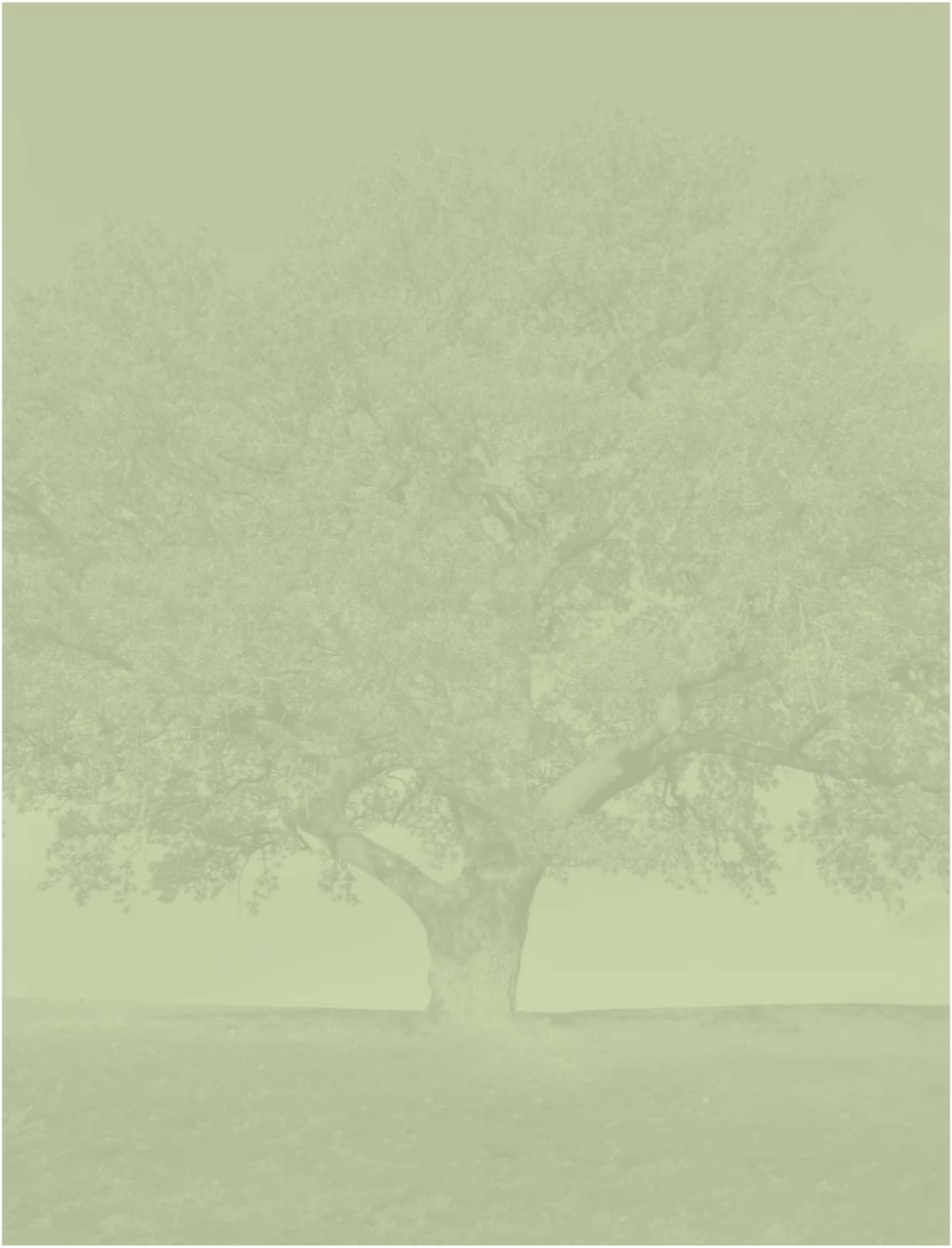
SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

Comprehensive Annual Financial Report

for the Fiscal Years Ended

June 30, 2008 and 2007

Sacramento, California



Comprehensive Annual Financial Report

For The Fiscal Years Ended
June 30, 2008 and 2007

Issued By:

Richard Stensrud
Chief Executive Officer

Kathryn T. Regalia, CPA
Chief Operations Officer

Thuyet Ziyalan
Senior Accountant

Sacramento County
Employees' Retirement System

980 9th Street, Suite 1800
Sacramento, CA 95814

www.scers.org

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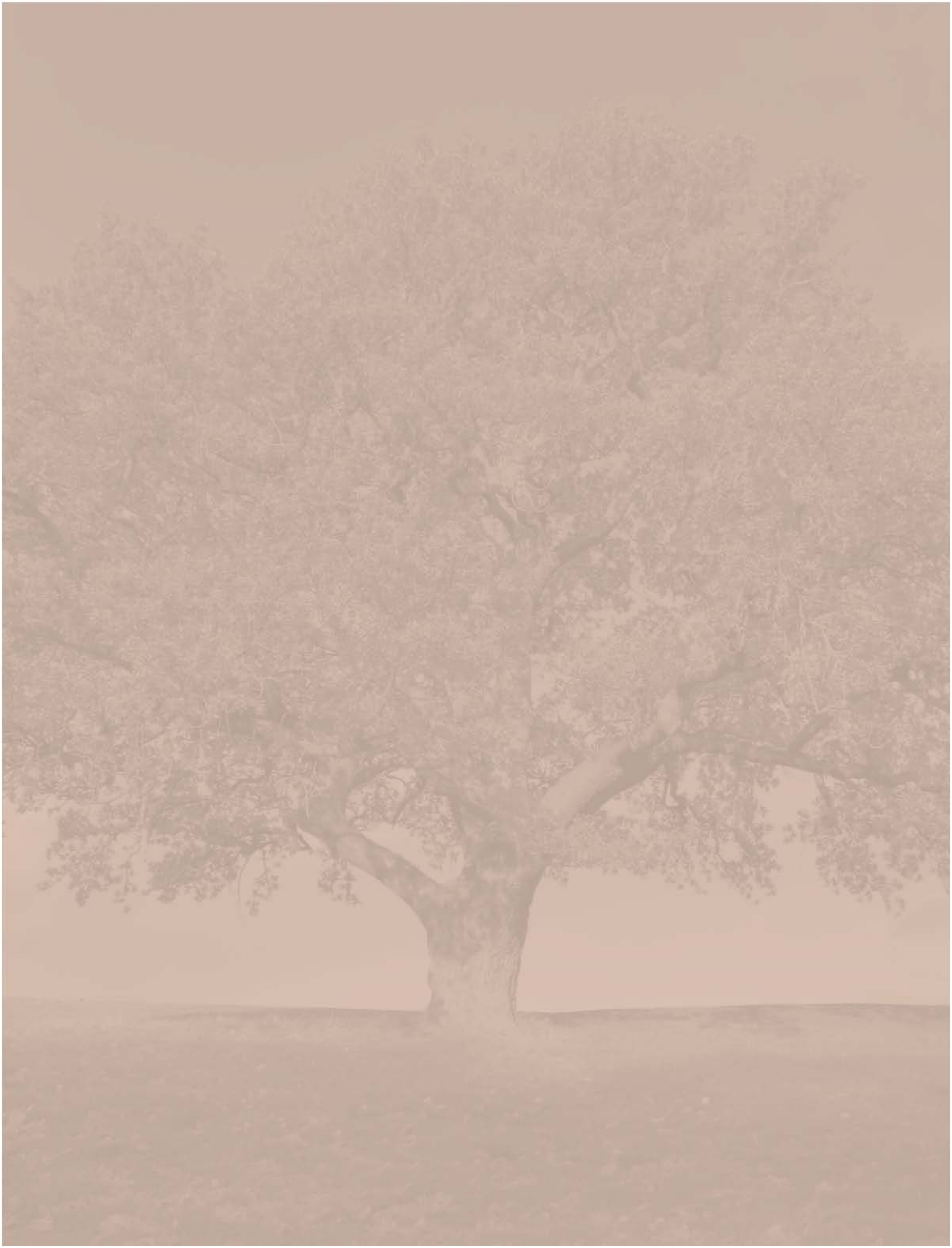


INTRODUCTORY SECTION

December 5, 2008

Board of Retirement
Sacramento County Employees' Retirement System
980 9th Street, Suite 1800
Sacramento, CA 95814

Dear Board Members:

As Chief Executive Officer of the Sacramento County Employees' Retirement System ("SCERS" or the "System"), I am pleased to present this Comprehensive Annual Financial Report ("CAFR" or the "Report") for the fiscal years ended June 30, 2008 and 2007.

The System

SCERS is a multiple-employer public employee retirement system, enacted and administered in accordance with the provisions of the County Employees Retirement Law of 1937 (California Government Code Section 31450, et seq.) ("1937 Act"). Since its creation by the Sacramento County Board of Supervisors in 1941, SCERS has provided retirement, disability, and survivors' benefits to eligible participants of the System. Under Article XVI, Section 17 of the Constitution of the State of California, the SCERS Board of Retirement is vested with plenary authority and fiduciary responsibility for the investment of monies and the administration of the System. Together, the provisions of the State Constitution and the 1937 Act establish SCERS as a separate and independent governmental entity from the public employers that participate in SCERS. At June 30, 2008, the County of Sacramento; Superior Court of California, County of Sacramento; and eleven Special Districts participated in SCERS.

The Comprehensive Annual Financial Report

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation in this CAFR rests with the management of the System. To the best of management's knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the System.

I trust that readers of this Report and participants of the System will find this information helpful in understanding SCERS and its commitment to financial integrity and participant service.

SCERS Mission Statement and Core Values

We are dedicated to providing the highest level of retirement services and managing system resources in an effective and prudent manner.

In fulfilling our mission as a retirement system, we are committed to:

- ◊ The highest levels of professionalism and fiduciary responsibility
- ◊ Acting with integrity
- ◊ Competent, courteous and respectful service to all
- ◊ Open and fair processes
- ◊ Safeguarding confidential information
- ◊ Cost-effective operations
- ◊ Stable funding and minimal contribution volatility
- ◊ Effective communication and helpful education
- ◊ Maintaining a highly competent and committed staff
- ◊ Continuous improvement
- ◊ Planning strategically for the future

Accounting System and Reports

Management of SCERS is responsible for establishing and maintaining internal controls designed to ensure that the System's assets are protected from loss, theft, or misuse. Responsibility for the accuracy, completeness, and fair presentation of information, and all disclosures in this CAFR and in the System's records, rests with SCERS' management. Macias Gini & O'Connell, LLP, a certified public accounting firm, has audited the financial statements and related disclosures. The financial audit provides assurance that SCERS' financial statements are presented in conformity with accounting principles generally accepted in the United States and are free from material misstatement. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) The cost of a control should not exceed the benefits likely to be derived; and (2) The assessment of costs and benefits requires estimates and judgments by management.

This report has been prepared in accordance with generally accepted accounting principles ("GAAP") as promulgated by the Governmental Accounting Standards Board ("GASB"). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The System's MD&A can be found immediately following the independent auditor's report.

Investments – General Authority and SCERS

Article XVI, Section 17 of the Constitution of the State of California provides that "Notwithstanding any other provisions of law or this Constitution, the Retirement Board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of monies and administration of the system…." Article XVI, Section 17(a) further provides that "the Retirement Board of a public pension or retirement system shall have sole and exclusive fiduciary responsibility over the assets…."

SCERS maintains an overall investment policy designed to achieve a diversified investment portfolio. An integral part of the investment policy is the strategic asset allocation, which is designed to provide an optimal mix of asset classes with return expectations that correspond to expected liabilities. The strategic asset allocation also emphasizes maximum diversification of the portfolio to protect the System from the possibility that a particular asset class may experience poor investment performance in a given period.

For the year ended June 30, 2008, SCERS' investments provided a (4.5%) rate of return (gross of fees), compared to the investment policy benchmark return of (3.0%).

More detailed information regarding SCERS' strategic asset allocation, professional investment advisors, and investment performance can be found in the Investment Section of this Report.

Actuarial Funding Status

SCERS' overall funding objective is to meet long-term benefit promises by maintaining a well-funded plan status through a combination of superior investment returns and employer and employee contributions which are both minimized and maintained as level as possible for each generation of active members. The greater the level of overall plan funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the investment potential. The advantage of a well-funded plan is that the benefits earned by participants are funded during their working careers and not by future generations of taxpayers. To help reduce year-to-year volatility in employer contribution rates due to fluctuations in investment performance, SCERS smooths the calculation of actuarial assets over a rolling five-year period. This not only stabilizes contribution rates but also improves the ability of the employer to plan for possible future increases or decreases in the rates.

SCERS engaged an independent actuarial consulting firm, The Segal Company, to conduct its annual actuarial valuation as of June 30, 2008. Triennially, the System requests that its actuary perform an analysis of the appropriateness of all economic and non-economic assumptions. The most recent triennial analysis was performed as of June 30, 2007, and as a result of that analysis, the Board of Retirement approved certain changes to the actuarial assumptions, which were incorporated in the actuarial valuation as of June 30, 2008.

At June 30, 2008, SCERS' funding ratio was 93.2%, with the actuarial value of assets totaling $5,930.8 million and the actuarial accrued liability totaling $6,363.4 million. The decrease in the funding ratio (down from 93.4%) was due primarily to investment returns (after "smoothing") less than 7.875%. Deferred losses under the smoothing methodology exceed the deferred gains by $194.4 million as of June 30, 2008, and these deferred losses will be amortized over the next four years.

Budget

The Board of Retirement approves SCERS' annual budget. The 1937 Act limits SCERS' annual administrative expenses to eighteen hundredths of one percent (0.18%) of the System's total assets, and SCERS' administrative expenses have historically been below that limitation. For the years ended June 30, 2008 and 2007, administrative expenses were within the budget established by the Board of Retirement and were 0.08% and 0.09% of each of the prior year's total assets, respectively.

Significant Events

Following are significant events which occurred during the fiscal year:

- ◊ Commenced a facilitated long-range strategic planning process.
- ◊ Engaged the actuary, The Segal Company, to perform a triennial study of actuarial experience and actuarial assumptions. Analyzed and made various changes to the actuarial assumptions.
- ◊ Implemented a new service purchase option for members which allows them to purchase up to five years of additional retirement credit. Project included the development of specialized cost calculators for members to use in assessing whether or not to make an additional retirement credit purchase.
- ◊ Implemented a one-time election allowing Miscellaneous Tier 2 members to convert to Miscellaneous Tier 3 status for future service.
- ◊ Developed a pricing methodology and process for Miscellaneous Tier 2 members who elected to make the tier conversion, to upgrade their past Miscellaneous Tier 2 service to Tier 3 service.
- ◊ Evaluated staffing of investment functions and initiated a plan to add two new internal investment staff positions to support the Chief Investment Officer.
- ◊ Performed on-site investment manager due diligence visits in Chicago and New York.
- ◊ Analyzed issues related to the federal Pension Protection Act and adopted policies, procedures and provisions necessary to implement the new components of federal tax law, including the tax exclusion available to qualified public safety officers.
- ◊ Enhanced the COMPASS payroll system to identify and track payments relevant to implementation of the federal Pension Protection Act.
- ◊ Improved the reporting of tax information in form 1099-R through the COMPASS payroll system.
- ◊ Introduced Retirement Planning Seminars focused on early career members.
- ◊ Established new procedures for evaluating and developing recommendations regarding disability retirement applications, including establishment of a Disability Review Committee and expanding the roster of hearing officers for disability matters.
- ◊ Developed and initiated a pilot project to add a 'full-service' team to the Benefits staff.
- ◊ Created a new retirement database for enhanced monitoring of retirement applications and improved performance measurement.
- ◊ Continued to enhance business resumption plans in the event of a disaster by commencing a project to scan and retain electronic images of administrative records.
- ◊ Adopted a securities litigation policy, including the daily monitoring of securities litigation cases and the engagement of outside legal counsel to evaluate potential cases.
- ◊ Conducted and completed an asset/liability study and a review and modification of SCERS' asset manager structure with assistance from Mercer Investment Consulting.
- ◊ Amended the Investment Policy and Objectives to incorporate the new asset classes and new investment options authorized as part of the asset/liability study and manager structure review.
- ◊ Conducted a search for and selected three private equity fund-of-fund managers to receive SCERS' first investment commitments in private equity.
- ◊ Conducted a search for and selected two commodities investment managers to invest part of the new Opportunities asset allocation.
- ◊ Authorized an investment in a distressed mortgage fund as part of the Opportunities asset allocation.
- ◊ Authorized an investment in the European credit markets as part of the Opportunities asset allocation.

- Conducted searches for and selected five new U.S. equity core investment managers – two enhanced large cap index equity managers and three active extension (130/30) managers – as part of the restructuring in the Domestic Equity Asset Class sub-asset class.
- Conducted searches for and selected two small cap domestic equity managers and one large cap growth domestic equity managers to replace under-performing managers.
- Developed and implemented a Board investment education program, including sessions on several alternative investment strategies and a special session on the crisis in the U.S./Global credit markets related to sub-prime lending.
- Worked with the Voter Registration and Elections Office to conduct a SCERS Board election for new three-year terms for one Board Member who represents the Miscellaneous Members, and Board Members to serve as the Retiree representative and the Alternate Retiree representative.
- Participated in the presentation of information to the Governor's Public Employee Post-Employment Benefit Commission.
- Participated in a study commissioned by the State Association of County Retirement Systems (SACRS) quantifying the local and statewide economic impact of the retirement benefit payments made by SCERS and the other 1937 Act retirement systems.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SCERS for its comprehensive annual financial report for the fiscal years ended June 30, 2007 and 2006. In order to be granted this national award, a governmental entity must publish an easily readable and efficiently organized CAFR that meets the highest standards of governmental financial reporting. This was the ninth consecutive year that the System has achieved this prestigious award.

A Certificate of Achievement is valid for a period of one year. Management believes that this current comprehensive annual financial report continues to meet the requirements for earning a Certificate of Achievement, and it will be submitted to the GFOA for consideration for the award.

Acknowledgements

This Report is intended to provide complete and reliable information with respect to the responsible stewardship of SCERS. The compilation of this Report is a product of the combined and dedicated effort of the System's staff. This Report is also a reflection of the leadership of the SCERS Board in assuring the prudent fiduciary oversight of SCERS. I would like to take this opportunity to express my thanks to the SCERS Board, staff, and advisors for their commitment to SCERS and for working so diligently to ensure the successful operation of the System.

Respectfully submitted,

Richard Stensrud

Richard Stensrud
Chief Executive Officer

Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sacramento County

Employees' Retirement System

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

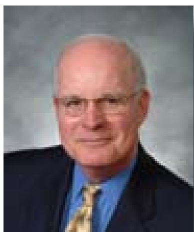
President

Executive Director

Board of Retirement

President
James A. Diepenbrock
Appointed by Board of Supervisors
Present term expires June 30, 2009

1st Vice President
Keith DeVore
Elected by Miscellaneous Members
Present term expires December 31, 2010



2nd Vice President
John B. Kelly
Appointed by Board of Supervisors
Present term expires December 31, 2009

Ex-Officio
Dave Irish
Sacramento County Director of Finance
Member mandated by law

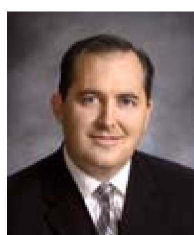
Trustee
Winston H. Hickox
Appointed by Board of Supervisors
Present term expires June 30, 2009

Trustee
Alice Jarboe
Elected by Miscellaneous Members
Present term expires December 31, 2009

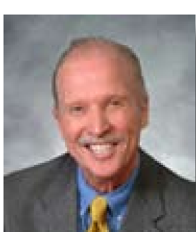
Trustee
William D. Johnson
Elected by Safety Members
Present term expires December 31, 2009

Trustee
Nancy Wolford-Landers
Elected by Retired Members
Present term expires December 31, 2010

Trustee
Robert Woods
Appointed by Board of Supervisors
Present term expires June 30, 2010



Alternate Safety Trustee
John Conneally
Elected by Safety Members
Present term expires December 31, 2009

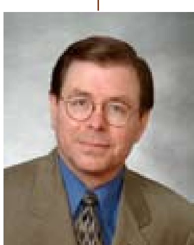


Alternate Retiree Trustee
William Cox
Elected by Retired Members
Present term expires December 31, 2010

ORGANIZATION CHART

BOARD OF RETIREMENT

Richard Stensrud
Chief Executive Officer

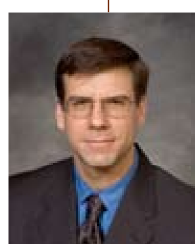


Jeffrey W. States
Chief Investment Officer

- Investment policy and objectives
- Investment compliance and performance reporting
- Asset allocation rebalancing
- Conduct manager searches
- Manager due diligence
- Proxy voting and corporate governance
- Board education on investment issues

James G. Line
General Counsel

- Legal representation and counsel to SCERS Board and staff
- Coordinate and oversee the selection and work of outside legal counsel
- Evaluation of securities litigation
- Analysis of state and federal legislation
- Legislative proposals, contracts, resolutions, opinions
- Legal education programs
- Legal service planning and budgeting



John W. Gobel, Sr.
Chief Benefits Officer

Suzanne Likarich
Retirement Services Manager

- Service, disability, deferred, and reciprocal retirements
- Pension payroll administration
- Seminar presentations and member retirement counseling
- Retirement publications and communications
- Death benefits, service credit purchases
- Community property interest resolution

Kathryn T. Regalia
Chief Operations Officer

- Accounting and financial reporting
- Budgeting and cash flow analysis
- Human resources
- Facilities and safety
- Information technology and telecommunications
- Administration and records

Participating Employers

Employer	Date Entered System
County of Sacramento	July 1, 1941
Elected Officials: Board of Supervisors Sheriff Assessor District Attorney	July 1, 1941
U.C. Davis Medical Center	July 1, 1941
Sacramento Metropolitan Fire District*	March 1, 1957
Sunrise Recreation and Park District	August 1, 1961
Fair Oaks Cemetery District	March 1, 1962
Carmichael Recreation and Park District	January 1, 1967
Florin Fire District*	July 1, 1974
Mission Oaks Recreation and Park District	February 1, 1976
Sacramento Employment Training Agency (SETA)	June 1, 1979
Orangevale Recreation and Park District	March 3, 1987
Elk Grove Cosumnes Cemetery District	April 28, 1987
Galt-Arno Cemetery District	July 1, 1987
Superior Court of California, County of Sacramento	June 25, 2006**

* Florin Fire District terminated its membership on June 30, 1996. Members are currently part of Sacramento Metropolitan Fire District.

** Prior to June 25, 2006, Superior Court member information was included in the totals for the County of Sacramento.

Professional Consultants

Actuary
The Segal Company
120 Montgomery Street, Suite 500
San Francisco, CA 94104

Auditor
Macias Gini & O'Connell, LLP
Certified Public Accountants
3000 S Street, Suite 300
Sacramento, CA 95816

Custodian
State Street California, Inc.
1001 Marina Village Parkway, 3rd Floor
Alameda, CA 94501

Legal Counsel
County of Sacramento
Office of the County Counsel
700 H Street, Suite 2650
Sacramento, CA 95814

Nossaman, LLP
50 California Street, 34th Floor
San Francisco, CA 94111-4712

Investment Consultant
Mercer Investment Consulting, Inc.
777 South Figuero Street, Suite 2000
Los Angeles, CA 90017

Investment Managers
AEW Capital Management
World Trade Center East, Two Seaport Lane
Boston, MA 02210-2021

Abbott Capital Private Equity Fund VI, LP
1211 Avenue of the Americas, Suite 4300
New York, NY 10036-8701

Alliance Bernstein Institutional Investments
One North Lexington Avenue, 19th Floor
White Plains, NY 10601

AXA Rosenberg Investment Management, LLC
4 Orinda Way, Bldg E
Orinda, CA 94563

Bear Stearns Asset Management
383 Madison Avenue, 28th Floor
New York, NY 10179

BlackRock Realty Advisors, Inc.
300 Campus Drive, Suite 300
Florham Park, NJ 07932

The Blackstone Group, LP
345 Park Avenue, 28th Floor
New York, NY 10154

Bradford & Marzec Global Fixed Income Management
333 South Hope Street, Suite 4050
Los Angeles, CA 90071

Capital Guardian Trust Company
333 South Hope Street
Los Angeles, CA 90071

Capital International, Inc.
11100 Santa Monica Boulevard, 16th Floor
Los Angeles, CA 90025

Cornerstone Real Estate Advisors, LLC
One Financial Plaza, Suite 1700
Hartford, CT 06103-2604

Dalton, Greiner, Hartman, Maher & Co., LLC
3001 Tamiami Trail North, Suite 206
Naples, FL 34103-4172

European Credit Management, Ltd.
980 North Michigan Avenue, Suite 1150
Chicago, IL 60611

Goldman Sachs Private Equity Partners X, LP
32 Old Slip, 31st Floor
New York, NY 10005

Investment Managers - continued

Grosvenor Capital Management, LP
900 North Michigan Avenue, Suite 1100
Chicago, IL 60611

HarbourVest Partners, LLC
One Financial Center, 44th Floor
Boston, MA 02111

Heitman Capital Management Corporation
191 North Wacker Drive
Chicago, IL 60606

Hines U.S. Office Value Added Fund II, LLC
2800 Post Oak Boulevard, Suite 5000
Houston, TX 77056-6118

INTECH Investment Strategies
2401 PGA Boulevard, Suite 100
Palm Beach Gardens, FL 33410

Invesco Global Asset Management (N.A.), Inc.
Two Peachtree Pointe
1555 Peachtree Street, NE, Suite 1800
Atlanta, GA 30309

Lehman Brothers Asset Management LLC
190 South LaSalle Street, Suite 2400
Chicago, IL 60603

LSV Asset Management
One North Wacker Drive, Suite 4000
Chicago, IL 60606

M.A. Weatherbie & Co., Inc.
265 Franklin Street, 16th Floor
Boston, MA 02110

Metropolitan West Asset Management, LLC
11766 Wilshire Boulevard, Suite 1580
Los Angeles, CA 90025

PIMCO Distressed Mortgage Fund, LP
330 West 9th Street
Kansas City, MO 64105

Principal Global Investors, LLC
801 Grand Avenue, 25th Floor
Des Moines, IA 50392-0490

Pzena Investment Management, LLC
120 West 45th Street, 20th Floor
New York, NY 10036

State Street Global Advisors
One Market Street, 1700 Steuart Tower
San Francisco, CA 94105

Thompson, Siegel & Walmsley, LLC
6806 Paragon Place, Suite 300
Richmond, VA 23230

UBS Realty Investors, LLC
242 Trumbull Street
Hartford, CT 06103-1212

Urdang Securities Management
630 West Germantown Pike, Suite 300
Plymouth Meeting, PA 19462

Wedge Capital Management, LLP
301 South College Street, Suite 2920
Charlotte, NC 28202

Wells Capital Management
100 Heritage Reserve
Menomonee Falls, WI 53051

Westridge Capital Management
222 East Carrillo Street, Suite 300
Santa Barbara, CA 93101

A schedule of manager fees is located on pages 70 and 71 in the Investment Section.

Financial Section

MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

2175 N. California Boulevard, Suite 645
Walnut Creek, CA 94596
925.274.0190

515 S. Figueroa Street, Suite 325
Los Angeles, CA 90071
213.286.6400

402 West Broadway, Suite 400
San Diego, CA 92101
619.573.1112

INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement of the
Sacramento County Employees' Retirement System
Sacramento, California

We have audited the accompanying statements of fiduciary net assets of the Sacramento County Employees' Retirement System (the System), as of June 30, 2008 and 2007, and the related statements of changes in fiduciary net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the Sacramento County Employees' Retirement System as of June 30, 2008 and 2007, and the changes in fiduciary net assets for the years then ended in conformity with the accounting principles generally accepted in the United States of America.

As discussed in Note 2, effective July 1, 2007, the System adopted the provisions of Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No.27.*

The global financial markets have experienced significant volatility. As a result, the fair value of the System's investments has declined subsequent to June 30, 2008, as described in Note 11.

In accordance with *Government Auditing Standards*, we have issued our report dated December 5, 2008, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 20 through 27, the Schedule of Funding Progress and the Schedule of Employer Contributions on pages 54 through 55 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The introductory section, other supplemental information in the financial section and the investments, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information in the financial section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, investments, actuarial and statistical sections have not been subjected to auditing procedures applied in the audit of the basic financials statements and, accordingly, we express no opinion on them.

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 5, 2008

This section presents management's discussion and analysis (MD&A) of the financial activities of the Sacramento County Employees' Retirement System (SCERS) for the years ended June 30, 2008 and 2007. Readers are encouraged to consider the narrative overview and information presented in this MD&A in conjunction with the Letter of Transmittal beginning on page 6 of this Report and the Financial Statements, Notes to the Financial Statements, Required Supplementary Information, and Other Supplemental Information that follows.

FINANCIAL HIGHLIGHTS

As of June 30, 2008, the net assets of SCERS held in trust for pension benefits (Net Assets) totaled $5,736.3 million. This represents a decrease of $239.6 million or 4.0% from the $5,975.9 million in SCERS Net Assets as of June 30, 2007, which, in turn, represented an increase of $885.0 million or 17.4% over the $5,090.9 million in Net Assets as of June 30, 2006.

Additions to Net Assets were $(14.9) million and $1,091.2 million for the years ended June 30, 2008 and 2007, respectively. Investment losses were the reason for the decrease in total additions for the year ended June 30, 2008, with net investment losses of $234.1 million. Investment gains were a significant portion of total additions for the year ended June 30, 2007, with net investment gains of $891.5 million.

Deductions in Net Assets were $224.7 million and $206.2 million for the years ended June 30, 2008 and 2007, respectively. The total deductions in the year ended June 30, 2008 increased $18.5 million or 9.0% over the year ended June 30, 2007, which, in turn, saw an increase in total deductions of $18.2 million or 9.7% over the year ended June 30, 2006. Increased monthly benefit payments due to the increase in number of retirees and the annual cost-of-living adjustment were the primary reason for the increase in total deductions for both years.

SCERS' funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2008, the funded ratio of SCERS (i.e., the ratio of the actuarial value of assets to actuarial accrued liability) was 93.2%, down from the funded ratio of 93.4% as of June 30, 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A serves as an introduction to the basic financial statements, which are comprised of the following components:

- ◊ Statements of Fiduciary Net Assets - Pension Trust Fund
- ◊ Statements of Changes in Fiduciary Net Assets - Pension Trust Fund
- ◊ Statements of Fiduciary Net Assets - Agency Fund
- ◊ Notes to the Basic Financial Statements
- ◊ Required Supplementary Information
- ◊ Other Supplemental Information

The Statements of Fiduciary Net Assets - Pension Trust Fund are snapshots of account balances at fiscal year end. These statements reflect assets available for future payments to retirees and their beneficiaries, and liabilities owed as of fiscal year end.

The Statements of Changes in Fiduciary Net Assets - Pension Trust Fund reflect all the activities that occurred during the year and show the impact of those activities as additions or deductions to the plan. The trend of additions versus deductions to the plan will indicate whether SCERS' financial position is improving or deteriorating over time.

The basic financial statements and the required disclosures are in accordance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB) and are prepared utilizing the accrual basis of accounting, which is the accounting method practiced by most private-sector companies. Under this method, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses are recorded at trade date, not settlement date. Both realized and unrealized gains and losses are included in investments.

The fiduciary fund statements report SCERS' net assets held in trust for pension benefits (net assets) – i.e., the difference between assets and liabilities – which is one way to measure the System's financial position. Over time, increases or decreases in net assets serve as one indicator of whether SCERS' financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the System's overall health.

The Statements of Fiduciary Net Assets - Agency Fund reflect assets held by SCERS in a trustee capacity or as an agent on behalf of others and do not measure the results of operations.

The Notes to the Basic Financial Statements are an integral part of the financial reports and provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the financial statements and accompanying notes, this Report presents certain Required Supplementary Information concerning SCERS' progress in funding its obligations to provide benefits to System members. The schedule of funding progress includes historical trend information about the actuarially-funded status of the plan and the progress made in accumulating sufficient assets to pay benefits when due. The schedule of employer contributions presents historical trend information about the annual required contribution of the employers and the actual contributions made. These schedules provide information to help promote understanding of the changes in the funded status of the plan over time.

Schedules of administrative expenses, investment management expenses, payments to consultants, and statements of changes in assets and liabilities for agency fund are presented as Other Supplemental Information following the Required Supplementary Information.

FINANCIAL ANALYSIS

Assets and Funded Ratio

SCERS net assets held in trust for pension benefits as of June 30, 2008 totaled $5,736.3 million, a decrease of $239.6 million or 4.0% from the $5,975.9 million in net assets as of June 30, 2007, which, in turn, represented an increase of $885.0 million or 17.4% over the $5,090.9 million in net assets as of June 30, 2006. The decrease in net assets for the year ended June 30, 2008 was due to investment losses as a result of the expanding problems in the U.S. and global credit markets as well as the slowdown in several segments of the U.S. economy and the decline in global growth. While the increase in net assets for the year ended June 30, 2007 was due to investment gains. All of the net assets are available to meet SCERS' obligations to plan participants and beneficiaries. The increase in cash and short-term investments as of June 30, 2008 compared to the prior year was primarily the result of changes to SCERS' strategic asset allocation which resulted in $250.0 million held as cash collateral. The increases in receivables and investment trades payable as of June 30, 2008 compared to the prior year were due to the delayed settlement of transitional trades related to two new investment porfolios that were settled in July 2008. The decreases in securities lending collateral and securities lending liability as of June 30, 2008 compared to the prior year were due to a reduction in bond securities and withdrawals from lending of portfolios in transition.

The increase in securities lending liability and securities lending collateral as of June 30, 2007 compared to the prior year were due to the significant increase in demand to borrow secutities, especially equities. The decrease in investment trades payable as of June 30, 2007 compared to the prior year was due to the reduction in trading activities at fiscal year end as a result of a volatile market.

NET ASSETS

As of June 30

(Dollar Amounts Expressed in Millions)

Assets	2008	2007	Increase/ (Decrease)	% Change
Cash and short-term investments	$585.8	$282.7	$303.1	107.2%
Receivables	227.0	89.2	137.8	154.5
Investments, at fair value	5,558.4	5,968.8	(410.4)	(6.9)
Securities lending collateral	656.9	864.2	(207.3)	(24.0)
Other assets	6.5	8.4	(1.9)	(22.6)
Total assets	7,034.6	7,213.3	(178.7)	(2.5)
Liabilities				
Investment trades payable	422.1	137.1	285.0	207.9
Mortgages payable	194.9	199.1	(4.2)	(2.1)
Securities lending liability	656.9	864.2	(207.3)	(24.0)
Other liabilities	24.4	37.0	(12.6)	(34.1)
Total liabilities	1,298.3	1,237.4	60.9	4.9
Net assets held in trust for pension benefits	$5,736.3	$5,975.9	$(239.6)	(4.0)%

NET ASSETS
As of June 30
(Dollar Amounts Expressed in Millions)

Assets	2007	2006	Increase/ (Decrease)	% Change
Cash and short-term investments	$282.7	$331.0	$(48.3)	(14.6)%
Receivables	89.2	68.7	20.5	29.8
Investments, at fair value	5,968.8	5,121.7	847.1	16.5
Securities lending collateral	864.2	638.4	225.8	35.4
Other assets	8.4	9.5	(1.1)	(11.6)
Total assets	7,213.3	6,169.3	1,044.0	16.9
Liabilities				
Investment trades payable	137.1	255.2	(118.1)	(46.3)
Mortgages payable	199.1	153.7	45.4	29.5
Securities lending liability	864.2	638.4	225.8	35.4
Other liabilities	37.0	31.1	5.9	19.0
Total liabilities	1,237.4	1,078.4	159.0	14.7
Net assets held in trust for pension benefits	$5,975.9	$5,090.9	$885.0	17.4%

SCERS retains an independent actuarial firm, The Segal Company, to perform annual actuarial valuations to monitor the funding status of the System. An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the actuarial liabilities, which are the actuarial present value of all future benefits expected to be paid with respect to each member. The purpose of the valuation is to determine what future contributions will be needed by the members and participating employers to pay all expected future benefits.

As of June 30, 2008, the funded ratio of SCERS (i.e., the ratio of the actuarial value of assets to actuarial accrued liability) was 93.2%, down from the funded ratio of 93.4% as of June 30, 2007. In general terms, this ratio means that as of June 30, 2008, SCERS had approximately 93 cents available for each dollar of anticipated future liability.

The Required Supplementary Information and Actuarial Section of this Report provide additional actuarial information.

Reserves

SCERS' reserves are established in accordance with the requirements of the 1937 Act, utilizing contributions and the accumulation of investment income, after satisfying administrative and investment expenses. Under GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, investments are stated at fair value instead of cost and include the recognition of unrealized gains and losses. In addition, for actuarial purposes, SCERS utilizes a five-year smoothing methodology under which a portion of the market gains and losses is recognized and allocated to the reserves through interest crediting. The difference between the market value of assets (equivalent to the net assets held in trust for pension benefits) and the smoothed actuarial value of assets is tracked in the Market Stabilization Reserve.

As a result of lower-than-expected investment performance over the year ended June 30, 2008, SCERS Market Stabilization Reserve declined to $(194.4) million. As of June 30, 2007, the Market Stabilization Reserve was $569.4 million as a result of strong investment performance over the preceding four years.

NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE AS OF JUNE 30

(Dollar Amounts Expressed in Thousands)

	2008	2007	2006
Employee reserves	$623,245	$595,078	$573,498
Employer reserves	2,268,948	2,123,725	1,974,407
Retiree reserves	2,818,409	2,580,318	2,286,217
Retiree death benefit reserves	14,663	14,128	13,264
Retiree health care benefits designations	1,567	1,567	1,568
Contingency reserve	203,926	91,645	-
Total reserves and designations	5,930,758	5,406,461	4,848,954
Unallocated earnings – undesignated	-	-	-
Smoothed actuarial value of assets	5,930,758	5,406,461	4,848,954
Market stabilization reserve	(194,429)	569,401	241,975
Net assets available for benefits, at fair value	$5,736,329	$5,975,862	$5,090,929

Changes in Fiduciary Net Assets - Pension Trust Fund

The following tables present the changes in net assets for the fiscal years ended June 30, 2008, 2007, and 2006, respectively.

CHANGE IN FIDUCIARY NET ASSETS

For the Fiscal Years Ended June 30

(Dollar Amounts Expressed in Millions)

	2008	2007	Increase/ (Decrease)	% Change
Additions				
Employee contributions	$52.1	$42.9	$9.2	21.4%
Employer contributions	167.1	156.8	10.3	6.6
Net income/(loss) from investment activities	(234.6)	922.7	(1,157.3)	(125.4)
Net income from securities lending	5.5	1.9	3.6	189.5
Other income/(expenses)	20.1	(4.1)	24.2	590.2
Investment fees and expenses	(25.1)	(29.0)	3.9	13.4
Total additions	(14.9)	1,091.2	(1,106.1)	(101.4)
Deductions				
Benefits paid	214.9	196.0	18.9	9.6
Withdrawal of contributions	3.2	4.4	(1.2)	(27.3)
Administrative and other expenses	6.6	5.8	0.8	13.8
Total deductions	224.7	206.2	18.5	9.0
Increase/(Decrease) in net assets	(239.6)	885.0	(1,124.6)	(127.1)
Net assets held in trust for pension benefits, beginning	5,975.9	5,090.9	885.0	17.4
Net assets held in trust for pension benefits, ending	$5,736.3	$5,975.9	$(239.6)	(4.0)%

CHANGE IN FIDUCIARY NET ASSETS

For the Years Ended June 30

(Dollar Amounts Expressed in Millions)

	2007	2006	Increase/ (Decrease)	% Change
Additions				
Employee contributions	$42.9	$42.0	$0.9	2.1%
Employer contributions	156.8	132.7	24.1	18.2
Net income from investment activities	922.7	553.0	369.7	66.9
Net income from securities lending	1.9	1.7	0.2	11.8
Other income/(expenses)	(4.1)	1.8	(5.9)	(327.8)
Investment fees and expenses	(29.0)	(28.7)	(0.3)	1.0
Total additions	1,091.2	702.5	388.7	55.3
Deductions				
Benefits paid	196.0	178.4	17.6	9.9
Withdrawal of contributions	4.4	4.6	(0.2)	(4.3)
Administrative and other expenses	5.8	5.0	0.8	16.0
Total deductions	206.2	188.0	18.2	9.7
Increase in net assets	885.0	514.5	370.5	72.0
Net assets held in trust for pension benefits, beginning	5,090.9	4,576.4	514.5	11.2
Net assets held in trust for pension benefits, ending	$5,975.9	$5,090.9	$885.0	17.4%

Additions to Net Assets

Financing for the benefits SCERS provides to its members comes primarily through the collection of employer and member (employee) retirement contributions and from income on investments. For the years ended June 30, 2008 and 2007, total additions were $(14.9) million and $1,091.2 million, respectively.

For the years ended June 30, 2008 and 2007, combined employer and employee contributions were $219.2 million and $199.7 million, respectively. The increase in employer contributions in fiscal years 2008 and 2007 was primarily due to the increase in contribution rates. The increase in employee contributions in fiscal year 2008 was primarily due to member purchases of additional retirement credit.

Net investment gains/(losses) were $(234.1) million and $891.5 million for the fiscal years ended June 30, 2008 and 2007, respectively. The net investment losses for the fiscal year ended June 30, 2008 was the result of the expanding problems in the U.S. and global credit markets as well as the slowdown in several segments of the U.S. economy and the decline in global growth. The net investment gains for the fiscal year ended June 30, 2007 was due to the strong performance of domestic and international equity investments. The Investment Section of this Report provides a detailed discussion of the investment markets and investment performance.

Deductions from Net Assets

SCERS' assets were primarily used for the payment of benefits to members and their beneficiaries, the refunding of contributions to terminated employees, and the cost of administering the System. For the years ended June 30, 2008 and 2007, total deductions were $224.7 million and $206.2 million, respectively.

Deductions increased $18.5 million or 9.0% in the year ended June 30, 2008 and $18.2 million or 9.7% in the year ended June 30, 2007. The primary cause of the increase in deductions in both years was increased monthly benefit payments due to the increase in number of retired members and the annual cost-of-living adjustment.

The Board of Retirement approves SCERS' annual budget. The 1937 Act limits SCERS' annual administrative expenses to eighteen hundredths of one percent (0.18%) of the System's total assets, and SCERS' administrative expenses have historically been below that limitation. For the years ended June 30, 2008 and June 30, 2007, administrative expenses were within the budget established by the Board of Retirement and were 0.08% and 0.09% of each of the prior year's total assets, respectively.

SCERS' FIDUCIARY RESPONSIBILITIES

SCERS Board of Retirement and management staff are fiduciaries of the pension trust fund. Under the California Constitution and California state law, the net assets must be used exclusively for the benefit of plan participants and their beneficiaries.

CURRENTLY KNOWN FACTS AND CONDITIONS

The fiscal year also featured a substantial decline in the performance of global investment markets, and a corresponding decline in the market value of SCERS' assets. The immediate impact of the negative investment performance on SCERS was mitigated in 2007-2008 by the significant level of deferred investment gains from the past four years that remain in SCERS' actuarial smoothing cycle, however, the investment shortfall in the current year will be felt over the next four years as the losses are fully phased-in under the smoothing process. To compound this situation, the investment markets have performed even more poorly in fiscal year 2008-2009 to-date, with an almost unprecedented drop in market values. Absent a strong market recovery in the second half of the fiscal year, or strong investment performance over the next several years, the negative investment experience will push downward on SCERS' actuarial funded status and upward on the contribution rates for SCERS' participating employers for the foreseeable future. That being said, because of SCERS' solid financial condition going into this period of market turmoil, the System's prudent actuarial, funding and operational practices, its diversified investment program, and the long term nature of its obligations, the retirement benefits due SCERS' members, retirees and beneficiaries will remain secure.

REQUESTS FOR INFORMATION

This financial report is designed to provide the Board of Retirement, SCERS membership, participating employers, taxpayers, and other stakeholders and interested parties with a general overview of SCERS' finances and to show accountability for the money SCERS receives.

Questions about this report or requests for additional financial information may be addressed to:

Sacramento County Employees' Retirement System
980 9th Street, Suite 1800
Sacramento, CA 95814

Copies of this report are available at the above address and on the System's web site at www.scers.org.

STATEMENTS OF FIDUCIARY NET ASSETS

PENSION TRUST FUND

AS OF JUNE 30, 2008 AND 2007

(Dollar Amounts Expressed In Thousands)

Assets	**2008**	**2007**
Cash and short-term investments		
Cash invested with Sacramento County Treasurer	$6,561	$5,706
Other cash and cash equivalents	15,506	17,953
Short-term investments with fiscal agents	563,753	258,982
Cash and short-term investments	585,820	282,641
Receivables		
Securities sold	203,775	55,680
Accrued investment income	19,049	27,178
Employee and employer contributions	4,171	6,384
Total receivables	226,995	89,242
Investments, at fair value		
United States government securities	633,870	706,018
Domestic corporate bonds	475,466	524,898
International bonds	72,102	102,414
Common and preferred stock - domestic	1,967,871	2,499,794
Common and preferred stock - international	1,174,776	1,295,586
Private equity	16,650	-
Opportunities	331,569	-
Real estate	886,051	840,074
Securities lending collateral	656,924	864,165
Total investments	6,215,279	6,832,949
Other assets	6,464	8,398
Total assets	7,034,558	7,213,230
Liabilities		
Accounts payable and other accrued liabilities	20,988	33,952
Investment trades payable	422,137	137,062
Mortgages payable	194,957	199,150
Warrants payable	3,223	3,039
Securities lending liability	656,924	864,165
Total liabilities	1,298,229	1,237,368
Net assets held in trust for pension benefits	**$5,736,329**	**$5,975,862**

(A schedule of funding progress for the system is presented on page 54)

The notes to the basic financial statements are an intergral part of this statement.

Statements of Changes in Fiduciary Net Assets

PENSION TRUST FUND

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

(Dollar Amounts Expressed In Thousands)

Additions	**2008**	**2007**
Contributions		
Employee	$52,142	$42,871
Employer	167,055	156,805
Total contributions	219,197	199,676
Investment income (loss)		
From investment activities		
Net appreciation (depreciation)		
in fair value of investments - securities	(454,634)	677,218
Net appreciation		
in fair value of investments - real estate	25,744	67,864
Interest	85,370	77,680
Dividends	81,827	72,595
Real estate	27,112	27,319
Net gain (loss) from investment activities	(234,581)	922,676
From securities lending activities		
Securities lending income	41,426	41,773
Securities lending expense		
Borrower rebate expense	(33,622)	(38,961)
Securities lending management fees	(2,342)	(844)
Net income from securities lending	5,462	1,968
Other income/(expenses)	20,136	(4,147)
Investment fees and expenses	(25,103)	(28,991)
Net investment income (loss)	(234,086)	891,506
Total additions	(14,889)	1,091,182
Deductions		
Benefits paid	214,892	195,997
Withdrawal of contributions	3,177	4,434
Administrative and other expenses	6,575	5,818
Total deductions	224,644	206,249
Net increase (decrease)	(239,533)	884,933
Net assets held in trust for pension benefits, beginning	5,975,862	5,090,929
Net assets held in trust for pension benefits, ending	**$5,736,329**	**$5,975,862**

The notes to the basic financial statements are an intergral part of this statement.

Statements of Fiduciary Net Assets

AGENCY FUND

AS OF JUNE 30, 2008 AND 2007

(Dollar Amounts Expressed in Thousands)

	2008	2007
Assets		
Receivables	$34	$43
Total assets	34	43
Liabilities		
Accounts payable	34	43
Total liabilities	$34	$ 43

NOTE 1 - PLAN DESCRIPTION

The Sacramento County Employees' Retirement System ("SCERS" or the "System") is a multiple-employer, cost-sharing public employee retirement system which operates under the County Employees Retirement Law of 1937 (Section 31450 et seq. of the California Government Code). The System was created by resolution of the Sacramento County (the "County") Board of Supervisors on July 1, 1941, to provide retirement, disability, and death benefits for qualified employees of Sacramento County and participating Special Districts ("Special Districts" or "Member Districts"). SCERS is governed by a nine member Board of Retirement, four are appointed by the County Board of Supervisors, four are elected by the members of the System (two by the Miscellaneous members, one by the Safety members and one by the Retiree members), and the County Director of Finance serves as an Ex-Officio member. An alternate Safety member and an alternate Retiree member are also elected by those respective member groups. The System is legally and fiscally independent of the County.

At June 30, 2008, participating local government employers consisted of the County of Sacramento; Superior Court of California, County of Sacramento ("Superior Court"); and eleven Special Districts.

The System's membership consists of the following categories:

- ♦ Safety Tier One - Includes employees whose principal duties consist of law enforcement or fire suppression work or who occupy positions designated by law as safety positions and who have a membership start-date prior to June 25, 1995.
- ♦ Safety Tier Two - Includes employees whose principal duties consist of law enforcement or fire suppression work or who occupy positions designated by law as safety positions and who have a membership start-date on or after June 25, 1995.
- ♦ Miscellaneous Tier One - Includes all members other than Safety who have a membership start-date prior to September 27, 1981.
- ♦ Miscellaneous Tier Two - Includes all members other than Safety who have a membership start-date on or after September 27, 1981 and prior to June 27, 1993 and who elected not to become members of Miscellaneous Tier Three.
- ♦ Miscellaneous Tier Three - Includes all members other than Safety who have a membership start-date on or after June 27, 1993, and those Miscellaneous Tier Two members who elected to become members of this class.

(Dollar Amounts Expressed in Thousands)

At June 30, 2008 and 2007, the System's membership consisted of:

Retirees and beneficiaries currently receiving benefits:	2008	2007
Miscellaneous - Service	4,827	4,682
Miscellaneous - Beneficiary	920	895
Miscellaneous - Nonservice-Connected Disability	300	313
Miscellaneous - Service-Connected Disability	173	173
Safety - Service	1,025	959
Safety - Beneficiary	237	221
Safety - Nonservice-Connected Disability	21	26
Safety - Service-Connected Disability	206	195
Total Retirees and Beneficiaries	7,709	7,464
Terminated employees entitled to benefits but not yet receiving them:		
Miscellaneous Tier 1	171	193
Miscellaneous Tier 2	290	305
Miscellaneous Tier 3	1,827	1,599
Safety Tier 1	165	169
Safety Tier 2	208	171
Total Terminated	2,661	2,437
Current Members:		
Vested		
Miscellaneous Tier 1	508	579
Miscellaneous Tier 2	120	332
Miscellaneous Tier 3	7,649	7,262
Safety Tier 1	656	697
Safety Tier 2	1,156	1,070
Total Vested	10,089	9,940
Non-Vested		
Miscellaneous Tier 1	2	2
Miscellaneous Tier 3	4,446	4,152
Safety Tier 1	-	1
Safety Tier 2	643	621
Total Non-Vested	5,091	4,776
Total Current Members	15,180	14,716

Pension Benefits

The System's benefits are established by the provisions of the County Employees Retirement Law of 1937 and provide for retirement, death, and disability benefits. All permanent full-time and part-time employees of the County, Superior Court and Member Districts are eligible to participate in the System. Upon reaching five years of service, participants have earned the right to receive a retirement benefit, subject to certain restrictions if retirement is prior to attaining age 50 or if less than 10 years of service has been achieved. Retirement benefits under each tier are as follows:

- Members covered under Safety Tier 1 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 4 percent annually. Final-average salary is the member's average salary for the highest twelve consecutive months of credited service.
- Members covered under Safety Tier 2 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 2 percent annually. Final-average salary is the member's average salary for the highest thirty-six consecutive months of credited service.
- Members covered under Miscellaneous Tier 1 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, which is equal to 1.474 percent of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 4 percent annually. Final-average salary is the member's average salary for the highest twelve consecutive months of credited service.
- Members covered under Miscellaneous Tier 2 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 1.474 percent of their final-average salary for each year of credited service. There is no cost-of-living adjustment. Final-average salary is the member's average salary for the highest thirty-six consecutive months of credited service.
- Members covered under Miscellaneous Tier 3 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 1.474 percent of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 2 percent annually. Final-average salary is the member's average salary for the highest thirty-six consecutive months of credited service.

The retirement benefits of Miscellaneous Tier 1, 2, and 3 members who retire after age 50 are increased by an age factor for each quarter year of age up to a maximum of 2.611 percent of final-average salary for each year of credited service at age 62.

Effective June 29, 2003 the County Board of Supervisors applied these formulas for all SCERS members, including the employees of Member Districts, for service credit prospectively from June 29, 2003, and for County employees, retroactively to service credit which precedes that date. In accordance with applicable retirement law, each SCERS Member District's governing body determined whether or not to apply these formulas retroactively for service credits earned prior to June 29, 2003 by their employees.

Members whose employers determined not to retroactively apply the formulas to service credit earned prior to June 29, 2003 will continue to have their retirement benefits for that service calculated pursuant to the formulas in effect at the time the service was earned (i.e., Safety and Miscellaneous members who retire at age 50 earn 2 percent and 1.1 percent, respectively, of their final-average salary for each year of credited service).

Member Termination

Upon separation from employment with a participating employer, members' accumulated contributions are refundable with interest accrued through the prior six-month period ended June 30 or December 31. Interest on member accounts is credited semiannually on June 30 and December 31. Withdrawal of such accumulated contributions results in forfeiture of the related benefits.

Financing

Benefits payable by the System are financed through member contributions, employer contributions, and earnings from investments. Member contributions are required by law. Contribution rates, which are actuarially determined, are based on age at entry into the System (a single rate is used for members entering the System after January 1, 1975). County, Superior Court and Member Districts' contributions are actuarially determined to provide for the balance of contributions needed. This rate includes an additional amount required to partially fund the annual cost-of-living increases for retired members of the Miscellaneous Tier 1 and Tier 3 and Safety Tiers. All contribution rates are reviewed and revised annually. The authority for both benefit provisions and contribution obligations is derived from the County Employees Retirement Law of 1937.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. SCERS has fiduciary funds at June 30, 2008 and 2007 which include pension trust and agency funds. The pension trust fund is used to report resources that are required to be held in trust for the members and the beneficiaries of the defined benefit pension plan, and agency fund accounts for assets held by SCERS in a trustee capacity or as an agent on behalf of the others. The pension trust fund is accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. The agency fund is custodial in nature and does not measure the results of operations. Assets and liabilities are recorded using the accrual basis of accounting.

The System has adopted Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as its source of accounting and reporting principles. Investments are valued at their fair value, which results in the recognition of fair value gains and losses. Member and employer contributions are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Investment purchases and sales are recorded on the trade date.

During fiscal year 2007-08, the System implemented the requirements of GASB Statement No. 50, *Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27.* This new pronouncement is intended to improve the transparency and decision usefulness of reported information about pensions.

Valuation of Investments

Marketable securities are valued at fair value, which is determined as of the close of trading on the date which the value is being determined, by taking the last reported trade price of such security on such date on the exchange where it is primarily traded or, if such security is not traded on an exchange, such security shall be valued at the last reported sale price.

The fair value of the real estate trust holdings has been determined using industry standard appraisal techniques and assumptions. The real estate trust managers use appraisals, which are updated annually, to determine the fair value of these trusts.

Private equity investments are made through fund-of-funds (Fund). Each Fund manager's investments consist of Portfolio Funds and Co-Investments as well as marketable securities held from time to time as a result of a distribution from a Portfolio Fund. The fair value of all investments is determined in good faith by the Fund manager. The fair value of each investment as reported does not necessarily represent the amount that may ultimately be realized, since such amounts depend upon future circumstances that cannot reasonably be determined until the position is actually liquidated. The Fund's evaluation of the fair value of Portfolio Funds is based on the most recent available valuation information provided to it by the Portfolio Funds, adjusted for subsequent distributions from and capital contributions to such Portfolio Funds, if any. The evaluation of the fair value of Co-Investments is based on the most recent information available at the time of valuation ascribed to such investments by the sponsor partnership. If the manager does not agree with this valuation, holds different securities than the sponsor partnership, is unable to obtain the sponsor partnership's valuation, or has information that results in a different valuation, it may use its own internal evaluation of fair value.

The fair value of opportunities is measured using the method that is appropriate in the circumstances and for which sufficient data is available and apply the approach consistently until no longer appropriate.

Market approach - uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Income approach - uses valuation techniques to convert expected future amounts to a single present amount.

Cost approach - based on the amount that currently would be required to replace the service capacity of an asset.

Cash deposited in the Sacramento County Treasurer's pool is stated at fair value. The value of the System's pool shares is determined on an amortized cost basis, which approximates fair value.

Short-Term Investments

Short-term investments, which include highly-liquid investments expected to be utilized by the System within 30-90 days, are reported at fair value. These investments may include securities, which have a maturity in excess of 90 days but are readily marketable.

Other Assets

Other assets consist of accounts receivable, prepaid expenses, net capital assets, and security deposits.

(Dollar Amounts Expressed in Thousands)

Administrative Expenses

Administrative costs are financed with earnings from investments and employer and employee contributions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3 - RETIREE MEDICAL AND DENTAL INSURANCE PROGRAM

Plan Description

The Sacramento County Retiree Medical and Dental Insurance Program (Program) is an agent multiple-employer defined benefit medical and dental plan sponsored, financed, and administered by nine participating employers. SCERS' role in regard to the Program is limited to collecting monies from Sacramento County and calculating and initiating payment of premiums when due. The activities of the Program are accounted for in the agency fund.

The table below lists the participating employers as of June 30, 2008:

Name	Medical Subsidy	Dental Subsidy
Carmichael Recreation and Park District	Yes	Yes
County of Sacramento	Yes	Yes
Elected Officials	Yes	Yes
Mission Oaks Recreation and Park District	Yes	Yes
Orangevale Recreation and Park District	Yes	Yes
Sacramento Metropolitan Fire District	Yes	No
Sacramento Employment Training Agency	Yes	Yes
Sunrise Recreation and Park District	Yes	Yes
Superior Court	Yes	Yes

The Program provides medical and/or dental subsidy/offset payments to eligible retirees. According to the Program's Administrative Policy, only safety and miscellaneous members who retired on or before May 31, 2007 and who were receiving a subsidy/offset on December 31, 2007, are eligible for the subsidy. As of June 30, 2008, there are 6,837 retired members and beneficiaries currently receiving subsidy payments.

The Sacramento County Board of Supervisors, at its own discretion, sets the amount of subsidy/offset payment available to eligible retirees on a year-to-year basis. For calendar year 2008 and 2009, the monthly dental subsidy is $25, and the monthly medical subsidy amounts range from $122 to $244 depending on years of the member's earned service credit. There are no vested benefits associated with the Program. The Program does not create any contractual, regulatory, or other vested entitlement to present or future retirees, their spouses, or dependents for medical and/or dental benefits, or subsidy/offset payments at any particular level, or at all. Sacramento County and other participating employers may, in their sole discretion, amend or terminate, in whole or in part, the Program by Resolution of the Board of Supervisors.

Contributions and Reserves

The System does not have any authority to establish or amend the obligations of the plan members and employers to contribute to the Program. SCERS does not determine the contribution rate or collect the required contributions from employers. SCERS' role in regards to the Program is limited to collecting monies from Sacramento County and paying the premiums when due. Monies received by the System in excess of liabilities to pay premiums are recognized as liabilities to the Sacramento County. There are no net assets or legally required reserve accounts for the Program.

In accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, each participating employer is required to disclose the Program information with regard to funding policy, the employer's annual OPEB cost and contributions made, the funded status and funding progress, and actuarial methods and assumptions used.

Request for Information

Requests for additional financial information regarding the Program may be addressed to:

County of Sacramento, Department of Finance
Auditor-Controller Division
700 H Street, Room 3650
Sacramento, CA 95814
(916) 874-7422

NOTE 4 - CASH AND INVESTMENTS

The investment authority for the System rests primarily through the "prudent person rule", as set forth in Section 31595 of the County Employees Retirement Law of 1937, which establishes a standard for all fiduciaries, including anyone with investment authority on behalf of the System.

Cash Invested with Sacramento County Treasurer

The System invests cash held for benefit payments and general operations in the County Treasurer's pool. The County Treasury Oversight Committee is responsible for regulatory oversight of the pool. The System's share of the County Treasurer's pool is separately accounted for, and interest earned, net of related expenses, is apportioned quarterly based on the relationship of the System's average daily cash balance to the total of the pooled cash and investments. The fair value of the System's cash invested with the County Treasurer totaled $6,561 and $5,706 at June 30, 2008 and 2007, respectively. The pool is not rated, and the weighted average maturity of the pool were 211 days and 197 days at June 30, 2008 and 2007, respectively.

Interest earned but not received from the County Treasurer at year end is reported as a component of accrued investment income on the statement of changes in fiduciary net assets. Cash and investments included within the County Treasurer's pool are described in the County's Comprehensive Annual Financial Report.

Other Cash and Cash Equivalents

At June 30, 2008 and 2007, other cash and cash equivalents constitute balances in bank demand deposit accounts of $15,506 and $17,953, respectively, of which $11,393 and $10,470 were not held in the System's name. The System is exposed to custodial credit risk with respect to these deposits.

Short-Term Investments with Fiscal Agents

At June 30, 2008 and 2007, the fair value of the System's short-term investments with fiscal agents was $563,753 and $258,982, respectively. The total consisted of investments in the State Street Short-Term Investment Fund (STIF). The STIF is designed to provide qualified benefit plans with a readily accessible investment vehicle that may be accessed on a daily basis. The STIF is limited to investing in securities that are rated A-1 by Moody's Investors Services and P-1 by Standard & Poor's Corporation at the time of issuance. The STIF is not rated by credit rating agencies. Most investments range in maturity from overnight to 90 days with up to 20% of the STIF's value eligible for investment between 90 days and 13 months. The weighted average maturities were 34 and 27 days at June 30, 2008 and 2007. Net assets invested in the STIF from all participating custodial clients of State Street were $44.4 billion and $40.1 billion on June 30, 2008 and 2007, respectively.

Securities Lending

State statutes permit the System to participate in securities lending transactions and, pursuant to a Securities Lending Authorization Agreement, the System has authorized State Street Bank and Trust Company (State Street) to act as its agent in lending the System's securities to broker-dealers and banks pursuant to an approved loan agreement.

During the years ended June 30, 2008 and 2007, on behalf of the System, State Street loaned securities held by State Street as custodian, including U.S. government and agency obligations, domestic corporate bonds, and domestic and international equities and received, as collateral, U.S. and foreign currency, securities issued or guaranteed by the U.S. government, sovereign debt of foreign countries, and irrevocable bank letters of credit. State Street does not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers are required to deliver collateral for each loan equal to a minimum of 100% of the market value of the loaned security.

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, securities lending collateral reported in the statement of fiduciary net assets represented only cash collateral invested in the lending agent's cash collateral investment pool. SCERS did not impose any restrictions during the fiscal years on the amount of the loans that State Street made on its behalf. There were no failures to return loaned securities or pay distributions thereon by any borrowers during the fiscal years. Moreover, there were no losses during the fiscal years resulting from a default of the borrowers or State Street.

During the fiscal years ended June 30, 2008 and 2007, SCERS and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. Since the System held collateral from the borrowers greater than the amounts borrowed, on June 30, 2008 and 2007 the System had no credit risk exposure to the borrowers. Furthermore, the lending agreement with the custodian requires the custodian to indemnify the System if the borrower fails to return the securities. The cash collateral held and the market value of securities on loan as of June 30, 2008 were $656,924 and $667,684, respectively. The cash collateral held and the market value of securities on loan as of June 30, 2007 were $864,165 and $881,470, respectively.

(Dollar Amounts Expressed in Thousands)

Additional information regarding the cash collateral investment pool (collateral pool) follows:

Method for Determining Fair Value. The fair value of investments held by the collateral pool is based upon valuations provided by a recognized pricing service.

Policy for Utilizing Amortized Cost Method. Because the collateral pool does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, State Street has valued the collateral pool investments at fair value for reporting purposes.

Regulatory Oversight. The collateral pool is not registered with the Securities and Exchange Commission. State Street, and consequently the investment vehicles it sponsors (including the collateral pool), are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the System's position in the collateral pool is the same as the value of the collateral pool shares.

Collateral and related securities on loan at June 30, 2008 and 2007 were as follows:

	2008		
Security Description	Cash Collateral Value	Other Collateral Value	Fair Value of Securities on Loan
U.S. government and agency obligations	$199,096	$13,590	$208,424
Domestic corporate bonds	34,629	(18)	33,898
Common and preferred stock – domestic	347,693	10,827	349,907
Common and preferred stock – international	75,506	3,823	75,455
Totals	$656,924	$28,222	$667,684

	2007		
Security Description	Cash Collateral Value	Other Collateral Value	Fair Value of Securities on Loan
U.S. government and agency obligations	$302,109	$10,555	$306,341
Domestic corporate bonds	25,616	(3)	25,085
Common and preferred stock – domestic	421,641	27,770	438,685
Common and preferred stock – international	114,799	2,314	111,359
Totals	$864,165	$40,636	$881,470

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. This is measured by the assignment of ratings by nationally-recognized statistical rating organizations.

SCERS utilizes external investment managers to manage its portfolios. SCERS' Investment Policy specifies that fixed income investments will include both active and enhanced index investments in U.S. treasury and agency securities, corporate bonds, mortgage-backed and asset-backed securities and non-dollar denominated sovereign and corporate debt. The actively-managed investments will have a minimum average credit quality rating of A by Moody's Investor Services or A by Standard and Poor's Corporation. The System's policy is that the enhanced index investments will have a credit quality rating similar to the Lehman Brothers Aggregate Index. Portfolio diversification is constrained by the following parameters in order to minimize overall market and credit risk:

(Dollar Amounts Expressed in Thousands)

◊ No more than 10% of the portfolio will be concentrated in any one issuer except U.S. government and agency securities.
◊ No more than 20% of the portfolio will be invested in high yield or below investment grade straight securities.
◊ No more than 15% of the portfolio will be invested in convertible securities, which include bonds and preferred issues.
◊ No more than 20% of the portfolio will be invested in non-U.S. dollar bonds.

The following tables depict the fixed income assets by credit rating as of June 30, 2008 and 2007:

Fixed Income
As of June 30, 2008

							Mortgage Pass-Through		
S&P Quality Rating	Total	Securitized Obligations	Credit Obligations	US Government & Agency Obligations	International Government	Collateralized Mortgage Obligations	FHLMC	FNMA	GNMA
AAA	$510,613	$93,994	$15,632	$30,802	$14,221	$69,397	$ 87,734	$198,833	$ -
AA+	858	-	858	-	-	-	-	-	-
AA	19,920	935	17,815	-	-	1,170	-	-	-
AA-	23,414	-	23,414	-	-	-	-	-	-
A+	27,337	-	27,337	-	-	-	-	-	-
A	32,340	-	32,340	-	-	-	-	-	-
A-	32,153	1,824	30,329	-	-	-	-	-	-
BBB+	34,357	-	34,357	-	-	-	-	-	-
BBB	26,496	-	26,496	-	-	-	-	-	-
BBB-	27,852	-	27,620	-	-	232	-	-	-
BB+	9,443	1,639	7,804	-	-	-	-	-	-
BB	7,415	-	7,286	-	-	129	-	-	-
BB-	17,921	6,859	11,062	-	-	-	-	-	-
B+	4,511	-	4,511	-	-	-	-	-	-
B	14,382	-	14,382	-	-	-	-	-	-
B-	1,655	-	1,655	-	-	-	-	-	-
CCC-	228	228	-	-	-	-	-	-	-
D	132	124	8	-	-	-	-	-	-
NA	223,481	-	-	184,734	-	-	-	-	38,747
NR	166,930	25,648	21,816	-	7,602	18,843	21,377	71,644	-
Total	$1,181,438	$131,251	$304,722	$ 215,536	$21,823	$89,771	$109,111	$270,477	$38,747

(Dollar Amounts Expressed in Thousands)

Fixed Income
As of June 30, 2007

S&P Quality Rating	Total	Securitized Obligations	Credit Obligations	U.S. Government & Agency Obligations	International Government	Collateralized Mortgage Obligations	Mortgage Pass-Through		
							FHLMC	FNMA	GNMA
AAA	$627,607	$138,560	$10,041	$44,045	$30,590	$94,272	$87,422	$222,677	$-
AA+	1,033	-	1,033	-	-	-	-	-	-
AA	21,470	-	20,268	-	-	1,202	-	-	-
A+	36,083	-	36,083	-	-	-	-	-	-
A	52,130	-	52,130	-	-	-	-	-	-
BBB+	28,240	-	28,240	-	-	-	-	-	-
BBB	73,762	-	73,762	-	-	-	-	-	-
BB+	7,417	-	7,417	-	-	-	-	-	-
BB	17,996	8,050	9,946	-	-	-	-	-	-
B+	3,548	-	3,548	-	-	-	-	-	-
B	7,178	-	7,178	-	-	-	-	-	-
CCC	389	389	-	-	-	-	-	-	-
D	201	201	-	-	-	-	-	-	-
NA	286,916	-	-	276,943	-	-	-	-	9,973
NR	169,360	30,882	38,515	-	3,198	31,808	26,600	38,357	-
Total	$1,333,330	$178,082	$288,161	$320,988	$33,788	$127,282	$114,022	$261,034	$9,973

Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. NA represents those securities that are not applicable to the rating disclosure requirements, and NR represents those securities that are not rated.

Securities Lending Collateral Credit Risk

All of the cash collateral received for securities lending is invested in the Quality D Short-Term Investment Fund managed by State Street, which is not rated by credit rating agencies. At the time of purchase, all securities with maturities of 13 months or less must qualify as first-tier securities and all securities with maturities in excess of 13 months will be rated A or better by at least two nationally-recognized statistical rating organizations or, if unrated, be of comparable quality. The fund may invest in other State Street managed vehicles provided they conform to the guidelines. As of June 30, 2008, the System had no credit risk exposure to borrowers.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment guidelines negotiated with the actively-managed external portfolio managers give the managers the discretion to deviate within +/- 20% from the effective duration of the relevant Lehman Brothers benchmark based on the portfolio total.

(Dollar Amounts Expressed in Thousands)

Below are tables depicting the duration in years of the long-term fixed income portfolio vs. the benchmark.

Long-Term Fixed Income Investments
Duration
As of June 30, 2008

Type of Securities	Fair Value	Effective Duration	Benchmark Duration	Difference
Securitized Obligations				
Asset Backed Securities	$46,198	2.11	3.23	(1.12)
Collateralized Mortgage-Backed Securities	85,053	4.35	4.74	(0.39)
Credit Obligations				
Corporate Bonds	259,391	5.90	6.20	(0.30)
Commingled Fund	16,351	NA	NA	NA
Municipal	4,262	4.10	NA	NA
Private Placement	1,052	NA	NA	NA
Yankees	23,666	5.74	5.40	0.34
U.S. Government & Agency Obligations				
Agency Securities	30,802	3.89	3.56	0.33
US Treasury	184,734	5.64	5.10	0.54
International Government	21,823	4.22	NA	NA
Collateralized Mortgage Obligations	89,771	5.09	NA	NA
Mortgage Pass-Through				
FHLMC	109,111	4.26	3.95	0.31
FNMA	270,477	4.06	3.81	0.25
GNMA	38,747	4.05	3.94	0.11
Total Fair Value with Weighted Average Duration	$1,181,438	4.82	4.66	0.16

(Dollar Amounts Expressed in Thousands)

Long-Term Fixed Income Investments
Duration
As of June 30, 2007

Type of Securities	Fair Value	Effective Duration	Benchmark Duration	Difference
Securitized Obligations				
Asset Backed Securities	$63,366	1.33	2.79	(1.46)
Collateralized Mortgage-Backed Securities	114,716	4.70	4.96	(0.26)
Credit Obligations				
Corporate Bonds	238,007	5.98	6.12	(0.14)
Commingled Fund	20,963	3.44	NA	NA
Municipal	155	0.09	NA	NA
Private Placement	3,832	3.79	NA	NA
Yankees	25,204	5.59	5.59	-
U.S. Government & Agency Obligations				
Agency Securities	44,045	4.38	3.61	0.77
U.S. Treasury	276,943	5.59	4.88	0.71
International Government	33,788	2.44	NA	NA
Collateralized Mortgage Obligations	127,282	4.99	6.68	(1.69)
Mortgage Pass-Through				
FHLMC	114,022	4.87	4.45	0.42
FNMA	261,034	5.78	4.48	1.30
GNMA	9,973	4.22	4.68	(0.46)
Total Fair Value with Weighted Average Duration	$1,333,330	5.17	4.85	0.32

Securities Lending Collateral Interest Rate Risk

Cash collateral from loans of securities is invested in the State Street Quality D Short-Term Investment Fund. Its average effective duration is restricted to 120 days or less. As of June 30, 2008 and 2007, the actual effective duration was 42 days and 68 days, respectively. The maximum option adjusted duration of any variable rate security is five years or less. All fixed-rate instruments must have an option-adjusted duration not to exceed 30 months.

(Dollar Amounts Expressed in Thousands)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2008 and 2007, the System had no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded. The System's investment policy does not allow more than 2.5% of the Fund to be invested in any one security, and as of June 30, 2008 and 2007, the System had no issuer that exceeds 2.5% of total investment. As noted on the previous page in the discussion of credit risk, manager investment guidelines place limitations on the maximum holdings in any one issuer.

Custodial Credit Risk

Custodial credit risk is the risk that in the event a financial institution or counterparty fails, the System would not be able to recover the value of its deposits, investments, or securities. As of June 30, 2008 and 2007, 100% of the System's investments were held in the System's name, and the System is not exposed to custodial credit risk related to these investments. The System is exposed to custodial credit risk for uncollateralized cash and cash equivalents that are not covered by federal depository insurance. There are no general policies relating to the custodial credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The following tables represent securities held in a foreign currency as of June 30, 2008 and 2007.

As of June 30, 2008

Local Currency Name	Cash & Cash Equivalents	Equity	Fixed Income	Total
Australian Dollar	$49	$20,622	$7,602	$28,273
British Pound	302	119,566	14,221	134,089
Canadian Dollar	8,459	32,439	-	40,898
Danish Krone	7	6,816	-	6,823
Euro	735	232,099	-	232,834
Hong Kong Dollar	40	15,580	-	15,620
Indonesian Rupiah	-	219	-	219
Japanes Yen	1,719	177,246	-	178,965
Mexican Peso	-	484	-	484
New Zealand Dollar	83	1,077	-	1,160
Norwegian Krone	155	10,898	-	11,053
Singapore Dollar	17	4,223	-	4,240
South African Rand	-	1,480	-	1,480
South Korean Won	3	5,418	-	5,421
Swedish Krona	7	18,612	-	18,619
Swiss Franc	273	67,347	-	67,620
Total	$11,849	$714,126	$21,823	$747,798

(Dollar Amounts Expressed in Thousands)

As of June 30, 2007

Local Currency Name	Cash & Cash Equivalents	Equity	Fixed Income	Total
Australian Dollar	$30	$22,874	$9,658	$32,562
British Pound	1,127	171,580	9,019	181,726
Canadian Dollar	30	31,596	-	31,626
Danish Krone	15	8,586	-	8,601
Euro	1,510	290,773	11,913	304,196
Hong Kong Dollar	319	21,702	-	22,021
Japanese Yen	1,281	199,980	-	201,261
New Zealand Dollar	20	1,848	3,198	5,066
Norwegian Krone	250	7,218	-	7,468
Singapore Dollar	189	6,970	-	7,159
South African Rand	-	1,402	-	1,402
South Korean Won	4	4,629	-	4,633
Swedish Krona	97	20,899	-	20,996
Swiss Franc	(58)	73,476	-	73,418
Total	$4,814	$863,533	$33,788	$902,135

Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. Foreign currency is not held as a form of investment. Foreign currency is held temporarily in foreign accounts until it is able to be repatriated or expended. The System does not have a foreign currency risk policy.

Highly-Sensitive Investments

As of June 30, 2008 and 2007, SCERS' investments included mortgage-backed securities totaling $508,106 and $512,311, respectively. These securities are highly sensitive to interest rate fluctuations in that they are subject to early payment in a period of declining interest rates. The resulting reduction in expected total cash flows affects the fair value of these securities.

The System's investment policy allows investments in commodities and futures. SCERS' investments include an allocation of 2% of total fund assets in commodities and commodities futures as part of the Opportutities asset class. Commodities are a real asset class that produces a different pattern of returns to other asset classes. Unique supply and demand factors and the way commodities are traded are the main reasons for the low correlation between commodities and stocks and bonds. Not only is correlation low with traditional asset classes in general, but importantly, commodities tend to perform well when stocks and bond prices fall.

Spot commodity prices have historically been a poor investment and have declined in real terms. However, investment in collateralised commodity futures provides similar returns to stocks over the long term. The futures market is an efficient way for producers to hedge the price risk by forward-selling commodities at lower prices relative to spot prices to investors and speculators generating a roll yield (backwardation).

In general, commodities are a volatile investment that is prone to large price spikes. By investing in commodity futures, investors get exposure to short term price movement and risk as well as long term price trends. This price volatility and the need for producers to hedge their production provides the fundamental rationale for why they pay the risk premium to speculators and long-only investors in the commodity markets.

(Dollar Amounts Expressed in Thousands)

As of June 30, 2008, total commodities investments were $109.8 million consisting of a commodities futures hedge fund-of-funds and a commodities futures strategic fund. The investments are included on the following page.

Derivatives

The System's investment policy allows investment managers to use derivative instruments for certain purposes and within certain parameters. Such instruments include currency forward contracts, currency futures, floater/inverse floater debt instruments, interest-only and principal-only notes, and exchange traded financial futures and options. The System permits the use of derivatives to minimize the exposure of certain investments to adverse fluctuations in financial and currency markets. The System does not permit the use of derivatives for speculative use or to create leverage. In addition, the System invests in mortgage-backed securities, including collateralized mortgage obligations (CMOs), to increase the yield and return on its investment portfolio relative to the available alternative investment opportunities. The value of mortgage-backed securities is generally based on the cash flow from principal and interest receipts on the underlying mortgage pools. In a CMO, the cash flow from principal and interest payments from one or more mortgage pass-through securities or a pool of mortgages may be reallocated to multiple security classes with different priority claims and payment streams (commonly referred to as tranches). A holder of the CMO security thus chooses the class of security that best meets its risk and return objectives. CMOs are subject to significant market risk related to fluctuations in interest rates, prepayment rates, and various liquidity factors tied to their specific markets. As of June 30, 2008 and 2007, total CMO investments were $508,106 and $512,311, respectively, of which $56,520 and $51,153 were considered derivatives because of the priority claim and payment terms assigned to the specific security class (tranche) in which the System was invested.

A summary of the various derivative instruments as of June 30, 2008 and 2007 is as follows:

	2008	2007
Currency forward contracts	$128,520	$259,044
Future contracts	138,772	9,845
Floating-rate notes	46,386	98,533
Interest-only notes	-	475
Collateralized mortgage obligations	56,520	51,153
Index swaps	245,275	-
Total derivative instruments	$615,473	$419,050

The System could be exposed to risk if the counterparties to derivative contracts are unable to meet the terms of the contracts. The System's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. The System anticipates that the counterparties will be able to satisfy their obligations under the contracts.

(Dollar Amounts Expressed in Thousands)

Changes to Asset Allocation Policy and Unfunded Commitments

In July 2007, SCERS adopted a new Asset Allocation Policy which includes two new asset classes:

Private Equity - This category of investment includes limited partnerships, funds and funds of funds that invest in domestic and international private venture capital, mezzanine capital, buyouts, and distressed debt.

Opportunities - This segment includes a mix of investment securities that offer good risk/adjusted investment returns and are expected to have a low correlation with SCERS' public equity and debt investments. Investments which may be included in this asset class are commodities and commodity futures, Treasury Inflation Protected Securities (TIPS), timber or agriculture land, real return strategies, direct private equity, debt securities and other unique strategies. Investments will be assigned to this asset class based on the recommendation of the Chief Investment Officer and the Investment Consultant. As of June 30, 2008, the securities in this asset class are as follows:

Blackstone Resources Select Offshore Fund	$23,143
European Credit	47,358
GSCI Commodity Index CTF CMIZ	46,213
Pimco Distressed Mortgage Fund LP	11,153
REIT Index Fund	55,726
Resource Stock Index CTF	47,230
Strategic Commodities Fund	63,554
Treasury Inflation Protected Fund	37,192
	$331,569

Based on its new asset allocation model, SCERS has committed to invest $403.0 million in nine new investment portfolios in the two new asset classes. Of the $403.0 million committed, SCERS only funded $75.7 million as of June 30, 2008. As of June 30, 2008, the capital contributions and unfunded commitments are as follows:

Investment Name	Capital Commitment	Capital Contribution	Unfunded Capital Commitment
Abbot Capital Private Equity Fund	$75,000	$-	$75,000
AEW Value Investors	25,000	7,412	17,588
Allegis Value Trust	25,000	8,711	16,289
Blackstone Alternative Asset Management	60,000	20,000	40,000
Goldman Sach's Private Equity X	75,000	3,750	71,250
Harbourvest Partners VI	50,000	-	50,000
Harbourvest Partners VIII	50,000	12,500	37,500
Hines	25,000	10,675	14,325
PIMCO Distressed Mortgage Fund	18,000	12,604	5,396
	$403,000	$75,652	$327,348

(Dollar Amounts Expressed in Thousands)

Real Estate

In July 2007, SCERS modified the manner in which it invests its real estate allocation. The modified real estate allocation broadens SCERS' real estate investments from being mostly in core properties through direct investment to include investments in commingled core real estate funds, value-added real estate investment funds, and publicly-traded real estate investment trust (REIT) stock investments. Direct investments include offices, apartments, retail, and industrial properties. As of June 30, 2008 and 2007, real estate investments were $886,051 and $840,074, respectively.

NOTE 5 - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Contributions to the plan are made pursuant to Section 31584 of the County Employees Retirement Law of 1937. The System's funding policy provides for periodic contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when due. Members of the System are required to contribute, and such contributions range from 1.79% to 11.80% of annual covered salary depending on the member's tier, employer, and bargaining unit. Each employer of the System is obligated by state law to make all required contributions to the plan, and depending on the participating employer and their employees' tiers, such contribution rates range from 12.91% to 50.53% of covered payroll. The required contributions include current service cost and amortization of any unfunded prior service cost over a 30-year closed amortization period, with 25 years remaining as of June 30, 2008.

Employer contribution rates are determined using the entry age normal cost method based on a level percentage of payroll. The System also uses this actuarial method to amortize the unfunded liability, if applicable.

Contributions for the years ended June 30, 2008 and 2007 totaled $219,197 and $199,676. Included in this total are employer contributions of $167,055 and $156,805, respectively, of which $153,117 and $143,497 were made by the County of Sacramento. Member contributions were $52,142 and $42,871 in fiscal years 2008 and 2007, respectively. All contributions were made in accordance with actuarially-determined contribution requirements based on the actuarial valuations performed at June 30, 2006 and 2005, respectively.

NOTE 6 – FUNDED STATUS

The System's funded status based on the most recent actuarial valuation as of June 30, 2008 is as follow:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL	Funded Ratio	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
June 30	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2008	$5,930,758	$6,363,355	$432,597	93.2%	$902,971	47.9%

Disclosure of Information about Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

(Dollar Amounts Expressed in Thousands)

The required Schedule of Funding Progress immediately following the Notes to the Financial Statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employers and plan members to that point.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and the plan members in the future.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Actuarial Methods and Assumptions:

The following significant actuarial assumptions were utilized as part of the actuarial valuation dated June 30, 2008:

Actuarial cost method:	Entry age normal cost method
Amortization method:	Level percent of payroll for total unfunded liability
Remaining amortization period:	30-year closed amortization period with 25 years remaining as of June 30, 2008
Asset valuation method:	5-year smoothed fair value*
Investment rate of return:	7.875%
Inflation rate:	3.50%
Real across-the-board salary increase:	0.25%
Miscellaneous projected salary increases**:	5.14% to 11.55%
Safety projected salary increases**:	3.75% to 9.76%

Assumed postretirement benefit increase:

Miscellaneous Tier 1	3.40%
Miscellaneous Tier 2	0.00%
Miscellaneous Tier 3	2.00%
Safety Tier 1	3.40%
Safety Tier 2	2.00%

*The market value of assets plus or minus unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between actual and expected returns on a market value basis and is recognized over a five-year period. The actuarial value is further adjusted, if necessary, to be within 20% of the market value.

**Includes inflation at 3.50% plus real across-the-board salary increase of 0.25% plus merit and longevity increases.

NOTE 7 – RESERVES

Member and employer contributions are allocated to various legally required reserve accounts based on actuarial determinations. Descriptions of the purpose for the reserve and designated accounts are provided below.

Employee reserves represent the balance of member contributions. Additions include member contributions and interest earnings. Deductions include refunds of member contributions and transfers to retiree reserves.

Employer reserves represent the balance of employer contributions for future retirement payments to current active members. Additions include contributions from the employer and interest earnings. Deductions include transfers to retiree reserves, lump sum death benefits, and payments under California Government Code Sections 31725.5 and 31725.6 related to alternative employment for members otherwise entitled to disability retirement benefits.

Retiree reserves represent the balance of transfers from employee reserves, employer reserves, and interest earnings, less payments to retired members.

Retiree death benefit reserves represent the balance of funds for lump sum death benefits for retirees. Additions include interest earnings and, if necessary, employer contributions. Deductions include payments to beneficiaries of retired members who are deceased.

Retiree health care benefit designations include transfers made by the System from unallocated earnings in prior years to provide funding for a non-vested health and dental insurance premium offset for retirees. Funding of and payments for the retiree health care premium offsets are made in accordance with section 401(h) of the Internal Revenue Code. Effective July 1, 2004, funding for health care premium offsets for retirees has been provided by those employers who have elected to continue the payments for their retired members and have not been funded by the System.

Contingency reserve was created to serve as a reserve against deficiencies in future earnings and unexpected expenses.

Smoothed actuarial value of assets. Investment gains and losses for the year are recognized (smoothed) over a five-year period. As of June 30, 2008 and 2007, total allocated reserves were $5,930,758 and $5,406,461, respectively.

Market stabilization reserve represents the difference between the smoothed actuarial value of assets and the net assets available for benefits at fair value.

(Dollar Amounts Expressed in Thousands)

A summary of the various reserve accounts, which comprise net assets available for pension benefits at June 30, 2008 and 2007 (under the five-year smoothed market asset valuation method for actuarial valuation purposes), is as follows:

NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE
As of June 30

	2008	2007
Employee reserves	$623,245	$595,078
Employer reserves	2,268,948	2,123,725
Retiree reserves	2,818,409	2,580,318
Retiree death benefit reserves	14,663	14,128
Retiree health care benefits designations	1,567	1,567
Contingency reserve	203,926	91,645
Total allocated reserves and designations	5,930,758	5,406,461
Unallocated earnings	-	-
Smoothed actuarial value of assets	5,930,758	5,406,461
Market stabilization reserve	(194,429)	569,401
Net assets available for benefits, at fair value	$5,736,329	$5,975,862

NOTE 8 - PLAN TERMINATION

California Government Code Section 31483 allows the governing body of the County, Superior Court or Special District, through the adoption of an ordinance or resolution, to terminate the applicability of the plan to employees of the County, Superior Court, or Special District whose services commence after a given future date.

NOTE 9 – MORTGAGES PAYABLE

The System has real estate investments secured by long-term mortgage obligations. Activities related to such mortgages were as follows for the years ended June 30:

	2008	2007
Beginning Balance	$199,150	$153,706
Additions	20,000	55,120
Deductions	(24,193)	(9,676)
Ending Balance	$194,957	$199,150

(Dollar Amounts Expressed in Thousands)

Future debt service requirements for outstanding mortgages are as follows:

Year Ending June 30:	Interest	Principal	Total
2009	$10,483	$33,240	$43,723
2010	8,472	14,595	23,067
2011	5,599	85,878	91,477
2012	3,259	738	3,997
2013	2,962	20,781	23,743
2014 - 2018	8,238	14,843	23,081
2019 - 2023	6,094	4,840	10,934
2024 - 2028	4,600	6,334	10,934
2029 - 2033	2,646	8,288	10,934
2034 - 2036	411	5,420	5,831
Total	$52,764	$194,957	$247,721

NOTE 10 – LEASE OBLIGATIONS

SCERS has commitments under operating lease agreements for office facilities and equipment. Minimum future rental payments as of June 30, 2008 were as follows:

Year Ending June 30:	
2009	$590
2010	600
2011	595
2012	297
Total	$2,082

Rental costs during the year ended June 30, 2008 and 2007 were $632 and $647, respectively.

NOTE 11 - SUBSEQUENT EVENTS

Subsequent to the June 30, 2008 fiscal year end, the financial markets experienced a large downturn resulting in a significant decline in the market value of assets. The markets are so dynamic and fluid, any judgment regarding the financial statements should be based on current information rather than fiscal year end. The reader is encouraged to review the SCERS website www.scers.org for the latest information. As of November 30, 2008, the investment portfolio had declined approximately $1.5 billion in value which reduced the net assets to $4.3 billion. The International Equity portfolios experienced a decline of $497.2 million with the International Emerging Market equity portfolio seeing the largest decline of $144.3 million. In addition, declines also occurred in the U.S. Equity portfolios, which were down $557.7 million; Hedge Fund-of-Funds, which declined $57.9 million; and the Opportunity portfolios which declined $132.7 million with the largest decline coming in the Real Asset Strategy Portfolio, which declined $74.6 million. Real Estate investments had declined $71.3 million based on the most recent information available.

As the financial and credit crisis initiated by the subprime mortgage meltdown moves past its one-year anniversary, the financial crisis of 2008 continues to create uncertainty and the credit markets which froze up in September resulting in a spiking of credit spreads to extreme levels continue to suffer from a lack of liquidity. SCERS had exposure to financial institutions that were either acquired by another institution, or the U.S. Government, or which filed for bankruptcy. Determining the level of permanent impairment is ongoing, however, in some cases the final value will not be certain until the bankruptcy process has been completed. The more noteworthy equity and debt holdings that declined in value after June 30, 2008 included American International Group (AIG), Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Lehman Brothers, and Washington Mutual totaling approximately $44.3 million.

The strategic asset allocation and the overall risk profile of SCERS' investment portfolio has not changed since June 30, 2008. Since the global capital markets are highly dynamic and change in value daily, the value of the investment portfolio changes every day. The overriding investment philosophy followed by SCERS continues to center on long-held principles of diversification and the search for long-term value. The broad diversification helps protect the investment portfolio and dampens the day-to-day vagaries of the global financial markets.

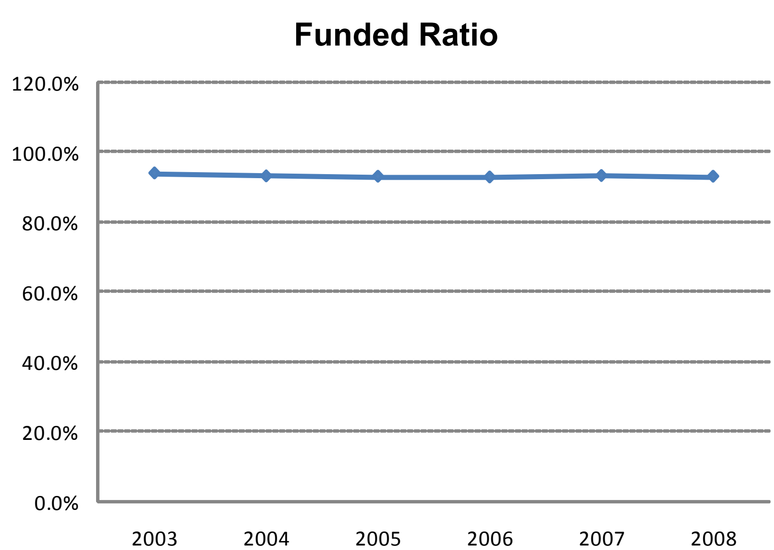
Schedule I - Schedule of funding progress (Dollar amounts expressed in thousands):

A six-year schedule of the funding progress of the System is presented herewith as required supplementary information. This information is intended to help users assess the System's funding status on a going basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL	Funded Ratio	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
June 30	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2003	$3,864,400	$4,108,294	$243,894	94.1%	$733,296	33.3%
2004	4,379,514	4,694,009	314,495	93.3	714,069	44.0
2005	4,530,583	4,860,882	330,299	93.2	722,015	45.7
2006	4,848,953	5,214,915	365,962	93.0	782,572	46.8
2007	5,406,461	5,788,336	381,875	93.4	832,484	45.9
2008	5,930,758	6,363,355	432,597	93.2	902,971	47.9

Effective June 29, 2003, the Sacramento County Board of Supervisors adopted an enhanced benefit formula for Miscellaneous and Safety members. The County and certain Member Districts adopted these improvements for both past and prospective service, while the remaining Member Districts adopted these improvements for future service only. The adoption of enhanced benefits significantly increased the actuarial accrued liability as of June 30, 2003 and significantly increased employer contributions for the year ended June 30, 2004 and subsequent years.

On July 1, 2004, the County issued $420,000 of Pension Obligation Bonds (POB). On October 20, 2004, Sacramento Metropolitan Fire District (SMFD) issued Pension Obligation Bonds. SCERS received proceeds of $10,538 from the SMFD POB's of which $874 was attributable to SMFD's active SCERS members. The receivable contributions from the County POB and the SMFD POB for its active members were included in the value of assets for the actuarial valuation date as of June 30, 2004.

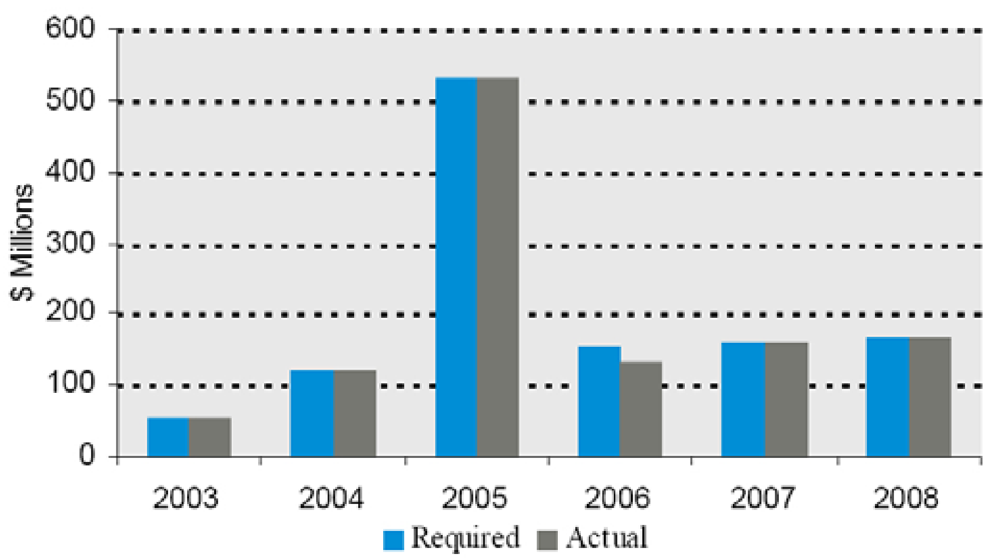


Schedule II - Schedule of employer contributions (Dollar amounts expressed in thousands):

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2003	$52,841	100.0%
2004	119,114	100.0
2005	529,618*	100.0
2006	154,052	86.1**
2007	156,805	100.0
2008	167,054	100.0

* Includes proceeds from Pension Obligation Bonds
**Caused by the phase-in of the employer rates adopted by the Board in the June 30, 2004 actuarial valuation.

Required Versus Actual Contributions



Other Supplemental Information

For the Years Ended June 30
(Dollar Amounts Expressed in Thousands)

Schedule I - Schedule of administrative and other expenses:

Type of expense:	2008	2007
Salaries and benefits	$3,654	$3,352
Professional fees	943	629
Equipment purchases and maintenance	72	85
Rent and lease expense	632	648
Depreciation expense	5	5
Other administrative expenses	1,269	1,099
Total administrative and other expenses	$6,575	$5,818

Schedule II - Schedule of investment fees and expenses:

Type of investment expense:	2008	2007
Domestic equity managers	$4,266	$3,959
International equity managers	5,223	7,151
Bond managers	1,903	1,917
Hedge fund managers	3,329	2,742
Real estate managers	9,013	12,179
Strategic cash overlay managers	290	210
Opportunity portfolio managers	104	-
Custodian fees	412	370
Investment consulting fees	335	200
Other professional fees	228	263
Total investment fees and expenses	$25,103	$28,991

Schedule III - Schedule of payments to consultants:

Type of Service:	2008	2007
Legal services	$1,027	$815
Actuarial services	105	50
Medical consulting services	161	139
Audit & consulting services	30	43
Total payments to consultants	$1,323	$1,047

Statements of Changes in Assets and Liabilities

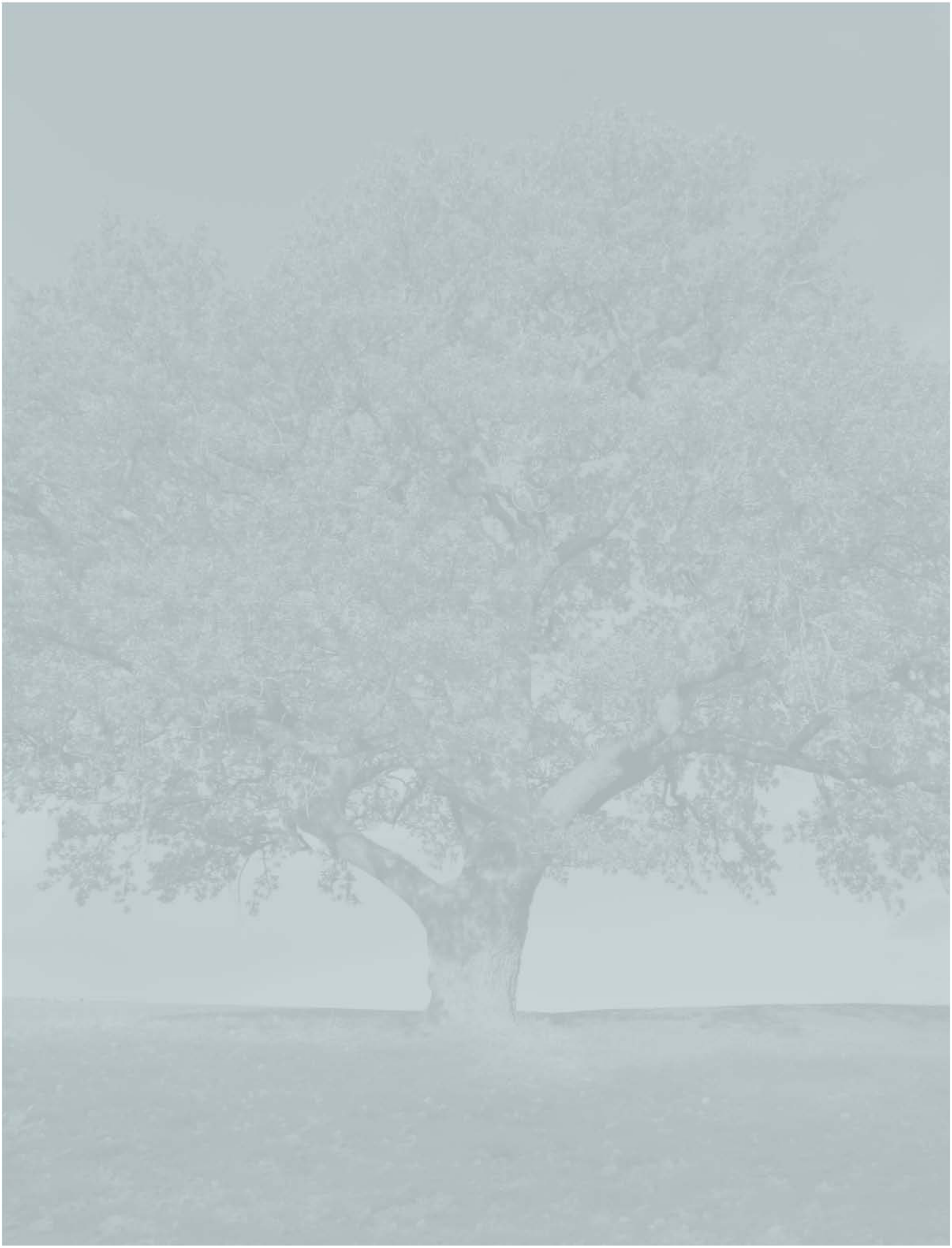
AGENCY FUND

As of June 30

(Dollar Amounts Expressed in Thousands)

Assets	2008	2007
Beginning Balance	$43	$9
Additions	28,335	26,849
Deductions	(28,344)	(26,815)
Ending Balance	$34	$43

Liabilities		
Beginning Balance	$43	$9
Additions	28,335	26,849
Deductions	(28,344)	(26,815)
Ending Balance	$34	$43



INVESTMENT SECTION

Sacramento County
SCERS
Employees'
Retirement System

Executive Staff

Richard Stensrud
Chief Executive Officer

Jeffrey W. States
Chief Investment Officer

James G. Line
General Counsel

Kathryn T. Regalia
Chief Operations Officer

John W. Gobel Sr.
Chief Benefits Officer

December 5, 2008

Dear Members of the Board,

Introduction

SCERS' investments for the fiscal year ended June 30, 2008 produced a total fund return of (4.5)%, gross of investment management fees, and a return of (4.8)%, net of investment management fees. This was the first time in the past five years that the total fund return was negative and fell below the actuarial return objective. Losses in the established domestic and international equity markets offset the positive returns achieved in the fixed income, real estate, and international emerging markets. These negative returns reflected the expanding problems in the U.S. and global credit markets, which became apparent with the takeover of Bear Stearns by J.P. Morgan in April 2008. The period also featured a slowdown in several segments of the U.S. economy as a result of the rapid decline in U.S. home construction, the large run up in the price of oil, and the decline in global growth. The fiscal year return, net of fees, was 1.5% below SCERS' policy weighted benchmark return of (3.0)%.

On a peer comparison basis, SCERS' performance ranked in the 56th percentile of the Russell/Mellon Trust Universe for public funds of a billion dollars or more for the twelve-month period. Over the trailing five-year period, SCERS' annualized investment return is 10.2%, gross of manager fees, and exceeded the actuarial return objective of 7.75%.

Mercer Investment Consulting, Inc. (Mercer) prepared the investment returns using information it receives from SCERS' custodian bank and investment managers.

General Information

SCERS utilizes external investment managers chosen by the Retirement Board to invest the System's assets. As of June 30, 2008, there were twenty-four separate account portfolios, one commingled international equity fund, two equity long/short commingled hedge fund-of-funds, two commodities strategies, five real estate funds, four private equity fund-of-funds and a strategic cash overlay program. Each of the accounts is identified on the Summary of Investment Assets schedule. The Board uses the services of Mercer as a general investment consultant to assist in developing the investment policy, prepare asset/liability studies, advise on the asset allocation, conduct investment manager searches, and help monitor investment manager performance. SCERS' primary legal services were provided by the in-house General Counsel and were supplemented by Nossaman LLP for real estate investments.

In July 2007, the SCERS Board adopted a new strategic asset allocation based on the results of an asset/liability study prepared by Mercer. The changes to the strategic asset allocation: (1) reduced the domestic equity asset class allocation by five percent; (2) reduced the fixed income asset class allocation by five percent; (3) added a five percent asset allocation to private equity as a new asset class; and (4) added a five percent allocation to opportunities strategies as a new asset class.

Following the adoption of the strategic asset allocation, a study of SCERS' portfolio structure was conducted by Mercer to determine the optimal sub-asset class portfolio allocation within each asset class. The effectiveness of SCERS' existing investment managers in carrying out their portfolio assignments and their possible role in the new structure were also evaluated. Based on the results of the study, the Board adopted a sub-asset class structure which: (1) added enhanced indexing to the domestic equity asset class; (2) added long/short extension strategies commonly referred to as 130/30 to domestic equity; (3) reduced the use of passive indexed portfolios in the domestic equity structure; and (4) eliminated passive indexing in fixed income, changing it to an enhanced index portfolio. The changes to the strategic asset allocation and to the sub-asset class portfolio structure are expected to provide a higher and better risk-adjusted return to the fund over time.

Beginning in the first half of calendar year 2008, several manager searches were completed to implement the new structure. By the end of the fiscal year, portfolio allocations were funded or investment commitments were made for two commodities strategies; four private equity fund-of-funds; two enhanced domestic equity index managers; three 130/30 extension strategy domestic equity managers; and two credit strategies in the opportunities portfolio.

In addition to ongoing education efforts through conferences and training courses, during the fiscal year several educational sessions were provided by SCERS' staff, SCERS' investment consultant and various investment managers to assist the Board in making decisions regarding new asset classes and investment strategies. The education sessions included commodities investing, private equity, portable alpha investment strategies, and the credit market crisis.

SCERS' custodial bank is State Street California, Inc (State Street). State Street provides securities lending services to SCERS and, through State Street Global Markets, administers a commission recapture program. In fiscal year 2008, SCERS earned net income of $5.5 million from securities lending and received recapture income of $0.1 million. SCERS does not use directed-brokerage or soft-dollar commissions to purchase any services.

SCERS Investment Objectives

SCERS' investment objectives are set forth in the Board's Investment Policy and Objectives. SCERS' investment objectives are:

1. Provide for Present and Future Benefit Payments - The overall objective of SCERS is to invest pension assets solely in the interest of providing benefits to the participants and their beneficiaries, while attempting to minimize employer contributions and defraying the administrative costs. The investment of contributions and other fund assets in accordance with the investment policy will accomplish this and maintain adequate funding of SCERS' liabilities over time. The goal of the

Board is to design an investment portfolio that will achieve and exceed the annualized actuarial assumed rate of 7.875% over a market cycle. The Board strives to achieve this level of return with a high level of certainty and with an acceptable level of risk.

2. Make Prudent Investments - With care, skill, prudence and diligence the Board strives to produce an investment return based on levels of liquidity and investment risk that are prudent and reasonable under present circumstances. Such circumstances may change over time.
3. Diversify the Assets - The Board diversifies the investments of the Fund to maximize the investment return with acceptable investment risk.
4. Create Reasonable Pension Investments Relative to Other Pension Funds - The pension investment program must operate in compliance with all applicable State and Federal laws and regulations concerning the investment of pension assets. SCERS judges its selection of investment vehicles and policies against other private and public pension funds, with special emphasis on comparisons with public funds.
5. Establish Policy and Objective Review Process - Annually, SCERS conducts a formal review of its Investment Policy and Objectives and develops an updated financial projection at least every five years.

Summary of Proxy Voting Guidelines and Procedures

As a fiduciary, the Board has an obligation to manage the retirement system's assets in the best interest of the plan participants. The Board has established a Proxy Voting and Corporate Governance Policy to assist with this goal. This policy provides guidance to the Chief Investment Officer for voting proxies and acting on corporate action issues, such as mergers and acquisitions. For the fiscal year ended June 30, 2008, all proxies were voted through an electronic voting platform provided by Risk Metric. The Chief Investment Officer, in accordance with the Board's policy, votes proxies with the assistance of research and analysis provided by Risk Metric.

Summary of Asset Allocation

The Board develops the strategic asset allocation with the assistance of Mercer Investment Consulting, Inc. The intent of the asset allocation policy is to ensure the diversification of investments in a manner that achieves the desired rate of investment return with an acceptable investment risk. The actual and policy allocation for each asset class is shown in the pie chart in the materials that follow. The capital market assumptions adopted along with the asset allocation give SCERS an expected 7.96% annualized total rate of return over the next ten years with a standard deviation of returns of 11.6%. SCERS utilizes active investment management to achieve the target earnings rate. The asset allocation is broadly diversified between asset classes as well as within each class in a manner that ensures consistent long-term performance in line with the policy objectives.

Summary of Investment Results

SCERS monitors capital market investment returns through reference to recognized and easily obtainable market indices, which are used as asset class benchmarks. The benchmark index and index performance by asset class for one, three and five years is shown on the Investment Results schedule. The asset class benchmark returns are weighted by the asset allocation to provide a policy-weighted return based on SCERS' asset allocation model. SCERS' total investment return for the fiscal year ended June 30, 2008, net of manager fees, was (4.8)%. SCERS' policy-weighted benchmark return for the fiscal year was (3.0)%.

SCERS also compares its performance against the performance of other public funds utilizing a series of universe comparisons provided by Mercer. For the fiscal year, the median public fund in the Russell/Mellon Trust Universe of 47 public funds with assets of greater than one billion dollars had a return of (4.3)%. SCERS' ranked at the 56th percentile.

Domestic equity is SCERS' largest investment asset class. For the fiscal year, SCERS' total domestic equity return was (14.6)%, net of fees. The return was below the benchmark Russell 3000 Index return by 1.9%. In the MASTU U.S. Equity Billion Dollar Segment, SCERS' return ranks in the 72nd percentile for the one-year period. For the three-year period, SCERS' domestic equity return is 3.4%, net of fees, compared to the benchmark Russell 3000 Index return of 4.7%. Underperformance in the U.S. equity investments in comparison to the benchmarks was due to the poor performance of the U.S. large cap value managers and the U.S. small cap growth managers.

The domestic equity sub-asset allocation divides investments by stock market capitalization and investment style. Large cap domestic equity is 85% of the domestic equity allocation. The large cap domestic equity investments had a (14.2)% return, net of fees, for one-year, which was 1.8% below the return of the Russell 1000 Index. The investment return for large cap equity for three years was 3.9%, 0.9% less than the Russell 1000 Index. The one-year return for small cap equity investments was (17.3)%, net of fees. This return was 1.1% below the benchmark Russell 2000 Index return of (16.2)%. For the three-year period, the small cap equity return was 0.5%, net of fees, 3.3% below the Russell 2000 Index return of 3.8%.

International equity also produced negative investment returns for the fiscal year but was better than the benchmark. The total international equity return was (9.1)%, net of fees. This was 1.5% above the benchmark MSCI EAFE Net Dividend Index equity return of (10.6)%. Performance for three years of 15.8% was 3.0% better than the benchmark return of 12.8%. In the MASTU Non-U.S. Equity Billion Dollar Segment, SCERS ranked at the 60th percentile for one year and at the 30th percentile for three years.

SCERS' international equity investments are classified into two categories, established markets and emerging markets, determined by country. SCERS' established market investments returned (13.7)%, net of fees, 3.1% below the benchmark MSCI EAFE Net Dividend Index. Over the trailing three-year period, the established market return was 12.0%, net of fees, compared to a MSCI EAFE Net Dividend Index return of 12.8%. The international emerging markets outperformed the established markets. The MSCI Emerging Markets Free Index return for the fiscal year was 0.7%. SCERS' investment in the emerging markets growth fund outperformed the benchmark by 2.9% returning 3.6%, net of fees. For the three-year period, SCERS' return of 29.5% net of fees exceeded the MSCI Emerging Markets Index return of 23.5%.

Beginning in the second half of calendar year 2007, the Federal Reserve began decreasing the Fed Funds rate in recognition that the economy was slowing. The Fed Funds rate dropped from 5.5% to 2.0% over the fiscal year. Problems in the credit markets which originated with sub-prime mortgage securities began to spread to investment grade mortgage-backed securities and corporate debt. Credit spreads over comparable maturity treasury securities widened to unprecedented levels. For the fiscal year, SCERS' U.S. core fixed income investments had a return of 5.3% compared to the return of the Lehman Aggregate Bond Index of 7.1%. Over the three-year period ended June 30, 2008, SCERS' fixed income investments returned 3.7%, net of fees compared to the benchmark Lehman Aggregate Bond Index return of 4.1%. SCERS has three fixed income portfolios - an enhanced Lehman Aggregate strategy begun in December 2007 and two core-plus portfolios. SCERS' fixed income performance ranked at the 46th percentile for one year in the MASTU U.S. Fixed Income Billion Dollar segment.

The real estate asset class had positive returns for the year, although they were below the return of the NCREIF Property Index. For one year, the investment return was 3.2%. This was 6.0% below the NCREIF Property Index. The under-performance primarily was the result of negative returns in the public real estate securities portfolios reflecting the downturn in equity stocks in general and specifically in value stocks. Over three years, the real estate portfolio return was 13.9% compared to the NCREIF Property Index return of 15.0%. The real estate asset class return for one year ranked at the 78th percentile for the MASTU Real Estate Billion Dollar Segment.

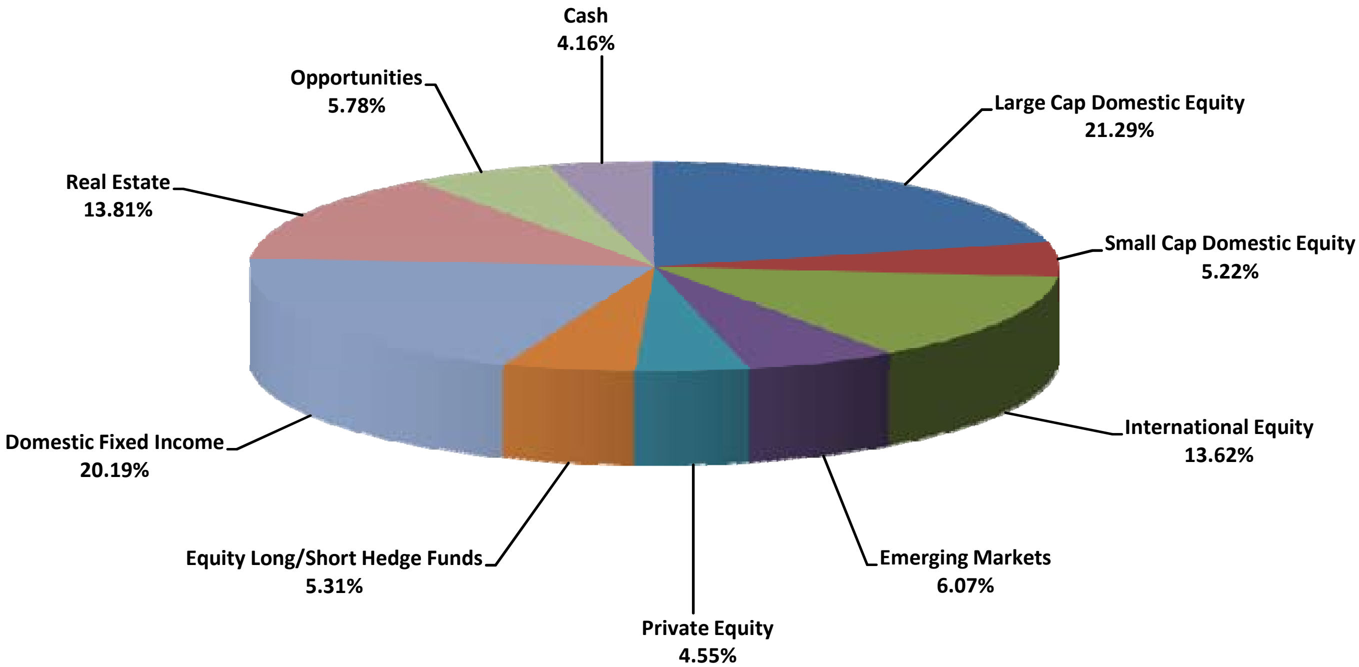
The equity long/short hedge fund-of-funds investments provided some downside protection for the U.S. equity investments, although in total the return was slightly negative. For one year, the two hedge fund-of-funds investment portfolios had a return of (1.5)%. The performance objective for the hedge fund-of-funds investments is the T-Bill plus five percent, 5.0%. The return was also below the CS Tremont Hedge Funds Long/Short Equity Index return of 3.2%.

The new investments in private equity and opportunities strategies were only in the portfolio for a short period of time and had little effect on the total fund return.

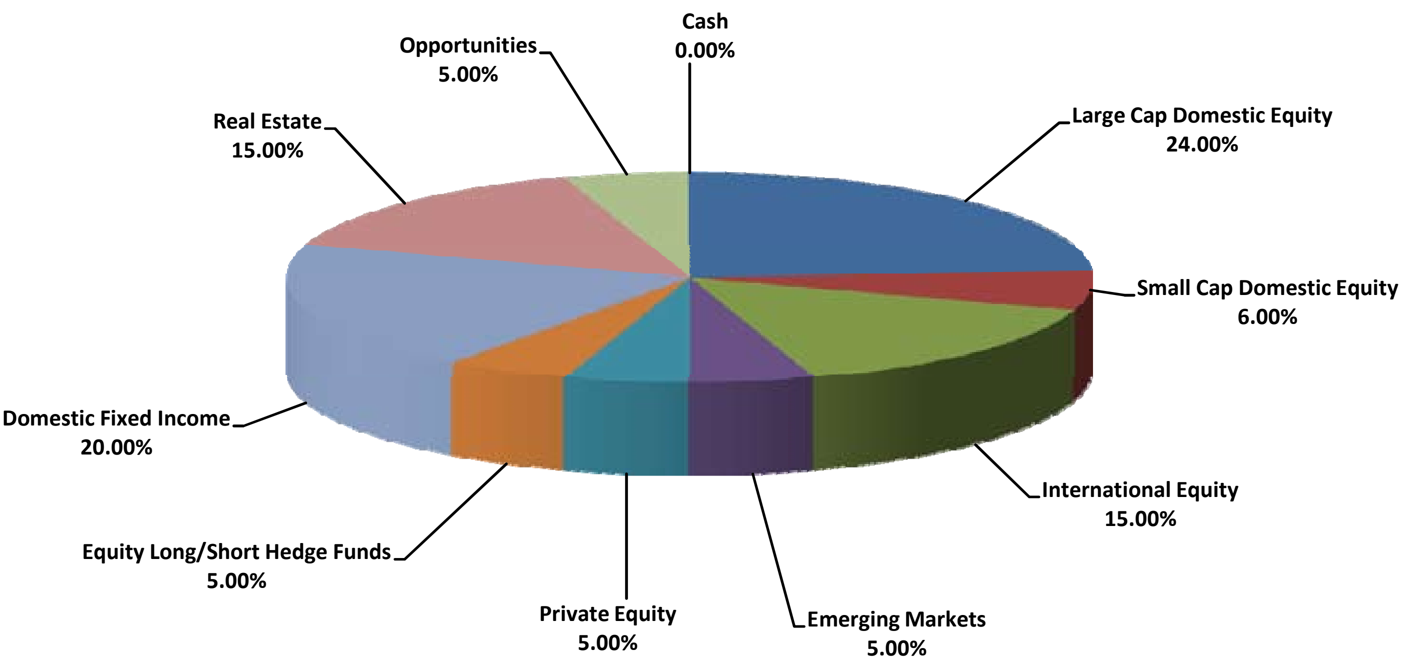
Respectfully submitted,

Jeffrey W. States
Chief Investment Officer

SCERS' Asset Allocation as of June 30, 2008



Target Asset Allocation



The 2008 Actual Asset Allocation is based upon the Investment Summary adjusted to net out $195.0 million in leverage.

Investment Professionals

Equity - Domestic
Alliance Bernstein Institutional Investments
Bear Stearns Asset Management
Dalton, Greiner, Hartman, Maher & Co., LLC
INTECH Investment Strategies
LSV Asset Management
M.A. Weatherbie & Co., Inc.
Pzena Investment Management, LLC
Thompson Siegel & Walmsley, LLC
Wedge Capital Management, LLP
Wells Capital Management
Westridge Capital Management, Inc.

Equity Long/Short Hedge Fund-of-Funds
The Blackstone Group, LP
Grosvenor Capital Management, LP

Equity - International
AXA Rosenberg Investment Management, LLC
Capital Guardian Trust Company
Capital International, Inc
INVESCO Global Asset Management (N.A.), Inc.
LSV Asset Management

Private Equity
Abbott Capital Private Equity Fund VI, LP
Goldman Sachs Private Equity Partners X, LP
HarbourVest Partners, LLC
State Street Global Advisors

Fixed Income
Bradford & Marzec Global Fixed Income Management
Lehman Brothers Asset Management, LLC
Metropolitan West Asset Management

Opportunities
Blackstone Resources Select Offshore Fund, Ltd.
European Credit Mangement, Ltd.
PIMCO Distressed Mortgage Fund, LP
State Street Global Advisors
Strategic Commodities Fund, Ltd.

Real Estate
AEW Capital Management
BlackRock Realty Advisors, Inc.
Cornerstone Real Estate Advisors, LLC
Heitman Capital Management Corporation
Hines U.S. Office Value Added Fund II, LLC
Principal Global Investors, LLC
State Street Global Advisors
UBS Realty Investors, LLC
Urdang Securities Management, Inc.

Strategic Cash Overlay
State Street Global Advisors

Real Estate Legal Council
Nossaman, LLP

Investment Consultant
Mercer Investment Consulting

Proxy Advisor
Institutional Shareholder Service
Glass Lewis & Co.

INVESTMENT RESULTS

	For the Period Ended June 30, 2008		
	Annualized		
	1 Year	3 Years	5 Years
Domestic Equity			
Total Domestic Equity	(14.4)%	3.6%	7.9%
Mercer Equity Universe Median	(12.8)	5.1	8.9
Benchmark: Russell 3000 Index	(12.7)	4.7	8.4
International Equity			
Total International Equity	(8.6)	16.4	19.1
Mercer International Equity Universe Median	(7.7)	15.6	18.8
Benchmark: MSCI EAFE Index	(10.6)	12.8	16.7
Fixed Income			
Total Fixed Income	5.5	3.9	4.2
Mercer Fixed Income Universe Median	5.4	4.1	3.9
Benchmark: Lehman Brothers Aggregate	7.1	4.1	3.9
Equity Hedge Fund of Funds			
Total Hedge Funds	(0.8)	8.5	N/A
CS Tremont Hedge Funds Long/Short Equity Index	3.1	12.1	N/A
Benchmark: Treasury Bill plus five percent	8.0	9.0	N/A
Real Estate			
Total Real Estate	3.2	13.9	15.3
Mercer Real Estate Universe Median	8.3	15.0	15.9
Benchmark: NCREIF Classic Property Index	9.2	15.0	14.7
Opportunities			
Total Opportunities	N/A	N/A	N/A
Private Equity			
Total Private Equity	N/A	N/A	N/A
Total Fund			
Sacramento Total Fund	(4.5)	8.2	10.2
Russell/Mellon Public Funds Billion $ Universe	(4.3)	8.4	10.4
Benchmark: Asset Allocation Weightings*	(3.0)%	8.5%	10.5%

Notes: Returns were prepared by Mercer Investment Consulting, Inc., and shown on a gross of fee basis. Return calculations were prepared using a time-weighted rate of return.

*The Benchmark consisted of 30% Russell 1000 Index, 5% Russell 2000 Index, 25% Lehman Brothers Aggregate Bond Index, 15% MSCI EAFE Index, 5% MSCI Emerging Markets Free Index, 12% NCREIF Property Index, 3% NAREIT Index, and 5%T-Bill Plus 5%. From 9/1/04 to 1/31/06, the Benchmark consisted of 30% Russell 1000 Index, 5% Russell 2000 Index, 25% Lehman Brothers Aggregate Bond Index, 15% MSCI EAFE Index, 5% MSCI Emerging Markets Free Index, 15% NCREIF Property Index and 5% T-Bill plus 5%. From 1/1/00 to 8/31/04, the Benchmark consisted of 35% Russell 1000 Index, 5% Russell 2000 Index, 30% Lehman Aggregate Bond Index, 15% MSCI EAFE index, 5% MSCI Emerging Markets Free Index, and 10% NCREIF Property Index.

Summary of Investment Assets

As of June 30, 2008

	Fair Value (Dollar Amounts Expressed in Thousands)	Percentage of Total Cash & Investments
Equities		
Domestic		
Alliance Capital - Russell 1000 Index	$680,609	11.08%
Bear Stearns Asset Management - Small Growth	47,223	0.77
Dalton, Greiner, Hartman, Maher - Active Small Cap Value	74,944	1.22
InTech - Large Growth	126,571	2.06
LSV Asset Management - Value	97,678	1.59
M.A. Weatherbie - Small Growth	77,324	1.26
Pzena Investment Management - Value	96,411	1.57
TCW Asset Management - Active Small Cap Value	1,173	0.02
Thompson, Siegel & Walmsley - Small Cap Value	50,113	0.82
Transition Account: JP Morgan and BlackRock Investment Management	138,454	2.25
Wedge Capital Management - Small Cap Value	47,665	0.78
Wells Capital Management - Large Growth	131,339	2.14
Westridge Management - Russell 1000 Enhanced Index	170,894	2.78
Total Domestic Equity	1,740,398	
International		
AXA Rosenberg-MSCI EAFE Small Cap	49,304	0.80
Capital Guardian Trust - MSCI EAFE Growth Index	270,072	4.40
Capital International - MSCI Emerging Markets	348,759	5.68
Invesco Institutional - MSCI EAFE Core	231,569	3.77
LSV Asset Management - MSCI EAFE Value	226,619	3.69
Total International Equity	1,126,323	
Hedge Fund of Funds		
Blackstone Alternative	156,149	2.54
Grosvenor Capital Management	148,672	2.42
Total Hedge Fund of Funds	304,821	
Private Equity		
Goldman Sachs X	3,750	0.06
HarbourVest Partners VIII	12,900	0.21
State Street Global Advisors - Russell 2000 Index SWAP	264,269	4.30
Total Private Equity	280,919	
Total Equities	3,452,461	
Fixed Income		
Domestic		
Bradford & Marzec-Lehman Aggregate Core Plus	323,693	5.27
Lincoln Capital-Lehman Aggregate Index	429,392	6.99
Metropolitan West Asset Management	445,885	7.26
Total Domestic Fixed Income	1,198,970	
International		
Bradford & Marzec-Lehman Aggregate Core Plus	57,135	0.93
Lincoln Capital-Lehman Aggregate Index	8,278	0.13
Metropolitan West Asset Management	6,689	0.11
Total International Fixed Income	72,102	
Total Fixed Income	1,271,072.00	

	Fair Value (Dollar Amounts Expressed in Thousands)	Percentage of Total Cash & Investments
Real Estate		
AEW Value Investors II, L.P.	7,527	0.12
Allegis Value Trust	9,785	0.16
BlackRock Realty-Separate Account	418,550	6.81
Cornerstone Patriot Fund	83,683	1.36
Cornerstone Realty-Separate	231,900	3.77
Granite Property Fund	73,709	1.20
Hines US Office Value Fund II	8,991	0.15
Other Commingled Trusts	9	0.00
Principal Global Investor	48,010	0.78
State Street Global Advisors - REIT	51,896	0.84
Urdang Securities Management	49,684	0.81
Total Real Estate	983,744	
Futures Overlay		
State Street Global Advisors	61,128	0.99
Total Futures Overlay	61,128	
Opportunities		
Blackstone Resources Select Offshore Fund	23,143	0.38
European Credit Luxemborg S.A.	47,377	0.77
Lehman Strategic Commodities Fund	63,554	1.03
PIMCO Distressed Debt Fund	11,153	0.18
State Street Global Advisors - Real Asset Strategy	186,361	3.03
Total Opportunities	331,588	
Total Investments at Fair Value	6,099,993	
Cash		
Cash (Unallocated)	26,221	0.43
Other Cash & Cash Equivalents	17,961	0.29
Total Cash and Investments	**$6,144,175**	**100.00%**
Other Assets		
Receivables	226,995	
Other Assets	6,464	
Securities lending collateral	656,924	
Total Assets	**7,034,558**	
Liabilities		
Accounts Payable	20,988	
Investment Trades Payable	422,137	
Mortgages Payable	194,957	
Warrants Payable	3,223	
Securities Lending Liability	656,924	
Total Liabilities	**1,298,229**	
Net Assets held in Trust for Pension Benefits	**$5,736,329**	

Note: Allocated assets include cash and cash equivalents and short-term investment with fiscal agents.

Schedule of Manager Fees

(Dollar Amounts Expressed in Thousands)

Manager	
Domestic Equity	
Alliance Bernstein Institutional Investments	$237
Bear Stearns Asset Management	183
Dalton, Greiner, Hartman, Maher & Co., LLC	677
Enhanced Investment Technologies, LLC	647
Independence Investments, LLC	158
LSV Asset Management	703
M.A. Weatherbie & Co., Inc.	736
OFI Institutional Asset Management	35
Pzena Investment Management, LLC	259
TCW Asset Management	294
Thompson, Siegel & Walmsley, LLC	104
Wedge Capital Management	90
Wells Capital Management	143
Total Domestic Equity	**4,266**
International Equity	
AXA Rosenberg Investment Management, LLC	134
Capital Guardian Trust Company	890
Capital International , Inc	2,240
INVESCO Global Asset Management (N.A.), Inc.	1,071
LSV Asset Management	888
Total International Equity	**5,223**
Hedge Fund of Funds	
The Blackstone Group L.P.	2,042
Grosvenor Capital Management, L.P.	1,287
Total Hedge Fund of Funds	**3,329**
Fixed Income	
Bradford & Marzec Global Fixed Income Management	1,002
Lehman Brothers Asset Management, LLC	200
Metropolitan West Asset Management	701
Total Fixed Income	**1,903**

(Dollar Amounts Expressed in Thousands)

Real Estate	
BlackRock Realty Advisors, Inc.	7,099
Cornerstone Real Estate Advisors, LLC	1,098
Hines U.S. Office Value Added Fund II, LLC	375
Principal Global Investors, LLC	177
SSgA Private REIT	21
Urdang Securities Management, Inc.	243
Total Real Estate	**9,013**
Strategic Cash Overlay	
State Street Global Advisors	290
Total Strategic Cash Overlay	**290**
Opportunities Portfolio	
SSgA Real Asset Funds	104
Total Opportunities Portfolio	**104**
Other Professional Fees	
Council of Institutional Investors	8
Glass, Lewis & Co., LLC	38
Hanson, Bridget, Marcus, Vlahos, & Rudy	10
Institutional Shareholder Services	60
Mercer Investment Consulting	335
Paul, Hasting, Janofsky & Walker	18
The Segal Company	79
State Street Bank	412
Zephyr Associates	15
Total Other Professional Fees	**975**
Total Investment Fees	**$25,103**

Ten Largest Stock Holdings (by Fair Value)

As of June 30, 2008

Rank	Shares	Security Name	Fair Value (in thousands)
1	410,563	Exxon Mobile Corp.	$ 36,183
2	805,635	Microsoft Corp.	22,163
3	183,685	Chevron Corp.	18,209
4	151,600	International Business Machines	17,969
5	663,535	General Electric Company	17,710
6	486,335	AT&T Inc.	16,385
7	665,460	Cisco Systems Inc.	15,479
8	90,960	Apple Inc.	15,230
9	140,790	Schlumberger Ltd.	15,125
10	240,844	Proctor and Gamble Company	14,646
Total of Ten Largest Stock Holdings			**$189,099**

A complete list of the stock holdings is available.

Ten Largest Bond Holdings (by Fair Value)

As of June 30, 2008

Rank	Par	Security Name	Interest Rate	Maturity	Fair Value (in thousands)
1	27,039,000	United States Treasury Notes	3.50%	05/31/2013	$27,238
2	21,305,000	United States Treasury Notes	3.63%	12/31/2012	21,626
3	22,155,000	United States Treasury N/B	2.50%	03/31/2013	21,377
4	19,616,528	FNMA Pool 831811	6.00%	09/01/2036	19,842
5	14,180,000	United States Treasury Notes	5.13%	05/15/2016	15,468
6	14,960,000	FNMA TBA Jul 30 Single Fam	6.00%	12/01/2099	15,090
7	14,845,733	FNMA Pool 190375	5.50%	11/01/2036	14,660
8	12,844,000	United States Treasury Notes	4.75%	08/15/2017	13,609
9	12,390,000	FNMA TBA Jul 30 Single Fam	5.00%	12/01/2099	11,872
10	9,647,000	United States Treasury Bonds	6.13%	11/15/2027	11,540
Total of Ten Largest Bond Holdings					**$172,322**

A complete list of the bond holdings is available.

Schedule of Equity Brokerage Fees

Broker Name	Commission Per Share	Shares/ Par Value	Total Commissions
ABG Securities	$0.0315	18,584	$585
ABG Securities AS (Stockholm)	0.0193	33,300	641
ABN Amro Asia Limited	0.0084	13,400	113
ABN Amro Bank NV	0.0095	718,131	6,837
ABN Amro Bank NV Hong Kong Branch	0.0002	41,400	9
Alpha Brokerage AE	0.0519	9,600	498
Automatedtrading Desk Financial Service	0.0100	47,525	475
Avian Securities	0.0400	93,300	3,732
Avondale Partners LLC	0.0443	97,482	4,323
Baird, Robert W., & Company Incorporated	0.0417	290,597	12,130
Banc of America Securities LLC	0.0447	172,007	7,680
Banc/America Secur. LLC Montgomey Div.	0.0448	115,510	5,178
Banco Espirito Santo De Invest	0.0019	88,405	170
Banco Espirito Santo Investmento Sucursa	0.0116	58,588	678
Bank AM Bellevue	0.1868	13,014	2,431
Bank Julius Baer and Co.Ltd.	0.3773	514	194
Bank of America Securities LLC	0.0376	136,336	5,122
Banque Nationale Du Canada	0.0383	20,851	799
Barclays Capital	0.0096	22,072	212
Barrington Research Associates Inc.	0.0465	54,650	2,539
Baypoint Trading LLC	0.0296	84,145	2,487
Bear Stearns & Co., Inc.	0.0424	560,872	23,754
Bear Stearns Securities Corp.	0.0306	2,451,410	75,033
Bear Stearns Securities Corp.	0.0337	64,100	2,161
Bloombergtradebook LLC	0.0100	138,184	1,382
BNP Paribas Peregrine Securities	0.0017	43,700	75
BNP Paribas SA	0.1791	7,000	1,254
BNP Paribas Securities Services	0.0298	91,146	2,718
BNY Brokerage	0.0399	275,625	10,992
BNY Brokerage Inc.	0.0393	350,993	13,786
BNY/Special Processing #14	0.0500	2,510	126
Boenning & Scattergood Inc.	0.0320	7,100	227
Brean Murray	0.0469	5,550	261
Broadcortcapital (Thru ML)	0.0411	919,232	37,776
B-Trade Services LLC	0.0278	217,584	6,046
Buckingham Research Group	0.0418	142,195	5,944
CA LB Investmentbank Ag	0.0776	9,400	730
Calyon Securities (USA) Inc.	0.0100	5,408	54
Canaccordadams Inc.	0.0400	11,692	468

Broker Name	Commission Per Share	Shares/ Par Value	Total Commissions
Canaccordcapital Corp.	0.0426	15,100	643
Cantor Fitz Eur 2	0.0015	3,365,651	4,947
Cantor Fitzgerald & Co.	0.0287	568,609	16,320
Capital Institutional Svcs Inc. Equities	0.0364	589,946	21,484
Caris + Company Inc.	0.0456	56,490	2,574
Carnegie Int'L Lnd	0.0281	25,200	708
Cazenove & Co.	0.0100	653,755	6,542
Cazenove Asia Ltd.	0.0010	988,000	1,011
China Intrtnl. Cap. Corp. HK Secs. Ltd.	0.0050	73,500	368
CIBC Woodgundy	0.0350	57,600	2,016
CIBC World Markets Corp.	0.0403	81,994	3,304
CIBC World Mkts. Inc.	0.0431	17,500	755
Citation Group	0.0292	1,196,334	34,955
Citigroupglobal Markets Australia Pty.	0.0263	75,124	1,978
Citigroupglobal Markets Inc.	0.0328	1,616,406	53,076
Citigroupglobal Markets Inc.	0.0109	2,273,883	24,765
Citigroupglobal Markets Limited	0.0092	1,983,058	18,330
Citigroupglobal Markets UK Equity Ltd.	0.0083	896,884	7,439
CJS Securities	0.0500	59,440	2,972
Cowen Andcompany, LLC	0.0409	135,634	5,552
Craig - Hallum	0.0395	181,671	7,184
Credit Agricle Indosuez	0.0201	4,044	81
Credit Agricole Indosuez Cheuvreux	0.0208	608,472	12,638
Credit Lyonnais Securities	0.0142	287,500	4,086
Credit Lyonnais Securities (USA) Inc.	0.0134	352,960	4,712
Credit Research & Trading LLC	0.0400	13,925	557
Credit Suisse First Boston (Europe)	1.0901	1,343	1,464
Credit Suisse Securities (Europe) Ltd.	0.0127	839,589	10,643
Credit Suisse Securities (USA) LLC	0.0074	16,178,606	119,041
CS First Boston (Hong Kong) Limited	0.0111	563,167	6,270
CSFB Australia Equities Ltd.	0.0091	111,800	1,017
CSFB Europe Ltd.	0.0808	29,900	2,416
Daewoo Secs. Co. Ltd, Seoul Korea	0.0077	14,067	108
Daewoo Securities Co. Ltd	0.0069	10,512	73
Dahlman Rose & Company LLC	0.0481	13,920	670
Daiwa SBCM Europe	0.0564	21,017	1,185
Daiwa Securities America Inc.	0.0010	543,451	539
Davenport & Co. of Virginia, Inc.	0.0479	71,069	3,408
Davidson D.A. & Company Inc.	0.0400	10,640	426

Broker Name	Commission Per Share	Shares/ Par Value	Total Commissions
Davis, Mendel and Regenstein	0.0500	6,575	329
Davy (J&E)	0.0297	53,300	1,583
DBS Vickers Securities (Singapore)	0.0003	135,000	45
Deutsche Bank Ag London	0.0203	624,724	12,709
Deutsche Bank Securities Inc.	0.0224	4,173,654	93,522
Deutsche Morgan Grenfell Secs.	0.0045	244,884	1,097
Deutsche Securities Asia Limited	0.0028	526,500	1,452
Deutsche Securities Asia Ltd.	0.3718	7,144	2,656
Dowling & Partners	0.0449	155,049	6,955
Dresdner Kleinworth Wasserstein Sec. LLC	0.0116	1,284,780	14,895
E Trade Securities, Inc.	0.0100	7,600	76
Edwards Ag Sons Inc.	0.0500	14,520	726
EMP Research Ptrns.	0.0400	29,375	1,175
Euromobiliare Sim S.P.A.	0.0096	72,000	688
Exane S.A.	0.1112	8,916	991
Ferris Baker Watts Inc.	0.0451	48,080	2,169
Fidentiis	0.0268	47,000	1,261
First Analysis Securities Corp.	0.0400	2,700	108
First Clearing, LLC	0.0488	99,820	4,871
Fox Pitt Kelton Inc.	0.0388	213,690	8,296
Fox-Pitt Kelton Ltd.	0.1567	27,316	4,280
Friedman Billings & Ramsey	0.0438	165,017	7,225
Futuretrade Securities, LLC	0.0060	52,000	312
Gerson Lehrman Group Brokerage Serv. LLC	0.0400	195,200	7,808
Goldman Sachs & Co.	0.0269	2,933,161	78,904
Goldman Sachs Execution & Clearing	0.0170	720,715	12,272
Goldman Sachs International	0.0138	458,690	6,338
Goldman Sachs Intl. Ltd.	0.0816	7,400	604
Goodbody Stockbrokers	0.0200	181,900	3,645
Green Street Advisors	0.0491	107,629	5,288
Guzman & Co	0.0231	901,956	20,841
Harris Nesbitt Corp.	0.0487	75,683	3,686
Hibernia Southcoast Capital Inc.	0.0469	8,400	394
Hongkong and Shanghai Banking Corp.	0.0169	100,900	1,707
Howard Weil Division Legg Mason	0.0400	21,246	850
HSBC Bankplc.	0.0576	116,200	6,690
HSBC Securities (USA), Inc./Stock Loan	0.0136	207,400	2,829
ICAP Securities Ltd.	0.0231	54,272	1,255
Instinet	0.0330	3,450,144	113,953

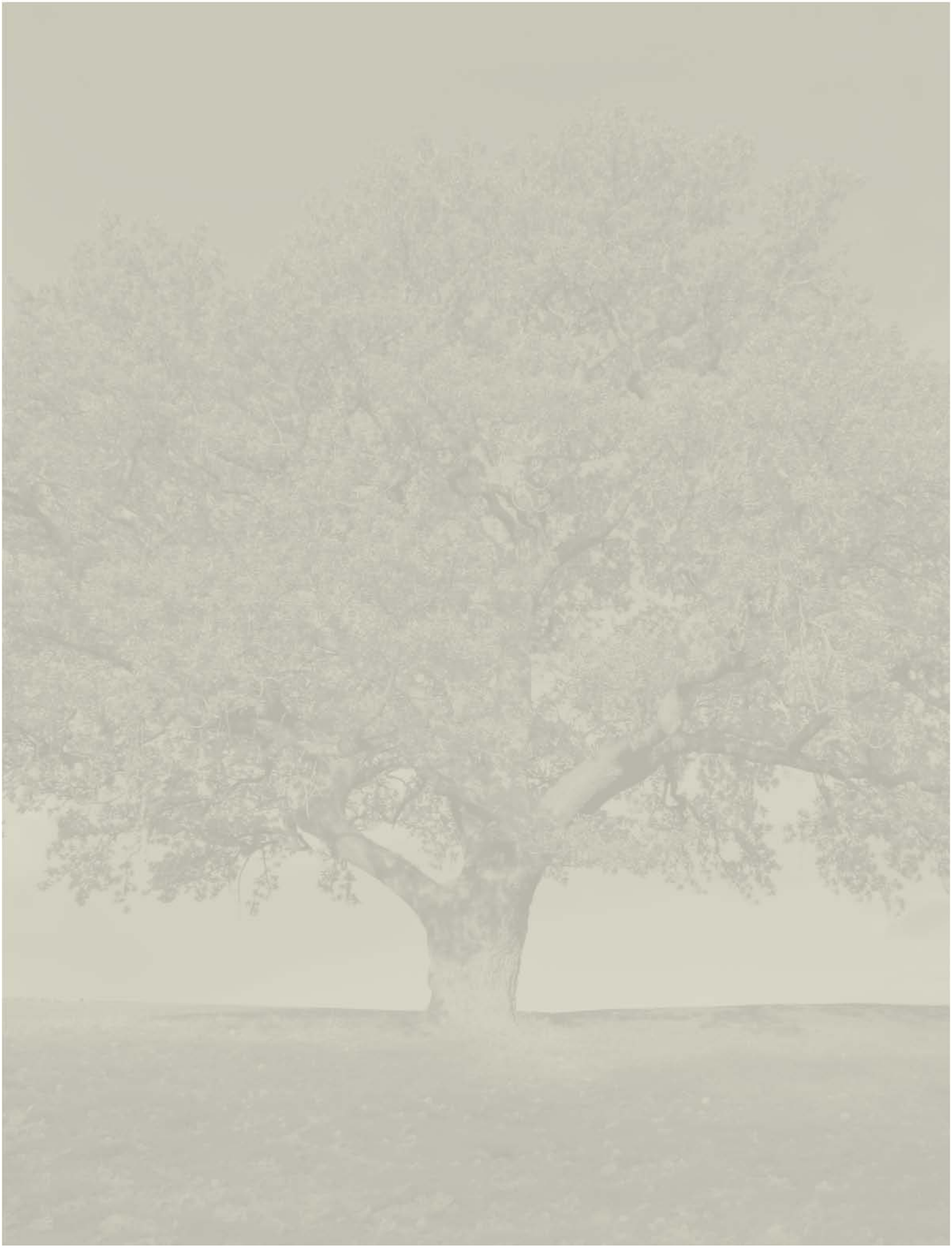
Schedule of Equity Brokerage Fees (Continued)

Broker Name	Commission Per Share	Shares/ Par Value	Total Commissions
Instinet France S.A.	0.0308	29,158	897
Instinet Pacific Limited	0.0140	52,000	729
Instinet U.K. Ltd.	0.0051	2,349,047	11,901
Instinet, LLC	0.0400	1,600	64
Investment Technology Group Inc.	0.0239	2,432,101	58,193
Investment Technology Group Ltd.	0.0043	1,201,754	5,126
ISI Groupequities	0.0400	9,094	364
ISI Group Inc	0.0482	98,755	4,757
ITG Australia Ltd.	0.0019	176,935	341
ITG Inc.	0.0200	5,990	120
ITG Securities (Hk) Ltd.	0.0002	959,366	173
IXIS Securities	0.0057	111,395	638
J B Were and Son	0.0422	26,989	1,140
J P Morgan Securities Inc.	0.0335	958,691	32,120
Janney Montgomery, Scott Inc.	0.0451	39,500	1,783
Jefferies & Company Inc.	0.0257	1,337,538	34,374
JMP Securities	0.0483	9,860	476
Joh Berenberg Gossler and Co.	0.0098	211,195	2,079
Johnson Rice & Co.	0.0445	59,506	2,647
Jones & Associates Inc.	0.0453	300	14
Jonestrading Institutional Services LLC	0.0240	259,121	6,216
JP Morgansecurities Limited	0.0193	675,677	13,058
JPMorg. Sec. (Far East) Ltd. Seoul	0.0136	3,848	52
JPMorgan Securities (Asia Pacific) Ltd.	0.0038	919,437	3,509
Kas-Associatie N.V.	0.0084	13,447	113
Kaufman Brothers	0.0500	10,590	530
Kbc Financial Products UK Ltd.	0.0406	19,523	792
Keefe Bruyette & Woods Inc.	0.0442	141,810	6,272
Kepler Equities Paris	0.1025	6,000	615
Kevin Dann Partners, LLC	0.0477	69,680	3,324
Keybanc Capital Markets Inc.	0.0407	345,804	14,083
King, CL, & Associates, Inc.	0.0468	26,895	1,258
Kleinwortbenson Securities Limited	0.0092	825,715	7,635
Knight Securities	0.0248	139,257	3,460
Ladenburgthalman & Co.	0.0400	1,000	40
Lazard Capital Markets LLC	0.0416	174,763	7,273
Leerink Swann and Company	0.0453	4,700	213
Lehman Brothers Inc.	0.0237	2,601,927	61,785
Lehman Brothers International (Europe)	0.0355	468,149	16,626

Broker Name	Commission Per Share	Shares/ Par Value	Total Commissions
Lehman Brothers Secs. (Asia)	0.0126	304,037	3,824
Liquidnetasia Limited	0.0100	2,000	20
Liquidneteurope Limited	0.0167	300,680	5,031
Liquidnetinc	0.0285	2,264,638	64,470
Longbow Securities LLC	0.0482	58,145	2,801
Lynch Jones and Ryan Inc.	0.0165	122,700	2,030
Macquarieequities Limited (Sydney)	0.0092	352,638	3,250
Macquarieequities New Zealand	0.0002	88,300	20
Macquariesecurities Limited	0.0129	694,897	8,995
Macquariesecurities Ltd. Seoul	0.0091	19,823	180
MAN Financial Limited	0.0234	21,300	499
Merrill Lynch & Co. Inc.	0.0442	34,500	1,523
Merrill Lynch International	0.0147	2,487,932	36,568
Merrill Lynch Peirce Fenner and S	0.0166	1,155,437	19,221
Merrill Lynch Professional Clearing Corp.	0.0170	75,300	1,277
Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.0216	13,339,062	287,935
Merriman Curhan Ford & Co.	0.0208	8,500	177
Midwest Research Securities	0.0470	64,467	3,027
Miletus Trading LLC	0.0200	7,200	144
Mizuho Securities USA Inc.	0.1017	18,768	1,908
Monness, Crespi, Hardt & Co. Inc.	0.0500	6,120	306
Morgan (J.P.) Securities Inc., SL	0.0851	2,100	179
Morgan Keegan & Co. Inc.	0.0414	73,425	3,043
Morgan Stanley and Co. International	0.0105	1,315,993	13,806
Morgan Stanley Co. Incorporated	0.0188	1,507,482	28,402
National Financial Services Corp.	0.0429	30,810	1,322
NBC Clearing Services Incorporated	0.0447	23,200	1,038
NCB Stockbrokers Ltd.	0.0405	14,600	592
Needham & Company	0.0433	72,997	3,162
Neonet Securities AB	0.0046	92,600	429
Nesbitt Burns	0.0235	257,365	6,039
Next Generation Equity Research LLC	0.0400	3,600	144
Nomura International (Hong Kong) Ltd.	0.0002	111,812	17
Nomura International PLC	0.0017	396,942	661
Nomura Intl. (Hk) Ltd, Seoul Br.	0.0078	670	5
Nomura Securities International Inc.	0.0081	685,289	5,523
Numis Securities Limited	0.0093	80,400	746
Nyfix Transaction Services #2	0.0200	330,747	6,615
NZB Neue Zuercher Bank	0.0453	5,870	266

Broker Name	Commission Per Share	Shares/ Par Value	Total Commissions
Oppenheimer & Co. Inc.	0.0451	37,085	1,674
Oppenheimer & Co Inc.	0.0418	84,448	3,529
Pacific Crest Securities	0.0413	129,996	5,368
Penson Financial Services Inc.	0.0822	3,100	255
Pershing Division Of Donaldson Lufkin	0.0400	24,800	992
Pershing DLJ S L	0.0407	84,880	3,457
Pershing LLC	0.0276	76,860	2,118
Pershing LLC/1st Republic/P.B. CNS	0.0236	77,631	1,832
Pershing Securities Limited	0.0620	45,630	2,827
Pipeline Trading Systems LLC	0.0200	33,995	680
Piper Jaffray	0.0400	126,470	5,059
Portales Partners LLC	0.0500	22,470	1,124
Pritchardcapital Partners LLC	0.0500	7,360	368
Pulse Trading LLC	0.0381	8,050	307
Punk Ziegel and Knoll	0.0400	1,400	56
Raymond James and Associates Inc.	0.0457	293,370	13,413
RBC Capital Markets	0.0467	56,660	2,644
RBC Dain Rauscher Inc.	0.0500	37,145	1,857
RBC Dominion Securities	0.0442	21,800	964
Redburn Partners LLP	0.0168	59,197	992
Renaissance Capital Ltd.	0.0299	16,120	481
Ridge Clearing & Outsourcing Solutions	0.0117	6,442,301	75,426
Rosenblatt Securities LLC	0.0233	744,000	17,314
Samsung Securities Co. Ltd.	0.0078	16,097	126
Sandler Oneill & Part LP	0.0441	30,645	1,351
Sanford C. Bernstein Ltd.	0.0124	98,955	1,227
Sanford Cbernstein Co. LLC	0.0314	333,010	10,470
Scotia Capital (USA) Inc.	0.0453	57,600	2,612
Scott & Stringfellow, Inc.	0.0445	71,614	3,183
Shenyin Wanguo Securities (Hk) Ltd.	0.0002	20,000	4
Sidoti & Company LLC	0.0415	311,270	12,930
Simmons & Company International	0.0493	69,920	3,447
Skandinaviska Enskilda Banken London	0.0082	83,747	683
Societe Generale London Branch	0.0409	58,652	2,397
Soleil Securities	0.0400	155,354	6,214
Stanley (Charles) & Co. Limited	0.0104	120,800	1,252
State Street Bank & Trust Co. London	0.0128	14,509	185
State Street Bank and Trust Co. Boston	0.0426	6,599	281
State Street Brokerage Services	0.0182	9,444,894	171,814

Broker Name	Commission Per Share	Shares/ Par Value	Total Commissions
Stephens, Inc.	0.0463	194,510	9,002
Sterne, Agee & Leach, Inc.	0.0424	117,434	4,979
Stifel Nicolaus & Co. Inc.	0.0427	334,590	14,282
Suntrust Capital Markets, Inc.	0.0403	41,821	1,686
Svenska Handelsbanken London Branch	0.0235	12,748	299
TD Waterhouse CDA	0.0203	83,633	1,700
Themis Trading LLC	0.0400	800,061	31,980
Thinkequity Partners LLC	0.0375	18,313	688
Thomas Weisel Partners LLC	0.0400	32,721	1,309
Tokyo-Mitsubishi Securities (USA)	0.0135	315,309	4,271
Toronto Dominion Securities	0.0236	275,526	6,507
Troika Dialog (UK) Limited	0.0885	14,500	1,283
UBS Ag	0.0173	1,269,805	22,005
UBS Ag London	0.0463	179,390	8,307
UBS Securities Asia Ltd.	0.0049	1,956,114	9,599
UBS Securities Canada Inc.	0.0376	30,600	1,150
UBS Securities LLC	0.0282	1,471,851	41,434
UBS Warburg (Hong Kong) Limited	0.0002	21,000	3
UOB Kay Hian Private Limited	0.0003	275,000	91
Wachovia Securities, LLC	0.0386	96,570	3,725
Wachoviacapital Markets, LLC	0.0419	475,073	19,909
Warburg Dillon Read Securities Ltd.	0.0719	9,512	684
Wave Securities	0.0191	15,226	291
Wedbush Morgan Securities Inc.	0.0500	2,700	135
Weeden & Co.	0.0232	681,948	15,801
Westminster Research Accociation	0.0400	12,800	512
William Blair & Company, L.L.C	0.0398	161,699	6,435
Woori Investment Securities	0.0121	23,607	285
Yamner & Co. Inc. (Cls Thru 443)	0.0100	438,009	4,380
Total	**$0.0187**	**131,462,380**	**$2,453,982**



ACTUARIAL SECTION

SEGAL

THE SEGAL COMPANY
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T 415.263.8200 F 415.263.8290 www.segalco.com

December 8, 2008

Board of Retirement
Sacramento County Employees' Retirement System
980 9th Street, Suite 1800
Sacramento, CA 95814

Re: Actuarial Valuation for the Sacramento County Employees' Retirement System

Dear Members of the Board:

The Segal Company prepared the June 30, 2008 actuarial valuation of the Sacramento County Employees' Retirement System. We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

As part of the June 30, 2008 actuarial valuation, The Segal Company (Segal) conducted an examination of all participant data for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the System's financial statements. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return over a five-year period.

One of the general goals of an actuarial valuation is to establish contribution rates which fully fund the System's liabilities and which, as a percentage of payroll, remain as level as possible for each generation of active members. Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL). Actuarial gains and losses are incorporated into the UAAL and are amortized over the same period.

Board of Retirement
Sacramento County Employees' Retirement System
December 8, 2008
Page 2

The UAAL is amortized as a level percentage of payroll over a 25-year period. The progress being made towards meeting the funding objective through June 30, 2008 is illustrated in the Schedule of Funding Progress.

A listing of supporting schedules Segal prepared for inclusion in the actuarial, statistical, and financial sections of the System's CAFR is provided below:

1. Retirees and beneficiaries added to and removed from retiree payroll;

2. Solvency test; and

3. Schedule of retiree members by type of benefit.

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on the June 30, 2007 Experience Analysis or in conjunction with the June 30, 2008 actuarial valuation. It is our opinion that the assumptions used in the June 30, 2008 valuation produce results, which, in the aggregate, reflect the future experience of the Plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The next experience analysis is due to be performed as of June 30, 2010.

In the June 30, 2008 valuation, the ratio of the valuation assets to actuarial accrued liabilities decreased from 93.4% to 93.2%. The employer's rate has increased from 19.17% of payroll to 19.29% of payroll, while the employee's rate has increased from 4.85% of payroll to 4.92% of payroll.

The undersigned are members of the American Academy of Actuaries and are qualified to render the actuarial opinion contained herein.

Sincerely,

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

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

MYM/gxk
Enclosures

Summary of Assumptions & Methods

The following assumptions and methods have been adopted by the Board for the June 30, 2008 valuation.

Assumption:

Valuation Interest Rate and Rate of Return on Investment:	7.875% net of administration and investment expenses
Inflation Assumption:	3.50%
Cost-of-Living Adjustment:	3.40% for Miscellaneous and Safety Tier 1 Members 0.00% for Miscellaneous Tier 2 Members 2.00% for Miscellaneous Tier 3 and Safety Tier 2 Members
Employee Contribution Crediting Rate:	5-year Treasury rate, assuming sufficient net investment earnings
Post-Retirement Mortality:	
a) Service	For Miscellaneous and Safety Members - 1994 Group Annuity Mortality Table set back one year
b) Disability	For Miscellaneous Members - 1981 Miscellaneous Disability Mortality Table set back three years For Safety Members - 1994 Group Annuity Mortality Table set back one year
c) Employee Contribution Rate	For Miscellaneous Members - 1994 Group Annuity Mortality Table set back one year weighted 40% male and 60% female For Safety Members - 1994 Group Annuity Mortality Table set back one year weighted 75% male and 25% female
Pre-Retirement Mortality:	Based upon the 6/30/2007 Experience Analysis
Withdrawal Rates:	Based upon the 6/30/2007 Experience Analysis
Disability Rates:	Based upon the 6/30/2007 Experience Analysis
Service Retirement Rates:	Based upon the 6/30/2007 Experience Analysis
Salary Increases:	Merit and longevity increases are based upon the 6/30/2007 Experience Analysis plus 3.50% inflation and across the board salary increases of 0.25% per year
Actuarial Value of Assets:	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between actual and expected returns on a market value basis and is recognized over a five-year period. The actuarial value is further adjusted, if necessary, to be within 20% of the market value.

Valuation Value of Assets:	Actuarial value of assets reduced by the value of non-valuation reserves and designations.
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method. Entry Age is the age at the members' 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 current salaries. The total Unfunded Actuarial Accrued Liability is amortized over a declining 25-year period.
Percentage of Members Married at Retirement:	80% for male members and 55% for female members
Retirement Age for Deferred Vested Members:	Miscellaneous Members - 59 Safety Members - 54
Percentage Eligible for Reciprocal Benefits:	Miscellaneous Members - 55% Safety Members - 65%

Briefly summarized below are the major provisions of the County Employees' Retirement Law of 1937, as amended through June 30, 2008, that are applicable to the Sacramento County Employees' Retirement System.

Membership

Miscellaneous employees entering before September 27, 1981 are Tier 1 members. Miscellaneous employees entering after September 27, 1981 and June 27, 1993 are members of Tier 2 or Tier 3, respectively. Safety members entering before June 24, 1995 are Tier 1 members. Safety members entering after June 24, 1995 are Tier 2 members.

Final Average Salary

Final average salary (FAS) is defined as the highest 12 consecutive months of compensation earnable for Tier 1 and highest 36 consecutive months for Tier 2 and Tier 3.

Return of Contributions

If a member should resign or die before becoming eligible for retirement, his or her contributions plus interest will be refunded. In lieu of receiving a return of contributions, a member with five or more years of service may elect to leave his or her contributions on deposit and receive a deferred vested benefit when eligible for retirement.

Service Retirement Benefit

Members with 10 years of service who have attained the age of 50 are eligible to retire. Members with 30 years of service (20 years for Safety), regardless of age, are eligible to retire.

The benefit expressed as a percentage of monthly FAS per year of service, depending on age at retirement, is illustrated below for typical ages. For members whose benefit is integrated with Social Security, the benefit is reduced by one-third of the percentage shown below times the first $350 of monthly FAS per year of service after January 1, 1956.

Age	Miscellaneous	Safety
50	1.48%	3.00%
55	1.95%	3.00%
60	2.44%	3.00%
62	2.61%	3.00%
65 and over	2.61%	3.00%

Disability Benefit

Members with five years of service, regardless of age, are eligible for nonservice-connected disability.

For Miscellaneous Tier 1 members, the benefit is 1.5% (1.8% for Safety Tier 1 members) of FAS for each year of service. If this benefit does not equal one-third of FAS, the benefit is increased by the same percentage of FAS for the years which would have been credited to age 65 (age 55 for Safety members), but the total benefit in this case cannot be more than one-third of FAS.

For Tier 2 and Tier 3 members, the benefit is 20% of FAS for the first five years of service plus 2% for each additional year for a maximum of 40% of FAS.

If the disability is service connected, the member may retire regardless of length of service, with a benefit of 50% of FAS.

Death Benefit (Before Retirement)

In addition to the return of contributions, a death benefit is payable to the member's beneficiary or estate equal to one month's salary for each completed year of service under the retirement system, based on the final year's average salary, but not to exceed six (6) month's salary.

If a member dies while eligible for service retirement or nonservice-connected disability, the spouse receives 60% of the allowance that the member would have received for retirement.

If a member dies in the performance of duty, the spouse receives 50% of the member's final average salary.

Death Benefit (After Retirement)

If a member dies after retirement, a $4,000 lump burial allowance is paid to the beneficiary or estate.

If the retirement was for service-connected disability, 100% of the member's allowance as it was at death is continued to the surviving spouse for life.

If the retirement was for other than service-connected disability and the member elected the unmodified option, 60% of the member's allowance is continued to the spouse for life.

Maximum Benefit

The maximum benefit payable to a member or beneficiary is 100% of FAS.

Cost-of-living

The maximum increase in retirement allowance is 4% per year for Miscellaneous and Safety Tier I members and 2% for Safety Tier 2 and Miscellaneous Tier 3 members. Miscellaneous Tier 2 members have no cost-of-living benefit. The cost-of-living increases effective in the month of April are based on the change in the Consumer Price Index for the calendar year preceding April.

Contribution Rates

Basic member contribution rates are based on the age-nearest birthday at entry into the System (single rate for entrants after January 1, 1975). The rates are such as to provide an average annuity at age 55 equal to 1/240 of FAS for Miscellaneous members and equal to 1/100 of FAS at age 50 for

Safety members. For members integrated with Social Security, the above contributions are reduced by one-third of that portion of such contribution payable with respect to the first $350 of monthly salary. Cost-of-living contribution rates are designed to pay for one quarter of the future cost-of-living costs. Member contributions are refundable upon termination from the system.

The employer contribution rates are actuarially determined to provide for the balance of the contributions needed to fund the benefits promised under the Retirement System.

Schedule of Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Payroll (in thousands)	Annual Average Pay (in thousands)	% Increase in Average Pay*
6/30/2008	Miscellaneous	12,725	$709,159	$55.7	4.96%
	Safety	2,455	193,812	78.9	5.96
	Total	15,180	$902,971	$59.5	5.15%
6/30/2007	Miscellaneous	12,327	$654,497	$53.1	4.16%
	Safety	2,389	177,987	74.5	4.53
	Total	14,716	$832,484	$56.6	4.18%
6/30/2006	Miscellaneous	12,052	$614,358	$51.0	2.34%
	Safety	2,360	168,214	71.3	7.88
	Total	14,412	$782,572	$54.3	3.24%
6/30/2005	Miscellaneous	11,378	$566,749	$49.8	0.72%
	Safety	2,350	155,265	66.1	0.08
	Total	13,728	$722,014	$52.6	0.70%
6/30/2004	Miscellaneous	11,384	$563,022	$49.5	0.11%
	Safety	2,288	151,048	66.0	3.47
	Total	13,672	$714,069	$52.2	0.66%
6/30/2003	Miscellaneous	11,696	$577,810	$49.4	5.73%
	Safety	2,437	155,486	63.8	1.12
	Total	14,133	$733,296	$51.9	4.72%

*Reflects the increase in average salary for members at the beginning of the year versus those at the end of the year. It does not reflect the average salary increases received by members who worked the full year.

Retirees and Beneficiaries Added to and Removed from Retiree Payroll

Plan Year End	At Beginning of Year	Added During Year	Removed During Year	At End of Year	Annual Retiree Payroll (in thousands)	Payroll added During Year (in thousands)	Payroll Removed During Year (in thousands)	% Increase In Annual Retiree Payroll	Average Annual Allowance
6/30/2008	7,464	490	245	7,709	$224,669	$22,527	$4,745	8.60%	$29,144
6/30/2007	7,108	563	207	7,464	206,887	23,837	3,881	10.68	27,718
6/30/2006	6,784	509	185	7,108	186,931	18,698	3,212	9.03	26,299
6/30/2005	6,291	706	213	6,784	171,445	23,273	3,421	13.10	25,272
6/30/2004	5,882	786	377	6,291	151,593	39,067	3,293	30.89	24,097
6/30/2003	5,742	321	181	5,882	115,819	9,439	2,158	6.71	19,690

Note: Participants are counted once for each benefit received.

Schedule of Funding Progress (Dollar Amounts Expressed in Thousands)

Actuarial Valuation Date		Actuarial Value of Assets* (a)	Actuarial Accrued of Liability (AAL)* (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2008		$5,930,758	$6,363,355	$432,597	93.2%	$902,971	47.9%
6/30/2007		5,406,461	5,788,336	381,875	93.4	832,484	45.9
6/30/2006		4,848,953	5,214,915	365,962	93.0	782,572	46.8
6/30/2005		4,530,583	4,860,882	330,299	93.2	722,015	45.7
6/30/2004	**	4,379,514	4,694,009	314,495	93.3	714,069	44.0
6/30/2003		3,864,400	4,108,294	243,894	94.1	733,296	33.3

*Includes contingency reserve, retiree health benefit reserve, retiree death benefit reserve, and amount over reserved benefits.

**Includes contributions receivable from Pension Obligation Bonds.

SOLVENCY TESTS (Dollar Amounts Expressed in Thousands)

Valuation Date	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)	Total	Actuarial Value of Assets	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)
6/30/2008	$551,181	$3,150,635	$2,661,539	$6,363,355	$5,930,758	100%	100%	84%
6/30/2007	520,420	2,920,508	2,347,408	5,788,336	5,406,461	100	100	84
6/30/2006	509,257	2,615,466	2,090,192	5,214,915	4,848,953	100	100	82
6/30/2005	474,613	2,444,406	1,941,863	4,860,882	4,530,583	100	100	83
6/30/2004	470,567	2,196,690	2,026,752	4,694,009	4,379,514	100	100	84
6/30/2003*	252,998	1,599,899	2,255,397	4,108,294	3,864,400	100	100	89

Events affecting year to year comparability:

6/30/03 - Increased enhanced benefits under Sections 31676.14 and 31664.1 and ad hoc COLA increase under Section 31681.55.
- Inflation assumption decreased from 4.25% to 3.00%.

6/30/04 - Investment assumption decreased from 8.00% to 7.75%; inflation assumption increased from 3.00% to 4.00%.
- Across-the-board salary increase assumption changed from 1.25% to 0.25%.

6/30/05 - Inflation assumption decreased from 4.00% to 3.50%.

6/30/06 - Employee contribution crediting rate is equal to 5-year Treasury rate, assuming sufficient net earnings.

6/30/07 - Investment return assumption increased from 7.75% to 7.875%.
- Salary increase assumption increased from 5.45% to 5.65%.

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE (Dollar Amounts Expressed in Millions)

	Plan Years Ended June 30					
	2008	2007	2006	2005	2004	2003*
Prior Valuation Unfunded Actuarial Liability	$382	$366	$330	$314	($176)	($253)
Salary Increase Greater (Less) than Expected	55	68	12	(35)	53	2
Asset Return Less (Greater) than Expected	9	(93)	23	107	102	(13)
Plan Improvements	-	-	-	(2)	27	460
Other Experience	(13)	(15)	1	49	(1)	92
Economic and Non-Economic Assumption Changes	-	56	-	(103)	310	(44)
Receivable from Pension Obligation Bonds	-	-	-	-	(1)	(420)
Ending Unfunded Actuarial Accrued Liability	$433	$382	$366	$330	$314	($176)

*$420 million in Pension Obligation Bonds was retroactively reflected in June 30, 2003 valuation, which impacted rates for Fiscal Year 2004-2005.

New Probabilities of Separation Prior to Retirement

Rate (%)

Mortality

	Miscellaneous		Safety	
Age	**Male**	**Female**	**Male**	**Female**
25	0.06%	0.03%	0.06%	0.03%
30	0.08	0.03	0.08	0.03
35	0.08	0.04	0.08	0.04
40	0.10	0.07	0.10	0.07
45	0.15	0.09	0.15	0.09
50	0.23	0.13	0.23	0.13
55	0.40	0.21	0.40	0.21
60	0.71	0.39	0.71	0.39
65	1.29	0.76	1.29	0.76

Note: All pre-retirement deaths are assumed to be nonservice-connected.

Rate (%)

Disability

Age	Miscellaneous (1)	Safety (2)
20	0.00%	0.20%
25	0.01	0.20
30	0.03	0.26
35	0.06	0.42
40	0.10	0.56
45	0.17	0.72
50	0.26	0.92
55	0.42	1.90
60	0.80	0.00

(1) 20% of Miscellaneous disabilities are assumed to be service-connected disabilities. The other 80% are assumed to be nonservice-connected disabilities.

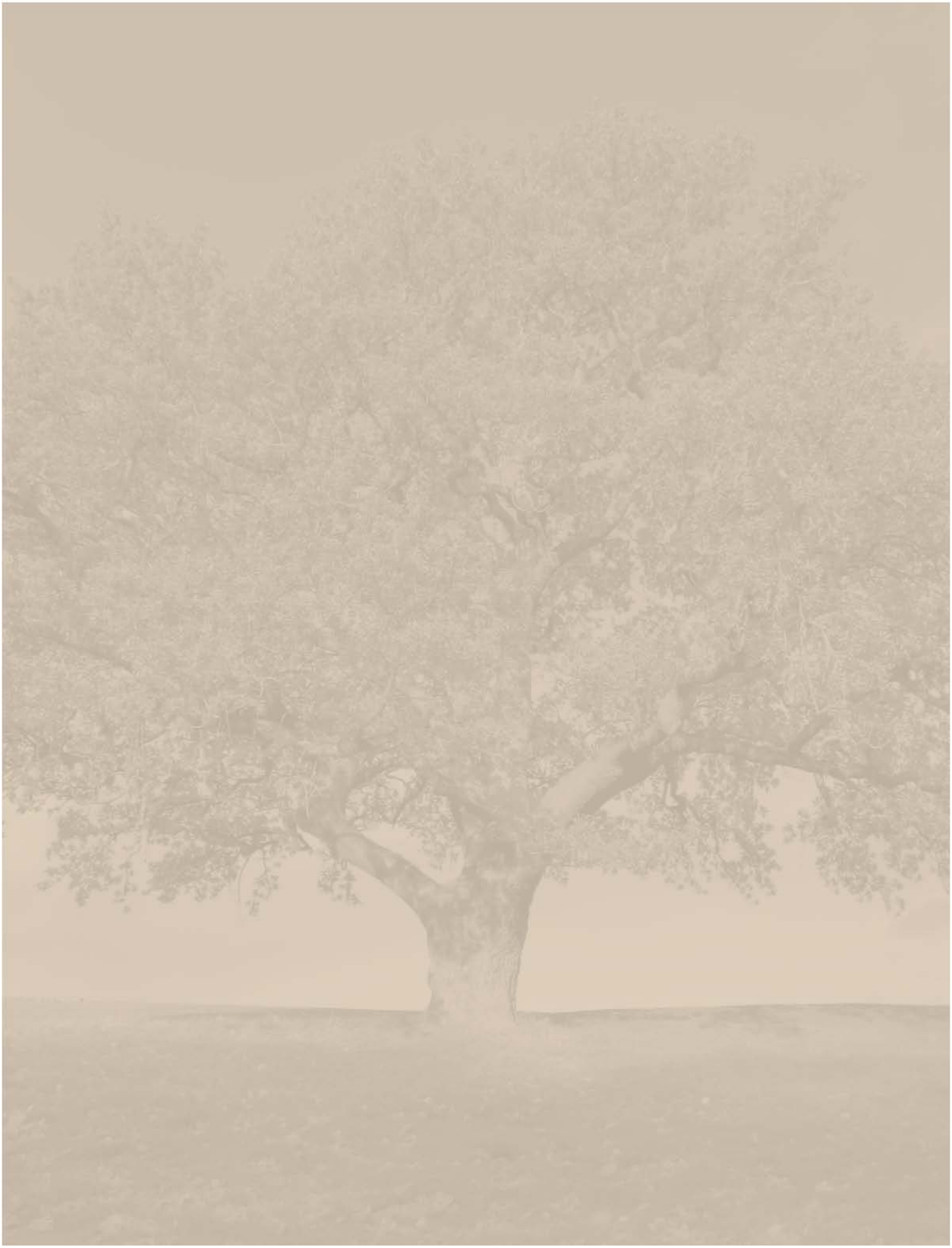
(2) 80% of Safety disabilities are assumed to be service-connected disabilities. The other 20% are assumed to be nonservice-connected disabilities.

Rate (%)

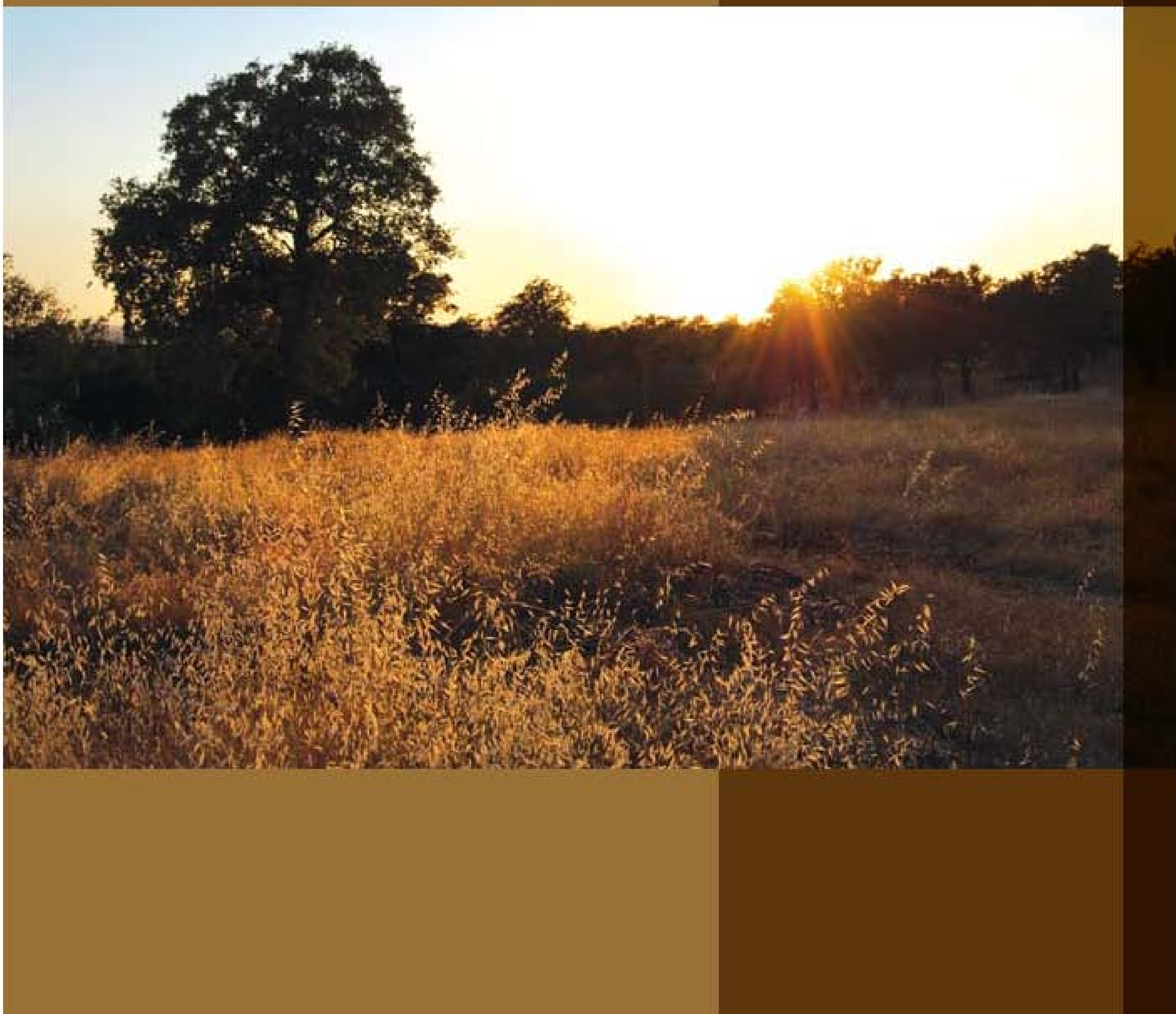
Withdrawal (<5 Years of Service)		
Years of Service	Miscellaneous	Safety
0	15.00%	10.00%
1	9.00	6.00
2	8.00	5.00
3	6.00	4.00
4	5.00	3.00

Withdrawal (5+ Years of Service)*		
Age	Miscellaneous	Safety
20	5.10%	3.00%
25	4.85	3.00
30	4.60	3.00
35	4.35	2.70
40	3.80	2.20
45	2.90	1.70
50	2.02	0.00
55	1.58	0.00
60	0.00	0.00

*50% of the Miscellaneous members and 40% of the Safety members are assumed to elect a withdrawal of contributions upon separation, while the remaining 50% and 60% of Miscellaneous and Safety members, respectively, are assumed to elect a deferred retirement benefit. No withdrawal is assumed after a member is eligible to retire.



Statistical Section



Summary of Statistical Data

Issued in May 2004, pronouncement *GASB Statement No. 44, Economic Conditioning Reporting: The Statistical Section* establishes and modifies requirements related to the supplementary information presented in this section of the report.

The pension trust fund is accounted for under the accrual basis of accounting. Information is provided for the last ten years ended June 30, 2008 for the following five objectives: financial trends; revenue capacity; debt capacity; demographic and economic; and operating.

Financial trends are presented on pages 97 to 101. The schedules contain trend information to aid in understanding how the System's financial performance has changed over time.

Revenue capacity is presented on pages 97,99, and 100. The schedule contains information regarding the contribution rate history for the last ten years.

Demographic and economic information is presented on pages 102 to 106. These schedules offer demographic and economic indicators to enhance understanding of the environment within which the System's financial activities take place. The schedules show the average monthly benefit payments followed by the System membership.

Operating information is presented on pages 107 and 108. These schedules contain pension plan data to assist in understanding how the information in the financial report relates to the pension plan the System administers. This section includes the schedules of principal participating employers and active members.

Schedule of Additions by Source

(Dollar Amounts Expressed in Thousands)

Year Ended June 30:	Member Contributions	Employer Contributions	Net Investment Income / (Loss)	Total
2008	$52,142	$167,055	$(234,086)	$(14,889)
2007	42,871	156,805	891,506	1,091,182
2006	41,959	132,708	527,863	702,530
2005	36,916	529,618*	419,481	986,015
2004	42,864	119,144	525,239	687,247
2003	43,700	52,841	100,839	197,380
2002	38,432	44,547	(194,104)	(111,125)
2001	32,964	40,358	(207,580)	(134,258)
2000	30,018	42,024	315,790	387,832
1999	30,385	46,745	360,748	437,878

Source: Audited Financial Statements from June 30, 1999 through 2008

*This total includes $420,000 and $10,535 in proceeds from pension obligation bonds (POB) issued by the County of Sacramento and Sacramento Metropolitan Fire District, respectively.

Schedule of Deductions by Type

(Dollar Amounts Expressed in Thousands)

	Benefits Paid						
Year Ended June 30:	Service	Survivor Benefits	Retiree Death Benefits	Health and Dental Benefits	Administrative And Other Expenses	Withdrawals	Total
2008	$212,406	$1,865	$621	$-	$6,575	$3,177	$224,644
2007	193,823	1,681	492	1	5,818	4,434	206,249
2006	176,199	1,608	553	2	5,061	4,622	188,045
2005	160,439	1,545	525	2	5,262	3,463	171,236
2004	139,008	1,817	629	12,311	6,653	3,990	164,408
2003	110,326	1,482	441	10,866	31,767	2,906	157,788
2002	102,555	1,274	524	9,111	5,485	3,517	122,466
2001	95,526	1,229	561	8,072	3,831	3,611	112,830
2000	88,103	1,200	293	6,946	3,602	3,181	103,325
1999	79,426	1,190	95	5,973	3,363	3,306	93,353

Note: For the years ended June 30, 2004 and 2003, Administrative and Other Expenses include retroactive benefits of $807 and $25,870, respectively, related to a litigation settlement.

Source: Audited Financial Statements from June 30, 1999 through 2008

Schedule of Administrative Expenses

For the Year Ended June 30

(Amounts Expressed in Thousands)

Type of Expenses	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Salaries and Benefits	$3,654	$3,352	$2,718	$2,734	$2,663	$2,416	$2,077	$1,818	$1,464	$1,418
Professional Fees	943	629	808	440	583	578	420	433	634	753
Equipment Purchases and Maintenance	72	85	70	73	89	198	314	242	156	111
Rent and Lease Expense	632	648	612	596	596	560	416	204	171	155
Depreciation Expense	5	5	3	27	14	18	42	42	25	-
Other Administrative Expenses	1,269	1,099	850	1,392	1,901	2,127	2,216	1,092	1,152	926
Total	$6,575	$5,818	$5,061	$5,262	$5,846	$5,897	$5,485	$3,831	$3,602	$3,363

Source: Audited Financial Statements from June 30, 1999 through 2008

Schedule of Changes in Net Assets

Last Ten Fiscal Years

(Dollar Amounts Expressed In Thousands)

For the Fiscal Year Ended June 30

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Employee contributions	$52,142	$42,871	$41,959	$36,916	$42,864	$43,700	$38,432	$32,964	$30,018	$46,745
Employer contributions	167,055	156,805	132,708	529,618	119,144	52,841	44,547	40,358	42,024	30,385
Net investment income/(loss)	(234,086)	891,506	527,863	419,481	525,239	100,839	(194,104)	(207,580)	315,790	360,748
Total additions	(14,889)	1,091,182	702,530	986,015	687,247	197,380	(111,125)	(134,258)	387,832	437,878
Benefits paid	214,892	195,997	178,362	162,511	153,765	123,115	113,464	105,387	96,543	86,684
Withdrawals	3,177	4,434	4,622	3,463	3,990	2,906	3,517	3,611	3,181	3,306
Administrative and other expenses	6,575	5,818	5,061	5,262	6,653	31,767	5,485	3,831	3,602	3,363
Total deductions	224,644	206,249	188,045	171,236	164,408	157,788	122,466	112,829	103,326	93,353
Change in net assets	(239,533)	884,933	514,485	814,779	522,839	39,592	(233,591)	(247,087)	284,506	344,525
Net assets, beginning	5,975,8629	5,090,929	4,576,444	3,761,665	3,238,826	3,199,234	3,432,826	3,679,913	3,395,407	3,050,882
Net assets, ending	$5,736,329	$5,975,862	$5,090,929	$4,576,444	$3,761,665	$3,238,826	$3,199,234	$3,432,826	$3,679,913	$3,395,407

Source: Audited Financial Statements from June 30, 1999 through 2008

Schedule of Employer Contribution Rates

Actuarial Report for Year Ended	COUNTY					SPECIAL DISTRICTS		
	Miscellaneous			Safety		Miscellaneous		Safety
	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 1	Tier 3	Tier 1
6/30/2008	15.46%	13.07%	15.88%	33.65%	29.53%	22.08%	22.57%	39.25%
6/30/2007	15.04	12.58	15.43	34.71	30.61	21.98	22.41	41.15
6/30/2006	15.89	12.95	15.73	36.01	31.67	22.26	22.13	41.94
6/30/2005	16.10	13.14	15.88	35.18	30.84	22.78	22.56	39.71
6/30/2004*	15.29	11.49	13.94	33.23	28.57	20.87	19.56	38.19
6/30/2003*	13.49	9.16	11.32	24.39	20.24	18.84	16.73	30.72
6/30/2002	15.84	11.47	13.85	31.69	26.31	17.89	18.20	30.89
6/30/2001	6.86	3.41	5.26	16.04	11.96	17.54	15.90	23.12
6/30/2000	5.85	2.90	4.53	14.52	10.37	16.44	14.94	21.75
6/30/1999	5.89	2.94	4.56	14.56	10.29	14.63	14.54	20.64

Source: Actuarial Reports from June 30, 1999 though 2008

Note: Actuarial Valuation Reports are prepared subsequent to a fiscal year-end and determines rates which pertain to the following fiscal year. For example, the Actuarial Valuation as of June 30, 2008 presented current rates for the fiscal year 2008-2009 and was used to determine rates for the fiscal year 2009-2010.

* Rates were adjusted to reflect the proceeds from Sacramento County's pension obligation bonds that were received on July 1, 2004.

Schedule of Benefits Paid and Withdrawals by Type

Last Ten Fiscal Years

(Dollar Amounts Expressed in Thousands)

	Fof the Fiscal Year Ended June 30									
	2008	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**
Type of Benefit										
Service Retirement Benefits	$212,061	$193,376	$175,745	$160,154	$138,907	$110,243	$102,301	$95,182	$87,826	$79,426
Survivor Benefits	1,865	1,681	1,608	1,545	1,817	1,482	1,274	1,229	1,200	1,190
Death Benefits-Before Retirement	345	447	454	285	101	83	254	343	278	N/A
Death Benefits-After Retirement	621	492	553	525	629	441	524	561	293	95
Retiree Health and Dental Insurance	-	1	2	2	12,311	10,866	9,111	8,072	6,946	5,973
Total Benefits Paid	214,892	$195,997	$178,362	$162,511	$153,765	$123,115	$113,464	$105,387	$96,543	$86,684
Type of Withdrawal										
Death	111	$725	$715	$411	$738	$110	$623			
Separation	2,940	3,492	3,409	2,802	2,878	2,423	2,667			
Miscellaneous	126	217	498	250	374	373	227			
Total Withdrawals	$3,177	$4,434	$4,622	$3,463	$3,990	$2,906	$3,517	$3,611*	$3,181*	$3,306*

N/A: Detailed information not available. Payment amounts were included in Service Retirement Benefits.

* Types of withdrawal are not available.

Source: Audited Financial Statements from June 30, 1999 through 2008

Schedule of Distribution of Retired Members and Beneficiaries by Type and by Monthly Amount

As of June 30, 2008

		Type of Retirement*														Option Selected**				
Amount of Monthly Benefit	Number of Retired Members	1	2	3	4	5	6	7	8	9	10	11	12	13	17	Unmodified	1	2	3	4
$1 - $499	857	614	26	8	6	1	97	27	29	-	26	-	19	-	4	665	56	116	8	12
500 - 999	1,220	769	65	13	1	1	156	82	79	1	24	2	22	3	2	1001	89	98	9	23
1,000 - 1,499	1,170	815	82	27	14	7	114	29	40	5	13	3	15	6	-	1008	54	91	10	7
1,500 - 1,999	917	672	49	18	52	15	61	13	8	8	9	-	9	3	-	785	59	64	4	5
2,000 - 2,499	781	611	8	5	47	12	65	5	5	12	3	-	3	5	-	694	33	41	4	9
2,500 - 2,999	579	437	8	2	44	31	35	3	-	11	2	-	3	3	-	521	19	30	3	6
3,000 - 3,499	457	334	2	-	49	29	20	2	-	13	1	-	2	5	-	413	25	15	0	4
3,500 - 3,999	356	296	3	-	17	8	12	4	-	11	-	-	2	3	-	327	8	15	1	5
4,000 - 4,499	296	277	1	-	7	2	5	1	-	1	2	-	-	-	-	277	7	8	2	2
4,500 - 4,999	229	208	2	-	7	2	5	-	-	4	1	-	-	-	-	212	4	6	5	2
$5,000 & over	847	808	2	-	23	4	3	1	1	5	-	-	-	-	-	788	28	20	5	6
Total	7,709	5,841	248	73	267	112	573	167	162	71	81	5	75	28	6	6,691	382	504	51	81

* Type of Retirement:

1 Service Retirement
2 Nonservice-Connected Disability, age 55 and older
3 Nonservice-Connected Disability, under age 55
4 Service-Connected Disability, age 55 and older
5 Service-Connected Disability, under age 55
6 Beneficiary of Service Retiree
7 Survivor Death Benefits
8 Beneficiary of Nonervice-Connected Disability Retiree
9 Beneficiairy of Service-Connected Disability Retiree
10 Divorce-Receiving Benefits
11 Interim Nonservice-Connected Disability Retirement
12 Non-Member Receiving Benefits
13 Survivor Death Benefits-SCD
14 Beneficiary of SDB
15 Beneficiary of SDB-SCD
16 Beneficiary of Non-Member
17 Beneficiary of Divorce-Receiving

Source: SCERS Retired Member Pension Payroll Data

** Option Selected:

Unmodified: Qualified service retirement or nonservice-connected disability retirement beneficiary receives 60 percent continuance. Qualified service-connected disability retirement beneficiary receives 100 percent continuance.

The following options reduce the retired member's monthly benefit:

Option 1 - Beneficiary receives lump sum or member's unused contributions.

Option 2 - Beneficiary having an insurable interest in member's life receives 100 percent of member's reduced monthly benefit.

Option 3 - Beneficiary having an insurable interest in member's life receives 50 percent of member's reduced monthly benefit.

Option 4 - Benefits paid to person having an insurable interest in member's life as nominated by member's written designation.

Schedule of Retiree Members by Type of Benefit

As of June 30, 2008

Miscellaneous Members

	Monthly Allowances				
	Count	Basic	COL	Total	Average Benefit
Service Retirement					
Unmodified	4,142	$7,283,864	$1,997,131	$9,280,995	$2,241
Option 1	287	373,368	108,369	481,737	1,679
Option 2, 3, & 4	398	553,116	108,333	661,449	1,662
Total	4,827	8,210,348	2,213,833	10,424,181	2,160
Non-Service Disability					
Unmodified	269	230,276	107,324	337,600	1,255
Option 1	23	17,976	7,322	25,298	1,100
Option 2, 3, & 4	12	8,024	2,888	10,912	909
Total	304	256,276	117,534	373,810	1,230
Service Disability					
Unmodified	158	207,594	130,456	338,050	2,140
Option 1	7	10,623	3,980	14,603	2,086
Option 2, 3, & 4	4	4,434	1,491	5,925	1,481
Total	169	222,651	135,927	358,578	2,122
Beneficiary					
Total	920	566,866	482,854	1,049,720	1,141
Total (All Groups)	6,220	$9,256,141	$2,950,148	$12,206,289	$1,962

Safety Members

	Monthly Allowances				
	Count	Basic	COL	Total	Average Benefit
Service Retirement					
Unmodified	945	$3,916,366	$968,940	$4,885,306	$5,170
Option 1	32	113,659	29,430	143,089	4,472
Option 2, 3, & 4	48	147,286	32,068	179,354	3,737
Total	1,025	4,177,311	1,030,438	5,207,749	5,081
Non-Service Disability					
Unmodified	27	62,162	22,259	84,421	3,127
Option 1	1	4,798	622	5,420	5,420
Option 2, 3, & 4	1	1,512	720	2,232	2,232
Total	29	68,472	23,601	92,073	3,175
Service Disability					
Unmodified	182	424,629	210,713	635,342	3,491
Option 1	10	21,743	8,608	30,351	3,035
Option 2, 3, & 4	6	11,921	4,191	16,112	2,685
Total	198	458,293	223,512	681,805	3,443
Beneficiary					
Total	237	314,633	219,899	534,532	2,255
Total (All Groups)	1,489	$5,018,709	$1,497,450	$6,516,159	$4,376

Source: Actuarial Report as of June 30, 2008

Note: Refer to page 109 for the description of retirement options

Schedule of Average Benefit Payments

Last Ten Years

Retirement Effective Date	Years of Credited Service 0-5	5-10	10-15	15-20	20-25	25-30	30+
7/1/07 - 6/30/08							
Average monthly benefit	$359	$977	$1,626	$2,202	$3,151	$5,729	$6,171
Average monthly final average salary	$5,974	$5,428	$5,467	$5,874	$5,729	$7,992	$7,685
Number of retired members	25	35	75	56	53	44	52
7/1/06 - 6/30/07							
Average monthly benefit	$512	$874	$1,536	$2,341	$3,228	$4,756	$5,652
Average monthly final average salary	$6,856	$4,747	$5,220	$5,331	$5,884	$6,508	$6,868
Number of retired members	27	55	83	71	74	69	86
7/1/05 - 6/30/06							
Average monthly benefit	$381	$917	$1,409	$2,029	$2,838	$4,561	$4,858
Average monthly final average salary	$5,824	$5,345	$4,933	$5,069	$5,415	$6,500	$6,150
Number of retired members	25	45	63	73	64	62	83
7/1/04 - 6/30/05							
Average monthly benefit	$349	$949	$1,220	$1,800	$2,585	$4,010	$4,871
Average monthly final average salary	$5,725	$4,960	$4,361	$4,662	$4,832	$5,732	$5,816
Number of retired members	36	43	90	83	96	84	123
7/1/03 - 6/30/04							
Average monthly benefit	$437	$993	$1,368	$1,992	$2,893	$4,136	$5,520
Average monthly final average salary	$5,089	$4,719	$4,658	$4,686	$5,211	$5,834	$6,330
Number of retired members	22	45	98	90	85	127	278
7/1/02 - 6/30/03							
Average monthly benefit	$488	$678	$1,292	$1,609	$2,033	$3,076	$4,519
Average monthly final average salary	$5,543	$4,091	$4,505	$4,252	$4,627	$5,859	$6,214
Number of retired members	23	25	52	47	33	19	51
7/1/01 - 6/30/02							
Average monthly benefit	$311	$768	$1,148	$1,449	$2,227	$3,702	$4,101
Average monthly final average salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	17	31	61	42	38	24	54
7/1/00 - 6/30/01							
Average monthly benefit	$402	$680	$1,007	$1,487	$2,337	$2,939	$3,513
Average monthly final average salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	23	28	61	31	30	30	34
7/1/99 - 6/30/00							
Average monthly benefit	$577	$641	$1,026	$1,537	$2,115	$3,012	$4,022
Average monthly final average salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	12	37	64	41	45	62	56
7/1/98 - 6/30/99							
Average monthly benefit	$342	$839	$970	$1,647	$2,009	$2,924	$3,785
Average monthly final average salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	11	35	58	33	43	61	74

N/A: Detail not available

Source: SCERS Retired Member Pension Payroll Data

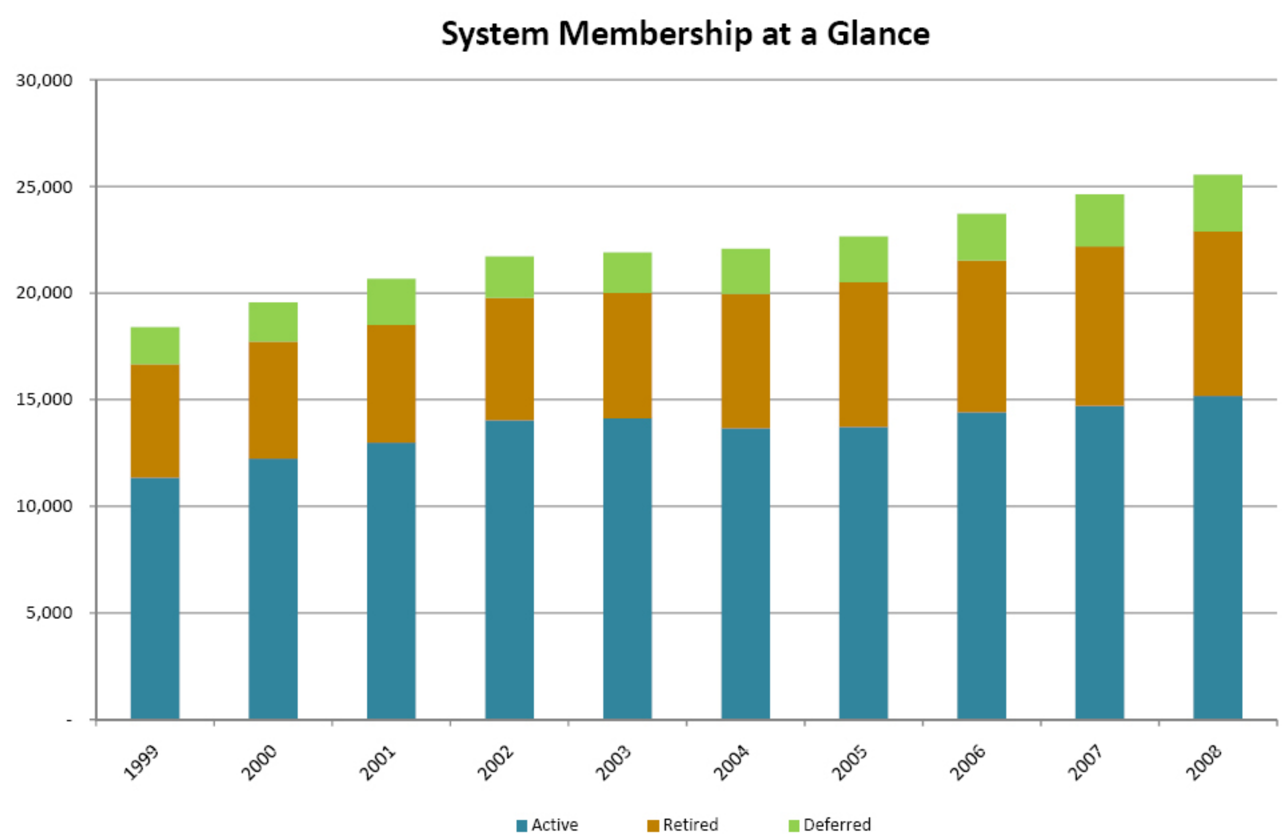
Schedule of Average Benefit Payments

Effective Dates	Years Since Retirement 0-5	5-10	10-15	15-20	20-25	25-30	30 +
7/1/07 - 6/30/08:							
Average Monthly Benefit	$3,197	$2,199	$2,214	$2,250	$1,751	$1,501	$1,226
Number of Active Retirants	2,582	1,373	1,207	997	730	509	311
7/1/06 - 6/30/07:							
Average Monthly Benefit	$3,041	$2,133	$2,237	$1,948	$1,636	$1,449	$1,120
Number of Active Retirants	2,458	1,383	1,226	930	709	495	263
7/1/05 - 6/30/06:							
Average Monthly Benefit	$2,871	$2,105	$2,165	$1,749	$1,576	$1,393	$1,049
Number of Active Retirants	2,232	1,365	1,199	921	692	468	231
7/1/04 - 6/30/05:							
Average Monthly Benefit	$2,806	$2,095	$2,129	$1,736	$1,509	$1,281	$1,007
Number of Active Retirants	1,927	1,402	1,181	913	675	453	233
7/1/03 - 6/30/04:							
Average Monthly Benefit	$2,574	$2,090	$2,056	$1,693	$1,392	$1,187	$918
Number of Active Retirants	1,793	1,353	1,090	834	650	400	171
7/1/02 - 6/30/03:							
Average Monthly Benefit	$1,842	$1,854	$1,839	$1,463	$1,207	$972	$819
Number of Active Retirants	1,447	1,312	1,117	849	664	348	145
7/1/01 - 6/30/02:							
Average Monthly Benefit	$1,804	$1,865	$1,614	$1,376	$1,121	$859	$834
Number of Active Retirants	1,494	1,327	1,024	823	650	324	100
7/1/00 - 6/30/01:							
Average Monthly Benefit	$1,758	$1,779	$1,439	$1,269	$1,047	$776	$770
Number of Active Retirants	1,433	1,287	1,002	815	610	308	71
7/1/99 - 6/30/00:							
Average Monthly Benefit	$1,821	$1,675	$1,381	$1,180	$947	$729	$2,125
Number of Active Retirants	1,528	1,249	965	840	561	282	75
7/1/98 - 6/30/99:							
Average Monthly Benefit	$1,639	$1,552	$1,313	$1,079	$923	$727	$579
Number of Active Retirants	1,667	1,262	979	744	432	179	40

Source: Actuarial Report from June 30, 1999 through 2008

Growth of System Membership

Year Ended June 30:	Active Members	Retired Members	Deferred Members	Total
2008	15,180	7,709	2,661	25,550
2007	14,716	7,464	2,437	24,617
2006	14,412	7,108	2,192	23,712
2005	13,728	6,784	2,135	22,647
2004	13,672	6,291	2,110	22,073
2003	14,133	5,882	1,885	21,900
2002	14,033	5,742	1,944	21,719
2001	12,991	5,526	2,146	20,663
2000	12,235	5,488	1,828	19,551
1999	11,354	5,303	1,739	18,396



Schedule of Principal Participating Employers and Active Members

Current Year and Nine Years Ago

Participating Employer	2008 Covered Employees	2008 Rank	2008 Percent of Total System	1999 Covered Employees	1999 Rank	1999 Percent of Total System
County of Sacramento	13,638	1	89.84%	10,810	1	95.21%
Superior Court	843	2	5.55	-	13	0.00
S.E.T.A	597	3	3.93	445	2	3.92
Sunrise Recreation and Park District	28	4	0.18	28	3	0.25
Carmichael Recreation and Park District	24	5	0.16	18	4	0.16
Orangevale Recreation and Park District	12	6	0.08	14	5	0.12
Mission Oaks Recreation and Park District	13	7	0.09	12	6	0.11
Elected Officials*	8	8	0.05	8	8	0.07
Sacramento Metropolitan Fire District	6	9	0.04	9	7	0.08
Fair Oaks Cemetery District	4	10	0.03	4	9	0.04
Elk Grove Cosumnes Cemetery District	3	11	0.02	1	12	0.01
Galt-Arno Cemetery District	3	11	0.02	2	11	0.02
U.C. Davis Medical Center	1	12	0.01	3	10	0.03
Total	15,180		100.00%	11,354		100.00%

*Elected Officials - consisted of five Board of Supervisors, one Assessor, one District Attorney, and one Sheriff.

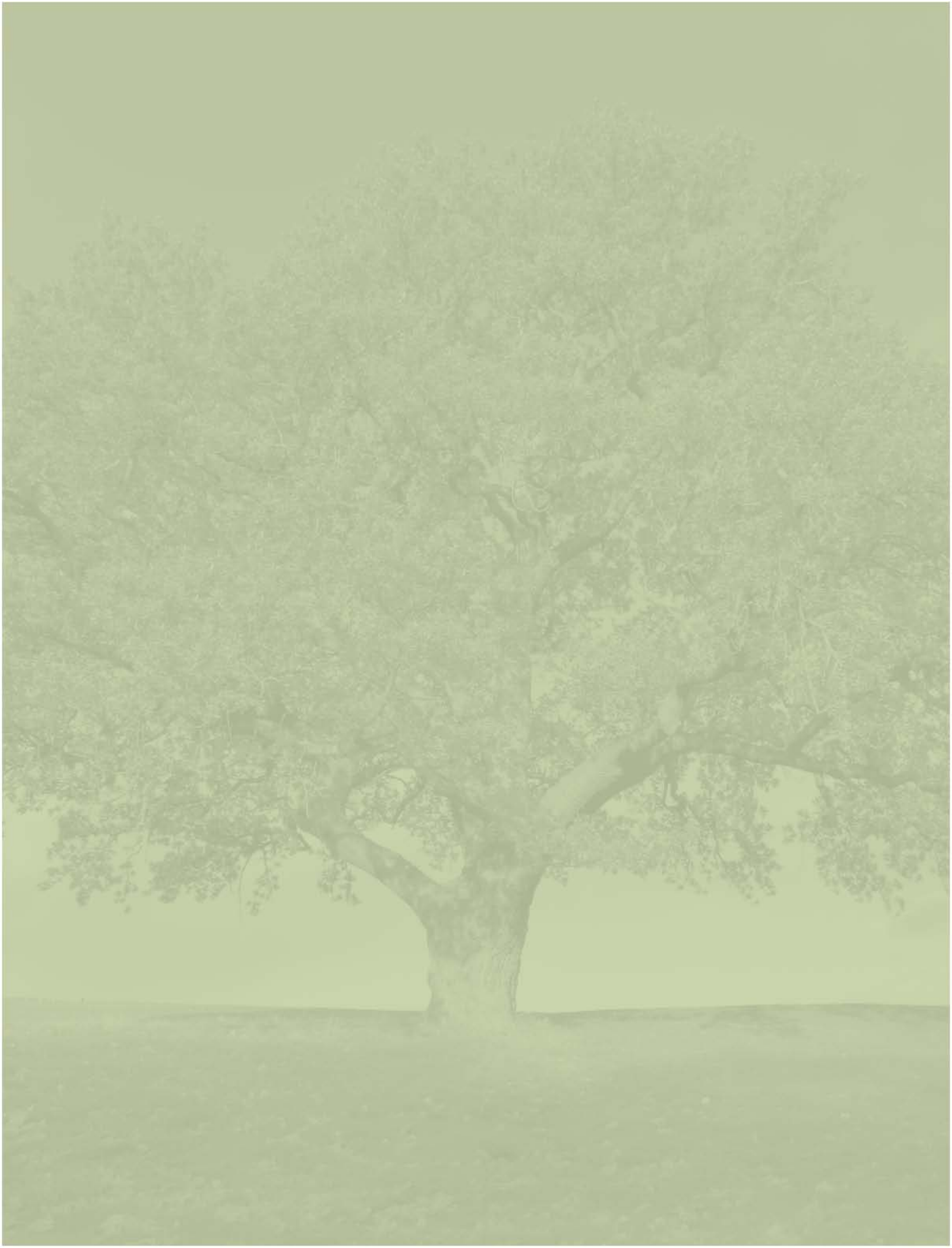
Source: Actuarial Reports from June 30, 2008, and June 30, 1999

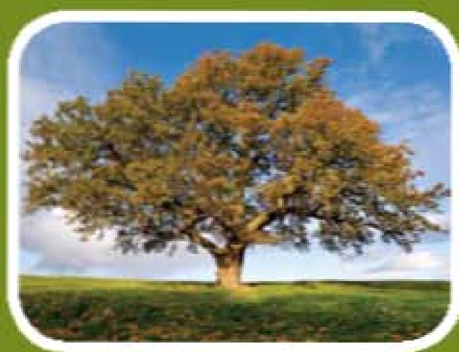
Schedule of Principal Participating Employers and Active Members

		For the Fiscal Year Ended June 30:									
SCERS Member Agency	**Plan**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**
Carmichael Recreation and Park District	Misc.	24	27	15	17	18	20	18	20	18	18
Elk Grove Cosumnes Cemetery District	Misc.	3	4	5	4	4	1	1	1	1	1
Fair Oaks Cemetery District	Misc.	4	5	5	5	5	5	3	3	4	4
Galt-Arno Cemetery District	Misc.	3	3	3	3	3	3	3	2	2	2
Mission Oaks Recreation and Park District	Misc.	13	12	11	10	12	13	13	13	12	12
Orangevale Recreation and Park District	Misc.	12	15	14	15	16	14	14	14	14	14
Sacramento Metropolitan Fire District	Safety	6	6	6	7	7	7	7	7	9	9
S.E.T.A.	Misc.	597	598	562	544	549	513	520	520	409	445
Sunrise Recreation and Park District	Misc.	28	24	29	28	26	27	29	29	28	28
U.C. Davis Medical Center	Misc.	1	1	1	1	1	1	1	1	2	3
	Misc.	7	7	7	7	7	7	7	7	7	7
Elected Officials*	Safety	1	1	1	1	1	1	1	1	1	1
	Misc.	692	696	652	634	641	604	608	610	497	534
Total Special District Members	Safety	7	7	7	8	8	8	8	8	10	10
	Misc.	843	814	-	-	-	-	-	-	-	-
Superior Court	Safety	-	-	-	-	-	-	-	-	-	-
	Misc.	11,190	10,817	11,400	10,744	10,743	11,092	11,010	10,171	9,720	8,816
Sacramento County Members	Safety	2,448	2,382	2,353	2,342	2,280	2,429	2,407	2,202	2,008	1,994
	Misc.	12,725	12,327	12,052	11,378	11,384	11,696	11,618	10,781	10,217	9,350
	Safety	2,455	2,389	2,360	2,350	2,288	2,437	2,415	2,210	2,018	2,004
Total Members	Total	15,180	14,716	14,412	13,728	13,672	14,133	14,033	12,991	12,235	11,354

*Elected Officials consisted of five Board of Supervisors, one Assessor, one District Attorney, and one Sheriff.

Source: Actuarial Reports from June 30, 1999 through 2008





SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM

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