Live the dream

Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2008
San Diego County Employees Retirement Association, San Diego County, California

SDCERA

Strength. Service. Commitment.

Nothing happens unless first we dream.

CARL SANDBURG

SDCERA

Strength. Service. Commitment.

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."

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.

ISSUED BY:

BRIAN P. WHITE
CHIEF EXECUTIVE OFFICER

MARK MIMNAUGH
CHIEF OPERATING OFFICER

DAVID DEUTSCH
CHIEF INVESTMENT OFFICER

Copies of this report are available from SDCERA, at 2275 Rio Bonito Way, Suite 200, San Diego, CA 92108-1685.

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In • tro • duc • tion

plant me and I will bloom

This seeded paper grows flowers when planted.

Plant under a thin layer of soil and water thoroughly. Keep moist until seedlings are well established.

SAN DIEGO COUNTY EMPLOYEES
RETIREMENT ASSOCIATION

SDCERA

Strength. Service. Commitment.

Board of Retirement
San Diego County Employees Retirement Association
2275 Rio Bonito Way, Suite 200
San Diego, California 92108

Dear Board Members,

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the San Diego County Employees Retirement Association (SDCERA, Association or Plan) for the year ended June 30, 2008. This year's theme, dream, recognizes that the first step in any goal is the seed of an idea that can germinate into the envisioned future. SDCERA continues to move toward the future as described in the major initiatives and significant events below.

SDCERA is a public employee retirement system that was established by the County of San Diego on July 1, 1939, and 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, 2008.

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 SDCERA's management. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present both the financial position and SDCERA's operating results.

MAJOR INITIATIVES AND SIGNIFICANT EVENTS

SDCERA was awarded Standard & Poor's highest issuer credit rating of AAA. The rating reflects SDCERA's strong management team, use of prudent actuarial assumptions and high funded ratio.

SDCERA is implementing a new pension administration system. Using the new system, scheduled for implementation in 2010, members will be able to access online services, staff will be able to work more efficiently, and member records will be more comprehensive because every interaction and transaction will automatically be documented.

The Board adopted an Excess Earnings policy that directs the use of excess earnings after crediting the mandatory reserves with the assumed rate of interest. The Board also adopted a Pre-funded Supplemental Cost-of-Living Policy that replaces the STAR COLA and provides a permanent benefit to eligible Tier I and

Tier II members. The Board directed the use of existing reserves and excess earnings to fund the liability of the cost-of-living adjustment.

SDCERA improved its internal and external communications by launching the SKINNY, an award-winning intranet site; implementing a retirement tips campaign for members nearing retirement; and revising and redesigning the Annual Member Statement and the summary plan document.

ACCOUNTING SYSTEMS AND REPORTS

This CAFR was prepared in compliance with accounting principles generally accepted in the United States 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. 28, Accounting and Financial Reporting for Securities Lending Transactions; 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, an amendment of GASB Statements No. 21 and No. 34; Statement No. 38, Certain Financial Statement Note Disclosure; Statement No. 40, Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3; Statement No. 43, Financial Reporting for Post-employment Benefit Plans Other than Pension Plans, Statement No. 44, Economic Condition Reporting: The Statistical Section-an amendment of NCGA Statement 1; Statement No. 50, Pension Disclosures, an amendment of GASB Statement No. 25; 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, SDCERA's independent auditors, audited the accompanying basic financial statements. Management believes that an adequate system of internal control is in place and that the accompanying statements, schedules and tables are presented fairly.

INVESTMENTS

The total net assets held in trust were $8.4 billion at June 30, 2008. For the fiscal year 2008, investments provided a return of 0.7% net of fees amid difficult market conditions. SDCERA's annualized rate of return, net of fees, was 10.07% over the last three years, 13.00% over the last five years, and 8.10% over the last 10 years.

FUNDING

The actuarial liability and the value of assets of the Association on June 30, 2008, the date of our latest actuarial valuation, totaled $8.7 billion and $8.2 billion, respectively. This results in an unfunded actuarial accrued liability of $0.5 billion. The Plan's resulting funded ratio of 94.4%, computed by dividing the actuarial value of assets by the actuarial accrued liability, measures the current funded status.

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

PROFESSIONAL SERVICES

The Board of Retirement appoints professional consultants to perform services 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 11 of this report. Additional information regarding investment professionals who provide services to the Association is located on page 56 in the Investment Section.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to SDCERA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. 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 GFOA.

PUBLIC PENSION STANDARDS AWARD

Public Pension Coordinating Council (PPCC) granted its 2008 achievement award to SDCERA. 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 government 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.

This report 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.

BP White

Brian P. White
Chief Executive Officer
November 30, 2008

PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration

2008

Presented to

San Diego County Employees Retirement Association

In recognition of meeting professional standards for
plan funding 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

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, 2007

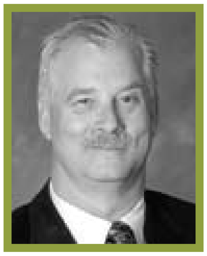
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

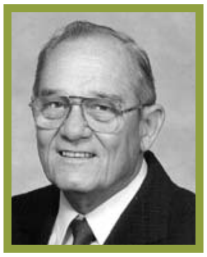
GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

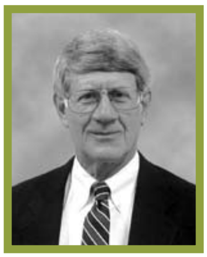
President

Executive Director

SDCERA BOARD OF RETIREMENT


Garry A. Sobeck
Chairman


James W. Feeley
Secretary


John Arnold


Marc Doss


Dianne Jacob


Dan McAllister


Loretta Morris


David A. Myers


Douglas Rose


Kay Ryan

CHAIRMAN
Garry A. Sobeck
Elected by SDCERA General members
Present term expires June 30, 2010

SECRETARY
James W. Feeley
Elected by SDCERA Retired members
Present term expires June 30, 2011

TRUSTEE
John Arnold
Appointed by County Board of Supervisors
Present term expires June 30, 2009

TRUSTEE
Marc Doss
Appointed by County Board of Supervisors
Present term expires June 30, 2010

TRUSTEE
Dianne Jacob
Appointed by County Board of Supervisors
Present term expires December 31, 2010

TRUSTEE
Dan McAllister
Treasurer-Tax Collector
Holds office during incumbency

TRUSTEE
Loretta Morris
Appointed by County Board of Supervisors
Present term expires June 30, 2011

TRUSTEE
David A. Myers
Elected by SDCERA Safety members
Present term expires December 31, 2010

TRUSTEE
Douglas Rose
Elected by SDCERA General Members
Present term expires June 30, 2011

ALTERNATE TRUSTEE
Kay Ryan
Elected by SDCERA Retired members
Present term expires June 30, 2011

SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Board of Retirement

GARRY A. SOBECK
Chairman
Elected by SDCERA
General members

JAMES W. FEELEY
Secretary
Elected by SDCERA
Retired members

JOHN ARNOLD
Trustee
Appointed by County
Board of Supervisors

MARC DOSS
Trustee
Appointed by County
Board of Supervisors

DIANNE JACOB
Trustee
Appointed by County
Board of Supervisors

DAN MCALLISTER
Treasurer-Tax
Collector
Holds office during
incumbency

LORETTA MORRIS
Trustee
Appointed by County
Board of Supervisors

DAVID A. MYERS
Trustee
Elected by SDCERA
Safety members

DOUGLAS ROSE
Trustee
Elected by SDCERA
General members

KAY RYAN
Alternate trustee
Elected by SDCERA
Retired members

VACANT
Alternate trustee
Elected by
Safety members

SDCERA
Strength. Service. Commitment.

Chief Executive Officer
BRIAN P. WHITE

Members

Investments
DAVID DEUTSCH, CFA
Chief Investment Officer

Cash Management

Member Services
MARSHA BOYD
Director

Benefits / Disability
Communications
Health

Operations
MARK MIMNAUGH
Chief Operating Officer

Desktop Support
Applications
Support Imaging

Financial Planning
Accounting / Reporting
Fiscal Services / Audit

Administrative Services
Facilities
Human Resources

Organizational Structure of SDCERA's Community

CONSULTANTS

Auditor

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

Investment Consultants

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

Albourne America, LLC
50 Danbury Road
Wilton, CT 06897

Ennis Knupp
10 South Riverside Plaza, Suite 1
Chicago, IL 60606

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 Mellon Trust Company, NA
400 S. Hope Street
Los Angeles, CA 90071

Additional information regarding investment professionals who provide services to SDCERA is located in the Investments Section, page 44.

Legal Counsel

Branton & Wilson, A Professional Corporation
701 B Street, Suite 1255
San Diego, CA 92101

Butterfield Schechter, LLP
10616 Scripps Summit Court, Suite 200
San Diego, CA 92131–3961

Crowell & Moring, LLP
3 Park Plaza, 20th Floor
Irvine, CA 92614–8505

Duckor, Spradling & Metzger
401 West A Street, Suite 2400
San Diego, CA 92101–7915

Gray, Cary, Ware and Friedenrich DLA Piper Rudnick
401 B Street, Suite 1700
San Diego, CA 92101–4297

Ice Miller, LLP
One American Square, Suite 3100
Indianapolis, IN 46282–0200

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

The Law Offices of Ruth Claire Black, Esquire
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Carlsbad, CA 92209

Sheppard Mullin Richter and Hampton, LLP
333 S. Hope Street, 48th Floor
Los Angeles, CA 90071–1448

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

Trucker Huss, A Professional Corporation
120 Montgomery Street, 23rd Floor
San Francisco, CA 94104–4326

Waller Lansden Dortch and Davis, LLP
511 Union Street, Suite 2700
Nashville, TN 37219

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

Without leaps of imagination, or dreaming, we lose the excitement of possibilities. Dreaming, after all, is a form of planning.

GLORIA STEINEM

Fi • nan • cial

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
Certified Public Accountants

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e-mail: info@bacpas.com

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

Andrew J. Paulden, CPA
Peter C. Brown, CPA
Burton H. Armstrong, CPA, MST
Steven R. Starbuck, CPA
Aileen K. Keeter, CPA
Chris M. Thornburgh, CPA
Eric H. Xin, MBA, CPA
Richard L. Halle, CPA, MST

Harvey J. McCown, CPA
Lynn R. Krausse, CPA, MST
Rosalva Flores, CPA
Connie M. Perez, CPA
M. Sharon Adams, CPA, MST
Diana H. Branthoover, CPA
Thomas M. Young, CPA
Alicia Dias, CPA, MBA
Matthew R. Gilligan, CPA
Hanna J. Sheppard, CPA
Ryan L. Nielsen, CPA
Jian Ou-Yang, CPA
Ryan S. Johnson, CPA
Jialan Su, CPA
Ariadne S. Prunes, CPA
Samuel O. Newland, CPA
Brooke N. DeCuir, CPA
Kenneth J. Witham, CPA
Clint W. Baird, CPA

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, 2008 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.

As discussed in Note 2 to the financial statements, in 2008, SDCERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures, an amendment of GASB Statements No. 25 and 27.*

In our opinion, the financial statements referred to above present fairly, in all material respects, the Net Assets of the San Diego County Employees Retirement Association as of June 30, 2008 and its Changes in Net Assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (MD&A) as listed in the table of contents is 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 Required Supplementary Information as listed in the table of contents is presented for purposes of additional analysis, as required by GASB, and is not a required part of the basic financial statements. This information is the responsibility of SDCERA's management. Such information has been subjected to the auditing procedures applied by us in the audit of the 2008 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2008 basic financial statements taken as a whole. The Other Supplementary information as listed in the table of contents, and the Investment, Actuarial and Statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of SDCERA. The Other Supplementary information as listed in the table of contents 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. We did not audit the information contained in the investment, actuarial and statistical sections and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2008, on our consideration of SDCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

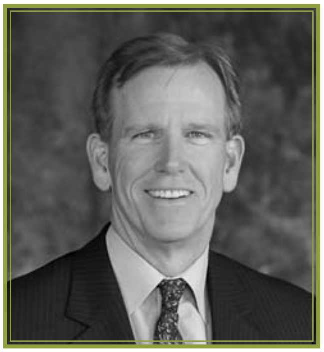
Bakersfield, California
November 30, 2008

1

SAN DIEGO COUNTY EMPLOYEES
RETIREMENT ASSOCIATION

SDCERA

Strength. Service. Commitment.



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, 2008. 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 $8.4 billion as of the end of the fiscal year, a decrease of $36.5 million over the prior year.
- Total additions to net assets were $369.7 million primarily from County contributions of $329.1 million and $45.5 million in member contributions.
- Total deductions to net assets totaled $406.2 million, an increase of $35.5 million or 9.6% over the prior year. Retirement benefits have risen $46 million, driven by a net increase in the number of retired members (487), a 5.2% increase in average monthly benefit and the payment of $17.4 million in Supplemental Retirement Benefits adopted by the Board of Retirement in May 2007, effective July 1, 2007.
- During fiscal year 2008, the rate of return on investments was 0.7% 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, 2008, the date of our last actuarial valuation, the funding status (the ratio of system assets to system liabilities) was 94.4%.

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 numbers 25, 28, 34, 37, 38, 40 and 50. 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 are 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: NET ASSETS
For the fiscal year ended June 30, 2008 and 2007 (Dollars in Thousands)

		06/30/2008	06/30/2007	Increase/ (Decrease)	Percentage Change
Cash	$	218,243	271,309	(53,066)	(19.6%)
Receivables		329,450	242,828	86,622	35.7%
Investments		8,613,024	8,438,428	174,596	2.1%
Securities Lending Collateral		720,580	889,363	(168,783)	(19.0%)
Property, Plant & Equipment		5,537	3,528	2,009	56.9%
Total Assets		9,886,834	9,845,456	41,378	0.4%
Liabilities to Brokers for Securities Lending		720,580	889,363	(168,783)	(19.0%)
Securities Purchased		741,094	497,907	243,187	48.8%
Other		17,144	13,681	3,463	25.3%
Total Liabilities		1,478,818	1,400,951	77,867	5.6%
Total Assets Held in Trust for Pension Benefits	$	8,408,016	8,444,505	(36,489)	(0.4%)

TABLE 2: NET ASSETS
For the fiscal year ended June 30, 2007 and 2006 (Dollars in Thousands)

		06/30/2007	06/30/2006	Increase/ (Decrease)	Percentage Change
Cash	$	271,309	160,962	110,347	68.6%
Receivables		242,828	97,911	144,917	148.0%
Investments		8,438,428	7,280,912	1,157,516	15.9%
Securities Lending Collateral		889,363	603,019	286,344	47.5%
Property, Plant & Equipment		3,528	2,837	691	24.4%
Total Assets		9,845,456	8,145,641	1,699,815	20.9%
Liabilities to Brokers for Securities Lending		889,363	603,019	286,344	47.5%
Securities Purchased		497,907	196,737	301,170	153.1%
Other		13,681	14,937	(1,256)	(8.4%)
Total Liabilities		1,400,951	814,693	586,258	72.0%
Net Assets Held in Trust for Pension Benefits	$	8,444,505	7,330,948	1,113,557	15.2%

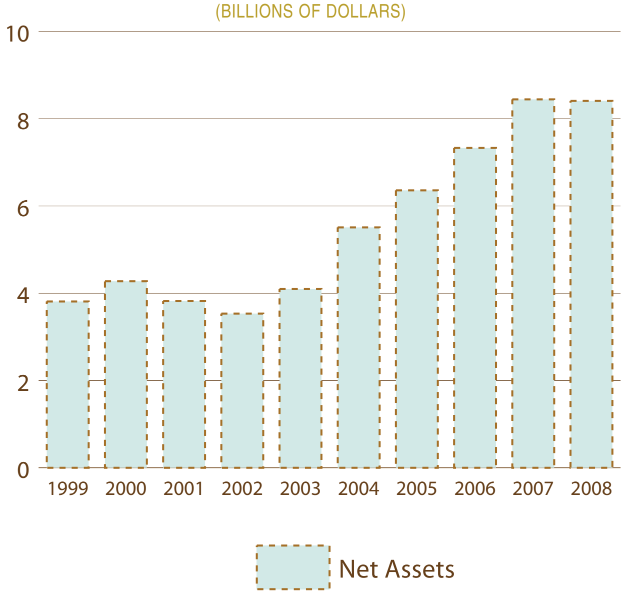
Net assets held in trust for pension benefits as of June 30, 2008, were $8.4 billion, a decrease of $36.5 million, or (0.4%), over the prior year. Investment returns of 0.7% generated flat plan net asset increases from operations.

County and employee contributions added $374.6 million, but were more than offset by member benefit payments of $393.0 million.

SDCERA NET ASSETS HELD IN TRUST

FOR PENSION BENEFITS 1999-2008

(BILLIONS OF DOLLARS)



SDCERA INVESTMENT RETURNS

1999-2008

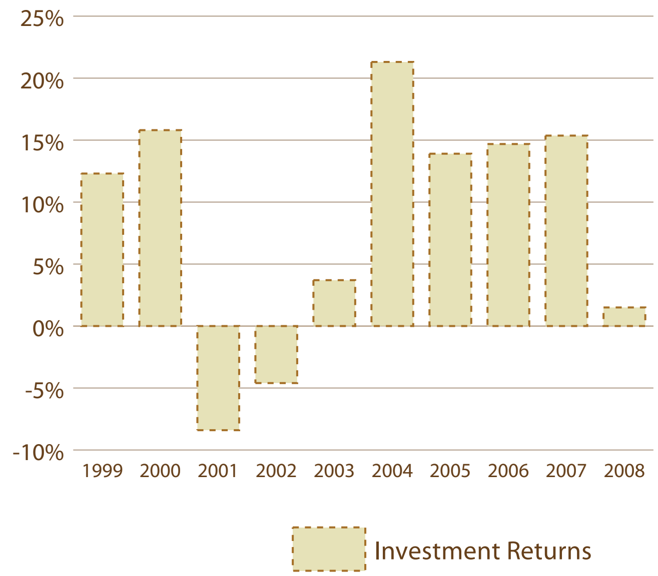


TABLE 3: CHANGES IN PLAN NET ASSETS
For the fiscal year ended June 30, 2007 and 2006 (Dollars in Thousands)

		06/30/2008	06/30/2007	Increase/ (Decrease)	Percentage Change
ADDITIONS					
Employer Contributions	$	329,095	320,533	8,562	2.7%
Member Contributions		45,479	44,504	975	2.2%
Net Investment Income		(9,783)	1,116,778	(1,126,561)	(100.9%)
Net Securities Lending Income		4,939	2,467	2,472	100.2%
Total Additions		369,730	1,484,282	(1,114,552)	(75.1%)
DEDUCTIONS					
Retirement Benefits		368,575	322,594	45,981	14.3%
Health Benefits		24,397	35,308	(10,911)	(30.9%)
Refund of Contributions		2,736	2,574	162	6.3%
Administrative Expenses		10,511	10,249	262	2.6%
Total Deductions		406,219	370,725	35,494	9.6%
Increase (Decrease) in Net Assets Held in Trust for Pension Benefits	$	(36,489)	1,113,557	(1,150,046)	(103.3%)

TABLE 4: CHANGES IN PLAN NET ASSETS
For the fiscal year ended June 30, 2007 and 2006 (Dollars in Thousands)

	06/30/2007	06/30/2006	Increase/ (Decrease)	Percentage Change
Additions				
Employer Contributions	$ 320,533	302,460	18,073	6.0%
Member Contributions	44,504	41,911	2,593	6.2%
Net Investment Income	1,116,778	960,008	156,770	16.3%
Net Securities Lending Income	2,467	2,197	270	12.3%
Total Additions	1,484,282	1,306,576	177,706	13.6%
Deductions				
Retirement Benefits	322,594	290,197	32,397	11.2%
Health Benefits	35,308	32,879	2,429	7.4%
Refund of Contributions	2,574	2,991	(417)	(13.9%)
Administrative Expenses	10,249	8,034	2,215	27.6%
Total Deductions	370,725	334,101	36,624	11.0%
Decrease in Net Assets Held in Trust for Pension Benefits	$ 1,113,557	972,475	141,082	14.5%

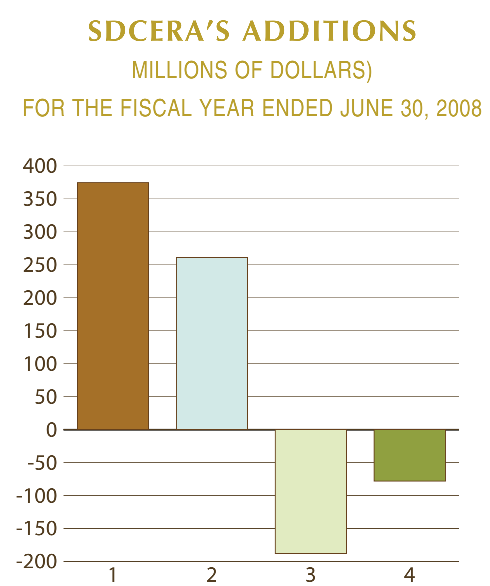
ADDITIONS TO RETIREMENT PLAN NET ASSETS

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 $370 million for the fiscal year ended June 30, 2008, a decrease of $1.1 billion over the prior year.

- Employer and Employee contributions were $375 million in fiscal year 2008, an increase of $10 million over the prior year. Combined contribution rates of 23.28% in Fiscal Year 2008 compared to 24.68% in Fiscal Year 2007, offset by a 6.7% increase in the Retirement Gross raised the Pension ARC by $5 million. Employee offsets increased by $6 million, fueled by the increase in Retirement Gross. In addition, the county contributed $24 million to fund OPEB which was offset by the elimination of the prior year additional contribution of $27 million.

- Net investment income equaled ($4.8 million) in fiscal year 2008, a decrease of $1.1 billion, over prior year. This loss was primarily net depreciation in the fair value of investments of $188 million and $261 million in interest and dividends, offset by investment expenses of $78 million.



1. Retirement Contributions: $375 million
2. Interest, Dividends and Securities Lending Income: $261 million
3. Net Depreciation in Fair Value of Investments: ($188 million)
4. Investment Expense: ($78 million)

DEDUCTIONS FROM RETIREMENT PLAN NET ASSETS

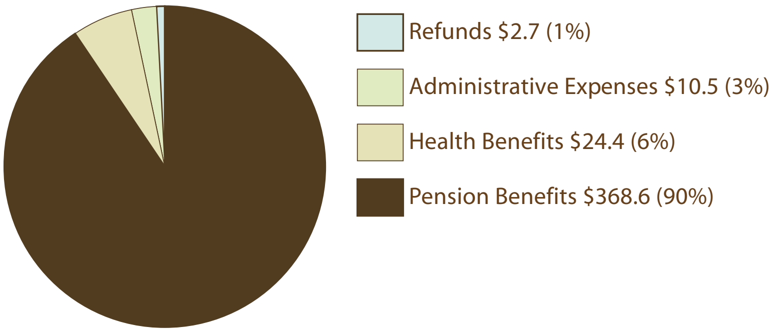
SDCERA's assets are primarily used to pay retirement and survivor benefits, refund members' contributions and administer the plan. Deductions from retirement plan net assets for fiscal year ended June 30, 2008 totaled $406.2 million, an increase of $35.5 million, or 9.6%, over 2007.

- Retirement and health benefits represent $35 million of the year-over-year change reflecting a net increase in the number of retirements and average benefit paid coupled with a decrease in health benefit allowances, and the adoption by the Board of Retirement of a Supplemental Retirement Benefit, effective July 1, 2007.

SDCERA'S DEDUCTIONS

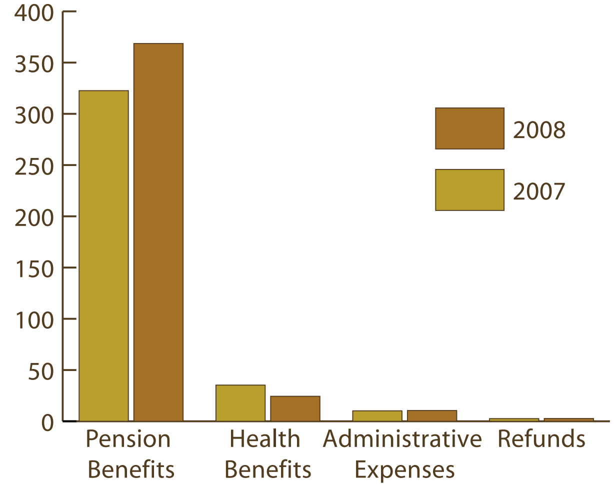
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

(MILLIONS OF DOLLARS)



SDCERA'S DEDUCTIONS

(MILLIONS OF DOLLARS)



SUMMARY

Plan net assets experienced a small decline for the Fiscal Year ended June 30, 2008 and remain currently at $8.4 billion. Positive investment performance and employer/employee contributions have delivered $370 million in assets to fund $406 million in benefits and administrative expenses.

REQUESTS FOR FINANCIAL INFORMATION

This financial report is designed to provide the Board of Retirement, our members, 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, 2275 Rio Bonito Way, Suite 200, San Diego, California 92108

Mark Mimnaugh
Chief Operating Officer
November 30, 2008

STATEMENT OF PLAN NET ASSETS
AS OF JUNE 30, 2008 (WITH SUMMARIZED COMPARATIVE AMOUNTS FOR JUNE 30, 2007)

	June 30, 2008			June 30, 2007
	Pension Plan	Healthcare	Total Fund	Total Fund
ASSETS				
CASH AND SHORT-TERM INVESTMENTS				
Cash in County Pool	$ 459,077	$ 996	$ 460,073	$ 7,176,420
Cash and Cash Equivalents with Fiscal Agents	217,311,114	471,572	217,782,686	264,132,562
Total Cash and Short-Term Investments	217,770,191	472,568	218,242,759	271,308,982
RECEIVABLES				
Contributions	9,015,445	19,564	9,035,009	7,574,172
Accrued Interest and Dividends	28,068,269	60,909	28,129,178	31,039,210
Settlement of Securities Sold	291,652,499	632,895	292,285,394	204,214,125
Total Receivables	328,736,213	713,368	329,449,581	242,827,507
INVESTMENTS AT FAIR VALUE				
Domestic Equity Securities	535,030,811	1,161,034	536,191,845	649,613,191
Cash, Cash Equivalents, and Securities for Domestic Equity Swaps and Alpha Engine	1,353,959,358	2,938,135	1,356,897,493	1,579,425,235
Total Domestic Equity Securities and Cash	1,888,990,169	4,099,169	1,893,089,338	2,229,038,426
International Equity Securities	1,829,121,138	3,969,251	1,833,090,389	2,150,334,845
Total International Equity Securities and Cash	1,829,121,138	3,969,251	1,833,090,389	2,150,334,845
Total Equity Securities and Cash	3,718,111,307	8,068,420	3,726,179,727	4,379,373,271
Securities Lending Collateral	719,020,110	1,560,297	720,580,407	889,362,847
United States Government Obligations	707,416,640	1,535,117	708,951,757	818,376,380
Domestic Bonds	915,417,908	1,986,486	917,404,394	593,159,787
International Bonds	1,234,967,010	2,679,918	1,237,646,928	1,005,689,073
Total Bonds and Cash	2,857,801,558	6,201,521	2,864,003,079	2,417,225,240
Cash and Securities for Overlay Futures	155,522,513	337,489	155,860,002	58,468,456
Cash and Securities for Commodity Swaps	482,786,131	1,047,661	483,833,792	471,484,330
Balanced Fund	402,070,803	872,506	402,943,309	344,164,885
Opportunistic	1,399,936	3,038	1,402,974	
Infrastructure	20,140,734	43,706	20,184,440	
Alternative Equity	355,989,132	772,508	356,761,640	311,717,734
Real Estate	600,552,299	1,303,218	601,855,517	455,994,184
Total Investments	9,313,394,523	20,210,364	9,333,604,887	9,327,790,947
Property, Plant and Equipment, Net	5,524,869	11,989	5,536,858	3,528,465
Total Assets	9,865,425,796	21,408,289	9,886,834,085	9,845,455,901
LIABILITIES				
Liabilities to Brokers for Securities Lending	719,020,110	1,560,297	720,580,407	889,362,847
Settlement of Securities Purchased	739,489,297	1,604,715	741,094,012	497,906,645
Professional Services	13,056,192	28,333	13,084,525	10,203,384
Death Benefits	433,472	941	434,413	495,752
Retirement Benefits	220,979	480	221,459	91,891
Refunds to Members	285,719	620	286,339	182,503
County Advance Contribution	3,447	–	3,447	3,447
Health Insurance Premiums	1,196,113	2,596	1,198,709	1,211,758
Cash in Transit	273,338	593	273,931	416,942
Other	1,637,036	3,552	1,640,588	1,075,591
Total Liabilities	1,475,615,703	3,202,127	1,478,817,830	1,400,950,760
Net Assets Held in Trust for Pension Benefits (see schedule of funding progress on page 40)	$ 8,389,810,093	$ 18,206,162	$ 8,408,016,255	$ 8,444,505,141

STATEMENT OF CHANGES IN PLAN NET ASSETS
AS OF JUNE 30, 2008 (WITH SUMMARIZED COMPARATIVE AMOUNTS FOR JUNE 30, 2007)

	June 30, 2008			June 30, 2007
	Pension Plan	Healthcare	Total Fund	Total Fund
ADDITIONS TO PLAN NET ASSETS				
Contributions				
County Contributions	$ 305,478,409	$ 23,616,209	$ 329,094,618	$ 320,533,228
Plan Member Contributions	45,479,183	0	45,479,183	44,503,572
Total Contributions	350,957,592	23,616,209	374,573,801	365,036,800
Investment Income				
Net Appreciation (Depreciation) in Fair Value of Investments				
Stocks	(322,754,335)	(13,376,389)	(336,130,724)	620,245,502
Bonds	(11,310,450)	(468,756)	(11,779,206)	112,018,726
Foreign Currency	80,438,024	3,333,713	83,771,737	(2,300,045)
Real Estate & Alternative	20,483,887	848,944	21,332,831	75,785,403
Opportunistic	18,383	762	19,145	0
Infrastructure	8,005	332	8,337	0
Balanced Fund	56,439,325	2,339,099	58,778,424	14,398,436
S&P 500 Swaps and Alpha Engine	(265,402,369)	(10,999,466)	(276,401,835)	178,387,290
Commodity Swaps	211,967,311	8,784,877	220,752,188	(61,169,868)
Futures	49,387,103	2,046,823	51,433,926	27,961,157
Total Net Appreciation (Depreciation) in Fair Value of Investments	(180,725,116)	(7,490,061)	(188,215,177)	965,326,601
Interest Income				
Bonds	113,610,325	4,708,522	118,318,847	111,567,900
Cash	31,662,176	1,312,223	32,974,399	29,822,459
Total Interest Income	145,272,501	6,020,745	151,293,246	141,390,359
Other				
Dividends on Stock Investments	78,202,564	3,241,066	81,443,630	79,076,518
Real Estate Equity Investment Income	18,058,151	748,411	18,806,562	10,388,911
Alternative Equity	4,165,691	172,645	4,338,336	7,272,226
Commission Recapture	226,463	9,386	235,849	338,270
Other Income	43,257	1,793	45,050	178,001
Total Other	100,696,126	4,173,301	104,869,427	97,253,926
Less: Investment Expenses	(74,636,975)	(3,093,291)	(77,730,266)	(87,192,202)
Securities Lending Income	31,314,342	1,297,807	32,612,149	39,899,374
Less: Securities Lending Rebates and Bank Charges	(26,572,114)	(1,101,268)	(27,673,382)	(37,432,711)
Net Securities Lending Income	4,742,228	196,539	4,938,767	2,466,663
Net Investment Income	(4,651,236)	(192,767)	(4,844,003)	1,119,245,347
Total Additions to Plan Net Assets	346,306,356	23,423,442	369,729,798	1,484,282,147
DEDUCTIONS FROM PLAN NET ASSETS				
Benefits				
Retirement Benefits	367,632,352	0	367,632,352	321,356,143
Death Benefits	941,704	0	941,704	1,238,024
Health Benefits	314,246	24,082,830	24,397,076	35,308,118
Total Benefits	368,888,302	24,082,830	392,971,132	357,902,285
Member Refunds	2,736,288	0	2,736,288	2,574,071
Administrative Expenses	10,511,264	0	10,511,264	10,249,109
Total Deductions from Plan Net Assets	382,135,854	24,082,830	406,218,684	370,725,465
Transfers	164,865,161	(164,865,161)	0	
Increase (Decrease) in Net Assets Held in Trust for Pension Benefits	$ 129,035,663	$ (165,524,549)	$ (36,488,886)	$ 1,113,556,682
Net Assets Held in Trust for Pension Benefits				
Beginning of Year	$ 8,260,774,430	$ 183,730,711	$ 8,444,505,141	$ 7,330,948,459
End of Year	$ 8,389,810,093	$ 18,206,162	$ 8,408,016,255	$ 8,444,505,141

See accompanying notes to the basic financial statements beginning on page 22.

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 related organization of the County of San Diego. 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, 2275 Rio Bonito Way, Suite 200, San Diego, California 92108, or by calling 619.515.6800.

All employees of the County of San Diego working in a permanent position at least 20 hours each week 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.

MEMBERSHIP

As of June 30, 2008, 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 Membership Summary on page 24.

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 on or 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 during the one-time opt-out period offered prior to March 8, 2002. When Tier II was eliminated, all deferred General Tier II members 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 10 years of credited service are eligible for a 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 the highest 26 consecutive pay periods , or any period elected by the member. Members may retire at age 50 with 10 or more years of service credit, at any age with 30 or more years of service credit or at age 70 from active service 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 10 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 for active service 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 from active service 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. Effective May 3, 2007, the Board of Retirement approved a permanent STAR COLA pre-funded supplemental cost-of-living increase benefit—for eligible members whose accumulations (COLA Bank) under Section 31870.1 equaled or exceeded 20 percent as of January 1, 2007 (Section 31874.3(c)(1)). Effective April 1, 2008, pursuant to Section 31874.3(c)(1), this benefit will be subject to the same cost-of-living increase paid by SDCERA on every April 1 of up to 3% per annum pursuant to Section 31870.1.

SUPPLEMENTAL BENEFIT ALLOWANCE

A supplemental benefit allowance (SBA) became available to General, Tier A members and Safety members covered by the 3% at age 50 formula. The SBA is paid to members with at least 10 years of SDCERA service credit at the time of retirement. Members receiving a retirement benefit based on a disability are eligible for the SBA regardless of years of service credit. The SBA is funded from existing reserves and a portion of possible future excess earnings from the SDCERA fund, to the extent there are available excess earnings allocable. The SBA is not a vested SDCERA benefit and is not guaranteed. It may be reduced or discontinued at any time.

TERMINATED MEMBERS' DEFERRED RETIREMENT BENEFIT AND WITHDRAWAL 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 service credit 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	66	–	66
Tier A	14,551	–	14,551
Safety	–	3,424	3,424
Total Active Members	14,617	3,424	18,041
Deferred (Terminated) Members			
Tier I	2,324	–	2,324
Tier A	2,244	–	2,244
Safety	–	579	579
Total Deferred (Terminated) Members	4,568	579	5,147
Retired Members			
Tier I	5,631	–	5,631
Tier II	1,844	–	1,844
Tier A	3,724	–	3,724
Safety	–	1,792	1,792
Total Retired Members	11,199	1,792	12,991
Total Members	30,384	5,795	36,179

DISABILITY BENEFITS

Disability retirement benefits are available to members who are found to be permanently incapacitated by the Board of Retirement. Members who are eligible for both a disability retirement benefit and a service retirement benefit receive the greater benefit. In general, members who are eligible for a nonservice-connected disability retirement may receive a benefit equal to 1.8% of final average monthly compensation per years of service credit. There is no age requirement; however, members must have at least five years of service credit to be eligible for this benefit. A service-connected disability retirement benefit equal to 50% of final average monthly compensation is available to eligible members, regardless of age or length of service.

DEATH BENEFITS

Death benefits are available to eligible beneficiaries of SDCERA members. Upon a retired member's death, the eligible beneficiary may receive a percentage of the member's retirement benefit based on the option selected at retirement. The eligible beneficiary of a member who received a service-connected disability retirement will receive a monthly continuance of 100% of the member's benefit.

Upon a member's death prior to retirement, survivor benefits that may be available are dependent on factors such as whether the member was vested or non-vested at the time of death, and whether the death was job-related. The eligible beneficiary of a non-vested member whose death was non-service connected may receive a refund of the member's contributions plus interest and one month's salary for each year of service credit to a maximum of six months' salary. Generally, the eligible beneficiary of a vested member whose death was non-service connected may receive a monthly benefit equal to 60% of the retirement benefit the member would have received if he or she retired for a non-service connected disability on the date of death. The eligible beneficiary of a member whose death was service connected may receive a monthly benefit equal to 50% of the member's final average monthly compensation.

RETIREE HEALTH BENEFITS

The Board of Retirement has approved a health insurance allowance for retired Tier I and II members. The allowance is paid from a 401(h) Trust account established by the Board of Retirement. This Health Benefit Reserve, which is commingled with total fund assets for investment purposes, is used exclusively to fund future retiree health benefit allowances and is funded by the County of San Diego on an annual basis. The health insurance allowance is not a vested SDCERA benefit and is not guaranteed. It may be reduced or discontinued at any time.

Currently, a health allowance is paid to Tier I and II members, with at least ten years of SDCERA service credit. The allowance increases for each year of service credit, with the maximum allowance available for members with 20 or more years of SDCERA service credit. When members receiving the health allowance enroll in Medicare (generally at age 65), the allowance amount changes to $300 and they receive an additional $93.50 per month for Medicare Part B.

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 90.1% in the United States and 9.9% 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

As of June 30, 2008, SDCERA utilized a diverse group of derivative instruments across the total fund, including swaps, options, forwards and a variety of futures contracts.

Swaps allow SDCERA to exchange a money market return for the rights to the return of a specific index, such as equity or commodity indices. As of June 30, 2008, SDCERA held S&P 500 swap contracts with a notional value of $1,451,972,921 and a fair value of ($53,649,908), and a Goldman Sachs Commodity Index swap with a notional value of $421,944,094. SDCERA will only execute a swap agreement with a counterparty rated A or higher, as the use of swap agreements exposes the Plan to the risk the counterparty cannot fulfill their obligation. All swaps entered into by SDCERA are fully collateralized at least equal to the notional value of the most recent reset. Allowing insufficient collateral is strictly prohibited by the Investment Policy.

Options and forwards are contracts utilized for exposure to the foreign currency markets due to the unlimited variation with respect to the size and term that is required by investors in this area. Options are standard contracts which give the buyer the right, but not the obligation, to buy or sell a specified quantity of a commodity, i.e. foreign currency, at a specified price within a specified period of time. Forwards are contracts on which a seller agrees to deliver a specified cash commodity to a buyer sometime in the future. Forward contracts are not traded on federally designated exchanges as the terms of the forward are not standardized, i.e. delivery time and amount are negotiated between the buyer and seller. SDCERA currently has $1 billion in exposure to foreign currency options and futures through the Currency Overlay program, which is diversified across three currency overlay managers implementing four different strategies. In addition, SDCERA has $429,245,134 in currency exposure through the policy overlay program.

Futures contracts are standardized according to the quality, quantity and delivery time and location for each commodity or instrument. Futures contracts are also traded on organized exchanges thereby minimizing counterparty risk. Futures contracts have daily cash settlement and the Net gains and losses for the daily settlements are included in the Statement of Changes in Plan Net Assets.

As of June 30, 2008, SDCERA had the following futures balances:

		Notional Amount Long/(Short)
Policy Overlay		
International equity	$	110,835,604
Domestic Equity		147,576,225
Global Fixed Income		(552,252,081)
Domestic Fixed Income		742,823,814
S&P 500 Futures Overlay		(83,912,050)
Managed Futures Overlay		335,000,000
Total	$	700,071,512

Derivative instruments are designed to provide equivalent exposure to the assets they emulate. SDCERA's use of swaps and futures is structured such that market exposure is fundamentally equivalent to a direct cash investment. SDCERA believes such vehicles offer significant advantages over a direct investment in the asset, including efficient use of capital, and lower transaction and custody costs.

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

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, and five to ten years for office equipment and leasehold improvements. The cost and accumulated depreciation of property, plant and equipment is depicted in the table below.

Property, Plant and Equipment
For the Fiscal Year Ended June 30, 2008

	Balance 07/01/2007	Additions	Deletions and Transfers	Balance 06/30/2008
Computer hardware, software, and maintenance	$ 5,233,364	311,381	32,736	5,512,009
Office furniture and fixtures	1,684,104	73,662	–	1,757,765
Leasehold Improvements	1,157,411	723,643	–	1,881,054
Software in progress	–	2,069,431	–	2,069,431
Total Property, Plant and Equipment	8,074,879	3,178,117	32,736	11,220,259
Accumulated Depreciation	(4,546,414)	(1,136,987)	–	(5,683,401)
Net Property, Plant & Equipment	$3,528,465	2,041,130	32,736	5,536,858

Depreciation expense for the year ended June 30, 2008 was $1,136,987.

IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENT

In 2008, SDCERA implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 50, Pension Disclosures.

GASB Statement No. 50 establishes and modifies requirements related to financial reporting by pension plans and by employers that provide defined benefit pensions. This Statement is intended to improve the transparency and decision usefulness of reported information about pensions by local governmental plans.

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, 2007, from which the summarized information was derived.

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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 October 2007 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 23% Domestic Equity, 24% International Equity, 29% Fixed Income, 10% Real Estate, 5% Infrastructure, 5% Alternative Equity and 4% Commodities.

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, 2008, SDCERA had the following investments and maturities in the table below:

Interest Rate Risk
(thousands of dollars)

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Asset and mortgage backed securities	$ 358,492	$ 7,079	$ 29,055	$ 4,810	$ 317,548
Certificates of deposits	1,000	1,000	–	–	–
Collateralized mortgage obligations	46,913	–	1,133	89	45,691
Commercial paper	109,799	109,799	–	–	–
Convertible bonds	172,822	8,535	58,449	4,071	101,767
Corporate bonds	315,340	7,173	175,965	88,301	43,901
Credit funds	258,142	7,074	50,513	188,937	11,618
Emerging market debt securities	456,736	2,187	34,955	419,594	–
International bonds	74,551	22,587	14,990	23,483	13,491
International governments	577,087	9,020	186,233	204,888	176,946
Managed funds	91,350	91,350	–	–	–
Mutual funds	141,273	141,273	–	–	–
Private placements	15,406	2,898	5,635	6,743	130
Treasuries	243,099	21,299	54,345	53,158	114,297
Total	$ 2,862,010	$ 431,274	$ 611,273	$ 994,074	$ 825,389

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. Global and Tips Fixed Income managers are limited to 10% of a single issuer. High Yield and Convertible Fixed Income managers limit is 8% exposure in any single security, with the exception of United States Treasury and government agencies. As of June 30, 2008, 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 overall weighted average investment grade held in domestic fixed income portfolios shall be no lower than AA by Standard & Poor's and Fitch's, and Aa by Moody's. Domestic High Yield Fixed Income portfolios must have a weighted average quality of B/B+ or higher (Moody or Standard & Poor's equivalent). The overall weighted average grading for the Global fixed income portfolio shall be A-/A3 or higher. The Convertibles Fixed Income portfolio must have the overall weighted average credit quality of B/B+ or higher. SDCERA has no policy for Emerging Market Fixed Income grading.

The following tables illustrates SDCERA's Fixed Income securities ratings as of June 30, 2008, shown as a percentage of the total portfolio:

CREDIT RISK
(THOUSANDS OF DOLLARS)

Credit Risk	Domestic Core Fixed Income	Global Fixed Income	Convertibles Fixed Income	High Yield Fixed Income	Emerging Market Debt Fixed Income	Total
Gov't	$ $553,494	$ 9,243	$ –	$ –	$ –	$ $562,737
AAA	53,802	385,295	0	47,550	0	486,647
AA	32,089	104,744	4,188	614	5,591	147,226
A	102,015	240,547	23,271	2,258	9,227	377,318
BBB	4,492	69,722	26,509	4,211	116,364	221,298
BB	1,486	5,777	17,667	105,392	174,910	305,232
B	691	232	11,769	170,940	119,183	302,815
CCC	0	0	4,085	22,192	682	26,959
CC	0	0	0	209	0	209
C	0	0	0	0	0	0
D	0	0	0	497	0	497
NR	36,307	157,656	22,469	94,703	28,591	339,726
	$ 784,376	$ 973,216	$ 109,958	$ 448,566	$ 454,548	$ 2,770,664

Credit Risk	Domestic Fixed Income	Global Fixed Income	Convertibles Fixed Income	High Yield Fixed Income	Emerging Market Debt Fixed Income
Gov't	70.6%	1.0%	0.0%	0.0%	0.0%
AAA	6.9%	39.4%	0.0%	10.6%	0.0%
AA	4.1%	10.8%	3.8%	0.1%	1.2%
A	13.0%	24.7%	21.2%	0.5%	2.0%
BBB	0.6%	7.2%	24.1%	0.9%	25.6%
BB	0.2%	0.6%	16.1%	23.5%	38.5%
B	0.1%	0.1%	10.8%	38.1%	26.2%
CCC	0.0%	0.0%	3.7%	5.0%	0.2%
CC	0.0%	0.0%	0.0%	0.1%	0.0%
C	0.0%	0.0%	0.0%	0.0%	0.0%
D	0.0%	0.0%	0.0%	0.1%	0.0%
NR	4.5%	16.2%	20.3%	21.1%	6.3%
	100.0%	100.0%	100.0%	100.0%	100.0%

DOMESTIC CORE FIXED INCOME PORTFOLIO

SDCERA's Core Domestic Fixed Income portfolio consists of government securities, collateralized mortgage obligations, corporate bonds, private placements, and other bonds. The overall weighted average rating for Domestic Fixed Income was AAA, excluding 4.5% of unrated securities.

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, excluding 16.2 % of unrated securities.

CONVERTIBLES FIXED INCOME PORTFOLIO

SDCERA Convertibles Fixed Income Portfolio invests in convertible bonds, convertible preferred stock and readily tradable private placements. The overall weighted average rating of the Convertibles Fixed Income Portfolio was BB/BBB, excluding 20.3% unrated securities.

HIGH YIELD FIXED INCOME PORTFOLIO

The weighted average rating of the High Yield Fixed Income Portfolio as of June 30, 2008 was BB, excluding 21.1% 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, 2008, the Emerging Market Debt portfolio had an average credit rating of B, excluding 6.3% of unrated securities in the portfolio.

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.

FOREIGN CURRENCY RISK

SDCERA's investment policy allows international equity and fixed income 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, as well as currency overlay exposure.

Other currencies that represent less than $2 million in holdings are Argentina Peso, Australian Dollar, Belgium Francs, Chilean Peso, Columbian Peso, Finnish Markkaa, French Francs, Greek Drachmae, Hryvna & Karbovanet, Hungarian Forint, Ireland Pound, Jardanian Dinar, Jordan Dinar, Kenya Shilling, Kroon, Kuwaiti Dinar, Lari, Romanian Leu, Bulgarian Lev, Lithuanian Litas, Luxembourg Francs, Mauritani Ouguiyas, Mauritius Rupee, Mexican New Peso, Mongolian Tugriks, Moroccan Dirham, Netherlands Guilders, New Zealand Dollar, Norwegian Krone, Oman Rial, Phillipine Peso, Pula, Quatari Riyal, Rand, Saudi Arabian Riyal, Sri Lankan Rupee, Tenge, Thailand Baht, Tunisian Dinar, Zambia Kwacha, Zimbabwe Dollar.

SDCERA's net exposure to foreign currency risk is as follows:

SDCERA'S NET EXPOSURE TO FOREIGN CURRENCY RISK IS AS FOLLOWS:
(THOUSANDS OF DOLLARS)
AS OF JUNE 30, 2008

Currency	Fair Value
EURO CURRENCY UNIT	606,246
BRITISH POUND STERLING	292,284
JAPANESE YEN	233,484
HONG KONG DOLLAR	130,300
KENYAN SHILLINGS	83,590
SWISS FRANC	73,659
SINGAPORE DOLLAR	65,446
S AFRICAN COMM RAND	61,278
SOUTH KOREAN WON	60,207
BRAZIL REAL	43,656
NEW TAIWAN DOLLAR	40,412
GHANA CEDIS	34,451
AUSTRIA SHILLING	29,679
INDONESIAN RUPIAN	19,830
DANISH KRONE	18,803
NIGERIAN NAIRA	17,882
SWEDISH KRONA	16,976
MALAYSIAN RINGGIT	13,455
RUBLES	12,954
NEW TURKISH LIRA	12,591
EGYPTIAN POUND	12,210
TUNISIAN DINARS	10,336
UNITED ARAB EMIRATES DIRHAM	9,467
CZECH KORUNY	8,864
LEBANON POUNDS	8,553
NEW SHEKELS	8,046
BOTSWANA PULAS	7,985
CHINA YUAN RENMINBI	7,179
CANADIAN DOLLAR	6,739
GERMANY DEUTSCHE MARK	5,392
ITALY LIRE	4,140
BCEAO FRANCS	3,882
INDIAN RUPEE	3,255
BAHRAIN DINARS	2,996
Other (Less than $2 million holdings)	(180,662)
TOTAL	$1,785,565

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 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, 2008, are summarized in the following table. The Fund lent $693,982,141 in securities and received collateral of $7,742,916 and $720,580,407 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	$	1,494,479			$	1,522,500
US Treasury bills		79,820,347				81,425,875
Asset and mortgage backed securities		18,832,099				20,540,375
Treasury inflation protected securities		9,314,957				9,493,125
Domestic corporate fixed Income securities		53,092,461				54,228,708
Domestic equities		314,065,408				333,950,274
International equities		209,769,919				219,419,550
Lent for securities collateral:						
Domestic corporate fixed income securities		344,552		353,600		
Domestic equities		6,909,245		7,035,430		
US Treasury bills		199,380		202,143		
International equities		139,294		151,743		
Total	$	693,982,141	$	7,742,916	$	720,580,407

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, 2008:

SECURITY LENDING INVESTMENTS

Securities Lending Investments		Fair Value
U.S. Corporate Floating Rate	$	355,463,388
Asset Back Fixed		302,062
Asset Back Floating		143,883,594
Repurchase Agreements		208,290,889
Other (Cash)		7,816
Total	$	707,947,749

Cash collateral is invested in the agent's short-term investment pool, which as of June 30, 2008 had a weighted average maturity of 43 days. 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.

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FUNDING POLICY

Normal cost and the allocation of benefit values for 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 until 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. As required by Section 31873 of the California Government Code, the cost-of-living adjustment (COLA) for retired members is funded by both member and County contributions. Because there is no requirement to account for these contributions separately they are 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, 2008. 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 Rates	Employer Rate
General members	9.24%–9.84%	21.49%
Safety members	11.65%	29.87%

During the year, pension contributions totaled $350,957,592, which included $45,479,183 in employee contributions, $305,478,409 in employer contributions paid by the County, which includes $68,715,603 in employee contributions paid by the County.

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.

On May 3, 2007 the Board of Retirement adopted a change in the excess earnings policy to introduce the funded ratio as the determining factor in allowing the Board of Retirement discretion as to the use of excess earnings. If the funded ratio is below 90% the Board of Retirement is required to use excess earnings to fund the pension liability. If the funded ratio is between 90% and 100%, 25% of excess earnings are available at the discretion of the Board of Retirement. If the funded ratio is between 100% and 115%, 50% of excess earnings are available at the discretion of the Board of Retirement. If the funded ratio exceeds 115%, the Board of Retirement has full discretion as to the use of excess earnings.

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ACTUARIAL ASSUMPTIONS

The required contribution rates, as adopted by the SDCERA Board of Retirement, were determined as part of the June 30, 2006 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%.

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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.

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

The reserve for Supplemental Benefit Allowances designates funds that may be used for payment fo the Supplemental Benefit Allowance.

The reserve for Disability Supplemental Benefit Allowances designates funds that may be used for payment of the Disability Supplemental Benefit Allowance. The initial $20.7 million funding in July 2007 was created by a transfer from undistributed earnings.

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. Effective May 3, 2007 the Board of Retirement approved a permanent STAR COLA pre-funded supplemental cost-of-living increase benefit, and fully funded that benefit by transferring $26.4 million into the STAR cost-of-living allowance reserve from the reserve for undistributed excess earnings. The $70.5 million balance in the STAR cost-of-living allowance reserve was then transferred into the Reserve for Retirement Allowances to fund the permanent benefit. Eligible members are those whose accumulations (COLA Bank) under Section 31870.1 equaled or exceeded 20 percent as of January 1, 2007 (Section 31874.3(c)(1)). By this definition, eligible members are Tier I members who retired on or before March 31, 1982 and Tier II members who retired on or before March 31, 1989. The Permanent STAR COLA benefit will be equal to the STAR COLA amount payable as of April 1, 2007 under Section 31874.3(b). Effective April 1, 2008, pursuant to Section 31874.3(c)(1), this benefit will be subject to the same cost-of-living increase paid by SDCERA on every April 1 of up to 3% per annum pursuant to Section 31870.1.

The reserve for health benefits designates funds that may be used for future payments under the retiree health benefits program and related administrative expenses. This reserve was closed as of July 1, 2007.

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, 2008.

The reserve for undistributed excess earnings represents earnings on actuarial assets 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 retirement benefits, or may transfer all, or any part, of such surplus in excess of 1.0% of total assets into the reserve for County contributions for the sole purpose of payment of the cost of benefits described in the retirement law.

The market stabilization account represents the balance of deferred earnings created by a five-year smoothing of actual gains and losses compared to gains at the targeted return of 8.25%.

The smoothed market value transition reserve represents the accumulated difference between the Actuarial Value of assets and the book or cost value of assets at June 30, 2005. This was a one-time adjustment to align the reserve balances with the Actuarial Value of 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 contributions from the County to be recorded in a separate account each year. Any investment income earned on the account balance increases the balance and any losses reduce it.

Allocation of contributions to the various reserve accounts of net assets are depicted in the following table.

RESERVE (THOUSANDS OF DOLLARS)	Fiscal Year End June 30 2008	2007
Reserve for Member Contributions		
Active	$ 333,358	$ 295,218
Deferred	38,534	34,150
Unlocated Separated Members	0	0
Subtotal	371,892	329,368
Reserve for County Contributions	3,038,447	2,479,459
Reserve for Retirement Allowances	4,266,027	3,924,551
Total	7,676,366	6,733,378
Reserve for Health Benefits	0	164,865
Reserve for Supplemental Benefits	148,926	0
Reserve for Disability Supplemental Benefits	18,919	0
Reserve for Undistributed Earnings	0	20,704
Reserve for Contingencies	84,080	84,445
Reserve for Smoothed Market Value Transition	560,560	517,026
Reserve for Market Stabilization	(99,041)	905,221
Total Retirement Fund	8,389,810	8,425,639
Health Benefits 401(h) Account	18,206	18,866
Total Fund	$ 8,408,016	$ 8,444,505

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.

SDCERA's Administrative Expenses For the year ended June 30, 2008	
Total Asset Base, at fair value (December 31, 2007)	$ 10,451,953,416
Maximum Allowable for Administrative Expenses (.0018 x 10,451,953,416)	$ 18,813,516
Actual Administrative Expenses for the Fiscal Year	$ 10,511,264
Excess of Allowance over Actual Administrative Expenses	$ 8,302,252
Actual Administrative Expenses as a Percentage of Total Assets Base	0.10%

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LEASE OBLIGATIONS

A commitment under an operating lease agreement for office facilities provides for minimum future rental payments through June 30, 2017. These future minimum rental payments as of June 30, 2008 are as follows:

	Amount	
Year Ending June 30	West A Street	Rio San Diego
2009	686,542	1,291,758
2010	288,794	1,330,438
2011	0	1,370,267
2012	0	1,411,244
2013	0	1,453,754
2014	0	1,497,413
2015	0	1,542,220
2016	0	1,588,560
Total	$975,336	$11,485,654

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COMMITMENTS AND CONTINGENCIES

DERIVATIVE INSTRUMENTS

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. Derivative instruments 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 $204 million and alternative equity for $258 million.

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PENSION DISCLOSURES

SUMMARY ACTUARIAL INFORMATION

Valuation Date	June 30, 2008
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	3.75 %

* INCLUDES INFLATION OF 3.75%

** INCLUDES INFLATION OF 3.75%, ACROSS THE BOARD INCREASE OF 0.50%, PLUS MERIT AND LONGEVITY INCREASES.

FUNDING PROGRESS
PENSION PLAN
(THOUSANDS OF DOLLARS)

Valuation Date	(a) Valuation Assets	(b) Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	(c) Annual Covered Payroll	UAAL as % of Covered Payroll [(b)-(a)]/(c)
6/30/08	8,236,926	8,722,294	485,368	94.4	1,135,432	42.7

CONTRIBUTIONS FROM THE COUNTY OF SAN DIEGO
PENSION PLAN
(THOUSANDS OF DOLLARS)

Year Ended	Annual Required Contribution (ARC)	Contributions Made [1]	% of Required Contributions Made
6/30/08	236,763	236,763	100.00

[1] EXCLUDES COUNTY PICKUP OF MEMBER CONTRIBUTIONS AND PROCEEDS FROM PENSION OBLIGATION BONDS.

SOURCE: THE SEGAL GROUP, INC. ANNUAL ACTUARIAL VALUATION, JUNE 30, 2008

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OTHER POST EMPLOYMENT BENEFITS (OPEB)

DESCRIPTION OF PLAN

SDCERA administers an Other Post Employment Benefits program on behalf of the County of San Diego, including its participating agencies.

A health allowance is paid to Tier I and II 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. Tier I and II retirees 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As mentioned in Note 1, when related to the accounting of the OPEB plan, SDCERA presents information according to the principles and reporting guidelines as set forth by the Governmental Accounting Standards Board.

CONTRIBUTIONS

San Diego County's Board of Supervisors and the SDCERA Board of Retirement adopted a funding mechanism under section 401(h) of the Internal Revenue Service Code, which calls for the County's contributions to be recorded in a separate account each year. The assets in the 401(h) reserve are commingled with total fund assets for investment purposes.

EMPLOYER DISCLOSURES

Participating employers, upon their implementation of the related GASB Statement 45, are required to disclose additional information with regard to the funding policy, the employer's annual OPEB costs and contributions made, the funded status and the funding progress of the employer's individual plan, and actuarial methods and assumptions used.

OPEB ACTUARIAL VALUATION

The San Diego County Employees Retirement Association's Other Post Employment Benefits Program actuarial valuation was conducted by The Segal Company, as of June 30, 2007. The valuation was performed in accordance with GASB 43 requirements to satisfy financial statement reporting guidelines that apply to organizations that administer the benefits program. The next valuation will be as of June 30, 2009, and every two years thereafter.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Please note that actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

12 SUBSEQUENT EVENTS

FANNIE MAE AND FREDDIE MAC EXPOSURE

On September 7, 2008, Fannie Mae and Freddie Mac were placed under conservatorship by the U.S. government. The share prices of the two mortgage companies dropped dramatically in response to the announcement. SDCERA had market value exposures to Fannie Mae and Freddie Mac credit and preferred stock of $16 million and $14 million, respectively, as of August 31, 2008.

LEHMAN BROTHERS EXPOSURE

On September 14, 2008, Lehman Brothers filed for bankruptcy protection. SDCERA had a market value exposure to Lehman credit of $32.5 million as of August 31, 2008.

AMERICAN INTERNATIONAL GROUP EXPOSURE

American International Group was provided a loan of $85 billion from the Federal Reserve and the U.S. Treasury. SDCERA had a market value exposure to AIG of $4 million as of August 31, 2008.

During the first quarter of fiscal year 2009, there were substantial market declines which resulted in a $1.1 billion loss. In October 2008, the dramatic declines continued with most markets suffering additional losses.

SCHEDULE I — FUNDING PROGRESS — PENSION PLAN
(THOUSANDS OF DOLLARS)

Valuation Date	(a) Valuation Assets[1]	(b) Actuarial Accrued Liability (AAL)[2]	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	(c) Annual Covered Payroll	UAAL as % of Covered Payroll [(b)-(a)]/(c)
6/30/03	4,417,766	5,853,125	1,435,359	75.5	906,140	158.4
6/30/04[3]	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
6/30/06	6,263,019	7,495,294	1,232,275	83.6	979,368	125.8
6/30/07	7,250,404	8,082,517	832,113	89.7	1,062,396	78.3
6/30/08	8,236,926	8,722,294	485,368	94.4	1,135,432	42.7

1 Excludes assets held for Health Benefit Reserve. Excludes assets for STAR COLA on and before June 30, 2006.

2 Excludes liabilities held for Health Benefit Reserve. Excludes liabilities for STAR COLA on and before June 30, 2006.

3 Reflects the issuance of Pension Obligation Bonds.

SCHEDULE II — EMPLOYER CONTRIBUTIONS — PENSION PLAN
(THOUSANDS OF DOLLARS)

Year Ended	Annual Required Contribution (ARC)	Contributions Made[1]	% of Required Contributions Made
6/30/03	6,538	6,538	100.00
6/30/04	194,580	194,580	100.00
6/30/05	235,122	259,988	110.58
6/30/06	202,445	242,443	119.76
6/30/07	234,106	257,677	110.10
6/30/08	236,763	236,763	100.00

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

Source: The Segal Group, Inc. Annual Actuarial Valuation

SUMMARY ACTUARIAL INFORMATION FOR PENSION PLAN

Valuation Date	June 30, 2008
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	3.75 %

* Includes inflation of 3.75%

** Includes inflation of 3.75%, across the board increase of 0.50%, plus merit and longevity increases.

SCHEDULE III — Funding Progress (OPEB)
(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)
6/30/07	$ *	$ 235,755	$ 235,755	0.0%	$ 1,020,991	21.2%

* The valuation does not include the actuarial value of assets held for benefits, however as of June 30, 2008, there were $18.2 million available for benefits.

Source: The Segal Group, Inc. Bi-Annual Actuarial Valuation as of June 30, 2007, next actuarial valuation scheduled as of June 30, 2009.

SCHEDULE IV — EMPLOYER CONTRIBUTIONS (OPEB)
CONTRIBUTIONS FROM THE COUNTY OF SAN DIEGO
(THOUSANDS OF DOLLARS)

Year Ended	Annual Required Contribution (ARC)	Contributions Made1	% of Required Contributions Made
6/30/08	23,616,209	23,616 ,209	100.00

SUMMARY ACTUARIAL INFORMATION FOR OPEB

Valuation Date	June 30, 2007
Actuarial Cost Method	Individual entry-age normal cost method
Amortization Method	Level percent of pay
Remaining Amortization Period	Twenty years close

ACTUARIAL ASSUMPTIONS

Investment Rate of Return*	8.25 %
Projected Salary Increase**	5.25 %
Cost-of-Living Adjustments for Retirees	3.00 %
Inflation	3.75 %

* Includes inflation of 3.75%

** Includes inflation of 3.75%, across the board increase of 0.50%, plus merit and longevity increases.

SCHEDULE V — INVESTMENT EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008
(THOUSANDS OF DOLLARS)

Individual or Firm	Net Assets Managed at Fair Value	Fees
Domestic Equity Managers		
Duncan Hurst Capital Management	0*	$ 106
Dimensional Fund Advisors	220	718
Barclays Global Investors	380,994	175
Total Domestic Equity Managers		999
International Equity Managers		
Artisan Partners	339,409	2,784
Ballie Gifford	222,451	1,809
Berens Capital Management, LLC	36,377	812
Capital Guard Trust Company	299,572	1,472
Genesis Asset Management	268,236	1,783
Pyramis Global Advisors	436,149	1,572
Mondrian Investment Partners Ltd.	347,935	1,687
Total International Equity Managers		11,919
Overlay		
Barclays Global Investors	27,318	2,126
Campbell & Company	18,768	176
FX Concepts, Inc.	(701)	721
Graham Capital	17,642	792
Kenmar	46,727	11,180
Mellon Capital Management	151	1,121
Russell Investment Group	159,015	466
Total Overlay		16,582
Fixed Income Managers		
Ashmore	454,549	3,334
Colchester Global Investments	448,776	1,340
Nicholas Applegate Capital Management	131,171	741
Golden Tree Asset Management	73,426	1,335
Oaktree Capital Management LLC	227,931	572
Pacific Investment Management Company	770,516	1,778
TCW Asset Management	144,291	1,256
Zazove Associates	102,462	853
Bridgewater Associates, Inc.	402,943	759
Total Fixed Income Managers		11,968
Opportunistic		
BlackRock	88,852	64
MTM Capital Partners	1,403	349
TCW Asset Management	39	180
Total Opportunistic		593
Alpha Managers		
AQR Capital	4,896	(167)
Barclays Global Investors	127,769	762
BlackRock	83,213	803
Bridgewater Associates, Inc.	89,298	5,681
Carlson Capital	76,165	416
DE Shaw	101,137	3,454

SCHEDULE V — INVESTMENT EXPENSES (Continued)
FOR THE YEAR ENDED JUNE 30, 2008
(THOUSANDS OF DOLLARS)

Freeman Associates	592	368
Lotsoff Capital Management	62,203	519
Moon Capital	40,771	193
Silver Point Capital	89,534	1,523
Western Asset Management	77,325	515
WG Trading	76,092	679
Zazove Associates	56,009	645
Total Alpha Managers		15,391
Infrastructure		
Global Infrastructure Partners	20,184	556
Total Infrastructure		556
Commodity Collateral		
Western Asset Management	347,749	488
Total Commodity Collateral		488
Alternative Equity Managers		
Apex Investment Fund V, L.P.	3,705	109
Apex Investment Fund VI, L.P.	2,314	262
Arch Venture Fund V	3,920	106
Blackstone Capital Partners V	9,614	45
Capital Int'l Emerging Mkts Private Equity	5,273	25
Capital Int'l PE Fund V, LP	3,048	188
Cerberus Institutional Partners IV	8,097	61
Charterhouse VIII	10,023	196
Code, Hennessy & Simmons IV	4,186	46
Coller International Partners V-A	2,682	190
Columbia Capital	7,730	222
Darwin Venture Capital	4,585	100
EnerVest Energy Institutional Fund X	8,341	150
EnerVest Enegery Institutional Fund XI -B	3,935	300
EnCap Energy Capital Fund VI	3,211	178
Forward Ventures IV	1,808	137
Graham Partners	5,776	115
Granite Global Ventures II	8,445	203
Granite Global Ventures III	5,069	206
Greenbriar Equity Fund II, LP	1,027	209
Harbouvest Partners International	18,062	246
Hellman & Friedman Investors VI, LLC	7,521	36
Lighthouse Capital Partners	8,721	159
Merit Energy	1,514	68
Meritech Capital Partners II	3,613	46
Mission Ventures I	1,880	64
Mission Ventures II	10,794	345
Northgate Venture Partners II, LP	5,357	96
Northgate PE Partners II, LP	8,101	148
Northgate Venture Partners III	2,957	75
Oak Investment Partners XI	8,581	185
Oak Investment Partners XII	7,087	234
Oakhill Capital Management	4,482	44

SCHEDULE V — INVESTMENT EXPENSES (Continued)
FOR THE YEAR ENDED JUNE 30, 2008
(THOUSANDS OF DOLLARS)

Oakhill Capital Management	4,482	44
OCM Opportunities Fund IV	66	3
OCM Opportunities Fund VI	6,482	47
OCM Opportunities Fund VII	6,576	94
Paul Capital Partners VIII-B, LP	11,191	254
Paul Capital Partners IX, LP	3,478	228
Relational Partners	18,458	252
Sofinnova Venture Partners VII, LP	1,570	131
Sorrento Ventures	5,014	277
Stinson Capital Partners	23,933	179
TA Associates Subordinated Debt Fund	1,030	54
TA Associates Subordinated Debt Fund II	2,782	30
TA Associates IX	6,358	124
TA Associates X, L.P.	6,969	72
Total Alternative Equity Managers		6,537
Real Estate Managers		
Blackstone Real Estate Partners	23,404	1,042
Califirnia Smart Growth Fund IV	10,716	376
Canyon Johnson Urban Fund	15,973	600
CB Richard Ellis	2,533	359
Cornerstone Asset Management	18,987	52
ING Realty	210	(1)
Kennedy Associates Real Estate Counsel, Inc.	0*	36
RREEF	385,190	632
Southern California Smart Growth Fund	15,221	54
Total Real Estate Managers		3,150
Master Custodian		
BNY Mellon		2,237
Total Master Custodian		2,237
Other Professional Fees		
Abourne America LLC		367
Cambridge Associates		689
Ennis Knupp		450
Mcube Investment Technologies		228
Measurisk, LLC		173
Mount Lucas Management		850
Plexus		27
S&P Rating Services		8
The Segal Company		125
The Townsend Group		100
Wilshire Associates, Inc.		39
Other		85
Total Other Professional Fees		3,141
Administrative, Support and Other[1]		4,169
Total Investment Expenses		$77,730

* Account closed during the year

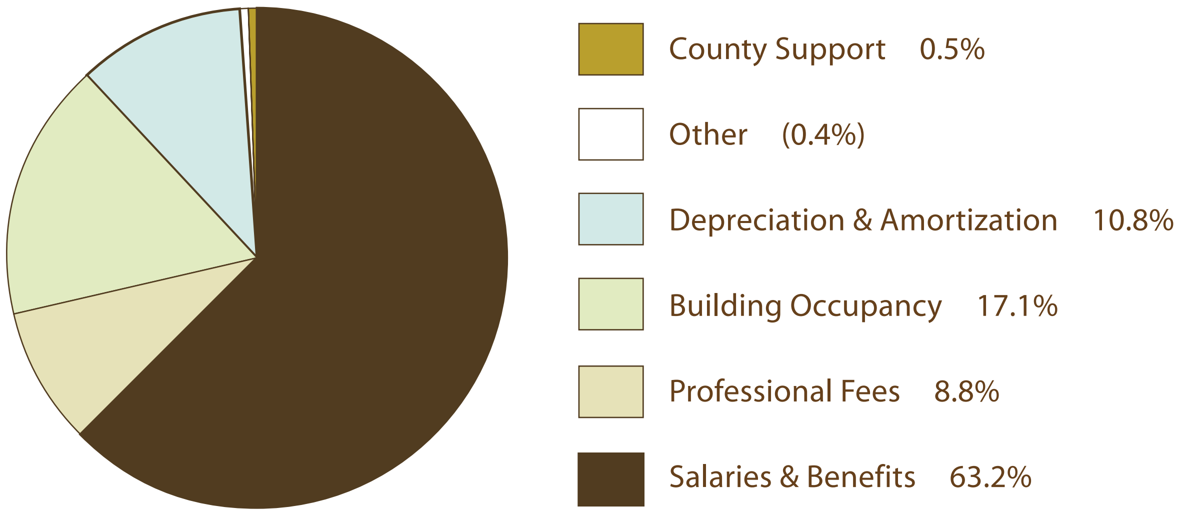
[1] Represents the reversal of prior year incentive fee accrual

SCHEDULE IV — ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008 and 2007
(THOUSANDS OF DOLLARS)

Expense Category		2008	2007
Salaries and Benefits	$	6,645	5,668
Professional Fees		925	1,438
Building Occupancy Expenses		1,795	2,205
County Administrative Support		56	27
Equipment and Maintenance		281	153
Depreciation and Amortization		1,136	918
Other Expenses*		(327)	(160)
Total Administrative Expenses	$	10,511	10,249

* Includes overhead expense allocations to investments and Health Care.

ADMINISTRATIVE EXPENSES BY CATEGORY 2008



SCHEDULE V — SCHEDULE OF PAYMENTS TO CONSULTANTS
(THOUSANDS OF DOLLARS)

Type of Service		
Legal Services	$	1,083.3
Actuarial Services		150.6
Medical Consulting Services		57.3
Audit Services		66.7
Total Payments to Consultants	$	1,357.9

In•vest•ments

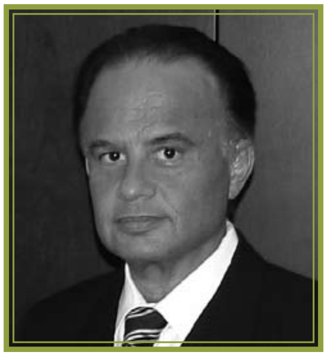
Dreams pass into the reality of action. From the actions stems the dream again; and this interdependence produces the highest form of living.

ANAIS NIN

SAN DIEGO COUNTY EMPLOYEES
RETIREMENT ASSOCIATION

SDCERA

Strength. Service. Commitment.



TRUSTEES, BOARD OF RETIREMENT:

During the fiscal year ended June 30, high oil prices, dramatically increasing numbers of home foreclosures, and the widening fallout from the problems in subprime lending led to extraordinary volatility in the equity markets and growing concerns in the credit markets. These developments were precursors of the subsequent problems that followed after June 30. The market reached a peak in October 2007 but was largely down thereafter.

Initially, oil prices were the focus of attention. At the beginning of the fiscal year, the price of crude oil was $70.68 per barrel, having declined in price from a year earlier level. By June 30, 2008 the price of crude oil was $140 per barrel. Expecting a significant economic slowdown as a result of both high oil prices and declining residential construction, Congress enacted a $168 billion fiscal stimulus package, which included rebates for individuals and families below certain income thresholds. Therefore, rather than declining, consumer spending continued to rise at a sluggish pace due to the impact of the rebates. Exports, also, turned out to be a major source of strength for the economy, aided by the depreciation of the dollar and the continued growth in emerging markets. As a result, real GDP rose 2.1% during the fiscal year despite continuing concerns about a possible recession.

To keep markets liquid, the Federal Reserve reduced the federal funds rate at seven out of eight meetings during the year, reducing the rate from 5.25% to 2.00%, but holding the line at 2.00% for fear of inflationary consequences. Consumer prices rose 5.0% during the fiscal year, but only 2.4% excluding food and energy. As a combined result of increased oil prices, heavy demand for infrastructure in the emerging markets, and concern about financial assets worldwide, commodity prices rose sharply.

Defaults of sub-prime loans, which began before the fiscal year, continued throughout the year. Financial institutions invested in the complex securities collateralized by these loans experienced large losses as it became evident that the ratings of these complex securities had been overstated by the rating agencies. Financial institutions, now leery of their counterparties, declined to make short-term loans available to one another. As the U.S. Treasury Department and the Federal Reserve scrambled to avoid a financial crisis, venerable names in finance succumbed while other such institutions tottered under the increasing pressure of their weak balance sheets.

The U.S. stock market generated negative returns across the different market caps and investment styles. The S&P 500 returned –13.1% compared to +20.6% for the same period in the previous year. Large cap stocks fared better compared to small cap, and growth stocks fared better than value stocks. Growth also outperformed value for mid cap and small cap stocks. Not surprisingly, the financial stocks in the S&P 500 had a total return of –42.37% for the fiscal year. Energy stocks had the strongest performance, as they have had during the prior several years.

While foreign stocks actually declined more than U.S. stocks during the period, the decline in the U.S. dollar reduced this decline of –20.25% to –10.61% in U.S. dollar terms. Although the emerging markets began to decline sharply by the end of the fiscal year, the MSCI Emerging Markets Index returned +4.5%, down from +45.0% for the same period in the prior year. Tighter monetary policy, rising inflation and concerns over global growth continued to vex emerging markets. Even so, many emerging markets continued to grow at a rapid pace.

The general flight to quality in the financial markets was favorable for U.S. Treasuries. The yield on the 10-year Treasury note declined from 5.02% in mid-2007 to 3.97% in mid-2008. The total return of U.S. Treasuries was 10.33% during the year, while the return of the Lehman Brothers Aggregate Bond Index was 7.12%. In addition to cutting the Federal Funds rate, the Fed attempted to provide liquidity into the system and stimulate lending, by opening the discount window for broker-dealers and creating additional liquidity facilities such as the term auction facility (TAF). Lower-quality securities underperformed high-quality securities as investors sought safety. The total return of the Citigroup High Yield Bond Index was –2.3%. Foreign bonds allowed U.S. Investors to gain from the weakness in the dollar and global bond markets ended the period on a high note.

The SDCERA Fund (the Fund) underperformed relative to its policy benchmark but fared well compared to its peers. The Fund generated a return net of fees of 0.7% (gross +1.5%) against a policy benchmark return of 1.9%. Accordingly, active implementation of the policies detracted 1.2%, implying a shortfall of $104 million additional earnings to the Fund. However, the Fund placed in the 10th percentile in the Wilshire Master Trust Universe of peer funds (TUCS) for the year and in the 6th and 5th percentiles for the three- and five-year periods respectively against all TUCS public funds with more than $1 billion in assets.

Excluding domestic and international equity and high yield fixed income, all other asset classes posted positive returns for the fiscal year. The commodities portfolio led the pack with a strong absolute return of 48.6%. In terms of relative performance, the Bridgewater All-Weather strategy contributed the most to the Fund's relative performance in the period.

The Board adopted new asset allocation policy targets in December 2007. These targets, shown on page 50, became effective January 1, 2008. The plan has since worked toward conforming the domestic equity and fixed income portfolios to the new policy descriptions. The Board also approved an allocation of 8% to "Opportunistic" investments (funded from the stock and bond allocations) in order to accommodate strategies that do not neatly fit into traditional asset classes. The Opportunistic allocation engaged BlackRock Credit Investors, Oaktree Bank Loan, TCW Mortgage Credit, and MTM Capital Partners in the period. SDCERA also entered into infrastructure investments, hiring Global Infrastructure Partners and Macquarie Infrastructure Partners.

Thank you,

David J. Deutsch
CFA, Chief Investment Officer
November 30, 2008

SDCERA's current asset allocation policy follows:

Asset Class	% Allocation
U.S. Equity	23%
Non-U.S. Equity	24
Emerging Market Debt	4
High Yield Fixed Income	3
Real Estate	10
Commodities	4
Infrastructure	5
Private Equity	5
Total Return-Driven Assets	78%
U.S. Bonds	17
U.S. TIPS	5
Total Low-Risk Assets	22%
Total	100%
Expected Compound Annual Return* (w/o Active Component)	7.27%
Expected Risk*	10.99%

*Based on EnnisKnupp Capital Market Expectations (Second Half 2008)

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:

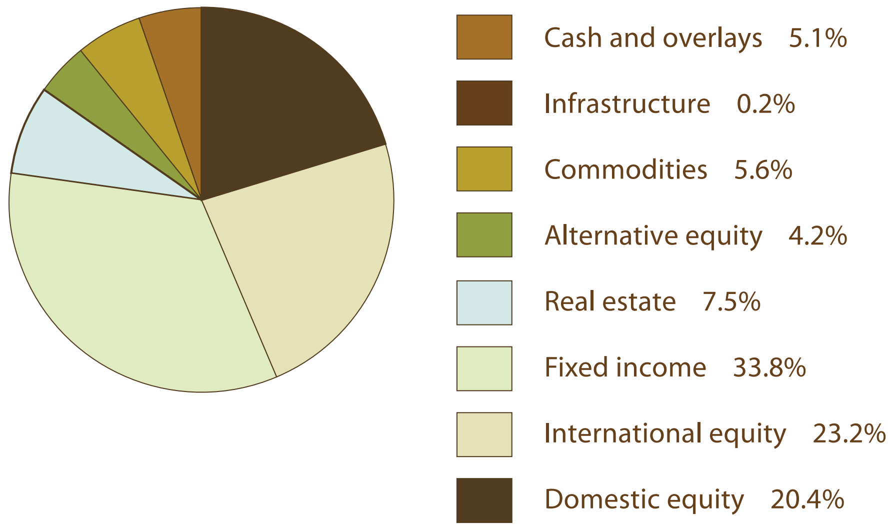
(a) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.

(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.

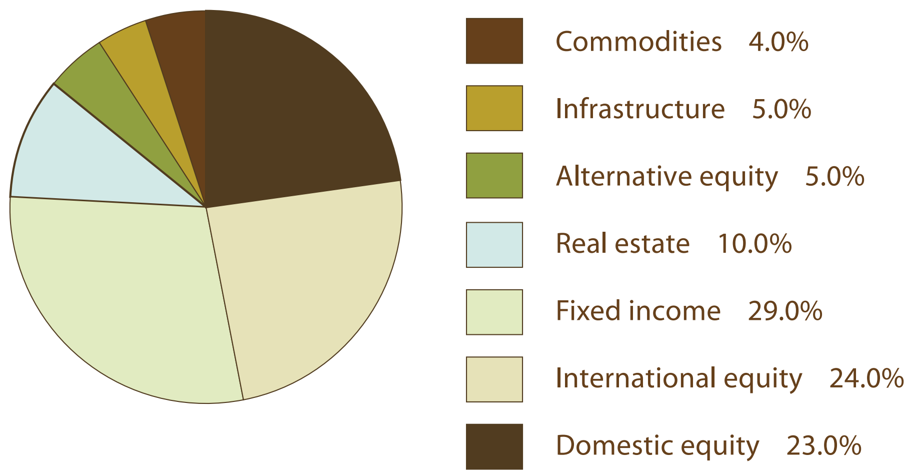
(c) Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

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, 2008



TARGET ASSET ALLOCATION



Asset Type		Fair Value	Percent of Total	Target Percent of Total
Domestic Equity	$	1,717,243	20.4%	23.0%
International Equity		1,950,130	23.2%	24.0%
Fixed Income		2,839,033	33.8%	29.0%
Real Estate		626,894	7.5%	10.0%
Alternative Equity		356,762	4.2%	5.0%
Commodities		466,569	5.6%	4.0%
Infrastructure		20,184	0.2%	5.0%
Currency Overlay		276,715	3.3%	0.0%
Cash and other assets and liabilities		154,486	1.8%	0.0%
Total	$	8,408,016	100.0%	100.0%

Investment data are presented using the accrual accounting method.

PERFORMANCE RESULTS, ANNUALIZED, NET OF FEES FOR THE YEARS ENDED JUNE 30

	1-Year Return	3-Year Return	5-Year Return	10-Year Return	Index	1-Year Return	3-Year Return	5-Year Return	10-Year Return
Total Fund	0.7%	10.1%	13.0%	8.1%	Custom Benchmark[1]	2.0%	10.1%	12.2%	6.9%
					Master Trust Median	(4.5%)	6.4%	8.5%	5.7%
					Public Fund Sponsors Median	(4.4%)	7.6%	9.8%	6.0%
					Actuarial Rate of Return	8.25%			
Domestic Equity	(16.2%)	2.7%	7.7%	4.1%	Russell 3000 Index	(12.7%)	4.7%	8.4%	3.5%
Non-US Equity Developed Markets	(9.2%)	15.0%	18.9%	6.8%	MSCI EAFE	(10.2%)	13.3%	17.2%	6.3%
Non-US Equity Emerging Markets	5.1%	27.9%	31.1%	15.9%	MSCI Emerging Markets Index	4.9%	27.5%	30.2%	15.5%
Fixed Income TIPS	15.7%	5.8%	6.2%	N/A	Barclays US Inflation Linked Bond Index	15.1%	5.6%	6.0%	7.8%
Fixed Income High Yield	(6.6%)	4.0%	7.0%	6.0%	Citigroup HY Cash-Pay Index	(2.0%)	4.4%	6.6%	5.2%
Fixed Income Emerging Market Debt	8.8%	12.6%	15.0%	N/A	JP Morgan Global EMBI	5.1%	7.1%	9.1%	10.1%
Fixed Income Global	12.0%	5.3%	5.8%	N/A	Fixed Income Global Custom Benchmark[2]	10.8%	4.7%	5.2%	6.0%
All-Weather	17.1%	N/A	N/A	N/A	All-Weather Custom Benchmark[3]	3.8%	5.5%	7.2%	N/A
Commodities	48.6%	11.3%	N/A	N/A	Goldman Sachs Commodity Index	76.0%	19.7%	21.3%	15.5%
Real Estate	2.8%	11.4%	16.0%	13.4%	Real Estate Custom Benchmark[4]	4.4%	13.1%	16.2%	13.4%
Alternative Equity	5.1%	15.4%	16.6%	9.5%	Alternative Equity Custom Benchmark[5]	8.6%	16.9%	18.1%	13.2%
Cash	3.5%	4.4%	3.2%	N/A	US 90-Day T-Bill Index	3.0%	3.9%	3.0%	3.3%

Return calculations reflect a time-weighted, market rate of return.

NOTES:

1 Effective January 1, 2008, the Total Fund Benchmark is comprised of 23% Russell 3000, 24% All-Country World ex-U.S. Investable Market Index (IMI), 4% JP Morgan Global EMBI, 3% Citigroup High Yield Cash Pay Index, 10% Real Estate Custom Benchmark, 4% S&P Goldman Sachs Commodity Index (GSCI), 5% U.S. CPI (Inflation) + 5%, 5% Private Equity Custom Benchmark, $17% Lehman Brothers Aggregate Bond Index, and 5% Barclays US Inflation Linked Bond Index. Prior to this, the benchmark is composed of 24% Russell 3000; 19% MSCI EAFE; 6% MSCI Emerging Markets; 6% Lehman Aggregate; 8% Citigroup Non-US Gov't. Bond; 6% JP Morgan Global EMBI; 7% Citigroup High Yield Cash Pay; 4% Barclays US Inflation Linked; 5% Goldman Sachs Commodity; 5% Private Equity Custom Benchmark and 10% Real Estate Custom Benchmark.

2 Effective January 1, 2008, the performance benchmark for U.S. Bonds is the Lehman Brothers Aggregate Bond Index. Prior to that, the benchmark is composed of 42% Lehman Aggregate Bond Index and 57.1% Citigroup Non-US Gov't. Bond Index.

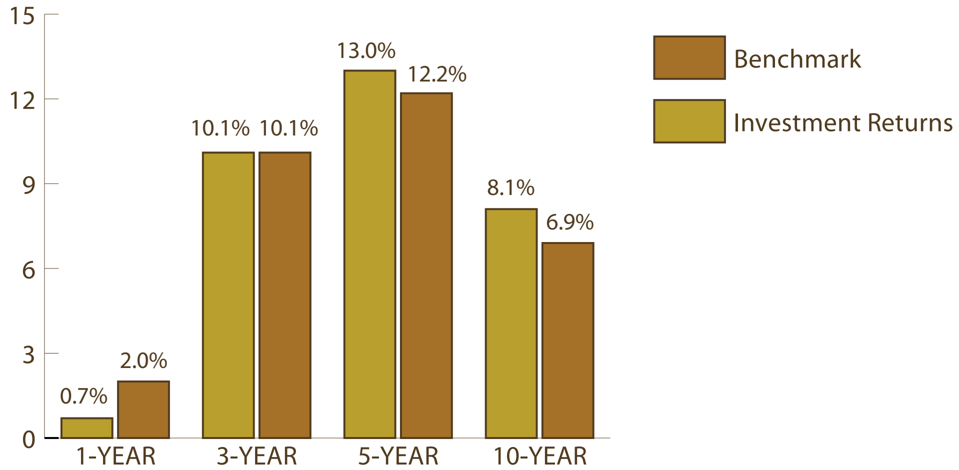
3 Effective January 1, 2008, the benchmark is composed of 39% Russell 3000 Index, 39% MSCI All-Country World ex-U.S. Investable Market Index (IMI), and 22% Lehman Brothers Aggregate Bond Index. Prior to that, the benchmark is composed of 40% Citigroup, High Yield Index, 40% JP Morgan EMBI, 10% Citigroup Non-U.S. Government Bond Index, and 10% Lehman Aggregate Bond Index.

4 Effective January 1, 2008, the performance benchmark for real estate is composed of 78% NCREIF Property Index (private real estate) and 22% FTSE EPRA NAREIT Equity Index (REITs). Prior to that, the benchmark is composed of 72.5% NACREIF Property Index (private real estate) and 27.5% NAREIT Equity Index (REITs).

5 The performance benchmark for private equity is a custom benchmark created quarterly to reflect the weighted average of the individual sub-asset class benchmarks (venture capital, private equity, and opportunistic), on a quarter lag. It is weighted using the percentages of the total portfolio's beginning net asset value in each sub-asset class. Each of the sub-asset benchmarks is customized to include only funds with vintage years 1996 and later.

PERFORMANCE RESULTS TOTAL FUND CATEGORY

ANNUALIZED, NET OF FEES
AS OF JUNE 30, 2008



TOP 10 HOLDINGS—EQUITY
AS OF JUNE 30, 2008

Shares	Security Name	Market Value
980,339	Telefonica SA	$26,072,394
152,757	RWE AG	19,309,459
410,940	Nestle SA	18,622,610
205,250	Total SA	17,527,285
324,500	Canon Inc.	16,714,022
90,860	Roche Holding AG	16,412,959
188,993	Bayer AG	15,918,673
286,980	Novartis AG	15,847,855
219,200	Petroleo Brasileirp SA	15,525,936
586,847	BG Group	15,264,630

TOP 10 HOLDINGS—FIXED INCOME
AS OF JUNE 30, 2008

Book Value	Description	Market Value
56,176,649	FNMA POOLS	$56,537,095
46,369,070	U.S. Treasury Inflation Index Notes, 01/15/15	47,245,321
41,653,623	Poland Government Bonds, 04/25/12	42,427,524
36,696,999	Australian Commonwealth Bonds, 03/15/19	36,895,583
33,592,188	U.S. Treasury Inflation Index Notes, 01/15/26	34,460,642
33,640,103	U.S. Treasury Inflation Index Notes, 01/15/14	34,287,651
31,966,013	U.S. Treasury Inflation Index Notes, 04/15/29	32,556,476
26,050,846	U.S. Treasury Inflation Index Notes, 07/15/15	26,422,960
25,553,701	Mexican Bonos, 12/05/24	26,251,167
23,928,091	U.S. Treasury Inflation Index Notes, 04/15/28	24,354,538

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

INVESTMENT EXPENSES BY CATEGORY
AS OF JUNE 30, 2008

Investment Expenses by Category	Fees (000's)
Domestic Equity	$ 1,000
International Equity	11,919
Overlay	16,583
Fixed Income	10,633
Alpha Engine	15,390
Other Managers	3,791
Alternative Equity	6,539
Real Estate	3,152
Master Custodian	1,805
Other Professional Fees	2,749
Administrative, Support and Other	4,169
Total Investment Expenses	$ 77,730

COMMISSIONS PAID – DOMESTIC EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

No.	Brokerage Firm	Total Commissions	% of Total Commissions
1	Bear Stearns	$ 88,454	41.53%
2	Merrill Lynch	32,854	15.43%
3	Goldman Sachs	12,213	5.73%
4	Lehman Brothers	9,093	4.27%
5	Fagenson & Co	8,445	3.97%
6	Jefferies & Company	7,800	3.66%
7	William O'Neil & Company	6,592	3.09%
8	Instinet Corporation	5,202	2.44%
9	Citigroup Global Markets Inc.	5,158	2.42%
10	Other*	37,171	17.45%
	Total	$ 212,982	100.00%

*Includes approximately 116 additional firms, each with less than 2% of total commissions.

SDCERA has commission recapture arrangements with Russell Investment Group, Lynch, Jones & Ryan, Abel Noser, and Donaldson Co.

COMMISSIONS PAID – INTERNATIONAL EQUITY
FOR THE YEAR ENDED JUNE 30, 2008
SUMMARY OF INTERNATIONAL BROKER COMMISSIONS

No.	Brokerage Firm	Total Commissions	% of Total Commissions
1	Merrill Lynch	$ 210,492	8.94%
2	Credit Suisse First Boston	185,596	7.89%
3	Deutsche Banc Securities	167,328	7.11%
4	Morgan Stanley	161,292	6.85%
5	Citigroup Global Markets	161,106	6.84%
6	UBS Securities	147,483	6.27%
7	JP Morgan Chase Bank	141,435	6.01%
8	Goldman Sachs	139,528	5.93%
9	Lehman Brothers	98,670	4.19%
10	Other**	940,783	39.96%
	Total	$ 2,353,713	100.00%

** Includes approximately 105 additional firms, each with less than 3% of total commissions.

SUMMARY OF INVESTMENT PORTFOLIO BY TYPE
AS OF JUNE 30, 2008

Investment Description	Fair Market Value	% of Total Market Value
Domestic Equity		
Information Technology	$286,505,559	3.4%
Energy	269,177,861	3.2%
Financials	257,917,479	3.1%
Industrials	209,509,110	2.5%
Consumer Staples	146,409,240	1.7%
Health Care	206,936,920	2.5%
Consumer Discretionary	172,494,729	2.1%
Utilities	55,248,028	0.7%
Materials	72,811,466	0.9%
Convertible Securities	47,898,661	0.6%
Telecommunications Services	48,911,247	0.6%
ADR's	119,269,038	1.4%
Total Domestic Equity	1,893,089,339	22.5%
International Equity	1,824,056,999	21.7%
Total Equity	3,717,146,338	44.2%
Fixed Income		
International Bonds	1,237,646,928	14.7%
US Government Obligations	708,951,757	8.4%
Domestic Investment Grade Bonds	547,136,543	6.5%
Domestic High Yield Bonds	260,311,518	3.1%
Domestic Convertible Bonds	109,956,333	1.3%
Total Fixed Income	2,864,003,079	34.1%
Other Investments		
Real Estate	610,888,907	7.3%
Cash and Securities for Commodity Swaps	483,833,792	5.8%
Bridgewater All Weather	402,943,309	4.8%
Alternative Equity	356,761,640	4.2%
Cash & Cash Equivalents with Fiscal Agents	214,932,759	2.6%
Overlay Cash and Securities	155,860,002	1.9%
Infrastructure	20,184,440	0.2%
Opportunistic	1,402,974	0.0%
Other Assets and Liabilities	(419,940,985)	(5.0%)
Total Other	1,826,866,838	21.7%
Net Investment Portfolio	$8,408,016,255	100.0%

SUMMARY OF RETIREMENT PORTFOLIO BY MANAGER AND ASSET TYPE
AS OF JUNE 30, 2008

Securities Description	Asset Type	Market Value
Domestic Equity		
S&P 500 Enhanced	S&P 500 Index	1,356,897,494
Barclays Global Investors	Growth-Small/Micro Cap	369,024,150
Baillie Gifford & Co	Emerging Markets	70,458,410
Zazove Associates	Convertible Preferred	27,025,752
Artisan Partners	Large Cap Growth	25,403,430
Nicholas Applegate Convertible Bond	Convertible Preferred	19,016,144
Mondrian Investment Partners	Large Cap Value	10,452,029
Pyramis Global Advisors	Large Cap Growth	12,688,174
Oaktree Capital Management LLC	Convertible Preferred	1,856,761
RREEF American, LLC		175,947
Unallocated Securities	Other	91,048
Total Domestic Equity		1,893,089,339
International Equity		
Pyramis Global Advisors	Core	416,567,811
Mondrian Investment Partners	Large Cap Value	332,682,748
Artisan Partners	Large Cap Growth	303,039,526
Capital Guardian Trust Company	Small Cap	299,572,391
Genesis	Emerging Markets	268,235,818
Baillie Gifford & Co	Emerging Markets	151,137,914
Berens Capital	Emerging Markets	36,377,481
Barclays Global Investors	Currency Overlay	27,317,650
RREEF American, LLC	International REIT	13,686,998
Mellon Capital	Currency Overlay	150,120
Unallocated Securities	Foreign Currency	2,686
CB Richard Ellis Investors, LLC	Foreign Currency	(561)
Western Asset Management	Foreign Exchange Contracts	(19,901)
Zazove Associates	Foreign Exchange Contracts	(50,130)
Pimco	Foreign Currency	(1,809,381)
Colchester Global	Foreign Exchange Contracts	(22,834,171)
Total International Equity		1,824,056,999
Total Equity		3,717,146,338

SUMMARY OF RETIREMENT PORTFOLIO BY MANAGER AND ASSET TYPE
AS OF JUNE 30, 2008 (Continued)

Securities Description	Asset Type	Market Value
Fixed Income		
PIMCO Tips	Inflation Protection	330,283,414
Colchester Global	Global	460,863,061
Ashmore Emerging Markets	Emerging Markets Debt	454,548,732
PIMCO	Domestic	312,948,767
PIMCO	Global Ex U.S.	515,452,686
Oaktree Capital Management	High Yield	118,577,384
Barclays Global Investors	Convertibles	796,760
Nicholas Applegate Convertible	Convertibles	109,956,333
TCW Asset Management Company	Strategic MBS	90,009,101
Managed Futures	Managed Futures	91,349,725
Zazove Associates	High Yield Convertible	71,844,831
Goldentree	High Yield	73,425,737
TCW Asset Management Company	Mortgage Backed	49,230,297
TCW Asset Management Company	Credit Funds	38,542,279
Oaktree Capital Management	Credit Funds	101,748,019
BlackRock Credit Investors, LP	Credit Funds	44,425,952
Total Fixed Income		2,864,003,078
Real Estate, Alternative Equity and Other		
Cash and Securities for Commodity Swaps	Commodity Swaps	483,833,792
Real Estate	Real Estate	610,888,907
Bridgewater All Weather	All Weather	402,943,309
Alternative Equity	Alternative Equity	356,761,640
Opportunistic	Renewable Energy	1,402,974
Infrastructure	Global Infrastructure	20,184,440
Cash	Cash	214,932,759
Overlay Cash and Securities	Overlay Cash and Securities	155,860,002
Other Assets and Liabilities	Other	(419,940,984)
Net Investment Portfolio		$ 8,408,016,255

SUMMARY OF DERIVATIVE FINANCIAL INSTRUMENTS
AS OF JUNE 30, 2008

The Policy Overlay program managed by Russell Investment Group utilizes futures contracts to securitize SDCERA's cash exposure and adjust target allocations through synthetic rebalancing investments. The Currency Overlay and Managed Futures Overlay programs utilize currency forward contracts and various financial and commodity futures for the purpose of adding value to SDCERA's Total Fund performance. SDCERA also employs swap contracts on the S&P 500 Index and the Goldman Sachs Commodity Index to gain synthetic passive exposure to these markets.

A. POLICY OVERLAY

Futures Exposure for Policy Overlay

	NOTIONAL AMOUNT Long/(Short)
Overlay Futures	
Equity	
International Equity	110,835,604
US Large & Small Cap	147,576,225
Total Equity	258,411,829
Fixed Income	
Global ex US Fixed Income	(552,252,081)
US Fixed Income	742,823,814
Total Fixed Income	190,571,733
Total Overlay Futures	448,983,562
S&P 500 Futures	
Equity S&P 500	(83,912,050)
Total Futures Exposures	365,071,512
Currency Forwards Exposure for Policy Overlay	429,245,134
Total Exposure for Policy Overlay	794,316,646

Summary of Utilized Cash and Enhanced S&P 500 Swaps excess collateralization for Policy Overlay Futures

	BOOK VALUE
Utilized Cash	
Domestic Equity	
DH Small Transition	11,104,894
Total Domestic Equity Cash	11,104,894
International Equity	
Artisan	9,067,816
Baillie Gifford	6,016,988
Mondrian	3,830,157
Pyramis (Fidelity)	4,733,015
Total International Equity Cash	23,647,977
Operational Cash	143,397,589
County Pool Cash	460,073
UBOC Cash	1,800,870
Overlay Futures Cash	163,850,642
S&P Futures Cash	13,475,436
Subtotal	357,737,480
Managed Futures	90,932,484
Enhanced S&P 500 Excess Collateralization	(57,489,214)
Total	391,180,751

B. CURRENCY OVERLAY: NOTIONAL VALUE

BGI	350,000,000
FX Concepts	350,000,000
Mellon Capital	300,000,000
Total Exposure for Currency Overlay	1,000,000,000

C. MANAGED FUTURES OVERLAY: NOTIONAL VALUE

Campbell & Co	60,000,000
Graham Capital	60,000,000
Kenmar (CTA Choice)	125,000,000
SDCERA MLM	90,000,000
Total Exposure for Managed Futures Overlay	335,000,000

SUMMARY OF DERIVATIVE FINANCIAL INSTRUMENTS AS OF JUNE 30, 2008 (Continued)

D. SWAPS INVESTMENTS

ENHANCED S&P 500 SWAPS

	NOTIONAL VALUE	MARKET VALUE
Total S&P 500 SWAPS	1,451,972,921	1,398,323,013

	BOOK VALUE	MARKET VALUE
Alpha Engine Managers		
Enhanced STIF Cash	273,534,213	273,534,213
Amaranth	5,793,706	5,793,706
AQR Capital	4,896,465	4,896,465
Blackrock Galaxite	81,713,059	83,213,383
BGI Multi-Strategy	125,000,000	127,768,655
Bridgewater Pure Alpha	58,014,943	89,298,053
Carlson Capital	76,164,938	76,164,938
DE Shaw	61,285,090	101,136,879
Freeman Assoc.	31,327	31,327
Freeman Fair Value	560,757	560,757
Lotsoff Capital Management	63,040,553	62,202,624
Moon Capital	40,770,961	40,770,961
Silver Point	74,003,804	89,533,826
Stark Investment	100,000,000	103,789,925
UBS O'Connor	120,000,000	126,361,516
Wamco Absolute Return	72,394,623	77,324,746
WG Trading	75,606,822	76,092,380
Zazove Associates	54,781,998	56,009,354
Total Alpha Engine	1,287,593,258	1,394,483,707
Less Notional Value of Swap Investments		(1,451,972,921)
Excess Collateralization		(57,489,214)

COMMODITY SWAPS

	NOTIONAL VALUE	MARKET VALUE
Commodity Swaps	421,944,094	447,277,910

	BOOK VALUE	MARKET VALUE
Western Asset Management	401,630,013	347,749,436
Less Notional Value of Commodity Swap Investments		(421,944,094)
Excess Collateralization		(74,194,658)

In my garden there is a large place for sentiment. My garden of flowers is also my garden of thoughts and dreams. The thoughts grow as freely as the flowers, and the dreams are as beautiful.

OSCAR WILDE

Ac • tu • ar • i • al

SEGAL

THE SEGAL COMPANY
120 Montgomery Street, Suite 500 San Francisco, CA 94104-4308
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VIA EMAIL & USPS MAIL

November 7, 2008

Board of Retirement
San Diego County Employees Retirement Association
2275 Rio Bonito Way, Suite 200
San Diego, CA 92108-1685

Re: San Diego County Employees Retirement Association

Dear Members of the Board:

The Segal Company prepared the June 30, 2008 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, 2008 actuarial valuation, The Segal Company (Segal) conducted an examination of all participant data for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the 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.

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

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, 2008 is illustrated in the Schedule of Funding Progress and History of Employer Contribution Rates.

Board of Retirement
San Diego County Employees Retirement Association
November 7, 2008
Page 2

A listing of the 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 funding progress; and
9. Schedule of retiree members by type of retirement and option selected.

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on the June 30, 2006 Experience Analysis or in conjunction with the June 30, 2008 actuarial valuation. It is our opinion that the assumptions used in the June 30, 2008 valuation produce results, which, in the aggregate, reflect the future experience of the Plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The next experience analysis is due to be performed as of June 30, 2009 and those assumptions will be used in setting the contribution rates in the June 30, 2010 actuarial valuation.

In the June 30, 2008 valuation, the ratio of the valuation assets to actuarial accrued liabilities increased from 89.7% to 94.4%. The employer's rate has decreased from 20.62% of payroll to 18.23% of payroll, while the employee's rate remained unchanged at 10.38% of payroll.

Sincerely,

Paul Angelo, FSA, EA, MAAA, FCA	Andy Yeung, ASA, EA, MAAA
Senior Vice President and Actuary	Vice President and Associate Actuary

CZI/bqb/jc
Enclosure

4021875v1/96043.005

SHORT-TERM SOLVENCY TEST[1]
(DOLLARS IN THOUSANDS)

				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)
6/30/98	198,968	1,193,667	1,284,958	2,834,571	100%	100%	100.00%
6/30/99	201,234	1,313,729	1,345,249	3,211,872	100%	100%	100.00%
6/30/00	202,531	1,463,827	1,582,464	3,568,671	100%	100%	100.00%
6/30/01	214,146	1,549,361	1,743,321	3,745,600	100%	100%	100.00%
6/30/02	204,572	2,046,485	2,827,010	3,831,334	100%	100%	75.40%
6/30/03[3]	216,908	2,552,755	3,083,462	4,417,766	100%	100%	53.40%
6/30/04	235,851	2,890,576	3,243,063	5,166,759	100%	100%	62.90%
6/30/05	262,320	3,315,888	3,412,518	5,612,320	100%	100%	59.80%
6/30/06	290,339	3,679,444	3,525,511	6,263,019	100%	100%	65.00%
6/30/07	329,367	3,924,551	3,841,453	8,082,517	100%	100%	78.30%
6/30/08	371,892	4,260,025	4,090,377	8,236,926	100%	100%	88.10%

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).

Source: 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]

	General Members			Probation Members[2]			Safety Members		
	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
Year Ended	%	%	%	%	%	%	%	%	%
6/30/98	6.17	(4.58)	1.59	10.46	(4.58)	5.88	12.45	(8.50)	3.95
6/30/99	5.81	(7.17)	(1.36)				11.72	(6.04)	5.68
6/30/00	5.90	(9.72)	(3.82)				11.82	(8.86)	2.96
6/30/01	5.96	(6.99)	(1.03)				11.90	(5.03)	6.87
6/30/02[3]	10.77	18.21	28.98				19.61	23.36	42.97
6/30/03	12.01	13.58	25.59				17.78	17.21	34.99
6/30/04	12.04	9.30	21.34				17.79	11.40	29.19
6/30/05	12.18	10.81	22.99				17.91	12.77	30.68
6/30/06	12.15	9.34	21.49				17.93	11.94	29.87
6/30/07	12.52	6.18	18.70				18.66	8.89	27.55
6/30/08	12.46	3.99	16.45				18.77	5.87	24.64

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).

Source: 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 FOR THE YEARS ENDED JUNE 30

	Added to Rolls		Removed from Rolls		Rolls at End of Year				
Fiscal Year	Number	Annual Allowance[1,2]	Number	Annual Allowance[1,2]	Number	Annual Allowance[2]	% Increase in Retiree Allowance	Average Annual Allowance	Change in Average Benefit
1998	447		184		7,955	107,752,376	7.8%	13545	4.2%
1999	640		303		8,292	118,154,737	9.7%	14249	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%
2006	975	41,577,431	362	5,714,102	12,049	299,781,468	13.6%	24,880	7.8%
2007	802	45,430,033	347	6,531,337	12,504	338,680,164	13.0%	27,086	8.9%
2008	844	35,938,031	357	7,173,407	12,991	367,444,788	8.5%	28,285	4.4%

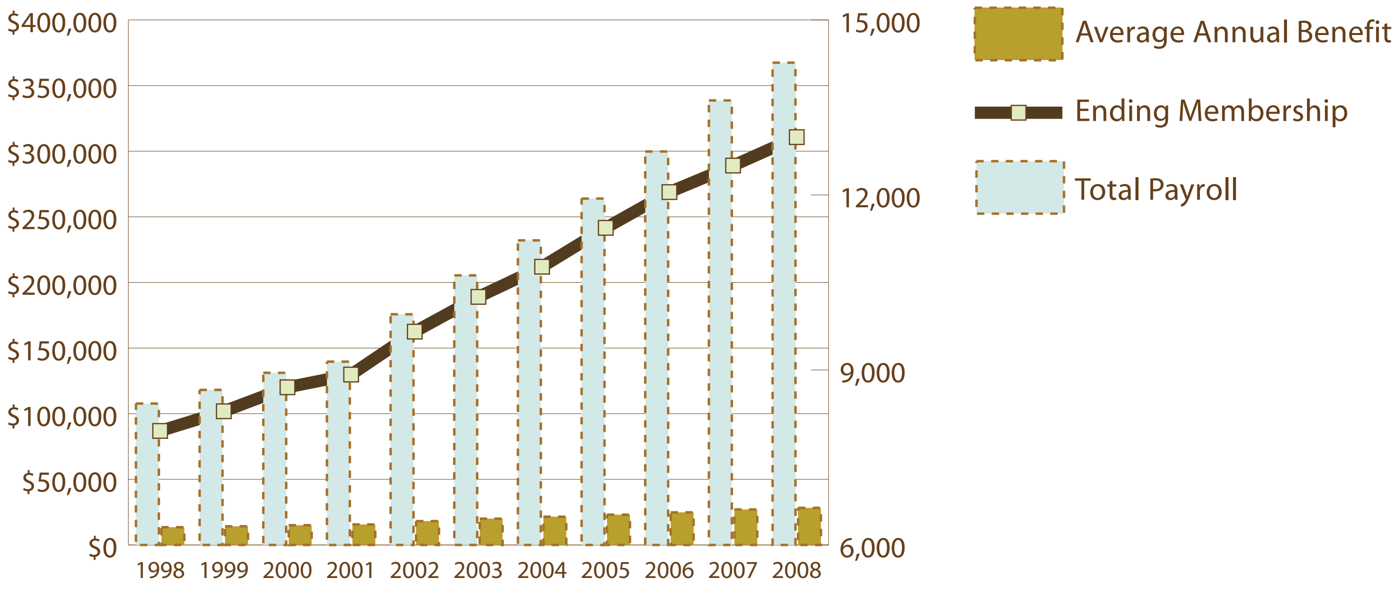
1 Data through June 30, 2000 was from Association's June 30, 2003 CAFR

2 Includes automatic cost of living adjustments granted April 1.

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

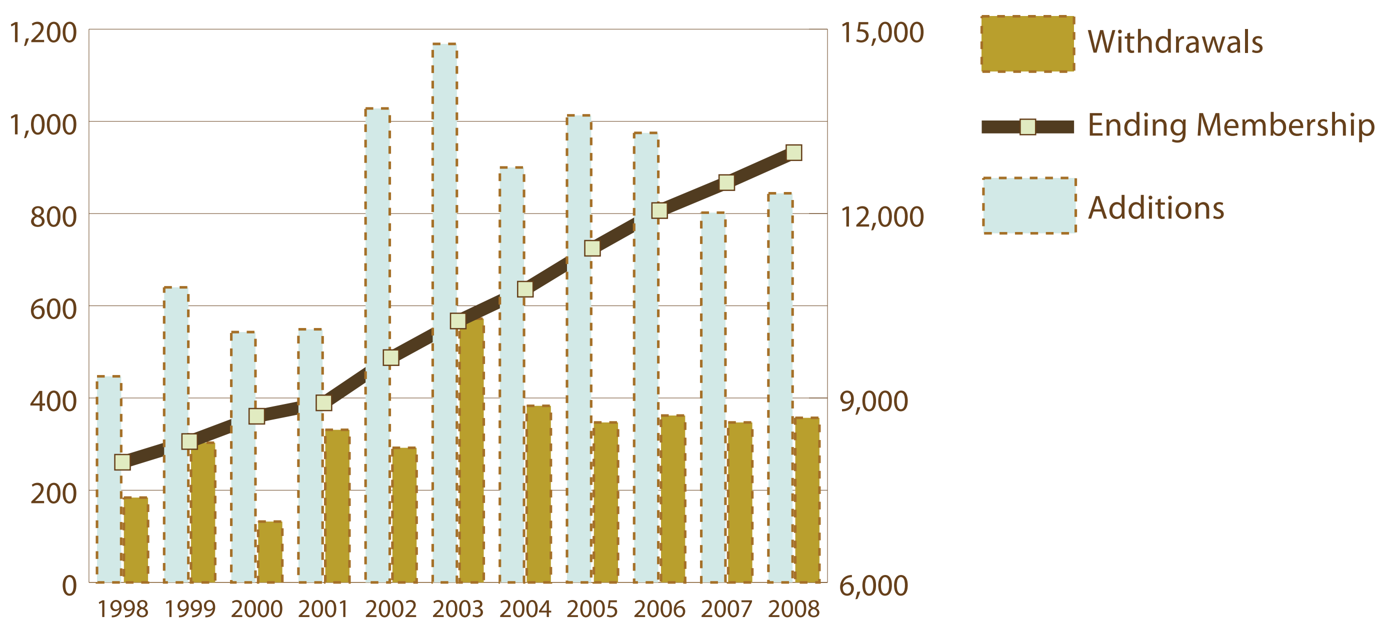
RETIREMENT PAYROLL AND AVERAGE ANNUAL PENSION BENEFIT

FOR THE YEARS ENDED JUNE 30



MEMBERSHIP ACTIVITY

FOR THE YEARS ENDED JUNE 30



Source: The Segal Company, Annual Actuarial Valuation June 30, 2008

ACTIVE MEMBERSHIP HISTORY
AVERAGE ANNUAL SALARIES BY MEMBER TYPE

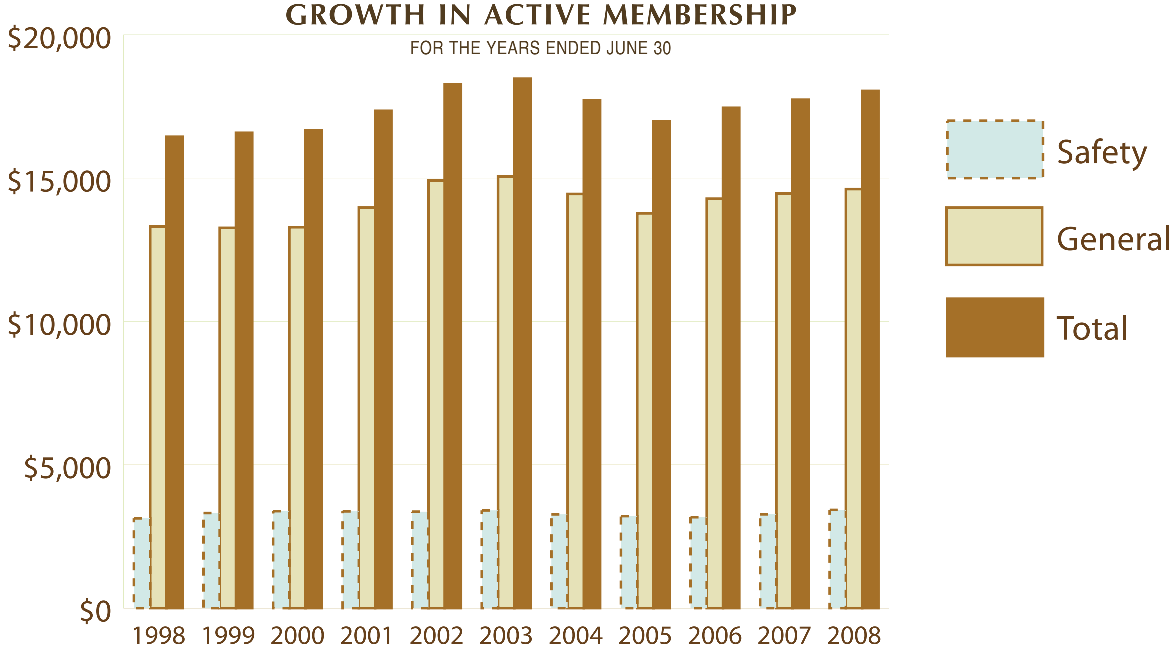
FOR THE YEARS ENDED JUNE 30

Safety	43,144	45,981	47,660	50,593	53,384	56,943	59,510	63,546	65,974	68,982	71,986
General	35,039	36,968	38,480	40,109	42,303	46,108	48,764	52,129	53,933	57,858	60,816
Total	36,432	38,771	40,343	42,150	44,342	49,071	51,763	54,287	56,121	59,911	62,936

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



Safety	3,132	3,316	3,382	3,376	3,362	3,409	3,271	3,209	3,171	3,272	3,424
General	13,309	13,263	13,287	13,970	14,914	15,057	14,446	13,771	14,280	14,461	14,617
Total	16,441	16,579	16,669	17,346	18,276	18,466	17,717	16,980	17,451	17,733	18,041

Source: The Segal Company, Annual Actuarial Valuation June 30, 2008

DETERMINATION OF ACTUARIAL AND VALUATION VALUE OF ASSETS FOR THE YEAR ENDED JUNE 30, 2008 (THOUSANDS OF DOLLARS)

Six Month Period From	To	Total Actual Market Return (net)	Expected Market Return (net)	Investment Gain/(Loss)	Deferred Factor	Deferred Return
7/2003	12/2003	464,531,812	182,773,793	281,758,019	0.2	56,351,604
1/2004	6/2004	464,531,812	182,773,793	281,758,019	0.2	56,351,604
7/2004	12/2004	393,633,977	228,521,789	165,112,188	0.4	66,044,875
1/2005	6/2005	393,633,977	228,521,789	165,112,188	0.4	66,044,875
7/2005	12/2005	565,517,934	262,672,774	302,845,160	0.6	181,707,096
1/2006	6/2006	388,653,398	286,420,193	102,233,205	0.7	71,563,244
7/2006	12/2006	556,128,897	302,680,212	253,448,685	0.8	202,758,948
1/2007	6/2007	552,867,341	325,757,782	227,109,559	0.9	204,398,603
7/2007	12/2007	311,315,142	348,358,000	(37,042,857)	0.8	(29,634,286)
1/2008	6/2008	(326,670,408)	360,831,645	(687,502,053)	0.9	(618,751,847)

1. Total Deferred Return	$	(99,040,689)
2. Net Market Value of Assets		8,408,016,256
3. Actuarial Value of Assets (Item 2—Item 1)		8,507,056,945
4. Non-valuation Reserves		
a. Health Benefit Reserve		148,925,633
b. 401(h) Reserve		18,206,156
c. Contingency Reserve		18,919,020
d. Undistributed Reserve		84,080,163
e. Subtotal		270,130,972
5. Valuation Value of Assets (Item 3—Item 4e)		$8,236,925,973

Source: The Segal Company, Annual Actuarial Valuation June 30, 2008

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 5.0% 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, 2003 through June 30, 2006, 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	3.75%
Real Rate of Return	4.50%
Total	8.25%

Source: The Segal Company, Annual Actuarial Valuation, June 30, 2008

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 2005. Rates vary by length of service, and consist of 3.75% for inflation plus the merit and longevity increases shown in the table below. The maximum combined rate is 11.75% and the minimum combined rate is 5.25%.

Years of Service	Safety	General
0	7.50%	4.50%
1	6.00%	4.00%
2	5.00%	3.25%
3	4.00%	2.50%
4	3.00%	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
06/30/98	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
06/30/06	17,451	979,367,931	6.2	56,121	3.4
06/30/07	17,733	1,062,396,028	8.5	59,911	6.8
06/30/08	18,041	1,135,431,988	6.9	62,936	5.0

Source: 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

	Fiscal Year Ended								
Assumption	2008	2007	2006	2005	2004	2003	2002	3 Year Average	5 Year Average
Inflation[1]	4.60%	2.30%	3.75%	3.30%	3.70%	4.10%	2.90%	3.57%	3.54%
Assumed[3]								3.75	3.85
Average Pay increase	5.0	6.8	3.4	4.9	5.5	8.5	5.2	5.07	5.12
Assumed[3]								4.25	4.20
Merit & Longevity Pay Increase	2.3	1.9	2.9	1.1	0.6	2.4	2.3	2.37	1.76
Assumed[4]								1.00	1.00
Total Payroll	6.9	8.5	6.2	0.5	1.2	9.6	10.8	7.20	4.66
Assumed[3]								4.25	4.20
Investment Return Rate[2]	13.1	14.0	10.8	6.5	5.7	3.7	5.8	12.63	10.02
Assumed[5]								8.25	8.25
Real Rate of Investment Return	8.5	11.7	7.0	3.2	2.0	(0.4)	2.9	9.07	6.48
Assumed[6]								4.50	4.40
Admin. Expenses (% of Assets)	0.1	0.1	0.1	0.1	0.2	0.2	–	0.10	0.12
Assumed								0.10	0.12

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 5.25% compensation increases per annum.

In April of 2008, SDCERA's Board adopted The Segal Group's recommendations regarding changes to the Retirement Post-Mortality Rate, Termination, Disability Incidence Rates, and Individual Salary Increases. On December 6, 2007, 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	General Members		Safety
Age	Male	Female	Members	Male	Female	Members
20	0.00%	0.00%	0.00%	0.01%	0.00%	0.03%
25	0.00%	0.00%	0.00%	0.01%	0.01%	0.08%
30	0.01%	0.01%	0.04%	0.02%	0.04%	0.22%
35	0.02%	0.03%	0.06%	0.04%	0.08%	0.48%
40	0.03%	0.08%	0.06%	0.11%	0.16%	0.72%
45	0.06%	0.13%	0.08%	0.19%	0.23%	0.92%
50	0.10%	0.18%	0.10%	0.30%	0.28%	1.48%
55	0.17%	0.23%	0.10%	0.38%	0.33%	2.28%
60	0.23%	0.28%	0.10%	0.43%	0.38%	2.84%

Source: The Segal Company, Annual Actuarial Valuation, June 30, 2008.

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	General		Safety[1]		Sample	General	
Ages	Male	Female	Male	Female	Ages	Male	Female
30	0.08	0.04	0.08	0.03	30	0.09	0.06
35	0.09	0.05	0.08	0.04	35	0.13	0.08
40	0.11	0.07	0.10	0.07	40	0.19	0.11
45	0.16	0.10	0.15	0.09	45	0.32	0.17
50	0.26	0.14	0.23	0.13	50	0.56	0.29
55	0.44	0.23	0.40	0.21	55	1.01	0.58
60	0.80	0.44	0.71	0.39	60	1.80	1.08

[1] Includes Disabled Retirement

WITHDRAWAL RATES WITH LESS THAN 5 YEARS OF SERVICE

Ordinary Withdrawals

Years of Service	General Male	General Female	Safety
0	16.00%	17.00%	12.00%
1	10.00%	11.00%	11.00%
2	7.50%	8.00%	6.00%
3	6.00%	7.00%	4.50%
4	5.50%	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		
	Male	Female	Safety	Male	Female	Safety
20	1.00%	1.80%	0.83%	8.40%	8.40%	3.56%
25	1.00%	1.80%	0.75%	7.40%	7.40%	2.99%
30	0.94%	1.53%	0.65%	6.40%	5.80%	2.41%
35	0.84%	1.02%	0.67%	5.10%	4.40%	1.91%
40	0.74%	0.68%	0.65%	3.60%	3.40%	1.46%
45	0.58%	0.42%	0.53%	2.70%	2.40%	0.99%
50	0.44%	0.30%	0.41%	2.20%	2.00%	0.68%
55	0.34%	0.30%	0.36%	1.40%	1.40%	0.48%
60	0.30%	0.30%	0.14%	1.00%	1.00%	0.16%

[1] No withdrawal is assumed after a member is eligible for retirement.

Source: The Segal Company, Annual Actuarial Valuation, June 30, 2008

RETIREMENT PROBABILITY

	Retirement Probability	
Age	General	Safety
48	0%	4%
49	0%	4%
50	8%	15%
51	5%	15%
52	5%	15%
53	6%	15%
54	8%	15%
55	12%	20%
56	13%	25%
57	15%	30%
58	17%	35%
59	20%	35%
60	20%	45%
61	25%	45%
62	27%	45%
63	29%	45%
64	30%	45%
65	30%	100%
66	30%	100%
67	30%	100%
68	40%	100%
69	40%	100%
70	100%	100%

Source: The Segal Company, Annual Actuarial Valuation, June 30, 2008

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 55% 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.

You are never too old to set another goal or

Sta•tis•ti•cal

to dream a new dream.

ABRAM L. URBAN

CHANGES IN PLAN NET ASSETS
FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30
(MILLIONS OF DOLLARS)

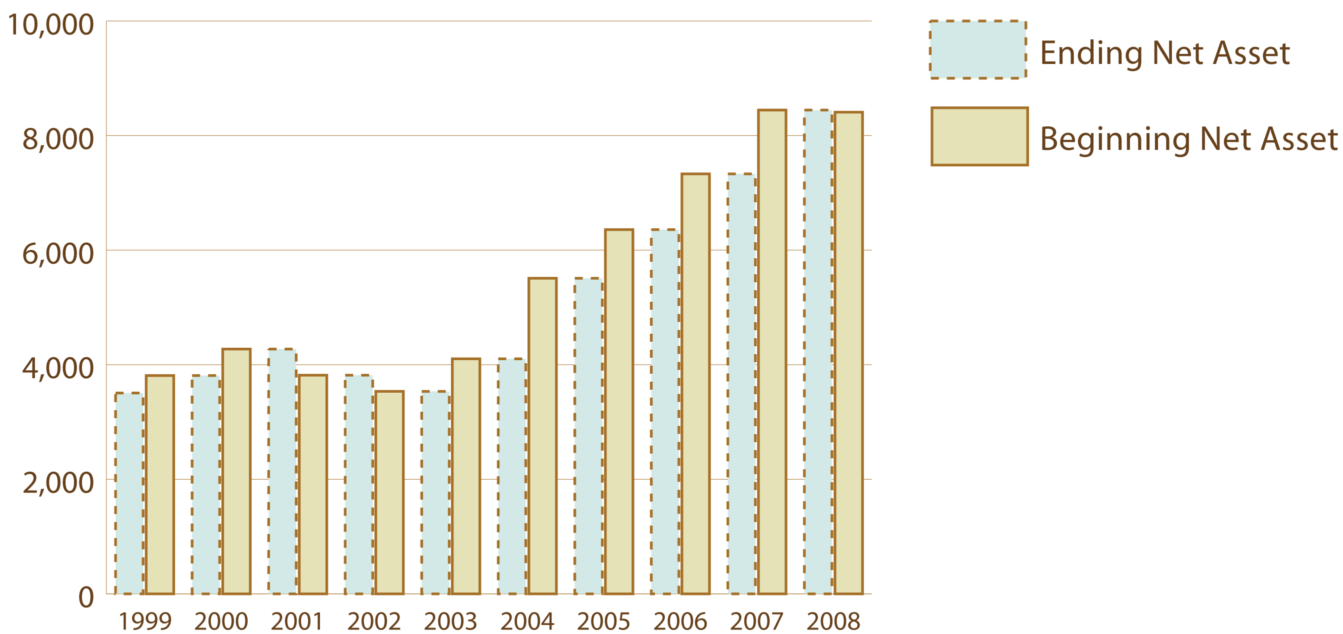
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Additions										
Employee Contributions[1]	$ 7.4	8.4	10.8	17.3	34.7	33.6	40.8	41.9	44.5	45.5
Employer Contributions[2]	36.4	38.1	41.1	50.6	616.1	700.6	316.1	302.5	320.5	329.0
Investment Income (Net of expenses)	396.0	564.4	(344.8)	(164.8)	149.9	936.5	794.7	962.2	1119.3	(4.8)
Total Additions	$439.8	610.9	(292.9)	(96.9)	800.7	1,670.7	1,151.6	1,306.6	1,484.3	369.7
Deductions										
Administrative Expenses	4.8	5.3	6.4	7.6	7.0	7.4	7.5	8.0	10.3	10.5
Retirement Benefits[1,3]	121.3	132.8	144.1	163.0	201.2	228.8	259.5	290.2	322.6	368.6
Health Benefits	7.9	9.0	10.8	14.3	19.9	26.5	32.6	32.9	35.3	24.4
Refunds	1.4	1.7	1.6	1.5	2.8	2.7	2.2	3.0	2.6	2.7
Total Deductions	$135.4	$148.8	$162.9	$186.4	$230.9	$265.4	$301.8	$334.1	$370.8	$ 406.2
Total Change in Net Assets	$304.4	$462.1	$(455.8)	$(283.3)	$569.8	$1,405.3	$849.8	$972.5	$1,113.5	$(36.5)

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.

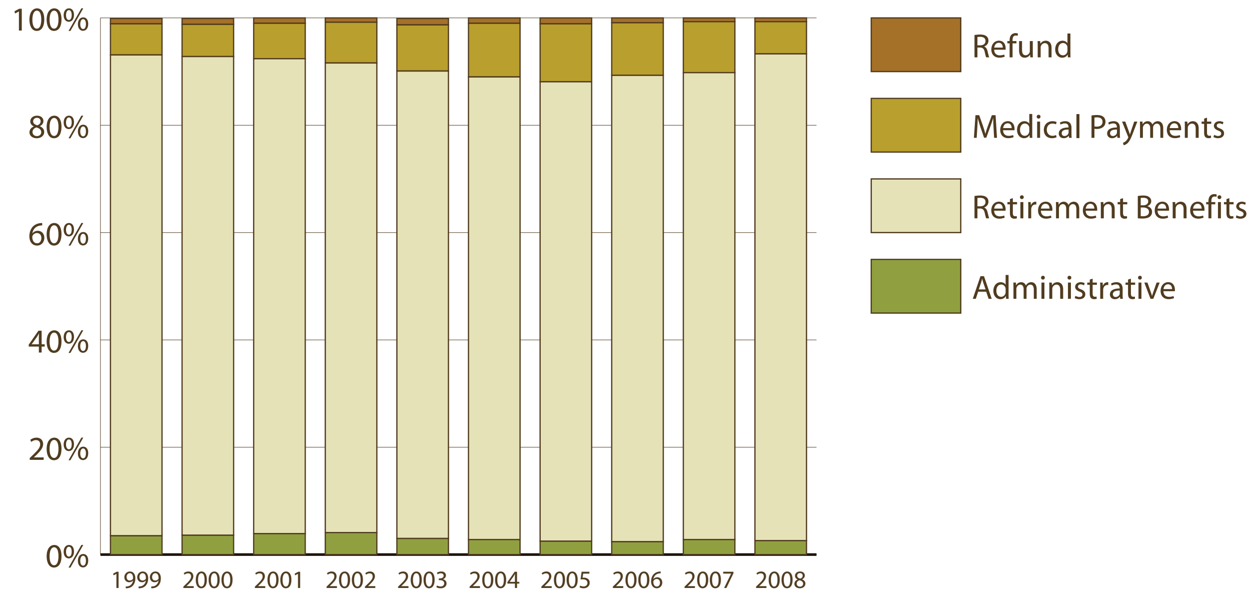
3 Refer to benefit and refund deductions for detail.

SDCERA NET ASSET VALUE



ADDITIONS TO PLAN NET ASSETS BY SOURCE

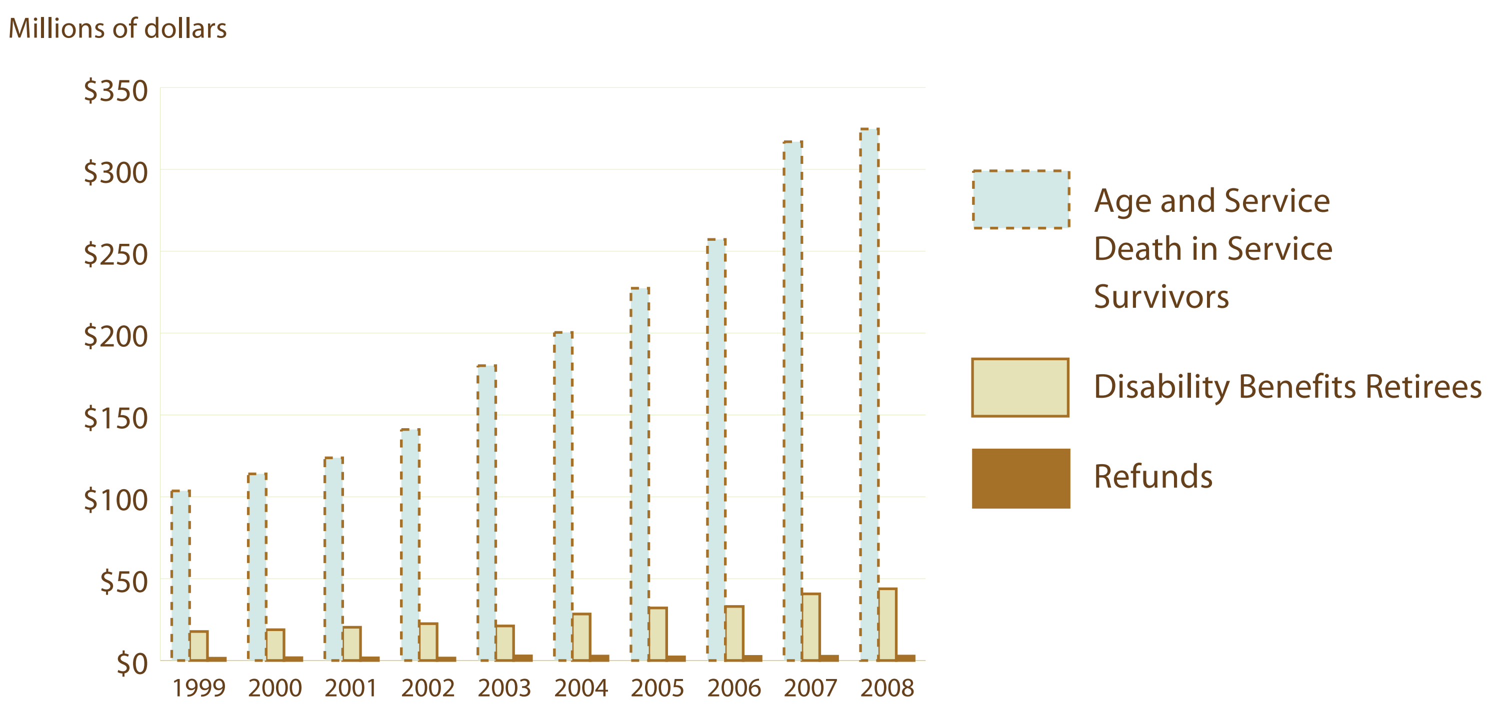
DEDUCTIONS FROM PLAN NET ASSETS BY TYPE



BENEFIT AND REFUND DEDUCTIONS FROM NET ASSETS BY TYPE
FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30
(MILLIONS OF DOLLARS)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Type of Benefit										
Age and Service	$94.9	$104.4	$113.4	$130.5	$161.1	$185.3	$209.5	$239.4	$295.3	$301.8
Disability—Duty	14.3	15.2	3.9	4.2	5.2	2.8	6.7	8.8	12.0	16.9
Disability—Non-Duty	3.4	3.6	16.4	18.3	22.6	25.6	25.4	24.2	28.7	26.9
Death Benefits	1.6	1.6	1.7	0.6	1.3	1.2	2.7	1.1	1.6	0.9
Survivors	7.1	8.0	8.7	10.0	12.3	15.1	15.2	16.7	20.3	22.0
Total	$121.3	$132.8	$144.1	$163.6	$202.5	$230.0	$259.5	$290.2	$357.9	$368.5
Type of Refund										
Separation	1.4	1.7	1.6	1.5	1.5	1.5	2.2	3.0	2.6	2.7
Total	$1.4	$1.7	$1.6	$1.5	$1.5	$1.5	$2.2	$3.0	$2.6	$ 2.7

BENEFIT EXPENSES BY TYPE



RETIRED MEMBERS BY TYPE OF BENEFITS
FOR THE CURRENT AND PRIOR FISCAL YEAR ENDED JUNE 30

Fiscal Year 2008

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement[a] 1	2	3	4	5	6
$0–$1,000	3,521	2,680	644	22	11	155	9
$1,001–2,000	3,799	2,798	387	8	134	465	7
$2,001–3,000	2,397	1,701	161	–	125	401	9
$3,001–4,000	1,227	1,004	56	4	83	77	3
$4,001–5,000	714	664	13	2	20	15	–
$5,001–6,000	509	474	6	–	25	4	–
$6,001–7,000	326	315	1	–	7	3	–
$7,001–8,000	208	197	–	–	6	5	–
$8,001–9,000	108	100	1	–	7	–	–
$9,001–10,000	57	55	–	–	1	1	–
Over $10,000	125	118	–	1	6	–	–
Total	12,991	10,106	1,269	37	425	1,126	28

Fiscal Year 2007

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement[a] 1	2	3	4	5	6
$0–$1,000	3,618	2,751	582	92	8	182	3
$1,001–2,000	3,704	2,729	341	28	107	491	8
$2,001–3,000	2,254	1,612	133	13	96	394	6
$3,001–4,000	1,092	912	42	5	62	69	2
$4,001–5,000	642	595	11	1	20	15	–
$5,001–6,000	485	456	5	–	20	4	–
$6,001–7,000	293	281	–	1	7	4	–
$7,001–8,000	175	163	–	–	8	4	–
$8,001–9,000	78	73	1	–	4	–	–
$9,001–10,000	52	49	–	–	2	1	–
Over $10,000	111	106	–	–	5	–	–
Total	12,504	9,727	1,115	140	339	1,164	19

[a] Type of Retirement:
1. Retired—Normal
2. Beneficiary Payment—Surviving Spouse
3. Beneficiary Payment—Non Spouse Survivor
4. Duty Disability Retirement
5. Nonduty Disability Retirement
6. Beneficiary Payment—Disability

Note: Above numbers are number of benefits paid. Some payees receive multiple benefits, i.e., retiree and surviving spouse.

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

RETIRED MEMBERS BY TYPE OF BENEFITS OPTION FOR THE CURRENT AND PRIOR FISCAL YEAR ENDED JUNE 30

Fiscal Year 2008

		Option Selected[a]						
Amount of Monthly Benefit	Number of Retirees & Beneficiaries	Unmodified	1	2	3	4	Dth—Minor Child Supplement	Lump Sum Installment
$0–$1,000	3,521	3,306	42	119	10	26	1	17
$1,001–2,000	3,799	3,657	49	57	5	25	–	6
$2,001–3,000	2,397	2,318	24	41	2	10	–	2
$3,001–4,000	1,227	1,178	15	22	1	9	1	1
$4,001–5,000	714	675	20	11	–	7	1	–
$5,001–6,000	509	489	7	11	–	2	–	–
$6,001–7,000	326	315	7	3	–	1	–	–
$7,001–8,000	208	203	2	–	–	3	–	–
$8,001–9,000	108	106	–	–	–	2	–	–
$9,001–10,000	57	56	–	–	–	1	–	–
Over $10,000	125	124	–	1	–	–	–	–
Total	12,991	12,427	166	265	18	86	3	26

Fiscal Year 2007

		Option Selected[a]						
Amount of Monthly Benefit	Number of Retirees & Beneficiaries	Unmodified	1	2	3	4	Dth—Minor Child Supplement	Lump Sum Installment
$0–$1,000	3,618	3,450	35	100	4	3	8	18
$1,001–2,000	3,704	3,603	43	41	2	8	1	6
$2,001–3,000	2,254	2,195	24	25	2	6	–	2
$3,001–4,000	1,092	1,059	9	16	1	6	1	–
$4,001–5,000	642	611	16	9	–	5	1	–
$5,001–6,000	485	464	8	8	–	5	–	–
$6,001–7,000	293	281	6	2	–	3	1	–
$7,001–8,000	175	172	1	–	–	2	–	–
$8,001–9,000	78	77	–	–	–	1	–	–
$9,001–10,000	52	51	–	–	–	1	–	–
Over $10,000	111	106	–	1	–	4	–	–
Total	12,504	12,069	142	202	9	44	12	26

[a] Option selected:

Unmodified plan: beneficiary receives 60 percent continuance.

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

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

Option 2—Beneficiary 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 (Pension Plan)
CURRENT AND SIX FISCAL YEARS ENDED JUNE 30

	Years of credited service						
Retirement Effective	0-5	5-10	10-15	15-20	20-25	25-30	30+
Fiscal Year 2008							
Average monthly benefit	868	1,025	1,731	2,602	3,422	4,931	6,198
Average final monthly salary	4,944	4,348	4,440	5,010	5,653	6,353	6,356
Number of retired members	14	94	156	161	102	95	75
Fiscal Year 2007							
Average monthly benefit	749	958	1,756	2,380	3,307	4,494	6,331
Average final monthly salary	6,918	4,774	4,738	4,800	5,110	6,043	6,611
Number of retired members	27	83	145	143	99	94	85
Fiscal Year 2006							
Average monthly benefit	584	976	1,686	2,620	3,839	4,458	5,803
Average final monthly salary	5,079	3,972	4,670	5,061	5,757	5,481	6,257
Number of retired members	29	122	184	184	101	125	104
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

AVERANGE BENEFIT PAYMENTS (OPEB)
CURRENT FISCAL YEAR

	Health Insurance Reimbursement	Medical Payments	Medicare Part B
Fiscal Year 2008			
Average monthly beneft	$186	$248	$94
Number of Retired Members	1,516	5,208	5,398

SCHEDULE OF PARTICIPATING EMPLOYERS
FOR THE YEARS ENDED JUNE 30

	Total Employees	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 2008						
Number of Covered Employees	36,179	33,538	2,587	17	13	24
Percentage to Total System	100.00%	92.70	7.15	0.05	0.04	0.07
Rank		1	2	4	5	3
Fiscal Year 2007						
Number of Covered Employees	35,249	32,830	2,365	20	12	22
Percentage to Total System	100.00%	93.14	6.71	0.06	0.03	0.06
Rank		1	2	4	5	3
Fiscal Year 2006						
Number of Covered Employees	33,055	30,619	2,392	18	12	14
Percentage to Total System	100.00%	92.63	7.24	0.05	0.04	0.04
Rank		1	2	3	5	4
Fiscal Year 2005						
Number of Covered Employees	32,043	29,795	2,208	16	10	14
Percentage to Total System	100.00%	92.98	6.89	0.05	0.03	0.04
Rank		1	2	3	5	4
Fiscal Year 2004						
Number of Covered Employees	32,688	30,523	2,130	16	10	9
Percentage to Total System	100.00%	93.38	6.52	0.05	0.03	0.03
Rank		1	2	3	4	5
Fiscal Year 2003						
Number of Covered Employees	31,793	29,636	2,130	16	7	4
Percentage to Total System	100.00%	93.22	6.70	0.05	0.02	0.01
Rank		1	2	3	4	5

Notes: Data for fiscal years 1999 to 2002, is not available in our current system.
Fiscal Years 2003 to 2005 are restated to correct distribution among employers.

SDCERA
Strength. Service. Commitment.

SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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