

San Diego County Employees Retirement Association

*Actuarial Valuation and Review
as of June 30, 2005*

Copyright © 2005

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

November 15, 2005

*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, 2005. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2006-2007 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 Association. 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, EA, MAAA, FCA
Vice President and Actuary*

By: _____
*Andy Yeung, ASA, EA, MAAA
Associate Actuary*

SUV/hy

SECTION 1

VALUATION SUMMARY

Purpose	i
Significant Issues in Valuation Yearii	
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 GASB	20

SECTION 3

SUPPLEMENTAL INFORMATION

EXHIBIT A	
Table of Plan Coverage	
i. General	21
ii. Safety	22
EXHIBIT B	
Members in Active Service and Projected Average Compensation as of June 30, 2005	
i. General Tier 1	23
ii. General Tier A	24
iii. Safety	25
EXHIBIT C	
Reconciliation of Member Data – June 30, 2004 to June 30, 2005	26
EXHIBIT D	
Summary Statement of Income and Expenses on an Actuarial Value Basis	27
EXHIBIT E	
Summary Statement of Plan Assets .	28
EXHIBIT F	
Actuarial Balance Sheet	29
EXHIBIT G	
Summary of Reported Reserve Information as of June 30, 2005	30
EXHIBIT H	
Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2005	31
EXHIBIT I	
Section 415 Limitations	32
EXHIBIT J	
Definitions of Pension Terms	33

SECTION 4

REPORTING INFORMATION

EXHIBIT I	
Supplementary Information Required by GASB – Schedule of Employer Contributions	35
EXHIBIT II	
Supplementary Information Required by GASB – Schedule of Funding Progress	36
EXHIBIT III	
Supplementary Information Required by GASB	37
EXHIBIT IV	
Actuarial Assumptions and Actuarial Cost Method	38
EXHIBIT V	
Summary of Plan Provisions	47
Appendix A	
Member Contribution Rates	
i. General Tier 1	53
ii. General Tier A	55
iii. Safety	57
Appendix B	
Unfunded Actuarial Accrued Liability Amortization Schedule As of June 30, 2005	59

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, 2005. 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, retired members and beneficiaries as of June 30, 2005, provided by the Retirement Association;
- The assets of the Plan as of June 30, 2005, provided by the Retirement Association;
- 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 that fully fund the Association's liabilities, and that, 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 reasonably 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. Effective with last year's valuation, we have modified our calculations to reflect the Board's new funding policy to amortize the Association's unfunded actuarial accrued liability as 20-year fixed (i.e., decreasing) layered amortization periods.

The rates calculated in this report may be adopted by the Board for the fiscal year that extends from July 1, 2006 through June 30, 2007.

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 the valuation value of assets to actuarial accrued liabilities decreased from 81.1% to 80.3%. The Association's unfunded actuarial accrued liability has increased from \$1,202.7 million as of June 30, 2004 to \$1,378.4 million as of June 30, 2005. A complete reconciliation of the Association's unfunded actuarial accrued liability is provided in Section 3, Exhibit H.
- The average employer rate calculated in this valuation has increased from 23.08% of payroll to 24.69% of payroll. This increase was due to unfavorable actuarial experience, including (i) higher than expected salary increases, (ii) lower than expected return on the valuation value of assets (after "smoothing"), (iii) change in actuarial assumption, and (iv) other actuarial losses. A complete reconciliation of the Association's aggregate employer rate is provided in Section 2, Subsection D (see Chart 15).
- The average member rate calculated in this valuation has increased from 9.86% of payroll to 10.20% of payroll. The increase in member rate is primarily due to the change in the aggregate demographic profile of the employee group and the change in actuarial assumption. A complete reconciliation of the Association's average member rate is provided in Section 2, Subsection D (see Chart 16).
- In this valuation, we have included a new annual across the board salary increase assumption of 0.25%. The Board has also changed the asset smoothing method to smooth the difference between the actual and expected return on the market value of assets. Prior to this change, smoothing was done based on the difference between the actual return on the market value of assets and the expected return on the valuation value of assets. This change applies to earnings beginning July 1, 2004.
- As indicated in Section 2, Subsection B (see Chart 7) of this report, the total unrecognized investment gain as of June 30, 2005 was \$411,217,145 (versus an unrecognized loss of \$16,162,492 in the June 30, 2004 valuation). This investment gain 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 losses 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 gains on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed 8.25% rate and all other actuarial assumptions are met, the contribution requirements would decrease in each of the next few years.

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

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, 2005		June 30, 2004	
Employer Contribution Rates:⁽¹⁾				
	Total Rate	Estimated Annual Amount ⁽²⁾	Total Rate	Estimated Annual Amount ⁽²⁾
General Combined	22.99%	\$165,039	21.34%	\$153,196
Safety	30.68%	62,563	29.19%	59,526
All Categories combined	24.69%	227,602	23.08%	212,722
Average Member Contribution Rates:⁽¹⁾				
	Total Rate	Estimated Annual Amount ⁽²⁾	Total Rate	Estimated Annual Amount ⁽²⁾
General Tier 1	9.17%	\$ 275	9.06%	\$ 272
General Tier A	9.80%	70,057	9.46%	67,627
Safety Members	11.65%	23,757	11.28%	23,002
All Categories combined	10.20%	94,089	9.86%	90,901
Funded Status:				
Actuarial accrued liability ⁽³⁾	\$6,990,726		\$6,369,490	
Valuation value of assets ⁽⁴⁾	5,612,320		5,166,759	
Funded percentage	80.3%		81.1%	
Unfunded Actuarial Accrued Liability	1,378,406		1,202,731	
Key Assumptions:				
Interest rate	8.25%		8.25%	
Inflation rate	4.00%		4.00%	
Across the board inflation	0.25%		0.00%	

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

⁽²⁾ Based on June 30, 2005 projected annual compensation.

⁽³⁾ Excludes liabilities for STAR COLA and Health Benefit Reserves.

⁽⁴⁾ 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, 2005	June 30, 2004	Percentage Change
Active Members:			
Number of members	16,980	17,717	-4.2%
Average age	44.7	44.5	N/A
Average service	10.6	10.2	N/A
Projected total compensation	\$921,796,000	\$917,081,000	0.5%
Average projected compensation	\$54,287	\$51,763	4.9%
Retired Member and Beneficiaries:			
Number of members:			
Service retired	8,825	8,233	7.2%
Disability retired	1,397	1,360	2.7%
Beneficiaries	1,214	1,177	3.1%
Total	11,436	10,770	6.2%
Average age	68.7	69.0	N/A
Average monthly benefit ⁽¹⁾	\$1,923	\$1,796	7.1%
Vested Terminated Members:			
Number of terminated vested members ⁽²⁾	4,673	4,280	9.2%
Average age	44.3	44.3	N/A
Summary of Financial Data (dollar amounts in thousands):			
Market value of assets	\$6,358,473	\$5,508,639	15.4%
Return on market value of assets	14.21%	22.57%	N/A
Actuarial value of assets	\$5,947,256	\$5,524,801	7.6%
Return on actuarial value of assets	6.48%	5.69%	N/A
Valuation value of assets	\$5,612,320	\$5,166,759	8.6%
Return on valuation value of assets	6.50%	5.28%	N/A

⁽¹⁾ Excludes monthly benefits for STAR COLA.

⁽²⁾ 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: 1996 – 2005

Year Ended June 30	Active Members	Vested Terminated Members	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
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
2004	17,717	4,280	10,770	0.85
2005	16,980	4,673	11,436	0.95

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 16,980 active members with an average age of 44.7, average years of service of 10.6 years and average projected compensation of \$54,287. The 17,717 active members in the prior valuation had an average age of 44.5, average service of 10.2 years and average projected compensation of \$51,763.

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

Inactive Members

In this year's valuation, there were 4,673 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their member contributions versus 4,280 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, 2005

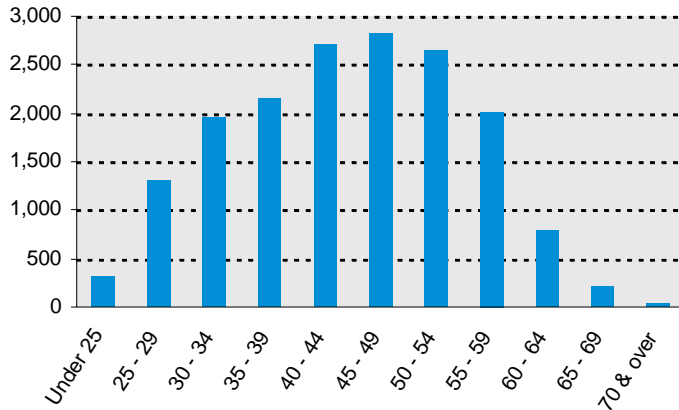
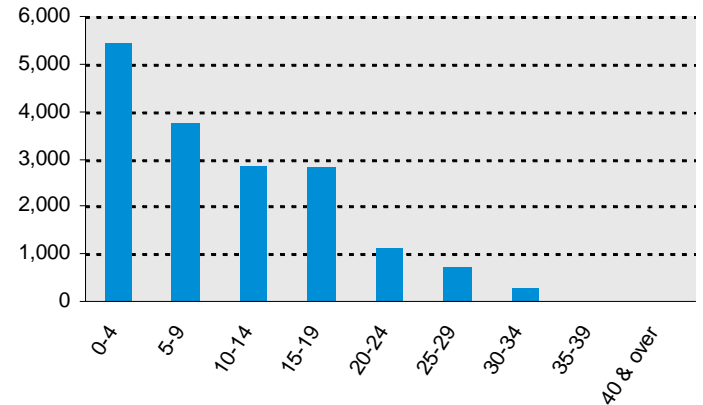


CHART 3
Distribution of Active Members by Years of Service as of June 30, 2005



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

Retired Members and Beneficiaries

As of June 30, 2005, 10,222 retired members and 1,214 beneficiaries were receiving total monthly benefits of \$21,993,178. For comparison, in the previous valuation, there were 9,593 retired members and 1,177 beneficiaries receiving monthly benefits of \$19,338,820. 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, 2005

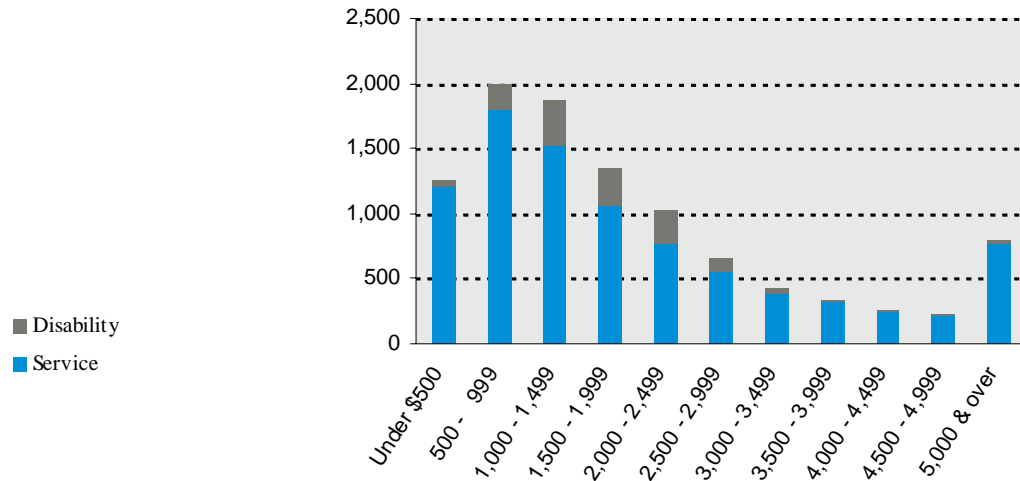
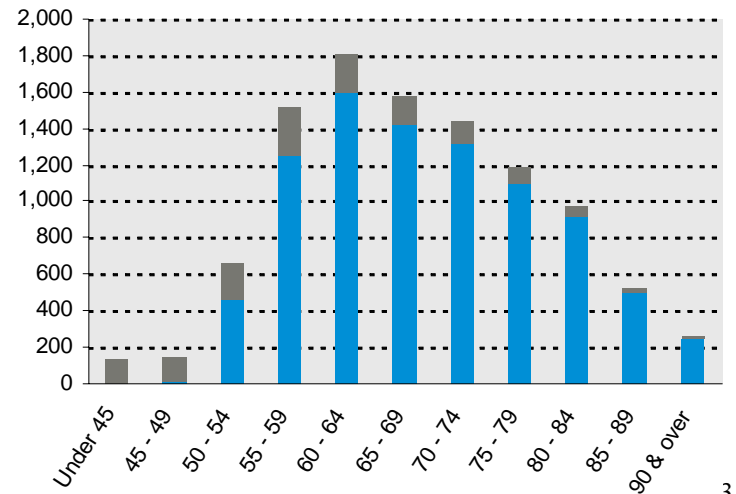


CHART 5
Distribution of Retired Members by Type and by Age as of June 30, 2005



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

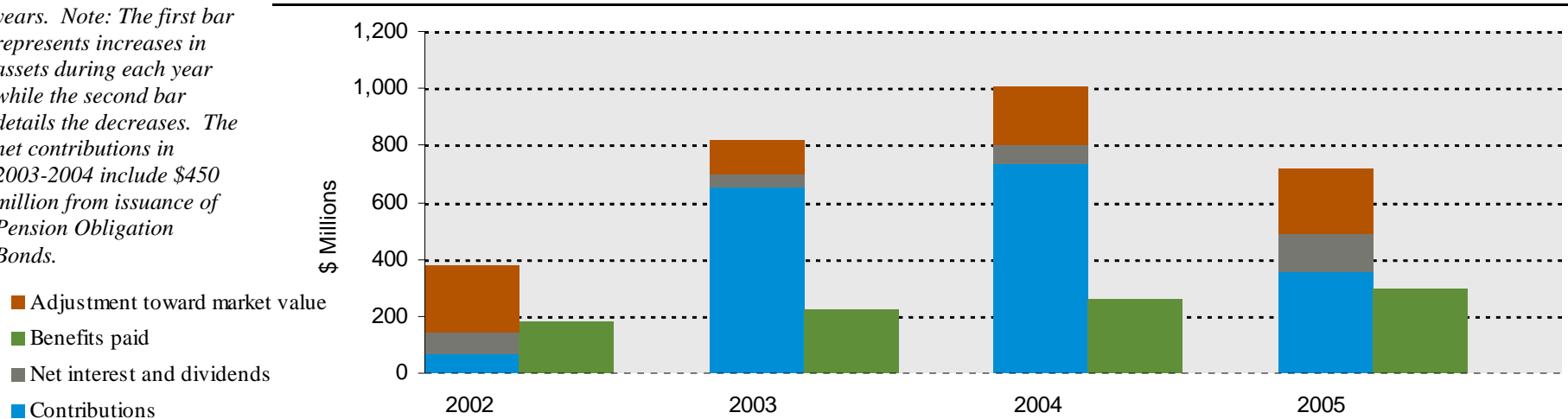
B. FINANCIAL INFORMATION

Retirement plan funding anticipates that, over the long term, both 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 three years. Note: The first bar represents increases in assets during each year while the second bar details the decreases. The net contributions in 2003-2004 include \$450 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 – 2005



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. 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 and valuation 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 and valuation value of assets as of the valuation date.

CHART 7

Determination of Actuarial and Valuation Value of Assets for Year Ended June 30, 2005

Date of Actuarial Valuation	June 30, 2001	June 30, 2002	June 30, 2003	June 30, 2004	June 30, 2005
A Valuation Value of Assets (Beginning of Year)					\$5,166,759,473
B Market value (End of Year)					\$6,358,473,295
C Market Value (Beginning of Year)					\$5,508,638,982
D Non-investment Cash Flow					\$62,566,359
E Investment Income					\$787,267,954
E1 Actual Return on Market Value (B-C-D)					\$457,043,578
E2 Expected Return on Market Value, Adjusted for Timing ($C*0.0825+D*0.0825*.5$)					
E3 Portion Subject to Smoothing	(\$599,291,580)	(\$605,090,394)	(\$175,134,747)	\$563,516,037	\$330,224,376
E4 Percentage Deferred	0%	20%	40%	60%	80%
E5 Amount Deferred (E3*E4)	\$ 0	(\$121,018,079)	(\$70,053,899)	\$338,109,622	\$264,179,501
E6 Total of Amount Deferred (Sum of E5 from Last 5 Years)					\$411,217,145
E7 Actuarial Value of Assets (B-E6)					\$5,947,256,150
F Phased-in Amount Recognized					
F1 Current Year					\$ 66,044,875
F2 First Prior Year					\$112,703,207
F3 Second Prior Year					(\$35,026,949)
F4 Third Prior Year					(\$121,018,079)
F5 Fourth Prior Year					(\$119,858,316)
F6 Total Phased-in Amount Recognized					(\$97,155,262)
G Non-valuation Reserves					
G1 Health Benefit Reserve					\$193,820,000
G2 401(h) Reserve					\$22,373,000
G3 Star COLA					\$55,158,000
G4 Contingency Reserve					\$63,585,000
G5 Undistributed Reserve					\$0
G6 Non-valuation Reserves (End of Year)					\$334,936,000
G7 Non-valuation Reserves (Beginning of Year)					\$358,042,000
G8 Change in Non-Valuation Reserve (G6-G7)					(\$23,106,000)
H Valuation Value of Assets (End of Year) (A+D+E2+F6-G8)					\$5,612,320,148

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

CHART 8

Allocation of Valuation Value of Assets as of June 30, 2005

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

	General	Safety	Total
1 Beginning of Year Asset Allocation	\$3,809,785,772	\$1,356,973,701	\$5,166,759,473
2 Estimated Percentage of Total Employee Contributions Including Pickups	79.35%	20.65%	100.0%
3 Employee Contributions Less Refunds, Allocated in Proportion to (2)	\$30,614,007	\$7,966,972	\$38,580,979
4 Employer Contributions Including Pickups, Allocated in Proportion to Employer rate	\$228,237,604	\$87,837,184	\$316,074,788
5 Annual Allowances for Retired Members (From Last Year's Valuation Report)	\$180,287,040	\$52,330,236	\$232,617,276
6 Benefit Payments Allocated in Proportion to (5)	\$192,598,114	\$55,903,656	\$248,501,770
7 Subtotal = (1) + (3) + (4) – (6)	\$3,876,039,269	\$1,396,874,201	\$5,272,913,470
8 Total Valuation Value of Assets			\$5,612,320,248
9 Residual to Allocate			\$339,406,678
10 Allocate Residual in Proportion to (7)	\$249,492,737	\$89,913,941	\$339,406,678
11 End of Year Asset Allocation = (7) + (10)	\$4,125,532,006	\$1,486,788,142	\$5,612,320,148

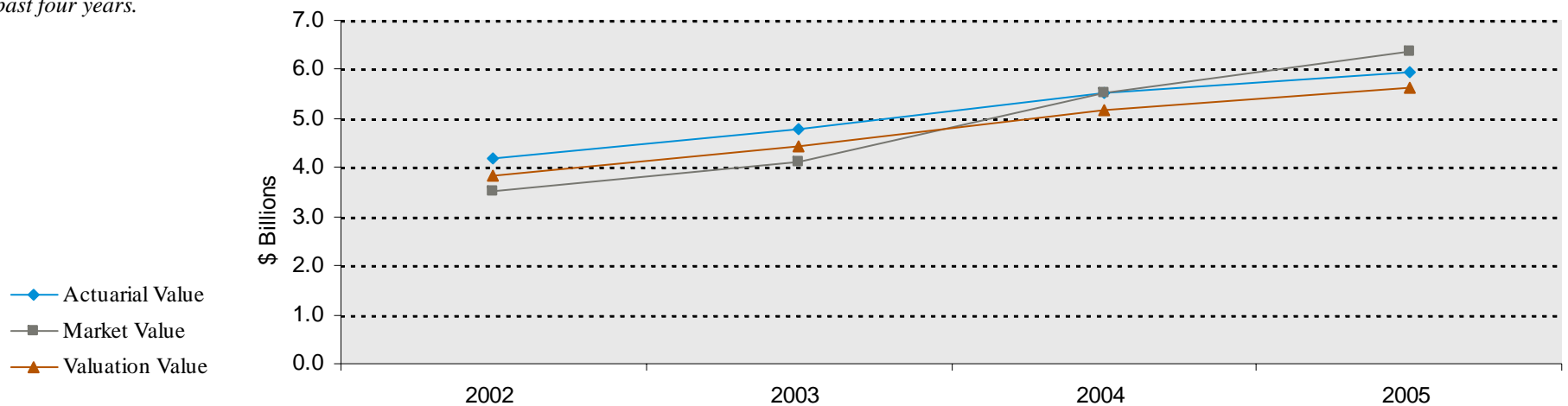
SECTION 2: Valuation Results for the San Diego County Employees Retirement Association

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 four years.

CHART 9

Market Value, Actuarial Value and Valuation Value of Assets as of June 30, 2002 –2005



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 \$179.6 million, a loss of \$91.2 million from investments and a loss of \$88.4 million from all other sources. The loss from all other sources was 1.3% 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, 2005

1. Net loss from investments on valuation value of assets ⁽¹⁾	-\$91,230,000
2. Net loss from other experience ⁽²⁾	<u>-88,369,000</u>
3. Net experience loss: (1) + (2)	-\$179,599,000

⁽¹⁾ Details in Chart 11

⁽²⁾ See Section 3, Exhibit H. Excludes a gain of \$55,364,000 due to the one-year delay in implementing contribution rates calculated in the prior valuation.

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, 2004 valuation). The actual rate of return on a valuation basis for the 2004/2005 plan year was 6.50%.

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, 2005 with regard to its investments.

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

CHART 11
Investment Experience for Year Ended June 30, 2005 – Valuation Value and Actuarial Value of Assets

	Valuation Value	Actuarial Value
1. Actual return	\$ 339,407,000	\$ 359,888,000
2. Average value of assets	5,219,836,000	5,556,085,000
3. Actual rate of return: (1) ÷ (2)	6.50%	6.48%
4. Assumed rate of return	8.25%	8.25%
5. Expected return: (2) x (4)	430,637,000	458,377,000
6. Actuarial gain/(loss): (1) – (5)	<u>-\$91,230,000</u>	<u>-\$98,489,000</u>

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 four years.

Based upon the June 30, 2005 Review of Economic Assumptions, we have maintained the assumed rate of return at 8.25%.

CHART 12

Investment Return – Actuarial Value, Valuation Value and Market Value: 2002 – 2005 (Dollar amount in thousands)

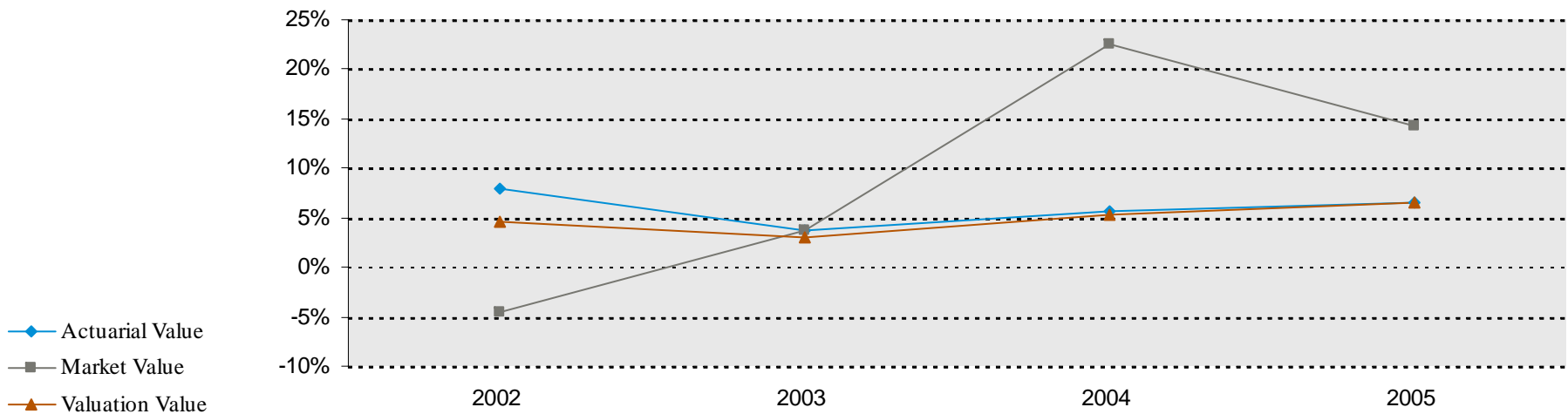
Year Ended June 30	Valuation Value Investment Return		Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent
2002	\$173,066	4.68%	\$313,759	8.00%	-\$172,418	-4.58%
2003	128,191	3.05%	167,213	3.69%	142,954	3.68%
2004	235,037	5.28%	272,339	5.69%	929,064	22.57%
2005	339,407	6.50%	359,888	6.48%	787,268	14.21%
Total	\$875,701		\$1,113,199		\$1,686,868	
Average Last 4 Years		4.87%		5.95%		8.48%

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 - 2005.

CHART 13
Market, Actuarial and Valuation Rates of Return for Years Ended June 30, 2002 - 2005



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, 2005 amounted to \$88.4 million, which was 1.3% 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 combined annual inflation and across the board salary increase rate of 4.25%. Effective with the June 30, 2004 actuarial valuation, the Association's UAAL will be amortized over 20-year fixed layered amortization periods.

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)

	<u>June 30, 2005 Actuarial Valuation</u>		<u>June 30, 2004 Actuarial Valuation</u>	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
General Members				
Normal cost – Basic Only	9.46%	\$67,911	9.38%	\$67,337
Normal Cost – COLA Only	<u>2.72%</u>	<u>19,526</u>	<u>2.66%</u>	<u>19,097</u>
Normal Cost – Total **	12.18%	\$87,437	12.04%	\$86,434
UAAL (Basic and COLA)**	<u>10.81%</u>	<u>77,602</u>	<u>9.30%</u>	<u>66,762</u>
Total Contribution	22.99%	\$165,039	21.34%	\$153,196
Safety Members				
Normal cost – Basic Only	13.82%	\$28,182	13.76%	\$28,060
Normal Cost – COLA Only	<u>4.09%</u>	<u>8,340</u>	<u>4.03%</u>	<u>8,219</u>
Normal Cost – Total **	17.91%	\$36,522	17.79%	\$36,279
UAAL (Basic and COLA)**	<u>12.77%</u>	<u>26,041</u>	<u>11.40%</u>	<u>23,247</u>
Total Contribution	30.68%	\$62,563	29.19%	\$59,526
All Categories Combined				
Normal cost – Basic Only	10.42%	\$96,093	10.36%	\$95,397
Normal Cost – COLA Only	<u>3.03%</u>	<u>27,866</u>	<u>2.96%</u>	<u>27,316</u>
Normal Cost – Total **	13.45%	\$123,959	13.32%	\$122,713
UAAL (Basic and COLA)**	<u>11.24%</u>	<u>103,643</u>	<u>9.76%</u>	<u>90,009</u>
Total Contribution	24.69%	\$227,602	23.08%	\$212,722

*Amounts are in thousands and are based on June 30, 2005 projected annual payroll (Also in thousands):

General Tier 1	\$3,002
General Tier A	<u>714,872</u>
Subtotal	\$717,874
Safety	<u>\$203,922</u>
Total	\$921,796

**A breakdown of the employer's total Normal Cost and UAAL 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 and UAAL Contributions to Fund for Each Type of Benefit (% of Payroll)

Normal Cost	Elements of Normal Cost		
	General	Safety	Overall
Service Retirement*	6.49%	7.51%	6.72%
Vested Termination and Ordinary Withdrawal	3.30%	2.91%	3.21%
Non Service and Service Connected Disability	1.98%	6.56%	2.99%
Non Service and Service Connected Death	0.41%	0.93%	0.53%
Total Employer Normal Cost	12.18%	17.91%	13.45%
Total Employee Normal Cost*	9.79%	11.65%	10.20%
Employer Plus Employee Normal Cost	21.97%	29.56%	23.65%

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

Unfunded Actuarial Accrued Liability**	Elements of UAAL**		
	General	Safety	Overall
Service Retirement	10.28%	11.15%	10.47%
Vested Termination and Ordinary Withdrawal	0.02%	0.09%	0.04%
Non Service and Service Connected Disability	0.36%	1.35%	0.58%
Non Service and Service Connected Death	0.15%	0.17%	0.15%
Total Employer Unfunded Actuarial Accrued Liability	10.81%	12.77%	11.24%

***Assuming that the liability for all inactive members is fully funded.*

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

The contribution rates as of June 30, 2005 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.

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

CHART 15

Reconciliation of Recommended Contribution from June 30, 2004 to June 30, 2005 (Dollar Amounts in Thousands)

	<u>Contribution Rate</u>	<u>Estimated Annual Dollar Cost⁽¹⁾</u>
Recommended Average Employer Contribution Rate as of June 30, 2004, Before Reflecting Any Employer Pickups	23.08%	\$212,722
Effect of investment loss ⁽²⁾	0.72%	\$6,637
Effect of difference in actual versus expected total and individual salary increases	0.27%	\$2,489
Effect of assumption change	0.68%	\$6,268
Effect of one-year delay in implementation of contribution rates calculated in June 30, 2004 valuation	-0.44%	-\$4,056
Effect of net other changes ⁽³⁾	0.38%	\$3,542
Subtotal	1.61%	\$14,880
Recommended Average Employer Contribution Rate as of June 30, 2005, Before Reflecting Any Employer Pickups	24.69%	\$227,602

(1) Based on June 30, 2005 projected annual payroll of \$921,796,000.

(2) Return on valuation assets was 6.50% and less than the 8.25% assumed in the valuation.

(3) Other differences in actual versus expected actuarial experience, including losses from new service retirements.

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

The member contribution rates as of June 30, 2005 are based on all of the data, were redetermined actuarial assumptions and Plan provisions adopted at that time. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions as of that date. Because there is a change in the actuarial assumption (i.e. an introduction of a 0.25% across the board pay increase) in this report, the individual member contribution rates are different from those set in the June 30, 2004 valuation.

Reconciliation of Recommended Contribution Rate
The chart below details the changes in the aggregate 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, 2004 to June 30, 2005 (Dollar Amounts in Thousands)

	<u>Contribution</u> Rate	<u>Estimated Annual</u> Dollar Cost ⁽¹⁾
Recommended Average Member Contribution Rate as of June 30, 2004, Before Reflecting Any Employer Pickups	9.86%	\$90,901
Effect of change in actuarial assumption	0.15%	\$1,437
Effect of changes in demographic profile of employee group	0.19%	\$1,751
Recommended Average Member Contribution Rate as of June 30, 2005, Before Reflecting Any Employer Pickups	10.20%	\$94,089

(1) Based on June 30, 2005 projected annual payroll of \$921,796,000.

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

E. INFORMATION REQUIRED BY 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

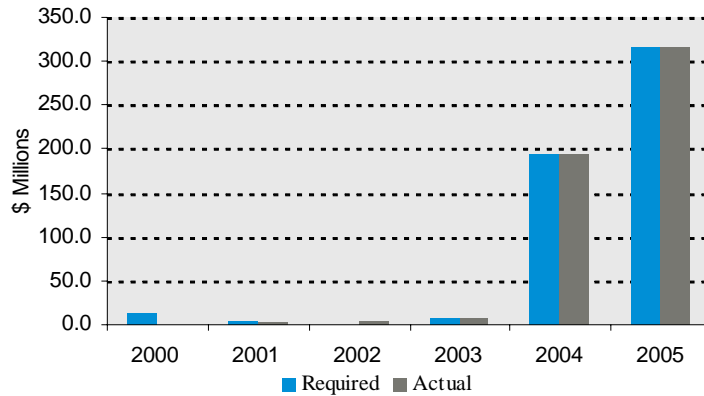
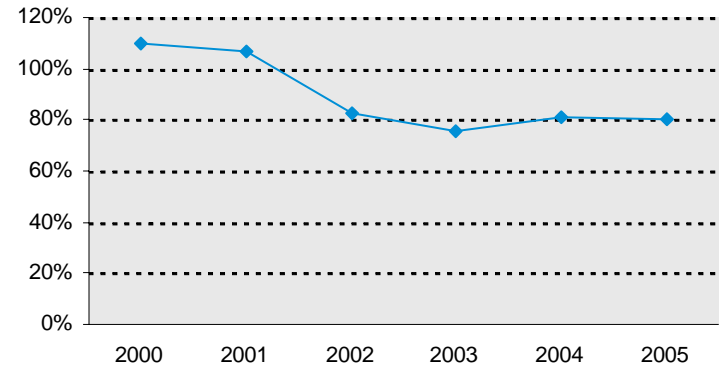


CHART 18
Funded Ratio



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
	2005	2004	
Active members in valuation			
Number	13,771	14,446	-4.7%
Average age	45.7	45.4	N/A
Average service	10.3	10.0	N/A
Projected total compensation	\$717,873,747	\$718,532,641	-0.1%
Projected average compensation	\$52,129	\$49,739	4.8%
Account balances	\$168,043,295	\$150,812,470	11.4%
Total active vested members	9,052	8,991	0.7%
Vested terminated members	4,210	3,885	8.4%
Retired members			
Number in pay status	8,007	7,507	6.7%
Average age	70.0	70.5	N/A
Average monthly benefit ⁽¹⁾	\$1,850	\$1,726	7.2%
Disabled members			
Number in pay status	883	873	1.1%
Average age	62.2	62.1	N/A
Average monthly benefit ⁽¹⁾	\$1,401	\$1,329	5.4%
Beneficiaries			
Number in pay status	1,125	1,091	3.1%
Average age	75.2	75.2	N/A
Average monthly benefit ⁽¹⁾	\$851	\$831	2.4%

⁽¹⁾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
	2005	2004	
Active members in valuation			
Number	3,209	3,271	-1.9%
Average age	40.6	40.4	N/A
Average service	11.5	11.3	N/A
Projected total compensation	\$203,921,812	\$198,549,001	2.7%
Projected average compensation	\$63,546	\$60,700	4.7%
Account balances	\$63,771,611	\$60,050,205	6.2%
Total active vested members	2,483	2,461	0.9%
Vested terminated members			
	463	395	17.2%
Retired members			
Number in pay status	818	726	12.7%
Average age	62.7	62.8	N/A
Average monthly benefit ⁽¹⁾	\$4,224	\$4,150	1.8%
Disabled members			
Number in pay status	514	487	5.5%
Average age	56.1	55.4	N/A
Average monthly benefit ⁽¹⁾	\$2,635	\$2,441	7.9%
Beneficiaries			
Number in pay status	89	86	3.5%
Average age	64.5	63.6	N/A
Average monthly benefit ⁽¹⁾	\$2,016	\$1,851	8.9%

⁽¹⁾Excludes STAR COLA.

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

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2005
By Age and Years of Service**

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	1	1	--	--	--	--	--	--	--	--
	\$31,353	\$31,353	--	--	--	--	--	--	--	--
25 - 29	4	4	--	--	--	--	--	--	--	--
	47,194	47,194	--	--	--	--	--	--	--	--
30 - 34	12	7	5	--	--	--	--	--	--	--
	59,745	54,346	\$67,303	--	--	--	--	--	--	--
35 - 39	4	2	2	--	--	--	--	--	--	--
	57,108	73,816	40,399	--	--	--	--	--	--	--
40 - 44	6	3	2	1	--	--	--	--	--	--
	42,785	38,675	49,335	\$42,017	--	--	--	--	--	--
45 - 49	3	1	--	1	1	--	--	--	--	--
	43,709	36,303	--	52,808	\$42,017	--	--	--	--	--
50 - 54	15	11	4	--	--	--	--	--	--	--
	38,288	38,048	38,947	--	--	--	--	--	--	--
55 - 59	10	6	2	2	--	--	--	--	--	--
	32,518	31,750	44,587	22,754	--	--	--	--	--	--
60 - 64	10	7	2	--	1	--	--	--	--	--
	38,023	35,680	45,766	--	38,937	--	--	--	--	--
65 - 69	4	1	--	--	3	--	--	--	--	--
	42,250	31,905	--	--	45,699	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	69	43	17	4	5	--	--	--	--	--
	\$43,508	\$41,656	\$50,146	\$35,083	\$43,610	--	--	--	--	--

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

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2005
By Age and Years of Service**

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	235	235	--	--	--	--	--	--	--	--	--
	\$32,048	\$32,048	--	--	--	--	--	--	--	--	--
25 - 29	989	881	104	4	--	--	--	--	--	--	--
	41,682	41,080	\$46,427	\$50,816	--	--	--	--	--	--	--
30 - 34	1,364	866	432	63	3	--	--	--	--	--	--
	48,024	45,882	52,179	48,818	\$51,349	--	--	--	--	--	--
35 - 39	1,522	601	455	323	137	6	--	--	--	--	--
	52,437	47,047	57,668	56,102	49,900	\$56,270	--	--	--	--	--
40 - 44	2,074	585	460	461	462	97	9	--	--	--	--
	52,473	43,585	51,975	56,145	60,059	54,742	\$53,759	--	--	--	--
45 - 49	2,367	572	473	423	564	235	96	4	--	--	--
	54,504	43,743	51,781	56,029	62,581	62,788	57,325	\$61,124	--	--	--
50 - 54	2,316	451	421	410	473	235	235	87	4	--	--
	55,998	47,436	52,507	52,276	61,426	63,043	63,510	65,616	\$64,071	--	--
55 - 59	1,838	319	338	309	410	187	149	121	5	--	--
	55,350	44,967	51,218	53,208	58,479	61,506	62,257	71,045	56,937	--	--
60 - 64	739	133	134	147	200	62	45	17	1	--	--
	52,082	47,332	48,866	49,554	54,283	63,346	56,542	56,368	73,858	--	--
65 - 69	215	35	56	58	42	11	9	2	1	1	1
	51,406	45,240	52,584	46,284	63,069	50,597	45,640	57,948	45,479	\$62,239	--
70 & over	43	9	11	7	11	1	2	2	--	--	--
	46,415	39,037	42,455	55,709	46,010	59,860	45,575	65,224	--	--	--
Total	13,702	4,687	2,884	2,205	2,302	834	545	233	11	1	1
	\$52,173	\$43,998	\$52,492	\$54,066	\$59,546	\$61,467	\$60,981	\$67,614	\$60,028	\$62,239	--

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

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2005
By Age and Years of Service**

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	70	69	1	--	--	--	--	--	--
	\$40,246	\$40,034	\$54,822	--	--	--	--	--	--
25 - 29	319	233	86	--	--	--	--	--	--
	47,566	45,131	54,164	--	--	--	--	--	--
30 - 34	584	175	317	91	1	--	--	--	--
	56,149	47,028	58,377	\$65,915	\$57,620	--	--	--	--
35 - 39	628	89	198	242	99	--	--	--	--
	63,378	50,456	59,786	67,549	71,983	--	--	--	--
40 - 44	621	69	100	168	216	66	2	--	--
	66,782	50,559	60,386	66,290	72,045	\$77,319	\$71,478	--	--
45 - 49	450	53	68	53	117	106	53	--	--
	70,244	50,553	61,384	67,229	71,625	78,766	84,220	--	--
50 - 54	321	24	42	39	57	73	75	11	--
	75,075	48,848	58,901	67,227	72,443	82,375	87,141	\$104,803	--
55 - 59	168	11	23	32	29	23	29	20	1
	75,406	80,046	60,312	73,787	69,113	79,078	79,902	90,637	\$86,306
60 - 64	42	3	9	4	11	5	5	5	--
	70,356	47,752	58,610	62,779	75,020	77,031	83,020	81,521	--
65 - 69	5	--	1	1	--	2	1	--	--
	74,360	--	84,352	54,867	--	80,551	71,478	--	--
70 & over	1	--	--	1	--	--	--	--	--
	163,393	--	--	163,393	--	--	--	--	--
Total	3,209	726	845	631	530	275	165	36	1
	\$63,546	\$47,331	\$58,866	\$67,349	\$71,857	\$79,384	\$84,521	\$93,700	\$86,306

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

EXHIBIT C

Reconciliation of Member Data – June 30, 2004 to June 30, 2005

	Active Members	Vested Terminated Members	Disabled Pensioners	Retired Members	Beneficiaries	Total
Number as of June 30, 2004	17,717	4,280	1,360	8,233	1,177	32,767
New members	865	105	N/A	N/A	N/A	970
Terminations – with vested rights	-613	613	0	0	0	0
Contribution refunds	-299	-109	N/A	N/A	N/A	-408
Retirements	-669	-156	N/A	825	N/A	0
New disabilities	-49	-3	72	-20	N/A	0
Return to work	51	-43	-4	-4	N/A	0
Died with or without beneficiary	-23	-14	-34	-234	57	-248
Data adjustments	<u>0</u>	<u>0</u>	<u>3</u>	<u>25</u>	<u>-20</u>	<u>8</u>
Number as of June 30, 2005	16,980	4,673	1,397	8,825	1,214	33,089

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, 2005	Year Ended June 30, 2004
Contribution income:		
Employer contributions	\$316,074,788	\$700,582,608
Employee contributions	<u>40,765,818</u>	<u>33,609,422</u>
Net contribution income	\$356,840,606	\$734,192,030
Investment income:		
Interest, dividends and other income	\$185,149,752	\$125,430,954
Recognition of capital appreciation	230,680,481	206,206,808
Less investment fees and administrative expenses	<u>-55,941,916</u>	<u>-59,298,738</u>
Net investment income	<u>359,888,317</u>	<u>272,339,024</u>
Total income available for benefits	\$716,728,923	\$1,006,531,054
Less benefit payments:		
Service retirement and disability benefits	-\$247,291,009	-\$217,551,560
Death benefits	-1,210,761	-1,147,750
Health benefits	-32,567,998	-26,447,152
STAR cost of living allowance	-11,019,640	-11,282,242
Member refunds	<u>-2,184,839</u>	<u>-1,536,087</u>
Net benefit payments	-\$294,274,247	-\$257,964,791
Change in assets held for future benefits	\$422,454,676	\$748,566,263

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

EXHIBIT E

Summary Statement of Plan Assets

	Year Ended June 30, 2005	Year Ended June 30, 2004
Cash equivalents	\$175,753,209	\$68,949,544
Accounts receivable:		
Contributions	\$ 8,737,706	\$15,508,323
Accrued interest and dividends	23,509,238	19,038,555
Settlement of securities sold	<u>47,146,013</u>	<u>35,542,802</u>
Total accounts receivable	79,392,957	70,089,680
Investments:		
Domestic equity securities and cash	\$2,251,217,777	\$2,221,305,597
International equity securities and cash	1,489,824,642	1,188,889,164
Bonds and cash	1,980,443,050	1,508,150,921
Securities lending collateral	503,190,421	375,484,551
Other investments	<u>610,144,753</u>	<u>504,218,620</u>
Total investments at market value	<u>6,834,820,643</u>	<u>5,798,048,853</u>
Total assets	\$7,089,966,809	\$5,937,088,077
Less accounts payable:		
Securities lending & settlement of securities purchased	-\$715,525,404	-\$419,236,996
Professional service	-7,538,500	-5,933,000
Cash in transit	-1,772,067	-390,524
Others	<u>-6,657,543</u>	<u>-2,888,575</u>
Total accounts payable	-\$731,493,514	-\$428,449,095
Net assets at market value	<u>\$6,358,473,295</u>	<u>\$5,508,638,982</u>
Net assets at actuarial value	<u>\$5,947,256,150</u>	<u>\$5,524,801,474</u>
Net assets at valuation value	<u>\$5,612,320,148</u>	<u>\$5,166,759,473</u>

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

EXHIBIT F

Actuarial Balance Sheet

An overview of the 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 are anticipated to 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)

	General	Safety	Total
Assets			
1 Total valuation assets	\$4,125,532	\$1,486,788	\$5,612,320
2 Present value of future contributions by members	\$526,914	\$191,529	\$718,443
3 Present value of future employer contributions for:			
a Entry age normal cost	\$609,499	\$275,598	\$885,097
b Unfunded actuarial accrued liability	<u>\$1,032,087</u>	<u>\$346,319</u>	<u>\$1,378,406</u>
4 Total current and future assets	\$6,294,032	\$2,300,234	\$8,594,266
Liabilities			
5 Present value of benefits for retirees and beneficiaries	\$2,468,422	\$847,466	\$3,315,888
6 Present value of benefits for terminated vested members	\$233,295	\$38,512	\$271,807
7 Present value of benefits for active members	<u>\$3,592,315</u>	<u>\$1,414,256</u>	<u>\$5,006,571</u>
8 Total liabilities	\$6,294,032	\$2,300,234	\$8,594,266

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

EXHIBIT G

Summary of Reported Reserve Information as of June 30, 2005

Reserves	
(Dollar Amounts in Thousands)	
Member contributions ⁽¹⁾	\$ 262,320
County contributions ⁽¹⁾	1,675,722
Retired member reserve ⁽¹⁾	3,234,441
Heath and 401(h) benefit reserve ⁽²⁾	216,193
Star Cost-of-Living reserve ⁽²⁾	55,158
Undistributed reserve ⁽²⁾	0
Contingency reserve ⁽²⁾	<u>63,585</u>
Total reserves	\$5,507,419
Net unrealized earnings ⁽¹⁾⁽²⁾	<u>851,054</u>
Net market value	<u>\$6,358,473</u>

⁽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, 2005

		(Dollar Amounts in Thousands)
1	Unfunded Actuarial Accrued Liability as of June 30, 2004	\$1,202,731
2	Normal Cost	212,841
3	Total employer and member contributions	-354,656
4	Interest	93,375
5	Expected Unfunded Actuarial Accrued Liability ⁽¹⁾	\$1,154,291
6	Changes due to:	
	(a) Investment return	\$91,230
	(b) Higher than expected salary increase	34,006
	(c) Assumption change	44,516
	(d) Other experience ⁽²⁾	<u>54,363</u>
	(e) Total changes	<u>224,115</u>
7	Unfunded Actuarial Accrued Liability as of June 30, 2005	\$1,378,406

⁽¹⁾ Includes a gain of \$55,634,000 due to the delay until June 30, 2005 in implementation of contribution rates calculated in the June 30, 2004 valuation.

⁽²⁾ Other differences in actual versus expected experience, including losses from new service retirements.

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 \$170,000 for 2005 and \$175,000 for 2006. 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 are many approaches to recognizing 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 market gains and losses to avoid significant swings in the value of assets from one year to the next.

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

EXHIBIT I

(Revised)

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

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions⁽¹⁾	Percentage Contributed
2000	14,341	0	0.0%
2001	4,927	2,035	41.3%
2002	0	5,338	100.0%
2003 ⁽²⁾	6,538	6,538	100.0%
2004	194,970	194,970	100.0%
2005	235,122	259,988	110.6%

⁽¹⁾ Excludes employer pickup of member contributions and proceeds from Pension Obligation Bonds.

⁽²⁾ 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: Reporting Information for the San Diego County Employees Retirement Association

EXHIBIT II

Supplementary Information Required by GASB – Schedule of Funding Progress

Actuarial Valuation Date	Valuation Value of Assets⁽¹⁾ (a)	Actuarial Accrued Liability (AAL)⁽²⁾ (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
06/30/2000	\$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 ⁽³⁾	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%
06/30/2004 ⁽³⁾	5,166,759,000	6,369,490,000	1,202,731,000	81.12%	917,081,000	131.15%
06/30/2005	5,612,320,000	6,990,726,000	1,378,406,000	80.28%	921,796,000	149.53%

⁽¹⁾ Excludes assets for STAR COLA and Health Benefit Reserve.

⁽²⁾ Excludes liabilities held for STAR COLA and Health Benefit Reserve.

⁽³⁾ Reflects the issuance of Pension Obligation Bonds.

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

EXHIBIT III

Supplementary Information Required by GASB

Valuation date	June 30, 2005
Actuarial cost method	Entry Age Normal Actuarial Cost Method
Amortization method	Level percent of payroll for total unfunded liability (assuming a 4.25% payroll increase)
Remaining amortization period	20-year fixed (decreasing or closed) layered amortization periods for all UAAL
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on market value (valuation value before July 1, 2004) and are recognized 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%
Across the board salary increase	0.25%
Projected salary increases (5+ years of service)	5.25%*
Cost of living adjustments	3.00% of retirement income
Plan membership:	
Retired members and beneficiaries receiving benefits	11,436
Terminated members entitled to, but not yet receiving benefits	4,673
Active members	<u>16,980</u>
Total	33,089

* Includes inflation at 4.00%, across the board increase of 0.25%, plus merit and longevity increases. See Exhibit IV for increases during the first 5 years of employment.

SECTION 4: Reporting 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: Reporting 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.

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: Reporting 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: Report Information for the San Diego County Employees Retirement Association

Withdrawal Rates:		Rate (%)		
		Ordinary Withdrawals (< 5 Years of Service)		
<u>Years of Service</u>	<u>General- Male</u>	<u>General- Female</u>	<u>Safety</u>	
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	
		Ordinary Withdrawal (5+ Years of Service) *		
<u>Age</u>	<u>General- Male</u>	<u>General- Female</u>	<u>Safety</u>	
20	1.80	1.80	1.66	
25	1.80	1.80	1.50	
30	1.69	1.53	1.30	
35	1.51	1.19	1.06	
40	1.33	0.86	0.86	
45	1.04	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: Report Information for the San Diego County Employees Retirement Association

Age	Rate (%)		
	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: Report 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: Report Information for the San Diego County Employees Retirement Association

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

Reciprocal and Non-reciprocal Members

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.

Percent Married:

80% of male members and 65% of female members are assumed to be married at retirement or pre-retirement death.

Age of Spouse:

Females (or male) spouses are 3 years younger (older) than their spouses

Net Investment Return:

8.25%; net of administration and investment expenses.

**Employee Contribution
Crediting Rate:**

½ of the net investment return credited semi-annually.

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

Consumer Price Index: Increase of 4.00% per year; benefit increases due to CPI subject to 3.0% maximum.

Salary Scale:

Annual Rate of Compensation Increase

Inflation: 4.0% per year; plus “Across the Board” salary increases of 0.25% per year; plus Merit and Longevity as follows:

<u>Years of Service</u>	<u>General</u>	<u>Safety</u>
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

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

Actuarial Value of Assets: Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on market value (valuation value before July 1, 2004) and are recognized over a five-year period.

Valuation Value of Assets The actuarial value of assets reduced by the following reserves: (1) Health Benefit; (2) STAR COLA; (3) Undistributed Reserve; and (4) Contingency Reserve.

Actuarial Cost Method: Entry Age Normal Actuarial Cost Method. Entry Age is the age at the member’s hire date. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation. The Normal Cost is calculated on an aggregate basis by taking the Present Value of Future Normal Costs divided by the Present Value of Future Salaries to obtain a normal cost rate. This normal cost rate is then multiplied by the total of current salaries.

Member COLA Contribution Rates: The member COLA contribution rates have been modified in this valuation because of the change in the across the board salary increase assumption of 0.25%.

Changes in Assumption and Methods: There have been changes in actuarial assumptions and methods since the previous valuation. Previously, those assumptions and methods were as follows:

Salary Scale:

Annual Rate of Compensation Increase		
Inflation: 4.00% 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).

Actuarial Value of Assets: The Actuarial Value of Assets was determined by phasing actual return on market value of assets that was in excess/below expected return on valuation value of assets over a five-year period.

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 (§31676.12)</i>	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 (§31676.17)</i>	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) (§31664.1)</i>	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

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

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 June 30, 2004 actuarial valuation, the amortization period for Unfunded Actuarial Accrued Liability has changed to a 20-year fixed (decreasing) layered amortization 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.
<i>General Tier 1</i>	
<i>Basic</i>	Provide for an average annuity at age 60 equal to 1/100 of FAC. (§31621.2)
<i>Cost-of-Living</i>	Provide for one-half of future Cost-of-Living costs.
<i>General Tier A</i>	
<i>Basic</i>	Provide for an average annuity at age 55 equal to 1/100 of FAC. (§31621.8)
<i>Cost-of-Living</i>	Provide for one-half of future Cost-of-Living costs.
<i>Safety</i>	
<i>Basic</i>	Provide for an average annuity at age 50 equal to 1/100 of FAC. (§31639.25)
<i>Cost-of-Living</i>	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, 2005 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)**

Calculated Under Adopted Assumptions

Entry Age	Basic		COLA		Total	
	First \$350	Over \$350	First \$350	Over \$350	First \$350	Over \$350
15	3.35%	5.02%	1.03%	1.55%	4.38%	6.57%
16	3.35%	5.02%	1.03%	1.55%	4.38%	6.57%
17	3.41%	5.11%	1.05%	1.58%	4.46%	6.69%
18	3.46%	5.19%	1.07%	1.60%	4.53%	6.79%
19	3.52%	5.28%	1.09%	1.63%	4.61%	6.91%
20	3.58%	5.37%	1.11%	1.66%	4.69%	7.03%
21	3.64%	5.46%	1.12%	1.68%	4.76%	7.14%
22	3.70%	5.55%	1.14%	1.71%	4.84%	7.26%
23	3.77%	5.65%	1.16%	1.74%	4.93%	7.39%
24	3.83%	5.74%	1.18%	1.77%	5.01%	7.51%
25	3.89%	5.84%	1.20%	1.80%	5.09%	7.64%
26	3.95%	5.93%	1.22%	1.83%	5.17%	7.76%
27	4.02%	6.03%	1.24%	1.86%	5.26%	7.89%
28	4.09%	6.13%	1.26%	1.89%	5.35%	8.02%
29	4.15%	6.23%	1.28%	1.92%	5.43%	8.15%
30	4.22%	6.33%	1.30%	1.95%	5.52%	8.28%
31	4.29%	6.44%	1.33%	1.99%	5.62%	8.43%
32	4.36%	6.54%	1.35%	2.02%	5.71%	8.56%
33	4.43%	6.65%	1.37%	2.05%	5.80%	8.70%
34	4.51%	6.76%	1.39%	2.08%	5.90%	8.84%
35	4.58%	6.87%	1.41%	2.12%	5.99%	8.99%
36	4.65%	6.98%	1.43%	2.15%	6.08%	9.13%
37	4.73%	7.09%	1.46%	2.19%	6.19%	9.28%
38	4.80%	7.20%	1.48%	2.22%	6.28%	9.42%

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

**General Tier 1 Members' Contribution Rates from the June 30, 2005 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)**

Calculated Under Adopted Assumptions

Entry Age	Basic		COLA		Total	
	First \$350	Over \$350	First \$350	Over \$350	First \$350	Over \$350
39	4.88%	7.32%	1.51%	2.26%	6.39%	9.58%
40	4.96%	7.44%	1.53%	2.29%	6.49%	9.73%
41	5.04%	7.56%	1.55%	2.33%	6.59%	9.89%
42	5.12%	7.68%	1.58%	2.37%	6.70%	10.05%
43	5.20%	7.80%	1.60%	2.40%	6.80%	10.20%
44	5.28%	7.92%	1.63%	2.44%	6.91%	10.36%
45	5.37%	8.05%	1.65%	2.48%	7.02%	10.53%
46	5.45%	8.18%	1.68%	2.52%	7.13%	10.70%
47	5.55%	8.32%	1.71%	2.57%	7.26%	10.89%
48	5.63%	8.45%	1.74%	2.61%	7.37%	11.06%
49	5.73%	8.59%	1.77%	2.65%	7.50%	11.24%
50	5.83%	8.74%	1.79%	2.69%	7.62%	11.43%
51	5.93%	8.89%	1.83%	2.74%	7.76%	11.63%
52	6.03%	9.05%	1.86%	2.79%	7.89%	11.84%
53	6.15%	9.22%	1.89%	2.84%	8.04%	12.06%
54	6.27%	9.40%	1.93%	2.90%	8.20%	12.30%
55	6.35%	9.52%	1.96%	2.94%	8.31%	12.46%
56	6.41%	9.61%	1.97%	2.96%	8.38%	12.57%
57	6.45%	9.67%	1.99%	2.98%	8.44%	12.65%
58	6.47%	9.70%	1.99%	2.99%	8.46%	12.69%
59 & Over	6.47%	9.70%	1.99%	2.99%	8.46%	12.69%

Interest: 8.25%
 Inflation: 4.00%
 Across the board increase: 0.25%
 COLA: 3.00%
 COLA Loading Factor: 30.83%
 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 employer.

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

**General Tier A Members' Contribution Rates from the June 30, 2005 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)**

Calculated Under Adopted Assumptions

Entry Age	Basic		COLA		Total	
	First \$350	Over \$350	First \$350	Over \$350	First \$350	Over \$350
15	3.89%	5.83%	1.39%	2.08%	5.28%	7.91%
16	3.89%	5.83%	1.39%	2.08%	5.28%	7.91%
17	3.95%	5.93%	1.41%	2.12%	5.36%	8.05%
18	4.02%	6.03%	1.44%	2.16%	5.46%	8.19%
19	4.09%	6.13%	1.46%	2.19%	5.55%	8.32%
20	4.15%	6.23%	1.49%	2.23%	5.64%	8.46%
21	4.22%	6.33%	1.51%	2.26%	5.73%	8.59%
22	4.29%	6.44%	1.53%	2.30%	5.82%	8.74%
23	4.36%	6.54%	1.56%	2.34%	5.92%	8.88%
24	4.43%	6.65%	1.59%	2.38%	6.02%	9.03%
25	4.51%	6.76%	1.61%	2.42%	6.12%	9.18%
26	4.58%	6.87%	1.64%	2.46%	6.22%	9.33%
27	4.65%	6.98%	1.67%	2.50%	6.32%	9.48%
28	4.73%	7.09%	1.69%	2.54%	6.42%	9.63%
29	4.81%	7.21%	1.72%	2.58%	6.53%	9.79%
30	4.89%	7.33%	1.75%	2.62%	6.64%	9.95%
31	4.96%	7.44%	1.77%	2.66%	6.73%	10.10%
32	5.04%	7.56%	1.80%	2.70%	6.84%	10.26%
33	5.13%	7.69%	1.83%	2.75%	6.96%	10.44%
34	5.21%	7.81%	1.86%	2.79%	7.07%	10.60%
35	5.29%	7.93%	1.89%	2.84%	7.18%	10.77%
36	5.37%	8.06%	1.92%	2.88%	7.29%	10.94%
37	5.46%	8.19%	1.95%	2.93%	7.41%	11.12%
38	5.55%	8.32%	1.99%	2.98%	7.54%	11.30%
39	5.64%	8.46%	2.02%	3.03%	7.66%	11.49%
40	5.73%	8.59%	2.05%	3.07%	7.78%	11.66%
41	5.82%	8.73%	2.08%	3.12%	7.90%	11.85%
42	5.91%	8.87%	2.11%	3.17%	8.02%	12.04%

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

**General Tier A Members' Contribution Rates from the June 30, 2005 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)**

Calculated Under Adopted Assumptions

Entry Age	Basic		COLA		Total	
	First \$350	Over \$350	First \$350	Over \$350	First \$350	Over \$350
43	6.01%	9.02%	2.15%	3.23%	8.16%	12.25%
44	6.11%	9.17%	2.19%	3.28%	8.30%	12.45%
45	6.21%	9.32%	2.22%	3.33%	8.43%	12.65%
46	6.32%	9.48%	2.26%	3.39%	8.58%	12.87%
47	6.43%	9.65%	2.30%	3.45%	8.73%	13.10%
48	6.55%	9.83%	2.35%	3.52%	8.90%	13.35%
49	6.69%	10.03%	2.39%	3.59%	9.08%	13.62%
50	6.77%	10.16%	2.42%	3.63%	9.19%	13.79%
51	6.83%	10.25%	2.45%	3.67%	9.28%	13.92%
52	6.88%	10.32%	2.46%	3.69%	9.34%	14.01%
53	6.90%	10.35%	2.47%	3.70%	9.37%	14.05%
54 & Over	6.90%	10.35%	2.47%	3.70%	9.37%	14.05%
Interest:	8.25%					
Inflation:	4.00%					
Across the board increase:	0.25%					
COLA:	3.00%					
COLA Loading Factor:	35.76%					
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 employer.					

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

**Safety Members' Contribution Rates from the June 30, 2005 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)**

Calculated Under Adopted Assumptions

Entry Age	Basic	COLA	Total
15	7.15%	3.61%	10.76%
16	7.15%	3.61%	10.76%
17	7.15%	3.61%	10.76%
18	7.15%	3.61%	10.76%
19	7.15%	3.61%	10.76%
20	7.15%	3.61%	10.76%
21	7.15%	3.61%	10.76%
22	7.27%	3.67%	10.94%
23	7.39%	3.73%	11.12%
24	7.51%	3.80%	11.31%
25	7.63%	3.86%	11.49%
26	7.76%	3.92%	11.68%
27	7.88%	3.98%	11.86%
28	8.01%	4.05%	12.06%
29	8.14%	4.11%	12.25%
30	8.28%	4.18%	12.46%
31	8.41%	4.25%	12.66%
32	8.55%	4.32%	12.87%
33	8.69%	4.39%	13.08%
34	8.84%	4.47%	13.31%
35	8.99%	4.54%	13.53%
36	9.14%	4.62%	13.76%
37	9.30%	4.70%	14.00%
38	9.46%	4.78%	14.24%
39	9.63%	4.87%	14.50%
40	9.81%	4.96%	14.77%
41	10.00%	5.05%	15.05%
42	10.20%	5.16%	15.36%
43	10.42%	5.27%	15.69%

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

**Safety Members' Contribution Rates from the June 30, 2005 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)**

Calculated Under Adopted Assumptions

Entry Age	Basic	COLA	Total
44	10.68%	5.40%	16.08%
45	10.82%	5.47%	16.29%
46	10.91%	5.51%	16.42%
47	10.91%	5.51%	16.42%
48	10.83%	5.47%	16.30%
49 & Over	10.68%	5.40%	16.08%

Interest:	8.25%
Inflation:	4.00%
Across the board increase:	0.25%
COLA:	3.00%
COLA Loading Factor:	50.54%
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.

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

Appendix B

Unfunded Actuarial Accrued Liability (UAAL) Amortization Schedule as of June 30, 2005

Unfunded Actuarial Accrued Liability Bases in the June 30, 2005 Actuarial Valuation					
	Date Established	Initial Amount	Outstanding Balance	Years Remaining	Payment
General	June 30, 2004	\$898,323,000	\$903,163,000	19	\$68,172,000
	June 30, 2005	128,924,000	<u>128,924,000</u>	20	<u>9,399,000</u>
Subtotal			\$1,032,087,000		\$77,571,000
Safety	June 30, 2004	\$304,408,000	\$306,048,000	19	\$23,101,000
	June 30, 2005	40,271,000	<u>40,271,000</u>	20	<u>2,936,000</u>
Subtotal			\$346,319,000		\$26,037,000
Total			\$1,378,406,000		\$103,608,000

190945/05536.002 v4