

San Diego County Employees Retirement Association

*Actuarial Valuation and Review
as of June 30, 2012*

This report has been prepared at the request of the Board of Retirement to assist in administering the Fund. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Board of Retirement and may only be provided to other parties in its entirety. The measurements shown in this actuarial valuation may not be applicable for other purposes.

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November 30, 2012

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, 2012. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2013-2014 and analyzes the preceding year's experience.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Plan. 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.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

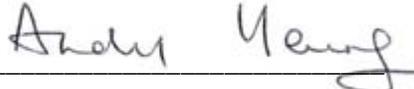
We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By: 

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

By: 

*Andy Yeung, ASA, MAAA, FCA, EA
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, 2012. 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, deferred terminated members, retired members and beneficiaries as of June 30, 2012, provided by the Retirement Association;
- The assets of the Plan as of June 30, 2012, provided by the Retirement Association;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

One of the general goals of an actuarial valuation 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, 2013 through June 30, 2014.

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:

- With the exception of the sick leave conversion and premium pay assumptions, we have continued to apply in the June 30, 2012 valuation all the actuarial assumptions used in the June 30, 2011 valuation. The development of the proposed sick leave conversion and premium pay assumptions are provided in our letter dated September 27, 2012.

Reference: Pg. 34

- The ratio of the valuation value of assets to actuarial accrued liabilities decreased from 81.5% to 78.7%. On a market value of assets basis the funded ratio increased from 77.0% to 77.1%. The Association's unfunded actuarial accrued liability increased from \$1,940.4 million as of June 30, 2011 to \$2,335.7 million as of June 30, 2012. This increase in the UAAL is primarily due to lower than expected returns on the valuation value of assets after "smoothing". Also contributing to this increase in the UAAL are: (1) the effect of greater than expected number of retirements during the year and (2) a new assumption that we are recommending to the Board to prefund the cost of converting unused sick leave to pension service credit at retirement. The increase in the UAAL was offset to some degree by: (1) lower than expected salary increases and (2) a lower premium pay assumption for actives. A complete reconciliation of the Association's unfunded actuarial accrued liability is provided in Section 3, Exhibit H.

Reference: Pg. 18

- The total employer contribution rate calculated in this valuation has increased from 30.02% of payroll to 34.26% of payroll. The increase is primarily due to lower than expected returns on the valuation value of assets after "smoothing", the effect of greater than expected number of retirements during the year and the new assumption to prefund the cost of converting unused sick leave to pension service credit at retirement. The increase in the employer contribution rate was offset to some degree by lower than expected actual salary increases and the lower premium pay assumptions for actives. A complete reconciliation of the Association's aggregate employer rate is provided in Section 2, Subsection D (see Chart 15).

Reference: Pg. 19

- The average member rate calculated in this valuation decreased from 10.80% of payroll to 10.59% of payroll primarily due to change in demographics of members. A reconciliation of the Association's average member rate is provided in Section 2, Subsection D (see Chart 16).

Reference: Pg. 6

- As indicated in Section 2, Subsection B (see Chart 7) of this report, the total unrecognized investment loss as of June 30, 2012 was \$170.6 million (versus an unrecognized loss of \$467.9 million in the June 30, 2011 valuation). This investment loss 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 gains derived from future experience. This implies that earning the assumed rate of investment return of 8.00% per year (net of expenses) on a **market value** basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, if the actual net market return is equal to the

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

assumed 8.00% rate and all other actuarial assumptions are met, the contribution requirements would increase in each of the next few years as those losses are recognized.

The unrecognized investment losses represent 2.0% of the market value of assets as of June 30, 2012 (versus 5.7% as of June 30, 2011). Unless offset by future investment gains or other favorable experience, the recognition of the \$170.6 million market losses is expected to have an impact on the Association's future funded ratio and the aggregate employer contributions. This potential impact may be illustrated as follows:

- If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 78.7% to 77.1%.
 - For comparison purposes, the funded percentage developed in the June 30, 2011 valuation if all the deferred losses were to be recognized immediately in that valuation was 77.0%.
 - If the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer contribution rate would increase from 34.26% of payroll to 35.42% of payroll.
 - For comparison purposes, the aggregate employer contribution rate developed in the June 30, 2011 valuation if all the deferred losses were to be recognized immediately in that valuation was 33.02%.
- The footnote in Chart 7 shows that under the asset smoothing method the \$170.6 million in net deferred losses will be recognized in the next four and one-half years, but in a very non-level (uneven) pattern. In particular, there will be losses of \$435 million recognized next year, followed by offsetting gains in the two years after that (and then a relatively small loss followed by a relatively small gain), so as to ultimately recognize all of the current total net deferred losses of \$170.6 million. This means that, absent any new gains or losses in the future, there will be one more year of increase in the employer contribution rate followed by two years of decreases before the \$170.6 million in net deferred losses are fully recognized.
- In keeping with model actuarial practice for this situation, effective July 1, 2012, the asset smoothing method could be modified by combining the net deferred losses of \$170.6 million from the current valuation into a single four and one-half years smoothing "layer" and thereby recognizing those net deferred losses of \$170.6 million over the next four and one-half years in nine level amounts of approximately \$18.95 million in each six month period. This would reduce the volatility associated with the current pattern of the deferred gain/loss recognition and thereby result in both more stable funded ratios (on an actuarial value basis) and more level employer contribution rates.

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

Please note that this change would have no impact on the current June 30, 2012 valuation results as the total amount of unrecognized losses of June 30, 2012 remain unchanged. Also, note that we recommend using a four and one-half smoothing period for the combined deferred losses as that will complete the recognition of those net losses over the same time period as under the current separate smoothing layers. We will provide more discussion of this policy option during our presentation of June 30, 2012 valuation.

- The actuarial valuation report as of June 30, 2012 is based on financial information as of that date. Changes in the value of assets subsequent to that date are not reflected. Declines in asset values will increase the actuarial cost of the plan, while increases will decrease the actuarial cost of the plan.
- The California Actuarial Advisory Panel (CAAP) has recently adopted a set of model disclosure elements recommended for actuarial valuation reports for public retirement systems in California. Information has been added to this valuation report consistent with the recommendations regarding basic disclosure elements. In particular, we are now including new information regarding measures of plan volatility.
- The Governmental Accounting Standards Board (GASB) recently approved two new Statements affecting the reporting of pension liabilities for accounting purposes. Statement 67 replaces Statement 25 and is for plan reporting. Statement 68 replaces Statement 27 and is for employer reporting. It is important to note that the new GASB rules only redefine pension expense for financial reporting purposes, and do not apply to contribution amounts for actual pension funding purposes. Employers and plans can still develop and adopt funding policies under current practices. Because these new Statements are not effective until the fiscal year ending June 30, 2014 for Plan reporting and the fiscal year ending June 30, 2015 for employer reporting, the financial reporting information in this report continues to be in accordance with Statements 25 and 27.
- The California Public Employees' Pension Reform Act of 2013 (AB340) was passed on September 12, 2012. AB340 will become effective on January 1, 2013. In general, it affects new members who enter the Plan on or after January 1, 2013. There will be new plan provisions which include new benefit formula, cap on pensionable income, 3-year final average salary and new cost sharing by members. There are also changes that may affect current members including the change to the industrial disability benefit for Safety members and normal cost sharing by members. We have not reflected any of the AB340 provisions in this report, including any possible change to the industrial disability benefit for current members (which recent discussion indicates may not be applicable to 1937 CERL system). The impact of AB340 will be addressed in a later report.

Reference: Pg. 21

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:

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

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Summary of Key Valuation Results (Dollar amounts in thousands)

	June 30, 2012		June 30, 2011	
Employer Contribution Rates:⁽¹⁾				
	Total Rate	Estimated Annual Amount ⁽²⁾	Total Rate	Estimated Annual Amount ⁽²⁾
General Combined	30.85%	\$251,215	26.79%	\$218,154
Safety Combined	45.92%	109,314	41.04%	97,697
All Categories combined	34.26%	360,529	30.02%	315,851
Average Member Contribution Rates:⁽¹⁾				
	Total Rate	Estimated Annual Amount ⁽²⁾	Total Rate	Estimated Annual Amount ⁽²⁾
General Tier 1	8.63%	\$155	8.83%	\$159
General Tier A	10.09%	75,254	10.24%	76,373
General Tier B	7.92%	5,282	7.95%	5,302
Safety Tier A	13.04%	29,185	13.13%	29,387
Safety Tier B	11.16%	1,589	11.33%	1,613
All Categories combined	10.59%	111,465	10.80%	112,834
Funded Status:				
Actuarial accrued liability (AAL)	\$10,943,172		\$10,482,657	
Valuation value of assets (VVA)	8,607,483		8,542,291	
Market value of assets (MVA), net of non-valuation reserves	8,436,912		8,074,432	
Unfunded actuarial accrued liability on VVA basis	2,335,689		1,940,366	
Unfunded actuarial accrued liability on MVA basis	2,506,260		2,408,225	
Funded ratio on VVA basis (VVA/AAL)	78.7%		81.5%	
Funded ratio on MVA basis (MVA/AAL)	77.1%		77.0%	
Key Assumptions:				
Interest rate	8.00%		8.00%	
Inflation rate	3.50%		3.50%	
Across the board inflation	0.75%		0.75%	

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

⁽²⁾ Based on June 30, 2012 projected annual compensation.

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Summary of Key Valuation Demographic and Financial Data

	June 30, 2012	June 30, 2011	Percentage Change
Active Members:			
Number of members	16,457	16,523	-0.4%
Average age	45.6	45.8	N/A
Average service	11.7	11.7	N/A
Projected total compensation	\$1,052,366,941	\$1,090,413,350	-3.5%
Average projected compensation	\$63,946	\$65,994	-3.1%
Retired Member and Beneficiaries:			
Number of members:			
Service retired	12,105	11,483	5.4%
Disability retired	1,631	1,598	2.1%
Beneficiaries	1,430	1,415	1.1%
Total	15,166	14,496	4.6%
Average age	68.8	68.8	N/A
Average monthly benefit	\$2,733	\$2,617	4.4%
Deferred Terminated Members:			
Number of deferred terminated members ⁽¹⁾	5,039	5,125	-1.7%
Average age	46.3	45.8	N/A
Summary of Financial Data (dollar amounts in thousands):			
Market value of assets	\$8,520,503	\$8,182,869	4.1%
Return on market value of assets	5.46%	20.91%	N/A
Actuarial value of assets	\$8,691,074	\$8,650,728	0.5%
Return on actuarial value of assets	1.70%	2.39%	N/A
Valuation value of assets	\$8,607,483	\$8,542,291	0.8%
Return on valuation value of assets	1.72%	2.42%	N/A

⁽¹⁾ Includes members who choose to leave contributions on deposit with 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, deferred 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: 2003– 2012

As of June 30	Active Members	Deferred Terminated Members	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
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
2008	18,041	5,147	12,991	1.01
2009	17,699	5,238	13,453	1.06
2010	16,981	5,254	13,922	1.13
2011	16,523	5,125	14,496	1.19
2012	16,457	5,039	15,166	1.23

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 16,457 active members with an average age of 45.6, average years of service of 11.7 years and average projected compensation of \$63,946. The 16,523 active members in the prior valuation had an average age of 45.8, average service of 11.7 years and average projected compensation of \$65,994.

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

Deferred Terminated Members

In this year's valuation, there were 5,039 members with a vested right to a deferred or immediate vested benefit, including those entitled to a return of their member contributions versus 5,125 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, 2012

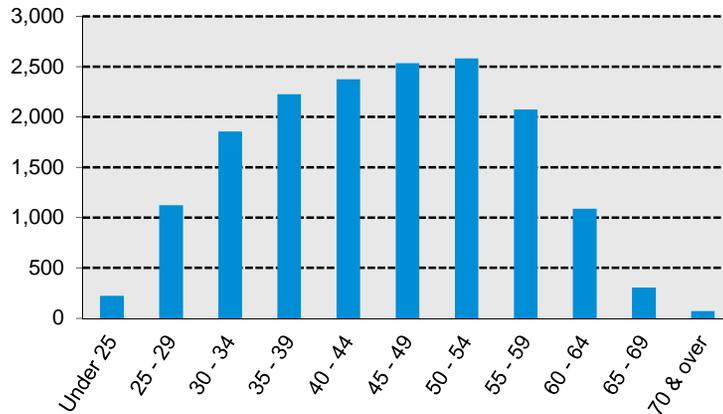
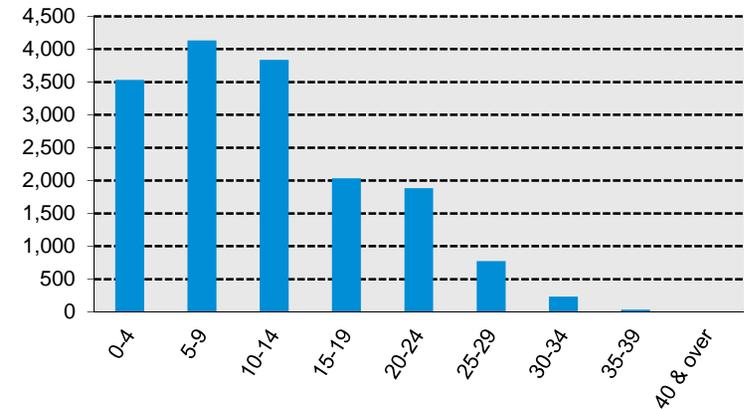


CHART 3
Distribution of Active Members by Years of Service as of June 30, 2012



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

Retired Members and Beneficiaries

As of June 30, 2012, 13,736 retired members and 1,430 beneficiaries were receiving total monthly benefits of \$41,443,170. For comparison, in the previous valuation, there were 13,081 retired members and 1,415 beneficiaries receiving monthly benefits of \$37,940,227.

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, 2012

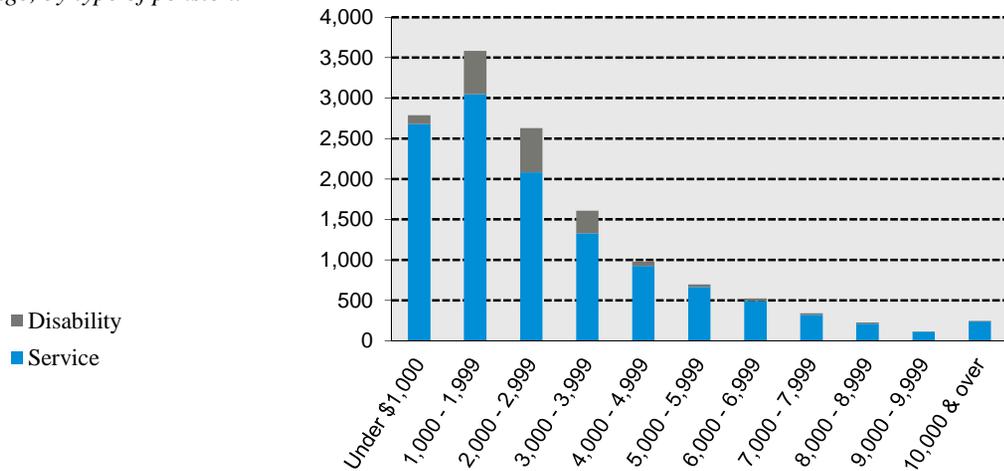
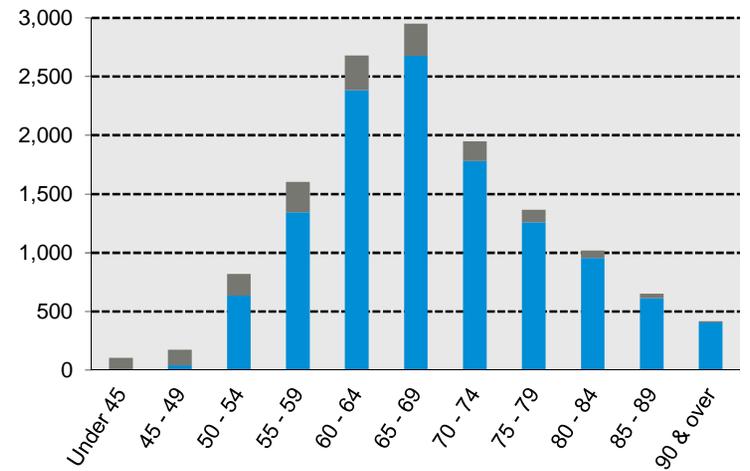


CHART 5
Distribution of Retired Members by Type and by Age as of June 30, 2012



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

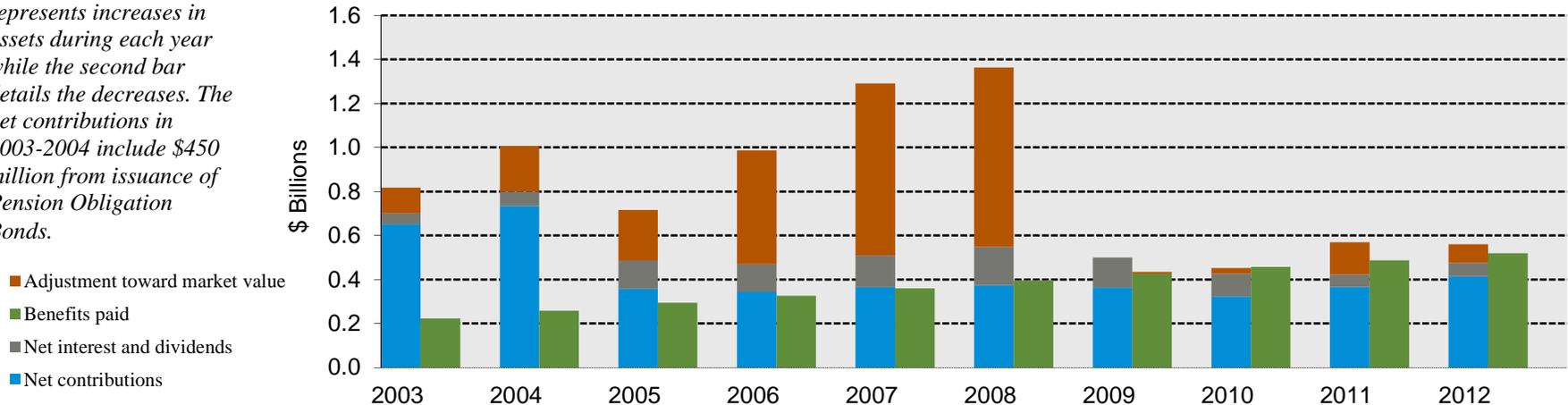
B. FINANCIAL INFORMATION

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 ten 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, 2003 – 2012



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, 2012

Six Month Period		Total Actual Market	Expected Market	Investment Gain	Deferred	Deferred Return
From	To	Return (net)	Return (net)	(Loss)	Factor	
7/2007	12/2007	\$311,315,142	\$348,358,000	(\$37,042,857)	0.0	\$0
1/2008	6/2008	(326,670,408)	360,831,645	(687,502,053)	0.1	(68,750,205)
7/2008	12/2008	(2,499,382,909)	346,476,271	(2,845,859,180)	0.2	(569,171,836)
1/2009	6/2009	345,409,043	242,171,217	103,237,826	0.3	30,971,348
7/2009	12/2009	977,086,049	254,188,608	722,897,441	0.4	289,158,976
1/2010	6/2010	(156,710,097)	291,649,269	(448,359,366)	0.5	(224,179,683)
7/2010	12/2010	957,426,830	274,046,127	683,380,703	0.6	410,028,422
1/2011	6/2011	469,046,670	309,910,021	159,136,649	0.7	111,395,655
7/2011	12/2011	(27,248,837)	326,604,743	(353,853,580)	0.8	(283,082,864)
1/2012	6/2012	471,208,747	323,365,533	147,843,214	0.9	133,058,892
1.	Total Deferred Return					\$(170,571,295)
2.	Net Market Value of Assets					8,520,502,793
3.	a. Actuarial Value of Assets (Item 2 – Item 1)					8,691,074,088
	b. Ratio of Actuarial Value of Assets to Net Market Value of Assets (Item 3a / Item 2)					102.0%
4.	Non-valuation reserves					
	a. Supplemental Benefit Reserve					\$69,015,623
	b. 401(h) Reserve					5,063,910
	c. Disability Supplemental Benefit Reserve					9,511,577
	d. Contingency Reserve					0
	e. Undistributed Reserve					0
	f. Subtotal					\$83,591,111
5.	Valuation Value of Assets (Item 3a – Item 4f)					8,607,482,977
6.	Amount of Deferred Returns to be recognized in the following valuations:					
	a. June 30, 2013					\$(435,065,464)
	b. June 30, 2014					192,532,795
	c. June 30, 2015					82,465,461
	d. June 30, 2016					(25,288,408)
	e. June 30, 2017					14,784,321

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, 2012

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

	General	Safety	Total
1 Beginning of Year Asset Allocation	\$6,186,736,151	\$2,355,554,654	\$8,542,290,805
2 Percentage of Total Employee Contributions Excluding Pickups	74.86%	25.14%	100.00%
3 Employee Contributions *	\$44,748,764	\$15,028,872	\$59,777,636
4 Employer Contributions Including Pickups *	\$231,594,679	\$103,215,695	\$334,810,374
5 Annual Allowances for Retired Members (From Last Year's Valuation Report)	\$342,741,600	\$112,554,492	\$455,296,092
6.1 Benefit Payments Allocated in Proportion to (5)	\$355,697,244	\$116,809,056	\$472,506,300
6.2 Refunds, Allocated in Proportion to (2)	\$2,520,142	\$846,331	\$3,366,473
7 Subtotal = (1) + (3) + (4) – (6.1) – (6.2)	\$6,104,862,208	\$2,356,143,834	\$8,461,006,042
8 Total Valuation Value of Assets			\$8,607,482,977
9 Residual to Allocate = (8) – (7)			\$146,476,935
10 Allocate Residual in Proportion to (7)	\$105,687,374	\$40,789,561	\$146,476,935
11 End of Year Asset Allocation = (7) + (10)	\$6,210,549,582	\$2,396,933,395	\$8,607,482,977

* Breakdown between General and Safety was provided by SDCERA.

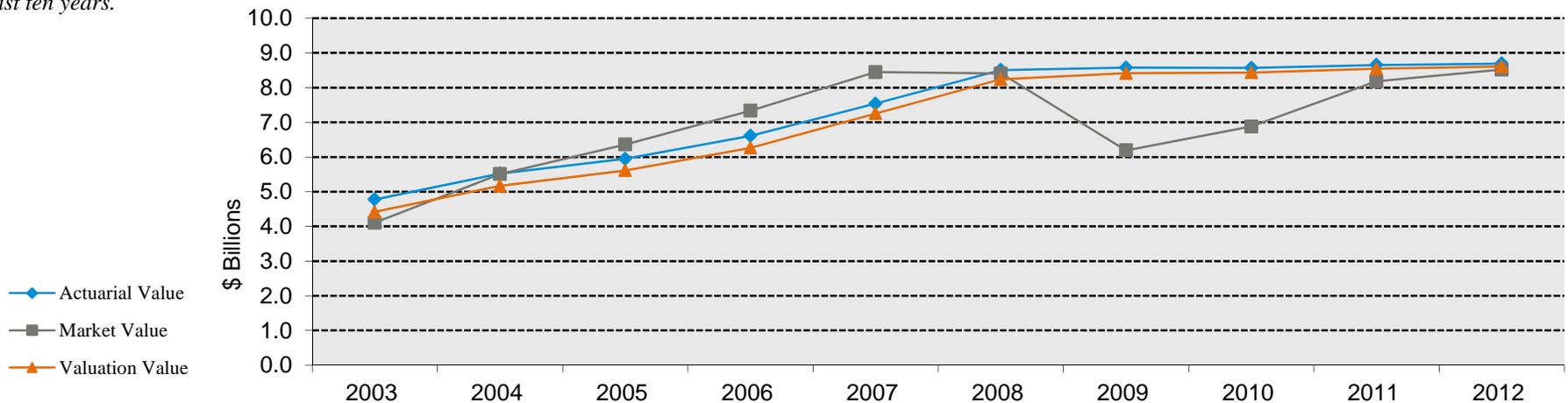
Note: Results may not add due to rounding.

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 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 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 ten years.

CHART 9
Market Value, Actuarial Value and Valuation Value of Assets as of June 30, 2003 –2012



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 \$383.1 million, a loss of \$533.7 million from investments and a gain of \$150.6 million from all other sources. The gain from all other sources was 1.4% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

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

CHART 10

Actuarial Experience for Year Ended June 30, 2012

1. Net gain/(loss) from investments on valuation value of assets ⁽¹⁾	(\$533,655,000)
2. Net gain/(loss) from other experience ⁽²⁾	<u>150,559,000</u>
3. Net experience gain/(loss): (1) + (2)	(\$383,096,000)

⁽¹⁾ Details in Chart 11

⁽²⁾ See Section 3, Exhibit H. Does not include the effect of plan or assumption changes, if any.

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 SDCERA’s investment policy. For valuation purposes, the assumed rate of return on the valuation value of assets used in the June 30, 2011 valuation was 8.00%. The actual rate of return on a valuation basis for the 2011/2012 plan year was 1.72%.

Since the actual return for the year was less than the assumed return, SDCERA experienced an actuarial loss during the year ended June 30, 2012 with regard to its investments.

CHART 11

Investment Experience for Year Ended June 30, 2012 – Valuation Value and Actuarial Value of Assets

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

	Valuation Value	Actuarial Value
1. Actual return	\$146,477,000	\$146,380,000
2. Average value of assets	8,501,648,000	8,597,711,152
3. Actual rate of return: (1) ÷ (2)	1.72%	1.70%
4. Assumed rate of return	8.00%	8.00%
5. Expected return: (2) x (4)	680,132,000	687,817,000
6. Actuarial gain/(loss): (1) – (5)	<u>(\$533,655,000)</u>	<u>(\$541,437,000)</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 ten years.

CHART 12

Investment Return – Actuarial Value, Valuation Value and Market Value: 2003 – 2012 (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%
2008	989,464	13.65%	988,906	13.14%	-15,355	-0.18%
2009	217,866	2.65%	128,063	1.51%	-2,153,974	-25.71%
2010	127,686	1.53%	129,275	1.52%	820,376	13.39%
2011	202,986	2.42%	203,518	2.39%	1,425,637	20.91%
2012	146,477	1.72%	146,380	1.70%	443,667	5.46%
Total	\$3,842,590		\$3,964,745		\$4,442,804	
Average Last 10 Years		6.00%		5.99%		7.49%

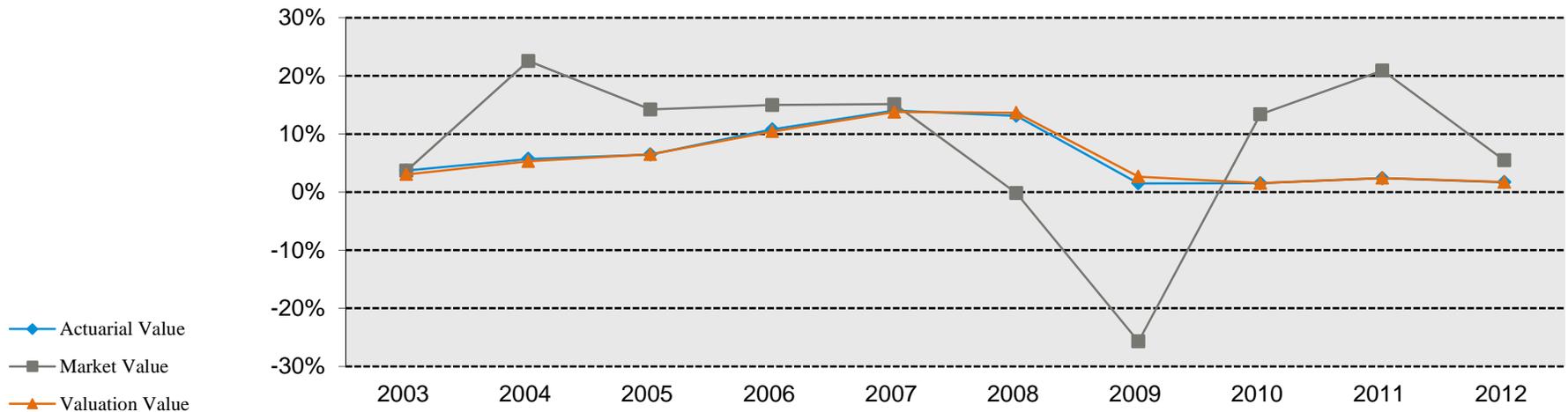
SECTION 2: Valuation Results for the San Diego County Employees Retirement Association

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 - 2012.

CHART 13

Market, Actuarial and Valuation Rates of Return for Years Ended June 30, 2003 - 2012



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, 2012 amounted to \$150.6 million, which was 1.4% of the actuarial accrued liability. See Exhibit H for a detailed development of the Unfunded Actuarial Accrued Liability.

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

D. EMPLOYER AND MEMBER CONTRIBUTIONS

Employer contributions consist of two components:

Normal Cost

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

Contribution to the Unfunded

Actuarial Accrued Liability (UAAL)

The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution (or rate credit in the case of a negative unfunded actuarial accrued liability) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the Association) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the 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 is amortized over 20-year fixed (i.e. decreasing) layered amortization periods.

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

Member contributions are assumed to be made at the end of every pay period.

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. A One-Year Final Average Compensation is used for General Tier 1, General Tier A and Safety Tier A. A Three-Year Final Average Compensation is used for General Tier B and Safety Tier B. That age is 60 for General Tier 1 and Tier B members, 55 for General Tier A members and 50 for Safety Tier A and Tier B members. It is assumed that contributions are made annually at the same rate, starting at entry age. In addition to their basic contributions, members pay one-half of the total normal cost necessary to fund their cost-of-living benefits. Accumulation includes semi-annual crediting of interest at half of the assumed investment earning rate. The member contribution rates are provided in Appendix A. Please note that the member rates provided in the report are the full rate before reflecting any employer pickup.

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

CHART 14a

Recommended Employer Contribution Rates (Dollar Amounts in Thousands)

	June 30, 2012 Actuarial Valuation		June 30, 2011 Actuarial Valuation	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
General Members				
Normal Cost – Basic Only	10.08%	\$82,083	9.92%	\$80,780
Normal Cost – COLA Only	<u>2.96%</u>	<u>\$24,103</u>	<u>2.95%</u>	<u>\$24,022</u>
Normal Cost – Total **	13.04%	\$106,186	12.87%	\$104,802
UAAL (Basic and COLA)**	<u>17.81%</u>	<u>\$145,029</u>	<u>13.92%</u>	<u>\$113,352</u>
Total Contribution	30.85%	\$251,215	26.79%	\$218,154
Safety Members				
Normal Cost – Basic Only	16.32%	\$38,850	15.92%	\$37,898
Normal Cost – COLA Only	<u>5.01%</u>	<u>\$11,927</u>	<u>4.94%</u>	<u>\$11,760</u>
Normal Cost – Total **	21.33%	\$50,777	20.86%	\$49,658
UAAL (Basic and COLA)**	<u>24.59%</u>	<u>\$58,537</u>	<u>20.18%</u>	<u>\$48,039</u>
Total Contribution	45.92%	\$109,314	41.04%	\$97,697
All Categories Combined				
Normal Cost – Basic Only	11.49%	\$120,933	11.28%	\$118,678
Normal Cost – COLA Only	<u>3.43%</u>	<u>\$36,030</u>	<u>3.40%</u>	<u>\$35,782</u>
Normal Cost – Total **	14.92%	\$156,963	14.68%	\$154,460
UAAL (Basic and COLA)**	<u>19.34%</u>	<u>\$203,566</u>	<u>15.34%</u>	<u>\$161,391</u>
Total Contribution	34.26%	\$360,529	30.02%	\$315,851

* Amounts are in thousands and are based on June 30, 2012 projected annual payroll (Also in thousands):

General Tier 1	\$1,796
General Tier A	745,826
General Tier B	<u>66,690</u>
General Subtotal	\$814,312
Safety Tier A	\$223,815
Safety Tier B	<u>14,239</u>
Safety Subtotal	\$238,054
Total	\$1,052,366

** 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*	7.66%	10.01%	8.20%
Vested Termination and Ordinary Withdrawal	3.29%	3.17%	3.26%
Non Service and Service Connected Disability	1.73%	7.38%	3.01%
Non Service and Service Connected Death	0.36%	0.77%	0.45%
Total Employer Normal Cost	13.04%	21.33%	14.92%
Total Employee Normal Cost*	9.91%	12.93%	10.59%
Employer Plus Employee Normal Cost	22.95%	34.26%	25.51%

* 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	17.00%	21.68%	18.05%
Vested Termination and Ordinary Withdrawal	0.11%	0.10%	0.11%
Non Service and Service Connected Disability	0.51%	2.53%	0.97%
Non Service and Service Connected Death	0.19%	0.28%	0.21%
Total Employer Unfunded Actuarial Accrued Liability	17.81%	24.59%	19.34%

** 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, 2012 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 employer 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 Employer Contribution from June 30, 2011 to June 30, 2012 (Dollar Amounts in Thousands)

	Contribution Rate	Estimated Annual Dollar Cost ⁽¹⁾
Recommended Average Employer Contribution Rate as of June 30, 2011, Before Reflecting Any Employer Pickups	30.02%	\$315,851
Effect of investment loss ⁽²⁾	3.53%	\$37,149
Effect of difference in actual versus expected total and individual salary increases	-0.47%	-\$4,994
Effect of one-year delay in implementation of contribution rates calculated in June 30, 2011 valuation	0.21%	\$2,210
Effect of greater number of retirements than expected	0.37%	\$3,894
Effect of other actuarial gains or losses	-0.25%	-\$2,549
Effect of lowering premium pay assumption for actives	-0.29%	-\$3,029
Effect of prefund the cost to convert sick leave to pension service credit at retirement	1.14%	\$11,997
Subtotal	4.24%	\$44,678
Recommended Average Employer Contribution Rate as of June 30, 2012, Before Reflecting Any Employer Pickups	34.26%	\$360,529

⁽¹⁾ Based on June 30, 2012 projected annual payroll of \$1,052,366,941.

⁽²⁾ Return on valuation value of assets was 1.72% and less than the 8.00% assumed in the June 30, 2011 valuation.

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

The individual entry age based member contribution rates as of June 30, 2012 have remained unchanged from those calculated in the June 30, 2011 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, 2011 to June 30, 2012 (Dollar Amounts in Thousands)

	Contribution Rate	Estimated Annual Dollar Cost ⁽¹⁾
Recommended Average Member Contribution Rate as of June 30, 2011, Before Reflecting Any Employer Pickups	10.80%	\$112,834
Effect of change in demographics of members	-0.21%	-\$1,369
Recommended Average Member Contribution Rate as of June 30, 2012, Before Reflecting Any Employer Pickups	10.59%	\$111,465

⁽¹⁾ Based on June 30, 2011 projected annual payroll of \$1,052,366,941.

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 for 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 the 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 standards. 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

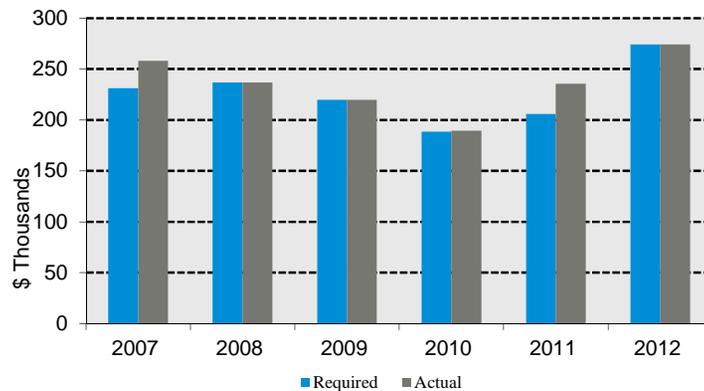
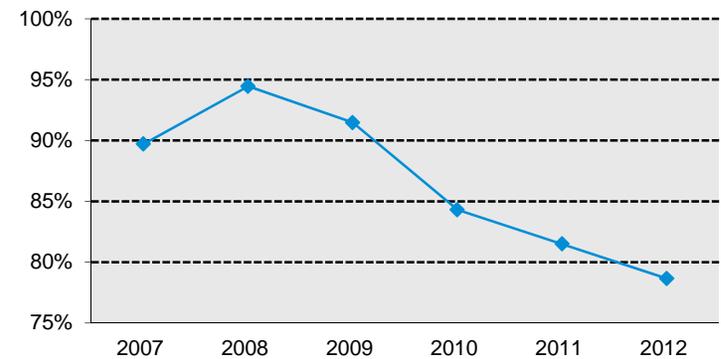


CHART 18
Funded Ratio



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

F. VOLATILITY RATIOS

Retirement plans are subject to volatility in the level of required contributions. This volatility tends to increase as retirement plans become more mature.

The Asset Volatility Ratio (AVR), which is equal to the market value of assets divided by total payroll, provides an indication of the potential contribution volatility for any given level of investment volatility. A higher AVR indicates that the plan is subject to a greater level of contribution volatility. This is a current measure since it is based on the current level of assets.

For SDCERA, the current AVR is about 8.1. This means that a 1% asset gain/(loss) (relative to the assumed investment return) translates to about 8.1% of one-year's payroll. Since SDCERA amortizes actuarial gains and losses over a period of 20 years, there would be a 0.6% of payroll decrease/(increase) in the required contribution for each 1% asset gain/(loss).

The Liability Volatility Ratio (LVR), which is equal to the Actuarial Accrued Liability divided by payroll, provides an indication of the longer-term potential for contribution volatility for any given level of investment volatility. This is because, over an extended period of time, the plan's assets should track the plan's liabilities. For example, if a plan is 50% funded on a market value basis, the liability volatility ratio would be double the asset volatility ratio and the plan sponsor should expect contribution volatility to increase over time as the plan becomes better funded.

The LVR also indicates how volatile contributions will be in response to changes in the Actuarial Accrued Liability due to actual experience or to changes in actuarial assumptions.

For SDCERA, the current LVR is about 10.4. This is about 28% higher than the AVR. Therefore, we would expect that contribution volatility will increase over the long-term.

This chart shows how the asset and liability volatility ratios have varied over time.

CHART 17
Volatility Ratios for Years Ended June 30, 2008 – 2012

Year Ended June 30	Asset Volatility Ratio	Liability Volatility Ratio
2008	7.4	7.7
2009	5.5	8.1
2010	6.3	9.1
2011	7.5	9.6
2012	8.1	10.4

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
	2012	2011	
Active members in valuation			
Number	13,196	13,290	-0.7%
Average age	46.6	46.8	N/A
Average service	11.5	11.5	N/A
Projected total compensation	\$814,312,527	\$847,935,808	-4.0%
Projected average compensation	\$61,709	\$63,803	-3.3%
Account balances	\$333,236,694	\$315,131,212	5.7%
Total active vested members	10,337	10,206	1.3%
Deferred terminated members	4,448	4,526	-1.7%
Retired members			
Number in pay status	10,657	10,146	5.0%
Average age	69.6	69.6	N/A
Average monthly benefit	\$2,578	\$2,470	4.4%
Disabled members			
Number in pay status	961	950	1.2%
Average age	64.2	63.9	N/A
Average monthly benefit	\$1,933	\$1,862	3.8%
Beneficiaries			
Number in pay status	1,276	1,270	0.5%
Average age	76.9	76.7	N/A
Average monthly benefit	\$1,421	\$1,364	4.2%

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
	2012	2011	
Active members in valuation			
Number	3,261	3,233	0.9%
Average age	41.5	41.8	N/A
Average service	12.5	12.6	N/A
Projected total compensation	\$238,054,413	\$242,477,542	-1.8%
Projected average compensation	\$73,000	\$75,001	-2.7%
Account balances	\$104,712,471	\$97,189,595	7.7%
Total active vested members	2,596	2,516	3.2%
Deferred terminated members	591	599	-1.3%
Retired members			
Number in pay status	1,448	1,337	8.3%
Average age	63.2	63.4	N/A
Average monthly benefit	\$5,129	\$5,042	1.7%
Disabled members			
Number in pay status	670	648	3.4%
Average age	58.8	58.4	N/A
Average monthly benefit	\$3,618	\$3,439	5.2%
Beneficiaries			
Number in pay status	154	145	6.2%
Average age	69.2	68.9	N/A
Average monthly benefit	\$2,931	\$2,827	3.7%

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, 2012
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	--	--	--	--	--	--	--	--	--	--
30 - 34	1	--	--	1	--	--	--	--	--	--
	\$47,876	--	--	\$47,876	--	--	--	--	--	--
35 - 39	7	--	--	7	--	--	--	--	--	--
	82,070	--	--	82,070	--	--	--	--	--	--
40 - 44	2	--	--	2	--	--	--	--	--	--
	60,909	--	--	60,909	--	--	--	--	--	--
45 - 49	5	--	--	4	1	--	--	--	--	--
	63,094	--	--	66,899	\$47,876	--	--	--	--	--
50 - 54	--	--	--	--	--	--	--	--	--	--
55 - 59	10	--	--	8	1	1	--	--	--	--
	48,059	--	--	48,104	47,876	\$47,876	--	--	--	--
60 - 64	6	--	1	4	1	--	--	--	--	--
	42,689	--	\$16,066	46,424	54,371	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
Total	31	--	1	26	3	1	--	--	--	--
	\$57,948	--	\$16,066	\$60,858	\$50,041	\$47,876	--	--	--	--

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, 2012
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	11	7	4	--	--	--	--	--	--	--
	\$34,509	\$33,707	\$35,912	--	--	--	--	--	--	--
25 - 29	395	203	185	7	--	--	--	--	--	--
	49,101	50,164	47,703	\$55,213	--	--	--	--	--	--
30 - 34	1,138	332	629	176	1	--	--	--	--	--
	58,694	57,153	59,599	57,953	\$131,131	--	--	--	--	--
35 - 39	1,492	257	630	559	46	--	--	--	--	--
	62,742	58,568	63,304	64,337	59,003	--	--	--	--	--
40 - 44	1,588	187	455	566	263	113	4	--	--	--
	65,417	57,501	62,236	69,107	70,222	\$61,750	\$62,786	--	--	--
45 - 49	1,832	128	454	449	331	363	104	3	--	--
	64,335	53,453	61,067	61,253	70,908	70,081	64,592	\$55,066	--	--
50 - 54	2,108	140	405	515	350	438	196	62	2	--
	65,767	56,367	58,035	59,761	67,440	76,552	77,005	66,921	\$44,574	--
55 - 59	1,826	112	336	445	285	323	198	108	19	--
	65,711	55,808	58,149	61,118	66,497	71,041	80,283	73,621	66,145	--
60 - 64	1,001	68	247	267	155	153	76	26	7	2
	62,791	59,190	58,459	57,461	64,836	72,406	75,283	64,461	61,714	\$45,295
65 - 69	287	14	70	74	58	38	20	10	3	--
	62,613	45,374	58,328	58,851	66,318	62,092	70,167	90,736	126,737	--
70 & over	72	4	13	21	13	13	3	3	--	2
	61,840	29,511	62,326	62,174	59,396	69,335	93,737	47,037	--	61,372
Total	11,750	1,452	3,428	3,079	1,502	1,441	601	212	31	4
	\$63,475	\$55,758	\$59,730	\$62,405	\$67,915	\$71,639	\$75,480	\$70,707	\$69,616	\$53,333

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, 2012
By Age and Years of Service**

iii. General Tier B

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	125	125	--	--	--	--	--	--	--	--
	\$37,171	\$37,171	--	--	--	--	--	--	--	--
25 - 29	396	396	--	--	--	--	--	--	--	--
	43,815	43,815	--	--	--	--	--	--	--	--
30 - 34	269	269	--	--	--	--	--	--	--	--
	46,238	46,238	--	--	--	--	--	--	--	--
35 - 39	174	174	--	--	--	--	--	--	--	--
	46,081	46,081	--	--	--	--	--	--	--	--
40 - 44	148	148	--	--	--	--	--	--	--	--
	51,121	51,121	--	--	--	--	--	--	--	--
45 - 49	99	98	--	1	--	--	--	--	--	--
	54,223	52,621	--	\$211,204	--	--	--	--	--	--
50 - 54	100	99	1	--	--	--	--	--	--	--
	54,375	54,403	\$51,661	--	--	--	--	--	--	--
55 - 59	74	74	--	--	--	--	--	--	--	--
	53,945	53,945	--	--	--	--	--	--	--	--
60 - 64	25	25	--	--	--	--	--	--	--	--
	65,396	65,396	--	--	--	--	--	--	--	--
65 - 69	4	4	--	--	--	--	--	--	--	--
	52,532	52,532	--	--	--	--	--	--	--	--
70 & over	1	1	--	--	--	--	--	--	--	--
	28,949	28,949	--	--	--	--	--	--	--	--
Total	1,415	1,413	1	1	--	--	--	--	--	--
	\$47,131	\$47,012	\$51,661	\$211,204	--	--	--	--	--	--

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, 2012
By Age and Years of Service**

iv. Safety Tier A

Age	Years of Service								
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & over
Under 25	19	17	2	--	--	--	--	--	--
	\$58,336	\$58,050	\$60,763	--	--	--	--	--	--
25 – 29	223	133	88	2	--	--	--	--	--
	61,918	60,484	63,839	\$72,840	--	--	--	--	--
30 – 34	413	109	240	64	--	--	--	--	--
	65,434	62,156	65,493	70,792	--	--	--	--	--
35 – 39	529	59	140	259	71	--	--	--	--
	70,416	62,442	66,267	72,159	\$78,863	--	--	--	--
40 – 44	620	37	80	207	226	70	--	--	--
	76,862	62,956	68,727	73,920	81,928	\$85,851	--	--	--
45 – 49	594	20	76	87	124	230	56	1	--
	81,750	69,045	73,250	73,572	80,327	86,279	\$95,281	\$70,269	--
50 – 54	360	8	36	59	67	102	83	5	--
	82,223	63,154	68,567	72,405	80,647	84,904	93,991	97,993	--
55 – 59	158	6	28	34	27	25	27	11	--
	82,009	89,121	66,952	72,420	77,258	89,011	90,013	122,191	--
60 – 64	56	2	6	16	10	12	6	4	--
	85,757	93,247	96,149	75,610	77,452	93,322	90,775	97,555	--
65 – 69	13	1	3	--	4	3	1	--	1
	80,867	57,815	82,212	--	81,389	73,415	83,043	--	\$117,984
70 & over	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
Total	2,985	392	699	728	529	442	173	21	1
	\$74,980	\$62,461	\$67,191	\$72,818	\$80,652	\$86,152	\$93,613	\$109,265	\$117,984

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, 2012
By Age and Years of Service**

v. Safety Tier B

Age	Total	Years of Service							
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & over
Under 25	67	66	1	--	--	--	--	--	--
	\$45,150	\$45,147	\$45,406	--	--	--	--	--	--
25 - 29	109	109	--	--	--	--	--	--	--
	49,405	49,405	--	--	--	--	--	--	--
30 - 34	35	34	--	1	--	--	--	--	--
	51,133	51,365	--	\$43,236	--	--	--	--	--
35 - 39	22	22	--	--	--	--	--	--	--
	53,360	53,360	--	--	--	--	--	--	--
40 - 44	17	16	1	--	--	--	--	--	--
	62,579	63,029	55,382	--	--	--	--	--	--
45 - 49	6	6	--	--	--	--	--	--	--
	56,594	56,594	--	--	--	--	--	--	--
50 - 54	13	13	--	--	--	--	--	--	--
	72,959	72,959	--	--	--	--	--	--	--
55 - 59	7	7	--	--	--	--	--	--	--
	73,359	73,359	--	--	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
Total	276	273	2	1	--	--	--	--	--
	\$51,591	\$51,631	\$50,394	\$43,236	--	--	--	--	--

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

EXHIBIT C

Reconciliation of Member Data – June 30, 2011 to June 30, 2012

	Active Members	Deferred Terminated Members	Disabled Pensioners	Retired Members	Beneficiaries	Total
Number as of June 30, 2011	16,523	5,125	1,598	11,483	1,415	36,144
New members	1,020	102	N/A	N/A	N/A	1,122
Terminations – with vested rights	-303	303	0	0	0	0
Contribution refunds	-90	-204	N/A	N/A	N/A	-294
Retirements	-671	-224	0	895	N/A	0
New disabilities	-50	-3	72	-19	N/A	0
Return to work	54	-50	-2	-2	N/A	0
Died with or without beneficiary	-26	-10	-38	-275	21	-328
Data adjustments	<u>0</u>	<u>0</u>	<u>1</u>	<u>23</u>	<u>-6</u>	<u>18</u>
Number as of June 30, 2012	16,457	5,039	1,631	12,105	1,430	36,662

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, 2012	Year Ended June 30, 2011
Contribution income:		
Employer contributions	\$354,008,560	\$321,837,013
Employee contributions	<u>59,777,636</u>	<u>43,994,305</u>
Net contribution income	\$413,786,196	\$365,831,318
Investment income:		
Interest, dividends and other income	\$159,032,509	\$157,654,617
Recognition of capital appreciation	84,596,722	146,356,652
Less investment fees and administrative expenses	<u>-97,249,710</u>	<u>-100,492,928</u>
Net investment income	<u>146,379,521</u>	<u>203,518,341</u>
Total income available for benefits	\$560,165,717	\$569,349,659
Less benefit payments:		
Service retirement and disability benefits	-\$470,915,988	-\$437,455,288
Death benefits	-1,590,312	-1,245,487
Health benefits	-20,187,936	-22,081,927
Supplemental retirement benefits	-23,758,657	-22,872,705
Member refunds	<u>-3,366,473</u>	<u>-3,108,374</u>
Net benefit payments	-\$519,819,366	-\$486,763,781
Change in assets held for future benefits	\$40,346,351	\$82,585,878

Note: Results may not add due to rounding.

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

EXHIBIT E

Summary Statement of Plan Assets

	Year Ended June 30, 2012	Year Ended June 30, 2011
Cash equivalents	\$1,777,208,880	\$2,108,779,799
Accounts receivable:		
Contributions	\$3,777,456	\$2,888,756
Accrued interest and dividends	63,136,510	14,321,329
Settlement of securities sold	<u>56,871,565</u>	<u>13,178,545</u>
Total accounts receivable	123,785,531	30,388,630
Investments:		
Domestic equity securities and cash	\$494,467,150	\$715,595,345
International equity securities and cash	416,124,813	435,451,452
Bonds and cash	2,360,213,418	1,856,334,992
Securities lending collateral	106,904,740	283,039,064
Other investments	<u>3,403,317,261</u>	<u>3,096,593,593</u>
Total investments at market value	<u>6,781,027,382</u>	<u>6,387,014,446</u>
Total assets	\$8,682,021,793	\$8,526,182,875
Less accounts payable:		
Securities lending & settlement of securities purchased	-\$144,989,280	-\$333,724,707
Professional service	-8,708,730	-5,470,936
Cash in transit	-377,605	-399,919
Others	<u>-7,443,385</u>	<u>-3,718,111</u>
Total accounts payable	-\$161,519,000	-\$343,313,673
Net assets at market value	<u>\$8,520,502,793</u>	<u>\$8,182,869,202</u>
Net assets at actuarial value	<u>\$8,691,074,088</u>	<u>\$8,650,727,737</u>
Net assets at valuation value	<u>\$8,607,482,977</u>	<u>\$8,542,290,805</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 recommended employer normal cost contributions, and the present value of future recommended employer amortization payments.

Actuarial Balance Sheet (Dollar Amounts in Thousands)

	General	Safety	Total
Assets			
1 Total valuation assets	\$6,210,550	\$2,396,933	\$8,607,483
2 Present value of future contributions by members	615,257	256,349	871,606
3 Present value of future employer contributions for:			
a Entry age normal cost	753,181	396,365	1,149,546
b Unfunded actuarial accrued liability	<u>1,656,473</u>	<u>679,216</u>	<u>2,335,689</u>
4 Total current and future assets	\$9,235,461	\$3,728,863	\$12,964,324
Liabilities			
5 Present value of benefits for retirees and beneficiaries	\$4,291,598	\$1,718,998	\$6,010,596
6 Present value of benefits for deferred terminated members	298,609	57,655	356,264
7 Present value of benefits for active members	<u>4,645,254</u>	<u>1,952,210</u>	<u>6,597,464</u>
8 Total liabilities	\$9,235,461	\$3,728,863	\$12,964,324

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

EXHIBIT G

Summary of Reported Reserve Information as of June 30, 2012

Reserves	
(Dollar Amounts in Thousands)	
Member contributions ⁽¹⁾	\$482,861
County contributions ⁽¹⁾	1,898,397
Retired member reserve ⁽¹⁾	5,639,213
Transition reserves ⁽¹⁾	587,012
Total valuation reserve ⁽¹⁾	<u>\$8,607,483</u>
Supplemental benefit, disability supplemental benefit and 401(h) health reserves ⁽²⁾	83,591
Undistributed reserve ⁽²⁾	0
Contingency reserve ⁽²⁾	0
Total reserves	<u>\$8,691,074</u>
Net deferred gains (losses) ⁽²⁾	<u>(170,571)</u>
Net market value	<u>\$8,520,503</u>

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

⁽²⁾ Excluded 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, 2012

		(Amounts in Thousands)
1	Unfunded Actuarial Accrued Liability as of June 30, 2011	\$1,940,366
2	Normal Cost	272,919
3	Total employer and member contributions	-394,588
4	Interest	150,363
5	Expected Unfunded Actuarial Accrued Liability*	\$1,969,060
6	Changes due to:	
	(a) Investment return less than expected	\$533,655
	(b) Lower than expected salary increase	-196,062
	(c) Greater number of retirements than expected	55,237
	(d) Other experience gains/losses	-9,734
	(e) Lower premium pay assumption for actives	-109,798
	(f) Prefund the cost to convert sick leave to pension service credit at retirement	<u>93,331</u>
	(g) Total changes	<u>\$366,629</u>
7	Unfunded Actuarial Accrued Liability as of June 30, 2012	\$2,335,689

* Includes contribution loss of \$46.4 million during the year from actual contributions less than expected.

Note: Net gain from other non-investment experience of \$150.6 million (as shown on page 9) is equal to: 6(b) + 6(c) + 6(d).

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 amount indexed for inflation. The amount of that limit is \$200,000 for 2012. 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, as a percentage of payroll, 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

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1. Retired members as of the valuation date (including 1,430 beneficiaries in pay status)	15,166
2. Members inactive during year ended June 30, 2012 with vested rights*	5,039
3. Members active during the year ended June 30, 2012	16,457

The actuarial factors as of the valuation date are as follows (amounts in thousands):

1. Normal cost		\$268,428
2. Present value of future benefits		12,964,324
3. Present value of future normal costs		2,021,152
4. Actuarial accrued liability		10,943,172
Retired members and beneficiaries	\$6,010,596	
Inactive members with vested rights*	356,264	
Active members	4,576,312	
5. Valuation value of assets		8,607,483
6. Unfunded actuarial accrued liability		\$2,335,689

* Includes terminated members due a refund of member contributions.

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

EXHIBIT I (continued)

Summary of Actuarial Valuation Results (Dollar Amounts in Thousands)

	Dollar Amount*	% of Payroll
The determination of the required contribution is as follows:		
1. Total normal cost	\$268,428	25.51%
2. Expected employee contributions	<u>-111,465</u>	<u>10.59%</u>
3. Employer normal cost: (1) + (2)	\$156,963	14.92%
4. Amortization of unfunded actuarial accrued liability	<u>203,566</u>	<u>19.34%</u>
5. Total required contribution: (3) + (4)	\$360,529	34.26%

* Based on June 30, 2012 projected annual compensation.

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

EXHIBIT II

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
2007	\$231,300	\$258,200	111.6%
2008	236,763	236,763	100.0%
2009	219,635	219,635	100.0%
2010	188,414	189,470	100.6%
2011	205,799	235,392	114.4%
2012	274,106	274,106	100.0%

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

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

EXHIBIT III

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)
06/30/2007	\$7,250,404,000	\$8,082,517,000	\$832,113,000	89.70%	\$1,062,396,000	78.32%
06/30/2008	8,236,926,000	8,722,294,000	485,368,000	94.44%	1,135,432,000	42.75%
06/30/2009	8,413,065,000	9,198,636,000	785,571,000	91.46%	1,129,171,000	69.57%
06/30/2010	8,433,310,000	9,999,161,000	1,565,851,000	84.34%	1,095,582,000	142.92%
06/30/2011	8,542,291,000	10,482,657,000	1,940,366,000	81.49%	1,090,413,000	177.95%
06/30/2012	8,607,483,000	10,943,172,000	2,335,689,000	78.66%	1,052,366,000	221.95%

⁽¹⁾ Excludes assets for Supplemental Benefit and Health Benefit Reserves.

⁽²⁾ Excludes liabilities held for Supplemental Benefit and Health Benefit Reserves.

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

EXHIBIT IV

Supplementary Information Required by GASB

Valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal Actuarial Cost Method
Amortization method	Level percent of payroll for total unfunded liability (assuming annual 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 is 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	8.00%
Inflation rate	3.50%
Across the board salary increase	0.75%
Projected salary increases (5+ years of service)	General: 5.00%; Safety: 5.50%*
Cost of living adjustments	3.00% of retirement income for General Tier 1, General Tier A and Safety Tier A 2.00% of retirement income for General Tier B and Safety Tier B

Plan membership:

Retired members and beneficiaries receiving benefits	15,166
Deferred terminated members entitled to, but not yet receiving benefits	5,039
Active members	<u>16,457</u>
Total	36,662

* Includes inflation at 3.50%, across the board increase of 0.75%, 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 V
Actuarial Assumptions and Actuarial Cost Method**

Post-Retirement Mortality Rates:

Healthy Retirement: For General: RP-2000 Combined Healthy Mortality Table set back two years.
For Safety: RP-2000 Combined Healthy Mortality Table set back three years.

Disabled Retirement: For General: RP-2000 Combined Healthy Mortality Table set forward six years.
For Safety: RP-2000 Combined Healthy Mortality Table set back two years.

The tables shown above were determined so as to reasonable reflect future mortality improvement, based on a review of mortality experience as of the measurement date.

The following are sample rates (%).

Age	Healthy Life Mortality				Disabled Life Mortality			
	General		Safety		General		Safety	
	Male	Female	Male	Female	Male	Female	Male	Female
30	0.04	0.02	0.04	0.02	0.08	0.05	0.04	0.02
35	0.06	0.04	0.06	0.04	0.11	0.08	0.06	0.04
40	0.10	0.06	0.09	0.06	0.16	0.12	0.10	0.06
45	0.13	0.09	0.12	0.09	0.24	0.19	0.13	0.09
50	0.19	0.14	0.17	0.13	0.42	0.31	0.19	0.14
55	0.29	0.22	0.27	0.20	0.77	0.58	0.29	0.22
60	0.53	0.39	0.47	0.35	1.44	1.10	0.53	0.39
65	1.00	0.76	0.88	0.67	2.46	1.86	1.00	0.76
70	1.79	1.34	1.61	1.22	4.22	3.10	1.79	1.34

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

Employee Contribution Rates: For General – RP-2000 Combined Healthy Mortality Table for Males set back two years weighted 30% and RP-2000 Combined Healthy Mortality Table for Females set back two years weighted 70%.

For Safety – RP-2000 Combined Healthy Mortality Table for Males set back three years weighted 75% and RP-2000 Combined Healthy Mortality Table for Females set back three years weighted 25%.

Termination Rates Before Retirement:

Mortality Rates: For General – Same as Post-Retirement Healthy Mortality Rates for retired General members (i.e., RP-2000 Combined Healthy Mortality Table set back two years).

For Safety – Same as Post-Retirement Healthy Mortality Rates for retired Safety members (i.e., RP-2000 Combined Healthy Mortality Table set back three years).

For General members, 100% of pre-retirement deaths are assumed to be non-service connected deaths.

For Safety and Probation members, 100% of pre-retirement deaths are assumed to be service connected deaths.

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

Disability Rates:	Rate (%)					
	Non Service Connected Disability			Service Connected Disability		
	General		Safety	General		Safety
	Age	Male		Female	Males	
20	0.00	0.00	0.00	0.01	0.00	0.05
25	0.00	0.00	0.00	0.01	0.02	0.10
30	0.01	0.01	0.02	0.02	0.05	0.24
35	0.02	0.02	0.05	0.04	0.10	0.61
40	0.04	0.07	0.08	0.10	0.13	0.81
45	0.07	0.12	0.10	0.17	0.21	0.81
50	0.12	0.15	0.10	0.21	0.25	1.18
55	0.19	0.18	0.10	0.31	0.30	2.07
60	0.22	0.26	0.10	0.38	0.33	2.56
65	0.22	0.30	0.04	0.16	0.13	1.04

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

Withdrawal Rates:

		Rate (%)		
		Ordinary Withdrawals (< 5 Years of Service)		
		General		Safety
Years of Service		Male	Female	
0		12.25	13.00	11.00
1		7.50	8.25	7.50
2		5.75	6.00	3.75
3		4.50	5.25	3.25
4		4.25	5.00	3.25

		Ordinary Withdrawal (5+ Years of Service) *		
		General		Safety
Age		Male	Female	
20		1.00	1.25	0.86
25		1.00	1.25	0.72
30		1.00	1.16	0.66
35		0.83	0.83	0.58
40		0.60	0.55	0.41
45		0.51	0.34	0.33
50		0.50	0.25	0.31
55		0.50	0.25	0.30
60		0.38	0.25	0.12
65		0.30	0.25	0.00

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

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

Withdrawal Rates (continued):

Years of Service	Rate (%)		
	Vested Termination (<5 Years of Service) *		
	General		Safety
Male	Female		
0	3.00	3.00	2.50
1	2.00	2.00	1.25
2	1.50	1.50	1.25
3	1.00	1.50	1.00
4	1.00	1.50	1.00

Age	Vested Termination (5+ Years of Service) *		
	General		Safety
	Male	Female	
20	6.16	6.48	3.42
25	5.76	5.28	3.12
30	4.94	4.50	2.58
35	3.72	3.76	1.94
40	3.02	2.92	1.34
45	2.67	2.36	1.04
50	2.50	2.08	0.88
55	2.50	1.94	0.80
60	2.50	1.90	0.32

* 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 (%)			
	General		Safety	
	Tier 1 and Tier A	Tier B	Tier A	Tier B
48	-	-	4.0	3.0
49	50.0	-	7.0	3.0
50	8.0	-	15.0	12.0
51	5.0	-	13.0	12.0
52	5.0	-	13.0	12.0
53	5.0	-	15.0	12.0
54	7.0	-	15.0	12.0
55	12.0	6.0	16.0	19.0
56	12.0	7.0	20.0	23.0
57	13.0	9.0	24.0	27.0
58	14.0	9.0	30.0	32.0
59	16.0	9.0	30.0	32.0
60	20.0	10.0	30.0	45.0
61	21.0	14.0	30.0	45.0
62	25.0	20.0	35.0	45.0
63	26.0	20.0	35.0	45.0
64	30.0	20.0	35.0	45.0
65	30.0	30.0	75.0	100.0
66	30.0	30.0	75.0	100.0
67	30.0	30.0	75.0	100.0
68	35.0	30.0	75.0	100.0
69	40.0	30.0	75.0	100.0
70	75.0	100.0	100.0	100.0
71	75.0	100.0	100.0	100.0
72	75.0	100.0	100.0	100.0
73	75.0	100.0	100.0	100.0
74	75.0	100.0	100.0	100.0
75 and later	100.0	100.0	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 52. 30% of General and 35% of Safety future deferred vested members are assumed to be reciprocal. For reciprocals, we assume 5.00% compensation increases per annum for General members and 5.50% compensation increases per annum for Safety members.
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 are 3 years younger than their spouses
Net Investment Return:	8.00%; net of administration and investment expenses.
Employee Contribution Crediting Rate:	One-half 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 3.50% per year; benefit increases due to CPI subject to 3.0% maximum for General Tier 1, General Tier A and Safety Tier A. Benefit increases due to CPI subject to 2.0% maximum for General Tier B and Safety Tier B.

Salary Scale:

Annual Rate of Compensation Increase

Inflation: 3.50% per year; plus “Across the Board” salary increases of 0.75% per year; plus Merit and Longevity as follows:

Years of Service	General	Safety
0	6.00%	8.00%
1	4.75	6.50
2	3.75	5.50
3	2.75	4.75
4	2.25	4.25
5+	0.75	1.25

Pay for Performance and Other Premium Pays:

General members are assumed to be eligible for an average annual pay for performance and other premium pays of 1.25%.

Safety members are assumed to be eligible for an average annual pay for performance and other premium pays of 1.25%.

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

**Service Converted From
Unused Sick Leave:**

The following assumptions for service converted from unused sick leave as a percentage of service at retirement are used:

General:	2.00%
Safety:	2.25%

Pursuant to Section 31641.02, the cost of this benefit will be charged only to employers and will not affect member contribution rates.

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 and are recognized over a five-year period.

Valuation Value of Assets

The actuarial value of assets reduced by the following reserves: (1) 401(h) Health Benefit Reserve; (2) Undistributed Reserve; (3) Contingency Reserve; (4) Supplemental Benefit Reserve; and (5) Disability Supplemental Benefit 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.

Changes in Assumptions:

Based on the additional data provided, we recommend the following actuarial assumptions be changed. Also, no assumption was used in the prior valuation to anticipate the conversion of unused sick leave to service credit at retirement.

**Pay for Performance and
Other Premium Pays:**

General members are assumed to be eligible for an average annual pay for performance and other premium pays of 4%.

Safety members are assumed to be eligible for an average annual pay for performance and other premium pays of 3%.

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EXHIBIT VI

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, 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 and before August 28, 2009, except as noted above.
<i>General Tier B</i>	All General members hired on or after August 28, 2009.
<i>Safety Tier A</i>	All Safety members hired before August 28, 2009.
<i>Safety Tier B</i>	All Safety members hired on or after August 28, 2009.
<hr/>	
Final Average Compensation for Benefit Determination:	
<i>General Tier 1 and Tier A and Safety Tier A</i>	Highest consecutive 26 bi-weekly pay periods of compensation earnable (§31462.1) (FAC).
<i>General Tier B and Safety Tier B</i>	Three-year average of highest consecutive 78 bi-weekly pay periods of compensation earnable (§31462)(F3AC).
<hr/>	
Service:	Years of service. (Yrs)

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

Service Retirement Eligibility:

<i>General Tier 1 and Tier A</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>General Tier B</i>	Age 55 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 Tier A and Tier B</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).

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	$(2.62\% \times \text{FAC} - 1/3 \times 2.62\% \times \$350 \times 12) \times \text{Yrs}$
<i>General Tier A (§31676.17)</i>	Retirement Age	Benefit Formula
	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	$(3.00\% \times \text{FAC} - 1/3 \times 3.00\% \times \$350 \times 12) \times \text{Yrs}$
<i>General Tier B (§31676.12)</i>	Retirement Age	Benefit Formula
	50	$(1.34\% \times \text{F3AC} - 1/3 \times 1.34\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(1.77\% \times \text{F3AC} - 1/3 \times 1.77\% \times \$350 \times 12) \times \text{Yrs}$
	60	$(2.34\% \times \text{F3AC} - 1/3 \times 2.34\% \times \$350 \times 12) \times \text{Yrs}$
	62	$(2.62\% \times \text{F3AC} - 1/3 \times 2.62\% \times \$350 \times 12) \times \text{Yrs}$
	65	$(2.62\% \times \text{F3AC} - 1/3 \times 2.62\% \times \$350 \times 12) \times \text{Yrs}$

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	Retirement Age	Benefit Formula
<i>Safety Tier A (Non-Integrated) (§31664.1)</i>	50	(3.00% x FAC x Yrs)
	55	(3.00% x FAC x Yrs)
	60	(3.00% x FAC x Yrs)

	Retirement Age	Benefit Formula
<i>Safety Tier B (Non-Integrated) (§31664.2)</i>	50	(2.29% x F3AC x Yrs)
	55	(3.00% x F3AC x Yrs)
	60	(3.00% x F3AC x Yrs)

Maximum Benefit: 100% of Final Average Compensation (§31676.12, §31676.17, §31664.1, §31664.2)

Non Service Connected Disability:

General Members

Eligibility

Five years of service (§31720).

Benefit Formula

1.8% of FAC (F3AC for Tier B) per year of service. If the benefit does not exceed one-third of Final Average Compensation, the service is projected to 62, and the total benefit cannot be more than one-third of Final Average Compensation (§31727.1).

Safety Members

Eligibility

Five years of service (§31720).

Benefit Formula

1.8% of FAC (F3AC for Tier B) per year of service. If the benefit does not exceed one-third of Final Average Compensation, the service is projected to 55, and the total benefit cannot be more than one-third of Final Average Compensation (§31727.2).

Service Connected Disability:

All Members

Eligibility

No age or service requirements (§31720).

Benefit Formula

50% of FAC (F3AC for Tier B) 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. Alternatively, 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 FAC (F3AC for Tier B) 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, having 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 Tier 1 and Tier A
and Safety Tier A*

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)

General Tier B and Safety Tier B

Future changes based on changes to the Consumer Price Index for the San Diego area to a maximum of 2% per year, excess “banked.” (§31870)

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 Allowance
and Health Insurance Allowance:**

The Association provides a supplemental benefit allowance and a health insurance allowance for eligible retirees. These benefits have been 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>General Tier B</i>	
<i>Basic</i>	Provide for an average annuity at age 60 equal to 1/100 of F3AC. (§31621.2)
<i>Cost-of-Living</i>	Provide for one-half of future Cost-of-Living costs.
<i>Safety Tier A</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.
<i>Safety Tier B</i>	
<i>Basic</i>	Provide for an average annuity at age 50 equal to 1/100 of F3AC. (§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 principal 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

**i. General Tier 1 Members' Contribution Rates from the June 30, 2012 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	3.51%	5.27%	1.17%	1.75%	4.68%	7.02%
16	3.51%	5.27%	1.17%	1.75%	4.68%	7.02%
17	3.57%	5.36%	1.19%	1.78%	4.76%	7.14%
18	3.63%	5.45%	1.21%	1.81%	4.84%	7.26%
19	3.69%	5.54%	1.23%	1.84%	4.92%	7.38%
20	3.75%	5.63%	1.24%	1.86%	4.99%	7.49%
21	3.82%	5.73%	1.27%	1.90%	5.09%	7.63%
22	3.89%	5.83%	1.29%	1.93%	5.18%	7.76%
23	3.95%	5.93%	1.31%	1.96%	5.26%	7.89%
24	4.02%	6.03%	1.33%	2.00%	5.35%	8.03%
25	4.09%	6.13%	1.35%	2.03%	5.44%	8.16%
26	4.15%	6.23%	1.37%	2.06%	5.52%	8.29%
27	4.22%	6.33%	1.40%	2.10%	5.62%	8.43%
28	4.29%	6.44%	1.42%	2.13%	5.71%	8.57%
29	4.37%	6.55%	1.45%	2.17%	5.82%	8.72%
30	4.43%	6.65%	1.47%	2.20%	5.90%	8.85%
31	4.51%	6.76%	1.49%	2.24%	6.00%	9.00%
32	4.58%	6.87%	1.52%	2.28%	6.10%	9.15%
33	4.66%	6.99%	1.55%	2.32%	6.21%	9.31%
34	4.73%	7.10%	1.57%	2.35%	6.30%	9.45%
35	4.81%	7.22%	1.59%	2.39%	6.40%	9.61%
36	4.89%	7.34%	1.62%	2.43%	6.51%	9.77%
37	4.97%	7.46%	1.65%	2.47%	6.62%	9.93%
38	5.05%	7.58%	1.67%	2.51%	6.72%	10.09%

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

**i. General Tier 1 Members' Contribution Rates from the June 30, 2012 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	5.13%	7.70%	1.70%	2.55%	6.83%	10.25%
40	5.22%	7.83%	1.73%	2.59%	6.95%	10.42%
41	5.31%	7.96%	1.76%	2.64%	7.07%	10.60%
42	5.39%	8.09%	1.79%	2.68%	7.18%	10.77%
43	5.48%	8.22%	1.81%	2.72%	7.29%	10.94%
44	5.57%	8.35%	1.85%	2.77%	7.42%	11.12%
45	5.66%	8.49%	1.87%	2.81%	7.53%	11.30%
46	5.75%	8.63%	1.91%	2.86%	7.66%	11.49%
47	5.85%	8.78%	1.94%	2.91%	7.79%	11.69%
48	5.95%	8.93%	1.97%	2.96%	7.92%	11.89%
49	6.06%	9.09%	2.01%	3.01%	8.07%	12.10%
50	6.17%	9.25%	2.04%	3.06%	8.21%	12.31%
51	6.28%	9.42%	2.08%	3.12%	8.36%	12.54%
52	6.41%	9.61%	2.12%	3.18%	8.53%	12.79%
53	6.54%	9.81%	2.17%	3.25%	8.71%	13.06%
54	6.69%	10.03%	2.21%	3.32%	8.90%	13.35%
55	6.77%	10.15%	2.24%	3.36%	9.01%	13.51%
56	6.83%	10.25%	2.27%	3.40%	9.10%	13.65%
57	6.85%	10.28%	2.27%	3.41%	9.12%	13.69%
58	6.83%	10.25%	2.27%	3.40%	9.10%	13.65%
59 & Over	6.77%	10.15%	2.24%	3.36%	9.01%	13.51%

Interest: 8.00%

Inflation: 3.50%

Across the board increase: 0.75%

COLA: 3.00%

COLA Loading Factor: 33.12%

Mortality: RP-2000 Combined Healthy Mortality Table set back two years 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

**ii. General Tier A Members' Contribution Rates from the June 30, 2012 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	4.06%	6.09%	1.55%	2.32%	5.61%	8.41%
16	4.06%	6.09%	1.55%	2.32%	5.61%	8.41%
17	4.13%	6.19%	1.57%	2.36%	5.70%	8.55%
18	4.20%	6.30%	1.60%	2.40%	5.80%	8.70%
19	4.27%	6.40%	1.63%	2.44%	5.90%	8.84%
20	4.34%	6.51%	1.65%	2.48%	5.99%	8.99%
21	4.41%	6.62%	1.68%	2.52%	6.09%	9.14%
22	4.49%	6.73%	1.71%	2.56%	6.20%	9.29%
23	4.56%	6.84%	1.73%	2.60%	6.29%	9.44%
24	4.64%	6.96%	1.77%	2.65%	6.41%	9.61%
25	4.71%	7.07%	1.79%	2.69%	6.50%	9.76%
26	4.79%	7.19%	1.83%	2.74%	6.62%	9.93%
27	4.87%	7.31%	1.85%	2.78%	6.72%	10.09%
28	4.95%	7.43%	1.89%	2.83%	6.84%	10.26%
29	5.03%	7.55%	1.91%	2.87%	6.94%	10.42%
30	5.11%	7.67%	1.95%	2.92%	7.06%	10.59%
31	5.20%	7.80%	1.98%	2.97%	7.18%	10.77%
32	5.28%	7.92%	2.01%	3.01%	7.29%	10.93%
33	5.37%	8.05%	2.04%	3.06%	7.41%	11.11%
34	5.46%	8.19%	2.08%	3.12%	7.54%	11.31%
35	5.55%	8.32%	2.11%	3.17%	7.66%	11.49%
36	5.64%	8.46%	2.15%	3.22%	7.79%	11.68%
37	5.73%	8.59%	2.18%	3.27%	7.91%	11.86%
38	5.82%	8.73%	2.21%	3.32%	8.03%	12.05%
39	5.92%	8.88%	2.25%	3.38%	8.17%	12.26%
40	6.02%	9.03%	2.29%	3.44%	8.31%	12.47%
41	6.12%	9.18%	2.33%	3.49%	8.45%	12.67%
42	6.22%	9.33%	2.37%	3.55%	8.59%	12.88%

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

**ii. General Tier A Members' Contribution Rates from the June 30, 2012 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	6.33%	9.49%	2.41%	3.61%	8.74%	13.10%
44	6.44%	9.66%	2.45%	3.68%	8.89%	13.34%
45	6.55%	9.83%	2.49%	3.74%	9.04%	13.57%
46	6.68%	10.02%	2.54%	3.81%	9.22%	13.83%
47	6.81%	10.21%	2.59%	3.89%	9.40%	14.10%
48	6.95%	10.42%	2.65%	3.97%	9.60%	14.39%
49	7.11%	10.66%	2.71%	4.06%	9.82%	14.72%
50	7.19%	10.79%	2.74%	4.11%	9.93%	14.90%
51	7.26%	10.89%	2.76%	4.14%	10.02%	15.03%
52	7.28%	10.92%	2.77%	4.16%	10.05%	15.08%
53	7.26%	10.89%	2.76%	4.14%	10.02%	15.03%
54 & Over	7.19%	10.78%	2.73%	4.10%	9.92%	14.88%

Interest: 8.00%
 Inflation: 3.50%
 Across the board increase: 0.75%
 COLA: 3.00%
 COLA Loading Factor: 38.05%
 Mortality: RP-2000 Combined Health Mortality Table set back two years 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

**iii. General Tier B Members' Contribution Rates from the June 30, 2012 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%	0.63%	0.94%	3.98%	5.96%
16	3.35%	5.02%	0.63%	0.94%	3.98%	5.96%
17	3.40%	5.10%	0.63%	0.95%	4.03%	6.05%
18	3.46%	5.19%	0.65%	0.97%	4.11%	6.16%
19	3.52%	5.28%	0.66%	0.99%	4.18%	6.27%
20	3.58%	5.37%	0.67%	1.00%	4.25%	6.37%
21	3.64%	5.46%	0.68%	1.02%	4.32%	6.48%
22	3.70%	5.55%	0.69%	1.04%	4.39%	6.59%
23	3.77%	5.65%	0.71%	1.06%	4.48%	6.71%
24	3.83%	5.74%	0.71%	1.07%	4.54%	6.81%
25	3.89%	5.84%	0.73%	1.09%	4.62%	6.93%
26	3.96%	5.94%	0.74%	1.11%	4.70%	7.05%
27	4.03%	6.04%	0.75%	1.13%	4.78%	7.17%
28	4.09%	6.14%	0.77%	1.15%	4.86%	7.29%
29	4.16%	6.24%	0.78%	1.17%	4.94%	7.41%
30	4.23%	6.34%	0.79%	1.18%	5.02%	7.52%
31	4.30%	6.45%	0.80%	1.20%	5.10%	7.65%
32	4.37%	6.55%	0.81%	1.22%	5.18%	7.77%
33	4.44%	6.66%	0.83%	1.24%	5.27%	7.90%
34	4.51%	6.77%	0.84%	1.26%	5.35%	8.03%
35	4.59%	6.88%	0.85%	1.28%	5.44%	8.16%
36	4.66%	6.99%	0.87%	1.31%	5.53%	8.30%
37	4.74%	7.11%	0.89%	1.33%	5.63%	8.44%
38	4.81%	7.22%	0.90%	1.35%	5.71%	8.57%
39	4.89%	7.34%	0.91%	1.37%	5.80%	8.71%
40	4.97%	7.46%	0.93%	1.39%	5.90%	8.85%
41	5.05%	7.58%	0.95%	1.42%	6.00%	9.00%
42	5.14%	7.71%	0.96%	1.44%	6.10%	9.15%

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

**iii. General Tier B Members' Contribution Rates from the June 30, 2012 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	5.22%	7.83%	0.97%	1.46%	6.19%	9.29%
44	5.31%	7.96%	0.99%	1.49%	6.30%	9.45%
45	5.39%	8.09%	1.01%	1.51%	6.40%	9.60%
46	5.49%	8.23%	1.03%	1.54%	6.52%	9.77%
47	5.58%	8.37%	1.04%	1.56%	6.62%	9.93%
48	5.67%	8.51%	1.06%	1.59%	6.73%	10.10%
49	5.77%	8.66%	1.08%	1.62%	6.85%	10.28%
50	5.88%	8.82%	1.10%	1.65%	6.98%	10.47%
51	5.99%	8.98%	1.12%	1.68%	7.11%	10.66%
52	6.11%	9.16%	1.14%	1.71%	7.25%	10.87%
53	6.21%	9.31%	1.16%	1.74%	7.37%	11.05%
54	6.28%	9.42%	1.17%	1.76%	7.45%	11.18%
55	6.31%	9.47%	1.18%	1.77%	7.49%	11.24%
56	6.32%	9.48%	1.18%	1.77%	7.50%	11.25%
57	6.28%	9.42%	1.17%	1.76%	7.45%	11.18%
58	6.51%	9.77%	1.21%	1.82%	7.72%	11.59%
59 & Over	6.77%	10.15%	1.27%	1.90%	8.04%	12.05%
Interest:	8.00%					
Inflation:	3.50%					
Across the board increase:	0.75%					
COLA:	2.00%					
COLA Loading Factor:	18.68%					
Mortality:	RP-2000 Combined Healthy Mortality Table set back two years 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

**iv. Safety Tier A Members' Contribution Rates from the June 30, 2012 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)**

Calculated Under Adopted Assumptions

Entry Age	Basic	COLA	Total
15	8.14%	4.47%	12.61%
16	8.14%	4.47%	12.61%
17	8.14%	4.47%	12.61%
18	8.14%	4.47%	12.61%
19	8.14%	4.47%	12.61%
20	8.14%	4.47%	12.61%
21	8.14%	4.47%	12.61%
22	8.25%	4.53%	12.78%
23	8.36%	4.59%	12.95%
24	8.48%	4.66%	13.14%
25	8.59%	4.72%	13.31%
26	8.71%	4.79%	13.50%
27	8.83%	4.85%	13.68%
28	8.95%	4.92%	13.87%
29	9.08%	4.99%	14.07%
30	9.20%	5.05%	14.25%
31	9.33%	5.13%	14.46%
32	9.46%	5.20%	14.66%
33	9.60%	5.27%	14.87%
34	9.74%	5.35%	15.09%
35	9.88%	5.43%	15.31%
36	10.03%	5.51%	15.54%
37	10.18%	5.59%	15.77%
38	10.34%	5.68%	16.02%
39	10.51%	5.77%	16.28%
40	10.69%	5.87%	16.56%
41	10.88%	5.98%	16.86%
42	11.09%	6.09%	17.18%
43	11.33%	6.22%	17.55%
44	11.62%	6.38%	18.00%
45	11.64%	6.40%	18.04%

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

**iv. Safety Tier A Members' Contribution Rates from the June 30, 2012 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)**

Calculated Under Adopted Assumptions

Entry Age	Basic	COLA	Total
46	11.63%	6.39%	18.02%
47	11.58%	6.36%	17.94%
48	11.46%	6.30%	17.76%
49 & Over	11.25%	6.18%	17.43%

Interest:	8.00%
Inflation:	3.50%
Across the board increase:	0.75%
COLA:	3.00%
COLA Loading Factor:	54.94%
Mortality:	RP-2000 Combined Healthy Mortality Table set back three years weighted 75% male and 25% 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

**v. Safety Tier B Members' Contribution Rates from the June 30, 2012 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)**

Calculated Under Adopted Assumptions

Entry Age	Basic	COLA	Total
15	7.72%	2.30%	10.02%
16	7.72%	2.30%	10.02%
17	7.72%	2.30%	10.02%
18	7.72%	2.30%	10.02%
19	7.72%	2.30%	10.02%
20	7.72%	2.30%	10.02%
21	7.72%	2.30%	10.02%
22	7.83%	2.33%	10.16%
23	7.93%	2.36%	10.29%
24	8.04%	2.40%	10.44%
25	8.15%	2.43%	10.58%
26	8.27%	2.46%	10.73%
27	8.38%	2.50%	10.88%
28	8.50%	2.53%	11.03%
29	8.61%	2.57%	11.18%
30	8.73%	2.60%	11.33%
31	8.86%	2.64%	11.50%
32	8.98%	2.68%	11.66%
33	9.11%	2.71%	11.82%
34	9.24%	2.75%	11.99%
35	9.37%	2.79%	12.16%
36	9.51%	2.83%	12.34%
37	9.66%	2.88%	12.54%
38	9.81%	2.92%	12.73%
39	9.97%	2.97%	12.94%
40	10.14%	3.02%	13.16%
41	10.32%	3.07%	13.39%
42	10.52%	3.13%	13.65%
43	10.66%	3.18%	13.84%
44	10.71%	3.19%	13.90%
45	10.68%	3.18%	13.86%

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

**v. Safety Tier B Members' Contribution Rates from the June 30, 2012 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)**

Calculated Under Adopted Assumptions

Entry Age	Basic	COLA	Total
46	10.60%	3.16%	13.76%
47	10.45%	3.11%	13.56%
48	10.84%	3.23%	14.07%
49 & Over	11.25%	3.35%	14.60%

Interest: 8.00%
 Inflation: 3.50%
 Across the board increase: 0.75%
 COLA: 2.00%
 COLA Loading Factor: 29.79%
 Mortality: RP-2000 Combined Healthy Mortality Table set back three years weighted 75% male and 25% 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

Appendix B

Unfunded Actuarial Accrued Liability (UAAL) Amortization Schedule as of June 30, 2012

	Date Established	Description	Initial Amount	Outstanding Balance	Years Remaining	Payment
General	June 30, 2004	Reamortize UAAL	\$898,323,000	\$858,179,000	12	\$89,880,000
	June 30, 2005	Actuarial loss	128,924,000	125,977,000	13	12,380,000
	June 30, 2006	Actuarial gain	(122,837,000)	(121,877,000)	14	(11,304,000)
	June 30, 2007	Actuarial gain	(319,377,000)	(320,153,000)	15	(28,166,000)
	June 30, 2008	Actuarial gain	(252,322,000)	(254,443,000)	16	(21,326,000)
	June 30, 2009	Actuarial loss	229,764,000	232,191,000	17	18,611,000
	June 30, 2010	Actuarial loss	275,738,000	278,314,000	18	21,405,000
	June 30, 2010	Assumption change	273,446,000	276,000,000	18	21,228,000
	June 30, 2011	Actuarial loss	272,855,000	274,493,000	19	20,318,000
	June 30, 2012	Actuarial loss	331,062,000	331,062,000	20	23,647,000
	June 30, 2012	Assumption change	(23,270,000)	<u>(23,270,000)</u>	20	<u>(1,662,000)</u>
	Subtotal				\$1,656,473,000	
Safety	June 30, 2004	Reamortize UAAL	\$304,408,000	\$290,803,000	12	\$30,457,000
	June 30, 2005	Actuarial loss	40,271,000	39,350,000	13	3,867,000
	June 30, 2006	Actuarial gain	(29,564,000)	(29,334,000)	14	(2,721,000)
	June 30, 2007	Actuarial gain	(81,955,000)	(82,155,000)	15	(7,228,000)
	June 30, 2008	Actuarial gain	(88,653,000)	(89,398,000)	16	(7,493,000)
	June 30, 2009	Actuarial loss	82,198,000	83,067,000	17	6,658,000
	June 30, 2010	Actuarial loss	103,299,000	104,264,000	18	8,019,000
	June 30, 2010	Assumption change	140,579,000	141,893,000	18	10,913,000
	June 30, 2011	Actuarial loss	114,781,000	115,470,000	19	8,547,000
	June 30, 2012	Actuarial loss	98,453,000	98,453,000	20	7,032,000
June 30, 2012	Assumption change	6,803,000	<u>6,803,000</u>	20	<u>486,000</u>	
Subtotal				\$679,216,000		\$58,537,000

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, 2012 (continued)

	Date Established	Description	Initial Amount	Outstanding Balance	Years Remaining	Payment
General and Safety	June 30, 2004	Reamortize UAAL	\$1,202,731,000	\$1,148,982,000	12	\$120,337,000
	June 30, 2005	Actuarial loss	169,195,000	165,327,000	13	16,247,000
	June 30, 2006	Actuarial gain	(152,401,000)	(151,211,000)	14	(14,025,000)
	June 30, 2007	Actuarial gain	(401,332,000)	(402,308,000)	15	(35,394,000)
	June 30, 2008	Actuarial gain	(340,974,000)	(343,841,000)	16	(28,819,000)
	June 30, 2009	Actuarial loss	311,963,000	315,258,000	17	25,269,000
	June 30, 2010	Actuarial loss	379,037,000	382,578,000	18	29,424,000
	June 30, 2010	Assumption change	414,025,000	417,893,000	18	32,141,000
	June 30, 2011	Actuarial loss	387,636,000	389,963,000	19	28,865,000
	June 30, 2012	Actuarial loss	429,515,000	429,515,000	20	30,679,000
	June 30, 2012	Assumption change	(16,467,000)	<u>(16,467,000)</u>	20	<u>(1,176,000)</u>
Grand Total				\$2,335,689,000		\$203,548,000

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