SDCERA

Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2005

San Diego County Employees Retirement Association
A Component Unit of the County of San Diego, California

SDCERA

Mission Statement

SDCERA is committed now and in the future to achieving its primary duty, which is to its members, by prudently managing the Fund, efficiently administering benefits, and providing superior service to members.

SDCERA
Supporting The Membership

Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2005

Issued by:

Brian P. White
CHIEF EXECUTIVE OFFICER

Mark Mimnaugh
CHIEF OPERATING OFFICER

David Deutsch
CHIEF INVESTMENT OFFICER

About SDCERA

SDCERA is an independent association governed by the County Employees Retirement Law of 1937 (Government Code Section 31450 et.seq.) as it has been adopted and implemented by the San Diego County Board of Supervisors and the SDCERA Board of Retirement. 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 a Board of Retirement.

Copies of this report are available from SDCERA, at 401 West A Street, Suite 1300,
San Diego, CA 92101-7906.

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2005

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Introduction
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SDCERA
Supporting The Membership

SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION
Supporting the Membership

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 the San Diego County Employees Retirement Association (SDCERA, Association or Plan) for the year ended June 30, 2005.

The 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. SDCERA is administered by a 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).

This letter of transmittal should be read in conjunction with Management's Discussion and Analysis which provides a narrative overview and analysis of financial activities for the year ended June 30, 2005.

The Comprehensive Annual Financial Report

The report is presented in five sections:

The Introduction 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. Brown Armstrong Paulden McCown Starbuck & Keeter, 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.

Management Responsibility for Financial Reporting

Responsibility for the accuracy of the data, along with 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 fairly present both the financial position and the Association's operations results.

Major Initiatives and Significant Events

The Board of Retirement modified SDCERA's investment asset allocation model which reduced our overall equity exposure and increased our added value strategies. Overall SDCERA's return of 13.91% placed our fund in the top decile of public pension funds.

SDCERA conducted a comprehensive survey of our membership which showed that retiree members were generally satisfied with our communications and active members desired more summary information and varied communication vehicles. Results of this survey will be used to develop communication strategies and goals.

SDCERA began a project to analyze the various business processes within our member services operations. The project goals include streamlining business processes and establishing performance measures.

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) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans*; Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans—Administered by Defined Benefit Pension 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 Disclosure*; GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*; GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section—an amendment of NCGA Statement 1*; 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.

Brown Armstrong has audited the accompanying basic financial statements. Management believes that an adequate system of internal controls is in place and that the accompanying statements, schedules and tables are presented fairly.

Investments

On a market value basis, the total net assets held in trust increased from $5.5 billion at June 30, 2004 to $6.4 billion at June 30, 2005. For the fiscal year 2005, investments provided a return of 13.91%, net of fees, and reflected market conditions throughout the year. The Plan's annualized rate of return, net of fees, was 12.8% over the last three years, 4.71% over the last five years and 10.21% over the last 10 years.

Funding

The actuarial liability and the value of assets of the Association on June 30, 2005, the date of our latest actuarial valuation, totaled $7.0 billion and $5.6 billion, respectively. This results in an unfunded actuarial accrued liability of $1.4 billion. The Plan's resulting funded ratio of 80.3%, or the percentage computed by dividing the actuarial value of assets by the actuarial accrued liability, measures the current funded status. On the basis of the 2005 valuation, the actuarial firm has indicated that the Association is in reasonably sound condition to meet obligations to Plan members.

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, Brown Armstrong Paulden McCown Starbuck & Keeter, and our actuary, The Segal Company, are included in this report. Other consultants are listed on page 13 of this report. Additional information regarding investment professionals who provide services to the Association is located on page 54 in 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, 2004. 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 accounting principles generally accepted in the United States 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 the GFOA.

Public Pension Standards Award

The Public Pension Coordinating Council (PPCC) granted its 2005 achievement award to San Diego County Employees Retirement Association. This award is in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards.

Accounting Principles and Internal Controls

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, SDCERA members 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:

SDCERA
401 West A Street, Suite 1300
San Diego, California 92101-7906

BP White

Brian P. White
Chief Executive Officer
October 20, 2005

PPCC

Public Pension Coordinating Council

Public Pension Standards

2005 Award

Presented to

San Diego County Employees Retirement System

In recognition of meeting professional standards for
plan design and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

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, 2004

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.

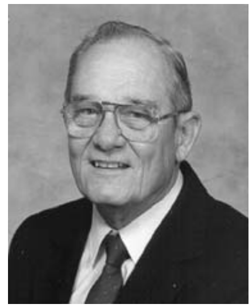
President

Executive Director

SDCERA Board of Retirement

Chairman
Dan McAllister
Treasurer-Tax Collector
Member mandated by
law while he holds
this position

Vice Chairman
David A. Myers
Elected by Safety
SDCERA Members
Present term expires
December 31, 2007



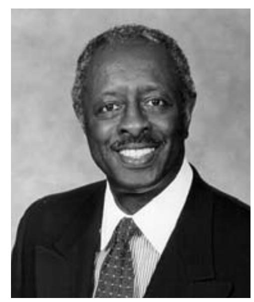
Secretary
James W. Feeley
Elected by Retired
SDCERA Members
Present term expires
June 30, 2008

Trustee
Laura DeMarco
Appointed by County
Board of Supervisors
Present term expires
June 30, 2008

Trustee
Natalya Smith Gonzales
Appointed by County
Board of Supervisors
Present term expires
June 30, 2006

Trustee
Dianne Jacob
Appointed by County
Board of Supervisors
Present term expires
December 31, 2007

Trustee
Douglas M. Rose
Elected by General
SDCERA Members
Present term expires
June 30, 2008

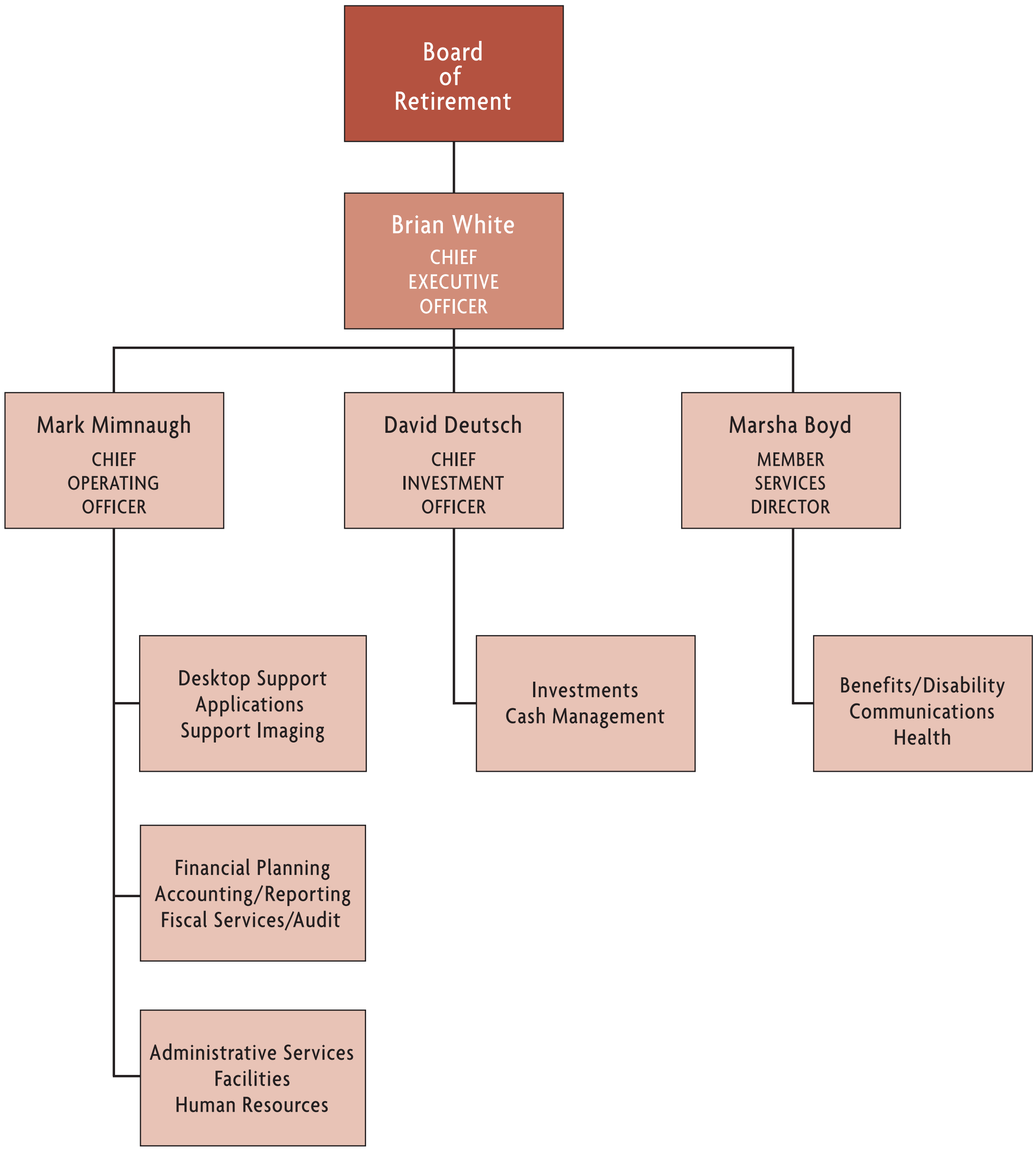


Trustee
Frank Russell, Jr.
Appointed by County
Board of Supervisors
Present term expires
June 30, 2007

Trustee
Garry Sobeck
Elected by General
SDCERA Members
Present term expires
June 30, 2007

Alternate Trustee
Warren L. Gibson
Elected by Safety
SDCERA Members
Present term expires
December 31, 2007

San Diego County Employees Retirement Association



Consultants

Auditor
Brown Armstrong CPAs
4200 Truxtun Ave., Suite 300
Bakersfield, CA 93309

Investment Consultants
Bank of New York
One Wall Street
New York, New York 10286

Cambridge Capital Advisors, Inc.
One Winthrop Square, Suite 500
Boston, MA 02110-1276

Cliffwater LLC
1601 Cloverfield Blvd., 2nd Flr.
Santa Monica, CA 90404

RP Consulting Group, Inc.
4020 Park Street, Suite 102
St. Petersburg, FL 33709

Rocaton Investment Advisors, LLC
29 Thorndal Circle
Darien, CT 06820

The Townsend Group, Institutional Real Estate
1500 West Third Street, Suite 410
Cleveland, OH 44113-1453

Benefits Consultant
William M. Mercer, Inc.
4695 MacArthur Court, Suite 600
Newport Beach, CA 92660-1882

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

Master Custodian
The Bank of New York
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New York, NY 10286

Legal Counsel
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701 B Street, Suite 1255
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San Diego, CA 92131-3961

Crowell & Moring, LLP
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Irvine, CA 92614-8505

County of San Diego
Office of County Counsel
1600 Pacific Highway
San Diego, CA 92131-3961

Duckor, Spradling & Metzger
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San Diego, CA 92101-7915

Gary, Cary, Ware and Friedenrich
401 B Street, Suite 2000
San Diego, CA 92101-4240

Laughlin, Falbo, Levy & Moresi LLP
P.O. Box 194287
San Francisco, CA 94119-4287

Steefel, Levitt & Weiss, A Professional Corporation
One Embarcadero Center, 30th Floor
San Francisco, CA 94111

Wilson, Petty, Kosmo and Turner LLP
550 West C Street, Suite 1050
San Diego, CA 92101-3532

Additional information regarding investment professionals who provide services to SDCERA is located in the Investment Section, page 54.

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Financial
section

SDCERA
Supporting The Membership

SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Supporting the Membership

BROWN ARMSTRONG PAULDEN McCOWN STARBUCK & KEETER
Certified Public Accountants

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e-mail: bainfo@bacpas.com

Shafter Office
560 Central Avenue
Shafter, California 93263
Tel 661.746.2145 Fax 661.746.1218

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of plan net assets of the San Diego County Employees Retirement Association (SDCERA) as of June 30, 2005 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of 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, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 fiduciary net assets of the San Diego County Employees Retirement Association as of June 30, 2005 and its changes in fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the schedules designed as required supplementary information in the table of contents are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information designated as other supplementary information in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements of SDCERA. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other data included in this report, designated as the investment, actuarial and statistical sections in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such data.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2005, on our consideration of SDCERA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
October 20, 2005

San Diego County Employees Retirement Association

We are pleased to present a narrative overview and analysis of the financial activities of the San Diego County Employees Retirement Association (SDCERA, Association or Plan) for the fiscal year ended June 30, 2005. We believe that the information presented here, in conjunction with the Chief Executive Officer's Letter of Transmittal found in the Introduction Section, provides you with a clear picture of the Association's overall financial status.

Financial Highlights

- Plan net assets, which represent funds available to pay current and future benefits, were $6,358 million as of the end of the fiscal year, an increase of $850 million over the prior year.

- Total Additions to Net Assets were $1,152 million primarily from earnings on and the appreciation in the fair value of investments of $795 million and County contributions of $316 million.

- Total Deductions to Net Assets were $302 million, an increase of $36 million or 14% over the prior year. Retirement benefits have risen $30 million, driven by a net increase in the number of retired members (677) and a 7.2% increase in average monthly benefit. Healthcare benefits, consisting of premium payments, increased $6 million due to an increase in the Health Allowance benefit.

- During fiscal year 2005, the rate of return on investments was a positive 13.91% on a market-value basis, net of fees.

- SDCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2005, the date of our last actuarial valuation, the funding status (the ratio of system assets to system liabilities) was 80.3%.

Overview of the Financial Statements

This discussion and analysis is intended to help the reader understand the purpose and meaning of the key components within SDCERA's basic financial statements. The financial statements are comprised of the following:

The **Statement of Plan Net Assets** presents assets and liabilities by major categories as of the fiscal year end. The difference between assets and liabilities represent the net assets held in trust for both pension benefits and health care benefits. The statement also presents prior year-end balances for comparative purposes. Over time, increases or decreases in plan net assets may serve as a useful indicator of whether the financial position of SDCERA is improving or deteriorating.

The **Statement of Changes in Plan Net Assets** provides information on the increases and decreases that caused the change in the net assets during the fiscal year. For comparison purposes, information pertaining to the previous year's Statement of Changes in Plan Net Assets is also provided.

Both statements are in compliance with Government Accounting Standards Board (GASB) Statements Nos. 25, 26, 28, 34, 37, 38, and 40. These pronouncements require certain disclosures and also require state and local governments to report using the full accrual method of accounting. SDCERA complies with all requirements of these pronouncements, as applicable.

The **Notes to the Basic Financial Statements** are an integral part of the basic financial statements. They provide important background and detailed information that is essential to a full understanding of the data provided in the financial statements.

The **Required Supplementary Information** contains information and supporting schedules pertaining to SDCERA's actuarial methods and assumptions including data on the funded status of the plan. Supporting schedules are administrative expenses (presenting the overall cost of administering the fund) and investment expenses (costs associated with investing the assets of the fund).

Financial Analysis

Tables 1-4 summarize and compare SDCERA's financial results for the current and prior fiscal years.

Table 1: SDCERA Net Assets

For the fiscal year ended June 30, 2005 and 2004 (Thousands of Dollars)

		06/30/2005	06/30/2004	Increase/ (Decrease)	Percentage Change
Cash	$	175,753	68,950	106,803	154.9%
Receivables		79,393	70,090	9,303	13.3%
Investments		6,328,736	5,419,583	909,153	16.8%
Securities Lending Collateral		503,190	375,485	127,705	34.0%
Property, Plant & Equipment		2,894	2,981	(87)	(2.9%)
Total Assets		7,089,966	5,937,089	1,152,877	19.4%
Liabilities to Brokers for Securities Lending		503,190	375,485	127,705	34.0%
Securities Purchased		212,335	43,752	168,583	385.3%
Other		15,968	9,213	6,755	73.3%
Total Liabilities		731,493	428,450	303,043	70.7%
Net Assets Held in Trust for Pension Benefits	$	**6,358,473**	**5,508,639**	**849,834**	**15.4%**

Table 2: SDCERA Net Assets

For the fiscal year ended June 30, 2004 and 2003 (Thousands of Dollars)

		06/30/2004	06/30/2003	Increase/ (Decrease)	Percentage Change
Cash	$	68,950	87,952	(19,002)	(21.6%)
Receivables		70,090	47,864	22,226	46.4%
Investments		5,419,583	4,075,273	1,344,310	33.0%
Securities Lending Collateral		375,485	329,126	46,359	14.1%
Property, Plant & Equipment		2,981	2,636	345	13.1%
Total Assets		5,937,089	4,542,851	1,394,238	30.7%
Liabilities to Brokers for Securities Lending		375,485	329,126	46,359	14.1%
Securities Purchased		43,752	98,232	(54,480)	(55.5%)
Other		9,213	12,145	(2,932)	(24.1%)
Total Liabilities		428,450	439,503	(11,053)	(2.5%)
Net Assets Held in Trust for Pension Benefits	$	**5,508,639**	**4,103,348**	**1,405,291**	**34.2%**

Net assets held in trust for pension benefits as of June 30, 2005, were $6,358,473, an increase of $849,834, or 15.4%, over the prior year. Strong investment returns of 13.9% generated $492,993 in plan net asset increases from operations. Required County and Employee contributions added another $356,841. The funds were fully invested as of June 30, 2005.

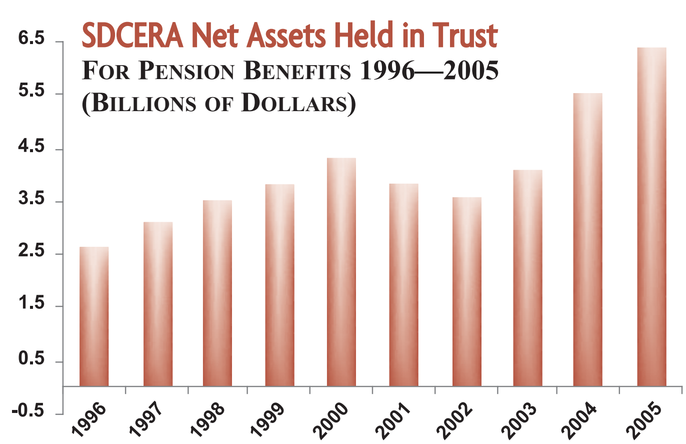


Table 3: Changes in Plan Net Assets

For the fiscal year ended June 30, 2005 and 2004 (Thousands of Dollars)

		06/30/2005	06/30/2004	Increase/ (Decrease)	Percentage Change
Additions					
Employer Contributions	$	316,074	700,583	(384,509)	(54.9%)
Member Contributions		40,766	33,609	7,157	21.3%
Net Investment Income		793,459	935,174	(141,715)	(15.2%)
Net Securities Lending Income		1,300	1,297	3	0.2%
Total Additions		1,151,599	1,670,663	(519,064)	(31.1%)
Deductions					
Retirement Benefits		259,521	229,981	29,540	12.8%
Health Benefits		32,568	26,447	6,121	23.1%
Refund of Contributions		2,185	1,536	649	42.3%
Administrative Expenses		7,491	7,408	83	1.1%
Total Deductions		301,765	265,372	36,393	13.7%
Increase/(Decrease) in Net Assets Held in Trust for Pension Benefits	$	**849,834**	**1,405,291**	**(555,456)**	**(39.5%)**

Table 4: Changes in Plan Net Assets

For the fiscal year ended June 30, 2004 and 2003 (Thousands of Dollars)

		06/30/2004	06/30/2003	Increase/ (Decrease)	Percentage Change
Additions					
Employer Contributions	$	700,583	616,113	84,470	13.7%
Member Contributions		33,609	34,666	(1,057)	(3.0%)
Net Investment Income		935,174	148,688	786,486	529.0%
Net Securities Lending Income		1,297	1,273	24	1.9%
Total Additions		1,670,663	800,740	869,923	108.6%
Deductions					
Retirement Benefits		229,981	202,550	27,431	13.5%
Health Benefits		26,447	19,964	6,483	32.5%
Refund of Contributions		1,536	1,451	85	5.9%
Administrative Expenses		7,408	7,007	401	5.7%
Total Deductions		265,372	230,972	34,400	14.9%
Increase/(Decrease) in Net Assets Held in Trust for Pension Benefits	$	**1,405,291**	**569,768**	**835,523**	**146.6%**

Additions to Retirement Plan Net Assets

(THOUSANDS OF DOLLARS)

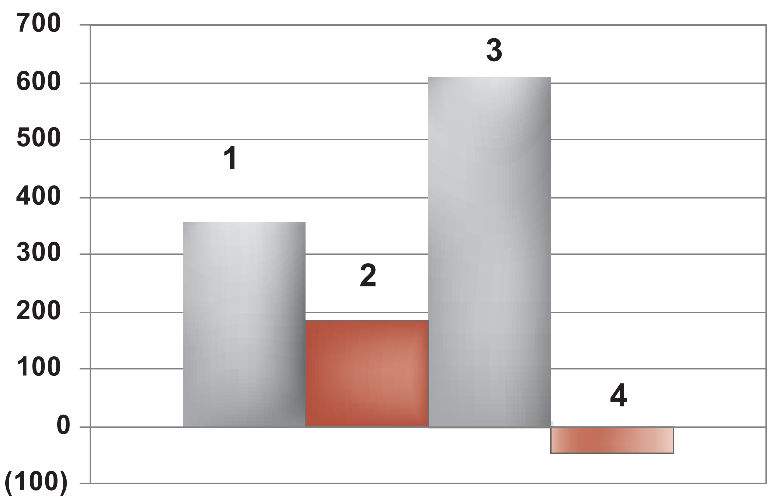
The primary sources financing the benefits SDCERA provides to its members are accumulated through income on investments and collection of employer and employee contributions.

These income sources (Additions to Retirement Plan Net Assets) total $1,151,599 for the fiscal year ended June 30, 2005, a decrease of $519,064 over the prior year.

- Employer and Employee contributions were $356,841 in fiscal year 2005, a decrease of $377,352 over the prior year. Excluding the pension obligation bond proceeds of $450,000 in the prior year, employer and employee contributions have increased by $72,648. Combined contribution rates of 27.64% in Fiscal Year 2005 compared to 22.49% in Fiscal Year 2004 resulted in a $40,627 increase in required contributions for the county. Additional contributions of $24,866 from the county and $7,156 in higher employee contributions represent the remaining balance.
- Net investment income, including securities lending income, totaled $794,759 in fiscal year 2005, a decrease of $141,712 over the prior year. This income was primarily appreciation in the fair value of investments of $658,060 and $185,150 in interest, dividends and securities lending income.

SDCERA's Additions

For the Fiscal Year Ended June 30, 2005
(Dollars in Millions)



1. Retirement Contributions: $356.8 million
2. Interest, Dividends and Securities Lending Income: $185.1 million
3. Net Appreciation in Fair Value of Investments: $658.1 million
4. Investment Expense: ($48.5 million)

Deductions from Retirement Plan Net Assets

(THOUSANDS OF DOLLARS)

The primary uses of SDCERA assets are for the payment of benefits to retirees and their beneficiaries, the refund of contributions to former members and the cost of administering the plan. Deductions from retirement plan net assets for fiscal year ended June 30, 2005 totaled $301,765, an increase of $36,393 or 13.7% over 2004.

- Retirement and health benefits represent $35,661 of the year-over-year change reflecting a net increase in the number of retirements and average benefit paid coupled with higher health benefit allowance payments.

Summary

For the second consecutive year, the plan's net assets experienced solid growth and are currently at $6.4 billion. Positive investment performance and additional contributions have delivered $1.1 billion in assets funding $0.3 billion in benefits and adding $0.8 billion in pension assets. The current financial position results from a diversified investment program that prudently manages risk to maximize returns, an effective system of cost control and strategic planning.

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.

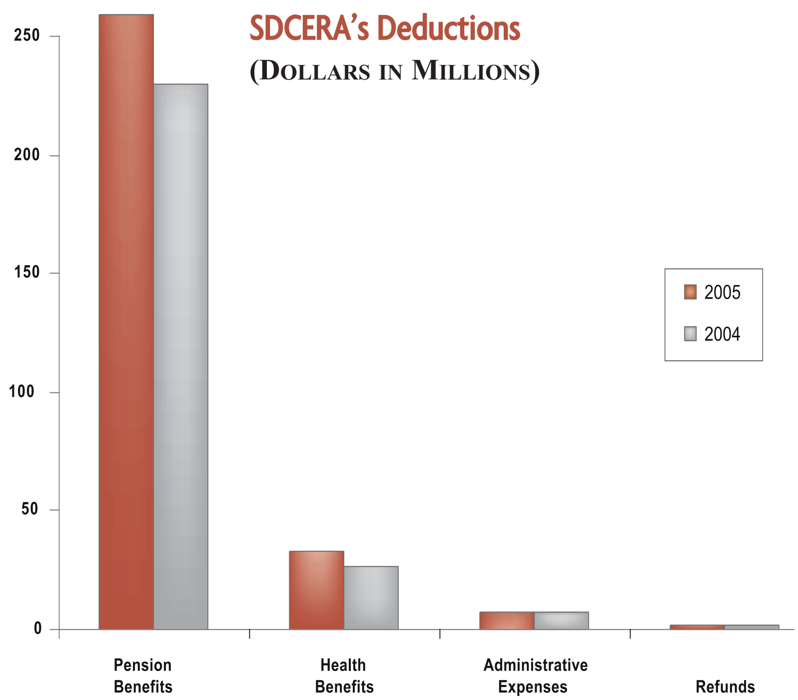
Please address any questions about this report or requests for additional financial information to:

SDCERA
401 West A Street, Suite 1300
San Diego, CA 92101-7906

Mark Mimnaugh
Chief Operating Officer
October 20, 2005

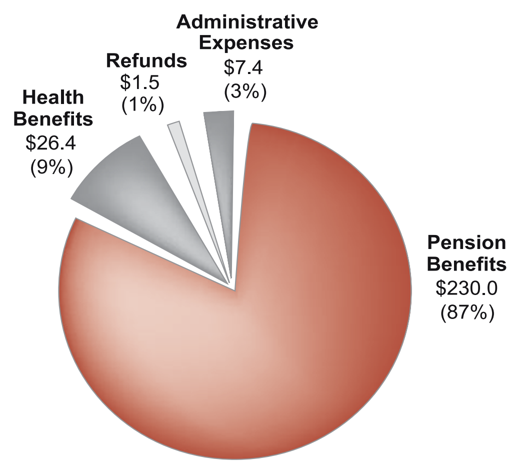
SDCERA's Deductions

(DOLLARS IN MILLIONS)



SDCERA's Deductions

FOR THE FISCAL YEAR ENDED JUNE 30, 2005 (DOLLARS IN MILLIONS)



Statement of Plan Net Assets

As of June 30, 2005 (with Summarized Comparative Amounts for June 30, 2004)

	June 30, 2005			June 30, 2004
	Pension Plan	Healthcare	Total Fund	Total Fund
Assets				
Cash and Short-Term Investments				
Cash in County Pool	$ 405,518	$ 14,266	$ 419,784	$ 10,977,047
Cash and Cash Equivalents with Fiscal Agents	169,374,937	5,958,488	175,333,425	57,972,497
Total Cash and Short-Term Investments	**169,780,455**	**5,972,754**	**175,753,209**	**68,949,544**
Receivables				
Contributions	8,440,766	296,940	8,737,706	15,508,323
Accrued Interest and Dividends	22,710,306	798,932	23,509,238	19,038,555
Settlement of Securities Sold	45,543,814	1,602,199	47,146,013	35,542,802
Total Receivables	**76,694,886**	**2,698,071**	**79,392,957**	**70,089,680**
Investments at Fair Value				
Domestic Equity Securities	852,665,961	29,996,175	882,662,136	856,366,970
Cash, Cash Equivalents, and Securities for Domestic Equity Swaps and Futures	1,322,046,979	46,508,662	1,368,555,641	1,304,716,432
Total Domestic Equity Securities and Cash	**2,174,712,940**	**76,504,837**	**2,251,217,777**	**2,161,083,402**
International Equity Securities	1,439,194,804	50,629,838	1,489,824,642	1,188,889,164
Cash, Cash Equivalents, and Securities for International Futures	0	0	0	60,222,195
Total International Equity Securities and Cash	**1,439,194,804**	**50,629,838**	**1,489,824,642**	**1,249,111,359**
Total Equity Securities and Cash	**3,613,907,744**	**127,134,675**	**3,741,042,419**	**3,410,194,761**
Securities Lending Collateral	**486,004,863**	**17,097,302**	**503,102,165**	**375,484,551**
United States Government Obligations	606,856,922	21,348,790	628,205,712	293,001,633
Domestic Corporate Bonds	538,617,894	18,948,190	557,566,084	442,670,163
International Bonds	767,665,339	27,005,915	794,671,254	517,703,448
Cash for Bond Futures	0	0	0	206,425,608
Short-Term Notes	0	0	0	48,350,069
Total Bonds and Cash	**1,913,140,155**	**67,302,895**	**1,980,443,050**	**1,508,150,921**
Cash and Securities for Overlay Futures	56,566,673	1,989,975	58,556,648	0
Alternative Equity	211,228,011	7,430,850	218,658,861	190,143,201
Real Estate	318,818,958	11,215,822	330,034,780	311,094,373
Total Investments	**6,599,666,405**	**232,171,518**	**6,831,837,923**	**5,795,067,807**
Property, Plant and Equipment, Net	2,796,099	98,365	2,894,464	2,981,046
Total Assets	**6,848,937,845**	**240,940,708**	**7,089,878,553**	**5,937,088,077**
Liabilities				
Liabilities to Brokers for Securities Lending	486,004,863	17,097,302	503,102,165	375,484,551
Settlement of Securities Purchased	205,119,043	7,215,940	212,334,983	43,752,445
Professional Services	7,282,313	256,187	7,538,500	5,933,000
Death Benefits	321,267	11,302	332,569	276,458
Retirement Benefits	202,744	7,132	209,876	144,553
Refunds to Members	58,210	2,048	60,258	217,255
County Advance Contribution	3,183,591	0	3,183,591	
Health Insurance Premiums	1,457,740	51,282	1,509,022	838,003
Cash in Transit	1,711,846	60,221	1,772,067	390,524
Other	1,315,933	46,294	1,362,227	1,412,306
Total Liabilities	**706,657,550**	**24,747,708**	**731,405,258**	**428,449,095**
Commitments and Contingencies (Note 9)				
Net Assets Held in Trust for Pension Benefits (see schedule of funding progress on Page 40)	**$ 6,142,280,295**	**$ 216,193,000**	**$ 6,358,473,295**	**$ 5,508,638,982**

See accompanying notes to the basic financial statements beginning on page 26.

Statement of Changes in Plan Net Assets

For the Year Ended June 30, 2005 (with Summarized Comparative Amounts For the Year Ended June 30, 2004)

	June 30, 2005			June 30, 2004
	Pension Plan	Healthcare	Total Fund	Total Fund
Additions to Plan Net Assets				
Contributions				
County Contributions	$ 280,266,788	$ 35,808,000	$ 316,074,788	$ 700,582,608
Plan Member Contributions	40,765,818	0	40,765,818	33,609,422
Total Contributions	**321,032,606**	**35,808,000**	**356,840,606**	**734,192,030**
Investment Income				
Net Appreciation (Depreciation) in Fair Value of Investments				
Stocks	343,935,957	1,154,558	345,090,515	548,793,026
Bonds	135,907,391	456,227	136,363,618	45,845,015
Foreign Currency	(15,724,039)	(52,784)	(15,776,823)	49,485,638
Real Estate & Alternative	80,463,653	270,108	80,733,761	62,139,381
Swaps and Alpha Engine	78,475,276	263,433	78,738,709	125,126,925
Futures	32,800,227	110,107	32,910,334	31,541,422
Total Net Appreciation (Depreciation) in Fair Value of Investments	**655,858,464**	**2,201,650**	**658,060,114**	**862,931,407**
Interest Income				
Bonds	83,636,171	280,758	83,916,929	58,949,829
Cash	15,206,857	51,048	15,257,905	8,272,046
Total Interest Income	**98,843,028**	**331,806**	**99,174,834**	**67,221,875**
Other				
Dividends on Stock Investments	62,088,678	208,425	62,297,103	37,869,052
Real Estate Equity Investment Income	10,308,665	34,605	10,343,270	9,505,203
Commission Recapture	803,367	2,697	806,064	391,316
Managed Futures	(68,026)	(228)	(68,254)	(393,433)
Other Income	11,259,024	37,795	11,296,819	9,539,806
Total Other	**84,391,708**	**283,294**	**84,675,002**	**56,911,944**
Less: Investment Expenses	(48,288,923)	(162,101)	(48,451,024)	(51,891,165)
Securities Lending Income	11,158,195	37,457	11,195,652	5,050,109
Less: Securities Lending Rebates and Bank Charges	(9,862,628)	(33,108)	(9,895,736)	(3,752,974)
Net Securities Lending Income	**1,295,567**	**4,349**	**1,299,916**	**1,297,135**
Net Investment Income	**792,099,845**	**2,658,998**	**794,758,843**	**936,471,196**
Total Additions to Plan Net Assets	**1,113,132,451**	**38,466,998**	**1,151,599,449**	**1,670,663,226**
Deductions from Plan Net Assets				
Benefits				
Service Retirement and Disability Benefits	247,291,009	0	247,291,009	217,551,561
Death Benefits	1,210,761	0	1,210,761	1,147,750
Health Benefits	0	32,567,998	32,567,998	26,447,152
STAR Cost of Living Allowance	11,019,640	0	11,019,640	11,282,242
Total Benefits	**259,521,410**	**32,567,998**	**292,089,408**	**256,428,705**
Member Refunds	2,184,839	0	2,184,839	1,536,087
Administrative Expenses	7,490,889	0	7,490,889	7,407,573
Total Deductions from Plan Net Assets	**269,197,137**	**32,567,998**	**301,765,135**	**265,372,365**
Transfers	**35,808,000**	**(35,808,000)**	**0**	**0**
Increase (Decrease) in Net Assets Held in Trust for Pension Benefits	**$ 879,743,314**	**$ (29,909,000)**	**$ 849,834,314**	**$ 1,405,290,861**
Net Assets Held in Trust for Pension Benefits				
Beginning of Year	**$ 5,262,536,982**	**$ 246,102,000**	**$ 5,508,638,982**	**$ 4,103,348,121**
End of Year	**$ 6,142,280,295**	**$ 216,193,000**	**$ 6,358,473,295**	**$ 5,508,638,982**

See accompanying notes to the basic financial statements beginning on page 26.

1. Description of Plan

San Diego County Employees Retirement Association (SDCERA, Association or Plan) is a public employee retirement system established by the County of San Diego (County) on July 1, 1939, and is administered by a 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 SDCERA, 401 West A Street, Suite 1300, 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 SDCERA. Membership begins with the first biweekly payroll period in the month following employment. Members are vested 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. Court Service Officers and Probation officers were added to Safety membership in 1998 and 1999, respectively.

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 Employees Retirement Law of 1937.

Tier Structure

General and Safety 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 eligible for retirement benefit, payable 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 the number of years of credited 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 ten years of credited service are eligible for an annual retirement benefit. This benefit is payable monthly for life, in an amount equal to 3% of their final 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 highest average annual compensation during any 26 consecutive pay periods elected by the member. Members with ten 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 ten years of credited service are eligible for 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 20 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 more than 20% of their purchasing power over the years due to periods of high inflation.

As of June 30, 2005, the SDCERA membership consisted of retired members or their beneficiaries, active members, terminated members eligible for benefits but not yet receiving them (deferred members) and terminated non-vested members, as summarized in the table on the following page.

Terminated Members' Deferred Retirement Benefit and Withdrawn Benefit

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

Members who separate with less than five years of credited service may leave their accumulated contributions on deposit; withdraw their contributions with accumulated interest; or in limited cases, may be entitled to a retirement benefit. Contributions left on deposit with SDCERA continue to accrue interest. County-paid contributions under various Memorandums of Understanding (salary negotiations) are not refundable.

Membership Summary

	General	Safety	Total
Active Members			
Tier I	69	0	69
Tier A	13,702	0	13,702
Safety	0	3,209	3,209
Total Active Members	**13,771**	**3,209**	**16,980**
Deferred (Terminated) Members			
Tier I	2,674	0	2,674
Tier A	1,536	0	1,536
Safety	0	463	463
Total Deferred (Terminated) Members	**4,210**	**463**	**4,673**
Retired Members			
Tier I	5,836	0	5,836
Tier II	1,865	0	1,865
Tier A	2,314	0	2,314
Safety	0	1,421	1,421
Total Retired Members	**10,015**	**1,421**	**11,436**
Total Members	**27,996**	**5,093**	**33,089**

Death and Disability Benefits

Non-Service Connected Disability
Eligibility: Five years of service credit; no age requirement.
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 credit requirements
Benefit: 50% of final average compensation or a 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 average compensation payable to surviving eligible spouse or unmarried minor children.

Death After Retirement—Service Retirement 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 payment 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 health allowance is paid to retirees, under 65 years of age, with at least ten years of credited service in SDCERA, and the amount varies according to total service credit. Those who are 65 or older, with at least ten years of credited service in SDCERA, receive a health allowance, and those who are eligible for Medicare receive reimbursement for Part B of Medicare.

The Health Benefit Reserve is used exclusively to fund future retiree health benefit allowances. The assets in this reserve are commingled with total fund assets for investment purposes.

2. Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

SDCERA's operations are accounted for on an economic resources measurement focus and the accrual basis of accounting. Employer and member contributions are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation/(depreciation) in fair value of investments held by SDCERA is recorded as an increase/(decrease) to investment income based on the valuation of investments.

Use of Estimates

A number of estimates and assumptions have been made relating to the reporting of assets and liabilities, the disclosure of reserves and designation of plan assets to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

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 and securities 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 with 98% in the United States and 2% International. Real estate investments are reported at estimated fair value, which has been determined by appraisals performed by independent real estate advisors approximately every three years.

Derivative Financial Instruments

SDCERA utilizes derivative 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. As of June 30, 2005 SDCERA had two types of derivative financial instruments; equity swaps and financial futures.

Equity swaps allow SDCERA to exchange a money market return for the rights to the return on a specific index of equity securities. As of June 30, 2005, SDCERA has entered into S&P 500 Swap contracts with a notional value of $1,184,748,465 and a fair value of $1,172,541,461.

Futures represent commitments to purchase or sell securities at a future date and at a specified price. Futures contracts are traded on organized exchanges (exchange traded), thereby minimizing credit risk. The net change in the futures contracts value is settled daily in cash with the exchanges. Net gains and losses resulting from the daily settlements are included in the Statement of Changes in Plan Net Assets. As of June 30, 2005 the plan had the following futures balances:

Notional Amount

	Long/(Short)
International Equity	$253,719,504
Domestic Equity	(169,527,155)
International Fixed Income	36,550,123
Domestic Fixed Income	249,907,024
Commodities	225,000,000
Total	**$532,649,497**

These financial instruments are intended to be equivalent to the asset they are designed to emulate. 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

For the Fiscal Year Ended June 30, 2005

		Balance 07/01/2004	Additions	Deletions & Transfers	Balance 06/30/2005
Computer hardware, software, Maintenance	$	4,353,533	688,909	137,727	4,904,715
Office furniture and fixtures		540,143	56,577	0	596,720
Leasehold Improvements		321,363	0	0	321,363
Total Property, Plant and Equipment		5,215,039	745,486	137,727	5,822,798
Accumulated Depreciation		(2,233,993)	(694,341)	0	(2,928,334)
Net Property, Plant & Equipment	**$**	**2,981,046**	**51,145**	**137,727**	**2,894,464**

Capital 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, five to ten years for office equipment and leasehold improvements, and seven years for the Paris benefits source-code. The cost and accumulated depreciation of property, plant and equipment is depicted in the table above.

Summarized Prior Year Information

The accompanying financial statements include certain prior year summarized information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America.

Accordingly, such information should be read in conjunction with SDCERA financial statements as of and for the year ended June 30, 2004, from which the summarized information was derived.

3. Deposits and Investments

SDCERA retains investment managers that specialize in the use of a particular asset class. Investment managers are subject to the guidelines and controls established in the SDCERA Investment Policy and contracts executed with the Board. SDCERA utilizes a third party as custodian over the plan assets.

In March 2005 the Board of Retirement completed a comprehensive asset/liability study that resulted in a new asset allocation strategy. This strategy specified an asset allocation target of 24% Domestic Equity, 25% International Equity, 31% Fixed Income, 10% Real Estate, 5% Commodities and 5% Alternative Equity.

In accordance with GASB Statement 40, Deposit and Investment Risk Disclosures, investment risk disclosure is required for; interest rate risk, credit risk (including custodial credit risk and concentrations of credit risk) and foreign currency risk.

Interest Rate Risk

SDCERA does not have a general policy to manage interest rate risk, but requires investment managers to diversify by issue, maturity, sector, coupon and geography.

As of June 30, 2005, SDCERA had the following investments and maturities in table below.

Credit Risk

Fixed income managers are expected to adhere to the following guidelines as a means of limiting credit risk. Domestic Fixed Income managers are limited within their portfolios to no more than 5% exposure in any single security, with the exception of United States Treasury and government agencies. High Yield and International Fixed Income managers limit is 10% exposure in any single security, with the exception of United States Treasury and government agencies. As of June 30, 2005, SDCERA has no single issuer that exceeds 5% of total fixed income investments.

SDCERA's Investment guidelines address fixed income quality requirements by investment category. The minimum investment grade held in domestic fixed income portfolios shall be no lower than "BBB" (as rated by Moody, Standard & Poor's, or Fitch's equivalent). Domestic high yield fixed income portfolios must have a weighted average quality of B/B+ or higher (Moody or Standard & Poor's equivalent). Not rated issues must be evaluated by the manager and determined that if rated they would not lower the weighted average below B/B+. SDCERA has no policy for Global and Emerging Market Fixed Income.

Investment Maturities (in years)

(THOUSANDS OF DOLLARS)

Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Asset and mortgage backed securities	$ 169,055	4,182	6,005	2,065	156,803
Collateralized mortgage obligations	99,016	-	525	-	98,491
Convertible Bonds	191,442	7,133	101,021	5,530	77,758
Corporate bonds	281,555	9,300	89,217	126,633	56,405
Emerging market debt securities	317,911	1,975	33,993	39,256	242,687
International bonds	2,189	-	-	2,189	-
International Governments	491,457	12,510	240,857	138,470	99,620
Managed Futures	53,994	NA	NA	NA	NA
Municipals	7,922		219	3,533	4,170
Private placements	43,927	-	2,303	33,561	8,063
Treasury inflation protected securities	210,304	-	42,761	98,217	69,326
US Treasuries	111,671	28,438	33,496	21,753	27,984
Total	**$ 1,980,443**	**63,538**	**550,397**	**471,207**	**841,307**

*Investment maturities for Managed Futures are not available and are therefore not included in the subtotals by maturity.

The following tables illustrate SDCERA's Fixed Income securities ratings as of June 30, 2005, shown as a percentage of the total portfolio:

Credit Risk (Thousands of Dollars)

Credit Risk	Domestic Fixed Income	Global Fixed Income	High Yield Fixed Income	Emerging Market Debt Fixed Income	Total
AAA	$ 29,329	448,692	1,669	0	479,690
AA	222	28,944	1,691	0	30,857
A	304	70,323	11,679	7,248	89,554
BBB	2,997	77,920	34,731	87,076	202,724
BB	2,283	11,657	92,538	24,797	131,275
B	0	67	159,207	120,170	279,444
CCC	0	0	42,947	4,610	47,557
CC	0	0	3,184	0	3,184
D	0	0	2,984	0	2,984
NR	0	652	40,107	74,010	114,769
Govt	423,445	174,960	0	0	598,405
	$ 458,580	813,215	390,737	317,911	1,980,443

Credit Risk (% of total fixed income portfolio)

Credit Risk	Domestic Fixed Income	Global Fixed Income	High Yield Fixed Income	Emerging Market Debt Fixed Income
AAA	6.4%	55.2%	0.4%	0.0%
AA	0.1%	3.6%	0.4%	0.0%
A	0.1%	8.6%	3.0%	2.3%
BBB	0.6%	9.6%	8.9%	27.4%
BB	0.5%	1.4%	23.7%	7.8%
B	0.0%	0.0%	40.7%	37.8%
CCC	0.0%	0.0%	11.0%	1.4%
CC	0.0%	0.0%	0.8%	0.0%
D	0.0%	0.0%	0.8%	0.0%
NR	0.0%	0.1%	10.3%	23.3%
Govt	92.3%	21.5%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%

Domestic Fixed Income Portfolio

SDCERA's Domestic Fixed Income portfolio of government securities, collateralized mortgage obligations, corporate bonds, private placements, and other bonds include $456,296,121 or 99.5% that are rated BBB or higher and $2,283,173 or 0.5% currently rated BB.

Global Fixed Income Portfolio

SDCERA's Global Fixed Income portfolio includes corporate bonds and sovereign debt. The weighted average rating for Global Fixed Income portfolio was AA/AAA, excluding $652,311 or 0.1% of unrated securities.

High Yield Fixed Income Portfolio

The weighted average quality of the High Yield Fixed Income Portfolio as of June 30, 2005 was B/BB, excluding $40,106,694 or 10.3% of unrated securities in the portfolio.

Emerging Market Debt

SDCERA's Emerging Market Debt portfolio invests in sovereign debt of emerging countries. As of June 30, 2005, the weighted average rating for the Emerging Market Debt portfolio was rated BB, excluding $74,009,610 or 23.3% of unrated securities in the portfolio.

Foreign Currency Risk

SDCERA's investment policy allows international managers to enter into foreign exchange contracts provided that the contracts have a maturity of one year or less and are limited to hedging currency exposure existing in the portfolio. SDCERA's exposure to foreign currency risk derives from its positions in foreign currency denominated international equity and fixed income investments. SDCERA's net exposure to foreign currency risk is listed in the chart at the right.

Other currencies that represent less than $2 million in holdings are the Argentine Peso, Botswana Pula, Colombian Peso, Croatian Kuna, Czech Koruna, German Mark, Israeli Shekel, Peruvian Nuevo Sol, Philippine Peso, Romanian Leu, Slovak Koruna, Sri Lanka Rupee, Ukraine Hryvnia, Uruguayan New Peso and Zimbabwe Dollar.

Custodial Credit Risk

SDCERA does not have a general policy addressing custodial credit risk, but it is the practice of the Fund that all investments are insured, registered, or held by the plan or its agent in the Plan's name. Deposits are to be insured, registered or collateralized with securities held at fiscal agents in the Plan's name.

Security Lending

SDCERA lends U.S. government obligations, domestic and international bonds, and equities to various brokers with a simultaneous agreement to return collateral for the same securities plus a fee in the future. The securities lending agent manages the securities lending program and receives securities and cash as collateral. Collateral cash is pledged at 102% and 105% of the fair value of domestic securities and non-domestic securities

Exposure to Foreign Currency Risk

(Thousands of Dollars)

Currency		Fair Value
JAPANESE YEN	$	410,945
EURO CURRENCY		249,013
BRITISH PND STERLING		218,812
AUSTRALIAN DOLLAR		195,174
SOUTH KOREAN WON		112,655
SWISS FRANC		110,169
SINGAPORE DOLLAR		67,378
MEXICAN NUEVO PESO		56,228
HONG KONG DOLLAR		53,570
SOUTH AFRICAN RAND		47,802
SWEDISH KRONA		41,642
BRAZILIAN REAL		34,878
TAIWAN DOLLAR		31,161
THAI BAHT		21,718
INDIAN RUPEE		21,648
INDONESIAN RUPIAH		17,724
MALAYSIAN RINGGIT		14,567
TURKISH LIRA		14,444
EGYPTIAN POUND		12,741
NORWEGIAN KRONE		11,468
RUSSIAN NEW RUBLE		8,983
CHILEAN PESO		8,905
NEW ZEALAND DOLLAR		8,188
DANISH KRONE		8,082
HUNGARIAN FORINT		8,044
RENMINBI YUAN		7,986
POLISH ZLOTY		5,386
CANADIAN DOLLAR		(41,928)
Other (Less than $2 million holdings)		9,292
Total	**$**	**1,766,675**

lent, respectively. There are no restrictions on the amount of securities that can be lent at one time. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the cash collateral.

SDCERA's securities lending transactions as of June 30, 2005, are summarized in the table on the following page. The Fund lent $612,033,037 in securities and received collateral of $123,831,543 and $503,190,421 in securities and cash, respectively from borrowers.

Securities Lent

Securities Lent		SDCERA Securities Lent	Securities Received Value	Cash Received Value
Lent for Cash Collateral:				
U.S. Government and Agency securities	$	123,383,536.00		124,250,753
International Governments securities		21,979,948		22,989,080
Domestic Corporate Fixed Income securities		125,761,800		128,479,055
Domestic Equities		178,858,428		184,284,787
International Equities		41,314,464		43,186,746
Lent for Securities Collateral:				
Domestic Equity		2,808,313	2,904,888	
Domestic Government Securities		104,149,994	106,186,135	
International Equities		6,311,443	6,874,118	
International Government Securities		7,465,111	7,866,402	
Total	**$**	**612,033,037.00**	**123,831,543**	**503,190,421**

SDCERA receives a premium on all securities it holds as collateral. The cash collateral that was received from the borrowers was then invested in the following investment types as of June 30, 2005:

Securities Lending Investments

			Investment Maturities (in years)	
Securities Lending Investments		**Fair Value**	**Less than 1**	**1-5**
U.S. Corporate Floating Rate	$	194,015,044	25,014,050	169,000,994
Asset Back Securities		52,918,261	8,505,780	44,412,481
Bank Notes		108,536,225	8,502,125	100,034,100
Certificates of Deposit Floating Rate		85,985,025	9,995,545	75,989,480
Repurchase Agreements		61,722,194	61,722,194	
Other (Cash)		113,876	113,876	
Total	**$**	**503,290,625.00**	**113,853,570**	**389,437,055**

SDCERA's Investment guidelines require that certificates of deposit, commercial paper, notes, bonds, and other debt obligations that are maturing within one year shall be no lower than A-I as rated by Standard & Poor's, or P-I by Moody's. Obligations may have fixed, floating, or variable rate interest payment provisions. Obligations maturing beyond one year shall be rated at least A/A2 (as rated by Standard & Poor's or Moody's equivalent). As of June 30, 2005, all of SDCERA's securities lending investment's maturing in less than one year were rated A-1/P-1 for US corporate and certificate of deposit floating rate, and AAA/Aaa for asset backed securities and bank notes as rated by Standard & Poor's and Moody's. For obligations maturing beyond one year, eleven percent of the investment in asset backed securities was rated AAA/Aaa by Standard & Poor's and Moody's. The remaining 89 percent of US corporate floating rate, bank notes, and certificates of deposit floating rate were rated AA/Aa3.

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 because the amounts the system owes them exceed the amounts they owe the system. 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. In addition, the Bank of New York indemnifies SDCERA against all borrower default.

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 normal 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, member contributions. In some cases, the employer has agreed to pay a portion of the required member contributions phased in over a five-year period. The member contributions deducted from the member'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 individual entry age normal cost funding method. In June 2004, the County of San Diego issued pension obligation bonds in the amount of $454.1 million and transferred $450 million to the retirement fund for investment. In October 2002, the County of San Diego issued pension obligation bonds in the amount of $737.3 million. On October 3, 2002, the County transferred $550 million to the retirement fund for investment. The remaining amount was used by the County to retire a portion of the pension obligation bonds still outstanding from 1994. In February 1994, the County of San Diego issued pension obligation bonds in the amount of $430.4 million; the County transferred $428.5 million to the retirement fund for investment.

The current unfunded actuarial accrued liabilities (UAAL) are amortized over 20 years on a close basis, expressed as a level percentage of payroll and added to the computed normal cost. Prior to June 30, 2004, the UAAL was amortized over 15 years on an open basis, as a level percent of pay.

The following schedule summarizes the contribution rates in effect at June 30, 2005. 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.

Member Classification	Member Rate	Employer Rate
General members	8.92% -9.49%	25.59%
Safety members	11.31%	34.99%

During the year, contributions totaled $356,840,606, which included $40,765,818 in employee contributions, $280,266,788 in employer contributions paid by the County, which includes $20,278,701 in employee contributions paid by the County. In addition, $35,808,000 was transferred from the health benefits reserve to pension assets.

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. Actuarial Assumptions

The required contribution rates, as adopted by the SDCERA Board of Retirement, were determined as part of the June 30, 2003 actuarial valuation based on an individual entry-age normal cost method. The actuarial assumptions included (a) an 8.25% investment rate-of-return, (b) projected salary increases of 5.25% per year, and (c) cost-of-living increases for retirees of 3.0%.

6. Reserves 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. 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 account.

The reserve for member contributions includes:

- Contributions from plan members
- Contributions from terminated members
- Contributions representing members who have bought back prior years of SDCERA service credit 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 more than 20% 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, 2005.

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 actual earnings not credited to contributions and reserves exceed 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.

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's 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 loss reduces it.

Allocation of contributions to the various reserve accounts of net assets are depicted in the table below:

Reserve Accounts

(THOUSANDS OF DOLLARS)

	Fiscal Year End June 30,	
Reserve	**2005**	**2004**
Reserve for Member Contributions:		
Active	$ 232,417	$ 213,236
Deferred	29,903	22,615
Unlocated Separated Members	0	0
Subtotal	**262,320**	**235,851**
Reserve for County Contributions	1,675,722	1,471,110
Reserve for Retirement Allowances	3,234,441	2,883,450
Total	**5,172,483**	**4,590,411**
Reserve for Health Benefits	193,820	230,461
Reserve for Star Cost -of-Living Allowance	55,158	56,854
Reserve for Undistributed Earnings	0	0
Reserve for Unrealized Earnings	851,055	560,186
Reserve for Contingencies	63,585	55,086
Total Retirement Fund	**6,336,101**	**5,492,998**
Health Benefits 401(h) Account	22,373	15,641
Total Fund	**$ 6,358,474**	**$ 5,508,639**

7. Administrative Expenses

SDCERA's Board of Retirement annually adopts an administrative expense budget based on the total asset base at fair value on December 31 of the preceding year. By statute, the administrative expenses are charged against SDCERA's investment earnings and are limited to eighteen hundredths of one percent of the total assets of the retirement system as set forth under Government Code Section 31580.2. Effective February 14, 2003, Section 31580.3 was added to the Government Code to allow temporary relief to the systems that have experienced declines in net asset values. Expense of administration of the system may now be based on a previous fiscal year in which a positive rate of return for the retirement fund was generated and is limited to 0.23% of net asset value. A positive rate of return was generated in the Fiscal Year Ended June 30, 2005, therefore Government Code Section 31580.2 applies.

SDCERA's Administrative Expenses

For the year ended June 30, 2005

Total Asset Base, at fair value (December 31, 2004)	$	6,792,833,716
Maximum Allowable for Administrative Expenses (.0018 X 6,792,833,716)	$	12,227,101
Actual Administrative Expenses for the Fiscal Year	$	7,490,892
Excess of Allowance over Actual Administrative Expenses	$	4,736,209
Actual Administrative Expenses as a Percentage of Total Assets Base		0.11%

8. Lease Obligations

A commitment under an operating lease agreement for office facilities provides for minimum future rental payments through November 2009. These future minimum rental payments as of June 30, 2005 are as follows:

Year Ending June 30	Amount
2005	$630,096
2006	639,285
2007	655,037
2008	670,790
2009-10	975,336
Total	**$3,570,544**

9. 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 $128 million and alternative equity for $175 million.

Summary Actuarial Information

Valuation Date	June 30, 2005
Actuarial Cost Method	Individual entry-age normal cost method
Amortization Method	Level percent of pay
Remaining Amortization Period	Twenty years close
Asset Valuation Method	Five-year smoothed market

Actuarial Assumptions

Investment Rate of Return*	8.25 %
Projected Salary Increase*	5.25 %
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)	(5) Annual Covered Payroll	UAAL as % of Covered Payroll (3)/(5)
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
6/30/03		4,417,766	5,853,125	1,435,359	75.5	906,140	158.4
6/30/04		5,166,759	6,369,490	1,202,731	81.1	917,081	131.1
6/30/05		5,612,320	6,990,726	1,378,406	80.3	921,796	149.5

Source: Gabriel, Roeder, Smith & Company, Annual Actuarial Valuation until June 30, 2002.
The Segal Group, Inc. Annual Actuarial Valuation since June 30, 2003.

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
6/30/94	$ 48,591	$ 48,591	100 %
6/30/95	33,305	33,305	100
6/30/96	37,577	37,577	100
6/30/97	23,269	23,269	100
6/30/98	24,320	24,320	100
6/30/99	0	0	-
6/30/00	14,341	0	-
6/30/01	4,927	2,035	41.30
6/30/02	0	5,338	100
6/30/03	6,538	6,538	100
6/30/04	194,580	194,580	100
6/30/05	235,122	259,988	110.58

[1] Excludes County pickup of member contributions and proceeds from Pension Obligation Bonds.

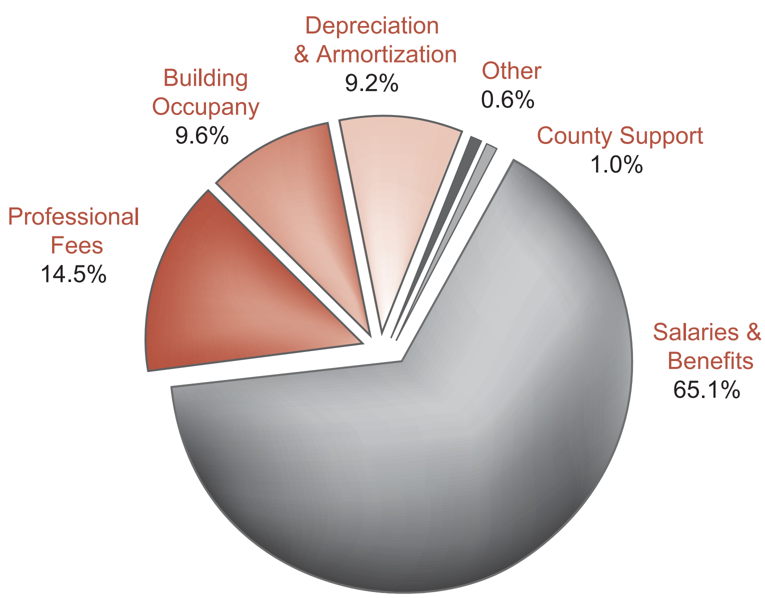
Source: Gabriel, Roeder, Smith & Company, Annual Actuarial Valuation until June 30, 2002.
The Segal Group, Inc. Annual Actuarial Valuation since June 30, 2003.

Schedule III - Administrative Expenses for the Years Ended June 30, 2005 and 2004
(THOUSANDS OF DOLLARS)

Expense Category		2005		2004
Salaries and Benefits	$	4,877	$	4,564
Professional Fees		1,085		979
Building Occupancy Expenses		721		617
County Administrative Support		73		83
Equipment and Maintenance		191		340
Depreciation and Amortization		687		725
Other Expenses *		(143)		100
Total Administrative Expenses	**$**	**7,491**	**$**	**7,408**

* Includes overhead expense allocations to Investments and Health Care.

2005 Administrative Expenses by Category



Schedule IV- Investment Expenses

For the Year Ended June 30, 2005 (Thousands of Dollars)

Individual or Firm	Net Assets Managed at Fair Value	Fees
Domestic Equity Managers		
Duncan Hurst Capital Management - Small Cap	$ 96,463	$ 918
Denali Advisors, LLC	255,880	800
Nicholas Applegate Emerging Growth	0	758
Dimensional Fund Adviser	194,876	642
Nicholas Applegate Convertible Bond	103,498	583
Duncan Hurst Capital Management - Large Cap	193,792	520
Duncan Hurst Capital Management - Micro Cap	41,343	399
Total Domestic Equity Managers		**4,620**
International Equity Managers		
Artisan Partners	271,052	1,816
Fidelity Management Trust Company	329,535	1,137
Mondrian International Adviser	280,088	1,078
Capital Guardian Trust Company	266,416	1,075
Capital Guardian Emerging Market	0	853
Genesis	212,357	368
Baille Gifford	171,080	300
Total International Equity Managers		**6,627**
Overlay		
Managed Futures	47,301	5,829
Quantitative Financial Strategies	7,011	2,180
FX Concepts, Inc.	2,816	765
Frank Russell	60,462	205
Total Overlay		**8,979**
Fixed Income Managers		
Ashmore Emerging Markets	317,911	2,133
Pacific Investment Management Company	588,117	1,653
Zazove Associates	105,747	1,183
Colchester Global Investments	346,961	1,058
W.R.Huff Asset Management Company	147,990	734
Oaktree Capital Management LLC	135,038	606
TCW Asset Management Company	154,710	550
Total Fixed Income Managers		**7,917**
Other Managers		
Bridgewater Associates, Inc.	250,975	3,185
W G Trading/Westridge Capital Management	330,687	1,271
Freeman Associates (Investment Research Co.)	183,298	1,067
Numeric Investors - Large Cap	133,461	874
Lotsoff Capital Management	121,828	552
Salus Capital Management	29	460
Zazove Associates	199,600	385
Total Other Managers		**7,794**

(continued on next page)

Schedule IV- Investment Expenses

For the Year Ended June 30, 2005 (Thousands of Dollars)

Individual or Firm	Net Assets Managed at Fair Value	Fees
Alternative Equity Managers		
Mission Ventures, LP	$ 18,851	$ 613
Forward Ventures Institutional Partners, LP	5,817	471
Relational Investors, LLC	28,207	428
Stinson Capital Partners, LP	20,656	333
HarbourVest International Private Equity Partners III, LP	23,279	315
Paul Capital Partners	1,872	250
TA Associates	7,791	224
Lighthouse Capital Partners	5,596	215
Northgate Capital Group	455	145
Oak Investment Partners	2,809	140
Capital Int'l. Global Emerging Markets Private Equity	10,187	140
Texas Pacific Group	3,849	139
Sorrento Ventures CE, LP	4,681	139
Oakhill Capital Partners, LP	5,727	128
Arch Venture Partners	1,947	114
Apex Investment Fund V	2,781	114
Meritech Capital Partners, LP	6,059	104
Cerberus Instutional Partners	15,812	84
Oaktree Capital Management Opportunities Funds, LP	8,091	72
Graham Partners	72	62
Darwin Venture Capital	561	56
EnerVest Institutional Fund X	114	46
Code, Hennessy & Simmons IV	7,656	30
Total Alternative Equity Managers		**4,362**
Real Estate Managers		
REIT - REEF	127,747	768
ING Realty Associates, Inc.	1,677	100
Kennedy Associates Real Estate Counsel, Inc	14,096	24
Total Real Estate Managers		**892**
Master Custodian		
Bank of New York		1,624
Other Professional Fees		
Cambridge Capital Advisors		750
RP Consulting Group, Inc.		689
Rocaton		443
The Segal Company		272
Mount Lucas Index Management		150
The Townsend Group		100
Cliffwater Associates		88
Other		45
Total Other Professional Fees		**2,537**
Administrative, Support and Other		**3,099**
Total Investment Expenses		**$ 48,451**

Investments
section

SDCERA
Supporting The Membership

SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION
Supporting the Membership

SDCERA

Supporting The Membership

San Diego County Employees Retirement Association

Trustees, Board of Retirement,

Throughout the fiscal year ending June 30, 2005, the financial markets appeared to focus on the consequences of rising oil prices and a change in the Fed's policy of monetary accommodation. Yet, despite high oil prices and steady increases in the Fed Funds Rate, economic growth came in as moderate, helped by a strong housing market and sales promotions offered by auto makers. Real GDP rose 3.6% during the year, compared to 4.6% for the prior year. Inflation remained surprisingly modest, with the CPI rising 2.5% in the year.

The U.S. stock market had an intense rally from late October '04 through December '04 as investors "shrugged off" the gloomiest assessments of the economy and focused on attractive valuations. Aside from this rally, however, the market essentially went nowhere. The total return of the Russell 1000 index, including both large and mid cap stocks, was 7.92% compared to 19.47% a year earlier. Small cap stocks continued to outperform large cap stocks with the Russell 2000 earning 9.45% and value outperforming growth by a wide margin, as well. The S&P 500 returned 6.30% for the year.

Foreign markets outperformed the U.S. stock market. The Citigroup Primary Market Index, excluding the United States, had a total return of 15.56%. The more volatile segments of the market performed particularly well. The Citigroup Emerging Markets index was 33.03% and the return of the Citigroup index of international small cap stocks was 20.31%.

Contrary to widespread expectations based upon rising short term rates and higher oil prices, intermediate and long term interest rates generally drifted lower during much of the year. As of June 30, the 10-year Treasury note was 3.91%, compared to 4.58% a year earlier. The Treasury market was largely supported by huge purchases by China in response to the ballooning US trade deficit. The total return of the Lehman Brothers Aggregate bond index was 6.80% for the year. Investors in non-investment grade bonds were well-rewarded, as the total return of the Citigroup Cash Pay High Yield bond index was 10.20%. Despite major movements in currencies, many ended the year close to levels at the start of the year and, therefore, currency was not a major factor in the returns on foreign bonds. The Citigroup Non US$ World Government bond index was 7.74%.

The SDCERA Fund (the Fund) performed well both in absolute terms and relative to its benchmarks and other peer funds. The Fund returned 13.91% for the year against a policy benchmark return of 11.98%. Accordingly, SDCERA's implementation of asset allocation policies added 1.93%, providing over $100 million additional earnings to the Fund. The Fund ranked in the top four percent of the Wilshire Master Trust Universe of peer funds (TUCS), and in the top one percent against all TUCS public funds with more than $1 billion in assets for the year and for the three year period.

All asset classes and strategies contributed to the extra value added of 1.93%, including equity and fixed income assets as well as the funds of funds aggregated in-house by SDCERA to meet strategic objectives. These funds of funds include the Alpha Engine composed of absolute return strategies enhancing the performance of S&P 500 exposure, the Real Estate funds of funds, composed of multiple real estate investment vehicles, the private equity funds of funds, the Active Currency Overlay and the Managed Futures Overlay.

SDCERA revised its asset allocation policy during the year to reflect new strategic initiatives, including: (1) the extension of the Alpha Engine enhancement of the S&P 500 across the entire domestic large cap equity segment, in view of the superiority of this structure versus traditional active management, (2) a reduction in overall equity exposure, consistent with lowered expectations for equities overall, (3) an investment in commodities via the futures markets as an offset against bear equity markets and inflation, (4) a decrease in private equity, recognizing the difficulties of achieving full target exposure in this illiquid class, and (5) an increase in real estate investments. The current asset allocation policy of SDCERA is listed below:

Current SDCERA Asset Allocation Policy

Investment Description	Allocation
Core US Fixed Income	6.0%
High Yield	7.0%
TIPS	4.0%
Non-US Fixed Income	8.0%
Emerging Market Debt	6.0%
Total Fixed Income	**31.0%**
Real Estate	**10.0%**
US Equity	24.0%
Non-US Equity	19.0%
Emerging Markets Equity	6.0%
Alternative Equity	5.0%
Total Equity	**54.0%**
Commodities	**5.0%**
Total Assets	**100.0%**
Expected Compound Annual Return	**8.17%**
Standard Deviation	**10.28%**

The performance numbers presented herein reflect time-weighted returns calculated from audited information received from the SDCERA's custodian bank, The Bank of New York, and are consistent with the CFA Institute's standards of performance reporting.

Sincerely,

David J. Deutsch, CFA
Chief Investment Officer
October 20, 2005

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, in part:

The Board, 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.

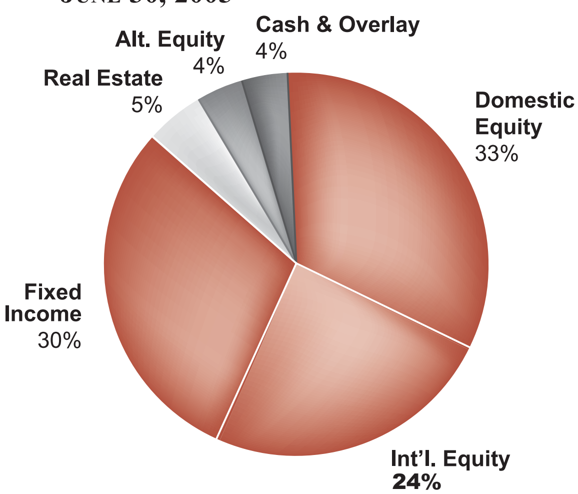
(b) With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(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.

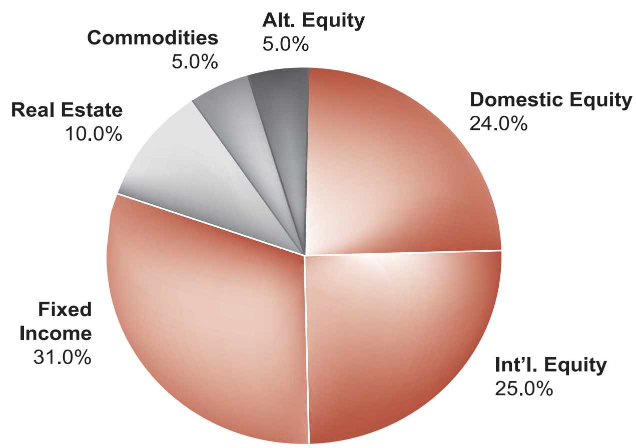
The Board has adopted an investment policy statement and related policies to ensure that the plan is managed to the prudent expert standard, required in California. These policies set investment return and risk objectives, both at the manager and plan level, and provide for the extensive diversification of assets, securities lending, commission recapture, value added strategies, proxy voting and corporate governance issues.

Asset Allocation

June 30, 2005



Target Asset Allocation



Asset Type		Fair Value [1]	Percent of Total	Target Percent of Total
Domestic Equity	$	2,147,925	33.8%	24.0%
International Equity		1,530,530	24.1%	25.0%
Fixed Income		1,899,972	29.9%	31.0%
Real Estate		331,931	5.2%	10.0%
Alternative Equity		224,431	3.5%	5.0%
Commodities		0	0.0%	5.0%
Currency Overlay		129,726	2.0%	0.0%
Other Assets & Liabilities		93,959	1.5%	0.0%
Total	$	**6,358,473**	**100.0%**	**100.0%**

[1] Each asset type includes accrued interest and dividends.

Performance Results, Annualized, Net of Fees

For the Fiscal Year Ended June 30, 2005

	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	**13.91%**	**12.80%**	**4.71%**	**10.21%**	Custom Benchmark (1)	11.98%	11.43%	3.06%	8.67%
					Master Trust Median	9.53%	9.71%	3.49%	9.49%
					Public Fund Sponsors Median	9.36%	9.54%	3.49%	8.99%
					Actuarial Rate of Return	8.25%	8.25%	8.25%	8.25%
Domestic Equity	8.50%	9.82%	0.81%	10.58%	Custom Benchmark (2)	8.25%	10.12%	-0.13%	9.40%
					Managed Equities Portfolios Median	8.73%	10.18%	1.63%	11.18%
					S&P 500	6.30%	8.27%	-2.37%	9.94%
International Equity	21.23%	16.90%	2.80%	7.32%	Custom Benchmark (3)	20.23%	17.08%	3.27%	6.55%
					Managed International Equities Portfolios Median	15.30%	13.09%	1.92%	8.56%
					Citigroup World PMI ex U.S.	15.55%	13.06%	0.08%	6.48%
Fixed Income	12.07%	10.64%	8.24%	10.34%	Custom Benchmark (4)	9.78%	10.94%	8.44%	8.76%
					Managed Fixed Income Portfolios Median	7.23%	6.53%	7.79%	7.31%
					Managed International Fixed Income Portfolios Median	8.64%	10.70%	8.64%	7.19%
					Lehman Aggregate	6.81%	5.76%	7.41%	6.83%
Real Estate	26.01%	18.77%	17.36%	13.83%	NCREIF Property Index (5)	15.55%	10.74%	10.15%	11.02%
					Real Estate Portfolios Median	14.08%	11.17%	9.94%	11.62%
Alternative Equity	19.41%	8.00%	1.82%	N/A	Custom Benchmark (6)	16.81%	6.92%	-1.95%	N/A

Notes:

1 20.5% Russell 1000 Index; 5.1% Russell 2000 Index; 1.5% ML All Convertible All Quality; 15.2% Citigroup World PMI ex US; 3.8% Citigroup EMI ex U.S.; 6.0% Citigroup Emerging Markets; 3.5% Lehman Aggregate; 10.5% Lehman Global Aggregate; 5.5% Citigroup Cash Pay High Yield; 4.0% Barclays US Inflation Linked; 3.4% Alternative Equity; 10.0% NCRIEF Property Index; 6.0% JPM EMBI Global Dividend; 5.0% Goldman Sachs Commodity Index.

2 80.1% Russell 1000 Index; 19.9% Russell 2000 Index.

3 60.8% Citigroup World PMI ex U.S.; 15.2% Citigroup EMI ex US; 24.0% Citigroup Emerging Markets.

4 11.29% Lehman Aggregate; 33.87% Lehman Global Aggregate; 17.74% Citigroup Cash Pay High Yield Index; 12.90% Barclays US Inflation Linked; 4.84% ML All Convertible All Quality; 19.36% JPM EMBI Global Dividend.

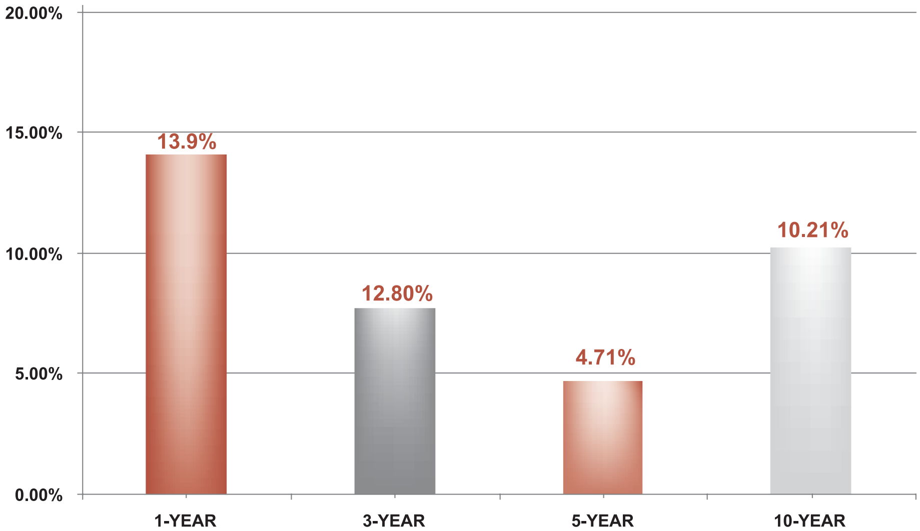
5 Council of Real Estate Investment Fiduciaries, index and private real estate on a quarter lag.

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 CFA Institute's performance presentation standards.

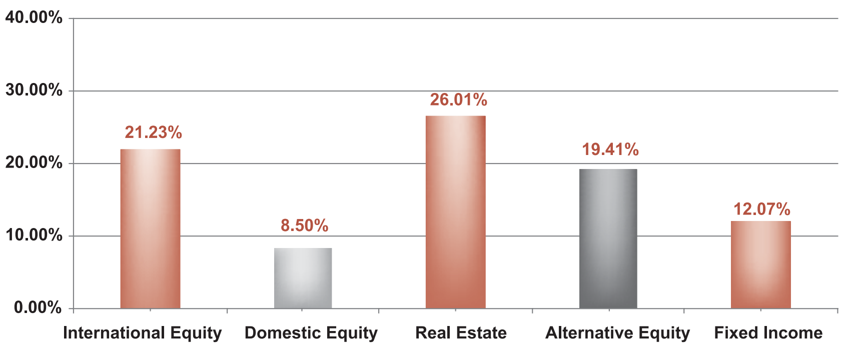
Performance Results - Total Fund Category

ANNUALIZED, NET OF FEES FOR THE YEAR ENDED JUNE 30, 2005



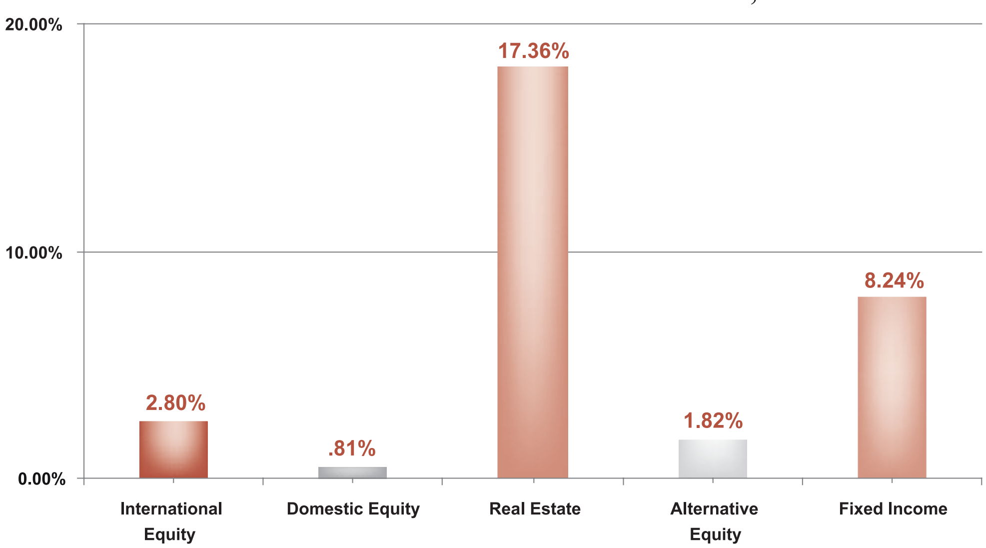
Performance Results by Investment Category

1-YEAR RETURN NET OF FEES FOR THE YEAR ENDED JUNE 30, 2005



Performance Results by Investment Category

5-YEAR RETURN NET OF FEES FOR THE YEAR ENDED JUNE 30, 2005



Top 10 Holdings—Equity
As of June 30, 2005

Shares	Security Name	Market Value
362,726	Exxon Mobil Corp.	$20,845,863
176,700	Simon Property Group, Inc.	12,808,983
263,408	Bank of America Corp.	12,014,039
151,941	NTL, Inc.	10,395,803
145,500	Marriott International, Inc.	9,926,010
150,432	RWE AG	9,722,800
396,331	GlaxoSmithKline PLC	9,598,887
164,800	ConocoPhillips	9,474,352
142,600	Johnson & Johnson	9,269,000
12,286,000	PetroChina Co.	9,088,447

Top 10 Holdings—Fixed Income
As of June 30, 2005

Par/Book Value	Description	Market Value
$101,125,000	Fannie Mae TBA, 07/01/33	$101,344,000
49,973,062	U.S. Treasury Inflation Index Notes, 01/15/15	50,354,332
32,884,970	U.S. Treasury Inflation Index Notes, 04/15/29	39,504,431
31,200,300	New Zealand Government, 11/15/06	33,487,715
32,507,499	U.S. Treasury Inflation Index Notes, 01/15/10	32,922,878
27,799,550	Mexican Bonos, 12/07/23	31,161,728
29,526,931	UK Treasury Bonds, 03/07/07	28,648,437
18,307,887	U.S. Treasury Inflation Index Notes, 04/15/28	26,021,724
24,039,199	U.S. Treasury Inflation Index Notes, 07/15/12	24,334,565
19,666,068	Mexican Bonos, 12/05/24	20,886,562

A complete list of the portfolio holdings is available upon request.

Investment Expenses By Category

Investment Expenses by Category	Fees (000's)
Domestic Equity	$ 4,620
International Equity	6,627
Overlay	8,978
Fixed Income	7,917
Alpha Engine	7,794
Alternative Equity	4,362
Real Estate	892
Master Custodian	1,624
Other Professional Fees	2,538
Administrative, Support and Other	3,099
Total Investment Expenses	**$ 48,451**

Commissions Paid—Domestic

For the Fiscal Year Ended June 30, 2005

Brokerage Firm	Number of Shares Traded		Total Commissions		Cost of Commission per Share	% of Total Commissions
Bear Stearns & Co., Inc.	15,741,291	$	747,194	$	0.0475	25.00%
Merrill Lyn ch	3,170,379		138,904		0.0438	5.00%
Jefferies & Company, Inc.	3,017,455		121,384		0.0402	4.00%
Lehman Brothers Inc.	2,486,917		114,090		0.0459	4.00%
Goldman Sachs & Co	2,411,242		108,627		0.0451	4.00%
O'Neil William & Co	2,129,600		105,953		0.0498	3.00%
Lynch Jones & Ryan, Inc.	2,892,581		94,678		0.0327	3.00%
Instinet Corporation	1,944,036		78,896		0.0406	3.00%
Citigroup Global Markets Inc.	1,715,097		66,965		0.0390	2.00%
Bridge Trading Co	1,318,350		64,972		0.0493	2.00%
Other*	36,578,119		1,407,988		0.0385	45.00%
Total	**73,405,067**	**$**	**3,049,651**	**$**	**0.0415**	**100.00%**

* Includes approximately 116 additional firms, each with less than 4% of total commissions.

SDCERA has commission recapture agreements with Frank Russell Securities, Lynch, Jones & Ryan, Capital Institutional Services (CIS), Abel Noser, Donaldson Co., and Jefferies & Co.

Commissions Paid—International

For the Fiscal Year Ended June 30, 2005

Brokerage Firm	Number of Shares Traded		Total Commissions		Cost of Commission per Share	% of Total Commissions
UBS Warburg	10,704,845	$	131,411	$	0.0123	12.00%
Merrill Lynch	5,395,392		104,830		0.0194	9.00%
Goldman Sachs & Co	5,466,286		87,933		0.0161	8.00%
Deutsche Banc Securities Inc.	5,807,646		81,309		0.0140	7.00%
Morgan S tanley & Co., Inc.	5,184,753		76,559		0.0148	7.00%
Citigroup Global Markets Inc.	4,386,330		71,353		0.0163	6.00%
Lehman Brothers Inc.	4,138,042		59,969		0.0145	5.00%
Credit Suisse First Boston	4,235,758		57,341		0.0135	5.00%
JP Morgan Chase Ban k	2,299,100		56,422		0.0245	5.00%
Dresdner Kleinwort Wasserstein Securities	2,926,264		48,892		0.0167	4.00%
Other**	18,977,853		362,167		0.0191	32.00%
Total	**69,522,269**	**$**	**1,138,185**	**$**	**0.0164**	**100.00%**

** Includes approximately 116 additional firms, each with less than 4% of total commissions.

Summary of Investment Portfolio By Type

AS OF JUNE 30, 2005

Investment Description		Fair Market Value	% of Total Market Value
Domestic Equity			
Financial	$	440,339,404	6.9%
Materials and Services		384,168,609	6.0%
Technology		351,413,878	5.5%
Consumer Non-Durable		286,736,398	4.5%
Capital Goods and Services		223,149,313	3.5%
Energy		205,466,052	3.2%
Consumer Durable		189,329,306	3.0%
Utilities		99,698,953	1.6%
Transportation		16,146,442	0.3%
Miscellaneous Common Stocks		14,807,073	0.3%
Convertible Securities		39,962,349	0.6%
Total Domestic Equity		**2,251,217,777**	**35.4%**
International Equity		**1,489,824,642**	**23.4%**
Total Equity		**3,741,042,419**	**58.8%**
Fixed Income			
International Bonds		794,671,254	12.5%
Corporate Bonds		503,799,161	7.9%
Government Bonds		628,205,712	9.9%
Convertible Bonds		53,766,923	0.8%
Total Fixed Income		**1,980,443,050**	**31.1%**
Other Investments			
Real Estate		330,034,780	5.2%
Alternative Equity		218,658,861	3.4%
Overlay Cash and Securities		58,556,648	0.9%
Cash & Cash Equivalents with Fiscal Agents		175,753,209	2.8%
Other Assets and Liabilities		(146,015,672)	(2.3%)
Total Other		**636,987,826**	**10.1%**
Net Investment Portfolio	**$**	**6,358,473,295**	**100.0%**

Summary of Investment Portfolio By Manager/Asset Type
As of June 30, 2005

Securities Description		Asset Type		Market Value
Domestic Equity				
	S&P 500 Enhanced	S&P 500 Index	$	1,368,555,640
	Duncan Hurst Capital Management	Growth-Large/Mid Cap		324,423,881
	Denali Investment Advisors	Value-Large Cap		258,158,019
	Dimensional Fund Advisor	Value-Small Cap		194,875,550
	Zazove Associates	Convertible Preferred		34,583,737
	Nicholas Applegate Convertible Bond	Convertible Preferred		22,298,174
	Artisan Partners	ADRs		19,987,307
	W. R. Huff	Convertible Preferred		18,398,166
	Mondrian International Advisor	ADRs		7,212,379
	OCM High Yield Convertible	Convertible Preferred		1,301,955
	Pimco	Preferred Stock		930,137
	Oaktree Capital Management LLC	Convertible Preferred		464,906
	Unallocated Securities	Unallocated Securities		27,926
	Total Domestic Equity			**2,251,217,777**
International Equity				
	Fidelity Management Trust Company	Core		326,679,838
	Mondrian International Advisor	Large Cap Value		268,907,354
	Capital Guardian Trust Company	Small Cap		266,416,294
	Artisan Partners	Large Cap Growth		242,671,037
	Genesis	Emerging Markets		212,357,183
	Baillie Gifford	Emerging Markets		166,875,457
	Quantitative Financial Strategies	Currency Overlay		7,011,475
	FX Concepts, Inc.	Currency Overlay		2,816,066
	Zazove Associates	Foreign Currency		173,692
	Pimco	Foreign Currency		(1,729,676)
	Colchester Global	Foreign Currency		(2,354,078)
	Total International Equity			**1,489,824,642**
	Total Equity			**3,741,042,419**
Fixed Income				
	Colchester Global	Global		339,949,503
	Ashmore Emerging Markets	Emerging Markets Debt		317,910,694
	Pimco	Global Ex U.S.		267,887,303
	Pimco Tips	Inflation Protection		262,105,833
	Pimco	Domestic		202,827,411
	W.R.Huff Asset Management Company	High Yield		124,010,899
	Oaktree Capital Management LLC	High Yield		119,136,460
	TCW Asset Management Company	Strategic		88,887,415
	Nicholas Applegate Convertible	Convertibles		77,902,602
	Zazove Associates	High Yield Convertible		60,913,590
	Managed Futures	Managed Futures		59,256,754
	TCW Asset Management Company	Mortgage Backed		50,868,370
	OCM High Yield Convertible	High Yield		8,772,726
	Baillie Gifford	Emerging Markets		13,490
	Total Fixed Income			**1,980,443,050**
Real Estate, Alternative Equity and Other				
	Real Estate	Real Estate		330,034,780
	Alternative Equity	Alternative Equity		218,658,861
	Overlay Cash and Securities	Overlay Cash and Securities		58,556,648
	Cash	Cash		175,753,209
	Other Assets and Liabilities	Other		(146,015,672)
Net Investment Portfolio			**$**	**6,358,473,295**

The Following Table is a Summary of the SDCERA's Futures, Swaps, Bondized and Equitized cash as of June 30, 2005:

		Notional Amount Long/(Short)
Equity		
International Equity	$	253,719,504
US Small Cap		19,421,620
US Large Cap		(188,948,775)
Total Equity		84,192,349
Fixed Income		
Global ex US Fixed Income		36,550,123
US Fixed Incom e		249,907,024
Total Fixed Income		286,457,147
Total Future Exposures	$	**370,649,497**

The equity and fixed income futures utilized by Frank Russell securitize SDCERA's cash and excess collateralization that are listed below:

Domestic Equity SWAPS:				
S&P 500 SWAP 09/16/05	$	100,409,910	$	98,224,271
S&P 500 SWAP 6/16/06		18,459,613		17,973,374
S&P 500 SWAP 3/17/06		53,263,852		52,104,546
S&P 500 SWAP 6/16/06		79,478,444		77,384,942
S&P 500 SWAP 9/16/05		34,370,761		33,622,608
S&P 500 SWAP 12/16/05		34,717,628		33,961,986
S&P 500 SWAP 12/16/05		79,871,665		78,133,230
S&P 500 SWAP 3/27/06		86,221,583		86,270,261
S&P 500 SWAP 3/17/06		48,533,079		47,476,739
S&P 500 SWAP 7/15/05		23,447,349		24,356,838
S&P 500 SWAP 11/18/05		55,410,615		55,307,057
S&P 500 SWAP 12/20/05		57,106,920		55,919,930
S&P 500 SWAP 12/20/05		79,949,687		78,287,902
S&P 500 SWAP 06/16/06		82,650,791		80,474,001
S&P 500 SWAP 06/16/06		55,100,510		53,649,334
S&P 500 SWAP 07/01/05		52,813,582		53,462,530
S&P 500 SWAP 07/01/05		73,939,014		74,847,542
S&P 500 SWAP 07/01/05		84,501,730		85,542,185
S&P 500 SWAP 07/01/05		84,501,730		85,542,185
Total SWAPS	$	1,184,748,465	$	1,172,541,461

The equity and fixed income futures utilized by Frank Russell securitize SDCERA's cash and excess collateralization that are listed below:

CASH

		BOOK VALUE
Cash for the Futures		
Cash in STMM	$	39,068,035
Margin Cash		25,100,000
Total Cash for the Futures		64,168,035
Investment Managers Cash:		
Domestic Equity Managers Cash		7,767,228
Operational Cash		97,726,303
Pimco Cash Management		2,958,752
Int'l Equity, Fixed Inc. Mgrs & Reit Cash		70,249,478
Non-US Equity Managers Cash		73,208,231
Total Investment Managers Cash:		178,701,761
Other Cash		
Petty Cash		200
Cash in A/P Checking - BONY		10,000
Total Other Cash		10,200
Total Cash	$	242,879,996
RECAP OF CASH:		
Cash in STMM with Bank of New York:		
Frank Russell Overlay		39,068,035
Domestic Equity Managers		7,777,228
Int'l Equity, Fixed Inc. Mgrs & Reit Cash		70,249,478
		117,094,741
Cash in STMM with Pimco:		
Operational Cash		96,020,646
Pimco Cash Management		2,958,752
		98,979,398
Cash in San Diego County Pool		419,784
Cash on Hand		200
Cash at UBOC		1,285,874
Margin Cash -Frank Russell		25,100,000
Total Cash	$	242,879,996

ENHANCED S&P 500 SWAPS

		NOTIONAL VALUE		MARKET VALUE
Total SWAPS	$	1,184,748,465	$	1,172,541,461

Alpha Engine Managers		BOOK VALUE		MARKET VALUE
Lotsoff Capital Management	$	116,933,412	$	121,828,065
Alpha STMM/STIF Cash		157,872,031		157,872,031
Bridgewater		249,975,839		250,974,559
Numeric		130,667,668		133,461,481
Freeman Assoc.		166,588,372		183,297,770
Salus Capital Mgmt.		29,378		29,378
WG Trading		330,201,111		330,686,685
Zazove Associates		205,264,320		199,599,811
Total Alpha Engine	**$**	**1,357,532,132**	**$**	**1,377,749,781**
Less Notional Value of Swap Investments				(1,184,748,465)
		Excess Collateralization	$	193,001,316

Actuarial
section

SDCERA
Supporting The Membership

SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION
Supporting the Membership

SEGAL

THE SEGAL COMPANY
120 Montgomery Street, Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

November 16, 2005

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

Dear Members of the Board:

The Segal Company prepared the June 30, 2005 actuarial valuation of the San Diego County Employees Retirement Association (SDCERA). We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

As part of the June 30, 2005 actuarial valuation, The Segal Company (Segal) conducted an examination of all participant data for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the Association's financial statements. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return over a five-year period.

The funding objective of the Plan is to establish rates which, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed. Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL). Actuarial gains and losses are incorporated into the UAAL.

Components of the UAAL are amortized as a level percentage of payroll over a 20-year period. Future components of the UAAL will be amortized over separate 20-year periods. The progress being made towards meeting the funding objective through June 30, 2005 is illustrated in the Schedule of Funding Progress and History of Employer Contribution Rates.

Board of Retirement
San Diego County Employees Retirement Association
November 16, 2005
Page 2

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

1. Schedules of active member valuation data;
2. Historical summary of average payroll;
3. Retirees and beneficiaries added to and removed from retiree payroll;
4. Solvency test;
5. Historical summary of assumptions;
6. History of employer contribution rates;
7. Schedule of benefit expenses by type;
8. Schedule of retiree members by type of benefit; and
9. Schedule of funding progress.

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on the June 30, 2003 Experience Analysis or in conjunction with the June 30, 2005 actuarial valuation. It is our opinion that the assumptions used in the June 30, 2005 valuation produce results, which, in the aggregate, reflect the future experience of the Plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The next experience analysis is due to be performed as of June 30, 2006.

In the June 30, 2005 valuation, the ratio of the valuation assets to actuarial accrued liabilities decreased from 81.1% to 80.3%. The employer's rate has increased from 23.08% of payroll to 24.69% of payroll, while the employee's rate has increased from 9.86% of payroll to 10.20% of payroll.

Sincerely,

Paul Angelo

Paul Angelo, FSA, EA, MAAA, FCA
Vice President & Actuary

Andy Yeung

Andy Yeung, ASA, EA, MAAA
Associate Actuary

SUV/dkb
Enclosure

191307/05536.002

Short-Term Solvency Test [1]

(THOUSANDS OF DOLLARS)

					Portion of Accrued Liability Covered by Valuation Assets		
Valuation Date	Active Member Contributions [2]	Liability for Retired Participants	Liability for Active Members (Employer Financed Portion)	Valuation Value of Assets	Active Member Contributions	Liability for Retired Participants	Liability for Active Members (Employer Financed Portion)
06/30/1996	$ 190,164	$ 1,023,047	$ 1,127,452	$ 2,370,519	100%	100%	100.0%
06/30/1997	193,072	1,093,600	1,201,245	2,688,098	100%	100%	100.0%
06/30/1998	198,968	1,193,667	1,284,958	2,834,571	100%	100%	100.0%
06/30/1999	201,234	1,313,729	1,345,249	3,211,872	100%	100%	100.0%
06/30/2000	202,531	1,463,827	1,582,464	3,568,671	100%	100%	100.0%
06/30/2001	214,146	1,549,361	1,743,321	3,745,600	100%	100%	100.0%
06/30/2002	204,572	2,046,485	2,827,010	3,831,334	100%	100%	75.4%
06/30/2003 [3]	216,908	2,552,755	3,083,462	4,417,766	100%	100%	53.4%
06/30/2004	235,851	2,890,576	3,243,063	5,166,759	100%	100%	62.9%
06/30/2005	262,320	3,315,888	3,412,518	5,612,320	100%	100%	59.8%

1 Data through June 30, 2002 was from the Association's June 30, 2003 CAFR.

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

3 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).

Sources: Gabriel, Roeder, Smith & Company, Annual Actuarial Valuation, until June 30, 2002.
The Segal Company, Annual Actuarial Valuation since June 30, 2003.

History of Employer Contribution Rates [1]

	Year Ended			Probation Members [2]			Safety Members		
Year Ended	Normal %	UAAL %	Total %	Normal %	UAAL %	Total %	Normal %	UAAL %	Total %
06/30/1996	4.18	(0.70)	3.48				10.91	(3.07)	7.84
06/30/1997	5.70	(6.30)	(0.60)				12.21	(9.93)	2.28
06/30/1998	6.17	(4.58)	1.59	10.46	(4.58)	5.88	12.45	(8.50)	3.95
06/30/1999	5.81	(7.17)	(1.36)				11.72	(6.04)	5.68
06/30/2000	5.90	(9.72)	(3.82)				11.82	(8.86)	2.96
06/30/2001	5.96	(6.99)	(1.03)				11.90	(5.03)	6.87
06/30/2002 [3]	10.77	18.21	28.98				19.61	23.36	42.97
06/30/2003	12.01	13.58	25.59				17.78	17.21	34.99
06/30/2004	12.04	9.30	21.34				17.79	11.40	29.19
06/30/2005	12.18	10.81	22.99				17.91	12.77	30.68

1 Contribution rates through June 30, 2002 were from Association's June 30, 2003 CAFR.

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

3 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

Sources: Gabriel, Roeder, Smith & Company, Annual Actuarial Valuation, until June 30, 2002.
The Segal Company, Annual Actuarial Valuation since June 30, 2003.

Demographic Activity of Retirees and Beneficiaries [1]

For the Years Ended June 30

Fiscal Year	Added to Rolls: Number	Added to Rolls: Annual Allowance [2]	Removed from Rolls: Number	Removed from Rolls: Annual Allowance	Rolls at End of Year: Number	Rolls at End of Year: Annual Allowance	% Increase in Retiree Allowance	Average Annual Allowance	Change in Average Benefit
1996	434		229		7,499	$ 93,627,577	8.0%	$ 12,485	
1997	316		123		7,692	99,998,279	6.8%	13,000	4.1%
1998	447		184		7,955	107,752,376	7.8%	13,545	4.2%
1999	640		303		8,292	118,154,737	9.7%	14,249	5.2%
2000	543		132		8,703	131,163,025	11.0%	15,071	5.8%
2001	549	$ 11,012,689	331	$ 2,497,970	8,921	139,677,744	6.5%	15,657	3.9%
2002	1,028	38,298,383	292	2,208,194	9,657	175,767,933	25.8%	18,201	16.2%
2003	1,168	34,998,385	572	5,369,873	10,253	205,396,444	16.9%	20,033	10.1%
2004	900	32,384,224	383	5,714,843	10,770	232,065,825	13.0%	21,547	7.6%
2005	1,013	36,459,281	347	4,606,967	11,436	263,918,139	13.7%	23,078	7.1%

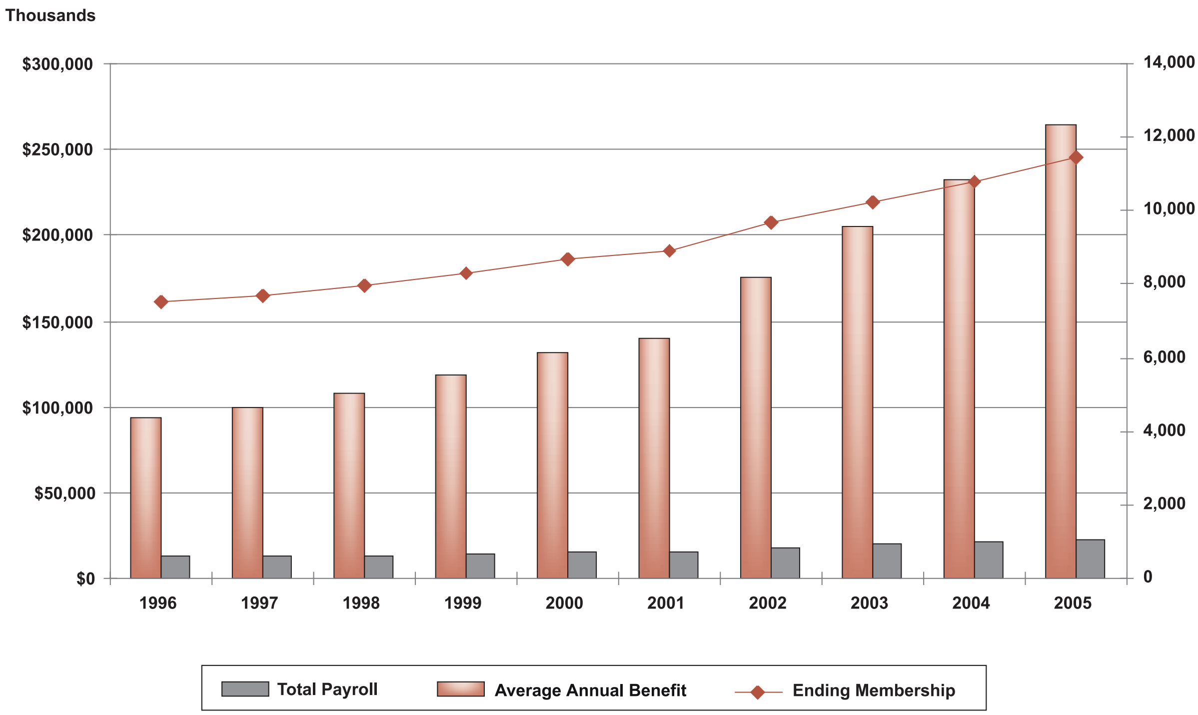
[1] Data through June 30, 2000 was from Association's June 30, 2003 CAFR

[2] Includes automatic cost of living adjustments granted April 1.

Sources: Gabriel, Roeder, Smith & Company, Annual Actuarial Valuation, until June 30, 2002.
The Segal Company, Annual Actuarial Valuation since June 30, 2003.

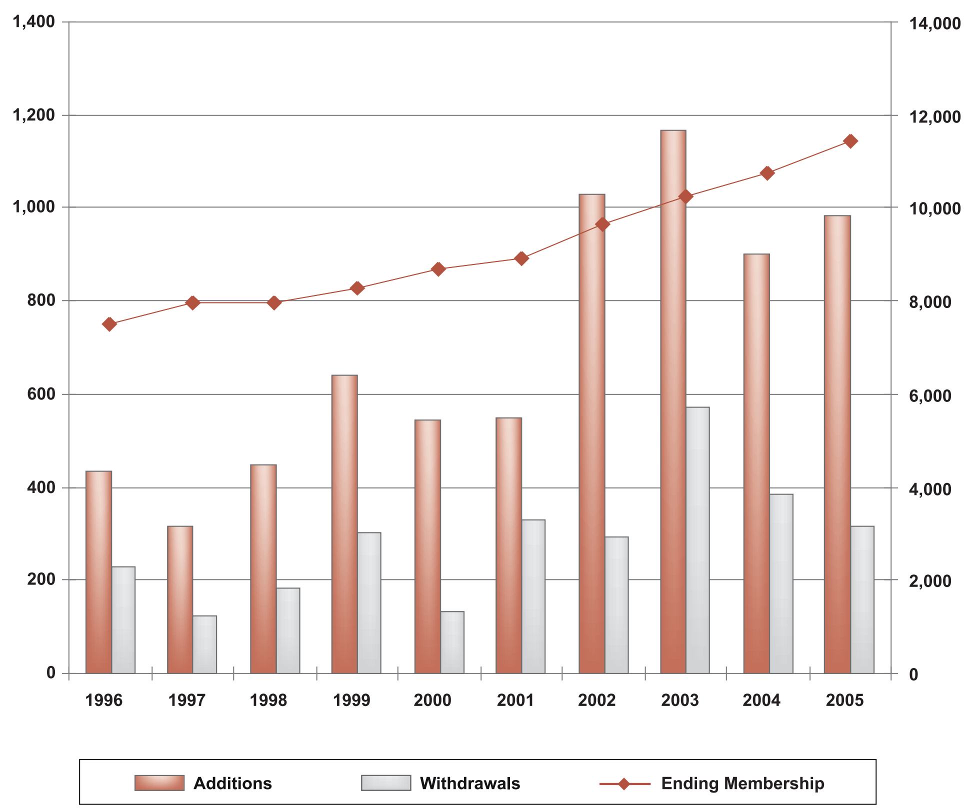
Retirement Payroll and Average Annual Pension Benefit

For the Years Ended June 30



Membership Activity

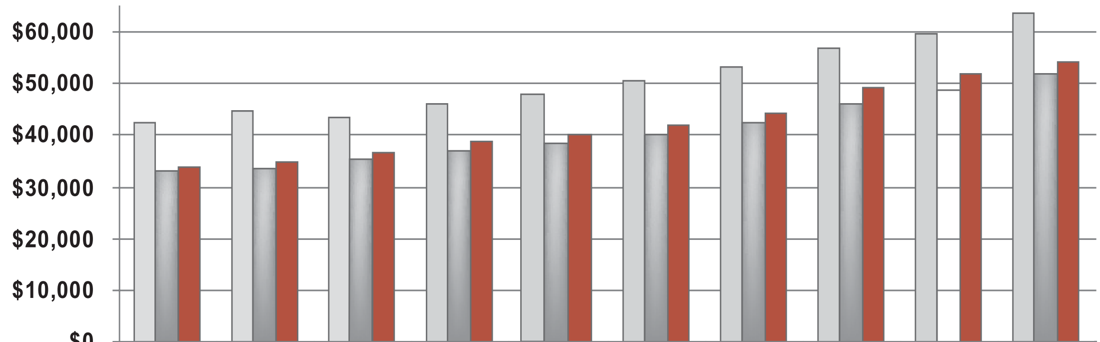
For the Years Ended June 30



Source: The Segal Company, Annual Actuarial Valuation, June 30, 2005.

Active Membership History—Average Annual Salaries By Member Type

For the Years Ended June 30

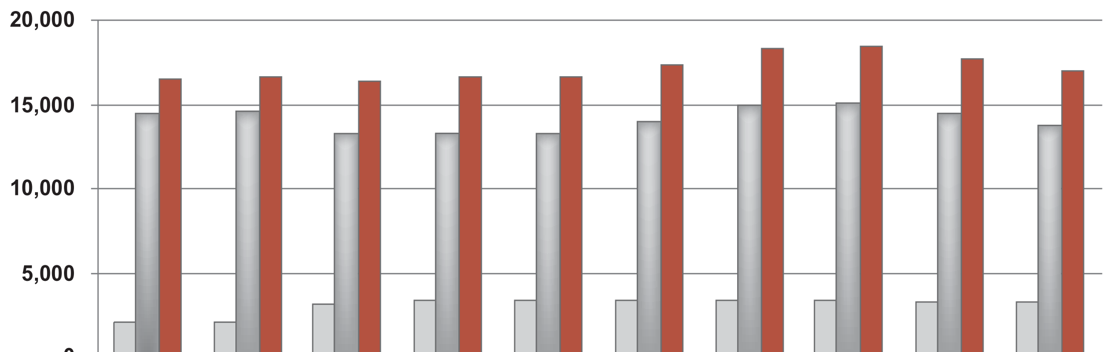


	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Safety	$42,469	$44,476	$43,144	$45,981	$47,660	$50,593	$53,384	$56,943	$59,510	$63,546
General	$32,814	$33,375	$35,039	$36,968	$38,480	$40,109	$42,303	$46,108	$48,764	$52,129
Total	$33,992	$34,954	$36,432	$38,771	$40,343	$42,150	$44,342	$49,071	$51,763	$54,287

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



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Safety	2,017	2,107	3,132	3,316	3,382	3,376	3,362	3,409	3,271	3,209
General	14,507	14,528	13,309	13,263	13,287	13,970	14,914	15,057	14,446	13,771
Total	16,524	16,635	16,441	16,579	16,669	17,346	18,276	18,466	17,717	16,980

Source: The Segal Company, Annual Actuarial Valuation, June 30, 2005.

Development of Funding Value of Assets

For the Years Ended June 30 (Thousands of Dollars)

	Funding Value Details	6/30/02	6/30/03	6/30/04	6/30/05
A	Funding Value, beg. of year	$ 3,745,600	$ 3,831,335	$ 4,417,766	$ 5,166,759
B	Gross Market Value, end of year	3,569,748	4,103,348	5,508,639	6,358,473
C	Gross Market Value, beg. of year	3,963,184	3,506,634[1]	4,103,348	5,508,639
D	Non-investment Cash Flow	(95,505)	426,814	476,227	62,566
E	Investment Income				
E1	Market total = **B - C - D**	(297,931)	169,900	929,064	787,268
E2	8.25% Recognition	307,159	345,035[2]	365,548	457,044
E3	Phase-in Recognition = **E1 - E2**	(605,090)	(175,135)	563,516	330,224
F	Phase-in Recognition				
F1	Current Year = **E3 x 20%**	(121,018)	(35,028)	112,703	66,045
F2	First Prior Year	(119,858)	(121,018)	(35,028)	112,703
F3	Second Prior Year	69,992	(119,858)	(121,018)	(35,027)
F4	Third Prior Year	28,090	69,992	(119,858)	(121,018)
F5	Fourth Prior Year	50,828	28,090	69,992	(119,858)
F6	Total Recognized Gain	(91,966)	(177,823)	(93,210)	(97,155)
G	Preliminary Funding Value End of Year = **A + D + E2 + F6**	3,865,288	4,425,361	5,166,332	5,589,214
H	Excludable Reserves				
H1	End of Year	413,988	358,469	358,042	334,936
H2	Beginning of Year	380,035	350,874[3]	358,469	358,042
H3	Change = **H1 - H2**	33,953	7,595	(427)	(23,106)
	Final Funding Value = G - H3	**$ 3,831,335**	**$ 4,417,766**	**$ 5,166,759**	**$ 5,612,320**

1 Net Market Value, restated by Gabriel, Roeder, Smith & Company Oct. 3, 2002 Actuarial Valuation.

2 The formula for recognition of the 8.25% assumed annual investment rate of return is based on level contributions (except for an adjustment to reflect the timing of the issuance of Pension Obligation Bonds) and level non-investment cash flow throughout the year.

3 Restated by Gabriel, Roeder, Smith & Company October 3, 2002 Actuarial Valuation

Sources: Gabriel, Roeder, Smith & Company, Annual Actuarial Valuation, until June 30, 2002
The Segal Company, Annual Actuarial Valuation since June 30, 2003

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

On June 17, 2004, SDCERA's Board adopted The Segal Company's recommendation regarding the amortization period. The balance of unfunded actuarial accrued liabilities is funded (or credited, if negative) over 20 years on a close basis, as a level percent of pay.

Active member payroll in aggregate was assumed to increase 5.25% a year for those with over 5 years of service and higher rates for those with less than 5 years, for the purpose of determining the level percent contributions although individual annual salary increase rates may be higher 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, service credit, and highest average salary. 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 latest experience study was done for the period July 1, 2000 through June 30, 2003, and resulting assumptions are reflected in the most recent actuarial valuation. 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: The Segal Company, Annual Actuarial Valuation, June 30, 2005

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%**

Salary increase rates used to project current pay for those upon which a benefit will be based, were revised in 2003. Rates vary by length of service, and consist of 4% for inflation plus the merit and longevity increases shown in the table below. The maximum combined rate is 11% and the minimum combined rate is 5%.

Years of Service	Safety	General
0	7.00%	4.00%
1	6.00%	3.50%
2	4.75%	3.00%
3	3.50%	2.50%
4	2.50%	2.00%
5+	1.00%	1.00%

Schedule of Active Member Valuation Data

For the Years Ended June 30

Valuation Date	Employees	Total Payroll	% Change	Average Salary	% Change
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
06/30/03	18,466	906,139,698	11.8	49,071	10.7
06/30/04	17,717	917,081,642	1.2	51,763	5.5
06/30/05	16,980	921,795,559	0.5	54,287	4.9

Sources: Gabriel, Roeder, Smith & Company, Annual Actuarial Valuation, until June 30, 2002.
The Segal Company, Annual Actuarial Valuation since June 30, 2003.

Historic Summary of Assumptions

For the Years Ended June 30

Assumption	Fiscal Year Ended 2005	2004	2003	2002	2001	3 Year Average	5 Year Average
Inflation [1]	3.30%	3.70%	4.10%	2.90%	5.70%	3.70%	3.94%
Assumed [3]						4.00	4.00
Average Pay increase	4.9	5.5	8.5	5.2	4.5	6.30	5.72
Assumed [3]						4.00	4.00
Merit & Longevity Pay Increase	1.1	0.6	2.4	2.3	(1.2)	1.37	1.04
Assumed [4]						1.00	0.80
Total Payroll	0.5	1.2	9.6	10.8	8.7	3.77	6.16
Assumed [3]						4.00	4.00
Investment Return Rate [2]	6.5	5.7	3.7	5.8	10.5	5.30	6.44
Assumed [5]						8.25	8.25
Real Rate of investment Return	3.2	2.0	(0.4)	2.9	4.8	1.60	2.50
Assumed [6]						4.25	4.25
Admin. Expenses (% of Assets)	0.1	0.2	0.2	-	-	0.17	0.10
Assumed						0.17	0.10

1 Based on June to June change in Consumer Price Index for San Diego, All Items, 1982-84=100. Please note that this index is different from the measure used to determine the annual retiree COLA.

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, 2003 valuation, this assumption has been increased from 0.5% to 1.0%.

5 Effective with June 30, 1997 valuation, this assumption has been increased from 8.0% to 8.25%.

6 Effective with June 30, 1997 valuation, this assumption has been increased from 3.5% to 4.25%.

Source: Gabriel, Roeder, Smith & Company, Annual Actuarial Valuation, until June 30, 2002.
The Segal Company, Annual Actuarial Valuation since June 30, 2003.

Rates of separation from active membership are shown below. 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 also assumed that 35% of General and 40% of Safety separating active members will continue employment with a reciprocal employer. Reciprocal members are assumed to receive 5.0% compensation increases per annum.

In March of 2004, SDCERA's Board adopted The Segal Group's recommendations regarding changes to the Retirement Probability Rates, Post-Mortality Rate, Termination, Disability Incidence Rates, and Individual Salary Increases. On May 6, 2004, the Board also adopted Segal's recommendations on changes to the Employee Contribution Rate.

Disability Rates

	Non Service Connected Disability			Service Connected Disability		
	General Members		Safety Members	General Members		Safety Members
Age	Male	Female		Male	Female	
20	0.01%	0.00%	0.00%	0.01%	0.00%	0.01%
25	0.01%	0.00%	0.02%	0.01%	0.01%	0.04%
30	0.01%	0.01%	0.05%	0.02%	0.07%	0.20%
35	0.03%	0.06%	0.08%	0.04%	0.11%	0.48%
40	0.08%	0.16%	0.12%	0.11%	0.13%	0.72%
45	0.13%	0.22%	0.15%	0.19%	0.16%	0.92%
50	0.20%	0.25%	0.17%	0.30%	0.20%	1.36%
55	0.29%	0.28%	0.18%	0.43%	0.26%	1.84%
60	0.33%	0.36%	0.19%	0.38%	0.29%	2.00%

Source: The Segal Company, Annual Actuarial Valuation, June 30, 2005.

The post-retirement mortality table used is the 1994 Group Annuity Mortality Table. SDCERA's Board adopted this table in March 2004. 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 7 year age set forward on post-retirement mortality for General members with disabled retirement. Related values are shown below.

Post-Retirement Mortality Rates

	Healthy Life Mortality		Disabled Life Mortality	
Sample Ages	General and Safety (1)		General	
	Male	Female	Male	Female
30	0.08 %	0.04 %	0.09 %	0.06 %
35	0.09	0.05	0.13	0.08
40	0.11	0.07	0.19	0.11
45	0.16	0.10	0.32	0.17
50	0.26	0.14	0.56	0.29
55	0.44	0.23	1.01	0.58
60	0.80	0.44	1.80	1.08

[1] Includes disability retirement

Ordinary Withdrawal Rates with Less than 5 Years of Service

Years of Service	General		
	Male	Female	Safety
0	17.00%	19.00%	12.00%
1	11.00%	12.00%	11.00%
2	7.00%	8.00%	5.00%
3	6.00%	7.00%	4.50%
4	5.00%	6.50%	4.00%

Ordinary Withdrawals and Vested Termination With More Than 5 Years of Service

	Ordinary Withdrawals (More than 5 years of service) [1]			Vested Termination (More than 5 years of service) [1]		
	General			General		
Age	Male	Female	Safety	Male	Female	Safety
20	1.80%	1.80%	1.66%	7.95%	9.33%	3.56%
25	1.80%	1.80%	1.50%	7.27%	8.22%	2.99%
30	1.69%	1.53%	1.30%	6.39%	6.44%	2.41%
35	1.51%	1.19%	1.06%	5.36%	4.89%	1.67%
40	1.33%	0.86%	0.86%	4.33%	3.78%	1.30%
45	1.04%	0.61%	0.70%	3.18%	2.67%	1.11%
50	0.79%	0.54%	0.54%	2.09%	1.56%	0.53%
55	0.61%	0.54%	0.48%	1.01%	0.78%	0.21%
60	0.54%	0.54%	0.19%	0.56%	0.56%	0.08%

[1] No withdrawal is assumed after a member is eligible for retirement.
Source: The Segal Company, Annual Actuarial Valuation, June 30, 2005.

Retirement Probability

Age	General	Safety
48	0%	4%
49	0%	4%
50	6%	15%
51	3%	15%
52	5%	15%
53	6%	15%
54	6%	15%
55	12%	25%
56	13%	30%
57	15%	30%
58	17%	35%
59	20%	35%
60	20%	45%
61	25%	45%
62	25%	50%
63	25%	50%
64	25%	50%
65	30%	100%
66	30%	100%
67	30%	100%
68	30%	100%
69	40%	100%
70	100%	100%

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 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.

Member contributions are credited with 4.125% interest semiannually.

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

Retirement Age and Benefit for Deferred Vested Members: Marital status: 80% of men and 65% of women were assumed married at retirement.

Retirement Age and Benefit for Deferred Vested Members: Spouse census: Females (or male) spouses are 3 years younger (older) than their spouses.

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Statistical
section

SDCERA
Supporting The Membership

SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Supporting the Membership

Changes in Plan Net Assets

For the Last Ten Years Ended June 30 (Millions of Dollars)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Additions										
Employee Contributions (1)	$ 5.3	$ 6.2	$ 6.7	$ 7.4	$ 8.4	$ 10.8	$ 17.3	$ 34.7	$ 33.6	$ 40.8
Employer Contributions (2)	74.8	61.6	51.8	36.4	38.1	41.1	50.6	616.1	700.6	316.1
Investment Income (Net of expenses)	419.1	495.7	466.9	396.0	564.4	(344.8)	(164.8)	149.9	936.5	794.7
Total Additions	**$ 499.2**	**$ 563.5**	**$ 525.4**	**$ 439.8**	**$ 610.9**	**$(292.9)**	**$ (96.9)**	**$ 800.7**	**$1,670.7**	**$ 1,151.6**
Deductions										
Administrative Expenses	$ 2.7	$ 3.9	$ 4.5	$ 4.8	$ 5.3	$ 6.4	$ 7.6	$ 7.0	$ 7.4	$ 7.5
Retirement Benefits (1) (3)	90.2	97.0	103.7	121.3	132.8	144.1	163.0	202.5	230.0	259.5
Health Benefits	7.6	6.5	6.6	7.9	9.0	10.8	14.3	19.9	26.5	32.6
Refunds	1.3	1.3	0.9	1.4	1.7	1.6	1.5	1.5	1.5	2.2
Total Deductions	**$ 101.8**	**$ 108.7**	**$ 115.7**	**$ 135.4**	**$ 148.8**	**$ 162.9**	**$ 186.4**	**$ 230.9**	**$ 265.4**	**$ 301.8**
Total Change in Net Assets	**$ 397.4**	**$ 454.8**	**$ 409.7**	**$ 304.4**	**$ 462.1**	**$(455.8)**	**$(283.3)**	**$ 569.8**	**$1,405.3**	**$ 849.8**

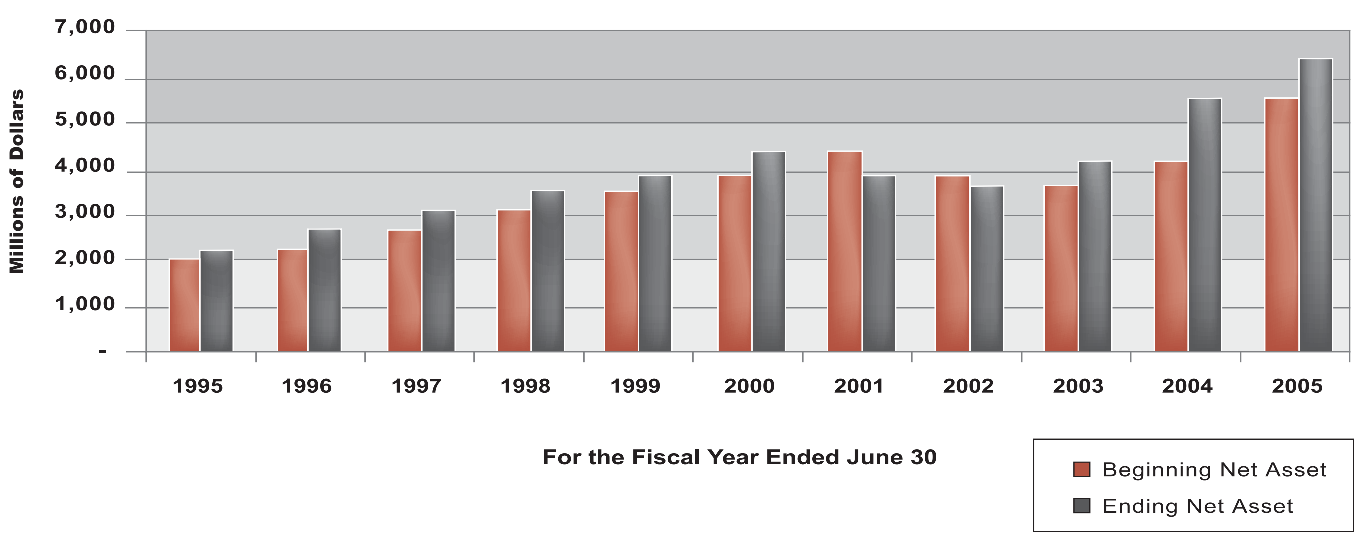
Notes:

1 Enhancement of Plan benefits in March 2002, resulted in an increase in member contributions and benefit payments.

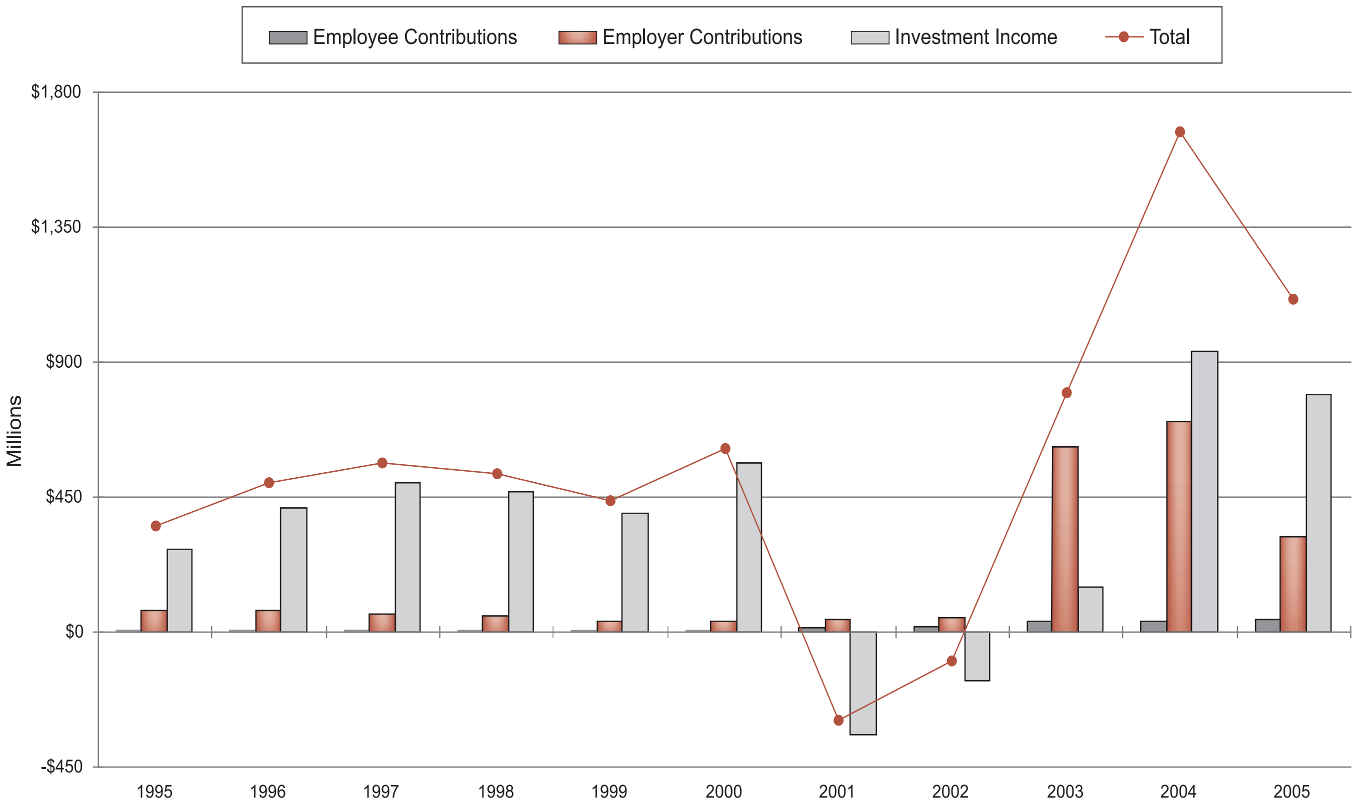
2 Includes proceeds from Pension obligation bonds of $550 million in 2003 and $450 million in 2004.

3 Refer to benefit and refund deductions for detail.

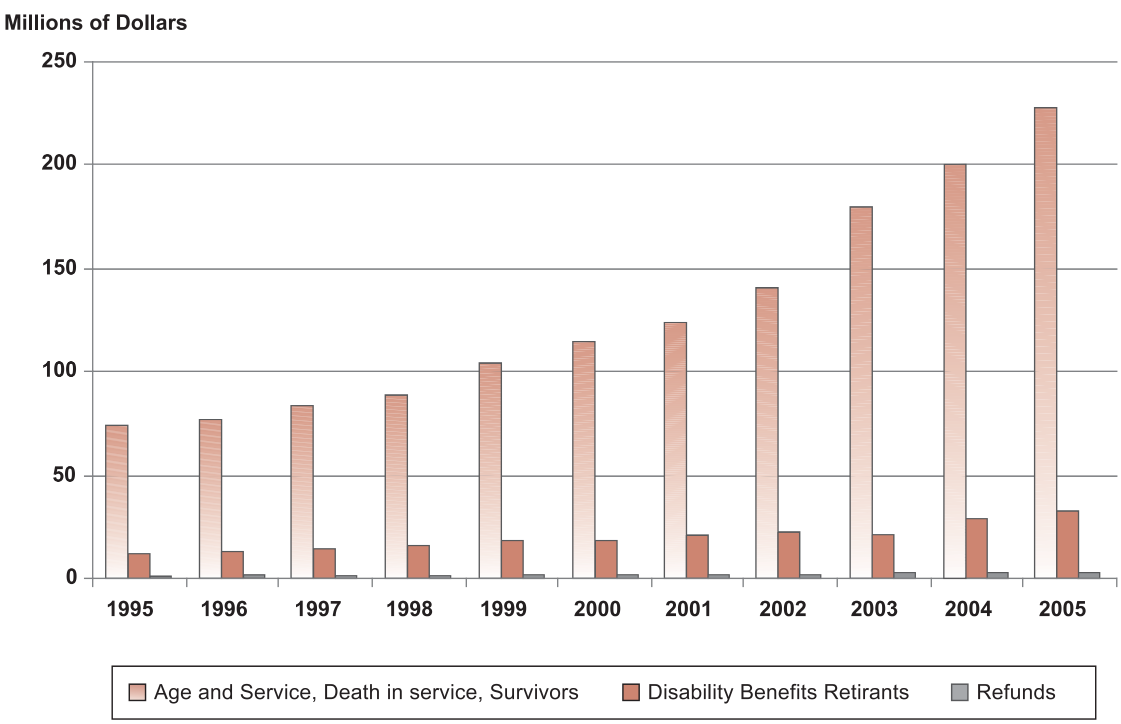
SDCERA Net Asset Value



Additions to Plan Net Assets By Source



Deductions From Plan Net Assets By Type

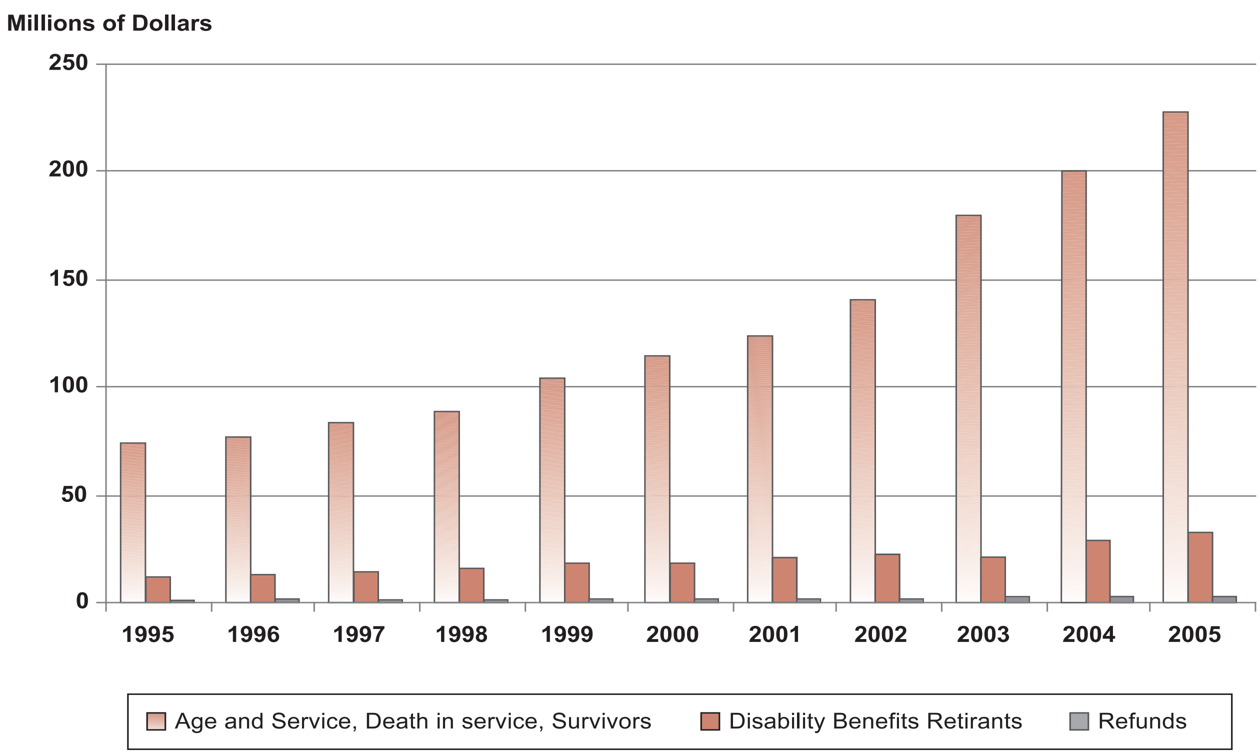


Benefit and Refund Deductions From Net Assets By Type

For the Last Ten Years Ended June 30 (Millions of Dollars)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Type of Benefit										
Age and Service	$71.1	76.2	81.3	94.9	104.4	113.4	130.5	161.1	185.3	209.5
Disability - Duty	10.3	11.1	12.4	14.3	15.2	3.9	4.2	5.2	2.8	6.7
Disability - Non-Duty	2.8	3.0	3.1	3.4	3.6	16.4	18.3	22.6	25.6	25.4
Death Benefits	1.2	1.4	1.4	1.6	1.6	1.7	0.6	1.3	1.2	2.7
Survivors	4.8	5.3	5.5	7.1	8.0	8.7	10.0	12.3	15.1	15.2
Total	**$90.2**	**97.0**	**103.7**	**121.3**	**132.8**	**144.1**	**163.6**	**202.5**	**230.0**	**259.5**
Type of Refund										
Separation	1.3	1.3	0.9	1.4	1.7	1.6	1.5	1.5	1.5	2.2
Total	**$1.3**	**1.3**	**0.9**	**1.4**	**1.7**	**1.6**	**1.5**	**1.5**	**1.5**	**2.2**

Benefit Expenses by Type



Retired Members By Type of Benefits

For the Fiscal Year Ended June 30, 2005

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement [a] 1	2	3	4	5	6
$0 - $1,000	3,873	2,880	651	100	7	223	12
1,001 - 2,000	3,555	2,608	309	38	79	507	14
$2,001 - 3,000	1,934	1,336	125	16	67	388	2
$3,001 - 4,000	868	756	35	6	21	49	1
$4,001 - 5,000	515	482	6	2	14	11	-
$5,001 - 6,000	342	325	2	1	8	6	-
$6,001 - 7,000	205	194	3	-	4	4	-
$7,001 - 8,000	104	97	1	-	5	1	-
$8,001 - 9,000	56	53	-	-	2	1	-
$9,001 - 10,000	34	32	-	-	2	-	-
Over 10,000	66	63	-	-	3	-	-
Total	**11,552**	**8,826**	**1,132**	**163**	**212**	**1,190**	**29**

Retired Members By Type of Benefits

For the Fiscal Year Ended June 30, 2004

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement [a] 1	2	3	4	5	6
$0 - $1,000	3,885	2,910	658	64	6	237	10
1,001 - 2,000	3,329	2,689	11	21	69	533	6
$2,001 - 3,000	1,726	1,188	113	10	40	374	1
$3,001 - 4,000	734	654	6	21	14	39	-
$4,001 - 5,000	442	411	2	5	13	11	-
$5,001 - 6,000	291	281	1	2	2	5	-
$6,001 - 7,000	165	156	1	2	1	5	-
$7,001 - 8,000	76	71	1	-	4	-	-
$8,001 - 9,000	44	41	-	-	2	1	-
$9,001 - 10,000	27	27	-	-	-	-	-
Over 10,000	51	49	-	-	2	-	-
Total	**10,770**	**8,477**	**793**	**125**	**153**	**1,205**	**17**

[a]Type of Retirement:

1 Retired—Service Retirement
2 Beneficiary Payment—Surviving Spouse
3 Beneficiary Payment—Non-spouse Survivor
4 Service-Connected Disability Retirement
5 Non-Service Connected Disability Retirement
6 Beneficiary Payment—Disability

Note: Fiscal Year 2004 is restated to correct distribution among retirement types.

Source: SDCERA's Pension and Administration Retirement Information System (PARIS)

Retired Members By Type of Benefit Options
For The Fiscal Year Ended June 30, 2005

Amount of Monthly Benefit	Number of Retirees & Beneficiaries	Option Selected b						
		Unmodified	1	2	3	4	Dth - Minor Child Supplement	Lump Sum Installment
$0 - $1,000	3,873	3,689	31	94	10	28	2	19
1,001 - 2,000	3,555	3,439	33	45	5	27	-	6
$2,001 - 3,000	1,934	1,879	24	21	2	5	-	3
$3,001 - 4,000	868	828	14	13	1	10	2	-
$4,001 - 5,000	515	497	9	6	-	3	-	-
$5,001 - 6,000	342	333	5	2	-	2	-	-
$6,001 - 7,000	205	201	3	1	-	-	-	-
$7,001 - 8,000	104	103	-	-	-	1	-	-
$8,001 - 9,000	56	55	-	-	-	1	-	-
$9,001 - 10,000	34	33	-	-	-	1	-	-
Over 10,000	66	66	-	-	-	-	-	-
Total	**11,552**	11,123	119	182	18	78	4	28

Retired Members By Type of Benefit Options
For The Fiscal Year Ended June 30, 2004

Amount of Monthly Benefit	Number of Retirees & Beneficiaries	Option Selected b						
		Unmodified	1	2	3	4	Dth - Minor Child Supplement	Lump Sum Installment
$0 - $1,000	3,885	3,746	28	76	8	24	2	1
1,001 - 2,000	3,329	3,237	27	36	2	24	2	1
$2,001 - 3,000	1,726	1,684	18	17	1	6	-	-
$3,001 - 4,000	734	704	12	8	1	8	1	-
$4,001 - 5,000	442	426	6	8	-	2	-	-
$5,001 - 6,000	291	284	4	1	-	2	-	-
$6,001 - 7,000	165	163	1	1	-	-	-	-
$7,001 - 8,000	76	74	-	-	-	2	-	-
$8,001 - 9,000	44	44	-	-	-	-	-	-
$9,001 - 10,000	27	26	-	-	-	1	-	-
Over 10,000	51	51	-	-	-	-	-	-
Total	**10,770**	10,439	96	147	12	69	5	2

b**Option selected:** The following options reduce the retired member's monthly benefit::

Option 1 - Beneficiary receives lump sum or member's unused contributions
Option 2 - Beneficiary receives 100 percent of member's reduced monthly benefit
Option 3 - Beneficiary receives 50 percent of member's reduced monthly benefit
Option 4 - Split account paid to ex-spouse of member
Dth-Minor Child Supplement - Paid to minor child of deceased member with no surviving spouse
Lump sum installment - Death benefit paid in installments

Source: SDCERA's Pension and Administration Retirement Information System (PARIS)

Average Benefit Payments
For The Fiscal Years Ended June 30

		Years credited service						
Retirement Effective		**0-5**	**5-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**
Fiscal Year 2005								
Average monthly benefit	$	501	782	1,464	2,208	3,000	4,313	5,453
Average final monthly salary		3,400	5,244	3,923	4,292	4,699	5,283	5,850
Number of retired members		23	78	222	170	118	113	118
Fiscal Year 2004								
Average monthly benefit	$	510	724	1,344	2,183	2,990	4,487	5,819
Average final monthly salary		4,074	2,202	3,525	4,233	4,444	5,500	6,374
Number of retired members		25	61	184	135	122	102	103
Fiscal Year 2003								
Average monthly benefit	$	753	769	1,492	1,846	2,804	4,578	5,757
Average final monthly salary		3,098	2,647	3,824	3,552	4,200	5,494	5,881
Number of retired members		33	89	192	114	132	107	131
Fiscal Year 2002								
Average monthly benefit	$	831	733	1,219	1,875	2,510	4,127	5,483
Average final monthly salary		2,301	2,489	3,093	3,691	3,626	4,789	5,520
Number of retired members		29	79	223	115	130	127	207
Fiscal Year 2001								
Average monthly benefit	$	645	945	1,015	1,277	1,924	2,706	4,144
Average final monthly salary		1,543	1,928	3,105	3,264	3,668	4,084	4,960
Number of retired members		21	44	103	48	51	30	40
Fiscal Year 2000								
Average monthly benefit	$	726	760	978	1,311	1,758	2,632	3,850
Average final monthly salary		2,948	1,938	3,250	3,382	3,473	4,187	4,858
Number of retired members		19	59	161	75	76	76	65

Schedule of Participating Employers

For the Last Three Fiscal Years Ended June 30

	Total Employers		County of San Diego	Superior Court	San Dieguito River Valley Joint Power Authority	Local Agency Formation Commission	San Diego County Office of Education
Fiscal Year 2005							
Number of Covered Employees	**33,791**		31,558	2,191	18	14	10
Percentage to Total System	**100.00**	%	93.39	6.48	0.05	0.04	0.03
Rank			**1**	**2**	**3**	**4**	**5**
Fiscal Year 2004							
Number of Covered Employees	**32,767**		30,644	2,036	18	10	9
Percentage to Total System	**100.00**	%	93.67	6.21	0.05	0.03	0.03
Rank			**1**	**2**	**3**	**4**	**5**
Fiscal Year 2003							
Number of Covered Employees	**32,550**		30,761	1,755	18	7	9
Percentage to Total System	**100.00**	%	94.50	5.39	0.06	0.02	0.03
Rank			**1**	**2**	**3**	**4**	**5**

Note: Data for fiscal years 1996 to 2002 is not available in our current system.

SDCERA

Supporting The Membership

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