San Diego County Employees Retirement Association

A Component Unit of the County of San Diego, California

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2002

Issued by:

Brian P. White
Chief Executive Officer

Leslie Browder
Chief Financial Officer

401 West A Street, Suite 1300 •San Diego, CA 92101 -7906 •619 -515-0130 •www.sdce ra.org

ABOUT SDCERA

SDCERA is an independent association established by the County Employees Retirement Law of 1937. SDCERA provides retirement and associated benefits for eligible employees of the County of San Diego and other participating employers and is responsible for investing and managing its retirement funds under the direction of the Board of Retirement.

MISSION STATEMENT

SDCERA is committed now and in the future to prudently manage the retirement fund, to efficiently administer benefits, and to provide superior service to its members.

ABOUT THE COVER

The Star of India is the world's oldest active sailing ship and has been called the foremost symbol of San Diego. According to the San Diego Maritime Museum, the ship was built and launched in 1863 and sold to American owners in 1898. The Star of India commenced sailing in 1902 from Oakland, California to the Bering Sea each spring carrying fishermen and cannery workers and returned each fall laden with canned salmon. A group of San Diegans bought the Star of India in 1926. In 1976, the fully restored Star of India was put to sea for the first time in fifty years and still goes to sea on special occasions.

Photography: William F. Betts, San Diego County Employees Retirement Association

Copies of this report are available at the San Diego County Employees Retirement Association, 401 West A Street, Suite 1300, San Diego, California 92101-7906.

COMPREHENSIVE ANNUAL FINANCIAL REPORT
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San Diego County Employees Retirement Association
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San Diego County Employees Retirement Association

Board of Retirement
San Diego County Employees Retirement Association
401 West A Street, Suite 1300
San Diego, California 92101-7906

Dear Board Members,

It is with great pleasure that I submit the Comprehensive Annual Financial Report (CAFR) of San Diego County Employees Retirement Association (SDCERA, Association or Plan) for the year ended June 30, 2002.

San Diego County Employees Retirement Association is a public employee retirement system that was established by the County of San Diego on July 1, 1939, and is administered by the Board of Retirement (Board) to provide service retirement, disability, death and survivor benefits for its members under the California Government Code, Section 31450, et.seq. (County Employees Retirement Law of 1937).

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation of financial information rests with the management of the Association. To the best of our 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 Association.

MAJOR INITIATIVES AND SIGNIFICANT EVENTS

On March 8, 2002, the San Diego County Board of Supervisors approved major enhancements to member retirement benefits. These enhancements represented the biggest change to our retirement plan in 20 years. Improvements to the Plan included increased benefit payments and allowed many members to retire earlier due to changes in eligibility requirements. Many hours of planning and coordination were required to implement the new program, including:

- Launching a comprehensive communication campaign to inform members how the enhancements would affect their future benefits,
- Establishing a call center staffed with specialists who could answer questions quickly and accurately, and
- Coordination with the County departments responsible for addressing labor, legal and financial issues prior to approval of the enhanced benefits.

Our call center has been a great success and remains in operation today. Since its inception in November 2001, the staff has answered over 30,000 phone calls from members. More than 90% of the calls were resolved during the member's first contact with a call center specialist. Over 800 retirement applications were processed during the first three months after the new enhancements became effective.

The County has incurred an increased obligation resulting from the adoption of the enhanced benefits as an unfunded accrued actuarial liability to the Association. As of June 30, 2002, the Association's funded ratio is 75.4%.On the basis of the 2002 actuarial valuation, it is the opinion of our actuarial firm, Gabriel, Roeder, Smith and Company, that the Association is in reasonably sound condition in accordance with actuarial principles. The actuarial firm also noted that the short-term outlook for the retirement fund could include possible increases in required contribution rates or the funded ratio could further decline depending on factors affecting the annual valuation, including the impact of world equity markets on SDCERA's investment portfolio.

On October 3, 2002, the County received the proceeds from the issuance of pension obligation bonds and transferred $550.0 million to SDCERA to fund a portion of the accrued unfunded liability. County management is working with the Board of Retirement and the actuarial firm regarding funding strategies for the increased benefits obligation, including treatment of the bond proceeds. Additional information regarding the bond issuance is included in Management's Discussion and Analysis, beginning on page 11.

The events of September 11 resulted in a terrible loss of lives, and its ramifications extended to the economy and financial markets. The S&P 500's total return was –18.00% for the fiscal year, compared to a return of –14.83% during the prior fiscal year. SDCERA's total return for the fiscal year was –4.57% and included positive returns in the real estate and fixed income categories that helped to offset negative performance in the equity markets. The Board's emphasis on asset diversification and managing risk to minimize investment losses will help ensure that the County continues to meet commitments to active and retired employees.

Management's Discussion and Analysis provides an overview and analysis of financial activities for the year ended June 30, 2002, and should be read in conjunction with this letter of transmittal.

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The report is presented in five sections:

THE INTRODUCTORY SECTION contains this letter of transmittal, a description of the administrative organization and professional consultants used by the Association, as well as a summary of plan provisions. This letter of transmittal also contains a summary of major initiatives and significant events that occurred during the year.

THE FINANCIAL SECTION presents the financial condition and funding status of SDCERA. This section includes Management's Discussion and Analysis of SDCERA's financial activities. KPMG LLP, the Association's independent auditor, has audited the accompanying basic financial statements.

THE INVESTMENT SECTION provides an overview of SDCERA's investment program. This section contains the Chief Investment Officer's report, a summary of investment policies, the fund's strategic asset allocation, investment performance results and other portfolio information.

THE ACTUARIAL SECTION contains the independent actuary's certification, a summary of actuarial assumptions and methods, and actuarial statistics.

THE STATISTICAL SECTION presents information pertaining to SDCERA's operations on a multi-year basis.

ACCOUNTING SYSTEMS AND REPORTS

This CAFR was prepared in conformity with accounting principles generally accepted in the United States of America and reporting guidelines set forth by the Governmental Accounting Standards Board (GASB) in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans*, Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures* and the County Employees Retirement Law of 1937.

The accompanying basic financial statements are prepared using the accrual basis of accounting. Contributions from employers and members are recognized as revenue when earned. Expenses are recorded when corresponding liabilities are incurred, regardless of when payment is due or made.

KPMG LLP, the Association's independent auditor, has audited the accompanying basic financial statements. Management believes that an adequate system of internal control is in place and that the accompanying statements, schedules and tables are fairly presented.

FINANCIAL AND ECONOMIC SUMMARY

The fiscal year ended June 30, 2002, was harrowing in many respects. Although the economy was in a slowdown earlier in the year, the disruptions following September 11 were just enough to tip the economy into a full recession. The total return of the S&P 500 was –18.00% for the fiscal year, compared to a return of –14.83% during the prior fiscal year. The corresponding returns for the Russell 1000 were –17.89% and –14.96%, respectively. Small capitalization stocks also declined, but the drop was less pronounced. The Russell 2000 had a total return of –8.60% during the fiscal year. The bond market generally provided a safe haven for investors. The Lehman Brothers Aggregate bond index had a total return of 8.63% during the fiscal year, following an 11.23% return in the prior fiscal year.

As the year ended, the economy seemed to be in a slow recovery, but the stock market remained troubled. In November 2001, it became clear to the National Bureau of Economic Research, the organization responsible for dating business cycles, that a recession had indeed started in March 2001. Real Gross Domestic Product (GDP) declined in each of the first three quarters of 2001 and then rose in the following three quarters. During the twelve months ended June 2002, real GDP rose 2.1%, following a decline of 0.1% during the prior twelve-month period. A relatively subdued economic recovery seemed to be underway by the middle of 2002. One of the bright spots in the economy was a sustained high level of automobile sales propped up by low finance charges. This is just one visible, though indirect, effect of the Federal Reserve's decision to keep the federal funds rate at 1.75%. The federal funds rate was 3.75% at the middle of 2001.

Inflation remained low as a result of the weakness in the economy and falling oil prices. The consumer price index rose only 1.1% during the fiscal year. Not surprisingly, the unemployment rate rose to 5.9% in June 2002, compared to 4.6% a year earlier.

After the initial shock of September 11 hit the stock market, it began to revive and actually had a respectable increase in the fourth quarter of 2001. By the middle of March 2002, reports of accounting scandals, financial irregularities and bankruptcies of major corporations contributed to another sharp decline in the market during the second quarter of 2002. It had also become clear that the earnings problems in some industries would not be remedied quickly. As a reflection of these problems, the communication services sector in the S&P 500 had a total return of –41.65% during the fiscal year, while the technology sector had a total return of –36.39%. The value indices continued to outperform growth by substantial margins across all capitalization groups. The Russell 1000 Growth index had a total return of –26.49%, compared to –8.95% for the Value index. In the category of small cap stocks, the Russell 2000 Growth index had a total return of –25.01%, compared to 8.50% for the Value index.

Some economic indicators still showed signs of weakness during the second quarter, and as the stock market retreated, Treasuries rallied. The yield on the 10-year Treasury note was 4.83% in June 2002, compared to 5.40% a year earlier. High yield bonds were negatively affected by rising defaults, numerous downgrades, bankruptcies and an increasing aversion to credit risk. The Salomon Smith Barney Cash Pay High Yield bond index had a total return of –3.12% during the fiscal year, compared to 8.63% for the Lehman Brothers Aggregate bond index.

After experiencing negative currency effects for several years, U. S. investors in foreign stocks and bonds were the beneficiaries of currency appreciation, particularly in terms of the euro and the yen against the U. S. dollar. SDCERA's benchmark for equities in developed markets, the Salomon Smith Barney Primary Markets Index excluding the United States, had a total return of –18.22% in local currency terms during the fiscal year. In U. S. dollar terms, the return was –9.59%.

The current economic recovery is unique in several respects. It has been unusually hesitant, while the possibility of a “double-dip recession” has been frequently discussed. Currently, questions about possible courses of action in Iraq seem to have added to market jitters. Moreover, the fallout from the technology bubble, both in terms of equity prices and the orders flow for many of the companies involved, will not be remedied quickly. Nevertheless, low interest rates have supported the automobile and housing industries, and many other sectors are already on the way to improving profitability. The economy appears to be positioned for further recovery, which should eventually translate into rising equity prices.

INVESTMENTS

On a market value basis, the total net assets held in trust declined from $3.8 billion at June 30, 2001, to $3.5 billion at June 30, 2002. For the fiscal year 2002, investments provided a return of –4.57%, net of fees, and reflected market conditions throughout the year. The Plan's annualized rate of return, net of fees, was 0.44% over the last three years and 5.66% over the last five years.

FUNDING

The actuarial accrued liability and actuarial value of assets of the Association on June 30, 2002, totaled $5.0 billion and $3.8 billion, respectively. This results in an unfunded actuarial accrued liability of $1.2 billion. The Plan’s resulting funded ratio of 75.4%, or the percentage computed by dividing the actuarial value of assets by the actuarial accrued liability, measures the current funded status and reflects the increase in costs associated with the County’s benefit enhancements approved in March 2002. On the basis of the 2002 valuation, the actuarial firm has indicated that the Association is in reasonably sound condition to meet obligations to Plan members.

As mentioned previously, on October 3, 2002, SDCERA received $550.0 million from the County related to its sale of taxable pension obligation bonds to help fund the increased actuarial accrued liability resulting primarily from the benefit enhancements.

A historical perspective of the Association’s funding levels is presented in the Financial Section of this report.

PROFESSIONAL SERVICES

Professional consultants are appointed by the Board of Retirement to perform professional services that are essential to the effective and efficient operation of the Association. Opinions from our independent auditor, KPMG LLP, and our actuary, Gabriel, Roeder, Smith and Company are included in this report. Other consultants are listed on page 8 of this report. Additional information regarding investment professionals who provide services to the Association is located on page 41 of the Investment Section of this report.

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 the San Diego County Employees Retirement Association for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2001. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, and the contents must conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe this current report continues to conform to the Certificate of Achievement program requirements, and we will submit it to GFOA.

This CAFR was prepared to conform to the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board (GASB). Transactions of the Association are reported on the accrual basis of accounting.

Sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules.

ACKNOWLEDGEMENTS

The compilation of this report could not have been accomplished without the dedication and cooperation of many people. It is intended to provide complete and reliable information that can be used as a basis for making management decisions, determining compliance with legal provisions and demonstrating responsible stewardship of system funds.

I would like to express my appreciation for the assistance from staff whose combined efforts have produced a report that will enable the Board of Retirement, the members of SDCERA and the County to better evaluate and understand the Association's financial condition and funding status. I also want to express my thanks to the Board and the retirement staff for their dedication and commitment to SDCERA, a combination that assures the Association's continued successful operation.

Copies of this report are available at:

San Diego County Employees Retirement Association
401 West A Street, Suite 1300
San Diego, California 92101-7906

Brian P. White
Chief Executive Officer
October 9, 2002

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Diego County Employees Retirement Association, California

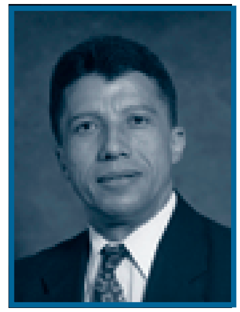
For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2001

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

President

Executive Director

Chairman
Captain E.F. "Skip" Murphy, Jr.
Elected by:
Safety Members
Present Term Expires:
December 31, 2004



Secretary
Carlos Gonzalez
Elected by:
General Members
Present Term Expires:
June 30, 2002

Trustee
Bart J. Hartman
Treasurer – Tax Collector
Member Mandated by Law While Holding Elected Position

Trustee
P. Garth Gartrell
Appointed by:
Board of Supervisors
Present Term Expires:
June 30, 2002

Trustee
Ralph B. "Skip" Coomber, III
Appointed by:
Board of Supervisors
Present Term Expires:
Dcember 31, 2004

Trustee
Frank Russell, Jr.
Appointed by:
Board of Supervisors
Present Term Expires:
June 30, 2004

Trustee
David E. De Vol
Appointed by:
Board of Supervisors
Present Term Expires:
June 30, 2003

Trustee
Marilyn A. Wiczynski
Elected by:
General Members
Present Term Expires:
June 30, 2004

Trustee
James W. Feeley
Elected by:
Retired Members
Present Term Expires:
June 30, 2002

San Diego County Employees Retirement Association
Board of Retirement

Chief Executive Officer

Administrative Services

Internal Auditor

- Chief Financial Officer
  - Financial Planning
  - Accounting/Reporting
  - Fiscal Services
- Chief Investment Officer
  - Investments
  - Cash Management
- Business Systems Director
  - Desktop Support
  - Applications Support
  - Imaging
- Member Services Director
  - Benefits
  - Disability
  - Communications

AUDITOR

KPMG LLP
750 B Street, Suite 1500
San Diego, California 92101

INVESTMENT CONSULTANTS

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New York, New York 10286

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Darien, Connecticut 06820-1460

RP Consulting Group, Inc.
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St. Petersburg, Florida 33709

Rocaton Investment Advisors, LLC
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Darien, Connecticut 06820

The Townsend Group, Institutional Real Estate
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Los Angeles, California 90013-1024

San Diego County Counsel
1600 Pacific Highway
San Diego, California 92101

Additional information regarding investment professionals who provide services to the Association is located on page 41 of the Investment Section of this report.

FINANCIAL SECTION

San Diego County Employees Retirement Association
401 West A Street, Suite 1300 • San Diego, CA 92101-7906
619-515-0130 • www.sdcera.org

KPMG

750 B Street
San Diego, CA 92101

Independent Auditors' Report

The Members of the San Diego
County Board of Retirement:

We have audited the accompanying basic financial statements of the San Diego County Employees Retirement Association (SDCERA), a component unit of the County of San Diego, California, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the management of SDCERA. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the San Diego County Employees Retirement Association as of June 30, 2002, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and Schedules I and II in the Financial Section are not a required part of the basic financial statements of SDCERA, 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 supplementary information. However, we did not audit the information and express no opinion it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules III and IV 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. Schedules III and IV have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The information in the Investment, Actuarial, and Statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

KPMG LLP

September 25, 2002

SDCERA
Supporting The Membership

San Diego County Employees Retirement Association

San Diego County Employees Retirement Association (SDCERA, Association or Plan) is the public employee retirement system established by the County of San Diego (County) on July 1, 1939, and is administered by the Board of Retirement (Board) to provide retirement, disability, death and survivor benefits for its employees under the County Employees Retirement Act of 1937. Management's discussion and analysis of the financial performance of the Plan provides an overview and analysis of financial activities for the fiscal year ended June 30, 2002. Please read the discussion in conjunction with the Chief Executive Officer's Letter of Transmittal included in the Introductory Section of the SDCERA Comprehensive Annual Financial Report, and the Financial Statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

- Net assets held in trust by SDCERA, as reported on the *Statement of Plan Assets*, totaled $3.5 billion as of June 30, 2002. Net assets decreased by $283.3 million, or 7.4%, reflecting economic and market conditions throughout the year and an increase in benefit payments resulting from Plan enhancements adopted by the County Board of Supervisors in March 2002.
- The *Statement of Changes in Plan Net Assets* reflects a decrease of $96.9 million in additions to plan net assets. Of this amount, $252.0 million represents depreciation in the fair value of investments. This was partially offset by interest and other investment income of $86.3 million, securities lending income of $0.9 million, and County and employee contributions totaling $67.9 million.
- The rate of return on investments of –4.6% on a market-value basis, net of fees, was improved compared to last year's return of –8.4%. Negative returns in the equity markets were partially offset by positive returns in the fixed income and real estate categories of 6.3% and 15.2%, respectively.
- Deductions from plan net assets totaled $186.4 million, an increase of 14.5% over prior year deductions of $162.9 million. The majority of this change represents increased benefits paid.
- SDCERA's fundamental financial objective is to meet long-term benefit obligations through employer and employee contributions and investment income.
    - As of June 30, 2002, the funded ratio was 75.4%, which is less than the funded level of 106.8% at June 30, 2001.
    - The decline in the funded level results primarily from the higher liability associated with Plan benefit enhancements and the decrease in the fair value of investments.
    - SDCERA's actuary has indicated that the Association is in reasonably sound financial condition based on the results of its 2002 study, which was conducted in accordance with actuarial principles.
    - The actuarial firm also noted that the short-term outlook could include further decreases in the funded ratio or increases in required contribution rates depending on factors affecting the annual valuation, such as the impact of world equity markets on SDCERA's investment portfolio.
- Health benefits are paid to retirees subject to availability of funding and Board approval.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report includes the basic financial statements, accompanying notes, required supplementary information and supporting schedules. The *Statement of Plan Net Assets* provides a snapshot of account balances at the end of the year. This statement reports the assets available for future payments to County retirees and any current liabilities that are owed at the end of the year. These assets, less liabilities, represent the amount of funds that are available for future payments. The *Statement of Changes in Plan Net Assets* reports additions and deductions during the current year. Both financial statements and the accompanying notes to the financial statements are in compliance with:

- Governmental Accounting Standards Board (GASB) Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*;
- GASB Statement 28, *Accounting and Financial Reporting for Securities Lending Transactions*;
- GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments;*
- GASB Statement 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, Omnibus;* and
- GASB Statement No. 38, *Certain Financial Statement Note Disclosures.*

These statements provide standards regarding required disclosures and the full accrual method of accounting by State and Local Governments. SDCERA complies with all material requirements of these pronouncements.

The financial statements report the resources available to pay benefits to retirees and other beneficiaries as of the end of the year, as well as the changes in resources during the year. These statements include all assets and liabilities, using an economic resources measurement focus and the accrual basis of accounting. Plan investments are reported at their fair value as of the end of the year. Liabilities for benefits and refunds are recognized when due and payable according to the terms of the Plan. Revenue is reported in the financial statements when earned and expenses are reported when incurred regardless of when cash is received or paid. Investment gains and losses are reported on a trade-date basis and both realized and unrealized gains and losses on investments are presented. All property and equipment (fixed assets) are depreciated over their useful lives.
The notes to the financial statements are an integral part of the report. The notes communicate information that is essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. Supplementary information and supporting schedules serve to further enhance understanding of the overall financial picture.

SDCERA's net assets represent the excess of the Plan's assets over its liabilities and help to provide a measure of the Plan's financial position at the end of the year. Over time, increases and decreases in SDCERA's net assets are one indicator of its financial health. Other factors, such as the amount and timing of future contributions and benefit obligations, as well as the current status and the forecast for global market conditions, should be considered when assessing the overall financial health of the Plan.

FINANCIAL ANALYSIS

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through earnings on investments. Net assets held in trust for pension benefits as of June 30, 2002, totaled $3.5 billion, a decrease of $283.3 million, or 7.4% over the prior year. SDCERA's assets exceeded its liabilities at the end of the year. A summary of SDCERA's net assets and changes in net assets are depicted in the tables on page 13).

SDCERA'S NET ASSETS
(BILLIONS OF DOLLARS)

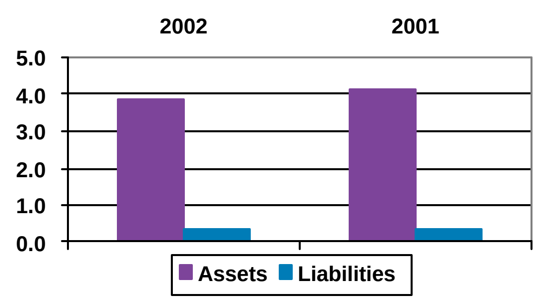


TABLE 1: SDCERA NET ASSETS

(THOUSANDS OF DOLLARS)

		06/30/2002	06/30/2001	Increase/ (Decrease)	Percentage Change
Cash	$	50,676	33,971	16,705	49.2%
Receivables		40,709	51,597	(10,888)	-21.1%
Investments		3,504,730	3,876,113	(371,383)	-9.6%
Securities Lending Collateral		250,748	183,184	67,564	36.9%
Property, Plant & Equipment		2,620	1,503	1,117	74.3%
Total Assets		3,849,483	4,146,368	(296,885)	-7.2%
Liabilities to Brokers for Securities Lending		250,748	183,184	67,564	36.9%
Securities Purchased		57,283	139,240	(81,957)	-58.9%
Other		7,872	7,077	795	11.2%
Total Liabilities		315,903	329,501	(13,598)	-4.1%
Net Assets Held in Trust for Pension Benefits	$	**3,533,580**	**3,816,867**	**(283,287)**	**-7.4%**

TABLE 2: CHANGES IN SDCERA NET ASSETS

(THOUSANDS OF DOLLARS)

		06/30/2002	06/30/2001	Increase/ (Decrease)	Percentage Change
Additions					
Employer Contributions	$	50,581	41,124	9,457	23.0%
Member Contributions		17,346	10,789	6,557	60.8%
Net Investment Income		(165,652)	(345,833)	180,181	-52.1%
Net Securities Lending Income		867	1,038	(171)	-16.5%
Total Additions		(96,858)	(292,882)	196,024	-66.9%
Deductions					
Retirement Benefits		163,594	144,051	19,543	13.6%
Health Benefits		14,312	10,778	3,534	32.8%
Refund of Contributions		890	1,645	(755)	-45.9%
Administrative Expenses		7,633	6,383	1,250	19.6%
Total Deductions		186,429	162,857	23,572	14.5%
Decrease in Net Assets Held in Trust for Pension Benefits	$	**(283,287)**	**(455,739)**	**172,452**	**-37.8%**

ADDITIONS TO RETIREMENT PLAN NET ASSETS

During the year ended June 30, 2002, total additions to plan net assets decreased by $96.9 million, or 66.9% from the prior year, primarily due to a net investment loss of $165.7 million. Of this loss, $252.0 million represents a decrease in the fair value of investments. Securities lending income totaled $0.9 million. An increase in employer and member contributions helped to partially offset investment losses. Employer and member contributions increased beginning in March 2002, as part of the retirement benefit enhancements approved by the County Board of Supervisors.

Net investment income (loss) is comprised of dividend and interest income, realized gains and losses, and unrealized appreciation (depreciation) in the fair value of investments. The overall investment loss of $165.7 million is less than the prior year's loss of $345.8 million. The total rate of return during the current year of –4.6% on a market-value basis, net of fees, was improved compared to last year's return of –8.4%. Negative returns in the equity markets were partially offset by positive returns in the fixed income and real estate categories of 6.3% and 15.2%, respectively.

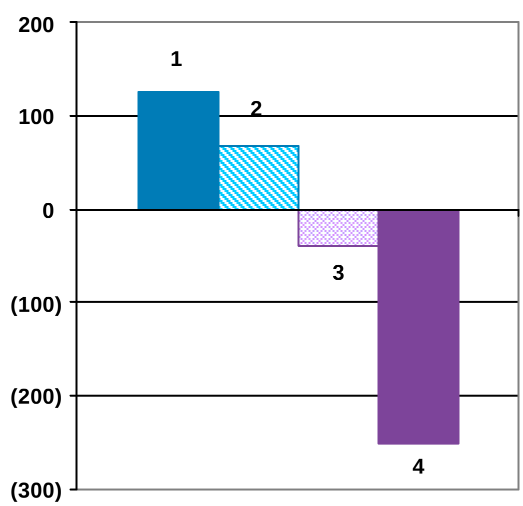
The investment section of this report, which follows the financial section, provides an analysis of investment activity and performance results for the year ended June 30, 2002.

The number of retirements increased during the year shortly after the benefit enhancements were approved, as well as the amount of the monthly retirement allowances. Benefit payments increased accordingly, to $177.9 million in 2002 from $154.8 million in 2001, or 14.9%. The number of retired members increased from 8,921 in 2001 to 9,657 in 2002, or 8.3%.

In June 2000, SDCERA established a health benefits account complying with the Internal Revenue Code section 401(h) to allow the continued payment of health benefits to retirees and beneficiaries on a pre-tax basis. Health benefits were previously paid from a reserve created from excess retirement fund earnings. Health benefits may be available to eligible retirees to the extent that the Board of Retirement annually approves the payments of such benefits. Retirement and health benefit funds are invested on a commingled basis and gains and losses are allocated to the funds on the basis of the beginning reserve balances each month.

Investment losses of $0.5 million in 2002 have been allocated to the health benefits 401(h) account in accordance with the established allocation methodology. Contributions totaled $12.7 million during 2002 and health benefits expenses totaled $14.3 million. The balance in the 401(h) account at the end of the year was $5.2 million. The balance in the health benefits 401(h) account is also disclosed separately in Note 6 to the Financial Statements, entitled Reserves and Designations of Plan Assets.

SDCERA'S ADDITIONS
(MILLIONS OF DOLLARS)



1. Interest, Dividends and Securities Lending Income: $126.9 million
2. Retirement Contributions: $67.9 million
3. Investment Expenses: ($39.7 million)
4. Net Depreciation in Fair Value of Investments: ($252.0 million)

DEDUCTIONS FROM RETIREMENT PLAN NET ASSETS

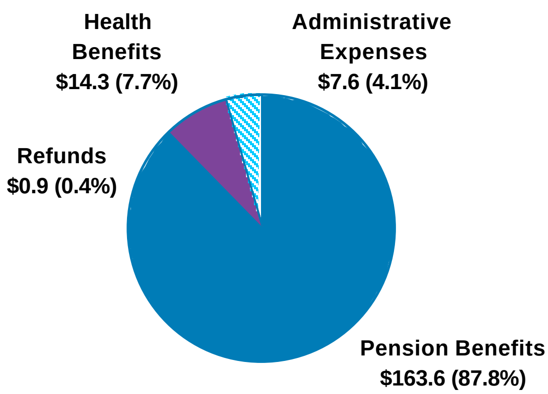
The primary deductions of the Plan include benefit payments to retirees and beneficiaries, refund of contributions to former members and Plan administrative expenses. Deductions for fiscal year 2002 totaled $186.4 million, an increase of 14.5% over 2001. The increase in benefits paid resulted primarily from an increase in the number of new retirees and an increase in the average benefit amount. The increase in the average benefit amount resulted primarily from the enhancements to the Plan that were adopted by the County Board of Supervisors in March 2002, as well as annual cost of living adjustments.

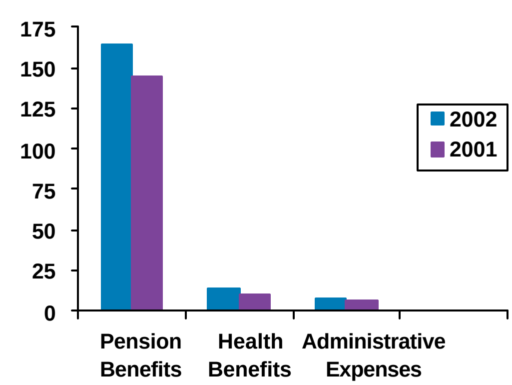
In addition to decisions regarding the method of funding the additional benefits, the implementation date of the benefit enhancements was contingent upon the conclusion of labor negotiations with employee organizations and the resolution of pending litigation. In October 1997, in the matter of Ventura County Deputy Sheriff's Association vs. the County of Ventura, the California Supreme Court held that certain payments made by a county in excess of basic salary payments to employees are to be included in the definition of final compensation within the meaning of the Retirement Law. Accordingly, the Board determined the types of additional compensation that should be included prospectively in the member's final compensation that, in turn, is used to calculate a member's retirement benefit.

Then, in 1998, three lawsuits were filed against the San Diego County Employees Retirement Association, which were consolidated and became part of a coordinated proceeding. The plaintiffs sought the recalculation of pension benefits in accordance with the Ventura decision, retroactively to October 1994. In August 2002, the County of San Francisco Superior Court ruled that the pension benefits should be recalculated retroactively, taking into account the additional types of compensation from three years before the initial action was filed. In February 2002, the County of San Francisco Superior Court approved the settlement of the San Diego County lawsuits. In consideration for the dismissal of these lawsuits, the San Diego County Employees Retirement Association and the County agreed to increase benefits for active and retired employees. On February 26, 2002, the County Board of Supervisors adopted enhancements to the Plan that became effective on March 8, 2002.

The actuarial liability of future retirement benefits based on these Plan enhancements is reflected in the June 2002 actuarial valuation. Subsequent to the issuance of the actuary's report, the County received the proceeds from the issuance of taxable pension obligation bonds in the amount of $737.3 million. On October 3, 2002, the County transferred $550.0 million to the retirement fund for investment. The remaining amount will be used by the County to retire a portion of the pension obligation bonds still outstanding from 1994, while taking advantage of today's favorable interest rate market.

SDCERA'S DEDUCTIONS
(MILLIONS OF DOLLARS)





County management is working with the Board of Retirement and SDCERA's actuary regarding funding strategies for the increased actuarial accrued liability, including treatment of the bond proceeds.

Administrative expenses are approved in an annual budget by the SDCERA Board and represented 0.17% of total assets in 2002 and 0.14% in 2001. Under the California State Government Code, Section 31580.2, administration expenses incurred in any given year shall not exceed 0.18% of the total assets of the retirement system. The fair value of assets as of the end of the most recent calendar year when the Board adopts its annual budget is used in the calculation of the annual budgetary limit.

The deductions in plan net assets of $186.4 million during 2002, combined with the negative additions to plan net assets of $96.9 million, account for the net decrease in Plan assets of $283.3 million in 2002.

SDCERA is the fiduciary for the County of San Diego public employee retirement system. Accordingly, SDCERA is responsible for assets held under a trust arrangement that can only be used for trust beneficiaries and payment of Plan expenses. SDCERA is responsible for ensuring that the assets reported in the basic financial statements are used for their intended purposes of paying pension and health benefits to the retired employees of the County of San Diego.

THE RETIREMENT FUND AS A WHOLE

Although the fund's combined net assets decreased during the past year, management believes, and actuarial studies concur, that SDCERA is in reasonably sound financial position to meet its obligations to the retired and current employees of San Diego County. The current financial position results from a diversified investment program that prudently manages risk to minimize loss, an effective system of cost control and strategic planning. Management believes there will continue to be sufficient assets to meet all benefit obligations.

REQUESTS FOR FINANCIAL INFORMATION

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investment managers and creditors with a general overview of SDCERA finances and to demonstrate SDCERA's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to:

SDCERA
401 West A Street, 13th Floor
San Diego, California 92101-7906.

Leslie Browder
Chief Financial Officer
October 9, 2002

STATEMENT OF PLAN NET ASSETS
AS OF JUNE 30, 2002
(WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2001)

	2002	2001
Assets		
Cash and Short-Term Investments		
Cash in County Pool	$ 5,364,639	$ 4,911,773
Cash and Cash Equivalents with Fiscal Agents	45,310,937	29,059,139
Total Cash and Short-Term Investments	**50,675,576**	**33,970,912**
Receivables		
Contributions	3,504,842	2,887,735
Accrued Interest and Dividends	14,933,781	18,444,882
Settlement of Securities Sold	22,270,399	30,264,379
Total Receivables	**40,709,022**	**51,596,996**
Investments at Fair Value		
Domestic Equity Securities	764,190,849	907,410,459
Cash, Cash Equivalents, and Securities for Domestic Equity Swaps and Futures	592,927,377	671,279,736
Total Domestic Equity Securities and Cash	**1,357,118,226**	**1,578,690,195**
International Equity Securities	860,010,560	830,259,604
Cash, Cash Equivalents, and Securities for International Swaps and Futures	24,742,432	43,452,156
Total International Equity Securities and Cash	**884,752,992**	**873,711,760**
Total Equity Securities and Cash	**2,241,871,218**	**2,452,401,955**
Securities Lending Collateral	**250,748,251**	**183,183,619**
United States Government Obligations	247,786,933	318,646,218
Domestic Corporate Bonds	321,490,215	402,163,964
International Bonds	266,961,634	292,681,701
Cash for Bond Swaps and Futures	13,977,219	13,884,891
Total Bonds and Cash	**850,216,001**	**1,027,376,774**
Alternative Equity	141,309,582	145,626,757
Real Estate	271,333,013	250,708,019
Total Investments	**3,755,478,065**	**4,059,297,124**
Property, Plant and Equipment, Net	2,620,541	1,502,621
Total Assets	**3,849,483,204**	**4,146,367,653**
Liabilities		
Liabilities to Brokers for Securities Lending	250,748,251	183,183,619
Settlement of Securities Purchased	57,283,819	139,239,720
Professional Services	4,671,780	4,119,509
Death Benefits	144,326	310,896
Retirement Benefits	150,060	188,061
Refunds to Members	52,215	241,126
Health Insurance Premiums	397,872	905,404
Cash in Transit	404,685	809,585
Other	2,050,035	502,459
Total Liabilities	**315,903,043**	**329,500,379**
Commitments and Contingencies (Note 7)		
Net Assets Held in Trust for Pension Benefits (see schedule of funding progress on page 29)	**$ 3,533,580,161**	**$ 3,816,867,274**

See accompanying notes to the basic financial statements beginning on page 19.

STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2001)

	2002	2001
Additions to Plan Net Assets		
Contributions		
County Contributions	$ 50,581,110	$ 41,123,265
Plan Member Contributions	17,346,370	10,789,179
Total Contributions	**67,927,480**	**51,912,444**
Investment Income		
Net Appreciation (Depreciation) in Fair Value of Investments		
Stocks	(137,118,566)	(319,711,229)
Bonds	(3,214,314)	(5,781,339)
Foreign Currency	4,357,539	16,692,575
Real Estate	(3,176,672)	22,721,763
Swaps and Futures	(125,196,969)	(187,842,818)
Managed Futures	12,352,106	8,449,243
Total Net Appreciation (Depreciation) in Fair Value of Investments	**(251,996,876)**	**(465,471,805)**
Interest Income		
Bonds	57,414,559	82,055,356
Cash	12,149,249	30,739,691
Total Interest Income	**69,563,808**	**112,795,047**
Other		
Dividends on Stock Investments	27,105,660	25,658,920
Real Estate Equity Investment Income	11,985,340	7,776,576
Commission Recapture	282,419	176,085
Managed Futures	13,348,573	0
Other Income	3,805,202	633,089
Total Other	**56,527,194**	**34,244,670**
Less: Investment Expenses	(39,746,864)	(27,401,005)
Net Investment Income	**(165,652,738)**	**(345,833,093)**
Securities Lending Income	6,230,093	14,527,312
Less: Securities Lending Rebates and Bank Charges	(5,363,351)	(13,489,126)
Net Securities Lending Income	**866,742**	**1,038,186**
Total Additions to Plan Net Assets	**(96,858,516)**	**(292,882,463)**
Deductions from Plan Net Assets		
Benefits		
Service Retirement and Disability Benefits	153,772,271	135,450,912
Death Benefits	595,831	423,016
Health Benefits	14,312,373	10,778,016
STAR Cost of Living Allowance	9,225,575	8,176,532
Total Benefits	**177,906,050**	**154,828,476**
Member Refunds	889,997	1,645,201
Administrative Expenses	7,632,550	6,382,978
Total Deductions from Plan Net Assets	**186,428,597**	**162,856,655**
Decrease in Net Assets Held in Trust for Pension Benefits	**$ (283,287,113)**	**$ (455,739,118)**
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	**$ 3,816,867,274**	**$ 4,272,606,392**
End of Year	**$ 3,533,580,161**	**$ 3,816,867,274**

See accompanying notes to the basic financial statements beginning on page 19.

1. DESCRIPTION OF PLAN

San Diego County Employees Retirement Association (SDCERA, Association or Plan) is the public employee retirement system established by the County of San Diego (County) on July 1, 1939, and is administered by the Board of Retirement (Board) to provide retirement, disability, death and survivor benefits for its employees under the County Employees Retirement Act of 1937. SDCERA, with its own governing board, is an independent governmental entity separate and distinct from the County of San Diego. SDCERA is a component unit of the County of San Diego. SDCERA's basic financial statements are included in the County's basic financial reports as a pension trust fund. SDCERA is a cost sharing, multiple-employer defined benefit plan for San Diego County and four participating agencies located in San Diego County. SDCERA's financial statements may be obtained by writing to the San Diego County Employees Retirement Association, 401 West A Street, San Diego, California 92101, or by calling 619-515-0130.

All employees of the County of San Diego (other than hourly, emergency, temporary, provisional, seasonal and employees who work less than half time) are members of the San Diego County Employees Retirement Association. Coverage begins with the first biweekly payroll period in the month following employment. Benefits vest after five years of service.

There are two types of membership:

SAFETY MEMBERS

Permanent or interim employees engaged in the performance of active law enforcement are considered safety members and are not covered by Social Security. Probation officers were added to this group in 1999.

GENERAL MEMBERS

All eligible employees not classified as safety members, hired after January 1, 1958, are considered general members and are covered by Social Security. Employees who worked for the County prior to January 1, 1958, who did not choose to join the integrated plan, are covered only by the County Employees Retirement System as it was established under the County Retirement Law of 1937.

TIER STRUCTURE

Members eligible to enter the system prior to October 1, 1978, were designated as Tier I members. On August 15, 1978, by ordinance, the County Board of Supervisors established a second tier (Tier II) of retirement benefits for employees entering the retirement system on or after October 1, 1978. On March 8, 2002, the County Board of Supervisors eliminated Tier II for general and safety members. Tier A was established for general members and safety members were consolidated into a new formula.

All general members were converted to Tier A unless they elected to opt out of Tier A during the one-time opt-out period offered prior to March 8, 2002. When Tier II was eliminated, all deferred general members with Tier II service credit and active members who elected to opt out of Tier A were converted to Tier I. Tier I is closed to new entrants. Tier I members who retire at or after age 57 with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2% of their final compensation for each year of credited service or at a slightly higher percentage as the retirement age advances beyond 57. Final compensation is the average compensation subject to retirement during any 26 consecutive pay periods elected by the member. Members with 10 years of credited service may retire at or after age 50, at any age with 30 or more years of service or at age 70 regardless of service.

Tier A is the current open system for general members eligible to enter the system on or after March 8, 2002. Members who retire at or after age 50 with 10 years of credited service are entitled to an annual retirement benefit. This benefit is payable monthly for life, in an amount equal to 3% of their final average compensation for each year of credited service at age 60. The retirement formula is reduced at earlier ages with a 2% formula applicable if the member retires at age 50. Final compensation for Tier A members is the average annual compensation subject to retirement during any 26 consecutive pay periods elected by the member. Members with 10 years of credited service may retire at or after age 50, at any age with 30 or more years of credited service, or at age 70 regardless of the number of years of credited service.

Safety members who retire at or after age 50 with 10 years of credited service are entitled to an annual retirement benefit. This benefit is payable monthly for life, in an amount equal to 3% of their final average compensation for each year of credited service at age 50. Final compensation for safety members is the average annual compensation subject to retirement during any 26 consecutive pay periods elected by the member. Members may also retire at any age with 30 or more years of credited service or at age 70 regardless of the number of years of credited service.

COST-OF-LIVING ADJUSTMENTS

Cost-of-living adjustments are based on changes in the Consumer Price Index for the San Diego area and are limited to a maximum of 3% per year. A reserve for a Supplemental Targeted Adjustment for Retirees (STAR) cost-of-living allowance was established on June 30, 1998. This reserve increases benefits of certain retirees who have lost purchasing power over the years due to periods of high inflation.

MEMBERSHIP SUMMARY

At June 30, 2002, SDCERA membership consisted of retired members or their beneficiaries, active members and terminated members eligible for benefits but not yet receiving them (deferred members), as summarized in the table below.

TERMINATED MEMBERS' DEFERRED RETIREMENT BENEFIT AND WITHDRAWAL BENEFIT

A member leaving covered employment after completing five years of credited service becomes eligible for a deferred retirement benefit, provided the member lives to the minimum service retirement age and does not withdraw his or her accumulated contributions.

Members with less than five years of credited service are refunded their accumulated employee contributions with interest, except that County-paid employee contributions under various Memorandums of Understanding (salary negotiations) are not refundable.

	General	Safety	Total
Active Members			
Tier I	96	-	96
Tier A	14,818	-	14,818
Safety	-	3,362	3,362
Total Active Members	**14,914**	**3,362**	**18,276**
Deferred (Terminated) Members			
Tier I	2,991	-	2,991
Tier A	60	-	60
Safety	-	272	272
Total Deferred (Terminated) Members	**3,051**	**272**	**3,323**
Retired Members			
Tier I	6,148	-	6,148
Tier II	2,003	-	2,003
Tier A	462	-	462
Safety	-	1,044	1,044
Total Retired Members	**8,613**	**1,044**	**9,657**
Total Members	**26,578**	**4,678**	**31,256**

DEATH AND DISABILITY BENEFITS

Non-Service Connected Disability
Eligibility: Five years of service
Benefit formula per year of service: In general, 1.8% of average compensation for Tier A, Tier I and safety members per year of service

Service Connected Disability
Eligibility: No age or service requirements
Benefit: 50% of final compensation or service retirement benefit, whichever is greater

Non-Service Connected Death Before Vesting
Benefit: Refund of employee contributions with interest plus one month's salary for each year of credited service to a maximum of six months' salary

Non-Service Connected Death After Vesting
Benefit: Generally, 60% of earned benefit payable to surviving eligible spouse or unmarried minor children

Service Connected Death
Benefit: 50% of final compensation payable to surviving eligible spouse or unmarried minor children

Death After Retirement – Service Connected or Non-Service Connected Disability
Benefit: Percentage of member's retirement benefit based on option selected at retirement

Service Connected Disability Survivorship Benefits
Benefit: 100% of member's retirement benefit continued to surviving eligible spouse or unmarried minor children

RETIREE HEALTH BENEFITS

Retiree health benefits may be available to eligible retirees to the extent that the Board of Retirement annually approves the payments of such benefits. The County's Board of Supervisors and the SDCERA Board of Retirement adopted a funding mechanism under section 401(h) of the Internal Revenue Code, which calls for a portion of the County's contributions to be recorded in a separate account each year. To ensure that the County's annual contribution for the funding of pension benefits is made whole and complete, the reserve for County contributions is reimbursed from accumulated investment earnings that exceed the assumed rate of return of the investment portfolio.

Currently, a medical allowance is paid to retirees, under 65 years of age, with at least 10 years of credited service in SDCERA, and the amount varies according to length of service. Those who are 65 or older, with at least 10 years of credited service, receive a medical allowance, and those who are eligible for Medicare, receive reimbursement for Part B of Medicare.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS NO. 34, NO. 37 AND NO. 38

SDCERA adopted the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, for the year ended June 30, 2000, although not required to adopt the new pronouncement until fiscal year 2002. GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* have also been implemented in the basic financial statements and accompanying notes. Implementation of GASB Statements No. 34, No. 37 and No. 38 had no effect on Plan net assets. The accrual basis of accounting has been applied in both the current and comparative years, including the Notes to the Basic Financial Statements and the Required Supplementary Information.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

SDCERA operations are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting is utilized under this method. Employer and employee contributions are recognized as revenue in the period in which employee services are performed. Benefits, refunds and administrative expenses are recognized as expenses when the liability is incurred.

RECLASSIFICATION

Certain financial statement items from the prior year's financial statements have been reclassified for comparative purposes.

Such reclassifications had no effect on previously reported net plan assets.

CASH AND SHORT-TERM INVESTMENTS

Cash and short-term investments consist of cash and securities with fiscal agents and deposits held in a pooled account with the County of San Diego. All participants in the pool proportionately share earnings and losses. Short-term investments consist of cash held in money market accounts and securities readily convertible to cash.

CASH EQUIVALENTS

Cash equivalents for swaps and futures consist of money market securities and collective short-term investments with original maturities of three months or less.

INVESTMENTS

The County Employees Retirement Law of 1937 (Law) grants exclusive control to the Board of Retirement over the investment of SDCERA's investment portfolio. The Law allows for the Board to invest, or delegate the authority to invest, the investment portfolio through the purchase, holding, or sale of any form or type of investment, financial instrument or financial transaction when prudent in the informed opinion of the Board.

Investments are reported at fair value in the accompanying Statement of Plan Net Assets based upon closing sale prices reported on recognized securities exchanges on the last business day of the period. For listed securities having no sales reported and for unlisted securities, fair value is based upon last reported bid prices. All purchases and sales of investments are accounted for on a trade-date basis, and dividends declared but not received are accrued on the ex-dividend date. Realized and unrealized gains or losses of securities are determined on the basis of average cost.

Real estate investments consist of real estate equities primarily in office, industrial, retail, and residential properties located throughout the United States. Real estate investments are reported at estimated fair value, which has been determined by appraisals performed by each independent real estate advisor approximately every three years.

CASH, CASH EQUIVALENTS, AND SECURITIES FOR SWAPS AND FUTURES CONTRACTS

SDCERA utilizes various financial instruments, such as equity swap agreements and stock and bond futures contracts that allow SDCERA to build portfolios with performance characteristics very similar to benchmarks and to manage allocation of risk. The Board has adopted a policy whereby cash, cash equivalents, and securities in amounts at least equal to the exposures resulting from these agreements are segregated and identified in the accounting records as "Cash, Cash Equivalents, and Securities for Swaps and Futures". The amounts reported reflect the fair value of the swap and futures contracts, which include cash, cash equivalents, securities, and any net unrealized gains and losses associated with the contracts.

These financial instruments are intended to be equivalent to the asset they are designed to emulate, and management believes such investments offer significant advantages over the direct investment in securities, including lower transaction fees and custody costs. SDCERA's use of swaps and futures is structured such that market exposure is fundamentally equivalent to the direct cash investments. SDCERA will only execute a swap agreement with counterparties rated A or higher. The use of swap agreements exposes the Plan to the risk of dealing with financial counterparties and their ability to meet the terms of the contracts. However, all swaps are fully collateralized by cash at least equal to the notional value of the most recent cash reset. Allowing insufficient collateral is strictly prohibited as a trading strategy by SDCERA's investment policies.

INCOME TAXES

The Internal Revenue Service has ruled that plans such as SDCERA's qualify under Section 401(a) of the Internal Revenue Code and are not subject to tax under present income tax laws. On March 4, 1998, the Internal Revenue Service issued a favorable Tax Determination Letter. Accordingly, no provision for income taxes has been made in the accompanying basic financial statements, as the Plan is exempt from federal and state income taxes under the provisions of the Internal Revenue Code, Section 401, and the California Revenue and Taxation Code, Section 23701, respectively.

PROPERTY, PLANT AND EQUIPMENT

		Balance 07/01/2001	Additions	Deletions & Transfers	Balance 06/30/2002
Computer Hardware and Software	$	1,348,653	1,917,653	(653,971)	2,612,335
Office Furniture and Fixtures		567,054	57,779	(94,313)	530,520
Leasehold Improvements		640,188	-	(318,825)	321,363
Total Property, Plant and Equipment		2,555,895	1,975,432	(1,067,109)	3,464,218
Accumulated Depreciation		(1,053,274)	(390,143)	599,740	(843,677)
Net Property, Plant and Equipment	$	**1,502,621**	**1,585,289**	**(467,369)**	**2,620,541**

Fixed assets are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method with a three to five year life for computer software, three years for hardware, and five to ten years for office equipment and leasehold improvements. The cost and accumulated depreciation of property, plant and equipment is depicted in the table above.

3. CASH, CASH EQUIVALENTS AND CASH COLLATERAL ON SECURITIES LENDING

Cash and cash equivalents, at June 30, 2002, consisted of the following:

Description of Cash		Bank Balances & Carrying Amounts
Cash and Cash Equivalents with Fiscal Agents	$	50,675,576
Cash and Cash Equivalents for Futures with the Bank of New York		107,879,150
Total	$	**158,554,726**

The Plan's cash, cash equivalents and cash collateral on securities lending are categorized in the following manner:

Category 1: Includes cash, cash equivalents and cash collateral that are insured or collateralized with securities held by fiscal agent in the Plan's name. The entire balance of $158,554,726 is classified as Category 1 at June 30, 2002.

Category 2: Includes cash and cash equivalents collateralized with securities held by the pledging fiscal agent and trust department in the Plan's name.

Category 3: Includes collateralized cash and cash equivalents, held by fiscal agent but not in the Plan's name.

SECURITIES LENDING

Under provisions of state statutes, SDCERA lends U.S. government obligations and domestic and international bonds and equities to various brokers for collateral that will be returned for the same securities plus a fee in the future. The fiscal agent manages the securities lending program and receives cash as collateral. Collateral cash is pledged at 102% and 105% of the fair value of domestic securities and non-domestic securities lent, respectively. There are no restrictions on the amount of securities that can be lent at one time. The term to maturity of the securities loaned is generally matched with the term to maturity of the investment of the cash collateral. Such matching existed at the end of the fiscal year. As with other extensions of credit, SDCERA may bear the risk of delay in recovery or of rights in the collateral should the borrower of the securities fail financially. SDCERA does not have the ability to pledge or sell collateral securities without a borrower default. At the end of the fiscal year, SDCERA has no credit risk exposure to borrowers.

INVESTMENTS

The Plan's investments are categorized as:

Category 1: Includes investments that are insured and registered or for which the securities are held by the Plan or its agent in the Plan's name.

Category 2 Includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Plan's name.

Category 3: Includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the Plan's name.

A summary of Plan investments within the categories defined above as of June 30, 2002, follows:

	Investment Category				
Description	**1**	**3**	**Uncategorized**	**Total Fair Value**	**Cost**
U.S. Government Obligations:					
Not on securities loaned	$ 242,517,500	-	-	242,517,500	224,236,762
On securities loaned for cash collateral	-	-	5,269,433	5,269,433	5,156,054
Domestic Corporate Bonds:					
Not on securities loaned	233,655,956	-	-	233,655,956	280,355,084
On securities loaned for cash collateral	-	-	71,490,995	71,490,995	82,393,702
Domestic Equity Securities:					
Not on securities loaned	1,188,129,306	-	-	1,188,129,306	1,193,606,847
On securities loaned for cash collateral	-	-	126,560,801	126,560,801	127,017,410
International Equity Securities:					
Not on securities loaned	812,603,983	-	-	812,603,983	863,859,782
On securities loaned for cash collateral	-	-	37,018,462	37,018,462	32,703,843
International Bonds:					
Not on securities loaned	247,005,775	-	-	247,005,775	233,173,288
On securities loaned for cash collateral	-	-	19,955,859	19,955,859	18,523,047
Investment of Cash Collateral Received on Securities Lending:					
Bank Obligations	-	17,495,182	-	17,495,182	17,495,182
Commercial Paper	-	1,990,111	-	1,990,111	1,990,111
Mutual Funds	-	22,748,000	-	22,748,000	22,748,000
U.S. Corporate Obligations	-	194,962,382	-	194,962,382	194,962,382
Repurchase Agreements	-	13,552,575	-	13,552,575	13,552,575
Cash in County Pool	-	-	5,364,639	5,364,639	5,364,639
Total	**$ 2,723,912,520**	**250,748,250**	**265,660,189**	**3,240,320,959**	**3,317,138,708**

Note: There were no investments in Category 2 as of June 30, 2002.

Reconciliation of the summary of Plan investments on the preceding page to total investments per the Statement of Plan Net Assets available for benefits as of June 30, 2002, follows:

Total Investments per Statement of Plan Net Assets	$ **3,755,478,065**
Less: Investments in Real Estate and Alternative Equity	412,642,595
Less: Cash, Cash Equivalents, and Cash Collateral for Futures (included in deposits)	107,879,150
Plus: Cash in the County pool	5,364,639
Total Fair Value of Investments by Category	$ **3,240,320,959**

At June 30, 2002, $5,364,639 of the Plan's cash resources were invested in the County's Investment Pool and are included in cash and short-term investments in the accompanying Statement of Plan Net Assets. Approximately 0.14% of investments of the Plan are in the County Pool. Monies invested in derivatives through the County Pool are considered immaterial.

4. FUNDING POLICY

Normal cost and the allocation of benefit values between service rendered before and after the valuation date were determined using an individual entry-age actuarial cost method having the following characteristics:

(i) The annual normal costs for each active member, payable from the date of entry into the system to the date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement; and

(ii) Each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

Members are required by statute (Sections 31621, 31621.2, 31639.25 and 31676.17 of the California Government Code) to contribute a percentage of covered compensation to SDCERA. Member contribution rates are determined by an actuarial valuation and incorporate actuarial assumptions such as interest rate earned, annual salary increase rate, and anticipated mortality among service retired members. (Note: Although Section 31873 of the California Government Code requires that the cost of living raises during retirement are to be funded by both member and county contributions, the cost of living contributions do not have to be accounted for separately and are now shown combined with the basic contributions.)

The County has negotiated to pay all or a portion of most, but not all, employee contributions. In some cases, the employer has agreed to pay a portion of the required employee contributions phased in over a five-year period. The employee contributions deducted from the employee's salary are treated as pre-tax contributions under Section 414(h) of the Internal Revenue Code.

The County is required by statute (Section 31453.5 and 31454 of the California Government Code) to contribute a percentage of covered salary to SDCERA. The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry-age actuarial funding method. In February 1994, the County of San Diego issued Pension Obligation Bonds in the amount of $430,430,000. The County transferred $428,501,323 of the proceeds to SDCERA to pay a portion of the unfunded actuarial accrued liabilities (UAAL). The remaining UAAL is spread evenly over five years, expressed as a level percentage of payroll and added to the normal cost.

An excess of valuation assets over actuarial accrued liabilities is expressed as a percentage of payroll and applied as a credit toward normal costs. The UAAL resulting from the 2002 benefit enhancements is now funded (or credited, if negative) over ten years, also as a level percentage of payroll.

The following schedule summarizes the contribution rates in effect at June 30, 2002. Contribution rates are expressed as a percentage of covered payroll. The member contribution rates (weighted average) depicted below vary according to age at entry, benefit tier level and certain negotiated contracts which provide for the County to pay a portion of the member's contribution. The County contributed $5.3 million based on the June 30, 2000, actuarial evaluation, which reported normal costs in excess of the unfunded actuarial accrued liability for the safety member classification. However, for the Plan as a whole, no employer contributions were required.

Member Classification	Member Rates	Employer Rate
General members	8.39% - 8.85%	None
Safety members	9.27%	2.96%

During the year, contributions totaled $67,927,480, which included $17,346,370 in employee contributions, $5,338,454 for County contributions and $45,242,656 in employee contributions paid by the County.

The SDCERA is an independent governmental entity. As such, the entire expense of administration of the retirement system is charged against the earnings of the Plan. Earnings from investments are reduced for investment managers' fees, portfolio evaluation, custodian services and actuarial services for investment-related activities, as provided in Section 31596.1 of the California Government Code.

5. ANNUAL PENSION COST

For the fiscal year ended June 30, 2002, the County's annual pension cost was zero. The County's actual contribution during the fiscal year ended June 30, 2002, totaled $5.3 million, resulting in a net pension obligation of $7.7 million as of June 30, 2002, compared to $15.5 million at the end of the prior year. The required contribution rates, as adopted by the SDCERA Board, were determined as part of the June 30, 2000 actuarial valuation based on entry-age actuarial cost method. The actuarial assumptions included (a) an 8.25% investment rate-of-return, (b) projected salary increases of 4.5% per year, and (c) cost-of-living increases for retirees of 3.0%.

6. RESERVES AND DESIGNATIONS OF PLAN ASSETS

Member and employer contributions are allocated to various legally required reserve accounts based on actuarial determinations. Member contribution reserves are fully funded. On November 7, 2002, the Board approved the transfer of additional funding of $150.8 million from the reserve for County contributions to the reserve for retirement allowances to reflect the liability reported in the June 2002 actuarial valuation. Cost-of-living reserves, which were shown separately in previous reports, are now combined with the appropriate basic reserve.

Set forth below are descriptions of the purpose of each reserve and designation account.

The reserve for member contributions includes:
- ❑ Contributions from plan members
- ❑ Contributions from terminated members
- ❑ Contributions representing members who have bought back prior years' SDCERA credited service and for prior service in certain public agencies
- ❑ Contributions made by former employees who have not yet applied for their retirement benefits

The reserve for County contributions includes County contributions to the retirement plan for active members.

The reserve for retirement allowances includes:
- ❑ Amounts transferred from member contributions (annuity) received net of the employee's portion of benefits paid for retired pension members
- ❑ Amounts transferred from County contributions (pension) made in prior years for active members upon retirement

A STAR cost-of-living allowance reserve was established on June 30, 1998. This reserve benefits certain retirees who have lost purchasing power over the years due to periods of high inflation.

The reserve for health benefits designates funds that may be used for future payments under the retiree health benefits program and related administrative expenses.

The reserve for contingencies represents actual earnings that exceed the total interest credited to contributions and reserves up to 1.0% of the total assets of the retirement fund as of June 30, 2002. The reserve for undistributed earnings represents actual earnings that exceed the total interest credited to contributions and reserves in excess of 1.0% of the total assets of the retirement fund. Both reserves provide funds to offset deficiencies in interest earnings in other years, losses on investments, and other contingencies. To the extent that the actual earnings not credited to contributions and reserves exceeds 1.0% of the total assets of the retirement fund, the Board may authorize the payment of additional benefits as described in California Government Code Section 31592.2, 31592.4, 31691 and 31874.3, which include health benefits, Medicare and supplemental cost-of-living increases, or may transfer all, or any part, of such surplus in excess of 1.0% of total assets into county advance reserves for the sole purpose of payment of the cost of benefits described in the retirement law. Together, the reserve for undistributed earnings and the reserve for contingencies comprise 6.0% of Plan net assets as of June 30, 2002.

The reserve for unrealized earnings represents the difference between the book value and the fair value of Plan assets.

The health benefits 401(h) account was established based on the Board of Supervisors and the Board of Retirement adoption of a funding mechanism under section 401(h) of the Internal Revenue Code, which calls for a portion of the County's contributions to be recorded in a separate account each year. Any investment income earned on the account balance increases the balance and any losses reduce it.

Allocation of contributions to the various reserve accounts and designations of net assets are depicted in the table below.

Reserve	Thousands of Dollars
Reserve for Member Contributions:	
Active	$ 180,044
Deferred	24,311
Unlocated Separated Members	217
Subtotal	**204,572**
Reserve for County Contributions:	
Current Service Provision	802,850
Subtotal	**802,850**
Reserve for Retirement Allowances:	
Annuity	161,789
Pension	1,733,911
Subtotal	**1,895,700**
Total	**2,903,122**
Reserve for Health Benefits	285,636
Reserve for Star Cost-of-Living Allowance	60,000
Reserve for Undistributed Earnings	178,266
Reserve for Unrealized Earnings	65,982
Reserve for Contingencies	35,336
Total Retirement Fund	**3,528,342**
Health Benefits 401(h) Account	5,238
Total Fund	**$ 3,533,580**

7. COMMITMENTS AND CONTINGENCIES

MANAGED FUTURES

SDCERA is party to financial instruments with off-balance sheet risk to generate earnings and stabilize excess earnings from active management of fixed income securities and common stocks. Managed futures contracts include, but are not limited to, contracts for delayed delivery of securities, commodities or currencies in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Risks arise from the possible inability of counter-parties to meet the terms of their contract. The risks of loss from these off-balance sheet financial instruments include minimal credit risks but include the possibility that future changes in market prices may make such financial instruments less valuable (market risk).

REAL ESTATE AND ALTERNATIVE EQUITY PURCHASE COMMITMENTS

Not reflected in the accompanying Statement of Plan Net Assets are commitments to acquire real estate for investment totaling $63.5 million and alternative equity for $108.6 million.

SUMMARY ACTUARIAL INFORMATION

Valuation Date	June 30, 2002
Actuarial Cost Method	Individual entry-age actuarial cost method
Amortization Method	Level percent of pay
Remaining Amortization Period	Ten years for 2002 plan and assumption changes; five years for gains and losses
Asset Valuation Method	Five-year smoothed market

ACTUARIAL ASSUMPTIONS

Investment Rate of Return*	8.25 %
Projected Salary Increase*	4.50 %
Cost-of-Living Adjustments for Retirees	3.00 %
Inflation	4.00 %

*Includes inflation of 4.0 % for both the investment rate of return and projected salary increase.

SCHEDULE I – FUNDING PROGRESS
(THOUSANDS OF DOLLARS)

Valuation Date	(1) Valuation Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	Funded Ratio (1)/(2)	Annual Covered Payroll	UAAL as % of Covered Payroll (3)/(5)
6/30/93	$ 1,438,093	$ 1,891,844	$ 453,751	76.0 %	$ 533,124	85.1 %
6/30/94	1,947,310	2,006,689	59,379	97.0	535,981	11.1
6/30/95	2,172,890	2,148,606	(24,284)	101.1	550,737	(4.4)
6/30/96	2,370,519	2,340,663	(29,856)	101.3	561,692	(5.3)
6/30/97	2,688,098	2,487,917	(200,181)	108.0	581,453	(34.4)
6/30/98	2,834,571	2,677,593	(156,978)	105.9	599,847	(26.2)
6/30/99	3,211,872	2,990,111	(221,761)	107.4	642,780	(34.5)
6/30/00	3,568,671	3,248,822	(319,849)	109.8	672,477	(47.6)
6/30/01	3,745,600	3,506,828	(238,772)	106.8	731,130	(32.7)
6/30/02	3,831,334	5,078,067	1,246,733	75.4	810,389	153.8

SCHEDULE II – CONTRIBUTIONS FROM THE COUNTY OF SAN DIEGO
(THOUSANDS OF DOLLARS)

Year Ended	Annual Required Contribution (ARC)	Contributions Made [1]	% of Required Contributions Made	Amortization Period (in years)	Net Pension Obligation
6/30/93	$ 63,989	$ 63,989	100.00 %	5.00	-
6/30/94	48,591	48,591	100.00	5.00	-
6/30/95	33,305	33,305	100.00	5.00	-
6/30/96	37,577	37,577	100.00	5.00	-
6/30/97	23,269	23,269	100.00	5.00	-
6/30/98	24,320	24,320	100.00	5.00	-
6/30/99	-	-	-	5.00	-
6/30/00	14,341	-	-	5.00	14,341
6/30/01	4,927	2,035	41.30	5.00	15,548
6/30/02	-	5,338	100.00	8.24	7,686

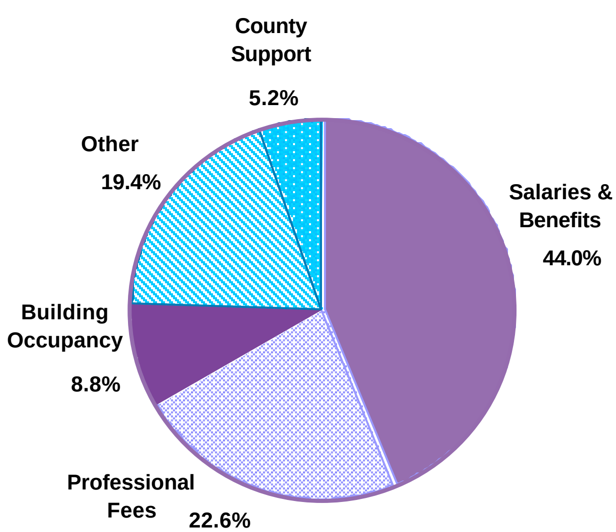
1 Excludes payments related to pension obligation bonds issued in 1994 and County pick up of employee contributions.

Source: Gabriel, Roeder, Smith & Company Annual Actuarial Valuation, June 30, 2002

SCHEDULE III – ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001
(THOUSANDS OF DOLLARS)

Expense Category		2002	2001
Salaries and Benefits	$	3,360	3,173
Professional Fees		1,722	1,036
Building Occupancy Expenses		675	651
County Administrative Support		399	295
Equipment and Maintenance		124	151
Other Expenses		1,353	1,077
Total Administrative Expenses	**$**	**7,633**	**6,383**

ADMINISTRATIVE EXPENSES BY CATEGORY



SCHEDULE IV – INVESTMENT EXPENSES
FOR THE YEAR ENDED JUNE 30, 2002
(THOUSANDS OF DOLLARS)

Individual or Firm	Net Assets Managed at Fair Value	Fees
Domestic Equity Managers		
Duncan Hurst Capital Management - Large Cap	$ 108,072	$ 1,275
Nicholas Applegate Emerging Growth	70,925	754
Nicholas Applegate Convertible Bond	112,026	707
Denali Advisors, LLC	164,504	647
Duncan Hurst Capital Management - Small Cap	40,136	451
Dimensional Fund Adviser	152,337	399
Delta Asset Management - Large Cap	78,046	259
Duncan Hurst Capital Management - Micro Cap	18,832	207
Numeric Investors - Large Cap	70,022	181
Westridge Capital Management, Inc.	33,954	179
Total Domestic Equity Managers		**5,059**
International Equity Managers		
Fidelity Management Trust Company	188,571	807
Jennison Associates Capital Corporation	134,604	793
Quantitative Financial Strategies	-	786
Delaware International Adviser	159,630	692
Capital Guardian Trust Company	149,629	672
FX Concepts, Inc.	-	635
Capital Guardian Emerging Market	118,694	244
Total International Equity Managers		**4,629**
Fixed Income Managers		
Kenmar (1)	26,250	5,367
Managed Passive Futures (1)	28,866	3,329
Oaktree Capital Management LLC	96,024	538
W.R.Huff Asset Management Company	98,642	532
Rogge Global Partners, Inc.	122,025	498
TCW Asset Management Company	119,881	380
Rothschild International Asset Management	129,585	277
Pacific Investment Management Company	115,127	198
Zazove Associates	15,490	10
Total Fixed Income Managers		**11,129**
Other Managers		
Freeman Associates (Investment Research Co.)	110,498	2,157
Zazove Associates	109,748	1,792
Salus Capital Management	109,022	640
Lotsoff Capital Management	108,937	316
Bridgewater Associates, Inc.	110,858	100
Total Other Managers		**5,005**

(Continued on the next page)

(1) Beginning in fiscal year 2002, fees associated with managed futures are reported as investment expenses. Previously, fees were netted against income rather than reported separately.

SCHEDULE IV – INVESTMENT EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2002
(THOUSANDS OF DOLLARS)

Individual or Firm	Net Assets Managed at Fair Value	Fees
Alternative Equity Managers		
Mission Ventures, LP	$ 11,367	$ 2,163
Forward Ventures Institutional Partners, LP	14,082	1,866
HarbourVest International Private Equity Partners III, LP	13,383	1,301
Sorrento Ventures CE, LP	4,843	819
Oaktree Capital Management Opportunities Funds, LP	22,996	788
Meritech Capital Partners, LP	2,575	575
Capital Int'l. Global Emerging Markets Private Equity	9,364	303
TA Associates	2,332	280
Arch Venture Partners	1,814	266
Relational Investors, LLC	17,791	266
Code, Hennessy & Simmons IV	3,712	243
Stinson Capital Partners, LP	10,125	219
Belvedere Capital	10,998	193
Thomas Lee Equity Fund	1,735	182
Oakhill Capital Partners, LP	7,480	139
Total Alternative Equity Managers		**9,603**
Real Estate Managers		
REIT - REEF	98,900	649
ING Realty Associates, Inc.	20,267	260
Kennedy Associates Real Estate Counsel, Inc	18,546	97
Total Real Estate Managers		**1,006**
Master Custodian		
Bank of New York		**1,214**
Other Professional Fees		
Cambridge Capital Advisors		464
Mount Lucas Index Management		200
RP Consulting Group, Inc.		303
CRA RogersCasey, Inc.		187
The Townsend Group		100
Gabriel, Roeder & Smith		78
Other		229
Total Other Professional Fees		**1,561**
Administrative, Support and Other (2)		**541**
Total Investment Expenses		**$ 39,747**

(2) Internal investment staffing and support costs have been included in investment expenses beginning in fiscal year 2002 and were previously reported as administrative expenses. This reporting change will capture all of the costs associated with the investment function and is consistent with the definition of investment expenses in the County Employees Retirement Act of 1937.

INVESTMENT

SECTION

San Diego County Employees Retirement Association
401 West A Street, Suite 1300 • San Diego, CA 92101-7906
619-515-0130 • www.sdcera.org

SDCERA

Supporting The Membership

San Diego County Employees Retirement Association

I first reported to you one year ago. At that time, we were barely three weeks past the terrorist attacks on New York, Washington D.C., and rural Pennsylvania. One of the major concerns on our minds at that time was the future impact of the attacks on our lives and on the capital markets of the world. At this time, slightly more than one year after the attacks, those questions have only been partially answered. Stock market volatility has been extreme since the attacks, but was also extreme in the months prior to the attacks. The total S&P500 return for the year ended June 30, 2002, was down 18.02%. It may be interesting to follow the S&P, quarter by quarter, to gain some understanding of volatility during the year. For the quarter ended September 30, 2002, the quarter of the terrorist attacks, the S&P's return was down 14.7%. However, the quarter was in trouble, even before the attacks, with July declining 1.0%, August at –6.3% and September, through the 10th, at –3.5%. The month of September ended with a return of –8.1%, meaning that after the attacks the market declined an additional 5.0%. The quarter ended December 30, 2002, bounced back nicely, closing up 10.7%, but was followed by a mediocre quarter ended March 31, 2002, which was up 0.3%. However, the quarter ended June 30, 2002, declined again, with a –13.4% return. As you know, the slide continued through July 2002, with the S&P declining another 7.8% during the month. Terrorist concerns are still with us, as are the problems with the recession, which we slipped into last year, but which appears to be behind us. Some analysts continue to predict a double dip recession.

Total return for the fund during the year ended June 30, 2002, was –4.6%. While this was an improvement compared to –8.4% for 2001, it was still below what we had hoped for. While negative, the return for the year ended June 30, 2002, was in the top 25% of all public pension funds, as measured by our custodian, the Bank of New York. If measured against all public pension funds larger than $1 billion, we were in the top 20%. Returns for the five fiscal years prior to 2002 were: 1996-97 = 28.9%, 1997-98 = 15.8%, 1998-99 = 12.3%, 1999-00 = 15.8% and 2000-01 = –8.4%.

SDCERA maintains a well diversified portfolio. Unless we want to attempt the risky and unproductive task of market timing, diversification into the best asset classes and best managers is the only way to possibly achieve superior long term returns. Our target asset allocation is 40.3% in U.S. equities, 25.0% in international equities, 7.0% in alternative equities (venture capital, buyouts, etc.), 7.0% in real estate and 20.7% in fixed income (13.7% in U.S. and 7% international). We feel that this allocation will produce good returns with acceptable levels of risk. One of the downsides of diversification is that we never have enough of the best performing assets. However, it also means that we are rarely overweight in the asset class which has the lowest return. An update to the asset liability study is currently underway.

We did well among other public pension funds, due to specific asset classes doing well against their specific benchmarks. The S&P500 and the Russell 3000 are our key equity benchmarks. For the year the S&P returned –18.0% and the Russell 3000 –17.3%. The total SDCERA public equity program, U.S. and international combined, substantially beat these benchmarks, with a return of –10.1%. Each of the three sub-groups also beat the benchmark, with mid-large cap domestic at –14.9%, small cap domestic at

–5.3% and international at –5.5%. International equities at –5.5% also beat EAFE at –9.5%. The real estate portfolio returned 15.2%, well above the S&P, while each of the real estate subgroups beat their respective benchmarks (portfolio REITs = 20.1% vs. NAREIT = 16.2%; portfolio private real estate = 12.6% vs. NCREIF = 6.6%). The alternative equity portfolio returned –9.2%, trailing the alternative benchmark at –7.5%, but still ahead of the S&P. The fixed income return of 6.3% trailed its benchmark, the Lehman Aggregate at 8.6%.

Investment activity during the year included the hiring of several new managers. Four new managers were hired for the alternative equity program: Oaktree Capital received $10 million for distressed securities; Lexington Capital received $10 million for opportunistic; Blackstone received $15 million for buyouts; and Cerberus received $10 million for distressed securities. In real estate, RREEF was given an additional mandate to manage $40 million in value added real estate. PIMCO was hired to manage an enhanced short term fund. Frank Russell Securities was hired as a transition manager. Finally, Artisan was hired to replace Jennison as an international equity manager. In August 2002, Rocaton was hired as general investment consultant.

The next 10 years promise to be more challenging than the last 10 from the standpoint of realizing acceptable investment returns. Our objective is to provide returns sufficiently large to enable San Diego County to meet its commitments to active and retired employees with reasonable contributions from employees and the County. We plan to achieve these returns by adopting the most appropriate target asset allocation and by hiring and retaining superior investment managers. We view our relationship with investment managers as a partnership. We also attempt to keep overall fees and expenses as low as possible.

Investment risks are unavoidable. We will continue to identify and manage these risks and keep them within reasonable limits, thus providing a desirable combination of returns and risk.

Jerry Woodham

Jerry Woodham
Chief Investment Officer
October 9, 2002

OVERVIEW OF SDCERA'S INVESTMENT POLICIES

SDCERA's investment program is managed in accordance with the California Government Code, Section 31450, et.seq. (County Employees Retirement Law of 1937), which provides that:

The Board and its officers and employees shall discharge their duties with respect to the system:

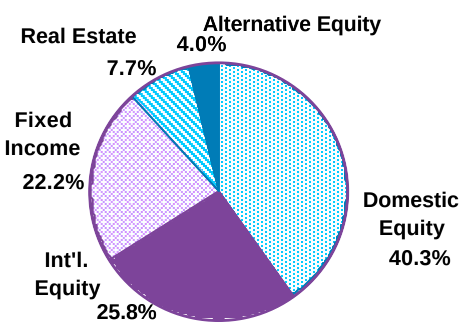
(a) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.

(b) With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

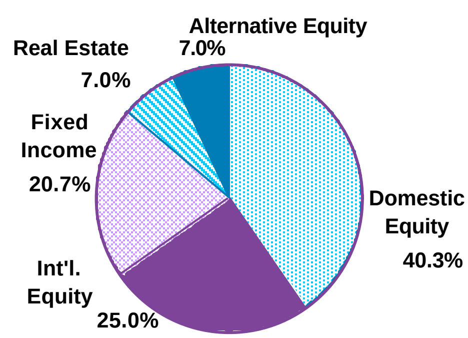
(c) Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

The Board has adopted an investment policy statement and related policies to ensure that the plan is managed to the prudent person standard. These policies set investment return and risk objectives (both at the manager and plan level) and provide for extensive diversification of assets, securities lending, commission recapture, value added strategies, proxy voting, and corporate governance issues. Proxy voting issues are delegated to the investment managers to comply with Board policy.

ASSET ALLOCATION



TARGET ASSET ALLOCATION



Asset Type		Fair Value (1)	Percent of Total	Target Percent of Total
Domestic Equity	$	1,425,257	40.3%	40.3%
International Equity		910,278	25.8%	25.0%
Fixed Income		784,771	22.2%	20.7%
Real Estate		272,768	7.7%	7.0%
Alternative Equity		141,310	4.0%	7.0%
Other Assets and Liabilities		(804)	0.0%	0.0%
Total	$	**3,533,580**	**100.0%**	**100.0%**

(1) Each asset type includes accrued interest and dividends.

PERFORMANCE RESULTS
FOR THE YEARS ENDED JUNE 30

	1-Year Return	3-Year Return	5-Year Return	10-Year Return	Index	1-Year Return	3-Year Return	5-Year Return	10-Year Return
Total Fund	**-4.57%**	**0.44%**	**5.66%**	**9.64%**	Custom Benchmark (1)	-6.03%	-1.45%	3.83%	8.54%
					Master Trust Median	-5.96%	-0.32%	5.65%	9.93%
					Public Fund Sponsors Median	-5.82%	-0.30%	5.16%	9.39%
					Actuarial Rate of Return	8.25%	8.25%	8.25%	8.25%
Domestic Equity	-12.85%	-3.33%	5.69%	12.25%	Custom Benchmark (2)	-15.56%	-6.44%	3.03%	10.23%
					Managed Equities Portfolios Median	-15.82%	-3.40%	5.76%	12.61%
					S&P 500	-18.00%	-9.16%	3.67%	-11.42%
International Equity	-5.50%	-5.71%	1.71%	N/A	Custom Benchmark (3)	-6.23%	-5.36%	-2.25%	5.08%
					Managed International Equities Portfolios Median	-6.48%	-3.22%	1.14%	7.17%
					Salomon World PMI ex U.S.	-9.59%	-5.85%	-0.36%	6.52%
Fixed Income	6.33%	8.51%	9.86%	9.84%	Custom Benchmark (4)	7.43%	6.72%	7.39%	8.22%
					Managed Fixed Income Portfolios Median	8.01%	7.89%	7.46%	7.47%
					Managed International Fixed Income Portfolios Median	7.91%	5.95%	5.39%	N/A
					Lehman Aggregate	8.63%	8.10%	7.57%	7.35%
Real Estate	15.20%	13.52%	10.95%	N/A	NCREIF Property Index (5)	6.55%	9.94%	12.01%	8.21%
					Real Estate Portfolios Median	6.19%	9.86%	10.15%	6.70%
Alternative Equity	-9.19%	15.07%	-0.38%	N/A	Custom Benchmark (6)	-7.51%	24.65%	22.04%	N/A

NOTES:

1. 29.0% Russell 1000 Index; 8.0% Russell 2000 Index; 3.3% First Boston Convertible; 14.4% Salomon World PMI ex U.S.; 3.6% Salomon EMI ex U.S.; 7.0% Baring Emerging Mkts; 3.7% Lehman Aggregate; 7.0% Salomon Non-US WGBI Unhedged; 7.0% Salomon Cash Pay High Yield; 3.0% Barclays US Inflation Linked; 7.0% Alternative Equity; 7.0% NCRIEF Property Index.

2. 73% Russell 1000 Index; 18.3% Russell 2000 Index; 8.7% First Boston Convertible.

3. 57.6% Salomon World PMI ex U.S.; 14.4% Salomon Extended Market Index; 28% Salomon EMI ex U.S.

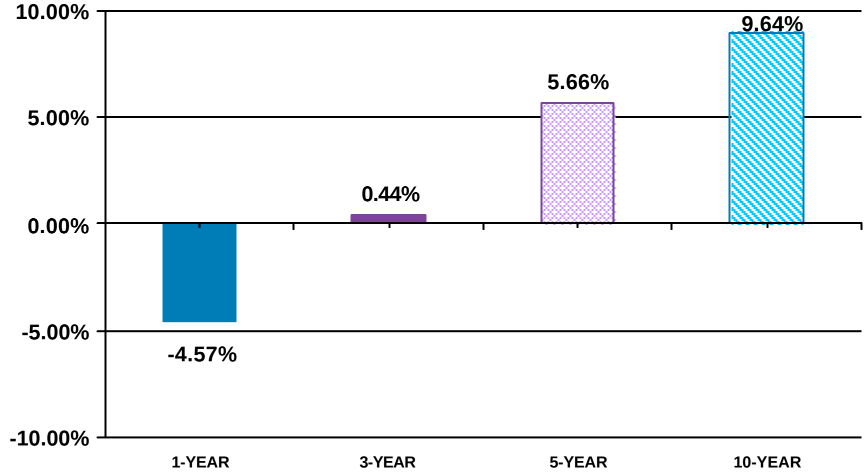
4. 17.5% Lehman Aggregate; 33.0% Salomon non-US Government GBI; 33.0% Salomon Cash Pay High Yield Index; 16.5% Barclays US Inflation Linked.

5. National Council of Real Estate Investment Fiduciaries, index and private real estate on a quarter lag.

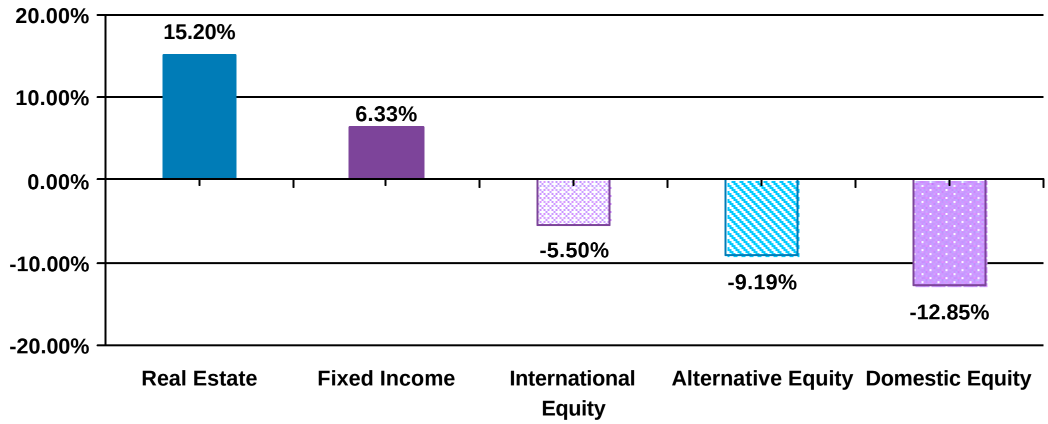
6. Cambridge Associates' total assets portfolio benchmark based on a pooled return of funds, on a quarter lag.

Return calculations reflect a time-weighted, market rate of return in accordance with the Association for Investment Management and Research's performance presentation standards.

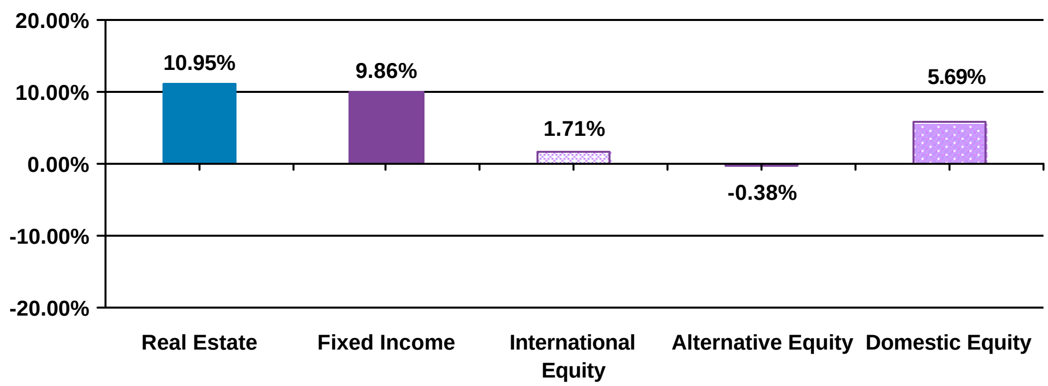
PERFORMANCE RESULTS – TOTAL FUND CATEGORY
ANNUALIZED, NET OF FEES
FOR THE YEARS ENDED JUNE 30



PERFORMANCE RESULTS BY INVESTMENT CATEGORY
ANNUALIZED, NET OF FEES
FOR THE YEAR ENDED JUNE 30, 2002



PERFORMANCE RESULTS BY INVESTMENT CATEGORY
5-YEAR RETURN, ANNUALIZED, NET OF FEES
FOR THE YEAR ENDED JUNE 30, 2002



TOP 10 SECURITIES HELD – EQUITY
AS OF JUNE 30, 2002

Shares	Security Name	Market Value
348,726	Exxon Mobil Corp.	$ 14,269,868
236,888	Citigroup, Inc.	9,179,410
154,400	First Data Corp.	5,743,680
675,800	BP Amoco Capital	5,667,909
136,200	Bed Bath & Beyond, Inc.	5,140,188
916,456	Brambles Industries LTD	4,856,759
1,556,500	Intesabci Spa Europe	4,750,677
1,767,274	Fosters Group Limited	4,682,835
317,636	Nokia Corporation	4,649,709
466,203	Reed Elsevier PLC	4,431,061

TOP 10 SECURITIES HELD – FIXED INCOME
AS OF JUNE 30, 2002

Par/Book Value	Description	Market Value
$ 86,934,232	AMR Enhanced Yield Business Trust	$ 86,934,232
25,266,368	U.S. Treasury Inflation Index	26,998,272
26,111,041	U.S. Treasury Inflation Index Notes	26,194,740
25,137,887	U.S. Treasury Notes Treasury Inflation Index	25,698,841
22,247,947	U.S. Treasury Bonds Inflation Index	22,794,589
14,097,891	FNMA 30-Year October 6.5% TBA	14,210,000
9,622,306	Denmark Kingdom	10,545,597
9,959,167	Federal Home Loan Bank Discount	9,995,000
8,690,979	Japan Government Series 14, June 2006, 0.4%	9,815,895
8,428,467	Germany Government 5.5, April 2031	9,504,035

A complete list of portfolio holdings is available upon request.

COMMISSIONS PAID – DOMESTIC
FOR THE YEAR ENDED JUNE 30, 2002

No.	Brokerage Firm	Number of Shares Traded		Total Commissions		Cost of Commission per Share	% of Total Commissions
1	Instinet Corporation	4,075,334	$	171,980	$	0.0422	11.1%
2	Lynch, Jones & Ryan, Inc	2,996,055		151,487		0.0506	9.8%
3	Bear Stearns & Co., Inc	2,644,234		90,466		0.0342	5.8%
4	Investment Technology Group	3,087,158		81,048		0.0263	5.2%
5	Jefferies & Company, Inc.	1,569,390		73,454		0.0468	4.7%
6	Lehman Brothers, Inc.	1,245,447		62,746		0.0504	4.0%
7	Standard & Poor's, Inc.	1,225,847		61,312		0.0500	4.0%
8	Goldman, Sachs & Co.	1,220,525		60,896		0.0499	3.9%
9	Credit Suisse First Boston	1,151,681		48,981		0.0425	3.2%
10	Salomon Smith Barney	923,882		46,760		0.0506	3.0%
11	Deutsche Banc/Alex Brown	872,544		43,446		0.0498	2.8%
12	Robertson Stephens, Inc.	755,027		37,150		0.0492	2.4%
13	Other*	20,782,800		620,377		0.0299	40.1%
	Total	**42,549,924**	**$**	**1,550,103**	**$**	**0.0364**	**100.0%**

SDCERA has commission recapture arrangements with Frank Russell Securities, Lynch, Jones & Ryan, Capital Institutional Services (CIS), Autranet and Fidelity.

*Includes approximately 103 additional firms, each with less than 2.2% of total trades.

COMMISSIONS PAID — INTERNATIONAL
FOR THE YEAR ENDED JUNE 30, 2002

No.	Brokerage firm	Number of Shares Traded		Total Commissions		Cost of Commission per Share	% of Total Commissions
1	Union Bank of Switzerland	8,161,575	$	135,113	$	0.0166	14.4%
2	Merrill Lynch and Co, Inc.	8,730,357		130,487		0.0149	13.9%
3	Morgan Stanley Co., Inc.	7,226,926		101,662		0.0141	10.9%
4	Salomon Smith Barney	6,805,300		77,897		0.0114	8.3%
5	Lehman Brothers, Inc.	5,337,316		76,479		0.0143	8.2%
6	Goldman Sachs & Company	3,691,027		67,435		0.0183	7.2%
7	JP Morgan, Inc.	6,510,466		61,570		0.0095	6.6%
8	Credit Suisse First Boston	4,782,821		60,677		0.0127	6.5%
9	Collins Stewart Limited	947,767		34,026		0.0359	3.6%
10	Other**	20,784,725		191,133		0.0092	20.4%
	Total	**72,978,280**	**$**	**936,479**	**$**	**0.0128**	**100.0%**

** Includes 100 additional firms, each with less than 2.0% of total trades.

SUMMARY OF INVESTMENT PORTFOLIO BY TYPE
AS OF JUNE 30, 2002

Investment Description	Fair Market Value	% of Total Market Value
Domestic Equity		
Consumer Non-Durable	$ 193,436,257	5.5%
Materials and Services	147,982,479	4.2%
Financial	129,529,467	3.7%
Technology	86,276,781	2.4%
Energy	44,077,035	1.2%
Transportation	27,056,138	0.8%
Capital Goods and Services	25,017,544	0.7%
Consumer Durable	24,284,057	0.7%
Utilities	14,066,966	0.4%
Miscellaneous Common Stocks	47,686,654	1.3%
Convertible Securities	24,777,471	0.7%
Equitized Pool Cash (S&P 500 Futures)	46,293,491	1.3%
Manager's Equitized Cash (S&P 500 Futures)	19,927,824	0.6%
Equity Enhanced Passive (S&P 500 Swaps)	526,706,062	14.9%
Total Domestic Equity	**1,357,118,226**	**38.4%**
International		
International Equity	860,010,560	24.3%
Eafetized Cash (EAFE Futures)	24,742,432	0.7%
Total International Equity	**884,752,992**	**25.0%**
Total Equity	**2,241,871,218**	**63.4%**
Fixed Income		
Government Bonds	247,786,933	7.0%
Corporate Bonds	256,529,465	7.3%
Convertible Bonds	64,960,750	1.8%
Fixed Income Futures	13,977,219	0.4%
International Bonds	266,961,634	7.6%
Total Fixed Income	**850,216,001**	**24.1%**
Other		
Real Estate	271,333,013	7.7%
Alternative Investments	141,309,582	4.0%
Cash and Cash Equivalents with Fiscal Agents	50,675,576	1.4%
Other Assets and Liabilities	(21,825,229)	-0.6%
Total Other	**441,492,942**	**12.5%**
Net Investment Portfolio	**$3,533,580,161**	**100.0%**

SUMMARY OF INVESTMENT PORTFOLIO BY MANAGER/ASSET TYPE
AS OF JUNE 30, 2002

Securities Description	Asset Type	Market Value
Domestic Equity		
S&P 500 Enhanced	S&P 500 Index	$ 526,706,062
Denali Asset Management	Value-Large Cap	163,818,724
Dimensional Fund Advisor	Value-Small Cap	152,336,557
Duncan Hurst Capital Management	Growth-Large/Mid Cap	105,814,676
Delta Asset Management	Neutral Large Cap	73,728,890
Numeric Investors	Long/Short/Equitized S&P	70,021,551
Nicholas Applegate Emerging Growth	Growth-Small Cap	67,216,529
Equitized Cash (Liquidity & Manager's)	S&P 500 Index	66,221,315
Duncan Hurst	Growth-Small & Micro Cap	57,985,684
Nicholas Applegate Convertible Bond	Convertible Preferred	36,227,970
Westridge Capital Management, Inc.	Neutral Large Cap	30,754,537
Zazove Associates	Convertible Preferred	4,771,454
OCM High Yield Convertible	Convertible Preferred	1,383,670
Oaktree Capital Management LLC	Convertible Preferred	130,607
Total Domestic Equity		**1,357,118,226**
International Equity		
Fidelity Management Trust Company	EAFE	188,326,699
Delaware International Advisor	EAFE Value	158,877,235
Capital Guardian Trust Company	Small Cap	149,628,898
Genesis	Emerging Markets	131,603,577
Capital Guardian Emerging Market	Emerging Markets	118,694,287
Jennison Associates Capital Corporation	EAFE Growth	111,286,831
EAFEtized Cash	EAFE Local Index	24,742,432
FX Concepts, Inc.	Currency Forwards	5,731,447
FX Concepts, Inc.	Currency Overlay	980,424
Quantitative Financial Strategies	Currency Overlay	(5,118,838)
Total International Equity		**884,752,992**
Total Equity		**2,241,871,218**
Fixed Income		
Pacific Investment Management Company	Inflation Protection	145,106,955
Rothschild International Asset Management	International Fixed Income	128,752,900
Rogge Global Partners, Inc.	International Fixed Income	119,571,824
TCW Asset Management Company	Fixed Income	111,564,861
Oaktree Capital Management LLC	High Yield	91,555,026
W.R.Huff Asset Management Company	High Yield	89,013,918
Nicholas Applegate Convertible Bond	Convertible	68,316,694
Managed Futures	Managed Futures	59,378,104
Fixed Income Futures	Fixed Income	13,977,219
OCM High Yield Convertible	High Yield	10,287,044
Zazove Associates	High Yield	10,196,925
Westridge Capital Management, Inc.	Fixed Income	2,494,531
Total Fixed Income		**850,216,001**
Real Estate, Alternative Equity and Other		
Real Estate	Real Estate	271,333,013
Alternative Equity	Alternative Equity	141,309,582
Cash	Cash	50,675,576
Other Assets and Liabilities	Other	(21,825,229)
Net Investment Portfolio		**$3,533,580,161**

SCHEDULE OF SWAPS, FUTURES, BONDIZED, EAFETIZED AND EQUITIZED CASH AS OF JUNE 30, 2002

Description	NOTIONAL/ BOOK VALUE	MARKET VALUE
In Domestic Equity Swaps:		
S&P 500 SWAP 9/21/02	$ 79,782,304	$ 78,323,341
S&P 500 SWAP 6/15/03	14,188,893	14,331,082
S&P 500 SWAP 3/21/03	41,042,276	41,546,288
S&P 500 SWAP 6/19/03	61,090,739	61,702,936
S&P 500 SWAP 9/21/02	27,309,840	26,810,430
S&P 500 SWAP 12/21/02	26,751,548	27,081,472
S&P 500 SWAP 12/21/02	61,544,834	62,273,438
S&P 500 SWAP 3/28/03	67,970,708	68,736,107
S&P 500 SWAP 4/30/03	46,193,530	43,523,828
S&P 500 SWAP 3/20/03	37,396,995	37,856,242
S&P 500 SWAP 7/31/02	20,968,826	19,751,506
S&P 500 SWAP 11/29/02	47,177,770	44,769,393
Subtotal	**531,418,263**	**526,706,063**
Alpha Engine Managers		
Lotsoff Capital Management	109,689,950	108,936,806
Alpha STMM/STIF Cash	5,689,826	5,689,826
Bridgewater	108,885,049	110,857,913
Freeman Associates	100,990,453	110,498,407
Salus Capital Management	101,273,944	109,022,085
Zazove Associates	114,323,337	109,747,510
Total Alpha Engine Managers	**540,852,559**	**554,752,547**
Less: Notional value of Swap Investments		531,418,263
Excess Collateralization		**$ 23,334,284**

Description		CASH	MARKET VALUE
In Futures:			
Domestic Equity Managers Equitized Cash		$ 19,888,358	$ 19,796,400
EAFE Futures		24,365,334	25,396,480
Equitized Liquidity		47,282,193	47,263,905
Fixed Income Futures (Bondized)		16,343,264	13,970,391
Total Futures		**107,879,149**	**106,427,176**
Less: Total Cash		158,554,725	
Excess Collateralization		50,675,576	
RECAP OF CASH:			
Cash in STMM with Bank of New York:			
Domestic Equity Managers	18,575,358		
EAFE Futures	22,398,811		
Equitized Cash	38,720,304		
Fixed Income Managers & Real Estate Cash	50,665,476		
Fixed Income Futures (Bondized)	16,225,364		
Subtotal - Cash with the Bank of New York		**146,585,313**	
Cash in San Diego County Pool		5,364,639	
Cash on Hand		100	
Margin Cash-Lehman		6,604,673	
Total Cash		**158,554,725**	
UNEQUITIZED CASH:			
Cash in Commercial Checking - Bank of New York		10,000	
Petty Cash		100	
Fixed Income Managers & REIT		50,665,476	
Excess Cash			**$ 50,675,576**

ACTUARIAL SECTION

San Diego County Employees Retirement Association
401 West A Street, Suite 1300 • San Diego, CA 92101-7906
619-515-0130 • www.sdcera.org

GABRIEL, ROEDER, SMITH & COMPANY
Consultants & Actuaries
9171 Towne Centre Drive • Suite 440 • San Diego, California 92122 • 858-535-1300 • FAX 858-535-1415

October 8, 2002

Members of the Retirement Board
San Diego County Employees' Retirement Association

Members of the Board:

The fundamental financial objective of the San Diego County Employees' Retirement Association is to establish contribution rates which, expressed as percents of active member payroll, will remain approximately level from generation to generation of County taxpayers.

To test how well the fundamental objective is being achieved, annual actuarial valuations are made. These valuations adjust employer contributions, up or down as the case may be, for differences in the past year between assumed financial experiences and actual financial experiences. In addition, these valuations determine the reserve strength of the Association.

Using data as of June 30, 2002, an actuarial valuation was performed. Summary information about the contribution rates and funded ratios are shown in this Annual Report. We relied on unaudited data given to us by the County. However, we performed a test as to reasonableness which preceded the commencement of our valuation work. For example, we compiled and analyzed a list of relevant summary data that incorporated average attained ages, average salaries, average benefit payout, and average service length for relevant subgroups of County participants. We sent a letter summarizing such data to the County for their review and comment prior to commencement of our valuation work.

Assumptions concerning future experience are needed for computing employer contribution rates. No less frequently than each three years, assumed and actual experience is compared. Periodically, one or more of the assumptions about the future are changed by the Retirement Board after consulting with the actuary. In the 2002 valuation, significant benefit enhancements were reflected. An assumption change regarding anticipated earlier retirement incidence was made.

All assumptions and methods for funding purposes are in accordance with GASB Statement #25.

The current funded ratio declined from 107% to 75%.

On the basis of the 2002 valuation, it is our opinion that the Association is in reasonably sound condition in accordance with actuarial principles of level cost financing.

Respectfully submitted,

Rick Roeder

Rick A. Roeder, EA, FSA, MAAA

SHORT-TERM SOLVENCY TEST
(THOUSANDS OF DOLLARS)

					Portion of Accrued Liability Covered by Valuation Assets		
Valuation Date	Active Member Contributions (Note 1)	Liability for Retired Participants	Liability for Active Members (Employer Financed Portion)	Valuation Assets	Active Member Contributions	Liability for Retired Participants	Liability for Active Members (Employer Financed Portion)
06/30/93	$ 186,398	$ 857,616	$ 847,830	$ 1,438,093	100%	100%	76.0%
06/30/94	190,351	921,331	895,007	1,947,310	100%	100%	97.0%
06/30/95	195,588	983,481	974,537	2,172,890	100%	100%	100.0%
06/30/96	190,164	1,023,047	1,127,452	2,370,519	100%	100%	100.0%
06/30/97	193,072	1,093,600	1,201,245	2,688,098	100%	100%	100.0%
06/30/98	198,968	1,193,667	1,284,958	2,834,571	100%	100%	100.0%
06/30/99	201,234	1,313,729	1,345,249	3,211,872	100%	100%	100.0%
06/30/00	202,531	1,463,827	1,582,464	3,568,671	100%	100%	100.0%
06/30/01	214,146	1,549,361	1,743,321	3,745,600	100%	100%	100.0%
06/30/02 **(2)**	204,572	2,046,485	2,827,010	3,831,334	100%	100%	75.4%

Note 1 Beginning in 1998, vested deferred members are included in Active Member Contributions.

Note 2 2002 liabilities reflect enhanced benefits approved by the County Board of Supervisors in March 2002, experience losses, projected earlier retirement trends and increased transfers to reserves not included as valuation assets ($117.2 million for health benefits and STAR COLA).

HISTORY OF EMPLOYER CONTRIBUTION RATES

	General Members			Probation Members (Note 1)			Safety Members		
Year Ended	Normal %	UAAL %	Total %	Normal %	UAAL %	Total %	Normal %	UAAL %	Total %
06/30/93	4.10	0.87	4.97				11.23	0.54	11.77
06/30/94	3.88	2.34	6.22				10.83	1.50	12.33
06/30/95	3.89	(0.98)	2.91				11.57	(0.33)	11.24
06/30/96	4.18	(0.70)	3.48				10.91	(3.07)	7.84
06/30/97	5.70	(6.30)	(0.60)				12.21	(9.93)	2.28
06/30/98	6.17	(4.58)	1.59	10.46	(4.58)	5.88	12.45	(8.50)	3.95
06/30/99	5.81	(7.17)	(1.36)				11.72	(6.04)	5.68
06/30/00	5.90	(9.72)	(3.82)				11.82	(8.86)	2.96
06/30/01	5.96	(6.99)	(1.03)				11.90	(5.03)	6.87
06/30/02 **(2)**	10.77	18.21	28.98				19.61	23.36	42.97

Note 1 Probation members changed to separate status in fiscal year 1998. Probation members are included with safety members beginning in 1999.

Note 2 Increased contribution requirements reflect enhanced benefits approved by the County Board of Supervisors in March 2002, experience losses, expected projected earlier retirement trends and increased transfers to reserves not included as valuation assets ($117.2 million for health benefits and STAR COLA).

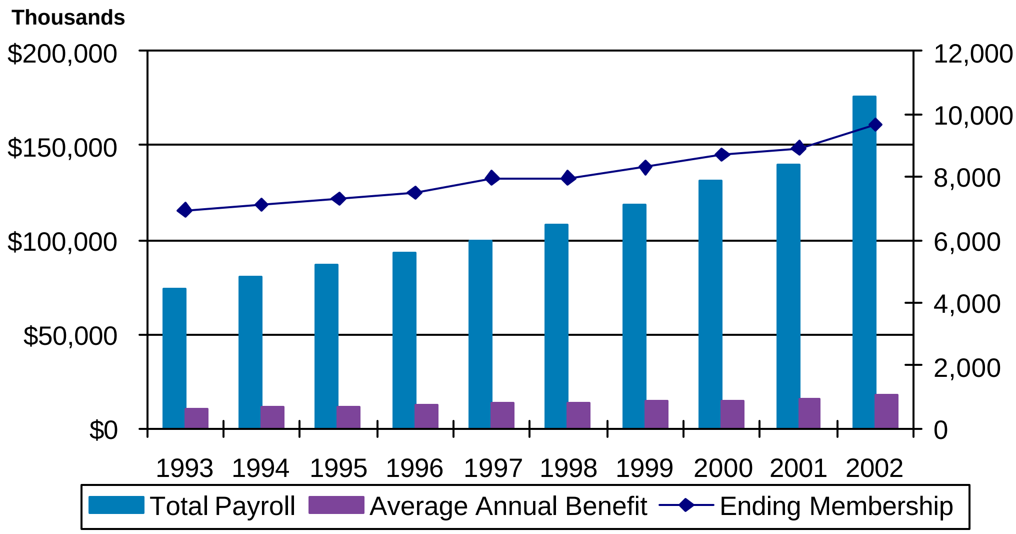
UAAL = Amortization of Unfunded Actuarial Accrued Liability

Source: Gabriel, Roeder, Smith & Company, Annual Actuarial Valuation, June 30, 2002

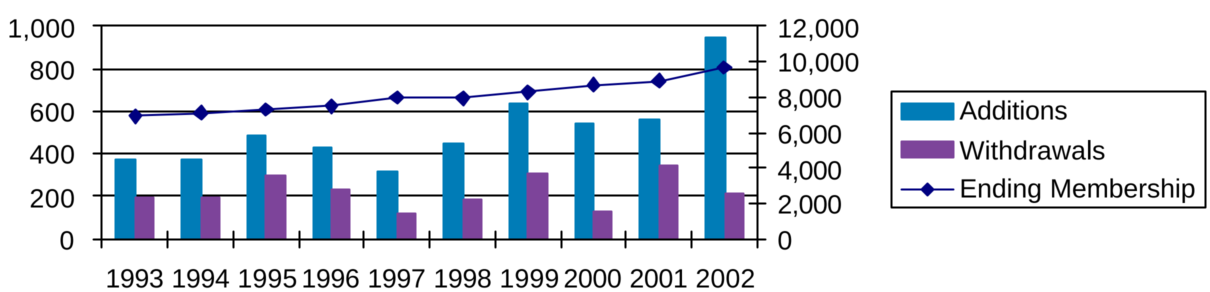
DEMOGRAPHIC ACTIVITY OF RETIREES AND BENEFICIARIES FOR THE YEARS ENDED JUNE 30

Fiscal Year	Beginning Members	Added	Withdrew	Ending Members	Total Retiree Payroll	% Change in Payroll	Average Annual Benefit	% Change in Average Benefit
1993	6,759	369	197	6,931	$ 74,286,817	8.1%	$ 10,718	5.4%
1994	6,931	373	198	7,106	80,270,720	8.1%	11,296	5.4%
1995	7,106	486	298	7,294	86,660,001	8.0%	11,881	5.2%
1996	7,294	434	229	7,499	93,627,577	8.0%	12,485	5.1%
1997	7,499	316	123	7,692	99,998,279	6.8%	13,000	4.1%
1998	7,692	447	184	7,955	107,752,376	7.8%	13,545	4.2%
1999	7,955	640	303	8,292	118,154,737	9.7%	14,249	5.2%
2000	8,292	543	132	8,703	131,163,025	11.0%	15,071	5.8%
2001	8,703	560	342	8,921	139,677,744	6.5%	15,657	3.9%
2002	8,921	949	213	9,657	175,767,933	25.8%	18,201	16.2%

RETIREMENT PAYROLL AND AVERAGE ANNUAL PENSION BENEFIT

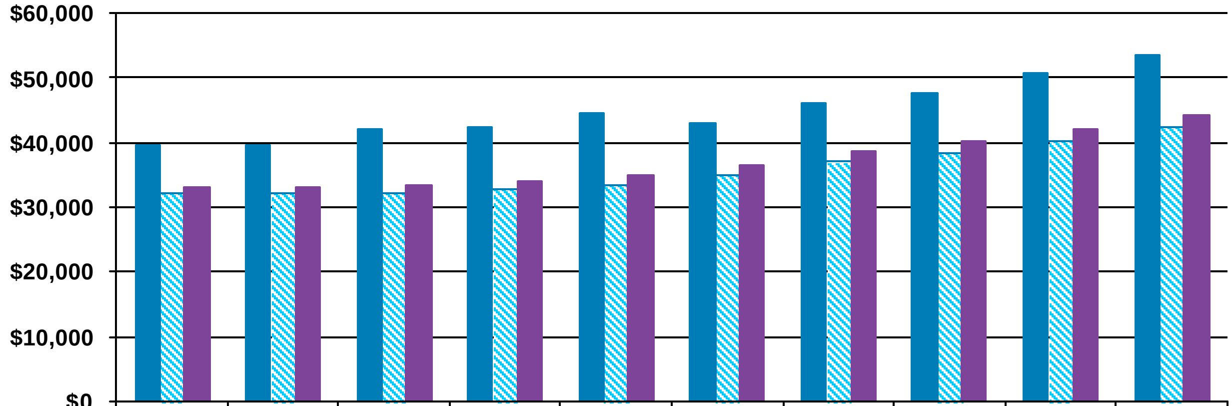


MEMBERSHIP ACTIVITY



Source: Gabriel, Roeder, Smith & Company, Annual Actuarial Valuation, June 30, 2002

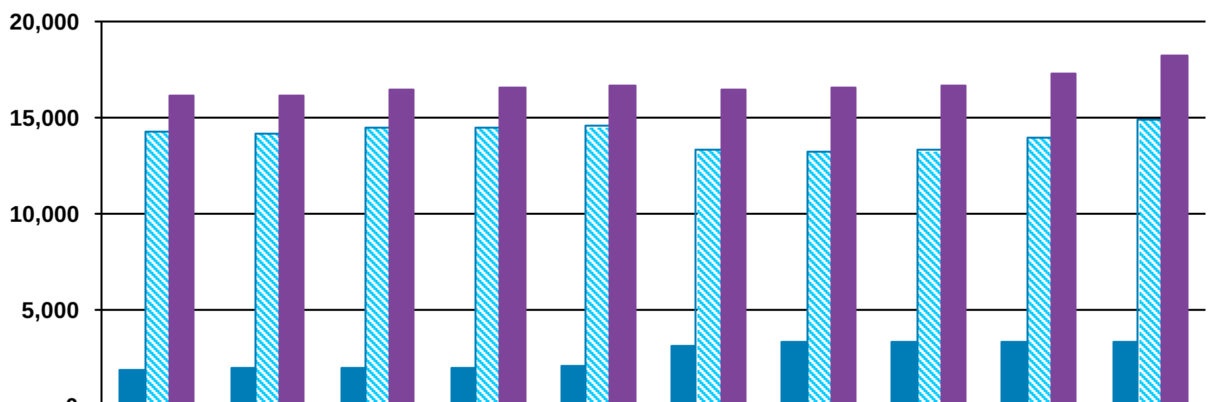
ACTIVE MEMBERSHIP HISTORY
AVERAGE ANNUAL SALARIES BY MEMBER TYPE
FOR THE YEARS ENDED JUNE 30



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Safety	$39,758	$39,760	$41,990	$42,469	$44,476	$43,144	$45,981	$47,660	$50,593	$53,384
General	$32,117	$32,210	$32,180	$32,814	$33,375	$35,039	$36,968	$38,480	$40,109	$42,303
Total	$33,003	$33,126	$33,378	$33,992	$34,954	$36,432	$38,771	$40,343	$42,150	$44,342

Note: Probation members changed to separate status in 1998 and were included in the Safety category beginning in 1999. The graph combines Safety and Probation members beginning in 1998 to facilitate trend analysis.

ACTIVE MEMBERSHIP HISTORY
GROWTH IN ACTIVE MEMBERSHIP
FOR THE YEARS ENDED JUNE 30



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Safety	1,873	1,964	2,015	2,017	2,107	3,132	3,316	3,382	3,376	3,362
General	14,281	14,216	14,485	14,507	14,528	13,309	13,263	13,287	13,970	14,914
Total	16,154	16,180	16,500	16,524	16,635	16,441	16,579	16,669	17,346	18,276

Source: Gabriel, Roeder, Smith & Company, Annual Actuarial Valuation, June 30, 2002

DEVELOPMENT OF FUNDING VALUE OF ASSETS FOR THE YEARS ENDED JUNE 30 (THOUSANDS OF DOLLARS)

		Plan Year Ended				
	Funding Value Details	**6/30/98**	**6/30/99[1]**	**6/30/00**	**6/30/01**	**6/30/02**
A	Funding Value, beg. of year	$ 2,688,098	$ 2,834,571	$ 3,211,872	$ 3,568,671	$ 3,745,600
B	Gross Market Value, end of year	3,539,641	3,834,322	4,362,148	3,963,184	3,569,748
C	Gross Market Value, beg. of year	3,116,457	3,539,641	3,834,322	4,362,148	3,963,184
D	Non-investment Cash Flow	(50,635)	(76,466)	(85,172)	(91,990)	(95,505)
D1	Employer Contributions	-	-	38,167	41,123	50,581
E	Investment Income					
E1	Market total = **B - C - D**	473,819	371,147	612,998	(306,974)	(297,931)
E2	8.25% Recognition[2]	219,679	230,698	263,040	292,317	307,159
E3	Phase-in Recognition = **E1 - E2**	254,140	140,449	349,958	(599,291)	(605,090)
F	Phase-in Recognition					
F1	Current Year = **E3 x 20%**	50,828	28,090	69,992	(119,858)	(121,018)
F2	First Prior Year	50,688	50,828	28,090	69,992	(119,858)
F3	Second Prior Year	57,150	50,688	50,828	28,090	69,992
F4	Third Prior Year	23,851	57,150	50,688	50,828	28,090
F5	Fourth Prior Year	(35,396)	23,851	57,150	50,688	50,828
F6	Total Recognized Gain	147,121	210,607	256,747	79,739	(91,967)
G	Preliminary Funding Value					
	End of Year = **A + D + E2 + F6**	3,004,263	3,199,410	3,646,488	3,848,738	3,865,287
H	Excludable Reserves					
H1	End of Year	216,783	199,080	276,897	380,035	413,988
H2	Beginning of Year	47,091	216,783	199,080	276,897	380,035
H3	Change = **H1 - H2**	169,692	(17,703)	77,817	103,138	33,953
I	**Final Funding Value = G - H3**	**$ 2,834,571**	**3,211,872**	**3,568,671**	**3,745,600**	**3,831,334**

[1] Reflects historical reconciliation adjustment of $5.2 million.

[2] The formula for recognition of the 8.25% assumed annual investment rate of return is based on level employer contributions and non-investment cash flow throughout the year. The recognition formula is (A+D1)*.0825 + (D-D1)*.04125.

Source: Gabriel, Roeder, Smith & Company, Annual Actuarial Valuation, June 30, 2002

ACTUARIAL COST METHODS

Normal cost and the allocation of benefit values between service rendered before and after the valuation date were determined using an individual entry-age actuarial cost method having the following characteristics:

1. The annual normal costs for each active member, payable from the date of entry into the system to the date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement;

2. Each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

Financing of Unfunded Actuarial Accrued Liability. The balance of unfunded actuarial accrued liabilities due to 2002 Plan and assumption changes is funded (or credited, if negative) over 10 years, as a level percent of pay. The remaining unfunded accrued liabilities due to gains or losses are funded in five equal installments as in prior years.

Active member payroll in aggregate was assumed to increase 4.0% a year for the purpose of determining the level percent contributions, although individual annual salary increase rates will increase at least 4.5% per year for the purpose of projecting individual pay.

Deferred Member Actuarial Accrued Liability. Data provided to the actuary included date of hire, date of birth, date of termination and last pay. Service credit, highest average salary and deferred retirement age were estimated based on the data provided. The estimates were used to compute the retirement benefit upon which the liabilities are based.

ACTUARIAL ASSUMPTIONS

The contribution requirements and benefit values of the fund are calculated by applying actuarial assumptions to the benefit provisions and member information furnished using the actuarial cost methods described above.

The principal areas of financial risk that require assumptions about future experience are:

1. Long-term rates of investment return to be generated by the assets of the fund;
2. Patterns of pay increases to members;
3. Rates of mortality among members, retirees and beneficiaries;
4. Rates of withdrawal of active members (without entitlement to a retirement benefit);
5. Rates of disability among members; and
6. Age patterns of actual retirements.

In making a valuation, the monetary effect of each assumption is calculated for as long as a present-covered person survives. That period of time can be as long as a century.

Actual experience of the system will not coincide exactly with assumed experience, regardless of the choice of the assumptions, the skill of the actuary and the precision of the many calculations made. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments (usually small) to the computed contribution rate. From time to time, it becomes appropriate to modify one or more of the assumptions, to reflect experience trends (but not random year-to-year fluctuations).

The investment return rate used for the actuarial valuation calculations was 8.25% a year, net of administrative expenses, compounded annually. This assumption, used to equate the value of payments due at different points in time, is adopted by the Retirement Board. The rate is comprised of two elements:

Components of Investment Return Rate	
Inflation	4.00%
Real Rate of Return	4.25%
Total	**8.25%**

Source: Gabriel, Roeder, Smith & Company, Annual Actuarial Valuation, June 30, 2002

The inflation rate used for the actuarial valuation calculations was 4.0% per year, compounded annually. It represents the difference between the investment return rate and the assumed real rate of return.

Inflation actually experienced, as measured by the Consumer Price Index for urban wage earners, has been as follows:

Consumer Price Index Urban Wage Earners and Clerical Workers Before 1978
All Urban Consumers After 1977

10-Year Moving Average	
June 30, 1962	1.3%
June 30, 1972	3.3%
June 30, 1982	8.8%
June 30, 1992	3.8%
June 30, 2002	2.5%
50-Year Average	**3.9%**

Interest credited to member contributions is 8.25%, compounded semi-annually.

Salary increase rates used to project current pay for those upon which a benefit will be based, were last revised in 1998, to reflect a total projected increase of 4.5%. Rates do not vary by age.

Components of Annual Rate of Salary Increase	
Inflation	4.00%
Merit & Longevity	0.50%
Total	**4.50%**

Additional merit and longevity increases for employees with less than five years of service are also incorporated in the actuarial analysis, as follows:

Years of Service at Valuation Date	Safety	General
0	6.00%	3.00%
1	5.00%	2.50%
2	4.00%	2.00%
3	2.50%	1.50%
4	1.25%	1.00%

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HISTORIC SUMMARY OF PAYROLL

Valuation Date	Employees	Total Payroll	% Change	Average Salary	% Change
12/31/85	11,570	$ 280,560,958	--%	$ 24,249	--%
12/31/86	12,199	297,151,940	5.9	24,359	0.5
12/31/87	12,819	340,499,064	14.6	26,562	9.0
12/31/88	13,612	365,650,795	7.4	26,862	1.1
06/30/89	13,962	391,328,886	7.0	28,028	4.3
06/30/90	15,309	444,840,888	13.7	29,057	3.7
06/30/91	15,986	494,284,829	11.1	30,920	6.4
06/30/92	16,021	525,411,229	6.3	32,795	6.1
06/30/93	16,154	533,124,485	1.5	33,003	0.6
06/30/94	16,180	535,980,753	0.5	33,126	0.4
06/30/95	16,500	550,737,347	2.8	33,378	0.8
06/30/96	16,524	561,691,535	2.0	33,992	1.8
06/30/97	16,635	581,453,449	3.5	34,954	2.8
06/30/98	16,441	598,971,557	3.0	36,432	4.2
06/30/99	16,579	642,780,304	7.3	38,771	6.4
06/30/00	16,669	672,476,730	4.6	40,343	4.1
06/30/01	17,346	731,130,021	8.7	42,150	4.5
06/30/02	18,276	810,388,635	10.8	44,342	5.2

Source: Gabriel, Roeder, Smith & Company, Annual Actuarial Valuation, June 30, 2002

HISTORIC SUMMARY OF ASSUMPTIONS
YEAR ENDED JUNE 30

	Year Ended					3 Year	5 Year
Assumption	**6/30/02**	**6/30/01**	**6/30/00**	**6/30/99**	**6/30/98**	**Average**	**Average**
Inflation [1]	2.9%	5.7%	4.7%	3.4%	1.4%	4.4%	3.6%
Assumed [3]						4.0	4.0
Average Pay increase	5.2	4.5	4.1	6.4 [7]	4.2	4.6	4.9
Assumed [3]						4.0	4.0
Merit & Longevity Pay Increase	2.3	(1.2)	(0.6)	3.0	2.8 [6]	0.2	1.2
Assumed						0.5	0.5
Total Payroll	10.8	8.7	4.6	7.3 [7]	3.0	8.0	6.8
Assumed [3]						4.0	4.0
Investment Return Rate [2]	5.8	10.5	16.3	15.8	13.1	10.8	12.2
Assumed [4]						8.25	8.25
Real Rate of investment Return	2.9	4.8	11.6	12.4	11.7	6.4	8.6
Assumed [5]						4.25	4.25
Admin. Expenses (% of Assets)	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Assumed						0.0	0.0

Source: Gabriel, Roeder, Smith & Company, Annual Actuarial Valuation, June 30, 2002

1 Based on Consumer Price Index for San Diego, All Items, 1982-84=100.
2 Based on actuarial value of assets, not market value or book value.
3 Effective with June 30, 1997 valuation, this assumption has been reduced from 4.5% to 4.0%.
4 Effective with June 30, 1997 valuation, this assumption has been increased from 8.0% to 8.25%.
5 Effective with June 30, 1997 valuation, this assumption has been increased from 3.5% to 4.25%.
6 Includes certain items, such as pension compensation, that were previously excluded per the “Ventura” decision. This decision is discussed in Management’s Discussion and Analysis in the Financial Section of the Comprehensive Annual Financial Report.
7 Includes 0.3% increase due to inclusion of bonus pay.

Rates of separation from active membership are shown below (rates do not include separation on account of retirement or death). This assumption measures the probabilities of members remaining in employment. Starting with the June 30, 1997 valuation, all employees, eligible to retire, are assumed to not withdraw accumulated member contributions upon separation from service.

It is assumed that 100% of the safety disabilities and 60% of the general and probation disabilities are duty-related. It is also assumed that 40% of separating active members will continue employment with a reciprocal employer and receive assumed inflation increases during their subsequent employment with a reciprocal employer.

The post-retirement mortality table used was the 1994 Uninsured Pensioner Mortality Table. SDCERA's Board has adopted the mortality table. This assumption is used to measure the probabilities of members dying after retirement and the probabilities of each benefit payment being made after retirement. There is a 3year age set forward for disabilitants. Related values are shown below.

PERCENT OF ACTIVE MEMBERS SEPARATING WITHIN THE NEXT YEAR

		Disability			Other	
		General and Probation				Safety and
Sample Ages	Years of Service	Male	Female	Safety	General	Probation
All	0				22.75%	11.00%
	1				12.00%	6.00%
	2				9.75%	4.00%
	3				7.75%	4.00%
	4				6.50%	4.00%
20	5 and over	0.02%	0.00%	0.02%	15.00%	9.00%
25		0.02%	0.00%	0.02%	12.50%	9.00%
30		0.03%	0.02%	0.30%	8.50%	6.00%
35		0.07%	0.04%	0.68%	5.75%	2.50%
40		0.17%	0.08%	1.18%	4.25%	1.75%
45		0.31%	0.15%	1.78%	3.50%	1.25%
50		0.48%	0.24%	2.60%	2.50%	1.00%
55		0.70%	0.34%	0.00%	1.75%	1.00%
60		0.46%	0.42%	0.00%	1.75%	1.00%

POST-RETIREMENT MORTALITY RATES

	Future Life Expectancy (Years)		% Dying Within Next Year		
	Retirees		Retirees		
Sample Ages	Male	Female	Male	Female	Sample Ages
45	34.68	39.01	0.17%	0.10%	45
50	30.01	34.24	0.28%	0.15%	50
55	25.49	29.53	0.48%	0.25%	55
60	21.20	24.97	0.86%	0.48%	60
65	17.26	20.69	1.56%	0.93%	65
70	13.77	16.77	2.55%	1.48%	70
75	10.66	13.11	4.00%	2.44%	75
80	7.97	9.88	6.67%	4.24%	80

Source: Gabriel, Roeder, Smith & Company, Annual Actuarial Valuation, June 30, 2002

The active member mortality table used was the 1994 Uninsured Pensioner Mortality Table. This assumption measures the probability of mortality before retirement. The rates include probability of ordinary death, line-of-duty death and death while eligible for retirement or disability.

Sample Ages	% Dying Within Next Year Male	Female
30	0.09%	0.04%
35	0.09%	0.05%
40	0.12%	0.08%
45	0.17%	0.10%
50	0.28%	0.15%
55	0.48%	0.25%
60	0.86%	0.48%
65	1.56%	0.93%

The rates of retirement used to measure the probability of eligible members retiring during the next year are depicted in the table below. These rates are new for the 2002 valuation and reflect accelerated retirement assumptions based on the benefit enhancements approved in March 2002.

Retirement Ages	Safety Members	Probation Members	General Members
48	5.0%	0.0%	0.0%
49	5.0%	0.0%	0.0%
50	20.6%	12.0%	6.0%
51	20.6%	14.0%	3.0%
52	20.6%	16.0%	5.0%
53	20.6%	18.0%	5.0%
54	20.6%	20.0%	6.0%
55	30.3%	20.0%	12.0%
56	30.3%	25.0%	13.0%
57	30.3%	30.0%	15.0%
58	35.3%	35.0%	15.0%
59	35.3%	35.0%	15.0%
60	50.3%	30.0%	15.0%
61	50.3%	30.0%	15.0%
62	50.3%	50.3%	23.0%
63	50.3%	50.3%	15.0%
64	50.3%	50.3%	20.0%
65	100.0%	100.0%	28.0%
66	100.0%	100.0%	28.0%
67	100.0%	100.0%	30.0%
68	100.0%	100.0%	30.0%
69	100.0%	100.0%	40.0%
70	100.0%	100.0%	100.0%

Source: Gabriel, Roeder, Smith & Company, Annual Actuarial Valuation, June 30, 2002

For deferred vested members, the following retirement assumption applies:

- Non-reciprocals: When initially eligible to retire
- Reciprocals: Later of age 55 or eligibility to retire

In determining eligibility to retire for this purpose, service "tacking" from date of separation of service is assumed.

The rates of employer pick-up vary by employee. Employees with fewer than five years of service have a lesser percentage of their employee contributions “picked up” than employees with five or more years of service.

All or part of the employee contribution rate is subject to potential "pick-up" by the employer. The member rates provided in the census are prior to any applicable pick-up. Such pick-ups and related accumulated interest are not to be refunded to employees at termination. The County's liability for potential refunds is reduced to reflect this. The crediting rate on member accounts is 4.125%, credited semi-annually.

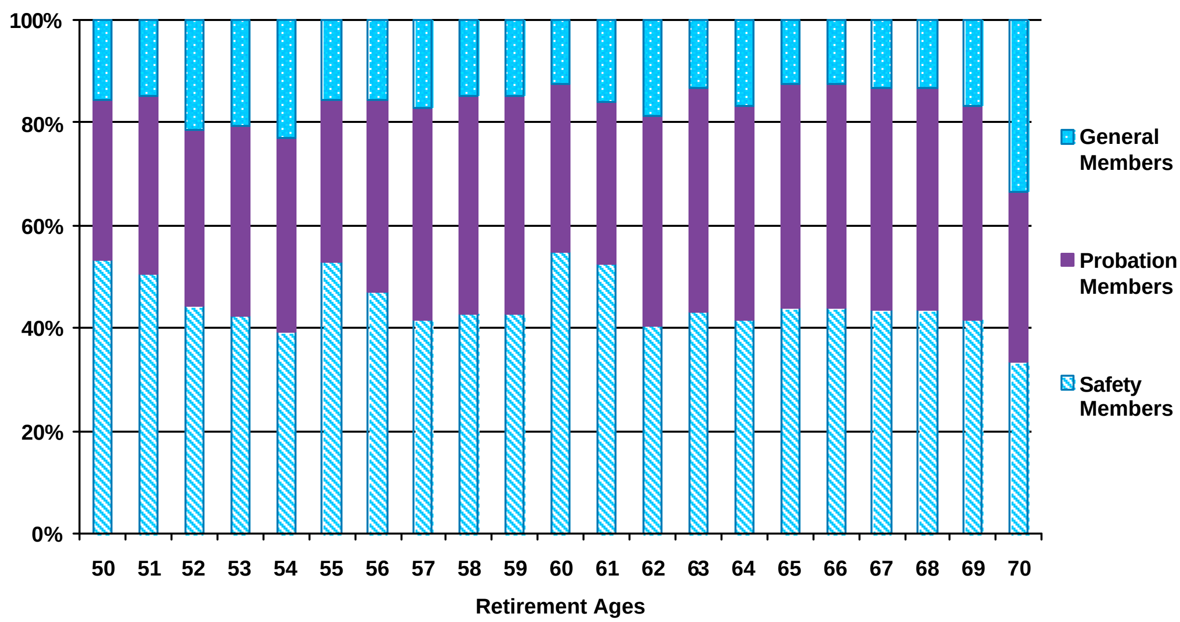
Rates provided in the census apply to salary amounts over $350 per month in the case of employees with integrated benefits. Rates applicable to the first $350 per month of salary are not provided. Due to the small portion of salary to which a different rate is applied and the substantial portion of total member contributions subject to employer pick-up, rates provided were assumed, for simplicity, to apply to total salary.

Survivor benefits: Marital status and spouses' census data were imputed with respect to active and deferred members.

Marital status: 80% of men and 50% of women were assumed married at retirement.

Spouse census: Women were assumed to be four years younger than men.

PROBABILITY OF ELIGIBLE MEMBERS RETIRING DURING THE NEXT YEAR



STATISTICAL SECTION

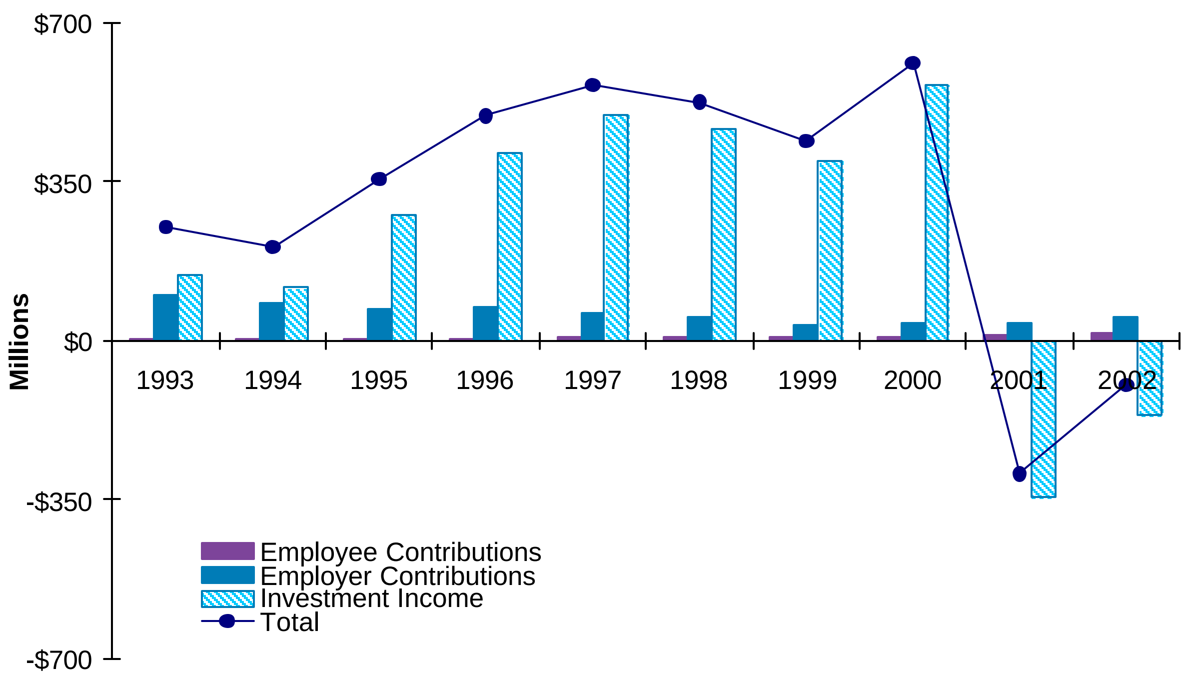
San Diego County Employees Retirement Association
401 West A Street, Suite 1300 • San Diego, CA 92101-7906
619-515-0130 • www.sdcera.org

ADDITIONS TO PLAN NET ASSETS BY SOURCE
FOR THE YEARS ENDED JUNE 30
(MILLIONS OF DOLLARS)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Employee Contributions	$ 5.8	$ 5.4	$ 5.4	$ 5.3	$ 6.2	$ 6.7	$ 7.4	$ 8.4	$ 10.8	$ 17.3
Employer Contributions (1)	99.0	83.9	71.5	74.8	61.6	51.8	36.4	38.1	41.1	50.6
Investment Income (2)	145.6	116.9	279.0	415.2	495.7	466.9	396.0	564.4	(344.8)	(164.8)
Total	**$ 250.4**	**$ 206.2**	**$ 355.9**	**$ 495.3**	**$ 563.5**	**$ 525.4**	**$ 439.8**	**$ 610.9**	**$ (292.9)**	**$ (96.9)**

NOTES:
(1) Includes County pick-ups of employee contributions and annual actuarially required contributions.
(2) Includes securities lending income.

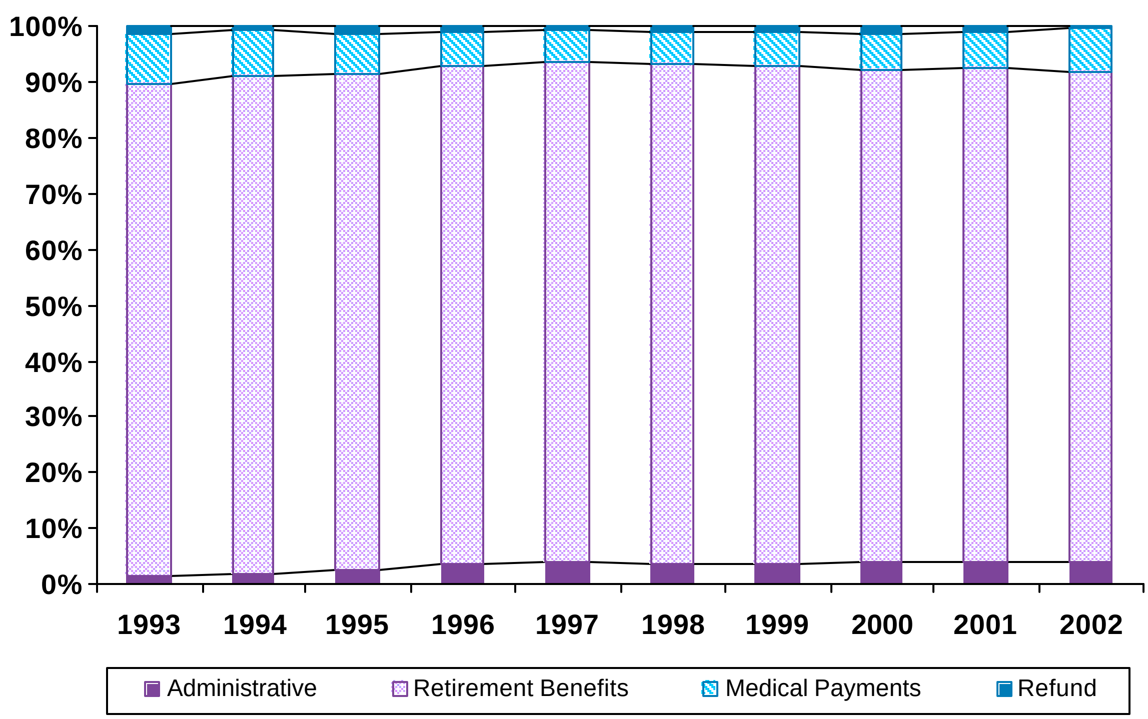
ADDITIONS TO PLAN NET ASSETS BY SOURCE



DEDUCTIONS FROM PLAN NET ASSETS BY TYPE
FOR THE YEARS ENDED JUNE 30
(MILLIONS OF DOLLARS)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Administrative Expenses	$ 1.2	$ 1.2	$ 1.8	$ 2.7	$ 3.9	$ 4.5	$ 4.8	$ 5.3	$ 6.4	$ 7.6
Retirement Benefits	71.9	77.5	86.8	90.2	97.0	103.7	121.3	132.8	144.1	163.6
Health Benefits	8.3	8.0	7.9	7.4	6.5	6.6	7.9	9.0	10.8	14.3
Refunds	1.4	1.2	0.7	1.5	1.3	0.9	1.4	1.7	1.6	0.9
Total	**$ 82.8**	**$ 87.9**	**$ 97.2**	**$101.8**	**$108.7**	**$115.7**	**$135.4**	**$148.8**	**$ 162.9**	**$186.4**

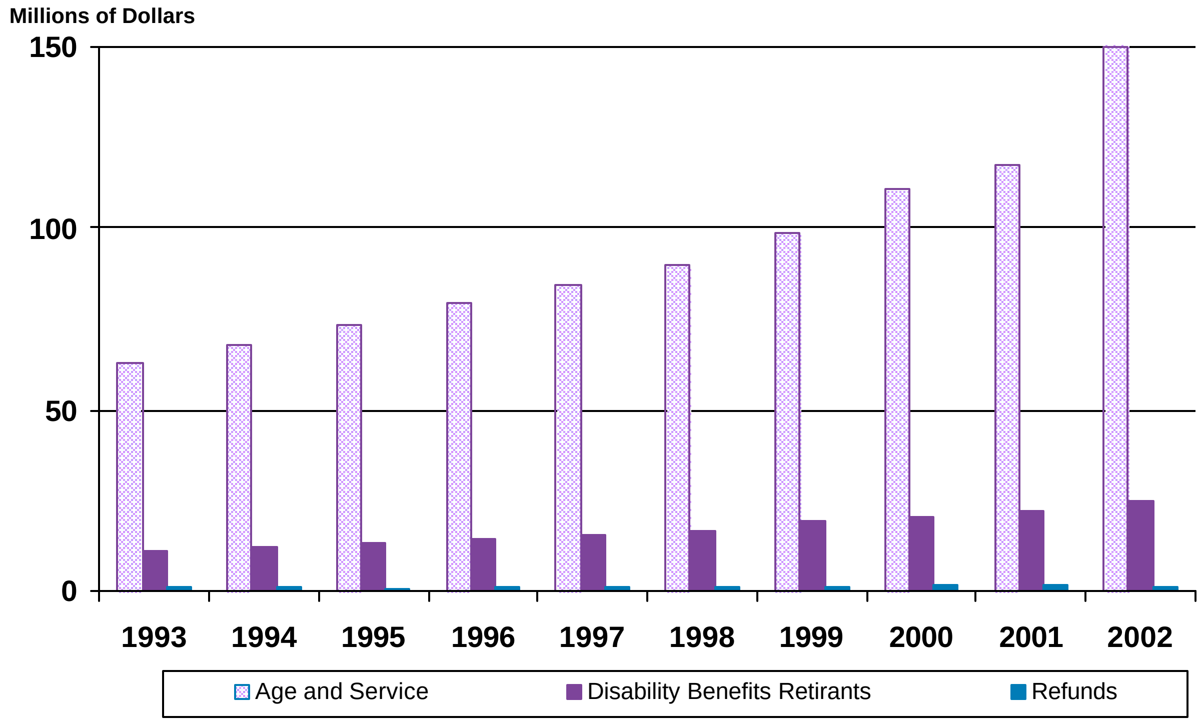
DEDUCTIONS FROM PLAN NET ASSETS BY TYPE



BENEFIT EXPENSES BY TYPE
FOR THE YEARS ENDED JUNE 30
(MILLIONS OF DOLLARS)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Age and Service										
Retirees	$ 59.9	$ 64.8	$ 69.9	$ 74.5	$ 79.2	$ 83.8	$ 91.9	$102.9	$109.0	$141.4
Survivors	2.2	2.1	2.3	3.6	4.0	4.5	5.4	6.0	6.5	7.6
Died in service	0.9	0.9	1.0	1.2	1.4	1.4	1.6	1.6	1.7	1.9
Total	**63.0**	**67.8**	**73.2**	**79.3**	**84.6**	**89.7**	**98.9**	**110.5**	**117.2**	**150.9**
Disability Benefits Retirants										
Duty	8.1	8.8	9.4	10.3	11.1	12.4	14.2	15.2	3.9	4.2
Non-Duty	2.3	2.6	2.8	2.8	3.0	3.1	3.4	3.6	16.4	18.3
Survivor	0.9	1.2	1.2	1.2	1.3	1.0	1.7	2.0	2.2	2.4
Total	**11.3**	**12.6**	**13.4**	**14.3**	**15.4**	**16.5**	**19.3**	**20.8**	**22.5**	**24.9**
Refunds										
Death	N/A	N/A	0.2	0.3	0.3	0.3	0.3	0.7	0.4	0.6
Separation	N/A	N/A	0.5	1.2	1.1	1.0	1.2	1.0	1.6	0.9
Total	**1.4**	**1.2**	**0.7**	**1.5**	**1.4**	**1.3**	**1.5**	**1.7**	**2.0**	**1.5**

BENEFIT EXPENSES BY TYPE



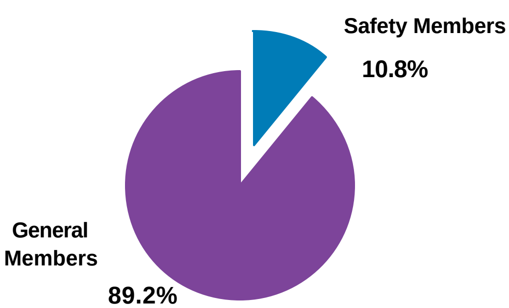
Source: Gabriel, Roeder, Smith & Company, Annual Actuarial Valuation, June 30, 2002

RETIREES AND BENEFICIARIES
JUNE 30, 2002
TABULATED BY TYPE OF BENEFIT PAID (IN NUMBERS OF MEMBERS)

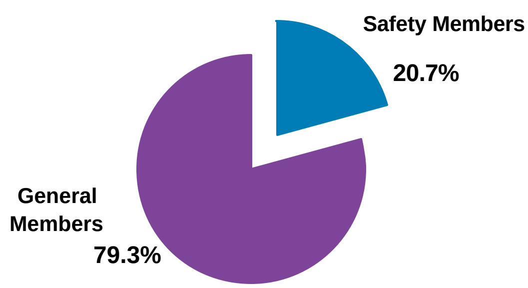
	General Members		Safety Members	
Type of Benefit	Number of Retirees or Beneficiaries	Annual Benefit	Number of Retirees or Beneficiaries	Annual Benefit
Service Retirement:				
Straight Life	1,269	$ 16,635,982	32	$ 928,525
Cash Refund Annuity	38	549,142	-	-
Joint and 50% Survivor	7	104,860	1	38,169
Joint and 100% Survivor	83	1,034,941	10	372,283
Automatic Joint and 60% Survivor	4,540	78,171,423	423	18,350,750
Social Security Equated	801	20,637,651	83	4,563,825
Beneficiary	751	6,914,748	31	651,076
Total Service Retirement	**7,489**	**124,048,747**	**580**	**24,904,628**
Non Duty Disability Retirement:				
Straight Life	113	1,100,258	2	30,305
Cash Refund Annuity	2	13,456	-	-
Joint and 50% Survivor	2	23,631	-	-
Joint and 100% Survivor	1	8,594	-	-
Automatic Joint and 60% Survivor	229	2,657,153	22	407,481
Beneficiary of Deceased Disabilitant	112	1,369,704	2	17,434
Duty Disability Retirement:				
Straight Life	108	1,779,990	61	1,408,288
Cash Refund Annuity	2	25,668	-	-
Joint and 50% Survivor	1	9,128	-	-
Automatic Joint and 100% Survivor	351	6,284,975	318	8,495,520
Other	10	99,816	14	205,156
Beneficiary of Deceased Disabilitant	29	454,805	24	558,909
Total Disability Retirement	**960**	**13,827,178**	**443**	**11,123,093**
Death Before Retirement	164	1,505,130	21	359,156
Total Allowances Paid	**8,613**	**$ 139,381,055**	**1,044**	**$ 36,386,877**

Source: Gabriel, Roeder, Smith & Company, Annual Actuarial Valuation, June 30, 2002

PLAN MEMBERSHIP



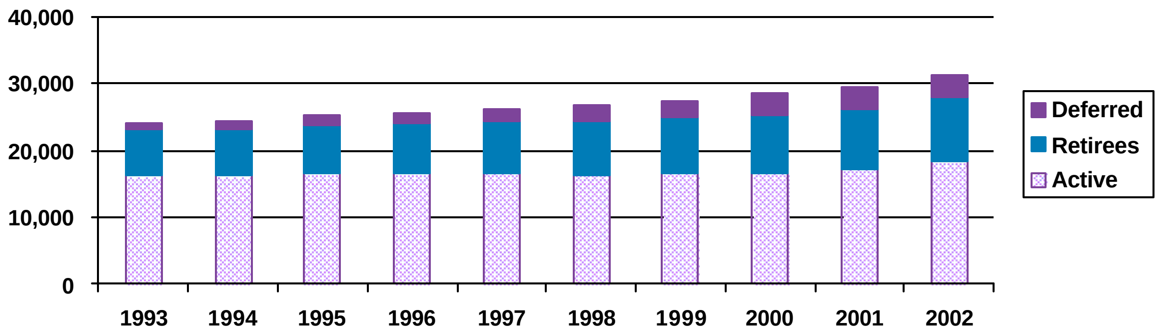
ALLOWANCES PAID



PLAN MEMBERSHIP, AVERAGE BENEFIT PAYMENT AND AVERAGE COVERED SALARY

Year Ended June 30	Retirees	Annual Benefits	Average Annual Benefits	Number of Active Employees	Annual Covered Salary	Average Salary	Deferred Members
1993	6,931	$ 74.3M	$10,718	16,154	$ 533.1M	$33,003	1,091
1994	7,106	80.3M	11,296	16,180	536.0M	33,128	1,189
1995	7,294	86.7M	11,881	16,500	550.7M	33,378	1,401
1996	7,499	93.6M	12,485	16,524	561.7M	33,922	1,588
1997	7,692	100.0M	13,000	16,635	581.5M	34,954	1,929
1998	7,955	107.8M	13,545	16,441	599.0M	36,432	2,271
1999	8,292	118.2M	14,250	16,579	642.8M	38,771	2,653
2000	8,703	131.2M	15,071	16,669	672.5M	40,343	3,081
2001	8,921	131.2M	15,657	17,346	731.1M	42,150	3,290
2002	9,657	175.8M	18,201	18,276	810.4M	44,342	3,290

PLAN MEMBERSHIP



ACTIVE MEMBERSHIP BY TIER (NUMBER OF MEMBERS)

Year Ended June 30	General Members		Probation Members				
	Tier I	Tier A[1]	Tier I	Tier A[1]		Safety Members	Total Membership
1993	2,616	11,665	-	-		1,873	16,154
1994	2,422	11,794	-	-		1,964	16,180
1995	2,267	12,218	-	-		2,015	16,500
1996	2,094	12,413	-	-		2,017	16,524
1997	1,944	12,584	-	-		2,107	16,635
1998	1,578	11,731	166	753	2	2,213	16,443
1999	1,528	11,735	-	-		3,316	16,579
2000	1,387	11,900	-	-		3,382	16,669
2001	1,311	12,659	-	-		3,376	17,346
2002	96	14,818	-	-		3,362	18,276

Note 1: Tier changes as of March 8, 2002, complicate year by year comparisons by tier. All active members moved to Tier A unless they specifically requested Tier I. Tier II and Safety tier distinctions have been eliminated for active members.

Note 2: Probation members changed to separate status in 1998 and were included in the Safety category beginning in 1999.

Source: Gabriel, Roeder, Smith & Company, Annual Actuarial Valuation, June 30, 2002

SCHEDULE OF PARTICPATING EMPLOYERS

County of San Diego

San Diego Superior Court

Local Agency Formation Commission

San Dieguito River Valley Joint Powers Authority

San Diego County Office of Education (closed to new members)