

San Diego County Employees' Retirement Association

*Actuarial Valuation and Review
as of June 30, 2003*

Copyright © 2004

THE SEGAL GROUP, INC.,
THE PARENT OF THE SEGAL COMPANY
ALL RIGHTS RESERVED



The Segal Company
120 Montgomery Street, Suite 500 San Francisco, CA 94104
T 415.263.8200 F 415.263.8290 www.segalco.com

March 24, 2004

*Board of Retirement
San Diego County Employees' Retirement Association
401 West A Street, Suite 1300
San Diego, CA 92101-7906*

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2003. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2004-2005 and analyzes the preceding year's experience.

The census information on which our calculations were based was prepared by SDCERA and the financial information was provided by the Retirement Office. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, Enrolled Actuary.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board of Retirement are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

*By: _____
Paul Angelo, FSA, MAAA, FCA
Vice President and Actuary*

*Andy Yeung, ASA, MAAA
Associate Actuary*

AYY/czr

SECTION 1

VALUATION SUMMARY

Purpose	i
Significant Issues in Valuation Year.....	ii
Summary of Key Valuation Results.....	iv
Summary of Key Valuation Demographic and Financial Data.....	v

SECTION 2

VALUATION RESULTS

A. Member Data	1
B. Financial Information.....	4
C. Actuarial Experience.....	9
D. Employer and Member Contributions.....	14
E. Information Required by the GASB	20

SECTION 3

SUPPLEMENTAL INFORMATION

EXHIBIT A Table of Plan Coverage	
i. General	21
ii. Safety	22
EXHIBIT B Members in Active Service During Year Ended June 30, 2003	
i. General Tier 1.....	23
ii. General Tier A.....	24
iii. Safety	25
EXHIBIT C Reconciliation of Member Data – June 30, 2002 to June 30, 2003	26
EXHIBIT D Summary Statement of Income and Expenses on an Actuarial Value Basis.....	27
EXHIBIT E Table of Financial Information	28
EXHIBIT F Actuarial Balance Sheet.....	29
EXHIBIT G Summary of Reported Asset Information as of June 30, 2003	30
EXHIBIT H Development of Unfunded/(Overfunded) Actuarial Accrued Liability for Year Ended June 30, 2003	31
EXHIBIT I Section 415 Limitations.....	32
EXHIBIT J Definitions of Pension Terms	33

SECTION 4

REPORTING INFORMATION

EXHIBIT I Supplementary Information Required by the GASB – Schedule of Employer Contributions	35
EXHIBIT II Supplementary Information Required by the GASB – Schedule of Funding Progress.....	36
EXHIBIT III Supplementary Information Required by the GASB	37
EXHIBIT IV Actuarial Assumptions and Actuarial Cost Method.....	38
EXHIBIT V Summary of Plan Provisions.....	56
Appendix A Member Contribution Rates	
i. General Tier 1.....	62
ii. General Tier A.....	64
iii. Safety.....	66

SECTION 1: Valuation Summary for the San Diego County Employees' Retirement Association

Purpose

This report has been prepared by The Segal Company to present a valuation of the San Diego County Employees' Retirement Association as of June 30, 2003. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Retirement Association, as administered by the Board of Retirement;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2003, provided by the Retirement Office;
- The assets of the Plan as of June 30, 2003, provided by the Retirement Office;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

San Diego County Employees' Retirement Association's basic financial goal is to establish contributions which fully fund the Association's liabilities, and which, as a percentage of payroll, remain as level as possible for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions to evaluate the Association's assets, liabilities and future contribution requirements. Our calculations are based upon member data and financial information provided to us by the Association's staff. This information has not been audited by us, but it has been reviewed and found to be consistent, both internally and with prior year's information.

The contribution requirements are determined as a percentage of payroll. The Association's employer rates provide for both normal cost and a contribution to amortize any unfunded or overfunded actuarial accrued liabilities. In this valuation, we have continued with the Board's funding policy to amortize the Association's entire unfunded actuarial accrued liability as of June 30, 2003 over a rolling (i.e. non-declining) 15-year period. The aggregate employer contribution rate calculated using the rolling 15-year amortization period is 27.64% of payroll.

The rates calculated in this report may be adopted by the Board for the fiscal year that extends from July 1, 2004 through June 30, 2005.

SECTION 1: Valuation Summary for the San Diego County Employees' Retirement Association

Significant Issues in This Valuation

The following key findings were the result of this actuarial valuation:

- The ratio of valuation value of assets to actuarial accrued liabilities decreased from 82.5% (calculated as of October 3, 2003 after the issuance of Pension obligation bonds) to 75.5% (calculated as of June 30, 2003). The Association's unfunded actuarial accrued liability has changed from \$905.1 million as of October 3, 2003 to \$1,435.3 million as of June 30, 2003. A complete reconciliation of the Association's unfunded actuarial accrued liability is provided in Section 3, Exhibit H.
- The aggregate employer rate calculated in this valuation has increased from 22.49% of payroll to 27.64% of payroll. The reasons for the increase are: (i) higher than expected salary increases, (ii) lower than expected return on investment, (iii) other actuarial losses and (iv) change in actuarial assumptions. A complete reconciliation of the Association's aggregate employer rate is provided in Section 2, Subsection D (see Chart 15).
- The aggregate member rate calculated in this valuation has increased from 8.94% of payroll to 9.89% of payroll. The increase in member rate is primarily due to the adoption of new actuarial assumptions determined in the July 1, 2000 – June 30, 2003 triennial experience study and an adjustment to the COLA contribution rate for Safety Members. It is our understanding that the current Safety Member COLA rate was calculated using the old 2% at 50 formula because the County agreed to defer the application of higher COLA rate required for the 3% at 50 formula enhancement until the 2004/2005 fiscal year. This cost reallocation for the 2004/2005 fiscal year results in an increase to the Safety Member rate. The legislation which enabled the 3% at 50 formula did not change the formula used to determine the Basic contribution rate for Safety members under the 2% at 50 formula. A complete reconciliation of the Association's aggregate member rate is provided in Section 2, Subsection D (see Chart 16).
- The results of this valuation reflect the changes in economic (e.g. salary increase assumptions) and non-economic assumptions adopted by the Board as a result of the June 30, 2003 triennial experience study. The impact of the assumption changes is provided in Section 2, Subsection D (see Charts 15 and 16). The specific assumption changes can be found in Section 4, Exhibit IV.
- As indicated in Section 2, Subsection B (see Chart 7) of this report, the total unrecognized investment loss as of June 30, 2003 is \$672,887,090. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, to the extent it is not offset by recognition of investment gains derived from future experience. This implies that earning the assumed rate of investment return of 8.25% per year (net of expenses) on a **market value** basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, if the

SECTION 1: Valuation Summary for the San Diego County Employees' Retirement Association

actual market return is equal to the assumed 8.25% rate and all other actuarial assumptions are met, the contribution requirements would still increase in each of the next few years.

Impact of Future Experience on Contribution Rates

Future contribution requirements may differ from those determined in the valuation because of:

- difference between actual experience and anticipated experience;
- changes in actuarial assumptions or methods;
- changes in statutory provisions; and
- difference between the contribution rates determined by the valuation and those adopted by the Board.

SECTION 1: Valuation Summary for the San Diego County Employees' Retirement Association

Summary of Key Valuation Results (Dollar amounts in thousands)

	June 30, 2003		June 30, 2002⁽³⁾	
Employer Contribution Rates:⁽¹⁾				
	Total Rate	Estimated Annual Amount ⁽²⁾	Total Rate	Estimated Annual Amount ⁽²⁾
General Combined	25.59%	\$181,212	19.72%	\$139,646
Safety	34.99%	69,281	32.41%	64,173
All Categories combined	27.64%	250,493	22.49%	203,819
Average Member Contribution Rates:				
	Total Rate ⁽¹⁾	Estimated Annual Amount ⁽²⁾	Total Rate ⁽¹⁾	Estimated Annual Amount ⁽²⁾
General Tier 1	8.92%	\$298	8.39%	\$280
General Tier A	9.49%	66,885	8.85%	62,374
Safety Members	11.31%	22,394	9.27%	18,355
All Categories combined	9.89%	89,577	8.94%	81,009
Funded Status:				
Actuarial accrued liability ⁽⁴⁾	\$5,853,125		\$5,183,340	
Valuation value of assets ⁽⁵⁾	4,417,766		4,278,240	
Funded percentage	75.5%		82.5%	
Unfunded Actuarial Accrued Liability	1,435,359		905,100	
Key Assumptions:				
Interest rate	8.25%		8.25%	
Inflation rate	4.00%		4.00%	

⁽¹⁾ Before reflection of any member rate that may be "picked-up" by the employer.

⁽²⁾ Based on June 30, 2003 projected annual compensation.

⁽³⁾ From the October 3, 2002 revised Actuarial Valuation Report.

⁽⁴⁾ Excludes liabilities for STAR COLA and Health Benefit Reserves

⁽⁵⁾ Excludes assets for STAR COLA and Health Benefit Reserves.

SECTION 1: Valuation Summary for the San Diego County Employees' Retirement Association

Summary of Key Valuation Demographic and Financial Data

	June 30, 2003	June 30, 2002	Percentage Change
Active Members:			
Number of members	18,466	18,276	1.0%
Average age	43.9	43.8	N/A
Average service	9.7	9.7	N/A
Projected total compensation	\$906,139,000	\$826,596,000	9.6%
Average projected compensation	\$49,071	\$45,228	8.5%
Retired Member and Beneficiaries:			
Number of members:			
Service retired	7,782	7,287	6.8%
Disability retired	1,320	1,236	6.8%
Beneficiaries	1,151	1,134	1.5%
Total	10,253	9,657	6.2%
Average age	69.1	69.4	N/A
Average monthly benefit*	\$1,669	\$1,517	10.0%
Vested Terminated Members:			
Number of terminated vested members**	3,910	3,323	17.7%
Average age	44.6	46.0	N/A
Summary of Financial Data (dollar amounts in thousands):			
Market value of assets	\$4,103,348	\$3,533,580	16.1%
Return on market value of assets	3.68%	-4.58%	N/A
Actuarial value of assets	\$4,776,235	\$4,182,208	14.2%
Return on actuarial value of assets	3.69%	8.00%	N/A
Valuation value of assets	\$4,417,766	\$3,831,334	3.3%
Return on valuation value of assets	3.05%	4.68%	N/A

* Excludes monthly benefits for STAR COLA.

** Effective January 1, 2003, this includes members who choose to leave their contributions on deposit even though they have less than five years of service.

SECTION 2: Valuation Results for the San Diego County Employees' Retirement Association

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, vested terminated members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the member population has changed over the past ten valuations can be seen in this chart.

CHART 1
Member Population: 1994 – 2003

Year Ended June 30	Active Members	Vested Terminated Members	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
1994	16,180	1,189	7,106	0.51
1995	16,500	1,401	7,294	0.53
1996	16,524	1,588	7,499	0.55
1997	16,635	1,929	7,692	0.58
1998	16,443	2,271	7,955	0.62
1999	16,579	2,653	8,292	0.66
2000	16,669	3,081	8,703	0.71
2001	17,346	3,290	8,921	0.70
2002	18,276	3,323	9,657	0.71
2003	18,466	3,910	10,253	0.77

SECTION 2: Valuation Results for the San Diego County Employees' Retirement Association

Active Members

Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 18,466 active members with an average age of 43.9, average years of service of 9.7 years and average compensation of \$49,071. The 18,276 active members in the prior valuation had an average age of 43.8, average service of 9.7 years and average compensation of \$45,228.

Among the active members, there were none with unknown age.

Inactive Members

In this year's valuation, there were 3,910 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their member contributions versus 3,323 in the prior valuation

These graphs show a distribution of active members by age and by years of service.

CHART 2

Distribution of Active Members by Age as of June 30, 2003

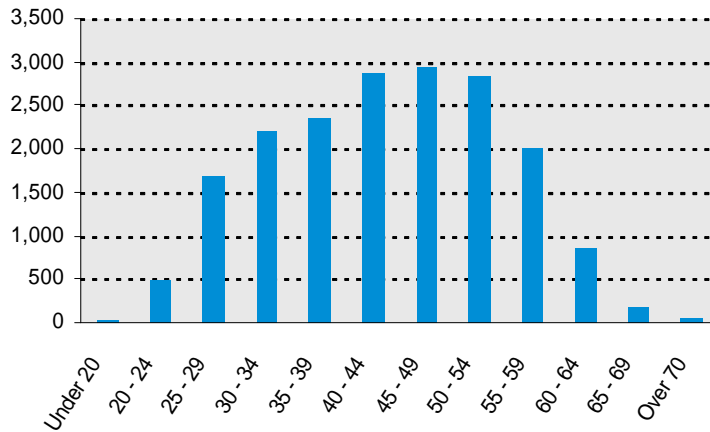
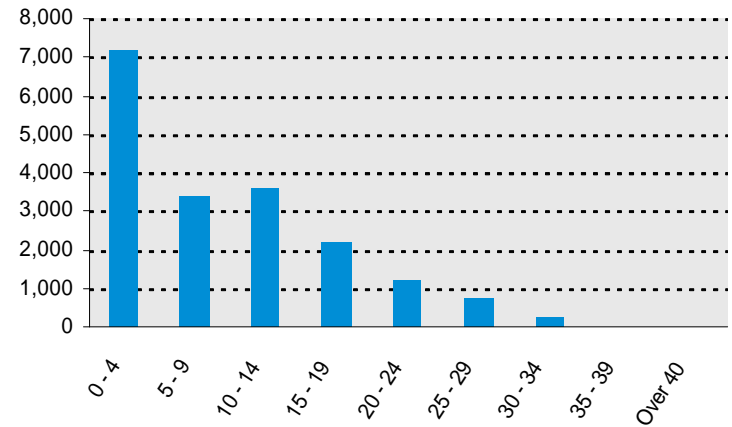


CHART 3

Distribution of Active Members by Years of Service as of June 30, 2003



SECTION 2: Valuation Results for the San Diego County Employees' Retirement Association

Retired Members and Beneficiaries

As of June 30, 2003, 9,102 retired members and 1,151 beneficiaries were receiving total monthly benefits of \$17,117,466. For comparison, in the previous valuation, there were 8,523 retired members and 1,134 beneficiaries receiving monthly benefits of \$14,647,327. These monthly benefits exclude benefits for STAR COLA.

These graphs show a distribution of the current retired members based on their monthly amount and age, by type of pension.

CHART 4
Distribution of Retired Members by Type and by Monthly Amount as of June 30, 2003

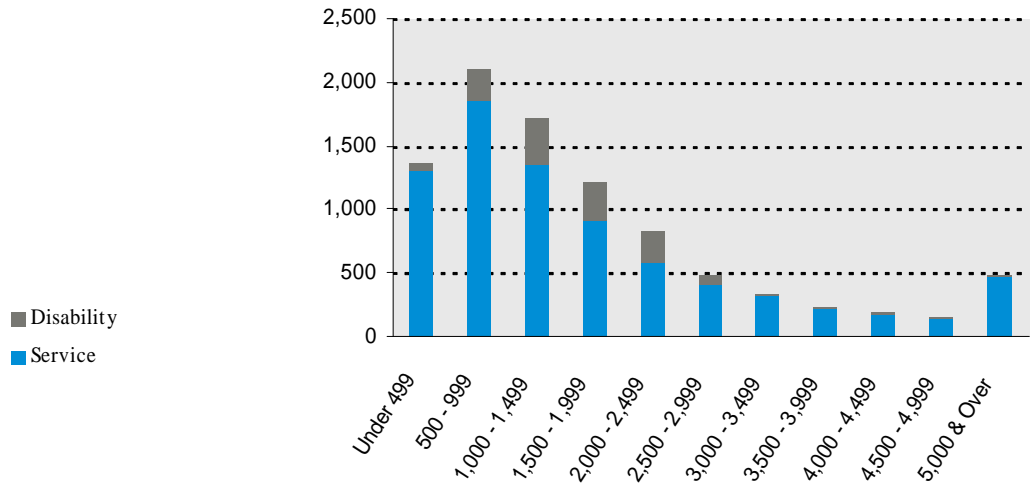
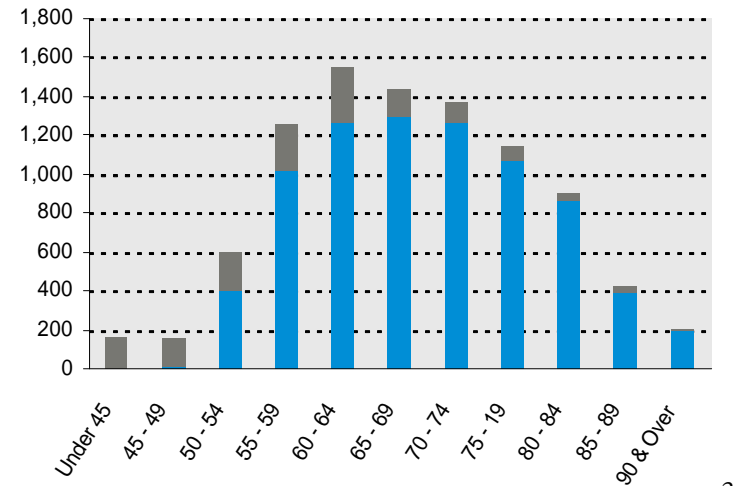


CHART 5
Distribution of Retired Members by Type and by Age as of June 30, 2003



SECTION 2: Valuation Results for the San Diego County Employees' Retirement Association

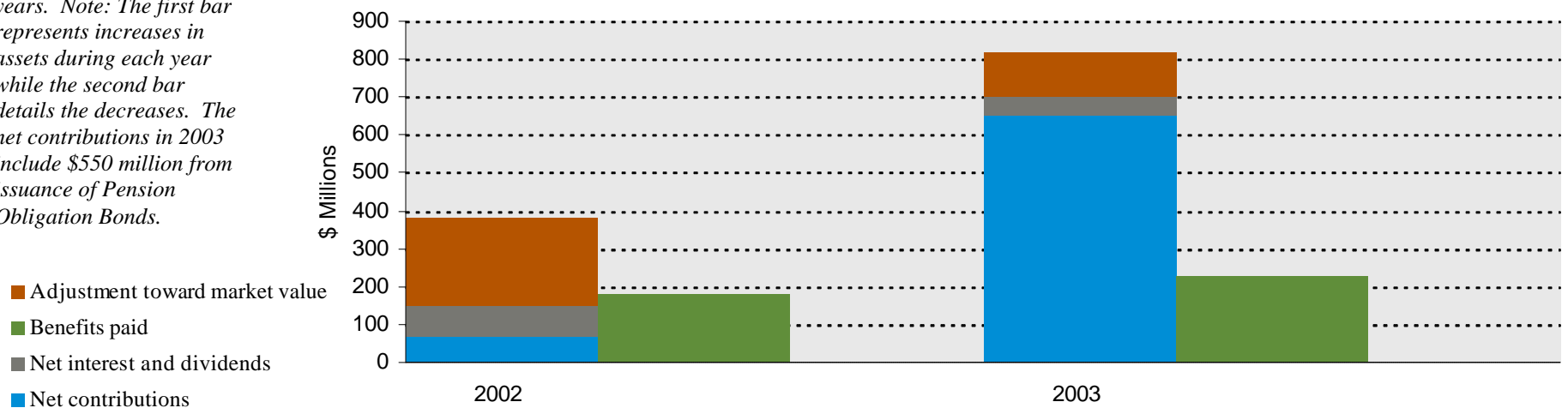
B. FINANCIAL INFORMATION

Retirement plan funding anticipates that, over the long term, both net contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. The adjustment toward market value shown in the chart is the “non-cash” earnings on investments implicitly included in the actuarial value of assets. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D, E and F.

The chart depicts the components of changes in the actuarial value of assets over the last two years. Note: The first bar represents increases in assets during each year while the second bar details the decreases. The net contributions in 2003 include \$550 million from issuance of Pension Obligation Bonds.

CHART 6
Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2002 – 2003



SECTION 2: Valuation Results for the San Diego County Employees' Retirement Association

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Retirement has approved an asset valuation method that gradually adjusts to market value. The Actuarial Value of Assets is determined by phasing in the actual return on the market value of assets that is in excess/below the expected return on the valuation value of assets over a five-year period. Under this method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The determination of the Actuarial Value of Assets is provided on the following page.

SECTION 2: Valuation Results for the San Diego County Employees' Retirement Association

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 7

Determination of Actuarial Value of Assets for Year Ended June 30, 2003

	Date of Actuarial Valuation	June 30, 1999	June 30, 2000	June 30, 2001	June 30, 2002	June 30, 2003
A	Valuation Value of Assets (Beginning of Year)					\$3,831,334,307
B	Market Value (End of Year)					\$4,103,348,121
C	Market Value (Beginning of Year)					\$3,506,634,195 *
D1	Pension Obligation Bond					\$550,000,000
D2	Non-investment Cash Flow (Including Pension Obligation Bond Provided in D1)					\$426,813,774
E	Investment Income					
E1	Actual Return on Market Value (B-C-D2)					\$169,900,152
E2	Expected Return on Valuation Value, Adjusted for Timing (A*0.0825+(D2-D1)*0.0825*0.5+D1*0.0825*0.75)					\$345,034,899
E3	Portion Subject to Smoothing**	\$140,449,992	\$349,957,881	(\$599,291,580)	(\$605,090,394)	(\$175,134,747)
E4	Percentage Deferred	0%	20%	40%	60%	80%
E5	Amount Deferred (E3*E4)	\$0	\$69,991,576	(\$239,716,632)	(\$363,054,236)	(\$140,107,798)
E6	Total of Amount Deferred (Sum of E5 From Last 5 Years)					(\$672,887,090)
E7	Actuarial Value of Assets (B-E6)					\$4,776,235,211
F	Phased-in Amount Recognized in Current Year					
F1	Current Year					(\$35,026,949)
F2	First Prior Year					(\$121,018,079)
F3	Second Prior Year					(\$119,858,316)
F4	Third Prior Year					\$69,991,576
F5	Fourth Prior Year					\$28,089,998
F6	Total Phased-in Amount Recognized					(\$177,821,770)
G	Non-valuation Reserves					
G1	Health Benefit Reserve					\$269,140,000
G2	401(h) Reserve					\$296,000
G3	Star COLA					\$48,537,000
G4	Contingency Reserve					\$35,336,000
G5	Undistributed Reserve					\$5,160,000
G6	Non-valuation Reserves (End of Year)					\$358,469,000
G7	Non-valuation Reserves (Beginning of Year)					\$350,874,000 *
G8	Change in Non-Valuation Reserve (G6-G7)					\$7,595,000
H	Valuation Value of Assets (End of Year) (A+D2+E2+F6-G8)					\$4,417,766,210

* From October 3, 2002 SDCERA Actuarial Valuation Report

** Amounts prior to June 30, 2003 obtained from October 3, 2002 SDCERA Actuarial Valuation Report

SECTION 2: Valuation Results for the San Diego County Employees' Retirement Association

CHART 8

Allocation of Valuation Value of Assets as of June 30, 2003

The allocation of the valuation reserves between General and Safety is provided below:

	General	Safety	Total
1 Beginning of Year Asset Allocation	2,863,516,704	967,817,603	3,831,334,307
2 Estimated Percentage of Total Employee Contributions Including Pickups	77.04%	22.96%	100.00%
3 Employee Contributions Less Refunds, Allocated in Proportion to (2)	25,588,944	7,626,196	33,215,140
4 Employer Contributions			
4a Proceeds from Pension Obligation Bond (Per Allocation in October 3, 2002 GRS Report)	386,779,207	163,220,793	550,000,000
4b Employer Contributions Including Pickups but Excluding Proceeds from Pension Obligation Bonds, Allocated in Proportion to (2)	50,933,244	15,179,482	66,112,726
5 Annual Allowances for Retired Members (From Last Year's Valuation Report)	139,381,055	36,386,877	175,767,932
6 Benefit Payments Allocated in Proportion to (5)	151,528,996	39,558,223	191,087,219
7 Subtotal = (1) + (3) + (4a) + (4b) - (6)	3,175,289,103	1,114,285,851	4,289,574,954
8 Total Valuation Value of Assets			4,417,766,210
9 Residual to Allocate			128,191,256
10 Allocate Residual in Proportion to (7)	94,891,523	33,299,733	128,191,256
11 End of Year Asset Allocation = (7) + (10)	3,270,180,626	1,147,585,584	4,417,766,210

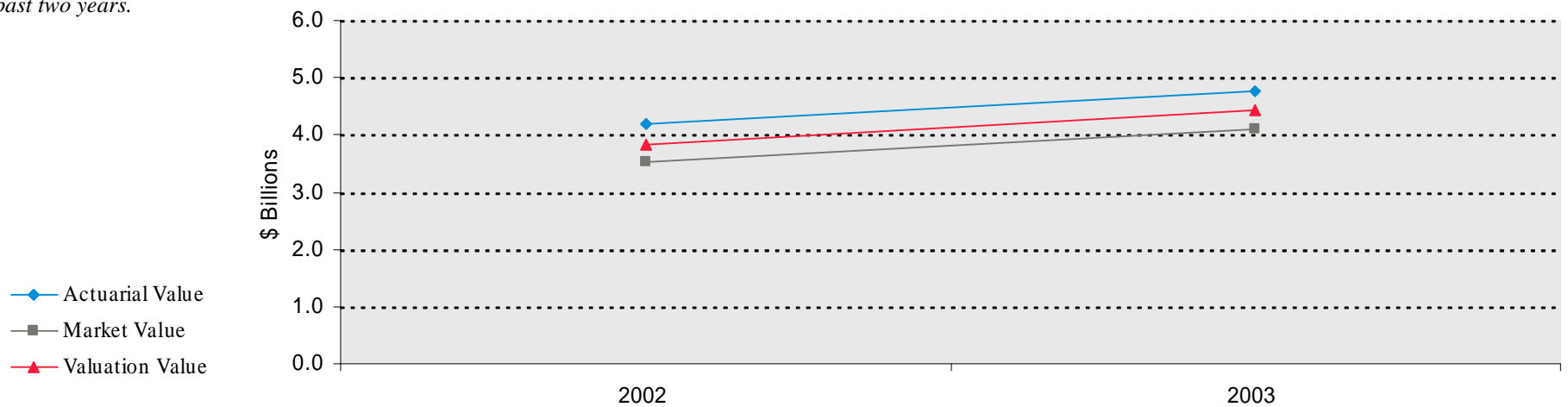
SECTION 2: Valuation Results for the San Diego County Employees' Retirement Association

The market value, actuarial value, and valuation value of assets are representations of the SDCERA's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets, but with less volatility. The valuation value of assets is the actuarial value, excluding any non-valuation reserves. The valuation asset value is significant because the SDCERA's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in market value, actuarial value and valuation value over the past two years.

CHART 9

Market Value, Actuarial Value and Valuation Value of Assets as of June 30, 2002 – 2003



SECTION 2: Valuation Results for the San Diego County Employees' Retirement Association

C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term

development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total experience loss was \$424.5 million, \$51.4 million from investments and \$373.1 million from all other sources. The net experience variation from individual sources other than investments was 6.4% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

CHART 10
Actuarial Experience for Year Ended June 30, 2003
(From October 3, 2002 to June 30, 2003)

1. Net gain/(loss) from investments*	-\$51,435,000
2. Net gain/(loss) from other experience**	<u>-373,148,000</u>
3. Net experience gain/(loss): (1) + (2)	-\$424,583,000

* Details in Chart 11

** See Exhibit H. Includes \$106.4 million in losses due to delay in implementation of contribution rates calculated in the October 3, 2002 valuation but excludes \$88.2 million increase in UAAL due to change in actuarial assumptions.

SECTION 2: Valuation Results for the San Diego County Employees' Retirement Association

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the SDCERA's investment policy. For valuation purposes, the assumed rate of return on the valuation value of assets was 8.25% (based on June 30, 2002 valuation). The actual rate of return on a valuation basis for the 2002/2003 plan year was 3.05%.

Since the actual return for the year was less than the assumed return, the SDCERA experienced an actuarial loss during the year ended June 30, 2003 with regard to its investments.

This chart shows the gain/(loss) due to investment experience.

CHART 11

Investment Experience for Year Ended June 30, 2003 – Valuation Value and Actuarial Value of Assets (From July 1, 2002 to June 30, 2003)

	Valuation Value	Actuarial Value
1. Actual return	\$128,191,000	\$167,213,000
2. Average value of assets	4,197,955,000	4,533,115,000
3. Actual rate of return: (1) ÷ (2)	3.05%	3.69%
4. Assumed rate of return	8.25%	8.25%
5. Expected return: (2) x (4)	345,035,000	373,982,000
6. Actuarial gain/(loss)*: (1) – (5)	<u>-\$216,844,000</u>	<u>-\$206,769,000</u>

** Please note that the loss shown for the Valuation Value of Assets was for the entire fiscal year. The loss from October 3, 2002 to June 30, 2003 was \$51.4 million.*

SECTION 2: Valuation Results for the San Diego County Employees' Retirement Association

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial valuation, and market basis for the last two years.

Based upon the Review of Economic Assumptions dated January 27, 2004, we have maintained the assumed rate of return at 8.25%

CHART 12

Investment Return – Actuarial Value, Valuation Value and Market Value: 2002 - 2003 (Dollar amount in thousands)

Year Ended June 30	Net Interest, Dividend and Other Income		Recognition of Capital Appreciation		Valuation Value Investment Return		Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent*	Amount	Percent*	Amount	Percent	Amount	Percent	Amount	Percent
2002	\$79,758	2.03%	\$234,181	5.97%	\$173,066	4.68%	\$313,759	8.00%	-\$172,418	-4.58%
2003	50,447	1.11%	116,766	2.58%	128,191	3.05%	167,213	3.69%	142,954	3.68%

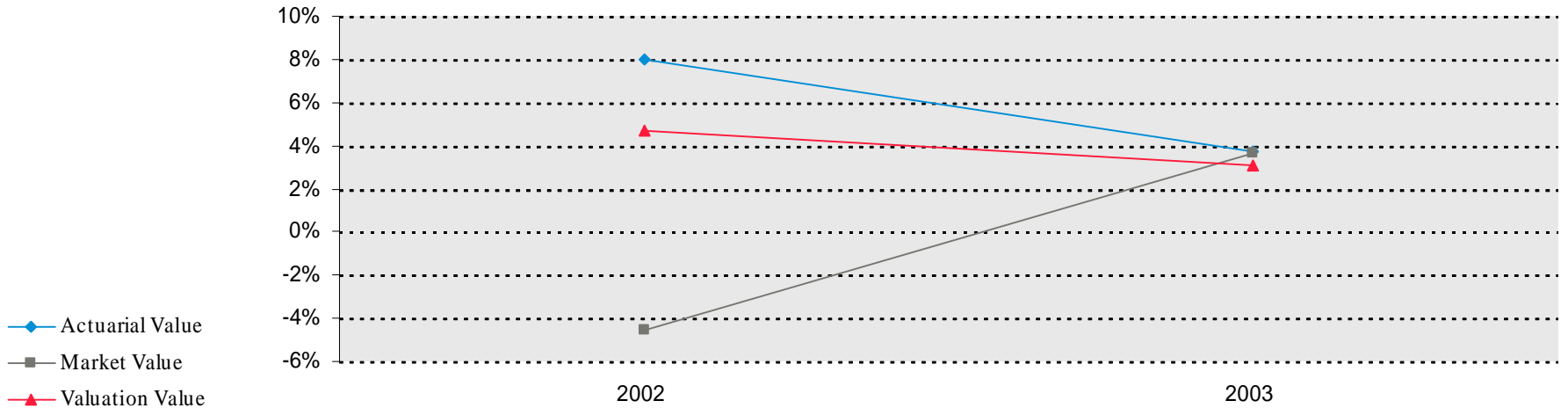
Note Expressed as a percent of average actuarial asset value in that year.

SECTION 2: Valuation Results for the San Diego County Employees' Retirement Association

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

This chart illustrates how this leveling effect has actually worked over the years 2002 - 2003 .

CHART 13
Market, Actuarial and Valuation Rates of Return for Years Ended June 30, 2002 - 2003



SECTION 2: Valuation Results for the San Diego County Employees' Retirement Association

Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation.

These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),

- the number of disability retirements, and
- salary increases different than assumed.

The net loss from this other experience for the year ended June 30, 2003 amounted to \$373.1 million which is 6.4% of the actuarial accrued liability. See Exhibit H for a detailed development of the Unfunded Actuarial Accrued Liability.

SECTION 2: Valuation Results for the San Diego County Employees' Retirement Association

D. EMPLOYER AND MEMBER CONTRIBUTIONS

Employer contributions consist of two components:

Normal Cost

The annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement-related benefits. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution rate is expressed as a level percentage of the member's compensation.

Contribution to the Unfunded

Actuarial Accrued Liability (UAAL)

The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution (or rate credit in the case of a negative unfunded actuarial accrued liability) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the Association) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the annual inflation rate of 4.00%. The current UAAL is being recognized over a rolling 15-year period.

The recommended employer contributions are provided on Charts 14a and 14b.

SECTION 2: Valuation Results for the San Diego County Employees' Retirement Association

Member Contributions

Articles 6 and 6.8 of the 1937 Act define the methodology to be used in the calculation of member basic contribution rates for General members and Safety members, respectively. The basic contribution rate is determined so that the accumulation of a member's basic contributions made in a given year until a certain age will be sufficient to fund an annuity at that age that is equal to 1/100 of Final Average Compensation for General and Safety members. That age is 60 for General Tier 1 members, 55 for General Tier A members and 50 for Safety members. It is assumed that contributions are made annually at the same rate, starting at entry age. In addition to their basic contributions, members pay one-half of the total normal cost necessary to fund their cost-of-living benefits. Accumulation includes semi-annual crediting of interest at half of the assumed investment earning rate. The member contribution rates are provided in Appendix A. Please note that the member rates provided in the report are the full rate before reflecting any employer pickup.

SECTION 2: Valuation Results for the San Diego County Employees' Retirement Association

CHART 14a

Recommended Employer Contribution Rates (Dollar Amounts in Thousands)

	June 30, 2003 Actuarial Valuation		June 30, 2002 Actuarial Valuation**	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
General Members				
Normal Cost - Basic Only	9.36%	\$66,282	8.18%	\$57,926
Normal Cost - COLA Only	2.65%	\$18,765	2.59%	\$18,342
Normal Cost - Total***	12.01%	\$85,047	10.77%	\$76,268
UAAL (Basic and COLA)	13.58%	\$96,165	8.95%	\$63,378
Total Contribution	25.59%	\$181,212	19.72%	\$139,646
Safety Members				
Normal Cost - Basic Only	13.76%	\$27,245	13.83%	\$27,384
Normal Cost - COLA Only	4.02%	\$7,960	5.78%	\$11,445
Normal Cost - Total***	17.78%	\$35,205	19.61%	\$38,829
UAAL (Basic and COLA)	17.21%	\$34,076	12.80%	\$25,344
Total Contribution	34.99%	\$69,281	32.41%	\$64,173
All Categories Combined				
Normal Cost - Basic Only	10.32%	\$93,527	9.41%	\$85,310
Normal Cost - COLA Only	2.95%	\$26,725	3.29%	\$29,787
Normal Cost - Total***	13.27%	\$120,252	12.70%	\$115,097
UAAL (Basic and COLA)	14.37%	\$130,241	9.79%	\$88,722
Total Contribution	27.64%	\$250,493	22.49%	\$203,819

* Amounts are in thousands and are based on June 30, 2003 annual payroll (Also in thousands):

General Tier 1	\$3,343
General Tier A	\$704,793
Subtotal	\$708,136
Safety	\$198,003
Total	\$906,139

** From October 3, 2002 SDCERA Actuarial Valuation Report.

*** A breakdown of the employer's total Normal Cost to fund for each type of benefit is provided in Chart 14b.

SECTION 2: Valuation Results for the San Diego County Employees' Retirement Association

CHART 14b

Breakdown of the Employer's Normal Cost to Fund for Each Type of Benefit (% of Payroll)

	Elements of Normal Cost		
	<u>General</u>	<u>Safety</u>	<u>Overall</u>
Service Retirement*	6.54%	7.45%	6.73%
Vested Termination and Ordinary Withdrawal	3.07%	2.74%	3.00%
Non Service and Service Connected Disability	1.99%	6.64%	3.01%
Non Service and Service Connected Death	0.41%	0.95%	0.53%
Total Employer Normal Cost	<u>12.01%</u>	<u>17.78%</u>	<u>13.27%</u>
Total Employee Normal Cost*	<u>9.49%</u>	<u>11.31%</u>	<u>9.89%</u>
Employer Plus Employee Normal Cost	21.50%	29.09%	23.16%

* Assuming that employee normal cost is only used to fund service retirement benefit.

SECTION 2: Valuation Results for the San Diego County Employees' Retirement Association

The contribution rates as of June 30, 2003 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Recommended Contribution

The chart below details the changes in the recommended contribution from the prior valuation to the current year's valuation.

CHART 15

Reconciliation of Recommended Contribution from June 30, 2002 to June 30, 2003 (Dollar Amounts in Thousands)

The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.

	<u>Aggregate</u>	<u>Estimated Annual Dollar Cost**</u>
Recommended Employer Contribution Rate as of June 30, 2002*	22.49%	\$203,819
Effect of investment loss ⁽¹⁾	0.52%	\$4,712
Effect of one-year delay in implementation of contribution rates calculated in October 3, 2003 valuation	1.07%	\$9,696
Effect of higher than expected salary increase	1.22%	\$11,055
Effect of increase in Normal Cost due to change in membership demographic	0.49%	\$4,440
Effect of adjustment to COLA contribution rate for Safety members ⁽²⁾	-0.28%	-\$2,537
Effect of higher than expected liabilities for new retirees and retiree data corrections/adjustments	0.41%	\$3,715
Effect of change in actuarial assumptions	1.25%	\$11,326
Effect of net other changes ⁽³⁾	0.47%	\$4,267
Subtotal	5.15%	\$46,674
Recommended Employer Contribution Rate as of June 30, 2003	27.64%	\$250,493

* Calculated in the October 3, 2002 Valuation

** Based on June 30, 2003 projected annual payroll of \$906,139

(1) Return on valuation assets was 3.05% and less than the 8.25% assumed in the valuation.

(2) The current Safety member COLA rate was calculated using the old 2% at 50 formula because the County agreed to defer the application of higher COLA required for the 3% at 50 formula enhancement until the 2004/2005 fiscal year. This cost reallocation for the 2004/2005 fiscal year results in a reduction to the employer's rate.

(3) Other differences in actual versus expected actuarial experience.

SECTION 2: Valuation Results for the San Diego County Employees' Retirement Association

The member contribution rates as of June 30, 2003 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Recommended Contribution Rate
 The chart below details the changes in the recommended member contribution rate from the prior valuation to the current year's valuation.

The chart reconciles the member contribution from the prior valuation to the amount determined in this valuation.

CHART 16
Reconciliation of Recommended Member Contribution from June 30, 2002 to June 30, 2003 (Dollar Amounts in Thousands)

	<u>Contribution</u> Rate	<u>Estimated Annual</u> Dollar Cost**
Recommended Contribution Rate as of June 30, 2002*, Before Reflecting Any Employer Pickups	8.94%	\$81,009
Effect of adjustment to COLA contribution rate for Safety members ⁽¹⁾	0.28%	\$2,537
Effect of change in actuarial assumptions	0.74%	\$6,705
Effect of net other changes ⁽²⁾	-0.07%	-\$674
Subtotal	0.95%	\$8,568
Recommended Contribution Rate as of June 30, 2003, Before Reflecting Any Employer Pickups	9.89%	\$89,577

* Calculated in the October 3, 2002 Valuation

** Based on June 30, 2003 projected annual payroll of \$906,139

(1) The current Safety member COLA rate was calculated using the old 2% at 50 formula because the County agreed to defer the application of higher COLA rate required for the 3% at 50 formula enhancement until the 2004/2005 fiscal year. This cost reallocation for the 2004/2005 fiscal year results in an increase to the Safety member rate.

(2) Other differences in actual versus expected actuarial experience.

SECTION 2: Valuation Results for the San Diego County Employees' Retirement Association

E. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contributions to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Chart 17 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits I, II, and III.

These graphs show key GASB factors.

CHART 17
Required Versus Actual Contributions

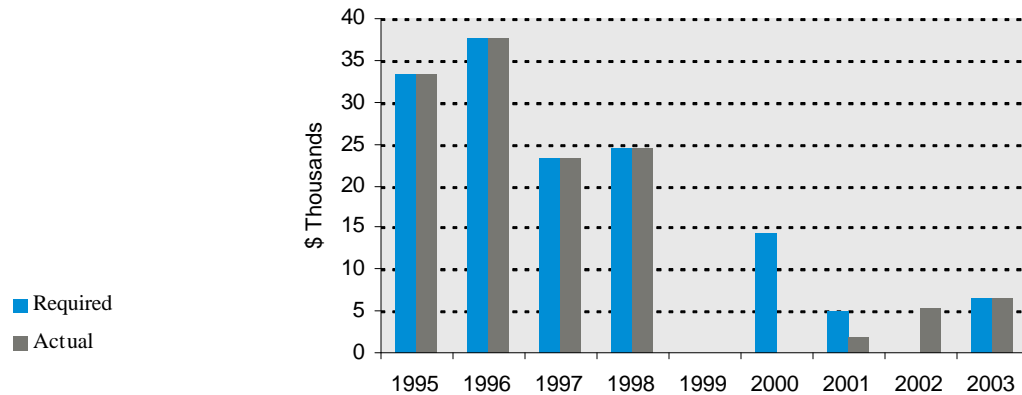
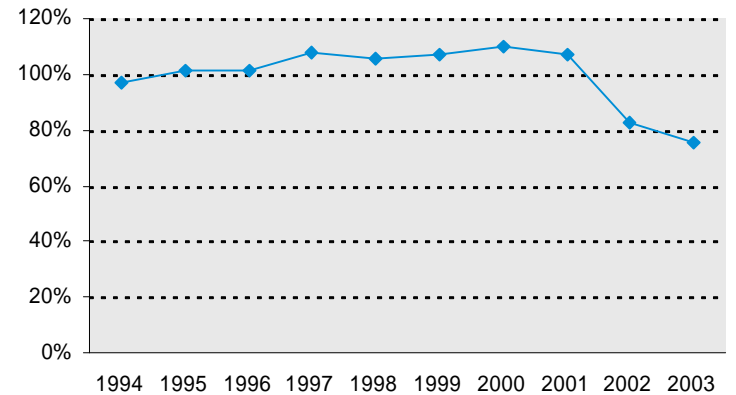


CHART 18
Funded Ratio



SECTION 3: Supplemental Information for the San Diego County Employees' Retirement Association

EXHIBIT A

Table of Plan Coverage

i. General

Category	Year Ended June 30		Change From Prior Year
	2003	2002	
Active members in valuation			
Number	15,057	14,914	1.0%
Average age	44.9	44.7	N/A
Average service	9.5	9.5	N/A
Projected total compensation ⁽¹⁾	\$708,136,533	\$643,528,852	10.0%
Projected average compensation	\$47,030	\$43,149	9.0%
Total annualized compensation rates ⁽²⁾	\$694,251,503	\$630,910,639	10.0%
Average annualized compensation rates	\$46,108	\$42,303	9.0%
Account balances	\$133,024,057	\$115,938,421	14.7%
Total active vested members	8,908	9,058	-0.2%
Vested terminated members	3,561	3,051	16.7%
Retired members			
Number in pay status	7,148	6,738	6.1%
Average age	70.7	71.1	N/A
Average monthly benefit ⁽³⁾	\$1,603	\$1,449	10.6%
Disabled members			
Number in pay status	855	819	4.4%
Average age	61.8	62.0	N/A
Average monthly benefit ⁽³⁾	\$1,268	\$1,221	3.9%
Beneficiaries			
Number in pay status	1,074	1,056	1.7%
Average age	74.9	74.4	N/A
Average monthly benefit ⁽³⁾	\$804	\$808	-0.5%

(1) Compensation calculated by increasing annualized compensation rates as of valuation date by one-half year of inflation.

(2) Includes 38 members without a compensation rate for June 2003. An annual amount of \$42,000 was used for these members.

(3) Excludes STAR COLA.

SECTION 3: Supplemental Information for the San Diego County Employees' Retirement Association

EXHIBIT A

Table of Plan Coverage

ii. Safety

Category	Year Ended June 30		Change From Prior Year
	2003	2002	
Active members in valuation			
Number	3,409	3,362	1.4%
Average age	39.9	40.0	N/A
Average service	10.7	10.7	N/A
Projected total compensation ⁽¹⁾	\$198,003,165	\$183,067,551	8.2%
Projected average compensation	\$58,082	\$54,452	6.7%
Total annualized compensation rates ⁽²⁾	\$194,120,750	\$179,477,995	8.2%
Average annualized compensation rates	\$56,944	\$53,384	6.7%
Account balances	\$59,964,722	\$60,246,204	-0.5%
Total active vested members	2,406	2,361	1.9%
Vested terminated members	349	272	28.3%
Retired members			
Number in pay status	634	549	15.5%
Average age	63.1	63.3	N/A
Average monthly benefit ⁽³⁾	\$3,970	\$3,681	7.9%
Disabled members			
Number in pay status	465	417	11.5%
Average age	54.7	54.4	N/A
Average monthly benefit ⁽³⁾	\$2,268	\$2,108	7.6%
Beneficiaries			
Number in pay status	77	78	-1.3%
Average age	62.2	61.5	N/A
Average monthly benefit ⁽³⁾	\$1,818	\$1,695	7.3%

(1) Calculated by increasing annualized compensation rates as of valuation date by one-half year of inflation.

(2) Includes 4 members without a compensation rate for June 2003. An annual amount of \$50,000 was used for these members.

(3) Excludes STAR COLA.

SECTION 3: Supplemental Information for the San Diego County Employees' Retirement Association

EXHIBIT B

**Members in Active Service During Year Ended June 30, 2003
By Age, Years of Service, and Average Annualized Compensation Rate⁽¹⁾ for June 2003.**

i. General Tier 1

Age	Total	Years of Service								
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	2	2	--	--	--	--	--	--	--	--
	\$31,866	\$31,866	--	--	--	--	--	--	--	--
25 - 29	11	11	--	--	--	--	--	--	--	--
	44,431	44,431	--	--	--	--	--	--	--	--
30 - 34	10	10	--	--	--	--	--	--	--	--
	44,999	44,999	--	--	--	--	--	--	--	--
35 - 39	6	5	1	--	--	--	--	--	--	--
	45,843	47,981	\$35,152	--	--	--	--	--	--	--
40 - 44	6	5	--	1	--	--	--	--	--	--
	39,780	38,484	--	\$46,259	--	--	--	--	--	--
45 - 49	10	7	1	1	1	--	--	--	--	--
	34,688	30,157	35,152	63,710	\$36,920	--	--	--	--	--
50 - 54	16	14	2	--	--	--	--	--	--	--
	32,653	32,842	31,335	--	--	--	--	--	--	--
55 - 59	13	11	2	--	--	--	--	--	--	--
	32,363	31,410	37,606	--	--	--	--	--	--	--
60 - 64	11	6	1	2	2	--	--	--	--	--
	38,561	35,606	48,402	40,706	40,362	--	--	--	--	--
65 - 69	1	1	--	--	--	--	--	--	--	--
	47,341	47,341	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	86	72	7	4	3	--	--	--	--	--
	\$38,114	\$37,669	\$36,656	\$47,845	\$39,215	--	--	--	--	--

(1) Includes 2 members without a compensation rate for June 2003. An annual amount of \$42,000 was used for these members.

SECTION 3: Supplemental Information for the San Diego County Employees' Retirement Association

EXHIBIT B

Members in Active Service During Year Ended June 30, 2003

By Age, Years of Service, and Average Annualized Compensation Rate⁽¹⁾ for June 2003.

ii. General Tier A

Age	Total	Years of Service									
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over	
Under 25	409	409	--	--	--	--	--	--	--	--	--
	\$28,736	\$28,736	--	--	--	--	--	--	--	--	--
25 - 29	1,243	1,166	77	--	--	--	--	--	--	--	--
	37,117	36,833	\$41,410	--	--	--	--	--	--	--	--
30 - 34	1,548	1,069	367	111	1	--	--	--	--	--	--
	42,961	41,347	47,628	\$43,203	\$28,434	--	--	--	--	--	--
35 - 39	1,700	780	397	382	138	3	--	--	--	--	--
	46,090	41,100	49,721	52,355	46,461	\$48,360	--	--	--	--	--
40 - 44	2,305	789	446	613	360	94	3	--	--	--	--
	46,731	39,102	46,283	53,205	52,519	48,324	\$52,069	--	--	--	--
45 - 49	2,492	735	451	556	395	251	93	11	--	--	--
	48,642	40,809	45,547	52,234	55,952	55,515	53,725	\$54,986	--	--	--
50 - 54	2,472	570	385	533	374	278	247	84	1	--	--
	50,179	42,465	45,775	51,739	51,362	53,998	61,097	62,854	\$46,883	--	--
55 - 59	1,792	357	267	391	307	188	176	97	9	--	--
	49,604	41,330	43,692	50,506	52,029	50,439	59,365	65,834	47,967	--	--
60 - 64	796	167	148	217	126	81	35	18	4	--	--
	47,094	41,574	42,868	48,157	48,208	53,013	52,379	66,673	86,960	--	--
65 - 69	168	36	41	52	18	9	7	4	--	1	--
	41,720	41,078	41,418	38,942	44,782	40,930	45,445	64,298	--	\$57,283	--
70 & over	46	11	8	17	4	3	3	--	--	--	--
	40,659	32,637	43,307	45,147	40,409	29,806	48,762	--	--	--	--
Total	14,971	6,089	2,587	2,872	1,723	907	564	214	14	1	--
	\$46,154	\$39,341	\$46,103	\$51,190	\$52,044	\$52,775	\$58,492	\$64,149	\$59,030	\$57,283	--

(1) Includes 36 members without a compensation rate for June 2003. An annual amount of \$42,000 was used for these members.

SECTION 3: Supplemental Information for the San Diego County Employees' Retirement Association

EXHIBIT B

**Members in Active Service During Year Ended June 30, 2003
By Age, Years of Service, and Average Annualized Compensation Rate⁽¹⁾ for June 2003**

iii. Safety

Age	Years of Service								
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & over
Under 25	96	96	--	--	--	--	--	--	--
	\$36,523	\$36,523	--	--	--	--	--	--	--
25 - 29	434	345	89	--	--	--	--	--	--
	42,760	40,799	\$50,362	--	--	--	--	--	--
30 - 34	661	247	332	81	1	--	--	--	--
	50,868	43,058	54,098	\$61,285	\$63,515	--	--	--	--
35 - 39	632	112	168	282	69	1	--	--	--
	57,333	44,723	55,546	61,342	65,682	\$63,515	--	--	--
40 - 44	565	96	79	169	185	36	--	--	--
	59,975	44,961	55,670	60,479	66,895	71,531	--	--	--
45 - 49	450	61	52	60	114	123	39	1	--
	65,273	47,676	54,900	62,251	67,390	72,492	\$81,632	\$92,400	--
50 - 54	333	29	39	59	49	76	70	11	--
	68,728	48,632	56,632	62,239	66,684	72,840	82,814	90,449	--
55 - 59	187	15	24	32	31	30	33	22	--
	68,241	58,501	59,193	61,777	64,816	70,581	79,911	78,281	--
60 - 64	46	2	7	9	9	9	6	4	--
	62,197	42,438	53,065	54,434	64,497	69,650	65,450	78,704	--
65 - 69	5	--	1	2	2	--	--	--	--
	86,179	--	159,994	70,875	64,576	--	--	--	--
Total	3,409	1,003	791	694	460	275	148	38	--
	\$56,944	\$42,695	\$54,599	\$61,238	\$66,609	\$72,128	\$81,151	\$82,219	--

(1) Includes 4 members without a compensation rate for June 2003. An annual amount of \$50,000 was used for these members.

SECTION 3: Supplemental Information for the San Diego County Employees' Retirement Association

EXHIBIT C

Reconciliation of Member Data

	Active Members	Deferred Vested Members	Disabled Pensioners	Retired Members	Beneficiaries	Total
Number as of July 1, 2002	18,276	3,323	1,236	7,287	1,134	31,256
New members	1,573	453	N/A	N/A	102	2,128
Terminations – with vested rights	-406	406	0	0	0	0
Refunds	-315	N/A	N/A	N/A	N/A	-315
Retirements	-562	-190	N/A	752	N/A	0
New disabilities	-89	-11	100	N/A	N/A	0
Return to work	48	-39	-5	-4	N/A	0
Deaths	-30	-5	-40	-229	-79	-383
Data adjustments	<u>-29</u>	<u>-27</u>	<u>29</u>	<u>-24</u>	<u>-6</u>	<u>-57</u>
Number as of June 30, 2003	18,466	3,910	1,320	7,782	1,151	32,629

SECTION 3: Supplemental Information for the San Diego County Employees' Retirement Association

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis

	Year Ended June 30, 2003	Year Ended June 30, 2002
Contribution income:		
Employer contributions	\$616,112,726	\$50,581,110
Employee contributions	<u>34,666,576</u>	<u>17,346,370</u>
Net contribution income	\$650,779,302	\$67,927,480
Investment income:		
Interest, dividends and other income	\$105,545,520	\$132,321,095
Adjustment toward market value	116,765,897	234,180,626
Less investment fees and administrative expenses	<u>-55,098,288</u>	<u>-52,742,765</u>
Net investment income	<u>167,213,129</u>	<u>313,758,956</u>
Total income available for benefits	\$817,992,431	\$381,686,436
Less benefit payments:		
Service retirement and disability benefits	\$189,779,897	\$153,772,271
Death benefits	1,307,322	595,831
Health benefits	19,963,751	14,312,373
STAR cost of living allowance	11,463,122	9,225,575
Member refunds	<u>1,451,436</u>	<u>889,997</u>
Net benefit payments	\$223,965,528	\$178,796,047
Change in assets held for future benefits	\$594,026,903	\$202,890,389

SECTION 3: Supplemental Information for the San Diego County Employees' Retirement Association

EXHIBIT E

Table of Financial Information

	Year Ended June 30, 2003	Year Ended June 30, 2002
Cash equivalents	\$87,952,309	\$50,675,576
Accounts receivable:		
Contributions	\$4,409,797	\$3,504,842
Accrued interest and dividends	14,826,962	14,933,781
Settlement of securities sold	<u>28,626,750</u>	<u>22,270,399</u>
Total accounts receivable	47,863,509	40,709,022
Investments:		
Domestic equity securities and cash	\$1,451,800,076	\$1,357,118,226
International equity securities and cash	975,909,709	884,752,992
Bonds and cash	1,176,215,264	850,216,001
Other investments	473,983,598	415,263,136
Securities lending collateral	<u>329,126,483</u>	<u>250,748,251</u>
Total investments at market value	<u>4,407,035,130</u>	<u>3,758,098,606</u>
Total assets	\$4,542,850,948	\$3,849,483,204
Less accounts payable:		
Securities lending & settlement of securities purchased	-\$427,357,989	-\$308,032,070
Professional service	-7,994,703	-4,671,780
Cash in transit	-2,472,451	-2,050,035
Others	<u>-1,677,684</u>	<u>-1,149,158</u>
Total accounts payable	-\$439,502,827	-\$315,903,043
Net assets at market value	<u>\$4,103,348,121</u>	<u>\$3,533,580,161</u>
Net assets at actuarial value	<u>\$4,776,235,211</u>	<u>\$4,182,208,308</u>
Net assets at valuation value	<u>\$4,417,766,210</u>	<u>\$3,831,334,307</u>

SECTION 3: Supplemental Information for the San Diego County Employees' Retirement Association

EXHIBIT F

Actuarial Balance Sheet

An overview of your Plan’s funding is given by an Actuarial Balance Sheet. In this approach, we first determine the amount and timing of all future payments that will be made by the Plan for current participants. We then discount these payments at the valuation interest rate to the date of the valuation, thereby determining their present value. We refer to this present value as the “liability” of the Plan.

Second, we determine how this liability will be met. These actuarial “assets” include the net amount of assets already accumulated by the Plan, the present value of future member contributions, the present value of future employer normal cost contributions, and the present value of future employer amortization payments.

Actuarial Balance Sheet (Dollar Amounts in Thousands)

Assets	<u>General</u>	<u>Safety</u>	<u>Total</u>
1 Total valuation assets	\$3,270,181	\$1,147,586	\$4,417,767
2 Present value of future contributions by members	\$504,095	\$181,168	\$685,263
3 Present value of future employer contributions for:			
a entry age normal cost	\$593,745	\$266,859	\$860,604
b unfunded actuarial accrued liability	\$1,059,755	\$375,603	\$1,435,358
4 Total current and future assets	<u>\$5,427,776</u>	<u>\$1,971,216</u>	<u>\$7,398,992</u>
Liabilities			
5 Present value of benefits for retirees and beneficiaries	\$1,916,130	\$636,625	\$2,552,755
6 Present value of benefits for terminated vested members	\$194,144	\$27,524	\$221,668
7 Present value of benefits to current active members	\$3,317,502	\$1,307,067	\$4,624,569
8 Total liabilities	<u>\$5,427,776</u>	<u>\$1,971,216</u>	<u>\$7,398,992</u>

SECTION 3: Supplemental Information for the San Diego County Employees' Retirement Association

EXHIBIT G

Summary of Reported Asset Information as of June 30, 2003

Reserves	
(Dollar Amounts in Thousands)	
Member contributions ⁽¹⁾	\$216,908
County contributions ⁽¹⁾	996,527
Retired member reserve ⁽¹⁾	2,389,560
Heath benefit reserve ⁽²⁾	269,436
Star Cost-of-Living reserve ⁽²⁾	48,537
Undistributed excess earnings ⁽²⁾	5,160
Contingency reserve ⁽²⁾	35,336
	<hr/>
Total reserves	\$3,961,464
Net unrealized earnings ⁽¹⁾	\$141,884
Net market value	\$4,103,348

⁽¹⁾ Included in development of valuation value of assets.

⁽²⁾ Not included in development of valuation value of assets.

SECTION 3: Supplemental Information for the San Diego County Employees' Retirement Association

EXHIBIT H

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2003

		(Dollar Amounts in Thousands)
1	Unfunded Actuarial Accrued Liability as of October 3, 2002	\$905,100
2	Normal Cost from October 3, 2002 to June 30, 2003	140,694
3	Total employer and member contributions	-74,863
4	Interest	
	(a) For 9 months on (1)	\$56,003
	(b) For 4 1/2 months on (2) + (3)	2,037
	(c) Total interest	<u>58,040</u>
5	Expected Unfunded Actuarial Accrued Liability	<u>\$1,028,971</u>
6	Changes due to:	
	(a) Investment return	\$51,435
	(b) Higher than expected salary increase	171,968
	(c) Higher than expected liabilities for new retirees and retiree data corrections/adjustments	41,000
	(d) Change in actuarial assumptions	88,225
	(e) Other experience	53,760
	(f) Total changes	<u>406,388</u>
7	Unfunded Actuarial Accrued Liability as of June 30, 2003	<u>\$1,435,359</u>

Please note that included in Item 5 is a \$106,420 increase in UAAL due to the delay until June 30, 2003 in implementation of contribution rates calculated in the October 3, 2002 valuation.

SECTION 3: Supplemental Information for the San Diego County Employees' Retirement Association

EXHIBIT I

Section 415 Limitations

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar indexed for inflation. That limit is \$160,000 for 2003 and \$165,000 for 2004. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

Contributions rates determined in this valuation have not been reduced for the Section 415 limitations. Actual limitations will result in gains as they occur.

SECTION 3: Supplemental Information for the San Diego County Employees' Retirement Association

EXHIBIT J

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial

Assumptions:

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost:

The amount of contributions required to fund the level cost allocated to the current year of service.

Actuarial Accrued Liability

For Actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability

For Pensioners:

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued

Liability:

The extent to which the actuarial accrued liability of the Plan exceeds (or is exceeded by) the assets of the Plan. There is a wide range of approaches to paying off the unfunded or overfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

SECTION 3: Supplemental Information for the San Diego County Employees' Retirement Association

**Amortization of the Unfunded
(Overfunded) Actuarial
Accrued Liability:**

Payments made over a period of years equal in value to the Plan's unfunded or overfunded actuarial accrued liability.

Investment Return:

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

EXHIBIT I

Supplementary Information Required by the GASB – Schedule of Employer Contributions (Dollar Amounts in Thousands)

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions*	Percentage Contributed
1995	\$33,305	\$33,305	100.0%
1996	37,577	37,577	100.0%
1997	23,269	23,269	100.0%
1998	24,320	24,320	100.0%
1999	0	0	N/A
2000	14,341	0	0.0%
2001	4,927	2,035	41.3%
2002	0	5,338	100.0%
2003**	6,538	6,538	100.0%

* Excludes proceeds from Pension Obligation Bonds and County pickup of member contributions.

** As of June 30, 2002, there was a Net Pension Obligation(NPO) of \$7,686. That NPO was eliminated when the County issued Pension Obligation Bonds in October 2002.

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

EXHIBIT II

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Valuation Value of Assets* (a)	Actuarial Liability (AAL)** (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
06/30/1994	\$1,947,310,000	\$2,006,689,000	\$59,379,000	97.04%	\$535,981,000	11.10%
06/30/1995	2,172,890,000	2,148,606,000	-24,284,000	101.13%	550,737,000	-4.41%
06/30/1996	2,370,519,000	2,340,663,000	-29,856,000	101.28%	561,692,000	-5.32%
06/30/1997	2,688,098,000	2,487,917,000	-200,181,000	108.05%	581,453,000	-34.40%
06/30/1998	2,834,571,000	2,677,593,000	-156,978,000	105.86%	599,847,000	-26.17%
06/30/1999	3,211,872,000	2,990,111,000	-221,761,000	107.42%	642,780,000	-34.50%
06/30/2000	3,568,671,000	3,248,822,000	-319,849,000	109.85%	672,477,000	-47.56%
06/30/2001	3,745,600,000	3,506,828,000	-238,772,000	106.81%	731,130,000	-32.66%
06/30/2002	3,831,334,000	5,078,067,000	1,246,733,000	75.45%	810,389,000	153.80%
10/02/2002***	4,278,240,000	5,183,340,000	905,100,000	82.54%	818,704,000	110.55%
06/30/2003	4,417,766,000	5,853,125,000	1,435,359,000	75.48%	906,140,000	158.40%

* Excludes assets for STAR COLA.

** Exclude liabilities held for STAR COLA.

*** Reflects the issuance of Pension Obligation Bonds.

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

EXHIBIT III

Supplementary Information Required by the GASB

Valuation date	June 30, 2003
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll for total unfunded liability
Remaining amortization period	15 years (rolling) for all UAAL
Asset valuation method	The Actuarial Value of Assets is determined by phasing in actual return on market value of assets that is in excess/below expected return on valuation value of assets over a five-year period. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves and designations.

Actuarial assumptions:

Investment rate of return	8.25%
Inflation rate	4.00%
Projected salary increases (5+ years of service)	5.00%*
Cost of living adjustments	3.00% of retirement income

Plan membership:

Retired members and beneficiaries receiving benefits	10,253
Terminated members entitled to, but not yet receiving benefits	3,910
Active members	<u>18,466</u>
Total	32,629

* Includes inflation at 4.00%, plus merit and longevity increases. See Exhibit IV for increases during the first 5 years of employment.

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

**EXHIBIT IV
Actuarial Assumptions and Actuarial Cost Method**

Post-Retirement Mortality Rates:

Healthy Retirement: 1994 Group Annuity Mortality Table.

Disabled Retirement: For General - 1994 Group Annuity Mortality Table set forward seven years. For Safety – same as Healthy Retirement.

The following are sample rates (%).

Age	Healthy Life Mortality		Disabled Life Mortality	
	General and Safety*		General	
	Male	Female	Male	Female
30	0.08	0.04	0.09	0.06
35	0.09	0.05	0.13	0.08
40	0.11	0.07	0.19	0.11
45	0.16	0.10	0.32	0.17
50	0.26	0.14	0.56	0.29
55	0.44	0.23	1.01	0.58
60	0.80	0.44	1.80	1.08

* Includes Disabled Retirement

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

Employee Contribution Rates:

General – 1994 Group Annuity Mortality Table for Females set forward two years.
Safety – 1994 Group Annuity Mortality Table for Males set back one year.

Optional Benefits:

Healthy Retirees:

General – 1994 Group Annuity Mortality Table for Females set forward two years.
Safety – 1994 Group Annuity Mortality Table for Males set back one year.

Disabled Retirees:

General – 1994 Group Annuity Mortality Table for Females set forward eight years.
Safety – Same as Healthy Retirees.

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

Termination Rates Before Retirement:

Mortality Rates:

1994 Group Annuity Mortality Table.

For General members, out of the total probability of mortality before retirement, 100% is assumed to be ordinary death and death while eligible for service retirement or disability retirement.

For Safety and Probation members, 100% is assumed to be service connected death.

The following are sample rates (%).

Healthy Life Mortality		
General and Safety		
Age	Male	Female
30	0.08	0.04
35	0.09	0.05
40	0.11	0.07
45	0.16	0.10
50	0.26	0.14
55	0.44	0.23
60	0.80	0.44

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

Disability Rates:

Age	Rate (%)					
	Non Service Connected Disability			Service Connected Disability		
	General		Safety	General		Safety
	Male	Female		Males	Female	
20	0.01	0.00	0.00	0.01	0.00	0.01
25	0.01	0.00	0.02	0.01	0.01	0.04
30	0.01	0.01	0.05	0.02	0.07	0.20
35	0.03	0.06	0.08	0.04	0.11	0.48
40	0.08	0.16	0.12	0.11	0.13	0.72
45	0.13	0.22	0.15	0.19	0.16	0.92
50	0.20	0.25	0.17	0.30	0.20	1.36
55	0.29	0.28	0.18	0.43	0.26	1.84
60	0.33	0.36	0.19	0.38	0.29	2.00

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

Withdrawal Rates:

Rate (%)

Years of Service	Ordinary Withdrawals (< 5 Years of Service)		
	General-Male	General-Female	Safety
0	17.00	19.00	12.00
1	11.00	12.00	11.00
2	7.00	8.00	5.00
3	6.00	7.00	4.50
4	5.00	6.50	4.00

Age	Ordinary Withdrawal (5+ Years of Service) *		
	General-Male	General-Female	Safety
20	1.80	1.80	1.66
25	1.80	1.80	1.50
30	1.73	1.53	1.30
35	1.51	1.19	1.06
40	1.34	0.86	0.86
45	1.00	0.61	0.70
50	0.79	0.54	0.54
55	0.61	0.54	0.48
60	0.54	0.54	0.19

* No withdrawal is assumed after a member is eligible for retirement.

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

Age	Vested Termination (5+ Years of Service) *		
	General-Male	General-Female	Safety
20	7.95	9.33	3.56
25	7.27	8.22	2.99
30	6.39	6.44	2.41
35	5.36	4.89	1.67
40	4.33	3.78	1.30
45	3.18	2.67	1.11
50	2.09	1.56	0.53
55	1.01	0.78	0.21
60	0.56	0.56	0.08

* No vested termination is assumed after a member is eligible for retirement.

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

Retirement Rates:

Age	Rate (%)	
	Retirement Probability	
	General	Safety
48	-	4.0
49	-	4.0
50	6.0	15.0
51	3.0	15.0
52	5.0	15.0
53	6.0	15.0
54	6.0	15.0
55	12.0	25.0
56	13.0	30.0
57	15.0	30.0
58	17.0	35.0
59	20.0	35.0
60	20.0	45.0
61	25.0	45.0
62	25.0	50.0
63	25.0	50.0
64	25.0	50.0
65	30.0	100.0
66	30.0	100.0
67	30.0	100.0
68	30.0	100.0
69	40.0	100.0
70	100.0	100.0

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

Retirement Age and Benefit for Deferred Vested Members:	<u>Reciprocal and Non-reciprocal Members</u> General: Age 58; Safety: Age 53. 35% of General and 40% of Safety (including Probation) deferred vested members are assumed to be reciprocal. For reciprocals, we assume 5.0% compensation increases per annum.
Future Benefit Accruals:	1.0 year of service per year.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Definition of Active Members:	First day of pay period following employment.
Exclusion of Deferred Vested Members:	All deferred vested members are included in the valuation.
Percent Married:	80% of male members; 65% of female members.
Age of Spouse:	Females (or male) spouses are 3 years younger (older) than their spouses
Net Investment Return:	8.25%

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

Employee Contribution Crediting Rate: ½ of the net investment return credited semi-annually.

Consumer Price Index: Increase of 4.0% per year; benefit increases due to CPI subject to 3.0% maximum.

Salary Scale:

Annual Rate of Compensation Increase

Inflation: 4.0% plus the following additional merit and longevity increases:

Years of Service	General	Safety
0	4.00%	7.00%
1	3.50	6.00
2	3.00	4.75
3	2.50	3.50
4	2.00	2.50
5+	1.00	1.00

There are assumed to be no “across the board” salary increases (other than inflation).

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

Actuarial Value of Assets:

The Actuarial Value of Assets is determined by phasing in actual return on market value of assets that is in excess/below expected return on valuation value of assets over a five-year period. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves and designations.

Actuarial Cost Method:

Entry Age Normal Actuarial Cost Method. Entry Age is the age at the member's hire date. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salaries, with Normal Cost determined as a level percentage of aggregate salary, as if the current benefit accrual rate had always been in effect. The total unfunded Actuarial Accrued is amortized over a rolling 15-year period.

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

Changes in Assumptions and Methods:

Based on the July 1, 2000 to June 30, 2003 triennial experience study, several assumptions were changed. Previously, those assumptions were as follows:

Post-Retirement Mortality Rates:

Healthy Retirement:

1994 Uninsured Pensioner Mortality Table.

Disabled Retirement:

1994 Uninsured Pensioner Mortality Table set forward three years.

The following are sample rates (%).

Age	Healthy Life Mortality		Disabled Life Mortality	
	General and Safety		General and Safety	
	Male	Female	Male	Female
30	0.09	0.04	0.09	0.05
35	0.09	0.05	0.10	0.06
40	0.12	0.08	0.15	0.09
45	0.17	0.10	0.23	0.13
50	0.28	0.15	0.39	0.21
55	0.48	0.25	0.68	0.36
60	0.86	0.48	1.23	0.72

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

Employee Contribution Rates:

General – 1994 Uninsured Pensioner Mortality Table for Females set forward one year.
Safety – 1994 Uninsured Pensioner Mortality Table for Males set back two years.

Optional Benefits:

Healthy Retirees:

1971 Group Annuity Mortality Table for Males projected to 1984 and with a three-year age set back.

Disabled Retirees:

1973 Disability Mortality Table.

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

Termination Rates Before Retirement:

Mortality Rates:

1994 Uninsured Pensioner Mortality Table.

For General members, out of the total probability of mortality before retirement, 100% is assumed to be ordinary death and death while eligible for service retirement or disability retirement.

For Safety and Probation members, 100% is assumed to be service connected death.

The following are sample rates (%).

Mortality Rates		
General and Safety		
Age	Male	Female
30	0.09	0.04
35	0.09	0.05
40	0.12	0.08
45	0.17	0.10
50	0.28	0.15
55	0.48	0.25
60	0.86	0.48

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

Disability Rates: The following rates apply after five years of service:

Age	Rate (%)					
	Non Service Connected Disability			Service Connected Disability		
	General and Probation		Safety	General and Probation		Safety
Male	Female	Males		Female		
20	0.01	0.00	0.00	0.01	0.00	0.02
25	0.01	0.00	0.00	0.01	0.00	0.02
30	0.01	0.01	0.00	0.02	0.01	0.30
35	0.03	0.02	0.00	0.04	0.02	0.68
40	0.07	0.03	0.00	0.10	0.05	1.18
45	0.12	0.06	0.00	0.19	0.09	1.78
50	0.19	0.10	0.00	0.29	0.14	2.60
55	0.28	0.14	0.00	0.42	0.20	0.00
60	0.18	0.17	0.00	0.28	0.25	0.00

Withdrawal Rates:

Years of Service	Ordinary Withdrawals (< 5 Years of Service)	
	General	Safety
0	22.75%	11.00%
1	12.00	6.00
2	9.75	4.00
3	7.75	4.00
4	6.50	4.00

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

Age	Ordinary and Vested Withdrawal (5+ Years of Service) *	
	General	Safety
20	15.00%	9.00%
25	12.50	9.00
30	8.50	6.00
35	5.75	2.50
40	4.25	1.75
45	3.50	1.25
50	2.50	1.00
55	1.75	1.00
60	1.75	1.00

* No withdrawal is assumed after a member is eligible for retirement. In addition, a member is assumed to receive the greater of the member's contribution balance or a deferred retirement benefit.

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

Retirement Rates:

Age	Rate (%)		
	Retirement Probability		
	General	Probation	Safety
48	-	-	5.0
49	-	-	5.0
50	6.0	12.0	20.6
51	3.0	14.0	20.6
52	5.0	16.0	20.6
53	5.0	18.0	20.6
54	6.0	20.0	20.6
55	12.0	20.0	30.3
56	13.0	25.0	30.3
57	15.0	30.0	30.3
58	15.0	35.0	35.3
59	15.0	35.0	35.3
60	15.0	30.0	50.3
61	15.0	30.0	50.3
62	23.0	50.3	50.3
63	15.0	50.3	50.3
64	20.0	50.3	50.3
65	28.0	100.0	100.0
66	28.0	100.0	100.0
67	30.0	100.0	100.0
68	30.0	100.0	100.0
69	40.0	100.0	100.0
70	100.0	100.0	100.0

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

**Retirement Age and Benefit
for Deferred Vested
Members:**

Reciprocal Members

General and Safety: Later of age 55 or attainment of retirement eligibility.

Non-Reciprocal Members

General and Safety: Attainment of retirement eligibility.

40% of deferred vested members are assumed to be reciprocal. For reciprocals, we assume 4.5% compensation increases per annum.

Percent Married:

80% of male members; 50% of female members.

Age of Spouse:

Females (or male) spouses are 4 years younger (older) than their spouses

SECTION 4: Supplemental Information for the San Diego County Employees' Retirement Association

Salary Scale:

Annual Rate of Compensation Increase

Inflation: 4.0%; plus 0.5% for merit and longevity.

For members with less than five years of service, the following additional merit and longevity increases are assumed:

<u>Years of Service</u>	<u>General</u>	<u>Safety</u>
0	3.00%	6.00%
1	2.50	5.00
2	2.00	4.00
3	1.50	2.50
4	1.00	1.25

There are assumed to be no “across the board” salary increases (other than inflation).

SECTION 4: Reporting Information for the San Diego County Employees' Retirement Association

EXHIBIT V

Summary of Plan Provisions

This exhibit summarizes the major provisions of the SDCERA included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Membership Eligibility:

	All permanent employees of the County of San Diego or contracting district, scheduled to work 20 or more hours weekly, are eligible to become a member of the Retirement Association subject to classification below:
<i>General Tier 1</i>	All General members hired before March 8, 2002 who made a specific and irrevocable election to opt out of Tier A. This also included those General Members in deferred status on March 8, 2002.
<i>General Tier A</i>	All General members hired or continuing employment on or after March 8, 2002 except as noted above.
<i>Safety</i>	All Safety members.

Final Compensation for Benefit Determination:

<i>General and Safety</i>	Highest consecutive 26 bi-weekly pay periods of compensation earnable (§31462.1) (FAC)
---------------------------	--

Service: Years of service. (Yrs)

Service Retirement Eligibility:

<i>General</i>	Age 50 with 10 years of service credit, or age 70 regardless of service credit, or after 30 years of service credit, regardless of age (§31672).
<i>Safety</i>	Age 50 with 10 years of service credit, or age 70 regardless of service credit, or after 20 years of service credit, regardless of age (§31663.25).

SECTION 4: Reporting Information for the San Diego County Employees' Retirement Association

Benefit Formula:

	Retirement Age	Benefit Formula
<i>General Tier 1</i> (§31676.12)	50	$(1.34\% \times \text{FAC} - 1/3 \times 1.34\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(1.77\% \times \text{FAC} - 1/3 \times 1.77\% \times \$350 \times 12) \times \text{Yrs}$
	60	$(2.34\% \times \text{FAC} - 1/3 \times 2.34\% \times \$350 \times 12) \times \text{Yrs}$
	62	$(2.62\% \times \text{FAC} - 1/3 \times 2.62\% \times \$350 \times 12) \times \text{Yrs}$
	65	$(2.62\% \times \text{FAC} - 1/3 \times 2.62\% \times \$350 \times 12) \times \text{Yrs}$

	Retirement Age	Benefit Formula
<i>General Tier A</i> (§31676.17)	50	$(2.00\% \times \text{FAC} - 1/3\% \times 2.00\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(2.50\% \times \text{FAC} - 1/3\% \times 2.50\% \times \$350 \times 12) \times \text{Yrs}$
	60	$(3.00\% \times \text{FAC} - 1/3\% \times 3.00\% \times \$350 \times 12) \times \text{Yrs}$
	62	$(3.00\% \times \text{FAC} - 1/3\% \times 3.00\% \times \$350 \times 12) \times \text{Yrs}$
	65	$(3.00\% \times \text{FAC} - 1/3\% \times 3.00\% \times \$350 \times 12) \times \text{Yrs}$

	Retirement Age	Benefit Formula
<i>Safety (Non-Integrated)</i> (§31664.1)	50	$(3.00\% \times \text{FAC} \times \text{Yrs})$
	55	$(3.00\% \times \text{FAC} \times \text{Yrs})$
	60	$(3.00\% \times \text{FAC} \times \text{Yrs})$

Maximum Benefit: 100% of Final Average Compensation (§31676.12, §31676.17, §31664.1)

SECTION 4: Reporting Information for the San Diego County Employees' Retirement Association

Non Service Connected Disability:

General Members

Eligibility

Five years of service (§31720).

Benefit Formula

Per Year of Service

1.8% of FAC per year of service. If the benefit does not exceed one-third of Final Compensation, the service is projected to 62, and the total benefit cannot be more than one-third of Final Compensation (§31727.1).

Safety Members

Eligibility

Five years of service (§31720).

Benefit Formula

Per Year of Service

1.8% of FAC per year of service. If the benefit does not exceed one-third of Final Compensation, the service is projected to 55, and the total benefit cannot be more than one-third of Final Compensation (§31727.2).

Service Connected Disability:

All Members

Eligibility

No age or service requirements (§31720).

Benefit Formula

50% of the Final Compensation or 100% of Service Retirement benefit, if larger (§31727.4).

SECTION 4: Reporting Information for the San Diego County Employees' Retirement Association

Pre-Retirement Death:

Non Service Connected (Not Vested) Before Eligible to Retire

Eligibility None.

Benefit Refund of employee contributions with interest plus one month's eligible compensation for each year of service to a maximum of six month's compensation (§31781).

OR

Non Service Connected (Vested)

Eligibility Five years of service.

Benefit 60% of the greater of Service or Non Service Connected Disability Retirement benefit payable to surviving eligible spouse or eligible children (§31765.1, §31781.1), in lieu of above. Additionally, the spouse may choose a combined benefit of:

- A lump sum payment of up to 6 month's compensation (see above), and
- A monthly (60%) benefit reduced by actuarial equivalent of the lump sum payment (31781.3).

Service Connected Death 50% of Final compensation or 100% of Service Retirement benefit, if greater, payable to spouse or minor children (§31787). In addition, safety members are entitled to benefits under sections 31787.5 and 31787.6.

Death After Retirement:

All Members

Service or Non Service Connected Disability Retirement

Unless another option was selected at retirement, 60% of member's unmodified allowance continued to eligible spouse (§31760.1) and \$3,500 lump sum benefit payable to member's beneficiary (§31789.3). An eligible spouse is a surviving spouse who was married to the member at least one year prior to the day of retirement (31760.1), or, at least two years prior to the date of death and has attained age 55 on or prior to the date of death (§31760.2).

Service Connected Disability Retirement

Unless another option was selected at retirement, 100% of member's unmodified allowance continued to eligible spouse (§31786).

SECTION 4: Reporting Information for the San Diego County Employees' Retirement Association

Withdrawal Benefits:

*Less than Five Years of SDCERA/
Reciprocal Service Credit*

Refund of accumulated employee contributions with interest or eligible for a retirement benefit at age 70 if actively working (§31628, 31629.5).

*Five or More Years of SDCERA/
Reciprocal Service Credit*

If accumulated employee contributions left on deposit, eligible for retirement benefits at any time after meeting eligibility criteria to retire (§31700).

**Post-retirement
Cost-of-Living Benefits:**

General and Safety

Future changes based on changes to the Consumer Price Index for the San Diego area to a maximum of 3% per year, excess "banked." (§31870.1)

County Contributions:

Effective with the October 3, 2002 actuarial valuation, the amortization period for Unfunded Actuarial Accrued Liability has changed to a rolling 15-year period.

Supplemental Benefit:

The Association provides a non-vested minimum 80% STAR COLA and health insurance allowance for eligible retirees. These programs do not provide funded benefits and are excluded from this valuation.

SECTION 4: Reporting Information for the San Diego County Employees' Retirement Association

Member Contributions:

Please refer to Appendix A for the specific rates.

General Tier 1

Basic

Provide for an average annuity at age 60 equal to 1/100 of FAC. (§31621.2)

Cost-of-Living

Provide for one-half of future Cost-of-Living costs.

General Tier A

Basic

Provide for an average annuity at age 55 equal to 1/100 of FAC. (§31621.8)

Cost-of-Living

Provide for one-half of future Cost-of-Living costs.

Safety

Basic

Provide for an average annuity at age 50 equal to 1/100 of FAC. (§31639.25)

Cost-of-Living

Provide for one-half of future Cost-of-Living costs.

Other Information:

General and Safety members with 30 or more years of qualifying service credit are exempt from paying member contributions (31625.2 and 31625.3).

NOTE: *The summary of major plan provisions is designed to outline principle plan benefits as interpreted for purposes of the actuarial valuation. If the Association should find the plan summary not in accordance with the actual provisions, the Association should alert the actuary so they can both be sure the proper provisions are valued.*

SECTION 4: Reporting Information for the San Diego County Employees' Retirement Association

Appendix A

Member Contribution Rates

General Tier 1 Members' Contribution Rates from the June 30, 2003 Actuarial Valuation (Expressed as a Percentage of Monthly Payroll)

Calculated Under Recommended Assumptions

Entry Age	Basic		COLA		Total	
	First \$350	Over \$350	First \$350	Over \$350	First \$350	Over \$350
15	3.15%	4.72%	0.97%	1.46%	4.12%	6.18%
16	3.15%	4.72%	0.97%	1.46%	4.12%	6.18%
17	3.21%	4.81%	0.99%	1.48%	4.20%	6.29%
18	3.27%	4.90%	1.01%	1.51%	4.28%	6.41%
19	3.33%	4.99%	1.03%	1.54%	4.36%	6.53%
20	3.39%	5.08%	1.05%	1.57%	4.44%	6.65%
21	3.45%	5.18%	1.07%	1.60%	4.52%	6.78%
22	3.51%	5.27%	1.09%	1.63%	4.60%	6.90%
23	3.58%	5.37%	1.11%	1.66%	4.69%	7.03%
24	3.65%	5.47%	1.13%	1.69%	4.78%	7.16%
25	3.71%	5.57%	1.15%	1.72%	4.86%	7.29%
26	3.78%	5.67%	1.17%	1.75%	4.95%	7.42%
27	3.85%	5.77%	1.19%	1.78%	5.04%	7.55%
28	3.92%	5.88%	1.21%	1.82%	5.13%	7.70%
29	3.99%	5.98%	1.23%	1.85%	5.22%	7.83%
30	4.06%	6.09%	1.25%	1.88%	5.31%	7.97%
31	4.13%	6.20%	1.27%	1.91%	5.40%	8.11%
32	4.21%	6.31%	1.30%	1.95%	5.51%	8.26%
33	4.28%	6.42%	1.32%	1.98%	5.60%	8.40%
34	4.36%	6.54%	1.35%	2.02%	5.71%	8.56%
35	4.43%	6.65%	1.37%	2.05%	5.80%	8.70%
36	4.51%	6.77%	1.39%	2.09%	5.90%	8.86%
37	4.59%	6.89%	1.42%	2.13%	6.01%	9.02%
38	4.67%	7.01%	1.44%	2.16%	6.11%	9.17%

SECTION 4: Reporting Information for the San Diego County Employees' Retirement Association

General Tier 1 Members' Contribution Rates from the June 30, 2003 Actuarial Valuation (Expressed as a Percentage of Monthly Payroll)

Calculated Under Recommended Assumptions

Entry Age	Basic		COLA		Total	
	First \$350	Over \$350	First \$350	Over \$350	First \$350	Over \$350
39	4.75%	7.13%	1.47%	2.20%	6.22%	9.33%
40	4.84%	7.26%	1.49%	2.24%	6.33%	9.50%
41	4.92%	7.38%	1.52%	2.28%	6.44%	9.66%
42	5.01%	7.51%	1.55%	2.32%	6.56%	9.83%
43	5.09%	7.64%	1.57%	2.36%	6.66%	10.00%
44	5.19%	7.78%	1.60%	2.40%	6.79%	10.18%
45	5.27%	7.91%	1.63%	2.44%	6.90%	10.35%
46	5.37%	8.05%	1.66%	2.49%	7.03%	10.54%
47	5.46%	8.19%	1.69%	2.53%	7.15%	10.72%
48	5.56%	8.34%	1.71%	2.57%	7.27%	10.91%
49	5.66%	8.49%	1.75%	2.62%	7.41%	11.11%
50	5.76%	8.64%	1.78%	2.67%	7.54%	11.31%
51	5.87%	8.80%	1.81%	2.72%	7.68%	11.52%
52	5.98%	8.97%	1.85%	2.77%	7.83%	11.74%
53	6.10%	9.15%	1.88%	2.82%	7.98%	11.97%
54	6.23%	9.35%	1.93%	2.89%	8.16%	12.24%
55	6.32%	9.48%	1.95%	2.93%	8.27%	12.41%
56	6.39%	9.58%	1.97%	2.96%	8.36%	12.54%
57	6.43%	9.65%	1.99%	2.98%	8.42%	12.63%
58	6.46%	9.69%	1.99%	2.99%	8.45%	12.68%
59 & Over	6.47%	9.70%	1.99%	2.99%	8.46%	12.69%

Interest: 8.25% (Annual effective rate, compounded semi-annually)
 Inflation: 4.00%
 COLA: 3.00%
 COLA Loading Factor: 30.87%
 Mortality: 1994 Group Annuity Mortality Table for females (with ages set forward two years)
 Salary Increase: 5 Year Select and Ultimate Salary Increase Assumptions (see Exhibit IV)
 Note: These rates are determined before any pickups by the employee.

SECTION 4: Reporting Information for the San Diego County Employees' Retirement Association

General Tier A Members' Contribution Rates from the June 30, 2003 Actuarial Valuation (Expressed as a Percentage of Monthly Payroll)

Calculated Under Recommended Assumptions

Entry Age	Basic		COLA		Total	
	First \$350	Over \$350	First \$350	Over \$350	First \$350	Over \$350
15	3.68%	5.52%	1.33%	2.00%	5.01%	7.52%
16	3.68%	5.52%	1.33%	2.00%	5.01%	7.52%
17	3.75%	5.63%	1.36%	2.04%	5.11%	7.67%
18	3.82%	5.73%	1.39%	2.08%	5.21%	7.81%
19	3.89%	5.83%	1.41%	2.12%	5.30%	7.95%
20	3.96%	5.94%	1.44%	2.16%	5.40%	8.10%
21	4.03%	6.05%	1.47%	2.20%	5.50%	8.25%
22	4.11%	6.16%	1.49%	2.24%	5.60%	8.40%
23	4.18%	6.27%	1.52%	2.28%	5.70%	8.55%
24	4.25%	6.38%	1.55%	2.32%	5.80%	8.70%
25	4.33%	6.50%	1.57%	2.36%	5.90%	8.86%
26	4.41%	6.61%	1.60%	2.40%	6.01%	9.01%
27	4.49%	6.73%	1.63%	2.44%	6.12%	9.17%
28	4.57%	6.85%	1.66%	2.49%	6.23%	9.34%
29	4.65%	6.97%	1.69%	2.53%	6.34%	9.50%
30	4.73%	7.10%	1.72%	2.58%	6.45%	9.68%
31	4.81%	7.22%	1.75%	2.62%	6.56%	9.84%
32	4.90%	7.35%	1.78%	2.67%	6.68%	10.02%
33	4.99%	7.48%	1.81%	2.71%	6.80%	10.19%
34	5.07%	7.61%	1.84%	2.76%	6.91%	10.37%
35	5.16%	7.74%	1.87%	2.81%	7.03%	10.55%
36	5.25%	7.88%	1.91%	2.86%	7.16%	10.74%
37	5.34%	8.01%	1.94%	2.91%	7.28%	10.92%
38	5.43%	8.15%	1.97%	2.96%	7.40%	11.11%
39	5.53%	8.30%	2.01%	3.01%	7.54%	11.31%
40	5.63%	8.44%	2.04%	3.06%	7.67%	11.50%
41	5.73%	8.59%	2.08%	3.12%	7.81%	11.71%
42	5.83%	8.74%	2.11%	3.17%	7.94%	11.91%

SECTION 4: Reporting Information for the San Diego County Employees' Retirement Association

General Tier A Members' Contribution Rates from the June 30, 2003 Actuarial Valuation (Expressed as a Percentage of Monthly Payroll)

Calculated Under Recommended Assumptions

Entry Age	Basic		COLA		Total	
	First \$350	Over \$350	First \$350	Over \$350	First \$350	Over \$350
43	5.93%	8.90%	2.15%	3.23%	8.08%	12.13%
44	6.04%	9.06%	2.19%	3.29%	8.23%	12.35%
45	6.15%	9.22%	2.23%	3.35%	8.38%	12.57%
46	6.26%	9.39%	2.27%	3.41%	8.53%	12.80%
47	6.38%	9.57%	2.31%	3.47%	8.69%	13.04%
48	6.51%	9.76%	2.36%	3.54%	8.87%	13.30%
49	6.65%	9.97%	2.41%	3.62%	9.06%	13.59%
50	6.74%	10.11%	2.45%	3.67%	9.19%	13.78%
51	6.81%	10.22%	2.47%	3.71%	9.28%	13.93%
52	6.86%	10.29%	2.49%	3.73%	9.35%	14.02%
53	6.89%	10.34%	2.50%	3.75%	9.39%	14.09%
54 & Over	6.90%	10.35%	2.51%	3.76%	9.41%	14.11%

Interest: 8.25% (Annual effective rate, compounded semi-annually)
 Inflation: 4.00%
 COLA: 3.00%
 COLA Loading Factor: 36.29%
 Mortality: 1994 Group Annuity Mortality Table for females (with ages set forward two years)
 Salary Increase: 5 Year Select and Ultimate Salary Increase Assumptions (see Exhibit IV)
 Note: These rates are determined before any pickups by the employee.

SECTION 4: Reporting Information for the San Diego County Employees' Retirement Association

Safety Members' Contribution Rates from the June 30, 2003 Actuarial Valuation (Expressed as a Percentage of Monthly Payroll)

Calculated Under Recommended Assumptions

Entry Age	Basic	COLA	Total
15	6.89%	3.57%	10.46%
16	6.89%	3.57%	10.46%
17	6.89%	3.57%	10.46%
18	6.89%	3.57%	10.46%
19	6.89%	3.57%	10.46%
20	6.89%	3.57%	10.46%
21	6.89%	3.57%	10.46%
22	7.01%	3.63%	10.64%
23	7.14%	3.70%	10.84%
24	7.26%	3.76%	11.02%
25	7.39%	3.83%	11.22%
26	7.53%	3.90%	11.43%
27	7.66%	3.97%	11.63%
28	7.80%	4.04%	11.84%
29	7.94%	4.12%	12.06%
30	8.08%	4.19%	12.27%
31	8.22%	4.26%	12.48%
32	8.37%	4.34%	12.71%
33	8.52%	4.42%	12.94%
34	8.67%	4.49%	13.16%
35	8.83%	4.58%	13.41%
36	8.99%	4.66%	13.65%
37	9.16%	4.75%	13.91%
38	9.33%	4.84%	14.17%
39	9.51%	4.93%	14.44%
40	9.70%	5.03%	14.73%
41	9.90%	5.13%	15.03%
42	10.12%	5.25%	15.37%
43	10.35%	5.37%	15.72%

SECTION 4: Reporting Information for the San Diego County Employees' Retirement Association

Safety Members' Contribution Rates from the June 30, 2003 Actuarial Valuation (Expressed as a Percentage of Monthly Payroll)

Calculated Under Recommended Assumptions

Entry Age	Basic	COLA	Total
44	10.61%	5.50%	16.11%
45	10.77%	5.58%	16.35%
46	10.87%	5.64%	16.51%
47	10.89%	5.65%	16.54%
48	10.82%	5.61%	16.43%
49 & Over	10.68%	5.54%	16.22%

Interest: 8.25% (Annual effective rate, compounded semi-annually)
 Inflation: 4.00%
 COLA: 3.00%
 COLA Loading Factor: 51.84%
 Mortality: 1994 Group Annuity Mortality Table for Males (with ages set back one year)
 Salary Increase: 5 Year Select and Ultimate Salary Increase Assumptions (see Exhibit IV)
 Note: These rates are determined before any pickups by the employer.

174937/05536.002

Data Section (do not touch)

StringBookmarks	
PlanNameLong	Ventura County Employees' Retirement Association
PlanNameShort	VCERA
OfficeAddr1	1190 S. Victoria Avenue, Suite 200
OfficeAddr2	Ventura, CA 93003-6572
ClientContact	Board of Retirement
FinanSource	Retirement Office
ActuaryName	Drew James
ActuaryTitle	Consulting Actuary
ActuaryCredential	FSA, MAAA
ActuaryNumber	99-1234
Assumptions	Board of Retirement
ConsultantName	Paul Angelo
ConsultantTitle	Vice President and Actuary
SegalAddr1	120 Montgomery Street, Suite 500
SegalAddr2	San Francisco, CA 94104
SegalPhone	415.263.8200
SegalFax	415.263.8290
ParticipantName	Member
ParticipantPlural	Members
RetireeName	Retired member
RetireePlural	Retired members
AuditorCompany	
FMWording	Entry Age Normal
ValDate	"7/1/2003"
ValDateEOY	"6/30/2004"
FiscalDate	"6/30/2003"
CensusDate	"7/1/2003"
CensusDateEOY	"6/30/2003"
ValDate1	"7/1/2002"
ValDateEOY1	"6/30/2003"
ValDateMinusOne	"6/30/2003"
ValDate1MinusOne	"6/30/2002"
FiscalDate1	"7/1/2002"
CreditRef	Years of Service
CreditRefSingle	Year of Service
PayRef	Compensation
PayRefSingle	Compensation
GLText	loss
GLAdminText	loss
OtherGLText	loss
GLInvText	loss
HistYearsText	three
OptCategory1	Optional

Data Section (do not touch)

OptCategory2
OptRow
InactNonText

Disableds
Optional
Inactive non-vested

Data Section (do not touch)

Florida	0	“#”
FundingMethod	2	“#”
AssetMethod	8	“#”
IntVal	0.0825	“#.00%”
IntActual	-0.0353	“#.00%”
IntActual1	0.0335	“#.00%”
MVIntActual	0.0406	“#.00%”
MVIntActual1	-0.0718	“#.00%”
DollarLimit	160,000	“#,###”
DollarLimit1	160,000	“#,###”
Valcycle	1	“#”
Fiscal	0	“#”
ActNumTot	7,717	“#,###”
ActNumTot1	7,704	“#,###”
ActNumUnknown	0	“#,###”
AveSalary	59,063	“#,###”
AveSalary1	55,525	“#,###”
ActAge	43.8	“#,###”
ActAge1	00.0	“#,###”
ActSvc	09.6	“#,###”
ActSvc1	09.3	“##.##”
Payroll	455,789,408	“#,###”
Payroll1	427,767,072	“#,###”
BenNum	477	“#,###”
BenNum1	450	“#,###”
BenBft	520,721	“#,###”
BenBft1	475,851	“#,###”
RDNum	3,380	“#,###”

Data Section (do not touch)

RDNum1	3,232	"#,###"
SuspendedPens	0	"#,###"
SuspendedPens1	0	"#,###"
RDBft	6,474,989	"#,###"
RDBft1	5,746,231	"#,###"
InactNum	1,155	"#,###"
TotalCount	12,729	"#,###"
TotalCount1	12,304	"###,###"
AstMkt	1,966,910,460	"#,###"
AstAct	2,110,215,252	"#,###,###"
AstAct1	2,255,115,072	"#,###"
InvGL	-261,669,044	"#,###"
AstActAve	2,221,848,436	"#,###"
UpCorridor	1.2000	"#.00%"
LowCorridor	0.8000	"#.00%"
CalcUal	-46,866,680	"#,###"
OtherGL	-72,252,870	"#,###"
ExpGL	0	"#,###"
TotalGl	-333,921,914	"#,###"
AdminExp	0	"#"
ActAL	2,063,348,572	"#,###"
ActOPExpDol	0	"#,###"
AsmExpDolPer	0	"#,###"
AsmExpDolPer1	0	"#,###"
SchAmtYrs	10	"#,###"
FCRate	0.0653	"#.00%"
FCRate1	-0.0371	"#.00%"
RecCont	29,770,557	"#,###"
RecContDec	55,607,808	"#,###"

Data Section (do not touch)

RecContInc	3,933,305	"#,###"
RecContPct	0.0653	"#.00%"
RecContPctDec	0.1220	"#.00%"
RecContPctInc	0.0086	"#.00%"

	First
Chart1First	2001
Chart6First	2002
Chart8First	2001
Chart11First	2002
Chart12First	2002

	Last
Chart1Last	2003
Chart6Last	2003
Chart8Last	2003
Chart11Last	2003
Chart12Last	2003

	Num
Chart1Num	3
Chart6Num	2
Chart8Num	3
Chart11Num	2
Chart12Num	2

Results of last import: **Error! No document variable supplied.**
 Type of import: **Error! No document variable supplied.**
 Spreadsheet imported from: **Error! No document variable supplied.**
 Date and time of import: **Error! No document variable supplied.**

174937/05536.002