by the City. Those benefits paid for entirely by the City include the refund of Member contributions for non-vested terminations, the portion of the disability allowance in excess of the earned service retirement (if any), the 13th check benefit, the pre-retirement death benefit for non-vested Members, the pre-retirement industrial death benefit, and the post-retirement \$2,000 lump sum benefit.

The assumptions used to develop the rates were the same as those used in this valuation, except that mortality tables for General Members were blended 50/50 between male and female rates, mortality tables for Safety Members were blended 90/10 between male and female rates, and mortality table for beneficiaries of Safety Members were blended 10/90 between male and female rates.

Elected Officers (General) contribute 9.05% of total salary, regardless of entry age (§24.1704).

14. Internal Revenue Code Limitation

Benefits provided by SDCERS’ Trust Fund are subject to the limitations set forth in Section 415 of the Internal Revenue Code in accordance with the “grandfather” election in Section 415(b)(10) of the Code (§24.1004).

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

15. Deferred Retirement Option Plan

Effective April 1, 1997, a deferred retirement option plan (DROP) was created and offered to Members as an alternative method of benefit accrual. Members eligible for service retirement are eligible to participate in DROP, but only those hired before July 1, 2005 may enter the program (§24.1402.1).

APPENDIX C - SUMMARY OF PLAN PROVISIONS

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. (§24.1403) The maximum DROP participation period is 60 months, with certain exception for Firefighters. (§24.1402)

A DROP participation account is a nominal account established with the Retirement System, which is credited with the following amounts (§24.1404):

- The Member's monthly service retirement allowance, credited monthly, calculated at the date of DROP entry and increased each year by a cost-of-living adjustment.
- The Member's supplemental 13th check benefit, if applicable, credited annually.
- 3.05% of base compensation, payable by the City and credited bi-weekly.
- 3.05% of base compensation, payable by the Member and credited bi-weekly.
- Interest credited to the DROP account, as determined by the Board.

When a Member leaves DROP and City employment, they begin to collect their monthly service retirement allowance, their supplemental 13th check benefit (if applicable), and the amounts credited to their DROP participation account, payable as a single lump sum distribution, as a 240-month annuity with equal payments, or any other form approved by the Board and subject to applicable provisions of the Internal Revenue Code (§24.1407).

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 Plans (e.g., a City Police Officer could have also worked for the Airport Authority).

17. Changes since Last Valuation

None.

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

APPENDIX D - GLOSSARY OF TERMS

1. Actuarial Liability

The Actuarial Liability is the difference between the present value of all future system benefits and the present value of total future normal costs. This is also referred to by some actuaries as the “accrued liability” or “actuarial accrued liability.”

2. Actuarial Assumptions

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

3. Accrued Service

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

4. Actuarial Equivalent

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

5. Actuarial Cost Method

A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of a retirement system benefit 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.

APPENDIX D - GLOSSARY OF TERMS

8. Actuarially Determined Contribution (ADC)

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

9. Amortization

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

10. Normal Cost

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

11. Unfunded Actuarial Liability (UAL)

The difference between actuarial liability and the actuarial value of assets.

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

The existence of unfunded actuarial liability is not in itself bad, any more than a mortgage on a house is bad. Unfunded actuarial liability does not represent a debt that is payable today. What is important is the ability to amortize the unfunded actuarial accrued liability, and the trend in its amount (after due allowance for devaluation of the dollar).



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