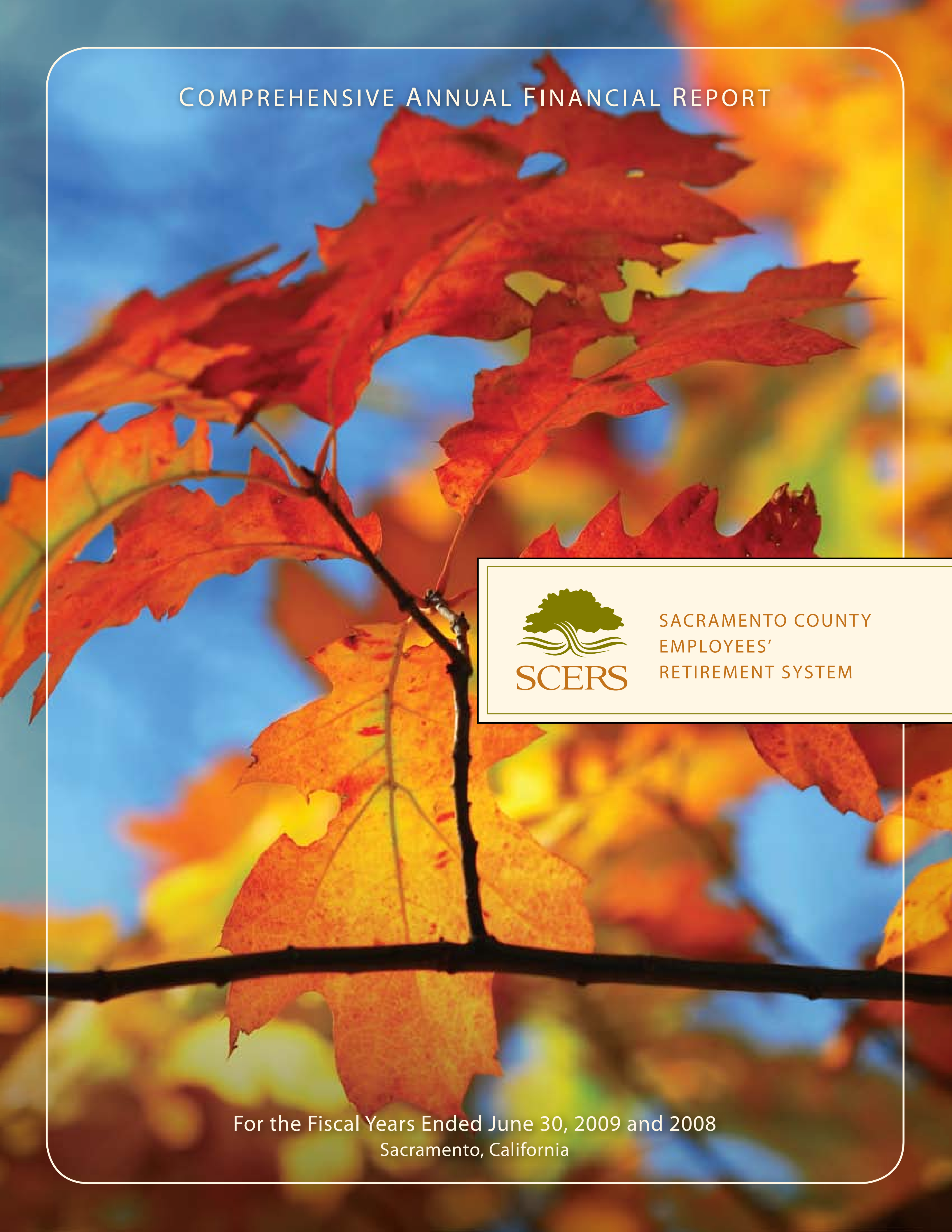


Comprehensive Annual Financial Report

SCERS

SACRAMENTO COUNTY
EMPLOYEES'
RETIREMENT SYSTEM

For the Fiscal Years Ended June 30, 2009 and 2008

Sacramento, California

SCERS

Comprehensive Annual Financial Report

For the Fiscal Years Ended
June 30, 2009 and 2008

Issued By:

Richard Stensrud
Chief Executive Officer

Kathryn T. Regalia, CPA
Chief Operations Officer

Thuyet Ziyalan
Accounting Manager

SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM

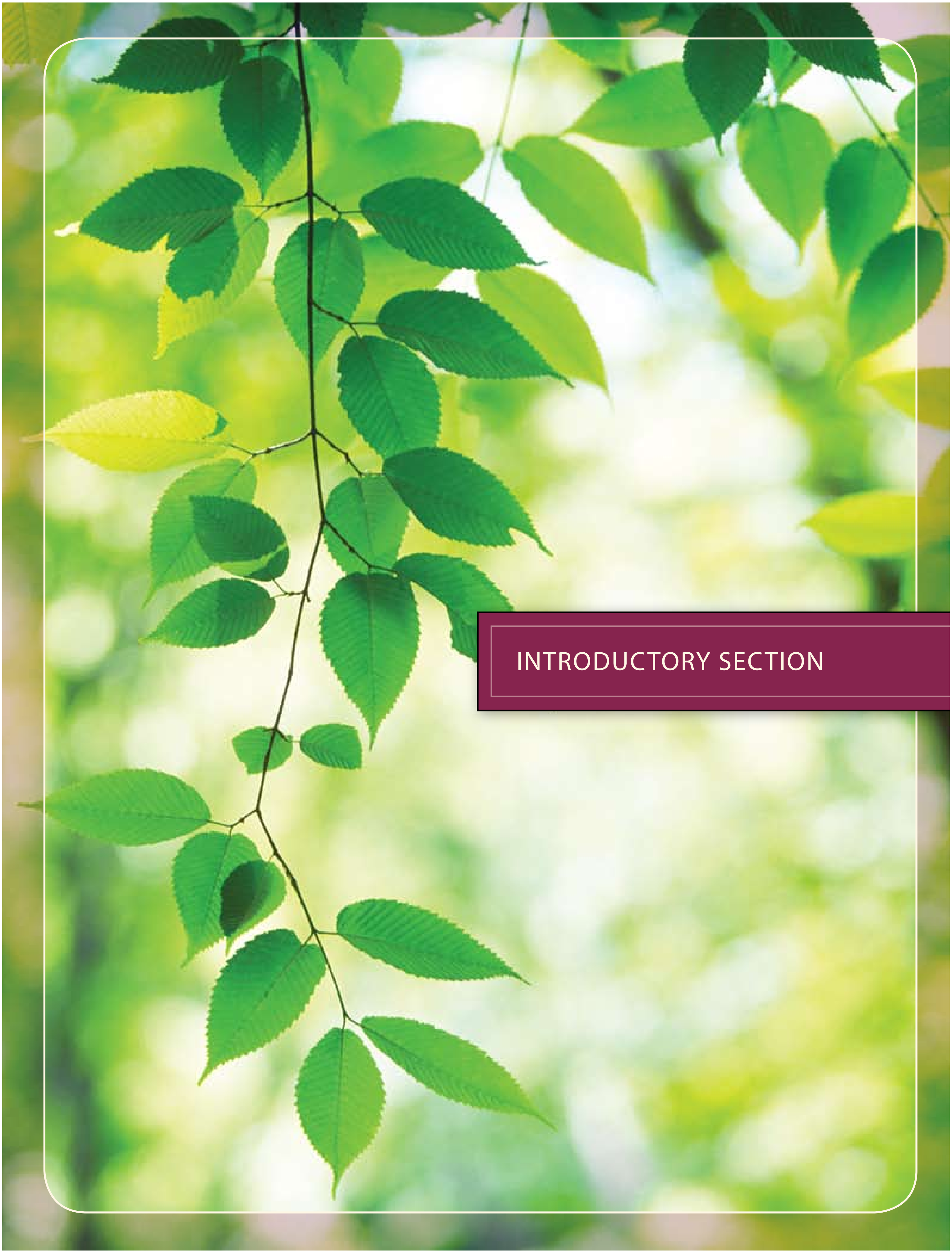
980 9th Street, Suite 1800
Sacramento, CA 95814

www.scers.org

Table of Contents

Actuarial Section

Statistical Section



INTRODUCTORY SECTION

Executive Staff

Richard Stensrud
Chief Executive Officer

James G. Line
General Counsel

Kathryn T. Regalia
Chief Operations Officer

John W. Gobel Sr.
Chief Benefits Officer

November 20, 2009

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, 2009 and 2008.

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, 2009, 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, 2009, SCERS' investments provided a (21.8%) rate of return (gross of fees), compared to the investment policy benchmark return of (19.9%).

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 seven-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, 2009. 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, 2009.

At June 30, 2009, SCERS' funding ratio was 86.0%, with the actuarial value of assets totaling $5,730.2 million and the actuarial accrued liability totaling $6,662.0 million. The decrease in the funding ratio (down from 93.2%) was due primarily to investment returns (after "smoothing") less than the 7.875% investment earnings assumption. Deferred losses under the smoothing methodology exceed the deferred gains by $1,322.4 million as of June 30, 2009. Deferred investment gains/(losses) prior to July 1, 2008 will be amortized over a five-year period. Deferred investment gains/(losses) incurred after July 1, 2008 will be amortized over a seven-year period.

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, 2009 and 2008, administrative expenses were within the budget established by the Board of Retirement and were 0.09% and 0.08% of each of the prior year's total assets, respectively.

Significant Events

Following are significant events which occurred during the fiscal year:

- ◊ President James A. Diepenbrock and Winston H. Hickox were re-appointed by the County Board of Supervisors to new three-year terms on the SCERS Board commencing July 1, 2009.
- ◊ Commissioned a study by the System's actuary to develop estimates regarding the future cost impact of the downturn in the investment markets.
- ◊ Conducted meetings with participating employers and recognized labor organizations to advise them of the future cost impact from the market downturn.
- ◊ Worked with County Department of Personnel Services to create two new investment staff positions to support the Chief Investment Officer.
- ◊ Evaluated the staffing support for the General Counsel. Worked with the Department of Personnel Services to reallocate the existing Executive Secretary position to a Paralegal position. Recruited and filled the position.
- ◊ Conducted a pilot project to assess the effectiveness of the 'full service' benefit team concept and determined that it would become a permanent component of the Benefits staff structure. Worked with the Department of Personnel Services to reallocate one Office Specialist position to a Retirement Services Analyst. Promoted a SCERS staff member to fill the position.
- ◊ Actively participated with the leadership of other 1937 Act Systems to evaluate whether it would be beneficial to work with the Internal Revenue Service to obtain a qualified plan determination letter.
- ◊ Completed implementation of the optional past service upgrade for former Miscellaneous Tier 2 members who elected to convert to Miscellaneous Tier 3 status.
- ◊ Continued to enhance the SCERS web site by changing the layout and adding a "News and Developments" section, an education page, and sections of interest for both active and retired members.
- ◊ Created a secure web site for SCERS Board members to access Retirement Board materials. Substantially reduced express mailing charges as a result of materials being available electronically to Board members.
- ◊ Modified Retirement Board Meeting Agendas to include a 'Consent Calendar', where multiple items could be approved in one vote.
- ◊ Enhanced the appearance and information contained in the annual member statement.
- ◊ Hosted a delegation of Australian retirement officials as part of the Global Dialogue 2008 Conference.
- ◊ Developed a Policy on Subrogation Claims.
- ◊ Revised the process regarding evaluation for Disability Retirement Applications to improve efficiency and assure appropriate outcomes.
- ◊ Worked with the County to implement a furlough program that did not impact retirement compensation and service credit.
- ◊ Worked with the County and recognized employee organizations on various potential changes to

collective bargaining agreements.

◊ Conducted a search for a Global ex-US REIT investment manager and funded the new account in December 2008.

◊ Evaluated several opportunistic credit strategies for the opportunities asset class and made commitments totaling 2% of SCERS assets to four funds.

◊ Conducted a survey of SCERS' investment managers to gather information on their brokerage and custody relationships and assess third-party counterparty exposure.

◊ Expanded annual benefit testing to recognize and apply changes affected with final 415(b) regulations.

◊ Prepared mailer to all service-connected disability recipients reviewing tax treatment of benefits and expanded reporting on IRS Form 1099-R.

◊ Updated retirement seminars for beginning-career and advanced-career employees by modifying retirement materials and changing presentation times and orders for all other topics.

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, 2008 and 2007. 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
Chief Executive Officer

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, 2008

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.

Government Finance Officers Association of the United States and Canada Corporation Seal Chicago

President

Executive Director

Board of Retirement

President
James A. Diepenbrock
Appointed by Board of Supervisors
Present term expires June 30, 2012

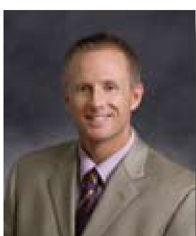
1st Vice President
Keith DeVore
Elected by Miscellaneous Members
Present term expires December 31, 2010

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, 2012

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

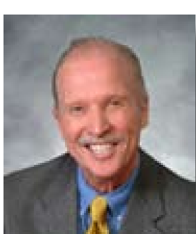


Trustee
William D. Johnson
Elected by Safety Members
Present term expires December 31, 2009

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

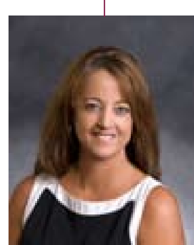
Jeffrey W. States
Chief Investment Officer

- 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
100 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

AllianceBernstein, LP
One North Lexington Avenue, 19th Floor
White Plains, NY 10601

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

Barclays Global Investors
400 Howard Street
San Francisco, CA 94105

BlackRock Investment Management
800 Scudders Mill Road
Plainsboro, NJ 08536

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

Investment Managers - continued

Capital International, Inc.
333 South Hope Street
Los Angeles, CA 90071

CBRE Global Real Estate Securities, LLC
250 West Pratt Street, 17th floor
Baltimore, MD 21201

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.
333 South Grand Avenue, Suite 2200
Los Angeles, CA 90071

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

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, Suite 2500
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
525 Okeechobee Blvd, Suite 1800
West Palm Beach, FL 33401

INVESCO Institutional, Inc.
Two Peachtree Pointe
1555 Peachtree Street, NE, Suite 1800
Atlanta, GA 30309

JP Morgan Asset Management
245 Park Avenue, Floor 7
New York, NY 10167

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

Neuberger Berman Fixed Income, LLC
190 South LaSalle Street, Suite 2400
Chicago, IL 60603

O'Shaughnessy Asset Management, LLC
Six Suburban Avenue
Stamford, CT 06901

Investment Managers - continued

PIMCO Distressed Mortgage Fund, LP
840 Newport Center Drive, Suite 100
Newport Beach, CA 92660

Principal Global Investors, LLC
711 High Street, G25-N20
Des Moines, IA 50392

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

Stone Tower Capital
152 West 57th Street, 35th Floor
New York, NY 10019

Neuberger Berman Strategic
Commodities Fund, Ltd.
Third Floor, Bishop's Square
Redmond's Hill, Dublin 2, Ireland

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

UBS Global Asset Management
One North Wacker Drive, 34th Floor
Chicago, IL 60606

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

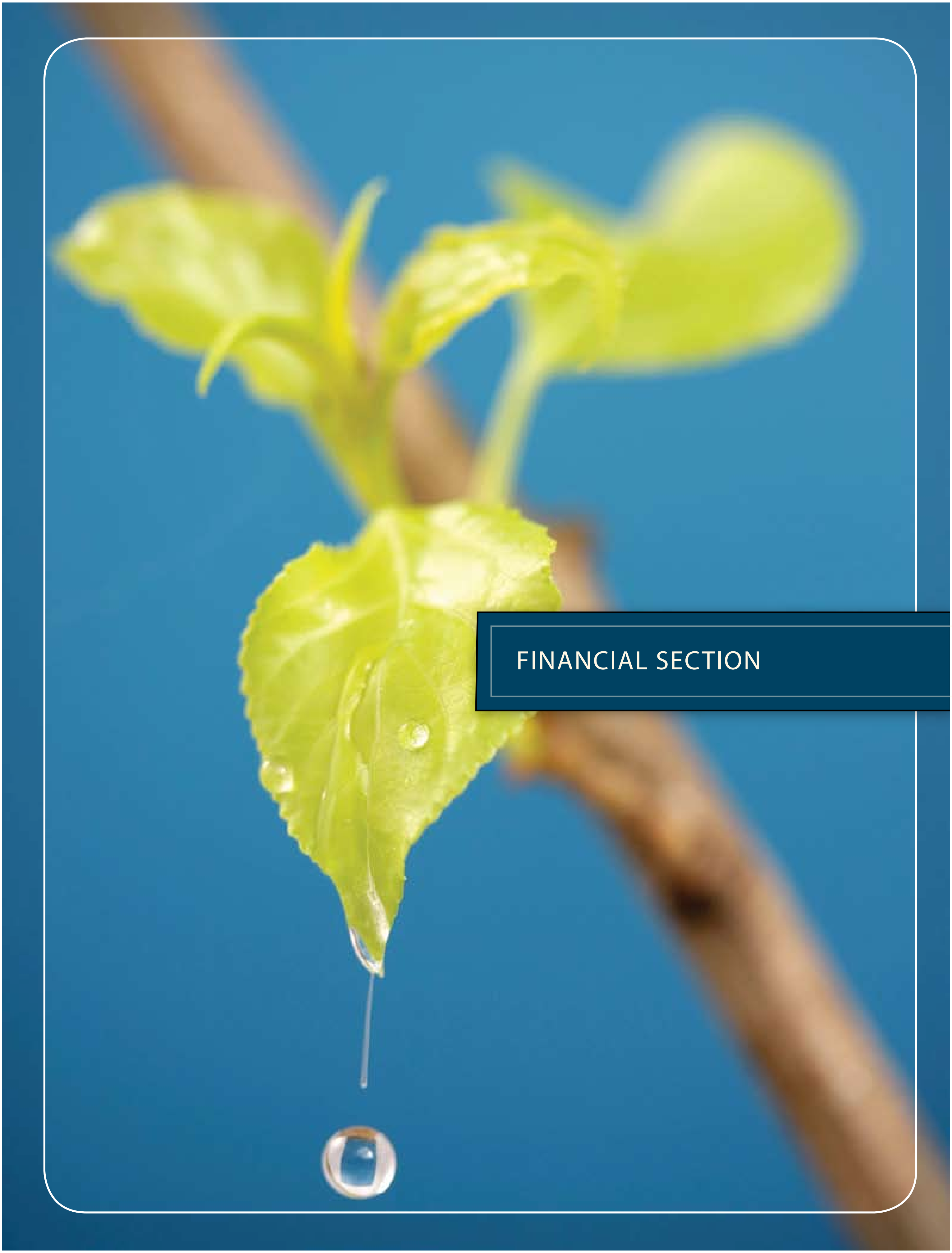
Urdang Securities Management, Inc.
630 West Germantown Pike, Suite 300
Plymouth Meeting, PA 19462

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

Wells Capital Management
100 Heritage Reserve
Menomonee Falls, WI 53051

William Blair & Co.
222 West Adams Street
New York, NY 10019

A schedule of manager fees is located on pages 72 and 73 in the Investment Section.



FINANCIAL SECTION

MGO
MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

SACRAMENTO
3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

WALNUT CREEK
OAKLAND
LOS ANGELES
NEWPORT BEACH
SAN MARCOS
SAN DIEGO

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 pension trust fund and the statement of fiduciary assets and liabilities of the agency fund of the Sacramento County Employees' Retirement System (the System), as of June 30, 2009 and 2008, and the related statements of changes in fiduciary net assets of the pension trust fund 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 Standar*ds, 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 pension trust fund and the fiduciary assets and liabilities of the agency fund of the Sacramento County Employees' Retirement System as of June 30, 2009 and 2008, and the changes in fiduciary net assets of the pension trust fund 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.*

As described in Note 6, based on the most recent actuarial valuation as of June 30, 2009, the System's independent actuary determined that, at June 30, 2009, the value of the System's actuarial accrued liability exceeded the actuarial value of its assets by $931.8 million.

In accordance with *Government Auditing Standards*, we have issued our report dated November 20, 2009, 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 22 through 29, the Schedule of Funding Progress and the Schedule of Employer Contributions on page 57 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 investment, 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, investment, 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
November 20, 2009

This section presents management's discussion and analysis ("MD&A") of the financial activities of the Sacramento County Employees' Retirement System ("SCERS" or the "System") for the years ended June 30, 2009 and 2008. 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, 2009, the net assets of SCERS held in trust for pension benefits ("Net Assets") totaled $4.408 billion. This represented a decrease of $1.328 billion or 23.2% from the $5.736 billion in SCERS Net Assets as of June 30, 2008, which, in turn, represented a decrease of $239.6 million or 4.0% over the $5.976 billion in Net Assets as of June 30, 2007.

Additions to Net Assets were $(1.087) billion and $(15.6) million for the years ended June 30, 2009 and 2008, respectively. Investment losses were the reason for the decrease in total additions for the years ended June 30, 2009 and 2008, with net investment losses of $1.318 billion and $234.8 million, respectively.

Deductions from Net Assets were $241.6 million and $224.0 million for the years ended June 30, 2009 and 2008, respectively. The total deductions in the year ended June 30, 2009 increased $17.6 million or 7.9% over the year ended June 30, 2008, which, in turn, saw an increase in total deductions of $17.8 million or 8.6% over the year ended June 30, 2007. Increased monthly benefit payments due to the increase in number of retirees and the annual cost-of-living adjustment were the primary reasons 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, 2009, the funded ratio of SCERS (i.e., the ratio of the actuarial value of assets to actuarial accrued liability) was 86.0%, down from the funded ratio of 93.2% as of June 30, 2008. Per the actuarial valuation report, the total unrecognized investment loss as of June 30, 2009 totaled $1.322 billion. Unless offset by future investment gains or other favorable experience, the recognition of the $1.322 billion over the next six years is expected to have a significant impact on the System's funded ratio and the aggregate employer contribution rate. The System's unfunded actuarial accrued liability increased from $432.6 million as of June 30, 2008 to $931.8 million as of June 30, 2009. This increase is mainly due to investment returns (after "smoothing") lower than the 7.875% and higher than expected salary increases during fiscal year 2008-2009.

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 the 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, 2009 totaled $4.408 billion, a decrease of $1.328 billion or 23.2% from the $5.736 billion in net assets as of June 30, 2008, which, in turn, represented an decrease of $239.6 million or 4.0% from the $5.976 billion in net assets as of June 30, 2007. The decreases in net assets for the years ended June 30, 2009 and 2008 were 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. All of the net assets are available to meet SCERS' obligations to plan participants and beneficiaries.

The decrease in cash and short-term investments as of June 30, 2009 compared to the prior year was primarily the result of changes to SCERS' strategic asset allocation. The decreases in receivables and investment trades payable as of June 30, 2009 compared to the prior year were due to the reduction in trading activities at fiscal year end as a result of a volatile market. The decrease in securities lending collateral and securities lending liability as of June 30, 2009 compared to June 30, 2008 was consistent with the decline in market value of lendable securities. The decrease 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 holdings as a result of change in SCERS' strategic asset allocation and withdrawals of portfolios pending transition in investment managers from lending activity. 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 trades related to the funding of two new investment portfolios.

NET ASSETS

As of June 30

(Amounts Expressed in Millions)

Assets	2009	2008	Increase/ (Decrease)	% Change
Cash and short-term investments	$445.4	$585.8	$(140.4)	(24.0)%
Receivables	91.3	227.0	(135.7)	(59.8)
Investments, at fair value	4,174.5	5,558.4	(1,383.9)	(24.9)
Securities lending collateral	539.2	656.9	(117.7)	(17.9)
Other assets	40.2	6.5	33.7	518.5
Total assets	5,290.6	7,034.6	(1,744.0)	(24.8)
Liabilities				
Investment trades payable	147.1	422.1	(275.0)	(65.2)
Mortgages payable	177.2	194.9	(17.7)	(9.1)
Securities lending liability	539.2	656.9	(117.7)	(17.9)
Other liabilities	19.2	24.4	(5.2)	(21.3)
Total liabilities	882.7	1,298.3	(415.6)	(32.0)
Net assets held in trust for pension benefits	$4,407.9	$5,736.3	$(1,328.4)	(23.2)%

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)%

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 is 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.

The System's unfunded actuarial accrued liability increased from $381.9 million as of June 30, 2007 to $432.6 million and $931.8 million for the years ended June 30, 2008 and 2009, respectively. The increase was mainly due to investment returns (after "smoothing") lower than the 7.875% and higher than expected salary increases during the years ended June 30, 2008 and 2009. As of June 30, 2009, the funded ratio of SCERS (i.e., the ratio of the actuarial value of assets to actuarial accrued liability) was 86.0%, down from the funded ratio of 93.2% as of June 30, 2008. In general terms, this ratio means that as of June 30, 2009, SCERS had approximately 86 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 County Employees Retirement Law of 1937 ("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 multi-year smoothing methodology under which a portion of the market gains and losses is recognized and allocated to the reserves through interest crediting. Prior to June 30, 2008, SCERS had utilized a five-year smoothing period. Effective for investment experience July 1, 2008, SCERS utilizes a seven-year smoothing period. 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, 2009, SCERS' Market Stabilization Reserve declined to $(1.322) billion. As of June 30, 2008, the Market Stabilization Reserve was $(194.4) million.

NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE AS OF JUNE 30
(Dollar Amounts Expressed in Thousands)

	2009	2008	2007
Employee reserves	$634,272	$623,245	$595,078
Employer reserves	2,232,274	2,268,948	2,123,725
Retiree reserves	2,848,041	2,818,409	2,580,318
Retiree death benefit reserves	14,061	14,663	14,128
Retiree health care benefits designations	1,567	1,567	1,567
Contingency reserve	-	203,926	91,645
Total reserves and designations	5,730,215	5,930,758	5,406,461
Unallocated earnings – undesignated	-	-	-
Smoothed actuarial value of assets	5,730,215	5,930,758	5,406,461
Market stabilization reserve	(1,322,357)	(194,429)	569,401
Net assets available for benefits, at fair value	$4,407,858	$5,736,329	$5,975,862

Changes in Fiduciary Net Assets - Pension Trust Fund

The following tables present the changes in net assets for the fiscal years ended June 30, 2009, 2008, and 2007, respectively.

CHANGE IN FIDUCIARY NET ASSETS
For the Fiscal Years Ended June 30
(Dollar Amounts Expressed in Millions)

	2009	2008	Increase/ (Decrease)	% Change
Additions				
Employee contributions	$54.6	$52.1	$2.5	4.8%
Employer contributions	177.0	167.1	9.9	5.9
Net loss from investment activities	(1,307.8)	(233.8)	(1,074.0)	459.4
Net income from securities lending	5.6	5.5	0.1	1.8
Other income	1.7	19.3	(17.6)	(91.2)
Investment fees and expenses	(17.9)	(25.8)	7.9	(30.6)
Total additions	(1,086.8)	(15.6)	(1,071.2)	6,866.7
Deductions				
Benefits paid	232.3	214.9	17.4	8.1
Withdrawal of contributions	3.3	3.2	0.1	3.1
Administrative expenses	6.0	5.9	0.1	1.7
Total deductions	241.6	224.0	17.6	7.9
Decrease in net assets	(1,328.4)	(239.6)	(1,088.8)	454.4
Net assets held in trust for pension benefits, beginning	5,736.3	5,975.9	(239.6)	(4.0)
Net assets held in trust for pension benefits, ending	$4,407.9	$5,736.3	$(1,328.4)	(23.2)%

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	(233.8)	922.7	(1,156.5)	(125.3)
Net income from securities lending	5.5	1.9	3.6	189.5
Other income/(expenses)	19.3	(4.1)	23.4	570.7
Investment fees and expenses	(25.8)	(29.0)	3.2	11.0
Total additions	(15.6)	1,091.2	(1,106.8)	(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	5.9	5.8	0.1	1.7
Total deductions	224.0	206.2	17.8	8.6
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)%

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, 2009 and 2008, total additions were $(1.087) billion and $(15.6) million, respectively.

For the years ended June 30, 2009 and 2008, combined employer and employee contributions were $231.6 million and $219.2 million, respectively. In the 2008-2009 fiscal year, the aggregate employer contribution rates decreased to 19.17% from 19.63% while the aggregate employee contribution rates increased slightly to 4.85% from 4.77%. The increases in employer contributions in fiscal years 2009 and 2008 were primarily due to the increases in total annual compensation for active members. While the increase in employee contributions during the period was primarily due to the increase in total annual compensation for active members, employee contributions also increased because of an increased level of retirement service credit purchases.

Net investment losses were $1.318 billion and $234.8 million for the fiscal years ended June 30, 2009 and 2008, respectively. The net investment losses for the fiscal years ended June 30, 2009 and 2008 were the results 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 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, 2009 and 2008, total deductions were $241.6 million and $224.0 million, respectively.

Deductions increased $17.6 million or 7.9% in the year ended June 30, 2009 and $17.8 million or 8.6% in the year ended June 30, 2008. 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, 2009 and 2008, administrative expenses were within the budget established by the Board of Retirement and were 0.09% and 0.08% 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.

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, 2009 AND 2008

(Dollar Amounts Expressed In Thousands)

Assets	2009	2008
Cash and short-term investments		
Cash invested with Sacramento County Treasurer	$4,993	$6,561
Other cash and cash equivalents	18,568	15,506
Short-term investments with fiscal agents	421,863	563,753
Cash and short-term investments	445,424	585,820
Receivables		
Securities sold	57,561	203,775
Accrued investment income	28,517	19,049
Employee and employer contributions	5,234	4,171
Total receivables	91,312	226,995
Investments, at fair value		
United States government securities	420,452	633,870
Domestic corporate bonds	453,372	475,466
International bonds	60,842	72,102
Common and preferred stock - domestic	1,477,947	1,967,871
Common and preferred stock - international	936,374	1,174,776
Private equity	21,354	16,650
Opportunities	182,461	331,569
Real estate	621,648	886,051
Securities lending collateral	539,207	656,924
Total investments	4,713,657	6,215,279
Other assets	40,244	6,464
Total assets	5,290,637	7,034,558
Liabilities		
Warrants payable	988	3,223
Accounts payable and other accrued liabilities	18,256	20,988
Investment trades payable	147,111	422,137
Mortgages payable	177,217	194,957
Securities lending liability	539,207	656,924
Total liabilities	882,779	1,298,229
Net assets held in trust for pension benefits	**$4,407,858**	**$5,736,329**

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, 2009 AND 2008

(Dollar Amounts Expressed In Thousands)

Additions	**2009**	**2008**
Contributions		
Employee	$54,623	$52,142
Employer	177,011	167,055
Total contributions	231,634	219,197
Investment income (loss)		
From investment activities		
Net aapreciation (depreciation) in investment fair value:		
Securities	(1,217,421)	(454,634)
Real estate	(235,927)	25,744
Interest	60,793	86,126
Dividends	59,018	81,827
Real estate	25,682	27,112
Net loss from investment activities	(1,307,855)	(233,825)
From securities lending activities		
Securities lending income	12,714	41,426
Securities lending expense		
Borrower rebate expense	(4,686)	(33,622)
Securities lending management fees	(2,409)	(2,342)
Net income from securities lending	5,619	5,462
Other income	1,720	19,380
Investment fees and expenses	(17,931)	(25,812)
Net investment loss	(1,318,447)	(234,795)
Total additions	(1,086,813)	(15,598)
Deductions		
Benefits paid	232,376	214,892
Withdrawal of contributions	3,302	3,177
Administrative expenses	5,980	5,866
Total deductions	241,658	223,935
Net decrease	(1,328,471)	(239,533)
Net assets held in trust for pension benefits, beginning	5,736,329	5,975,862
Net assets held in trust for pension benefits, ending	**$4,407,858**	**$5,736,329**

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

Statements of Fiduciary Assets and Liabilities

AGENCY FUND

AS OF JUNE 30, 2009 AND 2008

(Dollar Amounts Expressed in Thousands)

	2009	2008
Assets		
Receivables	$34	$34
Total assets	34	34
Liabilities		
Accounts payable	34	34
Total liabilities	$34	$34

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

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, 2009, 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, 2009 and 2008, the System's membership consisted of:

Retirees and beneficiaries currently receiving benefits:	2009	2008
Miscellaneous - Service	4,996	4,827
Miscellaneous - Beneficiary	930	920
Miscellaneous - Nonservice-Connected Disability	302	300
Miscellaneous - Service-Connected Disability	166	173
Safety - Service	1,084	1,025
Safety - Beneficiary	256	237
Safety - Nonservice-Connected Disability	29	21
Safety - Service-Connected Disability	205	206
Total Retirees and Beneficiaries	7,968	7,709
Terminated employees entitled to benefits but not yet receiving them:		
Miscellaneous Tier 1	150	171
Miscellaneous Tier 2	286	290
Miscellaneous Tier 3	1,976	1,827
Safety Tier 1	155	165
Safety Tier 2	251	208
Total Terminated	2,818	2,661
Current Members:		
Vested		
Miscellaneous Tier 1	444	508
Miscellaneous Tier 2	109	120
Miscellaneous Tier 3	7,765	7,649
Safety Tier 1	593	656
Safety Tier 2	1,228	1,156
Total Vested	10,139	10,089
Non-Vested		
Miscellaneous Tier 1	2	2
Miscellaneous Tier 3	4,134	4,446
Safety Tier 2	521	643
Total Non-Vested	4,657	5,091
Total Current Members	14,796	15,180

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, 2009 and 2008 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 2007-2008, 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

The majority of the investments held at June 30, 2009 are in the custody of or controlled by State Street Bank, the System's custodian. The System's investments consist of domestic and international fixed income, domestic and international equities, private equity, opportunities, real estate, and other investments. Investments are reported at fair value. The diversity of the investment types which the System has entered into requires a wide range of techniques to determine fair value. The overall valuation processes and information sources by major asset classifications are as follows:

Cash and Short-Term Investments
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, 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.

Fixed Income
Fixed income consists primarily of negotiable obligations of the U.S. Government and U.S. Government sponsored agencies, corporations, and securitized offerings backed by residential and commercial mortgages. Certain securities, such as U.S. government bonds, have an active market for identical securities and can typically be valued using the close or last traded price on a specific date. Other securities that are not as actively traded are thus valued by pricing vendors, which use modeling techniques that include market observable inputs required to develop a fair value. Typical inputs include recent trades, yields, price quotes, cash flows, maturity, credit ratings and other assumptions based upon the specifics of the asset type.

Equities
The majority of the System's domestic and international equity securities are actively traded on major stock exchanges or over-the-counter. Investments listed or traded on a securities exchange 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 determined to be the primary market for such security. Listed investments that are not traded on a particular day are valued at the last known price deemed best to reflect their fair value. Investments not traded on a securities exchange, but which are traded in any other market or over the counter, are valued based on prices obtained from third party service providers.

Private Equity
Private equity investments are made through externally managed 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 assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment.

Opportunities
Opportunities investments are made in externally managed funds. This segment includes a mix of investment securities which may include 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.

The System records its investment at fair value based on its proportionate interest in the net asset value of the funds. Assets and liabilities of the funds are measured at fair value using acceptable fair valuation methods and applications which give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. 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.

Real Estate
Real estate is held either directly or as a limited partner in a commingled fund. Properties owned directly are subject to independent third party appraisals performed in accordance with the Uniform Standards of Professional Appraisal Practice annually. Real estate investments in a commingled fund are long-term and illiquid in nature. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of limited partners to exit a partnership investment prior to its dissolution. Limited partner interest in commingled funds are valued by using the net asset value (NAV) of the partnership. The most significant input into the NAV of such an entity is the value of its investment holdings. These holdings are valued by the general partners on a continuous basis, audited annually and periodically appraised by an independent third party. The valuation assumptions are based upon both market and property specific inputs which are not observable and involve a certain degree of expert judgement. Certain real estate investments are leveraged, and the corresponding liability is recorded in the statement of fiduciary net assets. Refer to Note 9 for mortgage obligations disclosure.

Securities Lending

Securities lending transactions are short-term collateralized loans of the System's securities for the purpose of generating additional investment income. For each lending transaction, the System receives either cash collateral or non-cash collateral. The underlying securities out on loan are reported on the System's statements of fiduciary net asset as if the lending transactions have not occurred. Cash collateral is reinvested in the lending agent's cash collateral investment pool and is valued at amortized cost which approximates fair value. A corresponding liability of an equal amount is reported as a liability. Non-cash collateral held is not reported on the statements of fiduciary net assets nor is there a corresponding liability reported on this statement as the System does not have the ability to pledge or sell them without a borrower default. Note 4 - Cash and Investments discloses the amount of securities lending non-cash collateral.

Other Assets

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

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.

Reclassification

Certain reclassifications have been made to June 30, 2008 balances to conform to the presentation as of and for the year ended June 30, 2009.

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, 2009:

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, 2009, there are 4,193 retired members and beneficiaries currently receiving medical subsidy payments and 6,394 retired members and beneficiaries currently receiving dental 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 2009, the monthly dental subsidy is $25, and the monthly medical subsidy amounts range from $122 to $244 depending on the member's earned service credit. For calendar year 2010, the monthly dental subsidy is $0, and the monthly medical subsidy amounts range from $72 to $144 depending on 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 $4,993 and $6,561 at June 30, 2009 and 2008, respectively. The pool was not rated, and the weighted average maturity of the pool were 212 days and 211 days at June 30, 2009 and 2008, respectively.

Interest earned but not received from the County Treasurer at year end is reported as a component of accrued investment income on the statements of 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, 2009 and 2008, other cash and cash equivalents constitute balances in bank demand deposit accounts of $18,568 and $15,506, respectively, of which $11,077 and $11,393 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, 2009 and 2008, the fair value of the System's short-term investments with fiscal agents was $421,863 and $563,753, 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 53 and 34 days at June 30, 2009 and 2008. Net assets invested in the STIF from all participating custodial clients of State Street were $55.9 billion and $44.4 billion on June 30, 2009 and 2008, 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, 2009 and 2008, 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. The System 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.

(Dollar Amounts Expressed in Thousands)

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, 2009 and 2008, 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, 2009 and 2008 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, 2009 were $539,207 and $540,214, respectively. The cash collateral held and the market value of securities on loan as of June 30, 2008 were $656,924 and $667,684, respectively.

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, 2009 and 2008 were as follows:

	2009		
Security Description	Cash Collateral Value	Other Collateral Value	Fair Value of Securities on Loan
U.S. government and agency obligations	$134,637	$11,891	$143,564
Domestic corporate bonds	38,551	46	37,808
Common and preferred stock – domestic	275,960	(206)	268,245
Common and preferred stock – international	90,059	5,252	90,597
Totals	$539,207	$16,983	$540,214

(Dollar Amounts Expressed in Thousands)

	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

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 Barclays Capital Aggregate Index. Portfolio diversification is constrained by the following parameters in order to minimize overall market and credit risk:

- 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.

(Dollar Amounts Expressed in Thousands)

The following tables depict the fixed income assets by credit rating as of June 30, 2009 and 2008:

Fixed Income
As of June 30, 2009

S&P Quality Rating	Total Fair Value	Securitized Obligations	Credit Obligations	U.S. Government & Agency Obligations	International Government	Collateralized Mortgage Obligations	Mortgage Pass-Through FHLMC	Mortgage Pass-Through FNMA	Mortgage Pass-Through GNMA
AAA	$406,718	$60,344	$11,714	$23,869	$15,262	$40,018	$94,203	$161,308	$-
AA+	9,305	1,248	8,057	-	-	-	-	-	-
AA	914	-	-	-	-	914	-	-	-
AA-	6,671	-	6,671	-	-	-	-	-	-
A+	20,742	-	20,742	-	-	-	-	-	-
A	68,035	-	66,308	-	-	1,727	-	-	-
A-	28,311	-	28,311	-	-	-	-	-	-
BBB+	37,033	467	36,566	-	-	-	-	-	-
BBB	52,907	345	51,754	-	-	808	-	-	-
BBB-	30,422	-	30,215	-	-	207	-	-	-
BB+	5,045	-	5,045	-	-	-	-	-	-
BB	5,807	-	4,583	-	-	1,224	-	-	-
BB-	8,580	2,131	6,449	-	-	-	-	-	-
B+	4,484	-	3,875	-	-	609	-	-	-
B	9,010	-	8,906	-	-	104	-	-	-
B-	2,760	-	2,760	-	-	-	-	-	-
CCC+	751	-	751	-	-	-	-	-	-
CCC	4,410	1,288	1,226	-	-	1,896	-	-	-
CCC-	106	106	-	-	-	-	-	-	-
CC	468	-	468	-	-	-	-	-	-
C	1,147	-	1,147	-	-	-	-	-	-
D	55	55	-	-	-	-	-	-	-
NA	123,286	-	-	100,431	-	-	-	-	22,855
NR	107,006	30,942	36,236	-	3,059	18,983	12,000	5,786	-
Total	$933,973	$96,926	$331,784	$124,300	$18,321	$66,490	$106,203	$167,094	$22,855

(Dollar Amounts Expressed in Thousands)

Fixed Income

As of June 30, 2008

							Mortgage Pass-Through		
S&P Quality Rating	Total Fair Value	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

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. Total fair value as of June 30, 2009 excluded $693 in convertible bonds held by equity managers.

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, 2009, the System had no credit risk exposure to borrowers.

(Dollar Amounts Expressed in Thousands)

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 Barclays Capital benchmark based on the portfolio total.

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, 2009

Type of Securities	Fair Value	Effective Duration	Benchmark Duration	Difference
Securitized Obligations				
Asset Backed Securities	$33,687	2.65	3.38	(0.73)
Collateralized Mortgage-Backed Securities	63,239	3.49	3.83	(0.34)
Credit Obligations				
Corporate Bonds	290,217	5.48	6.17	(0.69)
Commingled Fund	21,692	NA	NA	NA
Yankees	19,875	4.97	4.57	0.40
U.S. Government & Agency Obligations				
Agency Securities	23,869	4.00	3.40	0.60
US Treasury	100,431	5.23	5.19	0.04
International Government	18,321	6.00	NA	NA
Collateralized Mortgage Obligations	66,490	6.36	4.67	1.69
Mortgage Pass-Through				
FHLMC	106,203	2.61	2.66	(0.05)
FNMA	167,094	3.12	2.52	0.60
GNMA	22,855	3.57	2.66	0.91
Total Fair Value with Weighted Average Duration	$933,973	4.43	4.17	0.26

(Dollar Amounts Expressed in Thousands)

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

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, 2009 and 2008, the actual effective duration was 43 days and 42 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.

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, 2009 and 2008, 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, 2009 and 2008, the System had no issuer that exceeds 2.5% of total investment.

(Dollar Amounts Expressed in Thousands)

As noted on page 43 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, 2009 and 2008, 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, 2009 and 2008.

As of June 30, 2009

Local Currency Name	Cash & Cash Equivalents	Equity	Fixed Income	Total
Australian Dollar	$112	$28,533	$3,059	$31,704
British Pound	767	103,436	-	104,203
Canadian Dollar	993	25,465	-	26,458
Danish Krone	9	3,448	-	3,457
Euro	1,630	189,571	11,561	202,762
Hong Kong Dollar	880	43,137	-	44,017
Israeli Shekel	-	289	-	289
Japanese Yen	1,561	153,536	254	155,351
Mexican Peso	-	528	-	528
New Zealand Dollar	182	382	3,701	4,265
Norwegian Krone	84	6,810	-	6,894
Singapore Dollar	309	12,591	-	12,900
South African Rand	-	1,866	-	1,866
South Korean Won	3	3,171	-	3,174
Swedish Krona	98	10,165	-	10,263
Swiss Franc	70	38,414	-	38,484
Turkish Lira	-	346	-	346
Total	$6,698	$621,688	$18,575	$646,961

(Dollar Amounts Expressed in Thousands)

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
Japanese 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

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, 2009 and 2008, SCERS' investments included mortgage-backed securities totaling $362,642 and $508,106, 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 Opportunities 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 collateralized 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, 2009, total commodities investments were $91.5 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, 2009 and 2008, total CMO investments were $66,490 and $89,771, respectively, of which $32,862 and $12,423 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, 2009 and 2008 is as follows:

	2009	2008
Collateralized mortgage obligations	$32,862	$12,423
Floating-rate notes	56,089	46,386
Forward contracts	279,725	175,268
Future contracts	7,739	92,023
Index swaps	-	245,275
Indexed securities	2,731	-
Interest-only notes	1,128	-
Inverse floaters	2,619	-
Total Derivative Instruments	$382,893	$571,375

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, 2009, the securities in this asset class are as follows:

Blackstone Resources Select Offshore Commodities Fund	$52,803
European Credit Luxembord S.A.	35,091
GSCI Commodity Index CTF CMIZ	5,835
Pimco Distressed Mortgage Fund LP	10,995
Pimco Distressed Mortgage Fund II LP	12,314
REIT Index Fund	7,077
Resource Stock Index CTF	5,858
Stone Tower Structured Credit Recovery Fund	14,922
Strategic Commodities Fund	32,852
Treasury Inflation Protected Fund	4,714
	$182,461

Based on its new asset allocation model, SCERS has committed to invest $475.0 million and $403.0 million in nine new investment portfolios in the two new asset classes as of June 30, 2009 and 2008, respectively. A summary of the unfunded capital commitments as of June 30, 2009 and 2008 is as follows:

	2009	2008
Opportunities		
Blackstone Alternative Asset Management	$-	$40,000
PIMCO Distressed Mortgage Fund	2,400	5,396
Stone Tower	12,500	-
Private Equities		
Abbot Capital Private Equity Fund VI	71,625	75,000
Goldman Sachs Private Equity	70,155	71,250
Harbourvest International VI	49,581	50,000
Harbourvest Partners VIII	32,225	37,500
Total	$238,486	$279,146

(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. Of the capital committed to these new investment categories, $34.1 million and $48.2 million have not been funded as of June 30, 2009 and 2008, respectively. Direct investments include offices, apartments, retail, and industrial properties. As of June 30, 2009 and 2008, real estate investments were $621,648 and $886,051, 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 1.81% to 12.14% 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 12.54% to 49.74% 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 24 years remaining as of June 30, 2009.

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, 2009 and 2008 totaled $231,634 and $219,197. Included in this total are employer contributions of $177,011 and $167,055 in fiscal years 2009 and 2008, respectively, of which $161,782 and $153,117 were made by the County of Sacramento. Member contributions were $54,623 and $52,142 in fiscal years 2009 and 2008, respectively. All contributions were made in accordance with actuarially-determined contribution requirements based on the actuarial valuations performed as of June 30, 2007 and 2006, respectively.

NOTE 6 – FUNDED STATUS

The System's funded status based on the most recent actuarial valuation as of June 30, 2009 is as follow:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2009	$5,730,215	$6,661,993	$931,778	86.0%	$968,130	96.2%

As of June 30, 2009, the total unrecognized investment loss totaled $1.322 billion and the unfunded actuarial accrued liability (UAAL) increased to $931.8 million from $432.6 million as of June 30, 2008. This increase in UAAL is mainly due to investment returns (after "smoothing") lower than the 7.875% and higher than expected salary increases during fiscal year 2008-2009. Unless offset by future investment gains or other favorable experience, the recognition of the $1.322 billion market losses over the next six years is expected to have a significant impact on the System's future funded ratio and the aggregate employer contributions.

(Dollar Amounts Expressed in Thousands)

Disclosure of Information about Actuarial Methods and Assumptions

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.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial Methods and Assumptions:

The following significant actuarial assumptions were utilized as part of the actuarial valuation dated June 30, 2009:

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 24 years remaining as of June 30, 2009
Asset valuation method:	7-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. Unrecognized return is equal to the difference between actual and expected returns on a market value basis. Unrecognized return established prior to July 1, 2008 is recognized over a five-year period. Unrecognized return established after July 1, 2008 is recognized over a seven-year period. The actuarial value is further adjusted, if necessary, to be within 30% 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 - 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 8 – 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 prior to July 1, 2008 are recognized (smoothed) over a five-year period. Investment gains and losses after July 1, 2008 are recognized (smoothed) over a seven-year period. As of June 30, 2009 and 2008, total allocated reserves were $5,730,215 and $5,930,758, 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, 2009 and 2008 is as follows:

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

	2009	2008
Employee reserves	$634,272	$623,245
Employer reserves	2,232,274	2,268,948
Retiree reserves	2,848,041	2,818,409
Retiree death benefit reserves	14,061	14,663
Retiree health care benefits designations	1,567	1,567
Contingency reserve	-	203,926
Total allocated reserves and designations	5,730,215	5,930,758
Unallocated earnings	-	-
Smoothed actuarial value of assets	5,730,215	5,930,758
Market stabilization reserve	(1,322,357)	(194,429)
Net assets available for benefits, at fair value	$4,407,858	$5,736,329

NOTE 9 – MORTGAGES PAYABLE

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

	2009	2008
Beginning Balance	$194,957	$199,150
Additions	-	20,000
Deductions	(17,740)	(24,193)
Ending Balance	$177,217	$194,957

Future debt service requirements for outstanding mortgages are as follows:

Year Ending June 30:	Interest	Principal	Total
2010	$8,561	$30,095	$38,656
2011	5,599	85,878	91,477
2012	3,258	738	3,996
2013	2,962	20,781	23,743
2014	2,160	824	2,984
2015 - 2019	7,399	14,885	22,284
2020 - 2024	5,826	5,108	10,934
2025 - 2029	4,250	6,684	10,934
2030 - 2034	2,188	8,746	10,934
2035 - 2036	167	3,478	3,645
Total	$42,370	$177,217	$219,587

(Dollar Amounts Expressed in Thousands)

NOTE 10 – LEASE OBLIGATIONS

SCERS has commitments under operating lease agreements for office facilities and equipment. Minimum future rental payments as of June 30, 2009 were as follows:

Year Ending June 30:	
2010	$600
2011	595
2012	297
Total	$1,492

Rental costs during the year ended June 30, 2009 and 2008 were $669 and $632, respectively.

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 June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
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
2009	5,730,215	6,661,993	931,778	86.0	968,130	96.2

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
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
2009	177,011	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.

Other Supplemental Information

For the Years Ended June 30

(Dollar Amounts Expressed in Thousands)

Schedule I - Schedule of administrative expenses:

Type of expense:	2009	2008
Salaries and benefits	$3,184	$3,130
Professional fees	842	942
Equipment purchases and maintenance	62	41
Rent and lease expense	603	571
Depreciation expense	5	5
Other administrative expenses	1,284	1,177
Total administrative and other expenses	$5,980	$5,866

Schedule II - Schedule of investment fees and expenses:

Type of investment expense:	2009	2008
Domestic equity managers	$4,153	$4,266
International equity managers	3,059	5,223
Bond managers	1,693	1,903
Hedge fund managers	2,403	3,329
Real estate managers	1,463	9,013
Strategic cash overlay managers	401	290
Opportunity portfolio managers	1,262	104
Private equity managers	1,720	-
Custodian fees	415	412
Investment consulting fees	177	335
Other investment expenses and fees	1,185	937
Total investment fees and expenses	$17,931	$25,812

Schedule III - Schedule of payments to consultants:

Type of Service:	2009	2008
Legal services	$1,054	$1,027
Actuarial services	119	105
Medical consulting services	120	161
Audit & consulting services	81	30
Total payments to consultants	$1,374	$1,323

Statements of Changes in Assets and Liabilities

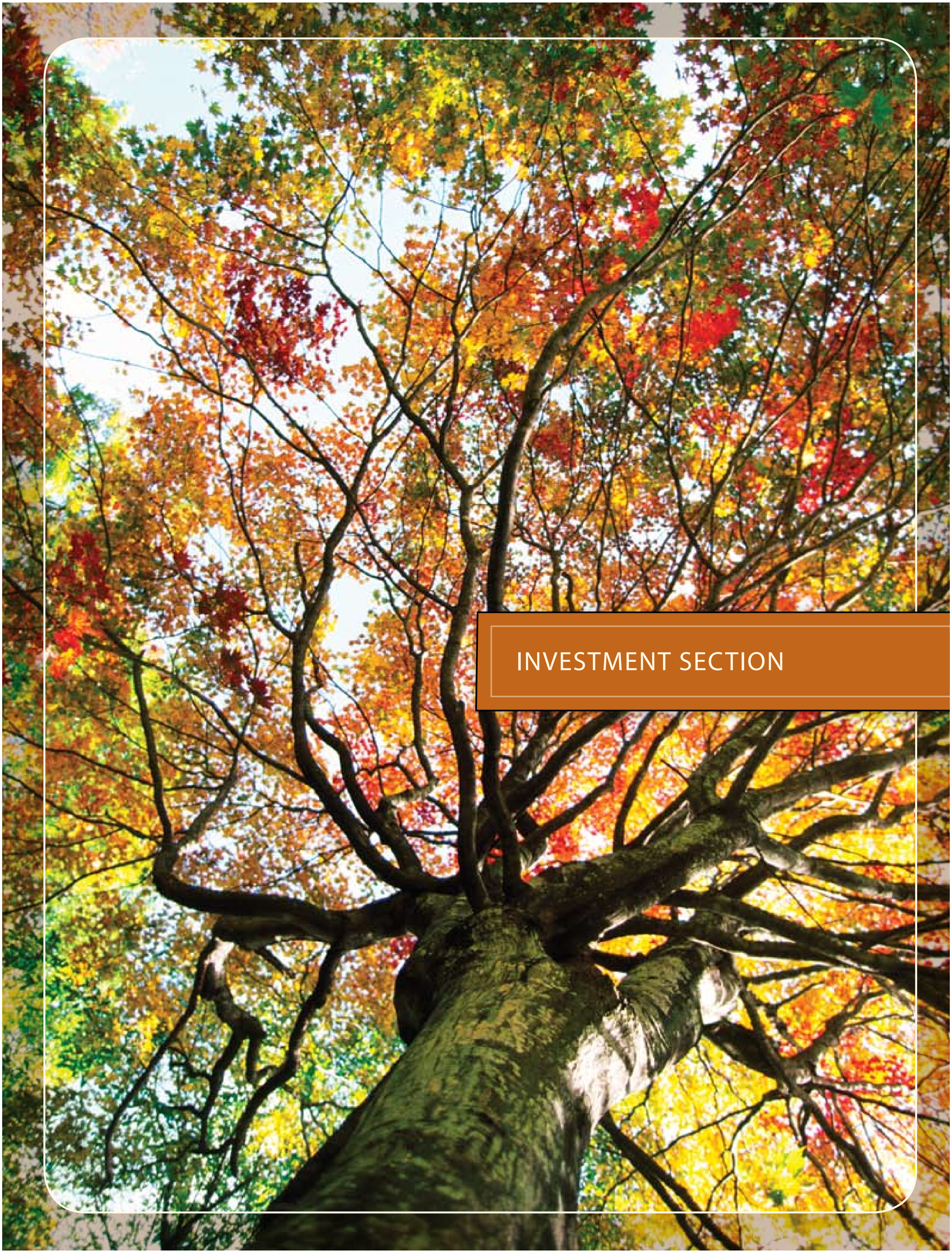
AGENCY FUND

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

(Dollar Amounts Expressed in Thousands)

Assets	2009	2008
Beginning Balance	$34	$43
Additions	28,626	28,335
Deductions	(28,626)	(28,344)
Ending Balance	$34	$34

Liabilities		
Beginning Balance	$34	$43
Additions	28,626	28,335
Deductions	(28,626)	(28,344)
Ending Balance	$34	$34



INVESTMENT SECTION

SCERS

November 20, 2009

Dear Members of the Board,

Introduction

In the fiscal year ended June 30, 2009, the U.S. and global financial markets experienced the worst financial crisis since the 1930's. Problems in the credit markets that began in 2007 with alt-A and sub-prime mortgage securities related to large decline in housing prices and a drop in new home construction spread to all sectors of the financial markets and economy. After the failure of Lehman Brothers in September 2008, liquidity became very scarce and accelerated the move by firms to de-lever balance sheets to address serious questions regarding counter-party risk and the credit worthiness of most financial institutions, investment banks and insurance companies. The U.S. Treasury, Congress and the Federal Reserve acted quickly to intervene with a full range of fiscal and monetary stimulus in an effort to provide liquidity and restore confidence.

Consistent with other similar institutional investors, SCERS' investment performance for the fiscal year ended June 30, 2009 was very poor. For the one-year period, SCERS' total fund return was (21.8)%, gross of investment management fees and (22.1)%, net of investment management fees. The net return for the fiscal year was 2.2% below SCERS' policy weighted benchmark return of (19.9)% and was well below the actuarial return objective of 7.875%. This was SCERS' lowest one-year performance over the past twenty years. On the positive side, investments in fixed income produced a return of 5.7%. Over the trailing five-year period, SCERS' gross annualized investment return was 1.8%. This five-year annualized return was below the actuarial return objective of 7.875% and SCERS' policy benchmark return of 2.9%. On a peer comparison basis, SCERS' one-year performance ranked at the 88th percentile in the Russell/Mellon Trust Universe for public funds of a billion dollars or more.

Mercer Investment Consulting, Inc. ("Mercer") prepared the investment returns cited in this transmittal 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, 2009, there were twenty-four separate account portfolios, three domestic equity commingled funds, 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, three opportunities credit strategies 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 regarding the investment program is provided by the in-house General Counsel and is supplemented by Nossaman LLP for real estate investments and outside specialized legal counsel as needed for private equity and various limited partnership investments.

During the fiscal year, SCERS continued to work toward implementation of the strategic asset allocation adopted in July 2007. Commitments to four limited partnerships investing in credit related strategies were made as part of the Opportunities asset class. The Opportunities investments include the PIMCO Distressed Mortgage Fund, Stone Tower Structured Credit Fund, and two term asset-backed-securities loan facility ("TALF") funds. Although no new commitments have been made in the Private Equity asset class, SCERS continues to meet the capital calls for commitments made in the years ended June 30, 2007 and 2008. Because of the long investment period for these commitments, it will take approximately two more years before most of the current commitments will be called and invested. As a result, this asset class will continue to be well below the five percent target for the next few years.

On February 12, 2009, SCERS was informed of action by the National Futures Association to suspend the trading activity of the two principals of WG Trading Company LP ("WG Trading"). Securities law and fraud charges were subsequently brought against the individuals and WG Trading was put into receivership. WG Trading was the parent company for Westridge Capital Management ("Westridge") with which SCERS had an investment management agreement to invest an enhanced US equity portfolio using an index arbitrage strategy. At the time of the action, SCERS' investment managed by Westridge had an estimated market value of approximately $56 million, $51 million of which was invested with WG Trading. SCERS' investment in WG Trading continues to be held by the receiver pending a court ruling regarding disposition of the assets. SCERS expects to recover sixty percent or more of its investment when the receiver distributes the assets being held.

During the period covered by this report, several educational sessions were provided by SCERS' staff, investment consultant and various investment managers to assist the Board in making decisions regarding new asset classes and possible new investment strategies. The educational sessions included a panel discussion to discuss the credit market crisis and thoughts on how to best structure the fixed income asset class portfolio going forward.

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. For the fiscal year ended June 30, 2009, SCERS earned a net income of $5.6 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 investment 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 is intended to 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 SCERS 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 SCERS' 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 for voting proxies and acting on corporate action issues, such as mergers and acquisitions. For the fiscal year ended June 30, 2009, all proxies were voted through an electronic voting platform provided by Risk Metric, 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. 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. SCERS did not change its long-term capital market assumptions in the fiscal year. The capital market assumptions included in the Investment Policy and Guidelines are estimated to give SCERS a 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 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, 2009, net of manager fees, was (22.1)%. SCERS' policy-weighted benchmark return for the fiscal year was (19.9)%.

SCERS also compares its performance against the performance of a peer group 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 (18.1)%. SCERS ranked at the 88th percentile.

Domestic equity is SCERS' largest investment asset class. For the fiscal year, SCERS' total domestic equity return was (28.7)%, net of fees. The return was below the benchmark Russell 3000 Index return of (26.6)%. For the three-year period, SCERS' domestic equity return is (10.1)%, net of fees, compared to the benchmark Russell 3000 Index return of (8.3)%. Underperformance in the U.S. equity investments in comparison to the benchmarks was due to the poor performance of the U.S. large cap active growth and value managers and one U.S. small cap growth manager.

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 (29.4)% return, net of fees, for one-year, which was 2.7% below the return of the Russell 1000 Index. The investment return for large cap equity for three years was (10.0)%, 1.8% less than the Russell 1000 Index. The one-year return for small cap equity investments was (25.6)%, net of fees. This return was 0.6% below the benchmark Russell 2000 Index return of (25.0)%. For the three-year period, the small cap equity return was (11.2)%, net of fees, 1.3% below the Russell 2000 Index return of (9.9)%.

International equity experienced negative investment returns for the fiscal year but performed better than the benchmark. The total international equity return was (28.0)%, net of fees. This was 3.4% above the benchmark MSCI EAFE Net Dividend Index equity return of (31.4)%. Performance for the three-year period of (4.9)% was 3.1% better than the benchmark return of (8.0)%. In the MASTU Non-U.S. Equity Billion Dollar Segment, SCERS ranked at the 20th percentile for one year and at the 23rd 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 (29.4)%, net of fees, 2.0% above the benchmark MSCI EAFE Net Dividend Index. Over the trailing three-year period, the established market return was (8.3)%, net of fees, compared to a MSCI EAFE Net Dividend Index return of (8.0)%. For the one-year period, the emerging markets return of (23.4)% was better than the established market return but was below the return of the MSCI Emerging Markets Free Index return of (20.7)%. For the three-year period, SCERS' return of 6.5%, net of fees, exceeded the MSCI Emerging Markets Index return of 3.7%.

SCERS' fixed income investments were the best performing asset class for the fiscal year. The return for the asset class was 5.5%, net of investment manager fees. This return ranked in the 16th percentile for the MASTU Fixed Income Billion Dollar Segment. The Barclays Capital Aggregate Index return for the fiscal year was 6.0%. For the three-year period, the fixed income asset class return was 5.7% compared to the Barclays Capital Aggregate Index return of 6.4%.

The real estate asset class had negative returns for the year as the slowing economy and credit market stress began to work its way into the commercial real estate markets. For one year, the investment return was (30.2)% which was 10.6% below the NCREIF Property Index. Over three years, the real estate portfolio return was (5.2)% compared to the NCREIF Property Index return of 1.0%. The real estate asset class return for one year ranked at the 85th percentile for the MASTU Real Estate Billion Dollar Segment.

The equity long/short hedge fund-of-funds investments also experienced double digit investment losses, although less than those for the U.S. equity investments. For one year, the two hedge fund-of-funds investment portfolios had a return of (15.6)%. The performance objective for the hedge fund-of-funds investments is the T-Bill plus five percent. Although the benchmark return is expected to be achieved overtime, in the 2009 fiscal year, the high correlation of the equity long/short investments to the U.S. equity markets made it an unrealistic measure for the period. A better measure for comparison of the fiscal year is the CS Tremont Hedge Funds Long/Short Equity Index which had a return of (12.8)%.

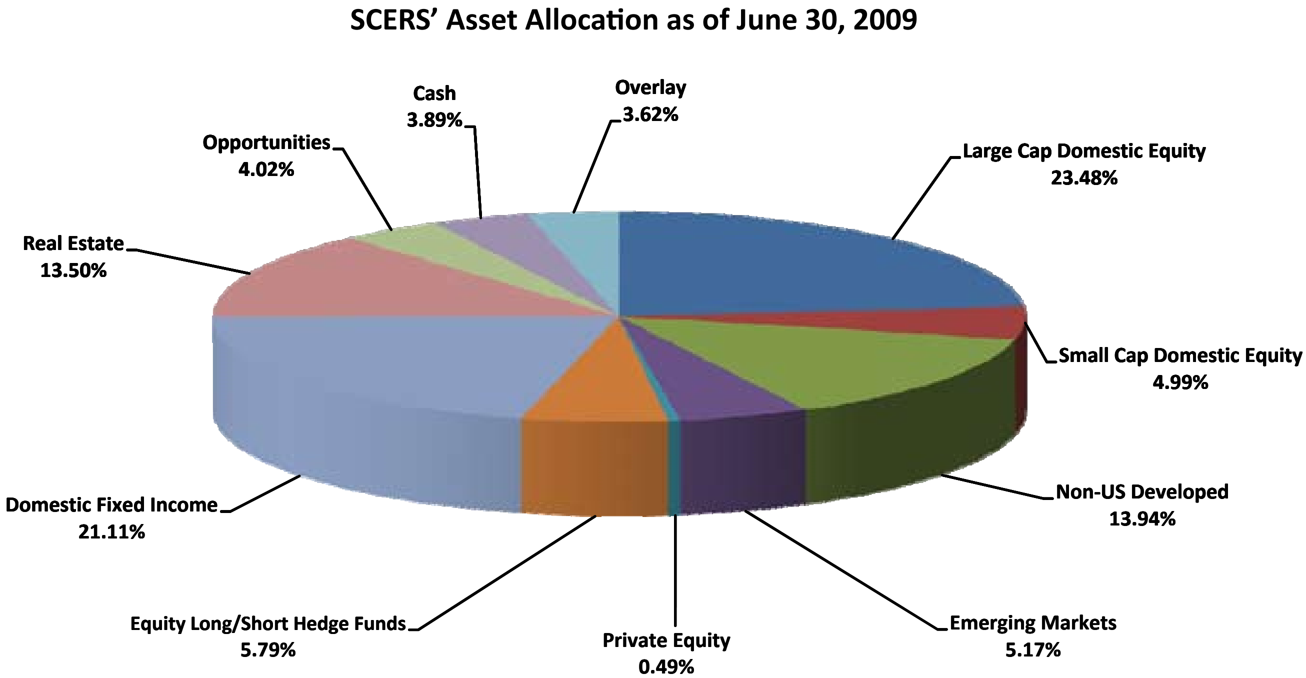
The Private Equity investments had a return of (53.7)% for the fiscal year compared to the return of the asset class benchmark S&P 500 index plus two percent of (24.2)%. The significant underperformance for SCERS' investments reflects the J-curve effect on the private equity fund-of-fund investments which are still within their investment period with little of the committed capital having been called and invested.

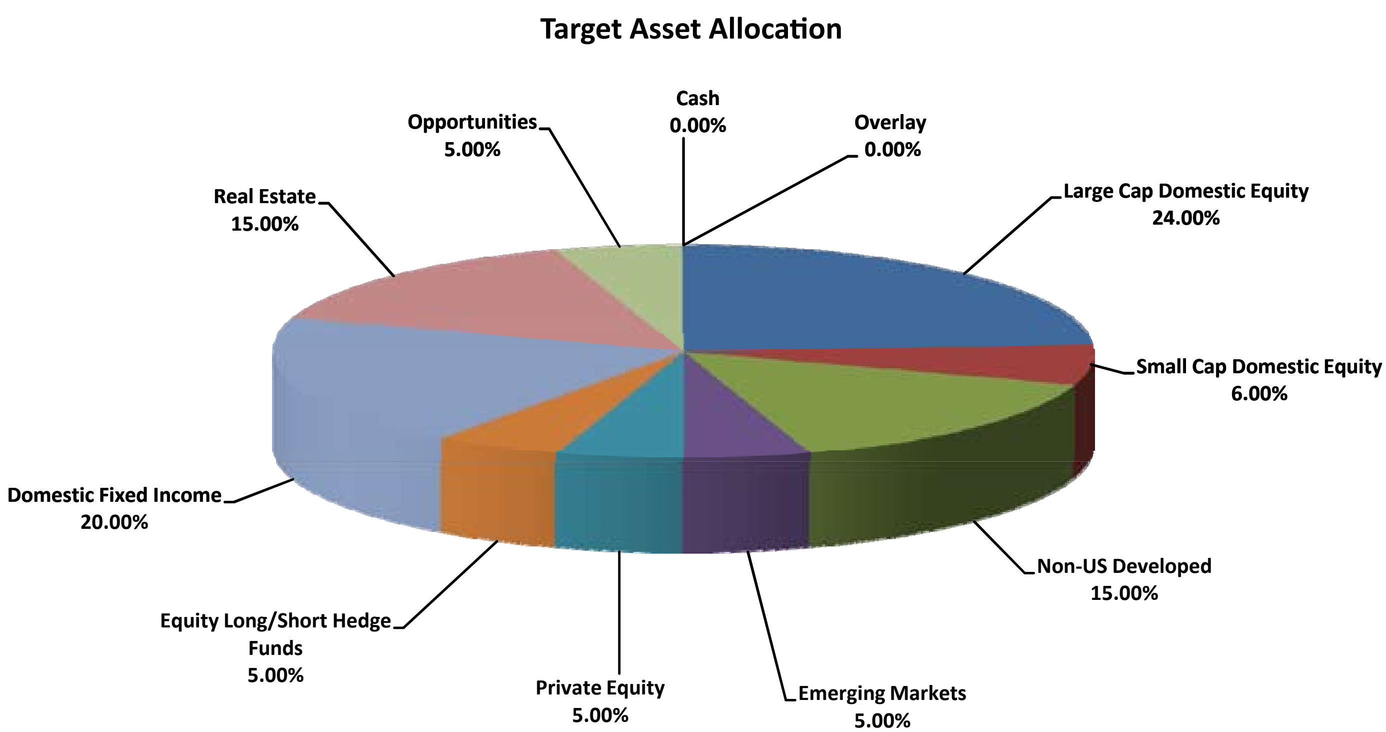
The Opportunities investments are a mix of strategies which currently include investments in credit strategies, commodities investments, and investments in a real asset return strategy. The distress in the credit markets impacted the return of the credit strategies as interest rate spreads widened dramatically during the first three quarters before narrowing in the last quarter of fiscal year 2009. The commodities investments also experienced large losses as a result of a large drop in oil prices in the fall of 2008 from record levels. Oil prices dropped from a level of $100 per barrel to as low as $45 per barrel until concerns declined that the global recession might turn into a depression. Over time the Opportunities investment portfolio is expected to diversify SCERS' investment risk by combining investments with a traditionally low correlation to equity investments and acceptable high single digit to low double digit returns.

Respectfully submitted,

Richard Stensrud

Richard Stensrud
Chief Executive Officer





The 2009 Actual Asset Allocation is based upon the Investment Summary adjusted to net out $177.2 million in leverage.

Investment Professionals

Equity - Domestic

Alliance Bernstein Institutional Investments
Barclays Global Investors
BlackRock Financial Management
Dalton, Greiner, Hartman, Maher & Co., LLC
INTECH Investment Strategies
JP Morgan Asset Management
LSV Asset Management
M.A. Weatherbie & Co., Inc.
O'Shaughnessy Asset Management, LLC
Pzena Investment Management, LLC
Thompson Siegel & Walmsley LLC
UBS Global Asset Management
Wedge Capital Management, LLP
Wells Capital Management

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 Institutional, Inc.
LSV Asset Management
William Blair & Co.

Private Equity

Abbott Capital Private Equity Fund VI, LP
Goldman Sachs Private Equity Partners X, LP
HarbourVest Partners, LLC

Fixed Income

Bradford & Marzec Global Fixed Income Management
Neuberger Berman Fixed Income, LLC
Metropolitan West Asset Management

Opportunities

Blackstone Resources Select Offshore Fund, Ltd.
European Credit Mangement, Ltd.
Neuberger Berman Strategic Commodities Fund, Ltd.
PIMCO Distressed Mortgage Fund, LP
State Street Global Advisors
Stone Tower Capital

Real Estate

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

Stategic Cash Overlay

State Street Global Advisors

Real Estate Legal Counsel

Nossaman, LLP

Investment Consultant

Mercer Investment Consulting

Proxy Advisor

Institutional Shareholder Service
Glass Lewis & Co.

Investment Results

	For the Period Ended June 30, 2009		
		Annualized	
	1 Year	3 Years	5 Years
Domestic Equity			
Total Domestic Equity	(28.4)%	(9.9)%	(3.1)%
Mercer Equity Universe Median	(26.9)	(8.2)	(1.5)
Benchmark: Russell 3000 Index	(26.6)	(8.3)	(1.8)
International Equity			
Total International Equity	(27.6)	(4.4)	6.1
Mercer International Equity Universe Median	(30.9)	(6.0)	4.1
Benchmark: MSCI EAFE Index	(31.4)	(8.0)	2.3
Fixed Income			
Total Fixed Income	5.7	5.9	4.9
Mercer Fixed Income Universe Median	3.4	4.7	4.1
Benchmark: Barclays Capital Aggregate	6.0	6.4	5.0
Equity Hedge Fund of Funds			
Total Hedge Funds	(15.6)	(0.4)	N/A
CS Tremont Hedge Funds Long/Short Equity Index	(12.8)	2.4	6.1
Benchmark: Treasury Bill plus five percent	5.7	7.9	7.9
Real Estate			
Total Real Estate	(30.2)	(5.2)	4.6
Mercer Real Estate Universe Median	(25.6)	0.3	7.0
Benchmark: NCREIF Classic Property Index	(19.6)	1.0	7.6
Opportunities			
Total Opportunities	(40.2)	N/A	N/A
Dow Jones AIG Index + 1%	(46.4)	(9.9)	(2.2)
Private Equity			
Total Private Equity	(53.7)	N/A	N/A
S&P 500 + 2%	(24.2)	(6.2)	(0.2)
Total Fund			
Scaramento Total Fund	(21.8)	(4.0)	1.8
Russell/Mellon Public Funds Billion $ Universe	(18.1)	(2.8)	2.5
Benchmark: Asset Allocation Weightings*	(19.9)%	(2.5)%	2.9%

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 consists of 30% Russell 3000, 20% ACWI ex U.S., 20% Lehman Brothers Aggregate, 12% NCREIF Property, 3% NAREIT, 5% T-Bill plus 5%, 5% Dow Jones AIG Commodities Total Return Index and 5% S&P 500 plus 2% (for private equity). From 2/1/06 to 12/31/07, 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%.

Summary of Investment Assets

As of June 30, 2009

	Fair Value (Dollar Amounts Expressed in Thousands)	Percentage of Total Cash & Investments
Equities		
Domestic		
Alliance Capital - Russell 1000 Index	$442,461	9.58%
Barclays Global Investment - Active Extension 130/30	42,862	0.93
BlackRock Financial Management - Russell 1000 Enhanced Index	63,494	1.37
Dalton, Greiner, Hartman, Maher - Active Small Cap Value	56,934	1.23
InTech - Large Growth	89,909	1.95
JP Morgan Asset Management - Active Extension 130/30	46,421	1.00
LSV Asset Management - Value	91,696	1.99
M.A. Weatherbie - Small Growth	64,904	1.41
O'Shaughnessy Asset Management - Small Growth	25,448	0.55
Pzena Investment Management - Value	95,217	2.06
Thompson, Siegel & Walmsley - Small Cap Value	34,371	0.74
UBS Global Asset Management - Active Extension 130/30	44,211	0.96
Wedge Capital Management - Small Cap Value	38,893	0.84
Wells Capital Management - Large Growth	83,838	1.81
Total Domestic Equity	1,220,659	
International		
AXA Rosenberg - S&P/Citibank EMI Small Cap	28,496	0.62
Capital Guardian Trust - MSCI EAFE Growth Index	181,357	3.93
Capital International - MSCI Emerging Markets	228,296	4.94
Invesco Institutional - MSCI EAFE Core	207,085	4.48
LSV Asset Management - MSCI EAFE Value	145,972	3.16
William Blair - MSCI Growth	51,280	1.11
Total International Equity	842,486	
Hedge Fund of Funds		
Blackstone Alternative	126,347	2.73
Grosvenor Capital Management	129,210	2.80
Total Hedge Fund of Funds	255,557	
Private Equity		
Abbott Capital	2,474	0.05
Goldman Sachs X	3,580	0.08
HarbourVest Partners VIII	15,030	0.32
HarbourVest Partners International PEP VI	270	0.01
Total Private Equity	21,354	
Total Equities	2,340,056	
Fixed Income		
Domestic		
Bradford & Marzec - Lehman Aggregate Core Plus	271,852	5.88
Metropolitan West Asset Management	326,609	7.07
Neuberger Berman - Lehman Aggregate Index	334,443	7.24
Total Domestic Fixed Income	932,904	
International		
Bradford & Marzec - Lehman Aggregate Core Plus	42,186	0.91
Metropolitan West Asset Management	5,593	0.12
Neuberger Berman - Lehman Aggregate Index	12,730	0.28
Total International Fixed Income	60,509	
Total Fixed Income	993,413	

	Fair Value (Dollar Amounts Expressed in Thousands)	Percentage of Total Cash & Investments
Real Estate		
AEW Value Investors II, L.P.	4,374	0.09%
Allegis Value Trust	9,023	0.20%
BlackRock Realty - Separate Account	315,270	6.82%
CB Richard Ellis Global	79,584	1.72%
Cornerstone Patriot Fund	62,186	1.35%
Cornerstone Realty - Separate Account	178,500	3.86%
Granite Property Fund	45,305	0.98%
Hines US Office Value Fund II	6,982	0.15%
Other Commingled Trusts	8	0.00%
Principal Global Investor	28,665	0.62%
Urdang Securities Management	29,800	0.65%
Total Real Estate	759,697	
Futures Overlay		
State Street Global Advisors	156,390	3.39%
Total Futures Overlay	156,390	
Opportunities		
Blackstone Resources Select Offshore Fund	52,803	1.14%
European Credit Luxemborg S.A.	35,091	0.76%
Neuberger Berman Strategic Commodities Fund	32,852	0.71%
PIMCO Distressed Debt Fund	23,308	0.51%
State Street Global Advisors - Real Asset Strategy	23,485	0.51%
Stone Tower	14,922	0.32%
Total Opportunities	182,461	
Total Investments at Fair Value	4,432,017	
Cash		
Cash (Unallocated)	171,787	3.72%
Other Cash & Cash Equivalents	16,070	0.35%
Total Cash & Investments	**$4,619,874**	**100.00%**
Other Assets		
Receivables	91,312	
Other Assets	40,244	
Securities Lending Collateral	539,207	
Total Assets	**5,290,637**	
Liabilities		
Accounts Payable	18,256	
Investment Trades Payable	147,111	
Mortgages Payable	177,217	
Warrants Payable	988	
Securities Lending Liability	539,207	
Total Liabilities	**882,779**	
Net Assets Held in Trust for Pension Benefits	**$4,407,858**	

Note: Allocated assets included 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	$103
Barclays Global Investors	135
Bear Stearns Asset Management	48
BlackRock Financial Management	64
Dalton, Greiner, Hartman, Maher & Co., LLC	667
INTECH Investment Strategies	445
JP Morgan Asset Management	342
LSV Asset Management	95
M.A. Weatherbie & Co., Inc.	557
O'Shaughnessy Asset Management, LLC	65
Pzena Investment Management, LLC	207
Thompson Siegel & Walmsley LLC	371
UBS Global Asset Management	124
Wedge Capital Management, LLP	391
Wells Capital Management	539
Total Domestic Equity	4,153
International Equity	
AXA Rosenberg Investment Management, LLC	74
Capital Guardian Trust Company	412
Capital International, Inc	1,270
INVESCO Institutional, Inc.	847
LSV Asset Management	161
William Blair & Co.	295
Total International Equity	3,059
Hedge Fund of Funds	
The Blackstone Group, LP	1,239
Grosvenor Capital Management, LP	1,164
Total Hedge Fund of Funds	2,403
Private Equity	
Abbott Capital Private Equity Fund VI	331
Goldman Sachs Private Equity X	919
HarbourVest Partners, LLC	470
Total Private Equity	1,720

(Dollar Amounts Expressed in Thousands)

Fixed Income	
Bradford & Marzec Global Fixed Income Management	861
Metropolitan West Asset Management	623
Neuberger Berman Fixed Income, LLC	209
Total Fixed Income	1,693
Real Estate	
AEW Capital Management	135
BlackRock Realty Advisors, Inc.	(1,005)
BlackRock Realty Advisors, Inc. - Granite Property Fund	556
CBRE Global Real Estate Securities	98
Cornerstone Real Estate Advisors, LLC	(238)
Cornerstone Real Estate Advisors, LLC - Patriot Fund	709
Hines U.S. Office Value Added Fund II, LLC	366
Principal Global Investors, LLC	444
SSgA Private REIT	31
UBS Realty Investors, LLC - Allegis Value Trust	40
Urdang Securities Management, Inc.	327
Total Real Estate	1,463
Futures Overlay	
State Street Global Advisors	401
Total Futures Overlay	401
Opportunities	
Blackstone Resources Select Offshore Fund, Ltd.	437
European Credit Mangement, Ltd.	185
Neuberger Berman Strategic Commodities Fund, Ltd.	249
PIMCO Distressed Mortgage Fund, LP	283
State Street Global Advisors - Real Asset Strategy	50
Stone Tower Capital	58
Total Opportunities	1,262
Total Manager Fees	**$16,154**

Ten Largest Stock Holdings (by Fair Value)

As of June 30, 2009

Rank	Shares	Security Name	Fair Value (in thousands)
1	344,263	Exxon Mobile Corp.	$24,067
2	789,065	Microsoft Corp.	18,756
3	384,785	JP Morgan Chase & Co.	13,125
4	124,405	International Business Machines	12,990
5	82,620	Apple Inc.	11,768
6	205,673	Johnson & Johnson	11,682
7	169,085	Chevron Corp.	11,202
8	436,735	AT&T Inc.	10,848
9	817,165	Bank of Amera Corp.	10,787
10	209,170	Wal Mart Stores Inc.	10,132
Total of Ten Largest Stock Holdings			**$135,357**

A complete list of the stock holdings is available.

Ten Largest Bond Holdings (by Fair Value)

As of June 30, 2009

Rank	Par	Security Name	Interest Rate	Maturity	Fair Value (in thousands)
1	18,585,000	FNMA TBA Jul 30 Single Fam	5.00%	12/01/2099	$18,919
2	14,599,500	FNMA TBA Jul 30 Single Fam	5.50%	12/01/2099	15,067
3	13,045,000	FNMA TBA Jul 30 Single Fam	4.50%	12/01/2099	13,012
4	11,275,000	GNMA I TBA Jul 30 Single Fam	4.50%	12/01/2099	11,250
5	9,497,143	FED HM LN PC Pool G01838	5.00%	07/01/2035	9,694
6	8,062,262	FED HM LN PC Pool G04484	6.00%	08/01/2038	8,468
7	7,851,791	FED HM LN PC Pool G04564	6.00%	12/01/2037	8,244
8	8,315,000	United States Treasury N/B	1.88%	04/30/2014	8,070
9	7,461,081	FNMA Pool 831811	6.00%	09/01/2036	7,823
10	6,954,786	FED HM LN PC Pool C03094	6.00%	11/01/2037	7,301
Total of Ten Largest Bond Holdings					**$107,848**

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	$0.0104	168,761	$1,747
ABG Securities AS (Stockholm)	0.0099	72,300	713
ABN Amro Bank NV	0.0074	934,652	6,913
ABN Amro Bank NV Hong Kong	0.0007	671,000	465
American Technology Research Inc.	0.0500	10,600	530
Aqua Securities LP	0.0200	10,700	214
Avondale Partners LLC	0.0403	164,951	6,653
Baird, Robert W., & Company Incorporated	0.0418	537,552	22,465
Banco Espirito Santo De Invest	0.0014	184,643	253
Banco Espirito Santo Investmento Sucursa	0.0026	349,274	906
Banco Santander Central Hispano	0.0048	313,200	1,498
Bank AM Bellevue	0.0368	17,186	632
Bank J.Vontobel Und Co. AG	0.0261	617	16
Bank of America Securities LLC	0.0211	3,134,233	66,168
Banque Nationale Du Canada	0.0281	35,208	989
Barclays Capital	0.0040	70,712	280
Barclays Capital Inc./LE	0.0450	15,753	709
Barclays Capital LE	0.0320	759,752	24,299
Baypoint Trading LLC	0.0300	65,873	1,975
Bear Stearns Securities Corp.	0.0128	34,248	440
Bear Stearns Securities Corp.	0.0076	4,900	37
Bloombergtradebook LLC	0.0102	658,978	6,726
BMO Capital Markets	0.0311	154,850	4,819
BNP Paribas Peregrine Securities	0.0003	1,386,384	452
BNP Paribas Sa	0.0026	2,859	7
BNY Brokerage	0.0323	193,618	6,249
BNY Brokerage Inc	0.0358	466,611	16,720
BNY Convergex	0.0314	375,576	11,796
BNY Convergex Ljr	0.0102	792,961	8,088
Boenning + Scattergood Inc.	0.0400	23,843	954
Brean Murray	0.0481	37,965	1,826
Broadcortcapital (Thru ML)	0.0340	2,394,785	81,340
Brockhouse + Cooper Inc. Montreal	0.0021	4,501	10
Brockhouse + Cooper, Inc.	0.0226	11,428	259
Buckingham Research Group	0.0500	20,700	1,035
Buckingham Research Group Inc.	0.0387	106,960	4,144
CA IB Investmentbank AG	0.0445	12,956	576
Calyon (Formerly Credit Agricole Indous)	0.0628	42,822	2,689
Canaccordadams Inc.	0.0213	307,478	6,541
Canaccordcapital Corp.	0.0271	82,583	2,236
Cantor Fitz Eur 2	0.0011	3,307,859	3,755
Cantor Fitzgerald + Co.	0.0255	1,428,239	36,414
Cap Guardian Broker	0.0350	6,500	228
Capital Institutional Svcs Inc. Equities	0.0361	1,752,520	63,270

Schedule of Equity Brokerage Fees (Continued)

Broker Name	Commission Per Share	Shares/ Par Value	Total Commissions
Carnegie Int'l Lnd	0.0183	21,600	395
Carnegie Securities Finland	0.0065	75,684	489
Cazenove + Co.	0.0059	1,771,151	10,367
Cazenove Asia Limited	0.0107	11,700	125
Cedel Bank	0.0132	205	3
Chase Securities Inc.	0.0500	1,940	97
China Intrtnl. Cap Corp. Hk Secs. Ltd.	0.0023	223,400	507
CIBC World Mkts. Inc.	0.0371	53,714	1,990
Citation Group	0.0290	1,435,877	41,595
Citigroupglobal Markets Australia Pty.	0.0088	192,159	1,688
Citigroupglobal Markets Inc.	0.0169	4,182,136	70,809
Citigroupglobal Markets Inc.	0.0133	1,532,429	20,446
Citigroupglobal Markets Limited	0.0075	4,005,448	30,028
Citigroupglobal Markets UK Equity Ltd.	0.0086	479,494	4,128
CJS Securities	0.0394	23,895	941
CLSA Singapore PTE Ltd.	0.0443	108,813	4,819
Collins Stewart Inc.	0.0400	23,050	922
Cowen Andcompany, LLC	0.0400	163,422	6,537
Craig - Hallum	0.0377	17,207	649
Credit Agricle Indosuez	0.0089	204,952	1,829
Credit Agricole Indosuez Cheuvreux	0.0120	2,774,981	33,273
Credit Lyonnais Securities	0.0096	335,958	3,237
Credit Lyonnais Securities (USA) Inc.	0.0118	81,308	958
Credit Lyonnais Securities(Asia)	0.0023	216,000	490
Credit Suisse First Boston (Europe)	0.4029	8,974	3,615
Credit Suisse Securities (Europe) Ltd.	0.0118	2,431,442	28,682
Credit Suisse Securities (USA) LLC	0.0095	12,926,301	122,492
Credit USA	0.0500	20,881	1,044
CS First Boston (Hong Kong) Limited	0.0038	2,036,566	7,698
CSFB Australia Equities Ltd.	0.0044	362,954	1,605
CSFB Europe Ltd.	0.0540	34,500	1,862
CSI US Institutional Desk	0.0400	35,262	1,410
Cuttone + Co. Inc.	0.0154	67,056	1,029
D Carnegie AG	0.0197	26,375	519
Daewoo Securities Co. Ltd.	0.0029	79,447	232
Dahlman Rose + Company LLC	0.0487	8,120	396
Daiwa Sbcm Europe	0.0094	147,570	1,386
Daiwa Securities (HK) Ltd.	0.0497	10,136	504
Daiwa Securities America Inc.	0.0013	490,354	661
Daiwa Securities Company Ltd.	0.0024	30,029	72
Davenport & Co. of Virginia, Inc.	0.0456	92,345	4,213
Davidson D.A. + Company Inc.	0.0400	157,583	6,303
Davis, Mendel and Regenstein	0.0500	16,590	830
Davy (J+E)	0.0135	106,874	1,438

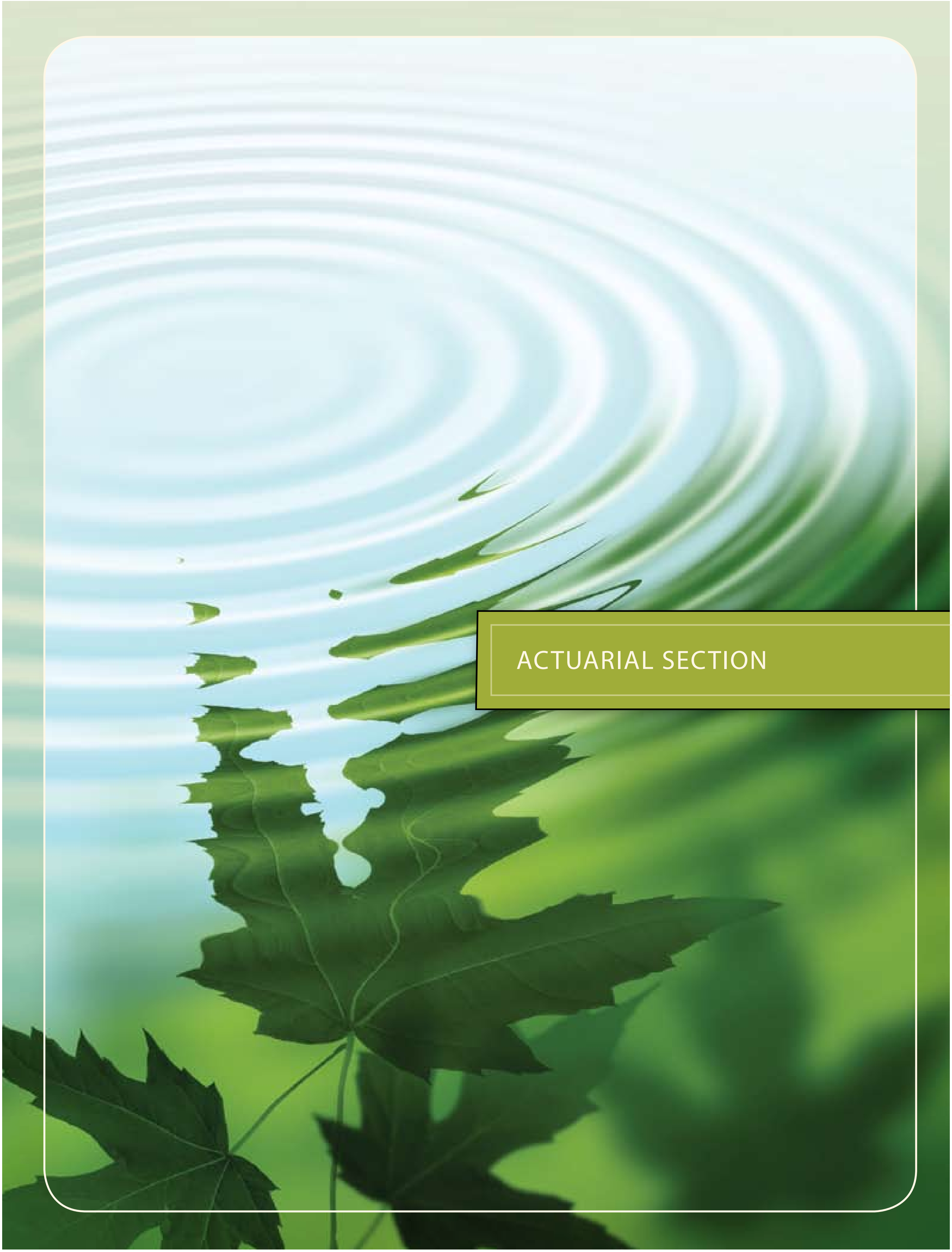
Broker Name	Commission Per Share	Shares/ Par Value	Total Commissions
DBS Vickers Securities (Singapore)	0.0002	465,400	78
Den Norske Bank	0.0055	110,000	602
Deutsche Bank AG London	0.0111	1,058,175	11,778
Deutsche Bank Securities Inc.	0.0180	5,071,239	91,228
Deutsche Morgan Grenfell Secs.	0.0027	1,299,202	3,523
Deutsche Securities Asia Limited	0.0027	458,600	1,240
Direct Trading Institutional Inc.	0.0091	124,040	1,128
DNB Nor Markets Custody DNB Norbank ASA	0.0029	30,484	89
Dougherty Company	0.0449	26,960	1,212
Dowling & Partners	0.0374	200,008	7,485
Dresdner Bank AG London	0.0080	2,859	23
Dresdner Bank AG, London Branch	0.0020	1,602,914	3,251
Dundee Securities Corp.	0.0443	6,000	266
Electronic Specialist, LLC	0.0361	191,475	6,914
Euromobiliare Sim S.P.A.	0.0050	83,000	416
Exane S.A.	0.0162	513,231	8,308
Execution(Hong Kong) Limited	0.0012	60,000	73
Fidelity Capital Markets	0.0102	268,294	2,734
First Analysis Securities Corp.	0.0416	71,860	2,992
First Clearing, LLC	0.0476	70,470	3,351
Fox Pitt Kelton Inc.	0.0306	322,401	9,878
Fox Pitt Kelton Ltd.	0.0198	93,319	1,843
Fox Riverexecution Technology, LLC	0.0090	62,794	564
Friedman Billings + Ramsey	0.0390	251,357	9,794
Genuity Capital Market CA	0.0244	8,265	202
Genuity Capital Markets	0.0269	10,425	281
Goldman Sachs + Co.	0.0128	13,813,543	176,836
Goldman Sachs International	0.0119	1,770,466	21,033
Goldman Sachs Intl Ltd.	0.0368	14,100	519
Goodbody Stockbrokers	0.0114	103,939	1,183
Gordon, Haskett & Company	0.0325	28,550	929
Green Street Advisors	0.0461	232,840	10,741
Guzman + Co.	0.0141	291,440	4,118
Harris Nesbitt Corp	0.0337	106,220	3,577
Hibernia Southcoast Capital Inc.	0.0500	10,810	541
Hongkong and Shanghai Banking Corp.	0.0051	1,816,271	9,327
Howard Weil Division Legg Mason	0.0353	29,388	1,037
HSBC Bank PLC	0.0150	655,707	9,842
HSBC Brokerage	0.0350	12,200	427
HSBC Securities (USA), Inc./Stock Loan	0.0131	12,300	161
ICAP Securities Ltd.	0.0208	399,782	8,307
Instinet	0.0071	2,252,722	16,099
Instinet France S.A.	0.0075	33,572	251
Instinet Pacific Limited	0.0054	102,843	553

Broker Name	Commission Per Share	Shares/ Par Value	Total Commissions
Instinet U.K. Ltd.	0.0056	2,038,563	11,484
Instinet, LLC	0.0178	489,143	8,700
Investment Technology Group Inc.	0.0191	2,645,768	50,643
Investment Technology Group Ltd.	0.0014	2,523,159	3,505
ISI Group Inc.	0.0415	127,961	5,315
ITG Australia Ltd.	0.0006	537,245	339
ITG Canada	0.0155	8,800	137
ITG Inc.	0.0321	288,843	9,275
ITG Securities (HK) Ltd.	0.0001	1,197,020	157
IXIS Securities	0.0014	304,021	411
J B Were And Son	0.0099	322,401	3,206
J P Morgan Securities Inc.	0.0321	2,074,146	66,538
J.P. Morgan Clearing Corp.	0.0070	417,958	2,946
J.P.Morgan Securities (Far East) Ltd. Seoul	0.0606	5,746	348
Janney Montgomery, Scott Inc.	0.0500	88,290	4,415
Jefferies + Company Inc.	0.0231	866,056	20,044
Jefferies International Ltd.	0.0482	6,900	333
JMP Securities	0.0320	61,576	1,968
Joh Berenberg Gossler and Co.	0.0059	123,745	733
Johnson Rice + Co.	0.0441	81,070	3,575
Jonestrading Institutional Services LLC	0.0216	278,104	6,020
JP Morgan Securities	0.0155	99,344	1,538
JP Morgan Securities Australia Ltd.	0.0184	171,062	3,143
JP Morgan Securities Limited	0.0155	1,432,406	22,234
JP Morgan Securities (Asia Pacific) Ltd.	0.0026	5,379,418	14,125
Kas-Associatie N.V.	0.0175	536,570	9,415
Kaufman Brothers	0.0470	25,680	1,207
KBC Financial Products UK Ltd.	0.0474	34,900	1,653
Keefe Bruyette + Woods Inc.	0.0367	287,655	10,554
Kelly + Christensen Inc.	0.0125	3,089	39
Kepler Equities Frankfurt Branch	0.0339	28,400	962
Kepler Equities Paris	0.0119	41,902	500
Kevin Dann Partners, LLC	0.0485	25,790	1,250
Keybanc Capital Markets Inc.	0.0406	139,032	5,650
King, CL, & Associates, Inc.	0.0402	123,483	4,965
Kleinwortbenson Securities Limited	0.0134	22,582	303
Knight Securities	0.0219	182,664	3,992
Ladenburgthalman + Co.	0.0400	3,700	148
Lazard Capital Markets LLC	0.0134	451,559	6,067
Leerink Swann and Company	0.0452	57,669	2,606
Lehman Brothers Inc.	0.0230	1,296,800	29,825
Lehman Brothers International (Europe)	0.0250	76,694	1,916
Lehman Brothers Secs. (Asia)	0.0252	58,000	1,460
Liquidnetasia Limited	0.0018	599,730	1,100

Broker Name	Commission Per Share	Shares/ Par Value	Total Commissions
Liquidneteurope Limited	0.0097	623,466	6,075
Liquidnet Inc.	0.0231	3,909,732	90,270
Longbow Securities LLC	0.0426	88,329	3,767
Macquarieequities Limited (Sydney)	0.0014	410,759	567
Macquarieequities New Zealand	0.0001	53,900	7
Macquariesecurities Limited	0.0022	6,187,810	13,348
Macquariesecurities Ltd. Seoul	0.0461	15,339	706
Mainfirstbank DE	0.0287	4,534	130
Man Financial Limited	0.0117	253,671	2,968
Maxim Group	0.0363	7,475	271
Merrill Lynch + Co. Inc.	0.0164	60,700	993
Merrill Lynch International	0.0037	7,539,528	28,221
Merrill Lynch Peirce Fenner and S	0.0041	6,534,311	27,009
Merrill Lynch Professional Clearing Corp.	0.0308	67,638	2,086
Merrill Lynch, Pierce, Fenner & Smith Inc.	0.0208	31,026	645
Merrill Lynch,Pierce, Fenner + Smith, Inc.	0.0182	2,754,913	50,184
Midwest Research Securities	0.0415	30,550	1,269
Miller Tabak + Company, Llc	0.0227	8,800	200
Mitsubishi UFJ Securities (USA)	0.2385	1,600	382
Mitsubishi UFJ Securities Int PLC	0.0028	67,403	189
Mizuho Securities USA Inc.	0.0193	138,219	2,662
MKM Partners	0.0297	16,650	495
Morgan (J.P.) Securities Inc., SL	0.0304	15,300	465
Morgan Keegan & Co. Inc.	0.0380	63,060	2,394
Morgan Stanley and Co. International	0.1006	3,792	382
Morgan Stanley and Co. International	0.0092	2,324,017	21,281
Morgan Stanley Co. Incorporated	0.0136	3,049,299	41,570
Morgan Stanley Securities Limited	0.0116	398,953	4,621
Natexis Bleichroeder Inc.	0.0538	8,859	477
National Financial Services Corp.	0.0500	8,100	405
Natixis Securities	0.0015	335,772	505
NBC Clearing Services Incorporated	0.0380	31,300	1,191
NCB Stockbrokers Ltd	0.0332	4,800	159
Needham + Company	0.0423	58,719	2,486
Neonet Securities AB	0.0028	127,036	353
Nesbitt Burns	0.0254	606,756	15,396
Nomura International (Hong Kong) Ltd.	0.0046	1,207,597	5,496
Nomura International PLC	0.0015	454,392	692
Nomura Securities International Inc.	0.0085	1,087,369	9,212
Numis Securities Limited	0.0086	101,044	872
Nyfix Transaction Services #2	0.0200	217,746	4,355
O Neil, William and Co. Inc/Bcc Clrg.	0.0400	61,157	2,446
Oppenheimer & Co. Inc.	0.0378	143,637	5,433
Oppenheimer + Co Inc.	0.0500	5,000	250

Broker Name	Commission Per Share	Shares/ Par Value	Total Commissions
Oppenheimer + Co. Inc.	0.0400	22,917	917
Oscar Gruss & Son Inc.	0.0200	141,084	2,822
Pacific Crest Securities	0.0387	282,713	10,949
Pali Capital Inc.	0.0235	17,884	420
Penson Financial Services Canada Inc.	0.0243	20,553	499
Penson Financial Services Inc.	0.0250	7,476	187
Pershing LLC	0.0372	120,776	4,492
Pershing Securities Limited	0.0172	120,597	2,071
Peters and Co. Limited	0.0407	33,500	1,363
Pipeline Trading Systems LLC	0.0223	65,151	1,456
Piper Jaffray	0.0370	261,156	9,657
Portales Partners LLC	0.0433	57,870	2,505
Pulse Trading LLC	0.0423	125,639	5,318
Rabobank Netherland	0.0147	18,900	277
Raymond James and Associates Inc.	0.0408	545,883	22,279
Raymond James Ltd.	0.0446	300	13
RBC Capital Markets	0.0386	202,208	7,799
RBC Dominion Securities	0.0362	103,100	3,732
RBC Dominion Securities Inc.	0.0228	321,521	7,327
Redburn Partners LLP	0.0322	99,040	3,192
Rosenblatt Securities LLC	0.0179	1,100,328	19,709
Samsung Securities Co. Ltd.	0.0035	62,925	220
Sandler Oneill + Part LP	0.0400	21,666	867
Sanford C. Bernstein Ltd.	0.0078	410,339	3,219
Sanford Cbernstein Co. LLC	0.0282	435,359	12,268
Santandercentral Hispano Bolsa	0.0299	18,825	564
Scotia Capital (USA) Inc.	0.0393	84,449	3,316
Scotia Capital Inc.	0.0245	74,228	1,821
Scotia Capital Mkts.	0.0233	33,832	788
Scott & Stringfellow, Inc.	0.0383	106,610	4,084
SG Securities HK	0.0008	145,909	116
Shenyin Wanguo Securities (HK) Ltd.	0.0001	353,200	25
Sidoti + Company LLC	0.0393	196,076	7,713
Simmons + Company International	0.0462	90,870	4,203
Skandinaviska Enskilda Banken London	0.0101	230,662	2,326
Societe Generale London Branch	0.0142	396,202	5,634
Societe Generale Secs Corp New York NY	0.0400	8,487	339
Soleil Securities	0.0420	26,865	1,127
Stanford Group Company	0.0400	11,865	475
Stanley (Charles) + Co. Limited	0.0015	127,800	198
State Street Bank + Trust Co. London	0.0079	19,194	152
State Street Bank And Trust Co. Boston	0.0292	2,815	82
State Street Brokerage Services	0.0350	267,775	9,372
State Street Global Markets, LLC	0.0339	1,358,810	46,121

Broker Name	Commission Per Share	Shares/ Par Value	Total Commissions
Stephens, Inc.	0.0418	339,259	14,171
Sterne, Agee & Leach, Inc.	0.0437	112,983	4,940
Stifel Nicolaus + Co. Inc.	0.0381	439,283	16,733
Suntrust Capital Markets, Inc.	0.0388	48,325	1,876
Svenska Handelsbanken	0.0064	28,500	183
Svenska Handelsbanken London Branch	0.0072	167,484	1,214
T.D. Securities Inc.	0.0161	1,232	20
TD Waterhouse CDA	0.0220	404,086	8,884
The Benchmark Company, LLC	0.0400	17,500	700
Themis Trading LLC	0.0400	565,902	22,636
Thinkequity Partners LLC	0.0369	15,144	558
Thomas Weisel Partners LLC	0.0387	34,009	1,315
Toronto Dominion Bank	0.0171	11,363	195
Traditionasiel Securities Inc.	0.0400	1,150	46
Tristone Capital USA Inc.	0.0400	1,008	40
Troika Dialog (UK) Limited	0.0366	49,993	1,829
UBS AG	0.0203	1,551,401	31,418
UBS AG London	0.0389	50,096	1,947
UBS Securities Asia Ltd.	0.0034	6,036,428	20,676
UBS Securities Canada Inc.	0.0426	57,300	2,439
UBS Securities LLC	0.0261	1,135,390	29,676
UBS Securities Pte. Ltd., Seoul	1.1553	838	968
UBS Warburg (Hong Kong) Limited	0.0033	350,000	1,142
UBS Warburg Australia Equities	0.0241	68,571	1,655
UBS Warburg LLC	0.0201	49,000	984
UOB Kay Hian Private Limited	0.0003	209,000	53
Vdm Institutional Brokerage, LLC	0.0125	10,507	131
Wachovia Securities, LLC	0.0298	3,910	116
Wachoviacapital Markets, LLC	0.0319	626,195	20,005
Wave Securities	0.0100	56,600	566
WDR Warburg Dillon Read LLC	0.0342	817,760	27,977
Wedbush Morgan Securities Inc.	0.0397	82,181	3,260
Weeden + Co.	0.0128	2,325,035	29,706
Westminster Research Associate	0.0376	394,469	14,815
William Blair & Company, LLC	0.0400	194,422	7,777
Woori Investment Securities	0.0048	42,662	204
Yamner & Co. Inc. (Cls Thru 443)	0.0100	866,094	8,661
Total	**$0.0133**	**182,307,579**	**$2,424,243**



ACTUARIAL SECTION

SEGAL

THE SEGAL COMPANY
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November 11, 2009

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, 2009 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, 2009 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 actual investment return at market value and the expected investment return over a five-year period. Investment gains/losses established after July 1, 2008 will be recognized over a seven-year period and the deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 30% of the market value of assets.

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
November 11, 2009
Page 2

The UAAL is amortized as a level percentage of payroll over a 24-year period. The progress being made towards meeting the funding objective through June 30, 2009 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, 2009 actuarial valuation. It is our opinion that the assumptions used in the June 30, 2009 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, 2009 valuation, the ratio of the valuation assets to actuarial accrued liabilities decreased from 93.2% to 86.0%. The employer's rate has increased from 19.15% of payroll to 22.38% of payroll, while the employee's rate has increased from 4.92% of payroll to 4.95% of payroll.

In the June 30, 2009 valuation, the actuarial value of assets included $1,322.4 million in deferred investment losses, which represented 30% of the market value of assets. If these deferred investment losses were recognized immediately in the actuarial value of assets, the funded percentage would decrease from 86.0% to 66.2% and the aggregate employer contribution rate, expressed as a percent of payroll, would increase from 22.38% to 31.33%.

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, 2009 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. Unrecognized return established after July 1, 2008 is recognized over a seven-year period. The actuarial value is further adjusted, if necessary, to be within 30% 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 24-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, 2009, 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*
6/30/2009	Miscellaneous	12,454	$767,501	$61.6	10.58%
	Safety	2,342	200,629	85.7	8.51
	Total	14,796	$968,130	$65.4	10.00%
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%

*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
6/30/2009	7,709	503	244	7,968	$244,576	$25,347	$5,440	8.86%	$30,695
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

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)
6/30/2009	$5,730,215	$6,661,993	$931,778	86.0%	$968,130	96.2%
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

*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)
6/30/2009	$561,461	$3,399,695	$2,700,837	$6,661,993	$5,730,215	100%	100%	66%
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

Events affecting year to year comparability:
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					
	2009	2008	2007	2006	2005	2004
Prior Valuation Unfunded Actuarial Liability	$433	$382	$366	$330	$314	($176)
Salary Increase Greater (Less) than Expected	42	55	68	12	(35)	53
Asset Return Less (Greater) than Expected	445	9	(93)	23	107	102
Plan Improvements	-	-	-	-	(2)	27
Other Experience	12	(13)	(15)	1	49	(1)
Economic and Non-Economic Assumption Changes	-	-	56	-	(103)	310
Receivable from Pension Obligation Bonds	-	-	-	-	-	(1)
Ending Unfunded Actuarial Accrued Liability	$932	$433	$382	$366	$330	$314

Rate (%)

Age	Mortality: Miscellaneous Male	Mortality: Miscellaneous Female	Mortality: Safety Male	Mortality: Safety 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 Miscellaneous pre-retirement deaths are assumed to be nonservice-connected. For Safety, 25% pre-retirement deaths are assumed to be nonservice-connected and the rest are assumed to be service-connected.

Rate (%)

Age	Disability: Miscellaneous (1)	Disability: 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.

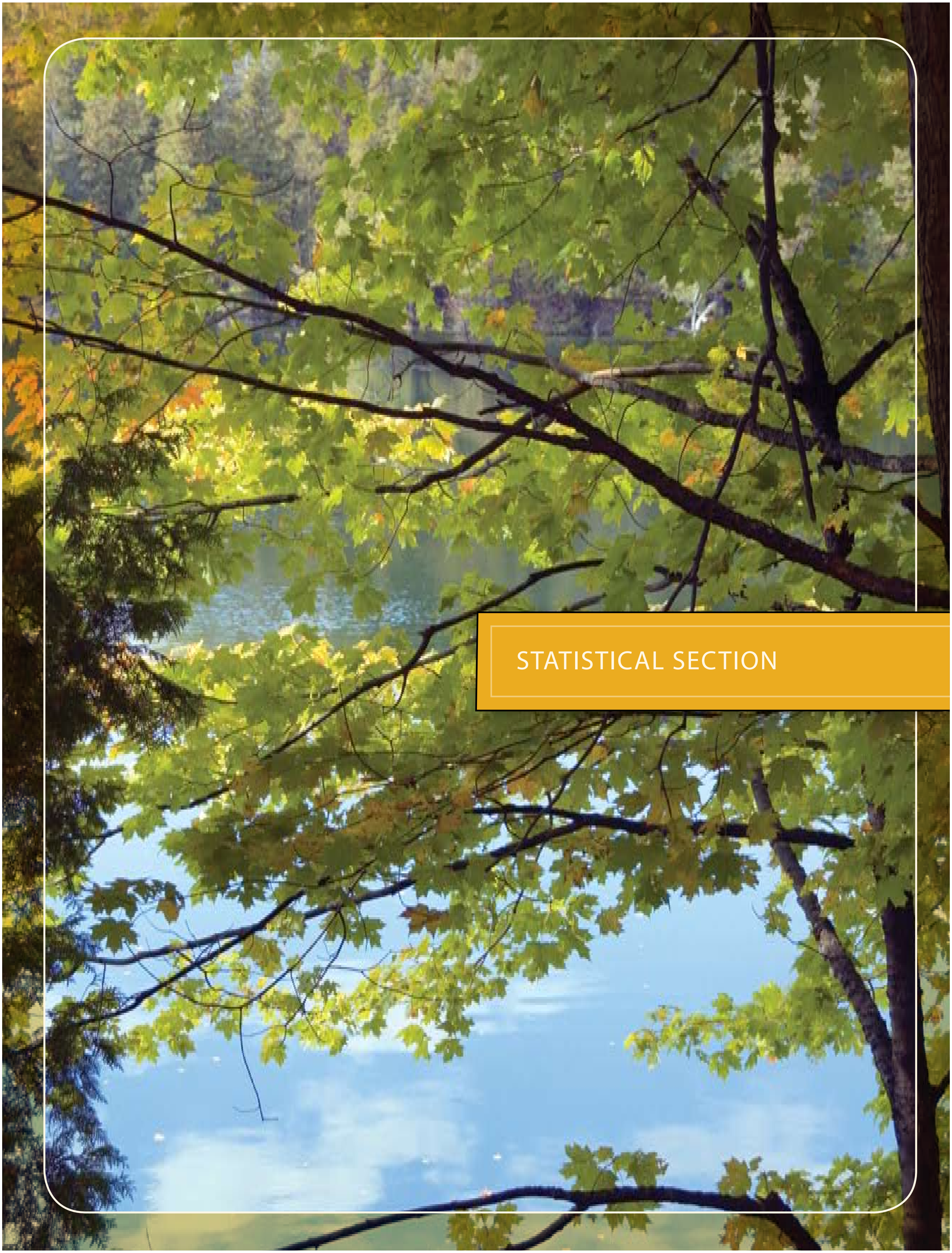
Rate (%)

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, 2009 for the following five objectives: financial trends; revenue capacity; debt capacity; demographic and economic; and operating.

Financial trends are presented on pages 99 to 103. 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 99, 101, and 102. The schedules contain information regarding the contribution rate history for the last ten years.

Demographic and economic information is presented on pages 104 to 108. 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 109 and 110. 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
2009	$54,623	$177,011	$(1,318,447)	$(1,086,813)
2008	52,142	167,055	(234,795)	(15,598)
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

Source: Audited Financial Statements from June 30, 2000 through 2009

*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
2009	$230,005	$1,749	$622	$-	$5,980	$3,302	$241,658
2008	212,406	1,865	621	-	5,866	3,177	223,935
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

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, 2000 through 2009

Schedule of Administrative Expenses

For the Year Ended June 30

(Amounts Expressed in Thousands)

Type of Expenses	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Salaries and Benefits	$3,184	$3,130	$3,352	$2,718	$2,734	$2,663	$2,416	$2,077	$1,818	$1,464
Professional Fees	842	942	629	808	440	583	578	420	433	634
Equipment Purchases and Maintenance	62	41	85	70	73	89	198	314	242	156
Rent and Lease Expense	603	571	648	612	596	596	560	416	204	171
Depreciation Expense	5	5	5	3	27	14	18	42	42	25
Other Administrative Expenses	1,284	1,177	1,099	850	1,392	1,901	2,127	2,216	1,092	1,152
Total	$5,980	$5,866	$5,818	$5,061	$5,262	$5,846	$5,897	$5,485	$3,831	$3,602

Note: For the years ended June 30, 2004 and 2003, this schedule does not include retroactive benefits of $807 and $25,870, respectively, related to a litigation settlement.

Source: Audited Financial Statements from June 30, 2000 through 2009

Schedule of Changes in Net Assets

Last Ten Fiscal Years

(Dollar Amounts Expressed In Thousands)

For the Fiscal Year Ended June 30

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Employee contributions	$54,623	$52,142	$42,871	$41,959	$36,916	$42,864	$43,700	$38,432	$32,964	$30,018
Employer contributions	177,011	167,055	156,805	132,708	529,618	119,144	52,841	44,547	40,358	42,024
Net investment income/(loss)	(1,318,447)	(234,795)	891,506	527,863	419,481	525,239	100,839	(194,104)	(207,580)	315,790
Total additions	(1,086,813)	(15,598)	1,091,182	702,530	986,015	687,247	197,380	(111,125)	(134,258)	387,832
Benefits paid	232,376	214,892	195,997	178,362	162,511	153,765	123,115	113,464	105,387	96,543
Withdrawals	3,302	3,177	4,434	4,622	3,463	3,990	2,906	3,517	3,611	3,181
Administrative and other expenses	5,980	5,866	5,818	5,061	5,262	6,653	31,767	5,485	3,831	3,602
Total deductions	241,658	223,935	206,249	188,045	171,236	164,408	157,788	122,466	112,829	103,326
Change in net assets	(1,328,471)	(239,533)	884,933	514,485	814,779	522,839	39,592	(233,591)	(247,087)	284,506
Net assets, beginning	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
Net assets, ending	$4,407,858	$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

Source: Audited Financial Statements from June 30, 2000 through 2009

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
6/30/2009	18.15%	15.75%	18.60%	38.95%	34.66%	24.58%	25.26%	49.86%
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

Source: Actuarial Reports from June 30, 2000 though 2009

Note: Actuarial Valuation Reports are prepared subsequent to a fiscal year-end and determine rates which pertain to the following fiscal year. For example, the Actuarial Valuation as of June 30, 2009 presented current rates for the fiscal year 2009-2010 and was used to determine rates for the fiscal year 2010-2011.

* 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)

	For the Fiscal Year Ended June 30									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Type of Benefit										
Service Retirement Benefits	$229,659	$212,061	$193,376	$175,745	$160,154	$138,907	$110,243	$102,301	$95,182	$87,826
Survivor Benefits	1,749	1,865	1,681	1,608	1,545	1,817	1,482	1,274	1,229	1,200
Death Benefits-Before Retirement	346	345	447	454	285	101	83	254	343	278
Death Benefits-After Retirement	622	621	492	553	525	629	441	524	561	293
Retiree Health and Dental Insurance	-	-	1	2	2	12,311	10,866	9,111	8,072	6,946
Total Benefits Paid	$232,376	$214,892	$195,997	$178,362	$162,511	$153,765	$123,115	$113,464	$105,387	$96,543
Type of Withdrawal										
Death	$601	$111	$725	$715	$411	$738	$110	$623		
Separation	2,550	2,940	3,492	3,409	2,802	2,878	2,423	2,667		
Miscellaneous	151	126	217	498	250	374	373	227		
Total Withdrawals	$3,302	$3,177	$4,434	$4,622	$3,463	$3,990	$2,906	$3,517	$3,611*	$3,181*

* Types of withdrawal are not available.

Source: Audited Financial Statements from June 30, 2000 through 2009

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

As of June 30, 2009

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement* 1	2	3	4	5	6	7	8	9	10	11	12	13	17	Option Selected** Unmodified	1	2	3	4
$1 - $499	832	589	21	3	5	3	94	28	27	-	26	3	29	-	4	636	56	116	8	16
500 - 999	1,239	795	59	16	1	1	158	78	76	1	23	3	24	1	3	1,017	94	98	7	23
1,000 - 1,499	1,174	830	80	27	13	6	112	28	42	2	10	3	13	8	-	1,007	56	94	12	5
1,500 - 1,999	934	673	55	20	50	15	67	17	8	10	9	-	7	3	-	802	57	67	4	4
2,000 - 2,499	763	612	7	6	36	10	58	5	5	11	5	-	5	3	-	665	39	45	4	10
2,500 - 2,999	616	468	10	3	39	29	44	2	1	8	3	-	4	5	-	547	23	37	3	6
3,000 - 3,499	476	345	2	-	50	32	25	-	-	14	-	-	1	7	-	427	25	22	-	2
3,500 - 3,999	374	308	-	1	18	10	15	2	-	11	1	-	3	5	-	339	11	16	1	7
4,000 - 4,499	316	283	2	1	7	6	9	1	-	3	1	-	1	2	-	298	7	10	-	1
4,500 - 4,999	239	214	1	-	9	3	5	-	-	4	2	-	-	1	-	216	5	9	7	2
$5,000 & over	1,005	955	3	5	22	6	8	1	1	4	-	-	-	-	-	929	26	37	6	7
Total	**7,968**	**6,072**	**240**	**82**	**250**	**121**	**595**	**162**	**160**	**68**	**80**	**9**	**87**	**35**	**7**	**6,883**	**399**	**551**	**52**	**83**

* 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

** 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.

Source: SCERS Retired Member Pension Payroll Data

Schedule of Retiree Members by Type of Benefit

As of June 30, 2009

Miscellaneous Members

	Monthly Allowances				
	Count	Basic	COL	Total	Average Benefit
Service Retirement					
Unmodified	4,258	$7,767,375	$2,177,640	$9,945,015	$2,336
Option 1	301	396,592	120,931	517,523	1,719
Option 2, 3, & 4	437	678,622	124,716	803,338	1,838
Total	4,996	8,842,589	2,423,287	11,265,876	2,255
Non-Service Disability					
Unmodified	266	240,284	111,260	351,544	1,322
Option 1	24	18,274	7,895	26,169	1,090
Option 2, 3, & 4	12	8,024	3,166	11,190	933
Total	302	266,582	122,321	388,903	1,288
Service Disability					
Unmodified	154	203,995	133,292	337,287	2,190
Option 1	7	10,623	4,326	14,949	2,136
Option 2, 3, & 4	5	4,762	1,638	6,400	1,280
Total	166	219,380	139,256	358,636	2,160
Beneficiary					
Total	930	596,621	505,114	1,101,735	1,185
Total (All Groups)	6,394	$9,925,172	$3,189,978	$13,115,150	$2,051

Safety Members

	Monthly Allowances				
	Count	Basic	COL	Total	Average Benefit
Service Retirement					
Unmodified	996	$4,334,175	$1,090,895	$5,425,070	$5,447
Option 1	31	108,522	30,325	138,847	4,479
Option 2, 3, & 4	57	222,063	39,931	261,994	4,596
Total	1,084	4,664,760	1,161,151	5,825,911	5,374
Non-Service Disability					
Unmodified	26	60,744	20,880	81,624	3,139
Option 1	2	5,648	806	6,454	3,227
Option 2, 3, & 4	1	1,512	787	2,299	2,299
Total	29	67,904	22,473	90,377	3,116
Service Disability					
Unmodified	189	464,046	227,892	691,938	3,661
Option 1	10	21,743	9,455	31,198	3,120
Option 2, 3, & 4	6	11,921	4,659	16,580	2,763
Total	205	497,710	242,006	739,716	3,608
Beneficiary					
Total	256	358,125	252,065	610,190	2,384
Total (All Groups)	1,574	$5,588,499	$1,677,695	$7,266,194	$4,616

Source: Actuarial Report as of June 30, 2009

Note: Refer to page 104 for the description of retirement options

Schedule of Average Benefit Payments

Last Ten Years

Retirement Effective Date	0-5	5-10	10-15	15-20	20-25	25-30	30+
	Years of Credited Service						
7/1/08 - 6/30/09							
Average monthly benefit	$462	$900	$1,727	$2,232	$4,074	$6,298	$7,227
Average monthly final average salary	$6,968	$5,425	$5,697	$5,397	$6,893	$8,437	$8,369
Number of retired members	14	52	68	60	58	58	66
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

N/A: Detail not available

Source: SCERS Retired Member Pension Payroll Data

Schedule of Average Benefit Payments

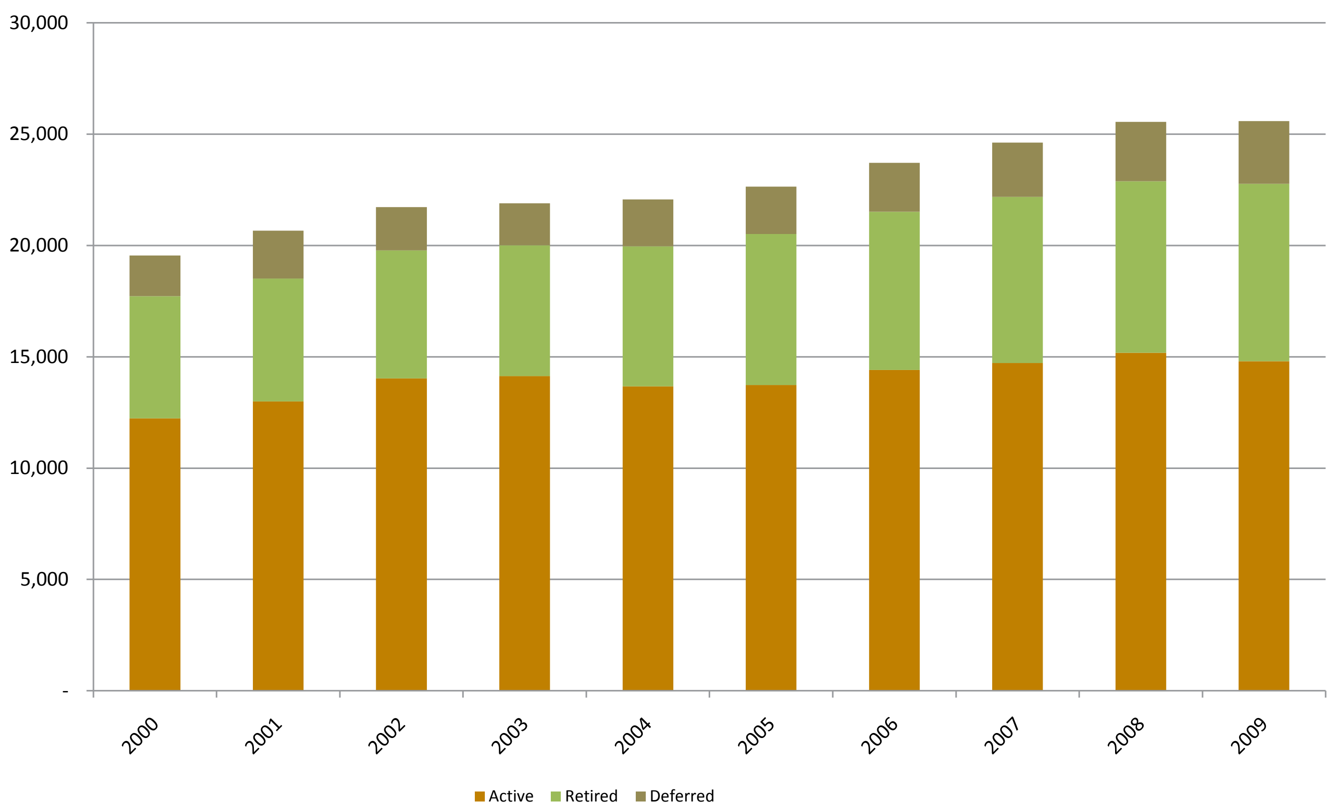
	Years Since Retirement						
Effective Dates	0-5	5-10	10-15	15-20	20-25	25-30	30 +
7/1/08 - 6/30/09:							
Average monthly benefit	$3,133	$2,886	$2,309	$2,322	$1,884	$1,590	$1,276
Number of retired members	2,247	1,787	1,299	1,012	726	527	370
7/1/07 - 6/30/08:							
Average monthly benefit	$3,197	$2,199	$2,214	$2,250	$1,751	$1,501	$1,226
Number of retired members	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 retired members	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 retired members	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 retired members	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 retired members	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 retired members	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 retired members	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 retired members	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 retired members	1,528	1,249	965	840	561	282	75

Source: Actuarial Report from June 30, 2000 through 2009

Growth of System Membership

Year Ended June 30:	Active Members	Retired Members	Deferred Members	Total
2009	14,796	7,968	2,818	25,582
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

System Membership at a Glance



Source: Actuarial Reports from June 30, 2000 through 2009

Schedule of Principal Participating Employers and Active Members

Current Year and Nine Years Ago

Participating Employer	2009 Covered Employees	2009 Rank	2009 Percent of Total System	2000 Covered Employees	2000 Rank	2000 Percent of Total System
County of Sacramento	13,274	1	89.71%	11,728	1	95.86%
Superior Court	807	2	5.45%	-	12	0.00%
S.E.T.A	604	3	4.08%	409	2	3.34%
Carmichael Recreation and Park District	29	4	0.20%	18	4	0.15%
Sunrise Recreation and Park District	28	5	0.19%	28	3	0.23%
Orangevale Recreation and Park District	17	6	0.11%	14	5	0.11%
Mission Oaks Recreation and Park District	13	7	0.09%	12	6	0.10%
Elected Officials*	8	8	0.05%	8	8	0.07%
Sacramento Metropolitan Fire District	4	9	0.03%	9	7	0.07%
Fair Oaks Cemetery District	4	9	0.03%	4	9	0.03%
Elk Grove Cosumnes Cemetery District	4	9	0.03%	1	11	0.01%
Galt-Arno Cemetery District	3	10	0.02%	2	10	0.02%
U.C. Davis Medical Center	1	11	0.01%	2	10	0.02%
Total	14,796		100.00%	12,235		100.00%

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

Source: Actuarial Reports from June 30, 2009, and June 30, 2000

Schedule of Principal Participating Employers and Active Members

SCERS Member Agency	Plan	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
		For the Fiscal Year Ended June 30									
Carmichael Recreation and Park District	Misc.	29	24	27	15	17	18	20	18	20	18
Elk Grove Cosumnes Cemetery District	Misc.	4	3	4	5	4	4	1	1	1	1
Fair Oaks Cemetery District	Misc.	4	4	5	5	5	5	5	3	3	4
Galt-Arno Cemetery District	Misc.	3	3	3	3	3	3	3	3	2	2
Mission Oaks Recreation and Park District	Misc.	13	13	12	11	10	12	13	13	13	12
Orangevale Recreation and Park District	Misc.	17	12	15	14	15	16	14	14	14	14
Sacramento Metropolitan Fire District	Safety	4	6	6	6	7	7	7	7	7	9
S.E.T.A	Misc.	604	597	598	562	544	549	513	520	520	409
Sunrise Recreation and Park District	Misc.	28	28	24	29	28	26	27	29	29	28
U.C. Davis Medical Center	Misc.	1	1	1	1	1	1	1	1	1	2
Elected Officials*	Misc.	7	7	7	7	7	7	7	7	7	7
Elected Officials*	Safety	1	1	1	1	1	1	1	1	1	1
Total Special District Members	Misc.	710	692	696	652	634	641	604	608	610	497
	Safety	5	7	7	7	8	8	8	8	8	10
Superior Court	Misc.	807	843	814	-	-	-	-	-	-	-
Sacramento County Members	Misc.	10,937	11,190	10,817	11,400	10,744	10,743	11,092	11,010	10,171	9,720
	Safety	2,337	2,448	2,382	2,353	2,342	2,280	2,429	2,407	2,202	2,008
Total Members	Misc.	12,454	12,725	12,327	12,052	11,378	11,384	11,696	11,618	10,781	10,217
	Safety	2,342	2,455	2,389	2,360	2,350	2,288	2,437	2,415	2,210	2,018
	Total	14,796	15,180	14,716	14,412	13,728	13,672	14,133	14,033	12,991	12,235

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

Source: Actuarial Reports from June 30, 2000 through 2009

www.scers.org

SACRAMENTO COUNTY
EMPLOYEES'
RETIREMENT SYSTEM

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