

San Diego County Employees
Retirement Association

*Actuarial Valuation and Review
as of June 30, 2007*

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October 31, 2007

*Board of Retirement
San Diego County Employees Retirement Association
2275 Rio Bonito Way, Suite 200
San Diego, CA 92108-1685*

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2007. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2008-2009 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.

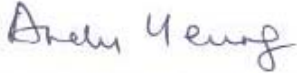
We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By: 

*Paul Angelo, FSA, EA, MAAA, FCA
Senior Vice President and Actuary*

By: 

*Andy Yeung, ASA, EA, MAAA
Vice President and Associate Actuary*

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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, 2007. 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, 2007, provided by the Retirement Association;
- The assets of the Plan as of June 30, 2007, 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 the June 30, 2004 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, 2008 through June 30, 2009.

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 increased from 83.6% to 89.7%. The Association's unfunded actuarial accrued liability has decreased from \$1,232.3 million as of June 30, 2006 to \$832.1 million as of June 30, 2007. A complete reconciliation of the Association's unfunded actuarial accrued liability is provided in Section 3, Exhibit H.
- Even though there is an increase in the employer's average Normal Cost rate, the total employer contribution rate calculated in this valuation has decreased from 23.27% of payroll to 20.58% of payroll as a result of a reduction in the Unfunded Actuarial Accrued Liability component of the rate. This decrease was a result of favorable actuarial experience primarily due to higher than expected returns on the valuation value of assets after "smoothing" and data corrections made by SDCERA for certain retirees: (1) who are currently single but were previously reported with a spouse or domestic partner who would be entitled to a continuance benefit and (2) who have elected the Social Security Temporary Supplement benefit but were not previously reported with the lower benefit amount payable after age 62.

Those decreases in employer contribution rates were offset to some degree by the inclusion of new actuarial assumptions adopted by the Board as a result of the June 30, 2006 triennial experience study, as well as a new assumption we are recommending to the Board to recognize pay for performance that are included as final compensations for active members. A complete reconciliation of the Association's aggregate employer rate is provided in Section 2, Subsection D (see Chart 15).

- The Board has made permanent the STAR COLA benefit for retirees receiving such benefit as of April 1, 2007. This valuation includes both the liability for such benefits and the transfer made by the Board from excess earnings to offset that liability.
- The individual member rates are changing as a result of the June 30, 2006 triennial experience study. The average member rate calculated in this valuation has increased from 10.23% of payroll to 10.38% of payroll. A complete reconciliation of the Association's average member rate is provided in Section 2, Subsection D (see Chart 16).
- As indicated in Section 2, Subsection B (see Chart 7) of this report, the total unrecognized investment gain as of June 30, 2007 was \$905.2 million (versus an unrecognized gain of \$722.8 million in the June 30, 2006 valuation). This investment gain will be recognized in the determination of the actuarial value of assets for funding purposes over 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

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

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, as those gains are recognized, they are used by the Board to increase the return on the valuation value of assets.

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, 2007		June 30, 2006	
Employer Contribution Rates:⁽¹⁾				
	Total Rate	Estimated Annual Amount ⁽²⁾	Total Rate	Estimated Annual Amount ⁽²⁾
General Combined	18.70%	\$156,460	21.49%	\$179,806
Safety	27.55%	62,183	29.87%	67,420
All Categories combined	20.58%	218,643	23.27%	247,226
Average Member Contribution Rates:⁽¹⁾				
	Total Rate	Estimated Annual Amount ⁽²⁾	Total Rate	Estimated Annual Amount ⁽²⁾
General Tier 1	9.19%	\$ 329	9.24%	\$ 331
General Tier A	9.97%	83,061	9.84%	81,978
Safety Members	11.94%	26,950	11.65%	26,295
All Categories combined	10.38%	110,340	10.23%	108,604
Funded Status:				
Actuarial accrued liability ⁽³⁾	\$8,082,517		\$7,495,294	
Valuation value of assets ⁽⁴⁾	7,250,404		6,263,019	
Funded percentage	89.7%		83.6%	
Unfunded Actuarial Accrued Liability	\$832,113		\$1,232,275	
Key Assumptions:				
Interest rate	8.25%		8.25%	
Inflation rate	3.75%		3.75%	
Across the board inflation	0.50%		0.50%	

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

⁽²⁾ Based on June 30, 2007 projected annual compensation.

⁽³⁾ June 30, 2006 amount excludes liabilities for STAR COLA and Health Benefit Reserves. June 30, 2007 amount excludes Health Benefit Reserve but includes STAR COLA benefit that is now a permanent benefit for those retirees receiving a STAR COLA benefit as of April 1, 2007.

⁽⁴⁾ June 30, 2006 amount excludes assets for STAR COLA and Health Benefit Reserves. June 30, 2007 amount excludes Health Benefit Reserve only.

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

Summary of Key Valuation Demographic and Financial Data

	June 30, 2007	June 30, 2006	Percentage Change
Active Members:			
Number of members	17,733	17,451	1.6%
Average age	44.6	44.5	N/A
Average service	10.2	10.3	N/A
Projected total compensation	\$1,062,396,028	\$979,367,931	8.5%
Average projected compensation	\$59,911	\$56,121	6.8%
Retired Member and Beneficiaries:			
Number of members:			
Service retired	9,726	9,358	3.9%
Disability retired	1,502	1,451	3.5%
Beneficiaries	1,276	1,240	2.9%
Total	12,504	12,049	3.8%
Average age	68.6	68.5	N/A
Average monthly benefit ⁽¹⁾	\$2,258	\$2,073	8.9%
Vested Terminated Members:			
Number of terminated vested members ⁽²⁾	4,908	4,687	4.7%
Average age	44.9	44.5	N/A
Summary of Financial Data (dollar amounts in thousands):			
Market value of assets	\$8,444,505	\$7,330,948	15.2%
Return on market value of assets	15.12%	14.98%	N/A
Actuarial value of assets	\$7,539,284	\$6,608,148	14.1%
Return on actuarial value of assets	14.02%	10.79%	N/A
Valuation value of assets	\$7,250,404	\$6,263,019	15.8%
Return on valuation value of assets	13.78%	10.43%	N/A

⁽¹⁾ Monthly benefits for STAR COLA are included for June 30, 2007 and excluded for June 30, 2006.

⁽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: 1998 – 2007

Year Ended June 30	Active Members	Vested Terminated Members	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
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
2006	17,451	4,687	12,049	0.96
2007	17,733	4,908	12,504	0.98

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 17,733 active members with an average age of 44.6, average years of service of 10.2 years and average projected compensation of \$59,911. The 17,451 active members in the prior valuation had an average age of 44.5, average service of 10.3 years and average projected compensation of \$56,121.

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

Inactive Members

In this year's valuation, there were 4,908 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their member contributions versus 4,687 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, 2007

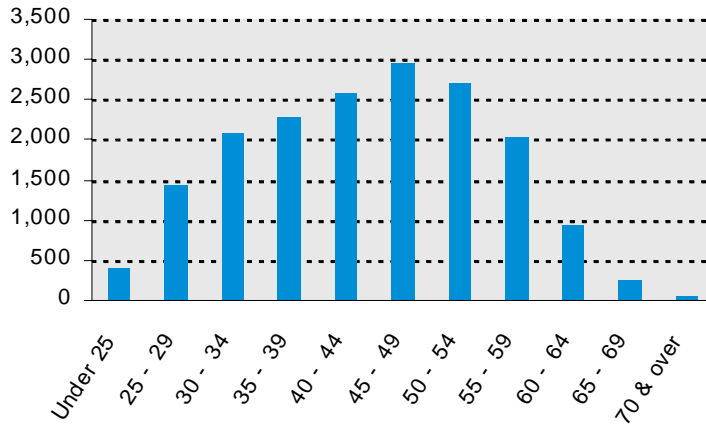
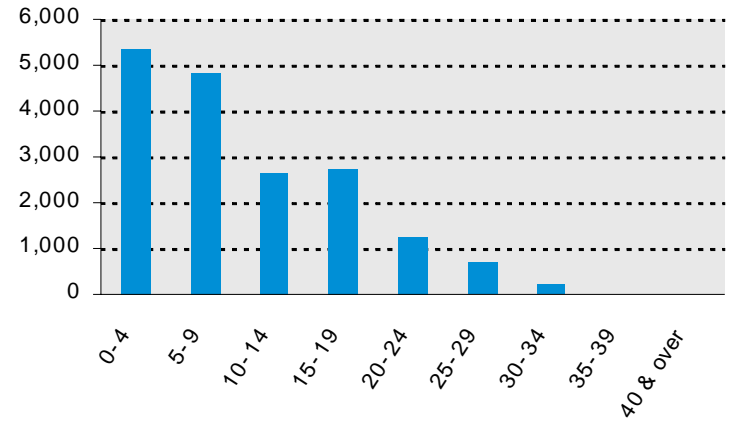


CHART 3
Distribution of Active Members by Years of Service as of June 30, 2007



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

Retired Members and Beneficiaries

As of June 30, 2007, 11,228 retired members and 1,276 beneficiaries were receiving total monthly benefits of \$28,223,347, including benefits for STAR COLA. For comparison, in the previous valuation, there were 10,809 retired members and 1,240 beneficiaries receiving monthly benefits of \$24,981,789, excluding 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, 2007

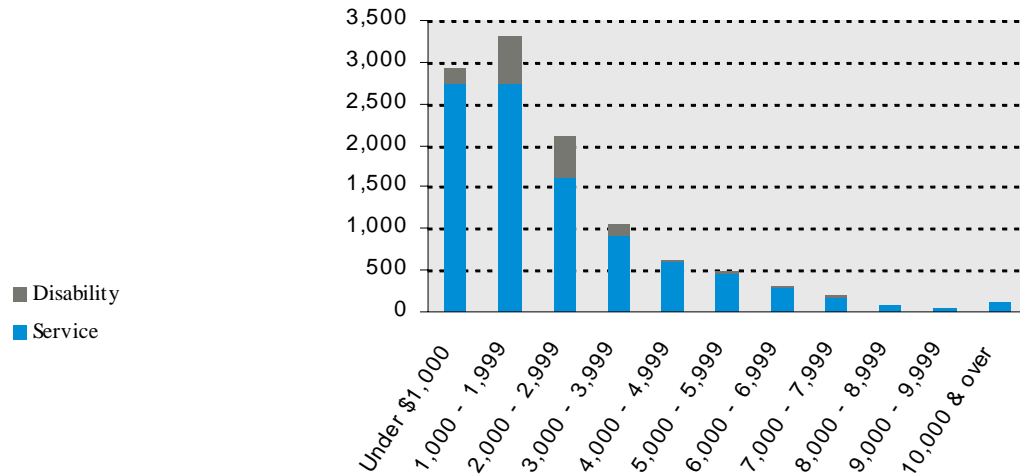
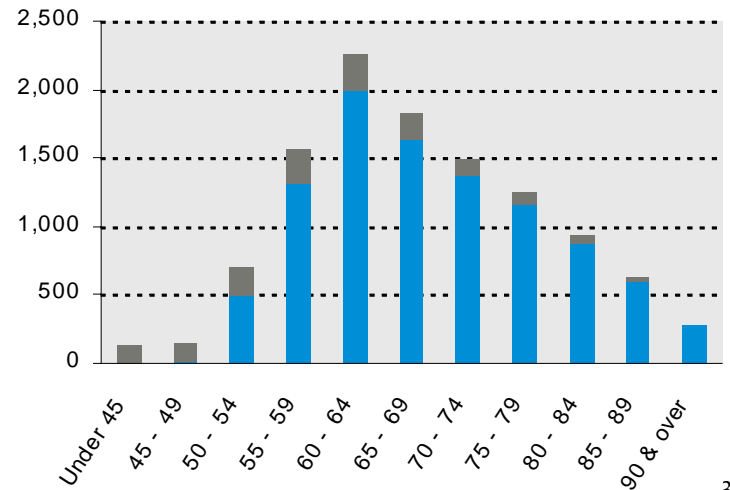


CHART 5
Distribution of Retired Members by Type and by Age as of June 30, 2007



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

B. FINANCIAL INFORMATION

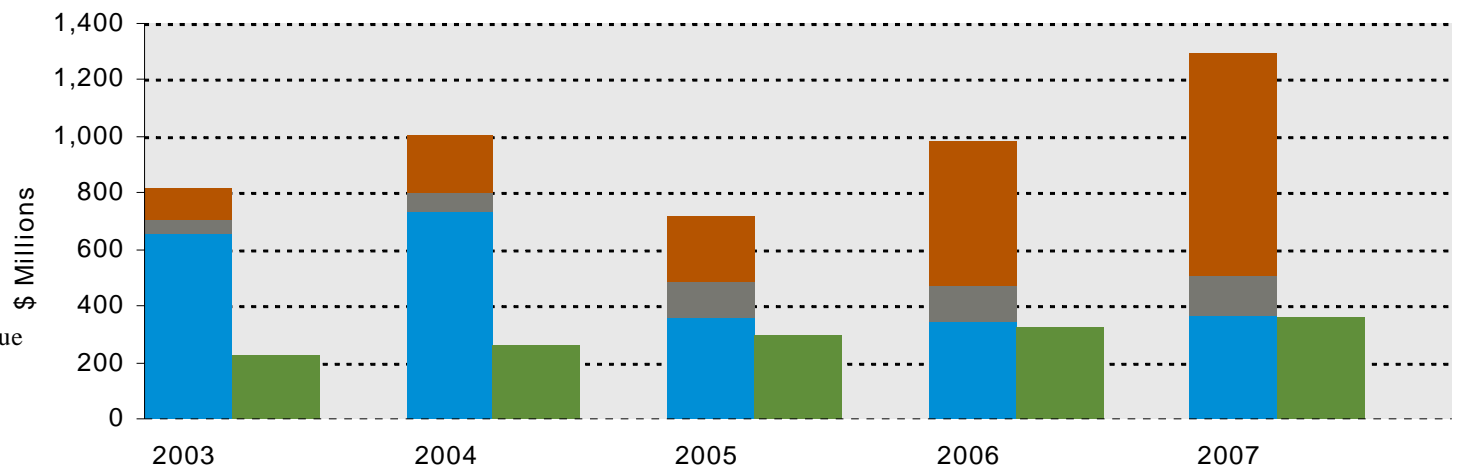
Retirement plan funding anticipates that, over the long term, both contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

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 five 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.

- Adjustment toward market value
- Benefits paid
- Net interest and dividends
- Net contributions

CHART 6
Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2003 – 2007



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, 2007

Six Month Period		Total Actual Market Return (net)	Expected Market Return (net)	Investment Gain (Loss)	Deferred Factor	Deferred Return
From	To					
1/2003	6/2003	\$84,950,076	\$172,517,450	\$(87,567,374)	0	\$ 0
7/2003	12/2003	464,531,812	182,773,793	281,758,019	0.2	56,351,604
1/2004	6/2004	464,531,812	182,773,793	281,758,019	0.2	56,351,604
7/2004	12/2004	393,633,977	228,521,789	165,112,188	0.4	66,044,875
1/2005	6/2005	393,633,977	228,521,789	165,112,188	0.4	66,044,875
7/2005	12/2005	565,517,934	262,672,774	302,845,160	0.6	181,707,096
1/2006	6/2006	388,653,398	286,420,193	102,233,205	0.7	71,563,244
7/2006	12/2006	556,128,897	302,680,212	253,448,685	0.8	202,758,948
1/2007	6/2007	552,867,341	325,757,782	227,109,559	0.9	204,398,603
1. Total Deferred Return						\$ 905,220,849
2. Net Market Value of Assets						8,444,505,140
3. Actuarial Value of Assets (Item 2 – Item 1)						7,539,284,291
4. Non-valuation reserves						
a. Health Benefit Reserve						\$164,865,161
b. 401(h) Reserve						18,865,550
c. Contingency Reserve						84,445,051
d. Undistributed Reserve						20,704,060
e. Subtotal						\$288,879,822
5. Valuation Value of Assets (Item 3 – Item 4e)						7,250,404,469

Note: Results may not add due to rounding.

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

CHART 8

Allocation of Valuation Value of Assets as of June 30, 2007

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

	General	Safety	Total
1 Beginning of Year Asset Allocation	\$4,590,442,330	\$1,672,577,130	\$6,263,019,460
2 Estimated Percentage of Total Employee Contributions Including Pickups	79.36%	20.64%	100.0%
3 Employee Contributions, Allocated in Proportion to (2)	\$35,318,035	\$9,185,537	\$44,503,572
4 Employer Contributions Including Pickups, Allocated in Proportion to Employer rate	\$231,617,310	\$88,915,917	\$320,533,227
5 Annual Allowances for Retired Members (From Last Year's Valuation Report)	\$230,189,328	\$69,650,280	\$299,839,608
6 Benefit Payments Allocated in Proportion to (5)	\$239,699,639	\$72,527,893	\$312,227,532
6.1 Refunds, Allocated in Proportion to (2)	\$2,042,784	\$531,289	\$2,574,073
6.2 Present value of STAR COLA Benefit	\$49,040,281	\$21,499,572	\$70,539,853
7 Subtotal = (1) + (3) + (4) – (6) – (6.1) + (6.2)	\$4,664,675,533	\$1,719,118,974	\$6,383,794,507
8 Total Valuation Value of Assets			\$7,250,404,469
9 Residual to Allocate			\$866,609,962
10 Allocate Residual in Proportion to (7)	\$633,236,906	\$233,373,056	\$866,609,962
11 End of Year Asset Allocation = (7) + (10)	\$5,297,912,439	\$1,952,492,030	\$7,250,404,469

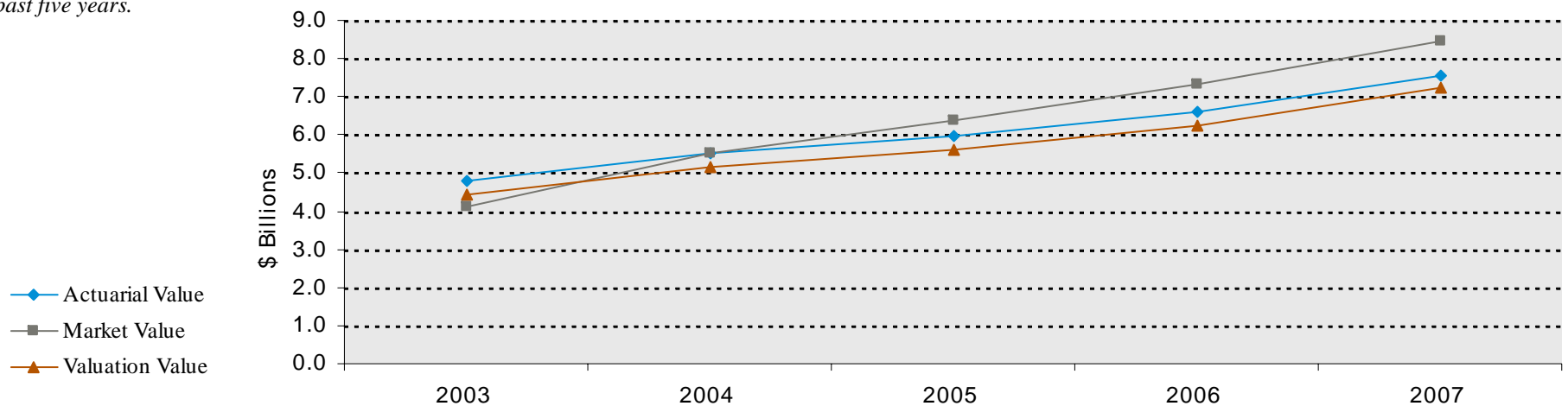
SECTION 2: Valuation Results for the San Diego County Employees Retirement Association

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 five years.

CHART 9

Market Value, Actuarial Value and Valuation Value of Assets as of June 30, 2003 –2007



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 gain was \$517.9 million, a gain of \$347.9 million from investments and a gain of \$170.0 million from all other sources. The gain from all other sources was 2.1% 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, 2007

1. Net gain from investments on valuation value of assets ⁽¹⁾	\$347,898,000
2. Net gain from other experience ⁽²⁾	<u>170,023,000</u>
3. Net experience gain: (1) + (2)	\$517,921,000

⁽¹⁾ Details in Chart 11

⁽²⁾ See Section 3, Exhibit H.

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, 2006 valuation). The actual rate of return on a valuation basis for the 2006/2007 plan year was 13.78%.

Since the actual return for the year was greater than the assumed return, the SDCERA experienced an actuarial gain during the year ended June 30, 2007 with regard to its investments.

CHART 11

Investment Experience for Year Ended June 30, 2007 – Valuation Value and Actuarial Value of Assets

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

	Valuation Value	Actuarial Value
1. Actual return	\$ 866,669,000	\$ 926,575,000
2. Average value of assets	6,288,137,000	6,610,429,000
3. Actual rate of return: (1) ÷ (2)	13.78%	14.02%
4. Assumed rate of return	8.25%	8.25%
5. Expected return: (2) x (4)	518,771,000	545,360,000
6. Actuarial gain/(loss): (1) – (5)	<u>\$347,898,000</u>	<u>\$381,215,000</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 five years.

Based upon this experience, future expectations and discussions with the Board, we have maintained the assumed rate of return at 8.25%.

CHART 12

Investment Return – Actuarial Value, Valuation Value and Market Value: 2003 – 2007 (Dollar amount in thousands)

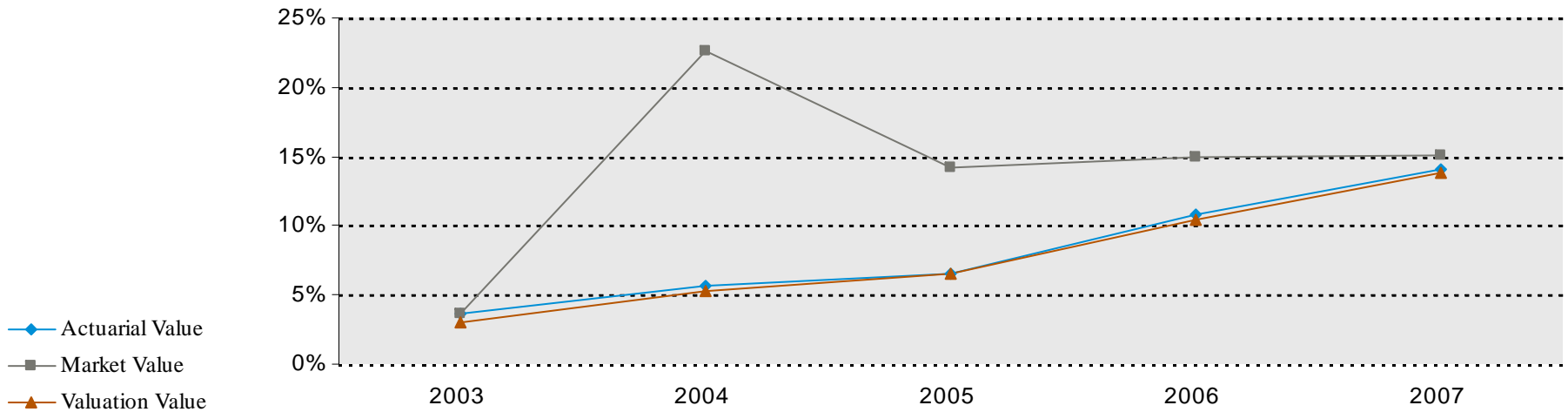
Year Ended June 30	Valuation Value Investment Return		Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent
2003	\$128,191	3.05%	\$167,213	3.69%	\$142,954	3.68%
2004	235,037	5.28%	272,339	5.69%	929,064	22.57%
2005	339,407	6.50%	359,888	6.48%	787,268	14.21%
2006	588,807	10.43%	642,588	10.79%	954,171	14.98%
2007	866,669	13.78%	926,575	14.02%	1,108,996	15.12%
Total	\$2,158,111		\$2,368,603		\$3,922,453	
Average Last 5 Years		7.74%		8.07%		13.95%

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 2003 - 2007.

CHART 13
Market, Actuarial and Valuation Rates of Return for Years Ended June 30, 2003 - 2007



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,
- salary increases different than assumed, and
- data adjustments for retiree benefits and active pay for performance.

The net gain from this other experience for the year ended June 30, 2007 amounted to \$170.0 million, which was 2.1% 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, 2007 Actuarial Valuation</u>		<u>June 30, 2006 Actuarial Valuation</u>	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
General Members				
Normal Cost – Basic Only	9.71%	\$81,242	9.45%	\$79,067
Normal Cost – COLA Only	2.81%	\$23,511	2.70%	\$22,592
Normal Cost – Total **	12.52%	\$104,753	12.15%	\$101,659
UAAL (Basic and COLA)**	6.18%	\$51,707	9.34%	\$78,147
Total Contribution	18.70%	\$156,460	21.49%	\$179,806
Safety Members				
Normal Cost – Basic Only	14.34%	\$32,367	13.84%	\$31,238
Normal Cost – COLA Only	4.32%	\$9,750	4.09%	\$9,232
Normal Cost – Total **	18.66%	\$42,117	17.93%	\$40,470
UAAL (Basic and COLA)**	8.89%	\$20,066	11.94%	\$26,950
Total Contribution	27.55%	\$62,183	29.87%	\$67,420
All Categories Combined				
Normal Cost – Basic Only	10.69%	\$113,609	10.38%	\$110,305
Normal Cost – COLA Only	3.13%	\$33,261	3.00%	\$31,824
Normal Cost – Total **	13.82%	\$146,870	13.38%	\$142,129
UAAL (Basic and COLA)**	6.76%	\$71,773	9.89%	\$105,097
Total Contribution	20.58%	\$218,643	23.27%	\$247,226

*Amounts are in thousands and are based on June 30, 2007 projected annual payroll (Also in thousands):

General Tier 1	\$ 3,580
General Tier A	<u>833,107</u>
Subtotal	\$836,687
Safety	<u>\$225,709</u>
Total	\$1,062,396

**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*	7.03%	7.88%	7.21%
Vested Termination and Ordinary Withdrawal	3.19%	2.83%	3.11%
Non Service and Service Connected Disability	1.90%	7.06%	3.00%
Non Service and Service Connected Death	0.40%	0.89%	0.50%
Total Employer Normal Cost	12.52%	18.66%	13.82%
Total Employee Normal Cost*	9.96%	11.94%	10.38%
Employer Plus Employee Normal Cost	22.48%	30.60%	24.20%

**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	5.88%	7.70%	6.28%
Vested Termination and Ordinary Withdrawal	0.03%	0.05%	0.03%
Non Service and Service Connected Disability	0.19%	1.03%	0.37%
Non Service and Service Connected Death	0.08%	0.11%	0.08%
Total Employer Unfunded Actuarial Accrued Liability	6.18%	8.89%	6.76%

***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, 2007 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, 2006 to June 30, 2007 (Dollar Amounts in Thousands)

	<u>Contribution Rate</u>	<u>Estimated Annual Dollar Cost⁽¹⁾</u>
Recommended Average Employer Contribution Rate as of June 30, 2006, Before Reflecting Any Employer Pickups	23.27%	\$247,226
Effect of investment gain ⁽²⁾	-2.45%	-\$26,029
Effect of difference in actual versus expected total and individual salary increases	0.14%	\$1,487
Effect of assumption change recommended in June 30, 2006 experience study	0.69%	\$7,331
Effect of one-year delay in implementation of contribution rates calculated in June 30, 2006 valuation	-0.10%	-\$1,062
Effect of additional employer contribution for the year ending June 30, 2007	-0.19%	-\$2,019
Effect of change in data for retirees ⁽³⁾	-1.19%	-\$12,642
Effect of recognition of pay for performance for actives	0.70%	\$7,436
Effect of unexplained rate difference ⁽⁴⁾	-0.29%	-\$3,085
Subtotal	-2.69%	-\$28,583
Recommended Average Employer Contribution Rate as of June 30, 2007, Before Reflecting Any Employer Pickups	20.58%	\$218,643

(1) Based on June 30, 2007 projected annual payroll of \$1,062,396,028.

(2) Return on valuation assets was 13.78% and greater than the 8.25% assumed in the valuation.

(3) Continuance data and Social Security Temporary Supplement benefits.

(4) 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, 2007 have been recalculated based on the new actuarial assumptions adopted by the Board for the June 30, 2006 experience study.

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, 2006 to June 30, 2007 (Dollar Amounts in Thousands)

	<u>Contribution</u> Rate	<u>Estimated Annual</u> Dollar Cost ⁽¹⁾
Recommended Average Member Contribution Rate as of June 30, 2006, Before Reflecting Any Employer Pickups	10.23%	\$108,604
Effect of changes in assumptions	0.15%	\$1,736
Recommended Average Member Contribution Rate as of June 30, 2007, Before Reflecting Any Employer Pickups	10.38%	\$110,340

(1) Based on June 30, 2007 projected annual payroll of \$1,062,396,028.

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

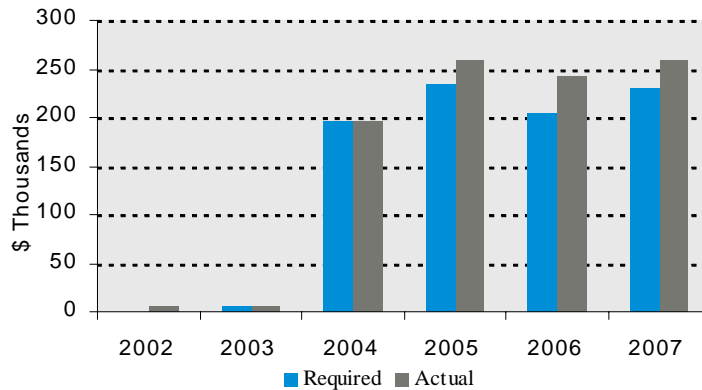
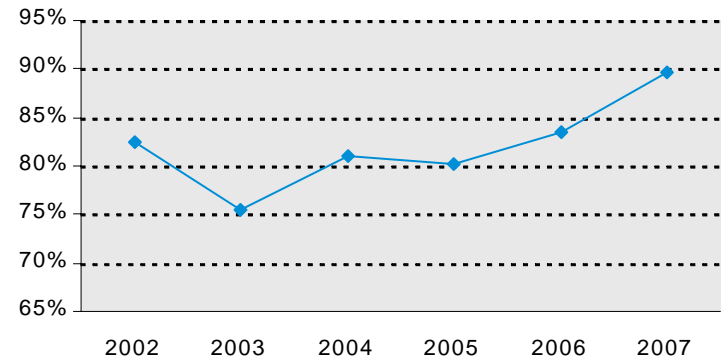


CHART 18
Funded Ratio



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
	2007	2006	
Active members in valuation			
Number	14,461	14,280	1.3%
Average age	45.5	45.4	N/A
Average service	10.0	10.0	N/A
Projected total compensation	\$836,686,923	\$770,165,497	8.6%
Projected average compensation	\$57,858	\$53,933	7.3%
Account balances	\$220,391,605	\$191,980,538	14.8%
Total active vested members	9,908	9,350	6.0%
Vested terminated members	4,366	4,185	4.3%
Retired members			
Number in pay status	8,720	8,437	3.4%
Average age	69.7	69.7	N/A
Average monthly benefit ⁽¹⁾	\$2,152	\$1,992	8.0%
Disabled members			
Number in pay status	926	905	2.3%
Average age	62.6	62.5	N/A
Average monthly benefit ⁽¹⁾	\$1,612	\$1,470	9.7%
Beneficiaries			
Number in pay status	1,178	1,149	2.5%
Average age	75.7	75.5	N/A
Average monthly benefit ⁽¹⁾	\$1,128	\$910	24.0%

⁽¹⁾Excludes STAR COLA for June 30, 2006 only.

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
	2007	2006	
Active members in valuation			
Number	3,272	3,171	3.2%
Average age	40.8	40.7	N/A
Average service	11.4	11.6	N/A
Projected total compensation	\$225,709,106	\$209,202,434	7.9%
Projected average compensation	\$68,982	\$65,974	4.6%
Account balances	\$74,668,268	\$67,793,087	10.1%
Total active vested members	2,514	2,441	3.0%
Vested terminated members	542	502	8.0%
Retired members			
Number in pay status	1,006	921	9.2%
Average age	62.6	62.6	N/A
Average monthly benefit ⁽¹⁾	\$4,611	\$4,445	3.7%
Disabled members			
Number in pay status	576	546	5.5%
Average age	56.7	56.4	N/A
Average monthly benefit ⁽¹⁾	\$3,051	\$2,782	9.7%
Beneficiaries			
Number in pay status	98	91	7.7%
Average age	66.7	64.6	N/A
Average monthly benefit ⁽¹⁾	\$2,496	\$2,103	18.7%

⁽¹⁾Excludes STAR COLA for June 30, 2006 only.

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, 2007
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	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
25 - 29	3	--	3	--	--	--	--	--	--	--
	\$59,532	--	\$59,532	--	--	--	--	--	--	--
30 - 34	11	2	9	--	--	--	--	--	--	--
	64,530	\$53,376	67,008	--	--	--	--	--	--	--
35 - 39	6	2	4	--	--	--	--	--	--	--
	54,871	43,550	60,531	--	--	--	--	--	--	--
40 - 44	7	--	6	1	--	--	--	--	--	--
	55,843	--	57,462	\$46,130	--	--	--	--	--	--
45 - 49	5	1	2	2	--	--	--	--	--	--
	76,188	202,821	46,660	42,401	--	--	--	--	--	--
50 - 54	14	--	12	1	1	--	--	--	--	--
	43,568	--	43,141	46,130	\$46,130	--	--	--	--	--
55 - 59	13	1	9	3	--	--	--	--	--	--
	42,085	15,482	48,126	32,828	--	--	--	--	--	--
60 - 64	6	--	6	--	--	--	--	--	--	--
	37,203	--	37,203	--	--	--	--	--	--	--
65 - 69	4	--	2	--	1	1	--	--	--	--
	52,440	--	46,401	--	63,550	\$53,409	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	69	6	53	7	2	1	--	--	--	--
	\$51,877	\$68,692	\$51,485	\$39,364	\$54,840	\$53,409	--	--	--	--

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, 2007
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	302	292	10	--	--	--	--	--	--	--
	\$35,587	\$35,336	\$42,917	--	--	--	--	--	--	--
25 - 29	1,125	897	227	1	--	--	--	--	--	--
	45,905	44,947	49,397	\$112,678	--	--	--	--	--	--
30 - 34	1,555	841	663	51	--	--	--	--	--	--
	53,190	50,333	56,793	53,470	--	--	--	--	--	--
35 - 39	1,645	580	652	287	122	4	--	--	--	--
	58,316	51,615	61,979	64,241	\$56,650	\$58,767	--	--	--	--
40 - 44	1,933	547	514	360	392	114	6	--	--	--
	59,174	52,225	56,653	65,797	66,166	59,114	\$55,648	--	--	--
45 - 49	2,423	493	602	412	534	277	102	3	--	--
	60,314	49,391	55,554	61,739	69,250	69,804	62,429	\$75,757	--	--
50 - 54	2,383	420	550	378	461	277	225	70	2	--
	62,409	50,964	58,504	61,449	66,397	73,795	69,563	71,561	\$99,878	--
55 - 59	1,863	317	400	306	377	199	156	98	10	--
	61,956	52,945	56,566	58,782	67,011	70,687	68,508	74,958	66,442	--
60 - 64	885	125	215	162	210	94	50	26	3	--
	58,680	53,510	53,791	58,046	64,071	58,035	66,479	72,677	50,262	--
65 - 69	226	37	77	40	45	15	10	1	--	1
	57,116	49,852	55,968	55,713	61,730	75,625	48,278	62,266	--	\$68,351
70 & over	52	14	8	9	14	4	2	--	1	--
	49,365	49,140	45,643	41,851	54,422	61,815	39,043	--	49,939	--
Total	14,392	4,563	3,918	2,006	2,155	984	551	198	16	1
	\$57,888	\$48,921	\$56,997	\$61,627	\$66,215	\$68,755	\$67,015	\$73,406	\$66,556	\$68,351

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, 2007
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	94	92	2	--	--	--	--	--	--
	\$44,043	\$43,984	\$46,748	--	--	--	--	--	--
25 - 29	323	253	70	--	--	--	--	--	--
	51,039	48,672	59,597	--	--	--	--	--	--
30 - 34	531	164	285	82	--	--	--	--	--
	60,787	52,307	62,959	\$70,200	--	--	--	--	--
35 - 39	632	82	219	252	79	--	--	--	--
	68,610	55,746	65,127	73,409	\$76,308	--	--	--	--
40 - 44	631	75	101	141	255	58	1	--	--
	73,261	59,094	65,917	72,547	77,855	\$86,027	\$66,108	--	--
45 - 49	524	43	80	75	143	143	39	1	--
	75,876	54,225	66,681	73,032	77,043	83,630	90,903	\$94,278	--
50 - 54	316	30	47	41	49	59	80	10	--
	80,824	56,874	66,426	74,045	80,828	83,695	95,125	116,775	--
55 - 59	167	13	26	25	38	21	36	8	--
	81,141	73,963	68,422	75,294	78,480	85,276	95,080	91,483	--
60 - 64	44	6	7	7	8	6	6	4	--
	78,061	64,471	73,403	70,502	74,443	81,434	96,363	94,550	--
65 - 69	9	--	--	1	2	2	3	1	--
	80,993	--	--	62,954	75,067	75,370	90,278	94,278	--
70 & over	1	--	--	1	--	--	--	--	--
	202,525	--	--	202,525	--	--	--	--	--
Total	3,272	758	837	625	574	289	165	24	--
	\$68,982	\$51,884	\$64,371	\$73,023	\$77,678	\$84,141	\$93,899	\$102,766	--

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

EXHIBIT C

Reconciliation of Member Data – June 30, 2006 to June 30, 2007

	Active Members	Vested Terminated Members	Disabled Pensioners	Retired Members	Beneficiaries	Total
Number as of June 30, 2006	17,451	4,687	1,451	9,358	1,240	34,187
New members	1,422	117	N/A	N/A	N/A	1,539
Terminations – with vested rights	-459	459	0	0	0	0
Contribution refunds	-194	-130	N/A	N/A	N/A	-324
Retirements	-483	-138	N/A	621	N/A	0
New disabilities	-55	-6	83	-22	N/A	0
Return to work	73	-69	0	-4	N/A	0
Died with or without beneficiary	-22	-12	-31	-245	36	-274
Data adjustments	<u>0</u>	<u>0</u>	<u>-1</u>	<u>18</u>	<u>0</u>	<u>17</u>
Number as of June 30, 2007	17,733	4,908	1,502	9,726	1,276	35,145

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, 2007	Year Ended June 30, 2006
Contribution income:		
Employer contributions	\$320,533,227	\$302,460,292
Employee contributions	<u>44,503,572</u>	<u>41,911,209</u>
Net contribution income	\$365,036,799	\$344,371,501
Investment income:		
Interest, dividends and other income	\$241,110,948	\$219,082,672
Recognition of capital appreciation	782,905,857	517,081,841
Less investment fees and administrative expenses	<u>-97,441,311</u>	<u>-93,576,139</u>
Net investment income	<u>926,575,494</u>	<u>642,588,374</u>
Total income available for benefits	\$1,291,612,293	\$986,959,875
Less benefit payments:		
Service retirement and disability benefits	-\$310,989,508	-\$278,283,263
Death benefits	-1,238,024	-1,203,846
Health benefits	-35,308,118	-32,878,648
STAR cost of living allowance	-10,366,635	-10,710,004
Member refunds	<u>-2,574,073</u>	<u>-2,991,908</u>
Net benefit payments	-\$360,476,358	-\$326,067,669
Change in assets held for future benefits	\$931,135,935	\$660,892,206

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

EXHIBIT E

Summary Statement of Plan Assets

	Year Ended June 30, 2007	Year Ended June 30, 2006
Cash equivalents	\$271,308,982	\$160,961,972
Accounts receivable:		
Contributions	\$ 7,574,172	\$ 9,121,752
Accrued interest and dividends	31,039,210	24,766,586
Settlement of securities sold	<u>204,214,125</u>	<u>64,594,719</u>
Total accounts receivable	242,827,507	98,483,057
Investments:		
Domestic equity securities and cash	\$2,229,038,426	\$2,062,005,449
International equity securities and cash	2,150,334,845	1,845,546,409
Bonds and cash	2,417,225,240	1,921,776,865
Securities lending collateral	889,362,847	603,018,979
Other investments	<u>1,645,358,053</u>	<u>1,454,918,376</u>
Total investments at market value	<u>9,331,319,411</u>	<u>7,887,266,078</u>
Total assets	\$9,845,455,900	\$8,146,711,107
Less accounts payable:		
Securities lending & settlement of securities purchased	-\$1,387,269,492	-\$799,755,540
Professional service	-10,203,384	-10,849,000
Cash in transit	-416,942	-852,584
Others	<u>-3,060,942</u>	<u>-4,305,524</u>
Total accounts payable	-\$1,400,950,760	-\$815,762,648
Net assets at market value	<u>\$8,444,505,140</u>	<u>\$7,330,948,460</u>
Net assets at actuarial value	<u>\$7,539,284,291</u>	<u>\$6,608,148,356</u>
Net assets at valuation value	<u>\$7,250,404,469</u>	<u>\$6,263,019,460</u>

Note: Results may not add due to rounding.

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	\$5,297,912	\$1,952,492	\$7,250,404
2 Present value of future contributions by members	\$631,653	\$219,975	\$851,628
3 Present value of future employer contributions for:			
a Entry age normal cost	\$738,415	\$321,888	\$1,060,303
b Unfunded actuarial accrued liability	<u>\$595,397</u>	<u>\$236,716</u>	<u>\$832,113</u>
4 Total current and future assets	\$7,263,377	\$2,731,071	\$9,994,448
Liabilities			
5 Present value of benefits for retirees and beneficiaries	\$2,837,420	\$1,087,131	\$3,924,551
6 Present value of benefits for terminated vested members	\$256,276	\$43,178	\$299,454
7 Present value of benefits for active members	<u>\$4,169,681</u>	<u>\$1,600,762</u>	<u>\$5,770,443</u>
8 Total liabilities	\$7,263,377	\$2,731,071	\$9,994,448

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

EXHIBIT G

Summary of Reported Reserve Information as of June 30, 2007

Reserves	
(Dollar Amounts in Thousands)	
Member contributions ⁽¹⁾	\$ 329,367
County contributions ⁽¹⁾	2,479,460
Retired member reserve ⁽¹⁾	3,924,551
Transition reserves ⁽¹⁾	517,026
Total valuation reserve ⁽¹⁾	\$7,250,404
Heath and 401(h) benefit reserve ⁽²⁾	183,731
Undistributed reserve ⁽²⁾	20,704
Contingency reserve ⁽²⁾	84,445
Total reserves	\$7,539,284
Net deferred gains (losses) ⁽²⁾	905,221
Net market value	\$8,444,505

⁽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, 2007

		(Dollar Amounts in Thousands)
1	Unfunded Actuarial Accrued Liability as of June 30, 2006	\$1,232,275
2	Normal Cost	240,997
3	Total employer and member contributions	-365,037
4	Interest	96,546
5	Expected Unfunded Actuarial Accrued Liability ⁽¹⁾	\$1,204,781
6	Changes due to:	
	(a) Investment return	-\$347,898
	(b) Higher than expected salary increase	20,023
	(c) Assumption change recommended in June 30, 2006 experience study	42,948
	(d) Change in data for retirees ⁽²⁾	-172,517
	(e) Recognition of pay for performance for actives	102,305
	(f) Other experience	<u>-17,529</u>
	(g) Total changes	<u>-372,668</u>
7	Unfunded Actuarial Accrued Liability as of June 30, 2007	\$832,113

⁽¹⁾ Includes a net gain of \$41 million due to \$27 million in excess contributions paid by the County and a contribution gain of about \$14 million due to the one year delay between the date of rate calculation and rate implementation.

⁽²⁾ Continuation data and Social Security Temporary Supplement benefits.

Note: Net gain from other non-investment experience of \$170.0 million (as shown on page 9) is equal to: 6(b) + 6(d) + 6(f).

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 \$180,000 for 2007 and \$185,000 for 2008. 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; and
- (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

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
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%
2006	203,700	243,700	119.6%
2007	231,300	258,200	111.6%

⁽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)
06/30/2002	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%
06/30/2006	6,263,019,000	7,495,294,000	1,232,275,000	83.56%	979,368,000	125.82%
06/30/2007	7,250,404,000	8,082,517,000	832,113,000	89.70%	1,062,396,000	78.32%

⁽¹⁾ Excludes assets for Health Benefit Reserve. Excludes assets for STAR COLA on and before June 30, 2006.

⁽²⁾ Excludes liabilities held for Health Benefit Reserve. Excludes liabilities for STAR COLA on and before June 30, 2006.

⁽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, 2007
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	3.75%
Across the board salary increase	0.50%
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	12,504
Terminated members entitled to, but not yet receiving benefits	4,908
Active members	<u>17,733</u>
Total	35,145

* Includes inflation at 3.75%, across the board increase of 0.50%, 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: For General – 1994 Group Annuity Mortality Table.
For Safety – 1994 Group Annuity Mortality Table set back one year.

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		Safety*		General	
	Male	Female	Male	Female	Male	Female
30	0.08	0.04	0.08	0.03	0.09	0.06
35	0.09	0.05	0.08	0.04	0.13	0.08
40	0.11	0.07	0.10	0.07	0.19	0.11
45	0.16	0.10	0.15	0.09	0.32	0.17
50	0.26	0.14	0.23	0.13	0.56	0.29
55	0.44	0.23	0.40	0.21	1.01	0.58
60	0.80	0.44	0.71	0.39	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 Males weighted 30% and 1994 Group Annuity Mortality Table for Females weighted 70%.

Safety – 1994 Group Annuity Mortality Table for Males set back one year weighted 75% and 1994 Group Annuity Mortality Table for Females set back one year weighted 25%.

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 non-service connected death.

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

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	0.00	0.00	0.00	0.01	0.00	0.03
25	0.00	0.00	0.00	0.01	0.01	0.08
30	0.01	0.01	0.04	0.02	0.04	0.22
35	0.02	0.03	0.06	0.04	0.08	0.48
40	0.03	0.08	0.06	0.11	0.16	0.72
45	0.06	0.13	0.08	0.19	0.23	0.92
50	0.10	0.18	0.10	0.30	0.28	1.48
55	0.17	0.23	0.10	0.38	0.33	2.28
60	0.23	0.28	0.10	0.43	0.38	2.84

SECTION 4: Report 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	16.00	17.00	12.00
1	10.00	11.00	11.00
2	7.50	8.00	6.00
3	6.00	7.00	4.50
4	5.50	6.50	4.00

Age	Ordinary Withdrawal (5+ Years of Service) *		
	General-Male	General-Female	Safety
20	1.00	1.80	0.83
25	1.00	1.80	0.75
30	0.94	1.53	0.65
35	0.84	1.02	0.67
40	0.74	0.68	0.65
45	0.58	0.42	0.53
50	0.44	0.30	0.41
55	0.34	0.30	0.36
60	0.30	0.30	0.14

* 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	8.40	8.40	3.56
25	7.40	7.40	2.99
30	6.40	5.80	2.41
35	5.10	4.40	1.91
40	3.60	3.40	1.46
45	2.70	2.40	0.99
50	2.20	2.00	0.68
55	1.40	1.40	0.48
60	1.00	1.00	0.16

* 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	8.0	15.0
51	5.0	15.0
52	5.0	15.0
53	6.0	15.0
54	8.0	15.0
55	12.0	20.0
56	13.0	25.0
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	27.0	45.0
63	29.0	45.0
64	30.0	45.0
65	30.0	100.0
66	30.0	100.0
67	30.0	100.0
68	40.0	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:	<u>Reciprocal and Non-reciprocal Members</u> General: Age 57; Safety: Age 53. 35% of General and 40% of Safety (including Probation) deferred vested members are assumed to be reciprocal. For reciprocals, we assume 5.25% 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 55% 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 3.75% per year; benefit increases due to CPI subject to 3.0% maximum.

Salary Scale:

Annual Rate of Compensation Increase

Inflation: 3.75% per year; plus “Across the Board” salary increases of 0.50% per year; plus Merit and Longevity as follows:

Years of Service	General	Safety
0	4.50%	7.50%
1	4.00	6.00
2	3.25	5.00
3	2.50	4.00
4	2.00	3.00
5+	1.00	1.00

Pay for Performance: General members are assumed to be eligible for an average annual pay for performance of 3%.

Safety members are assumed to be eligible for an average annual pay for performance of 2%.

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 and 401(h); (2) Undistributed Reserve; and (3) 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.

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 health insurance allowance for eligible retirees. This program does not provide funded benefits and is 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, 2007 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	3.37%	5.05%	1.09%	1.63%	4.46%	6.68%
16	3.37%	5.05%	1.09%	1.63%	4.46%	6.68%
17	3.43%	5.14%	1.11%	1.66%	4.54%	6.80%
18	3.49%	5.23%	1.13%	1.69%	4.62%	6.92%
19	3.55%	5.32%	1.15%	1.72%	4.70%	7.04%
20	3.61%	5.41%	1.17%	1.75%	4.78%	7.16%
21	3.67%	5.50%	1.19%	1.78%	4.86%	7.28%
22	3.73%	5.59%	1.21%	1.81%	4.94%	7.40%
23	3.79%	5.68%	1.23%	1.84%	5.02%	7.52%
24	3.85%	5.78%	1.25%	1.87%	5.10%	7.65%
25	3.92%	5.88%	1.27%	1.90%	5.19%	7.78%
26	3.98%	5.97%	1.29%	1.93%	5.27%	7.90%
27	4.05%	6.07%	1.31%	1.96%	5.36%	8.03%
28	4.11%	6.17%	1.33%	2.00%	5.44%	8.17%
29	4.18%	6.27%	1.35%	2.03%	5.53%	8.30%
30	4.25%	6.38%	1.37%	2.06%	5.62%	8.44%
31	4.32%	6.48%	1.40%	2.10%	5.72%	8.58%
32	4.39%	6.59%	1.42%	2.13%	5.81%	8.72%
33	4.46%	6.69%	1.44%	2.16%	5.90%	8.85%
34	4.53%	6.80%	1.47%	2.20%	6.00%	9.00%
35	4.61%	6.91%	1.49%	2.23%	6.10%	9.14%
36	4.69%	7.03%	1.51%	2.27%	6.20%	9.30%
37	4.76%	7.14%	1.54%	2.31%	6.30%	9.45%
38	4.83%	7.25%	1.56%	2.34%	6.39%	9.59%

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

**General Tier 1 Members' Contribution Rates from the June 30, 2007 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	4.91%	7.37%	1.59%	2.38%	6.50%	9.75%
40	4.99%	7.49%	1.61%	2.42%	6.60%	9.91%
41	5.07%	7.61%	1.64%	2.46%	6.71%	10.07%
42	5.15%	7.73%	1.67%	2.50%	6.82%	10.23%
43	5.24%	7.86%	1.69%	2.54%	6.93%	10.40%
44	5.32%	7.98%	1.72%	2.58%	7.04%	10.56%
45	5.41%	8.11%	1.75%	2.62%	7.16%	10.73%
46	5.49%	8.24%	1.77%	2.66%	7.26%	10.90%
47	5.59%	8.38%	1.81%	2.71%	7.40%	11.09%
48	5.68%	8.52%	1.84%	2.76%	7.52%	11.28%
49	5.77%	8.66%	1.87%	2.80%	7.64%	11.46%
50	5.87%	8.81%	1.90%	2.85%	7.77%	11.66%
51	5.97%	8.96%	1.93%	2.90%	7.90%	11.86%
52	6.09%	9.13%	1.97%	2.95%	8.06%	12.08%
53	6.20%	9.30%	2.01%	3.01%	8.21%	12.31%
54	6.33%	9.49%	2.05%	3.07%	8.38%	12.56%
55	6.41%	9.62%	2.07%	3.11%	8.48%	12.73%
56	6.48%	9.72%	2.09%	3.14%	8.57%	12.86%
57	6.51%	9.77%	2.11%	3.16%	8.62%	12.93%
58	6.52%	9.78%	2.11%	3.16%	8.63%	12.94%
59 & Over	6.51%	9.76%	2.11%	3.16%	8.62%	12.92%

Interest: 8.25%

Inflation: 3.75%

Across the board increase: 0.50%

COLA: 3.00%

COLA Loading Factor: 32.34%

Mortality: 1994 Group Annuity Mortality Table weighted 30% male and 70% female

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, 2007 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	3.91%	5.86%	1.42%	2.13%	5.33%	7.99%
16	3.91%	5.86%	1.42%	2.13%	5.33%	7.99%
17	3.97%	5.96%	1.45%	2.17%	5.42%	8.13%
18	4.04%	6.06%	1.47%	2.21%	5.51%	8.27%
19	4.11%	6.16%	1.49%	2.24%	5.60%	8.40%
20	4.17%	6.26%	1.52%	2.28%	5.69%	8.54%
21	4.24%	6.36%	1.55%	2.32%	5.79%	8.68%
22	4.31%	6.47%	1.57%	2.36%	5.88%	8.83%
23	4.38%	6.57%	1.59%	2.39%	5.97%	8.96%
24	4.45%	6.68%	1.62%	2.43%	6.07%	9.11%
25	4.53%	6.79%	1.65%	2.47%	6.18%	9.26%
26	4.60%	6.90%	1.67%	2.51%	6.27%	9.41%
27	4.68%	7.02%	1.71%	2.56%	6.39%	9.58%
28	4.75%	7.13%	1.73%	2.60%	6.48%	9.73%
29	4.83%	7.25%	1.76%	2.64%	6.59%	9.89%
30	4.91%	7.36%	1.79%	2.68%	6.70%	10.04%
31	4.99%	7.48%	1.81%	2.72%	6.80%	10.20%
32	5.07%	7.60%	1.85%	2.77%	6.92%	10.37%
33	5.15%	7.73%	1.87%	2.81%	7.02%	10.54%
34	5.23%	7.85%	1.91%	2.86%	7.14%	10.71%
35	5.32%	7.98%	1.94%	2.91%	7.26%	10.89%
36	5.41%	8.11%	1.97%	2.95%	7.38%	11.06%
37	5.49%	8.24%	2.00%	3.00%	7.49%	11.24%
38	5.58%	8.37%	2.03%	3.05%	7.61%	11.42%
39	5.67%	8.50%	2.06%	3.09%	7.73%	11.59%
40	5.76%	8.64%	2.10%	3.15%	7.86%	11.79%
41	5.85%	8.78%	2.13%	3.20%	7.98%	11.98%
42	5.95%	8.93%	2.17%	3.25%	8.12%	12.18%

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

**General Tier A Members' Contribution Rates from the June 30, 2007 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	6.05%	9.07%	2.20%	3.30%	8.25%	12.37%
44	6.15%	9.22%	2.24%	3.36%	8.39%	12.58%
45	6.25%	9.38%	2.27%	3.41%	8.52%	12.79%
46	6.37%	9.55%	2.32%	3.48%	8.69%	13.03%
47	6.48%	9.72%	2.36%	3.54%	8.84%	13.26%
48	6.61%	9.91%	2.41%	3.61%	9.02%	13.52%
49	6.74%	10.11%	2.45%	3.68%	9.19%	13.79%
50	6.83%	10.24%	2.49%	3.73%	9.32%	13.97%
51	6.90%	10.35%	2.51%	3.77%	9.41%	14.12%
52	6.94%	10.41%	2.53%	3.79%	9.47%	14.20%
53	6.95%	10.42%	2.53%	3.79%	9.48%	14.21%
54 & Over	6.93%	10.39%	2.52%	3.78%	9.45%	14.17%

Interest: 8.25%
 Inflation: 3.75%
 Across the board increase: 0.50%
 COLA: 3.00%
 COLA Loading Factor: 36.40%
 Mortality: 1994 Group Annuity Mortality Table weighted 30% male and 70% female
 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, 2007 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)**

Calculated Under Adopted Assumptions

Entry Age	Basic	COLA	Total
15	7.23%	3.78%	11.01%
16	7.23%	3.78%	11.01%
17	7.23%	3.78%	11.01%
18	7.23%	3.78%	11.01%
19	7.23%	3.78%	11.01%
20	7.23%	3.78%	11.01%
21	7.23%	3.78%	11.01%
22	7.35%	3.84%	11.19%
23	7.47%	3.90%	11.37%
24	7.59%	3.96%	11.55%
25	7.72%	4.03%	11.75%
26	7.85%	4.10%	11.95%
27	7.98%	4.17%	12.15%
28	8.11%	4.23%	12.34%
29	8.24%	4.30%	12.54%
30	8.38%	4.38%	12.76%
31	8.52%	4.45%	12.97%
32	8.66%	4.52%	13.18%
33	8.80%	4.60%	13.40%
34	8.95%	4.67%	13.62%
35	9.10%	4.75%	13.85%
36	9.26%	4.84%	14.10%
37	9.42%	4.92%	14.34%
38	9.59%	5.01%	14.60%
39	9.76%	5.10%	14.86%
40	9.95%	5.20%	15.15%
41	10.15%	5.30%	15.45%
42	10.36%	5.41%	15.77%
43	10.60%	5.54%	16.14%

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

**Safety Members' Contribution Rates from the June 30, 2007 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)**

Calculated Under Adopted Assumptions

Entry Age	Basic	COLA	Total
44	10.87%	5.68%	16.55%
45	10.99%	5.74%	16.73%
46	11.04%	5.76%	16.80%
47	11.03%	5.76%	16.79%
48	10.95%	5.72%	16.67%
49 & Over	10.78%	5.63%	16.41%

Interest:	8.25%
Inflation:	3.75%
Across the board increase:	0.50%
COLA:	3.00%
COLA Loading Factor:	52.22%
Mortality:	1994 Group Annuity Mortality Table weighted 75% male and 25% female (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, 2007

Unfunded Actuarial Accrued Liability Bases in the June 30, 2007 Actuarial Valuation

	Date Established	Description	Initial Amount	Outstanding Balance	Years Remaining	Payment
General	June 30, 2004	Reamortize UAAL	\$898,323,000	\$908,097,000	17	\$74,090,000
	June 30, 2005	Actuarial loss	128,924,000	130,361,000	18	10,215,000
	June 30, 2006	Actuarial gain	(122,837,000)	(123,684,000)	19	(9,336,000)
	June 30, 2007	Actuarial gain	(319,377,000)	<u>(319,377,000)</u>	20	<u>(23,284,000)</u>
Subtotal				\$595,397,000		\$51,685,000
Safety	June 30, 2004	Reamortize UAAL	\$304,408,000	\$307,719,000	17	\$25,106,000
	June 30, 2005	Actuarial loss	40,271,000	40,720,000	18	3,191,000
	June 30, 2006	Actuarial gain	(29,564,000)	(29,768,000)	19	(2,247,000)
	June 30, 2007	Actuarial gain	(81,955,000)	<u>(81,955,000)</u>	20	<u>(5,975,000)</u>
Subtotal				\$236,716,000		\$20,075,000
General and Safety	June 30, 2004	Reamortize UAAL	\$1,202,731,000	\$1,215,816,000	17	\$99,196,000
	June 30, 2005	Actuarial loss	169,195,000	171,081,000	18	13,406,000
	June 30, 2006	Actuarial gain	(152,401,000)	(153,452,000)	19	(11,583,000)
	June 30, 2007	Actuarial gain	(401,332,000)	<u>(401,332,000)</u>	20	<u>(29,259,000)</u>
Grand Total				\$832,113,000		\$71,760,000

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