

April 21, 2010

Mr. Mark Hovey, Interim Administrator / CEO
 San Diego City Employees' Retirement System
 401 West A Street, Suite 400
 San Diego, CA 92101

Re: July 1, 2010 Cost-of-Living Adjustment (COLA)

Dear Mark:

We were asked to provide you with the July 1, 2010 cost-of-living adjustment schedule for SDCERS members, prepared in accordance with Article 4, Section 24.1505, of the San Diego Municipal Code. Below we present our calculation of the July 1, 2010 adjustment.

1. Special Class Safety Members:

Adjustments for the Special Class Safety retired members are determined individually based upon ½ the amount of the current salary of their retired rank.

2. 1981 Plan:

Retired members from the 1981 Plan are adjusted each July 1 (following the third anniversary of the pension commencement) based on the *Consumer Price Index for All Urban Consumers, All Items, (1982 – 1984 = 100), San Diego*. This index is computed semi-annually. The adjustment is made annually and is 50% of the CPI change, but not to exceed 10%.

1981 Plan CPI adjustment July 1, 2010

Measurement Period	CPI	Percentage Change	July 1, 2010 COLA used *
CPI 2 nd half of '08	242.185		
CPI 2 nd half of '09	243.655	0.607%	0.3%

* *This COLA applies only to those members who retired on or before June 30, 2007.*



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3. All other Retired Members:

The remaining members' adjustments according to the Municipal Code are to be based on the *Consumer Price Index for All Urban Consumers, All Items, (1982 – 1984 = 100), United States city average*, with a maximum annual adjustment of 2%. This index is computed monthly.

All other members CPI adjustment July 1, 2010

Measurement Period	CPI	Percentage Change	July 1, 2010 COLA used for retirees retired before 7/1/10
December 2008	210.228		
December 2009	215.949	2.721%	2.0%

Finally, with respect to all other members, the Municipal Code specifies that the difference between the actual CPI percentage calculated without regard to the cap and the actual COLA used is to be accumulated and carried over each year. Exhibit I shows the historical annual CPI and SDCERS adjustments made since June 30, 1971. The right hand box shows the accumulated “carryover” amounts for all retirees prior to July 1, 2010.

Please call if you have any questions.

Sincerely,
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Gene M. Kalwarski, FSA
Principal Consulting Actuary

Enclosure

cc: Margaret Tempkin, FSA

**City of San Diego Employees' Retirement System
(Except 1981 Pension System)
Suggested Cost-of-Living Adjustments (Section 24.1505)
Based on Historical Information Provided by SDCERS
as of 7/1/2010**

CPI Change used for As of July 1,	<u>Historical CPI and Adjustments</u>				<u>By Retiree Cohorts</u>	
	<u>(1)</u> CPI Change*	<u>(2)</u> Adjustment	<u>(3)</u> (1)-(2) Difference	<u>(4)</u> Accum. Carry Over	<u>Came on Pension Role on or before</u>	<u>Accum. Carry Over</u>
1971	4.0%	1.5%	2.5%	2.5%	06/30/71	122.4%
1972	3.8%	1.5%	2.3%	4.8%	06/30/72	119.9%
1973	3.9%	1.5%	2.4%	7.2%	06/30/73	117.6%
1974	9.3%	1.5%	7.8%	15.0%	06/30/74	115.2%
1975	16.9%	1.5%	15.4%	30.4%	06/30/75	107.4%
1976	7.5%	1.5%	6.0%	36.4%	06/30/76	92.0%
1977	5.3%	1.5%	3.8%	40.2%	06/30/77	86.0%
1978	7.3%	1.5%	5.8%	46.0%	06/30/78	82.2%
1979	9.5%	1.5%	8.0%	54.0%	06/30/79	76.4%
1980	13.8%	1.5%	12.3%	66.3%	06/30/80	68.4%
1981	4.5%	1.5%	3.0%	69.3%	06/30/81	56.1%
1982	12.9%	1.5%	11.4%	80.7%	06/30/82	53.1%
1983	9.4%	1.5%	7.9%	88.6%	06/30/83	41.7%
1984	4.5%	1.5%	3.0%	91.6%	06/30/84	33.8%
1985	4.2%	2.0%	2.2%	93.8%	06/30/85	30.8%
1986	5.0%	2.0%	3.0%	96.8%	06/30/86	28.6%
1987	2.9%	2.0%	0.9%	97.7%	06/30/87	25.6%
1988	2.0%	2.0%	0.0%	97.7%	06/30/88	24.7%
1989	4.4%	2.0%	2.4%	100.1%	06/30/89	24.7%
1990	4.4%	2.0%	2.4%	102.5%	06/30/90	22.3%
1991	4.6%	2.0%	2.6%	105.1%	06/30/91	19.9%
1992	6.1%	2.0%	4.1%	109.2%	06/30/92	17.3%
1993	6.1%	2.0%	4.1%	113.3%	06/30/93	13.2%
1994	2.9%	2.0%	0.9%	114.2%	06/30/94	9.1%
1995	2.8%	2.0%	0.8%	115.0%	06/30/95	8.2%
1996	2.7%	2.0%	0.7%	115.7%	06/30/96	7.4%
1997	3.3%	2.0%	1.3%	117.0%	06/30/97	6.7%
1998	1.7%	2.0%	-0.3%	116.7%	06/30/98	5.7%
1999	1.6%	2.0%	-0.4%	116.3%	06/30/99	6.1%
2000	2.7%	2.0%	0.7%	117.0%	06/30/00	6.1%
2001	3.4%	2.0%	1.4%	118.4%	06/30/01	5.4%
2002	1.6%	2.0%	-0.4%	118.0%	06/30/02	4.4%
2003	2.4%	2.0%	0.4%	118.4%	06/30/03	4.4%
2004	1.9%	2.0%	-0.1%	118.3%	06/30/04	4.1%
2005	3.3%	2.0%	1.3%	119.6%	06/30/05	4.1%
2006	3.4%	2.0%	1.4%	121.0%	06/30/06	2.8%
2007	2.5%	2.0%	0.5%	121.5%	06/30/07	1.4%
2008	4.1%	2.0%	2.1%	123.6%	06/30/08	0.9%
2009	0.1%	2.0%	-1.9%	121.7%	06/30/09	0.7%
2010	2.7%	2.0%	0.7%	122.4%	06/30/10	0.7%

*CPI Information earlier than 2005 is based on prior actuarial information obtained from SDCERS