Live the dream

SDCERA

Strength. Service. Commitment.

This material is available in alternative formats upon request. Please contact 619.515.6800.

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

Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2009

San Diego County Employees Retirement Association, San Diego County, California

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

LISA NEEDLE
ACTING CHIEF INVESTMENT OFFICER

This year SDCERA celebrates 70 years of strength, service and commitment.

SDCERA

Strength. Service. Commitment.

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San Diego from the Bay, 1953.

introduction

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, 2009.

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 year SDCERA celebrates 70 years of strength, service and commitment. Over our 70-year history, SDCERA has grown from a small fund of less than $79,000, serving approximately 1,300 members to a fund of over $6 billion today, serving nearly 37,000 members. By remaining true to our mission to prudently manage the fund, efficiently administer benefits, and provide superior service to members, SDCERA's future is certain to be as rich as its past.

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, 2009.

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

Like all pension funds worldwide, SDCERA was affected by the market downturn. The unprecedented economic events affected the environment in which all investors operate. SDCERA continues to work through the challenging market environment by positioning ourselves to profit as the markets recover and communicating to our members that their retirement benefits are secure.

Standard & Poor's affirmed the AAA issuer credit rating and stable outlook for SDCERA. The rating reflects SDCERA's strong fund management, good funded status despite a challenging fiscal year and continued strong credit quality of the plan sponsor, the County of San Diego.

SDCERA's new pension administration system is nearing completion. Scheduled for implementation in spring 2010, the new system's technology will enhance all business processes as well as improve services offered to members.

The Board amended the Interest Crediting policy to address negative earnings treatment, regular and member interest crediting rates and service purchase interest rates. The semiannual regular interest rate, as well as the semiannual member crediting rate, will be equal to the actual earnings of the fund for that semiannual period or one-half the current actuarial interest assumption rate, whichever is lower, but with a minimum semiannual interest rate of zero.

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; Statement No. 55, Hierarchy of Generally Accepted Accounting Principles for State and Local Governments; Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards; 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 $6.2 billion at June 30, 2009. For the fiscal year 2009, investments provided a return of –24.4% net of fees amid difficult market conditions. SDCERA's annualized rate of return, net of fees, was –4.2% over the last three years, 2.8% over the last five years, and 3.9% over the last 10 years.

FUNDING

The actuarial liability and the value of assets of the Association on June 30, 2009, the date of our latest actuarial valuation, totaled $9.2 billion and $8.4 billion, respectively. This results in an unfunded actuarial accrued liability of $0.8 billion. The Plan's resulting funded ratio of 91.5%, 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 Accountancy Corporation, 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, 2008. 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 2009 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.

Brian P. White
Chief Executive Officer
November 30, 2009

PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration

2009

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, 2008

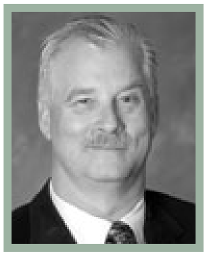
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

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

President

Executive Director

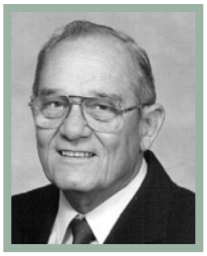
SDCERA BOARD OF RETIREMENT



Garry A. Sobeck
Chairman

David A. Myers
Vice Chairman

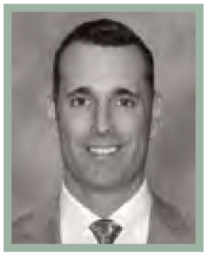
Marc Doss
Secretary



James W. Feeley

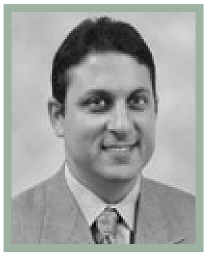
Dianne Jacob

Dan McAllister



Jon McCloskey

Loretta Morris



Douglas Rose

Kay Ryan

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

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

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

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

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
Jon McCloskey
Appointed by County Board of Supervisors
Present term expires June 30, 2009

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

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

Board of Retirement

GARRY A. SOBECK
Chairman
Elected by SDCERA General members

DAVID A. MYERS
Vice Chairman
Elected by SDCERA Safety members

MARC DOSS
Secretary
Appointed by County Board of Supervisors

JAMES W. FEELEY
Trustee
Elected by SDCERA Retired members

DIANNE JACOB
Trustee
Appointed by County Board of Supervisors

DAN MCALLISTER
Treasurer-Tax Collector
Holds office during incumbency

JON MCCLOSKEY
Trustee
Appointed by County Board of Supervisors

LORETTA MORRIS
Trustee
Appointed by County Board of Supervisors

DOUGLAS ROSE
Trustee
Elected by SDCERA General members

KAY RYAN
Alternate trustee
Elected by SDCERA Retired members

VACANT
Alternate trustee
Elected by SDCERA Safety members

SDCERA
Strength. Service. Commitment.

Chief Executive Officer
BRIAN P. WHITE

Members

Investments
LISA NEEDLE, CFA
Acting Chief Investment Officer

Investment Management

Member Services
MARSHA BOYD
Director

Benefits Administration
Customer Service and Education
Communication

Operations
MARK MIMNAUGH
Chief Operating Officer

Information Technology

Financial Services
Internal Audit

Administrative Services
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

Legal Counsel

Anthony J. DeLellis, A Professional Law Corporation
1545 Hotel Circle South, Suite 130
San Diego, CA 92108

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

Hanson Bridgett, LLP
425 Market Street, 26th Floor
San Francisco, CA 94105

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
2534 Navarra Drive, Suite D
Carlsbad, CA 92209

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

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

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

La Jolla Cove.

financial

Elephant Pool,
San Diego Zoo.

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

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

Main Office
4200 Truxtun Ave., Suite 300
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Tel 661.324.4971 Fax 661.324.4997
e-mail: info@bacpas.com

560 Central Avenue
Shafter, California 93263
Tel 661.746.2145 Fax 661.746.1218

8365 N. Fresno Street, Suite 440
Fresno, California 93720
Tel 559.476.3592 Fax 559.476.3593

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, 2009 and the related statement of Changes in Plan Net Assets for the year then ended. These financial statements are the responsibility of management of SDCERA. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In fiscal year 2009, SDCERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* and Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.*

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, 2009 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 2009 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2009 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, 2009, 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
ACCOUNTANCY CORPORATION

Bakersfield, California
November 30, 2009

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, 2009. We believe that the information presented here, in conjunction with the Chief Executive Officer's Letter of Transmittal found in the Introduction Section, provides you with a clear picture of the Association's overall financial status.

FINANCIAL HIGHLIGHTS

- Plan net assets, which represent funds available to pay current and future benefits, were $6.2 billion as of the end of the fiscal year, a decrease of $2.2 billion over the prior year.
- Total additions to net assets were –$1.8 billion primarily from an investment loss of $2.1 billion, County contributions of $314.5 million and $49.5 million in member contributions.
- Total deductions to net assets totaled $436.2 million, an increase of $29.9 million or 7.4% over the prior year. Retirement benefits have risen $31 million, driven by a net increase in the number of retired members by 425, and a 4.5% increase in average monthly benefit.
- During fiscal year 2009, the rate of return on investments was –24.4% 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, 2009, the date of our last actuarial valuation, the funding status (the ratio of system assets to system liabilities) was 91.5%.

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, 2009 and 2008 (THOUSANDS OF DOLLARS)

	06/30/2009	06/30/2008	Increase/ (Decrease)	Percentage Change
Cash	$ 244,149	218,243	25,906	11.9%
Receivables	315,607	329,450	(13,843)	(4.2%)
Investments	5,994,488	8,613,024	(2,618,536)	(30.4%)
Securities Lending Collateral	446,471	720,580	(274,109)	(38.0%)
Property, Plant & Equipment	7,613	5,537	2,076	37.5%
Total Assets	7,008,328	9,886,834	(2,878,506)	(29.1%)
Liabilities to Brokers for Securities Lending	456,947	720,580	(263,633)	(36.6%)
Securities Purchased	346,955	741,094	(394,139)	(53.2%)
Other	12,473	17,144	(4,671)	(27.2%)
Total Liabilities	816,375	1,478,818	(662,443)	(44.8%)
Net Assets Held in Trust for Pension Benefits	$ 6,191,953	8,408,016	(2,216,063)	(26.4%)

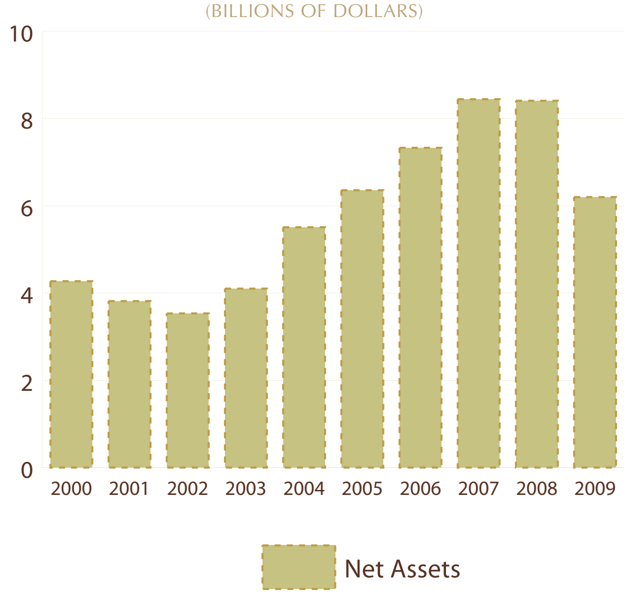
TABLE 2: NET ASSETS
For the fiscal year ended June 30, 2008 and 2007 (THOUSANDS OF DOLLARS)

	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%
Net Assets Held in Trust for Pension Benefits	$ 8,408,016	8,444,505	(36,489)	(0.4%)

Net assets held in trust for pension benefits as of June 30, 2009, were $6.2 billion, a decrease of $2.2 billion, or –26.4%, over the prior year. Investment returns of –24.4% generated $2.1 billion in plan net asset decreases from operations.

County and employee contributions added $364.0 million, but were more than offset by member benefit payments of $423.7 million.

SDCERA NET ASSETS HELD IN TRUST
FOR PENSION BENEFITS 2000-2009
(BILLIONS OF DOLLARS)



SDCERA INVESTMENT RETURNS
2000-2009

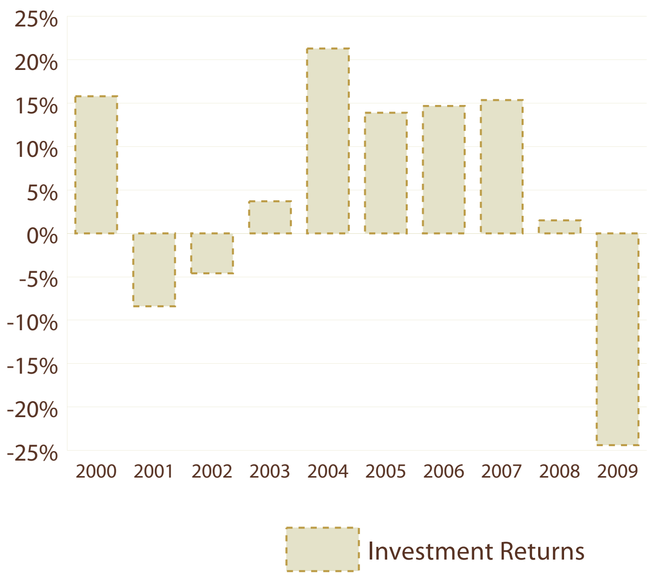


TABLE 3: CHANGES IN PLAN NET ASSETS
For the fiscal year ended June 30, 2009 and 2008 (THOUSANDS OF DOLLARS)

	06/30/2009	06/30/2008	Increase/ (Decrease)	Percentage Change
ADDITIONS				
Employer Contributions	$ 314,485	329,095	(14,610)	(4.4%)
Member Contributions	49,475	45,479	3,996	8.8%
Net Investment Income	(2,149,038)	(9,783)	(2,139,255)	(21,867.1%)
Net Securities Lending Income	5,171	4,939	232	4.7%
Total Additions	(1,779,907)	369,730	(2,149,637)	(581.4%)
DEDUCTIONS				
Retirement Benefits	399,773	368,575	31,198	8.5%
Health Benefits	23,940	24,397	(457)	(1.9%)
Refund of Contributions	2,335	2,736	(401)	(14.7%)
Administrative Expenses	10,107	10,511	(404)	(3.8%)
Total Deductions	436,155	406,219	29,936	7.4%
Increase/(Decrease) in Net Assets Held in Trust for Pension Benefits	$ (2,216,062)	(36,489)	(2,179,573)	(5,973.3%)

TABLE 4: CHANGES IN PLAN NET ASSETS
For the fiscal year ended June 30, 2008 and 2007 (THOUSANDS OF DOLLARS)

	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%)

ADDITIONS TO RETIREMENT PLAN NET ASSETS

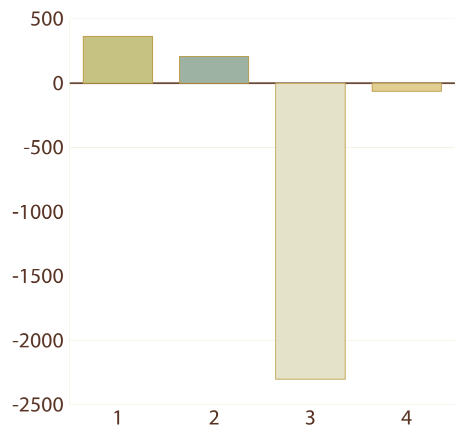
The primary sources financing the benefits SDCERA provides to its members are accumulated through income on investments and collection of employer and employee contributions.

These income sources (Additions to Retirement Plan Net Assets) total –$1.8 billion for the fiscal year ended June 30, 2009, a decrease of $2.1 billion over the prior year.

- Employer and Member contributions were $364 million in fiscal year 2009, a decrease of $10.6 million over the prior year. Combined contribution rates of 20.58% in Fiscal Year 2009 compared to 23.27% in Fiscal Year 2008, offset by a 6.7% increase in the Retirement Gross reduced the Pension ARC by $16 million. Employer offsets and employee contributions increased by $6 million, fueled by the increase in Retirement Gross.

- Net investment income equaled –$2.1 billion in fiscal year 2009, a decrease of $2.1 billion, over prior year. This loss was primarily net depreciation in the fair value of investments of $2.3 billion and $208 million in interest and dividends, offset by investment expenses of $61.6 million.

SDCERA'S ADDITIONS
(MILLIONS OF DOLLARS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009



1. Retirement Contributions: $364 million
2. Interest, Dividends and Securities Lending Income: $208 million
3. Net Depreciation in Fair Value of Investments: ($2.3 billion)
4. Investment Expense: ($62 million)

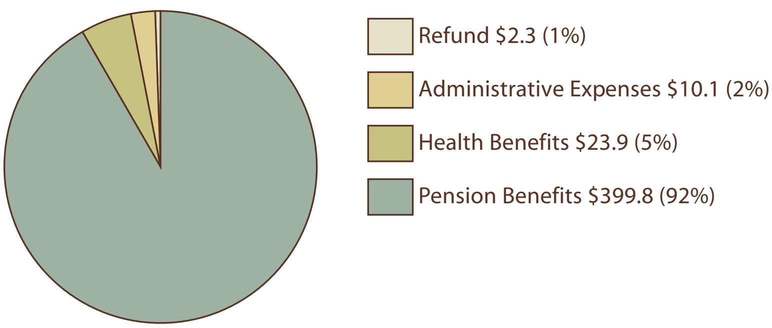
DEDUCTIONS FROM RETIREMENT PLAN NET ASSETS

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, 2009, totaled $436.2 million, an increase of $29.9 million, or 7.4%, over 2008.

- Retirement and health benefits represent $30.7 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.

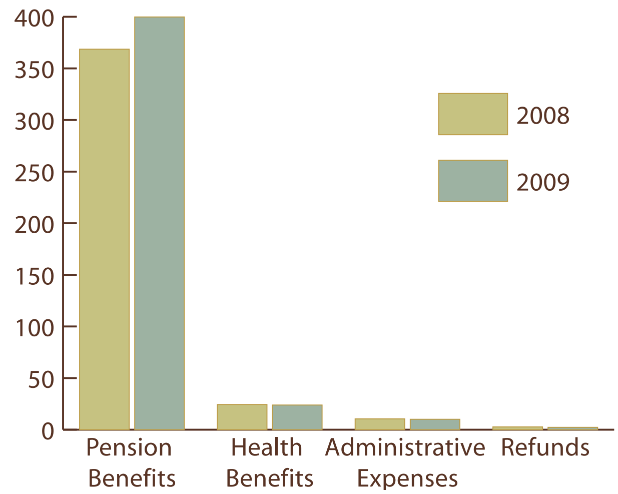
SDCERA'S DEDUCTIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(MILLIONS OF DOLLARS)



SDCERA'S DEDUCTIONS

(MILLIONS OF DOLLARS)



SUMMARY

Plan net assets experienced a significant decline for the Fiscal Year ended June 30, 2009, and are currently at $6.2 billion. Employer/employee contributions have delivered $364 million in assets to help fund $436 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, 2009

STATEMENT OF PLAN NET ASSETS
As of June 30, 2009 (with summarized comparative amounts for June 30, 2008)

	June 30, 2009 Pension Plan	June 30, 2009 Healthcare	June 30, 2009 Total Fund	June 30, 2008 Total Fund
ASSETS				
CASH AND SHORT-TERM INVESTMENTS				
Cash in County Pool	$ 647,245	$ 1,270	$ 648,515	$ 460,073
Cash and Cash Equivalents with Fiscal Agents	243,023,940	476,791	243,500,731	217,782,686
Total Cash and Short-Term Investments	243,671,185	478,061	244,149,246	218,242,759
RECEIVABLES				
Contributions	9,595,333	18,825	9,614,158	9,035,009
Accrued Interest and Dividends	23,584,681	46,271	23,630,952	28,129,178
Settlement of Securities Sold	281,809,038	552,884	282,361,922	292,285,394
Total Receivables	314,989,052	617,980	315,607,032	329,449,581
INVESTMENTS AT FAIR VALUE				
Domestic Equity Securities	228,064,628	447,442	228,512,070	536,191,845
Cash, Cash Equivalents, and Securities for Domestic Equity Swaps and Alpha Engine	775,279,550	1,521,028	776,800,578	1,356,897,493
Total Domestic Equity Securities and Cash	1,003,344,178	1,968,470	1,005,312,648	1,893,089,338
International Equity Securities	1,130,294,383	2,217,535	1,132,511,918	1,833,090,389
Total International Equity Securities and Cash	1,130,294,383	2,217,535	1,132,511,918	1,833,090,389
Total Equity Securities and Cash	2,133,638,561	4,186,005	2,137,824,566	3,726,179,727
Securities Lending Collateral	445,596,948	874,221	446,471,169	720,580,407
United States Government Obligations	642,580,675	1,260,685	643,841,360	708,951,757
Domestic Bonds	694,405,127	1,362,360	695,767,487	917,404,394
International Bonds	637,426,285	1,250,573	638,676,858	1,237,646,928
Interest Rate and Credit Default Swaps	(9,726,431)	(19,082)	(9,745,513)	0
Short-term Notes	38,175,813	74,897	38,250,710	0
Total Bonds and Cash	2,002,861,469	3,929,433	2,006,790,902	2,864,003,079
Cash and Securities for Overlay Futures	95,973,828	188,292	96,162,120	155,860,002
Cash and Securities for Commodity Swaps	281,505,001	552,287	282,057,288	483,833,792
Balanced Fund	100,086,392	196,360	100,282,752	402,943,309
Opportunistic	138,595,061	271,911	138,866,972	1,402,974
Global Macro Hedge Fund	93,996,608	184,413	94,181,021	0
Long/Short Hedge Fund	61,747,507	121,143	61,868,650	0
Multi-Strategy Hedge Fund	140,079,295	274,823	140,354,118	0
Infrastructure	63,580,583	124,739	63,705,322	20,184,440
Alternative Equity	319,799,277	627,417	320,426,694	356,761,640
Real Estate	550,886,775	1,080,790	551,967,565	601,855,517
Total Investments	6,428,347,305	12,611,834	6,440,959,139	9,333,604,887
Property, Plant and Equipment, Net	7,598,563	14,908	7,613,471	5,536,858
Total Assets	6,994,606,105	13,722,783	7,008,328,888	9,886,834,085
LIABILITIES				
Liabilities to Brokers for Securities Lending	456,052,525	894,734	456,947,259	720,580,407
Settlement of Securities Purchased	346,275,951	679,362	346,955,313	741,094,012
Professional Services	8,298,364	16,282	8,314,646	13,084,525
Death Benefits	654,514	1,284	655,798	434,413
Retirement Benefits	246,277	483	246,760	221,459
Refunds to Members	414,486	813	415,299	286,339
County Advance Contribution	181,153	0	181,153	3,447
Health Insurance Premiums	1,179,530	2,314	1,181,844	1,198,709
Cash in Transit	411,591	808	412,399	273,931
Other	1,063,056	2,086	1,065,142	1,640,588
Total Liabilities	814,777,447	1,598,166	816,375,613	1,478,817,830
Net Assets Held in Trust for Pension Benefits	$ 6,179,828,658	$ 12,124,617	$ 6,191,953,275	$ 8,408,016,255

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

STATEMENT OF CHANGES IN PLAN NET ASSETS
As of June 30, 2009 (with summarized comparative amounts for June 30, 2008)

	June 30, 2009 Pension Plan	Healthcare	Total Fund	June 30, 2008 Total Fund
ADDITIONS TO PLAN NET ASSETS				
Contributions				
County Contributions	$ 291,247,665	$ 23,237,038	$ 314,484,703	$ 329,094,618
Plan Member Contributions	49,474,591	0	49,474,591	45,479,183
Total Contributions	340,722,256	23,237,038	363,959,294	374,573,801
Investment Income				
Net Appreciation (Depreciation) in Fair Value of Investments				
Stocks	(698,304,656)	(1,859,249)	(700,163,905)	(336,130,724)
Bonds	(328,605,798)	(874,919)	(329,480,717)	(11,779,206)
Foreign Currency	(63,164,714)	(168,177)	(63,332,891)	83,771,737
Real Estate & Alternative	(266,349,824)	(709,161)	(267,058,985)	21,332,831
Opportunistic	6,889,872	18,344	6,908,216	19,145
Infrastructure	156,861	418	157,279	8,337
Balanced Fund	(102,387,947)	(272,610)	(102,660,557)	58,778,424
S&P 500 Swaps and Alpha Engine	(513,030,933)	(1,365,954)	(514,396,887)	(276,401,835)
Commodity Swaps	(194,524,928)	(517,926)	(195,042,854)	220,752,188
Futures	(114,220,423)	(304,114)	(114,524,537)	51,433,926
Securities Lending	(10,448,270)	(27,819)	(10,476,089)	0
Total Net Appreciation (Depreciation) in Fair Value of Investments	(2,283,990,759)	(6,081,168)	(2,290,071,927)	(188,215,177)
Interest Income				
Bonds	114,610,939	305,155	114,916,094	118,318,847
Cash	(1,165,251)	(3,103)	(1,168,354)	32,974,399
Total Interest Income	113,445,688	302,052	113,747,740	151,293,246
Other				
Dividends on Stock Investments	75,951,527	202,222	76,153,749	81,443,630
Real Estate Equity Investment Income	11,126,650	29,625	11,156,275	18,806,562
Alternative Equity	1,542,058	4,106	1,546,164	4,338,336
Commission Recapture	133,501	355	133,856	235,849
Other Income	(71,883)	(191)	(72,074)	45,050
Total Other	88,681,853	236,117	88,917,970	104,869,427
Less: Investment Expenses	(61,467,822)	(163,659)	(61,631,481)	(77,730,266)
Securities Lending Income	10,641,428	28,333	10,669,761	32,612,149
Less: Securities Lending Rebates and Bank Charges	(5,484,299)	(14,602)	(5,498,901)	(27,673,382)
Net Securities Lending Income	5,157,129	13,731	5,170,860	4,938,767
Net Investment Income	(2,138,173,911)	(5,692,927)	(2,143,866,838)	(4,844,003)
Total Additions to Plan Net Assets	(1,797,451,655)	17,544,111	(1,779,907,544)	369,729,798
DEDUCTIONS FROM PLAN NET ASSETS				
Benefits				
Retirement Benefits	397,987,538	0	397,987,538	367,632,352
Death Benefits	1,785,832	0	1,785,832	941,704
Health Benefits	314,246	23,625,656	23,939,902	24,397,076
Total Benefits	400,087,616	23,625,656	423,713,272	392,971,132
Member Refunds	2,335,133	0	2,335,133	2,736,288
Administrative Expenses	10,107,031	0	10,107,031	10,511,264
Total Deductions from Plan Net Assets	412,529,780	23,625,656	436,155,436	406,218,684
Increase (Decrease) in Net Assets Held in Trust for Pension Benefits	$ (2,209,981,435)	$ (6,081,545)	$ (2,216,062,980)	$ (36,488,886)
Net Assets Held in Trust for Pension Benefits				
Beginning of Year	$ 8,389,810,093	$ 18,206,162	$ 8,408,016,255	$ 8,444,505,141
End of Year	$ 6,179,828,658	$ 12,124,617	$ 6,191,953,275	$ 8,408,016,255

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, 2009, 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	56	-	56
Tier A	14,201	-	14,201
Safety	-	3,442	3,442
Total Active Members	14,257	3,442	17,699
Deferred Members			
Tier I	2,210	-	2,210
Tier A	2,415	-	2,415
Safety	-	613	613
Total Deferred Members	4,625	613	5,238
Retired Members			
Tier I	5,535	-	5,535
Tier II	1,815	-	1,815
Tier A	4,195	-	4,195
Safety	-	1,908	1,908
Total Retired Members	11,545	1,908	13,453
Total Members	30,427	5,963	36,390

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 Benefits 401(h) account, 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.

The real estate asset class consists of both private and public investments. They encompass all property types—office, industrial, retail and residential, with 75.2% in the United States and 24.8% 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, 2009, 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, 2009, SDCERA held S&P 500 swap contracts with a notional value of $483,731,308 and a fair value of $36,179,579, and a Goldman Sachs Commodity Index swap with a notional value of $255,501,095 and a fair value of –$13,186,043. 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. 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 $264,817,258 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.

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.

As of June 30, 2009, SDCERA had the following future balances:

	Notional Amount Long/(Short)
Policy Overlay	
International Equity	$ 348,588,120
S&P 500 Futures Overlay	295,340,300
Managed Futures Overlay	335,000,000
Total	$ 978,928,420

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.

	Balance 07/01/2008	Additions	Deletions and Transfers	Balance 06/30/2009
Computer hardware, software and maintenance	$ 5,512,009	335,062	28,517	5,818,554
Office furniture and fixtures	1,757,765	52,001	-	1,809,766
Leasehold Improvements	1,881,054	78,103	-	1,959,157
Software in progress	2,069,431	2,856,174	-	4,925,605
Total Property, Plant and Equipment	11,220,259	3,321,340	28,517	14,513,082
Accumulated Depreciation	(5,683,401)	(1,216,210)	-	(6,899,611)
Net Property, Plan and Equipment	$ 5,536,858	2,105,130	28,517	7,613,471

Depreciation expense for the year ended June 30, 2009 was $1,216,210.

IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS

The provisions of Governmental Standards (GASB) Statement No. 52, Land and other Real Estate held as Investments by Endowments, is to be implemented as of June 30, 2009, however, this provision is not applicable to SDCERA.

Governmental Standards (GASB) Statements No. 55 and 56 were also implemented as of June 30, 2009. Statement No. 55, incorporating the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature, did not cause any real changes to the preparation process of the financial statements and did not have a significant impact on the financial statements, thus the Board does not expect this statement will result in a change in current practice. Statement No. 56, incorporating into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards, did not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards. Thus, this provision did not cause any real changes to the preparation process of the financial statements and did not have a significant impact on the financial statements.

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, 2009, 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 December 2008 the Board of Retirement approved an increase to the Opportunistic allocation. This change resulted in an asset allocation target of 17.5% Domestic Equity, 17.5% International Equity, 29% Fixed Income, 10% Real Estate, 5% Infrastructure, 5% Alternative Equity, 4% Commodities, and 12% Opportunistic.

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, 2009, 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	$ 126,848	$ 395	$ 13,334	$ 8,071	$ 105,048
Certificates of Deposits	15,000	15,000	0	0	0
Collateralized Mortgage Obligations	171,486	0	1,465	10,230	159,791
Commercial Paper	383,403	383,403	0	0	0
Convertible Bonds	101,670	376	54,173	1,610	45,511
Corporate Bonds	257,062	98,354	62,815	86,501	9,392
Credit Funds	243,382	14,628	93,372	125,810	9,572
Emerging Market Debt Securities	137,242	15,522	31,209	35,628	54,883
International Bonds	62,197	16,563	22,511	9,223	13,900
International Governments	337,766	1,501	125,870	169,531	40,864
Managed Futures	71,211	NA	NA	NA	NA
Municipals	4,390	0	11	0	4,379
Mutual Funds	42,637	42,637	0	0	0
Private Placements	40,409	8,061	17,643	11,584	3,121
Repurchase Agreements	286,475	286,475	0	0	0
Treasuries Inflation Index	316,103	0	113,445	98,175	104,483
US Treasuries	131,837	115,266	340	5,454	10,777
US Agencies	46,112	34,484	8,128	50	3,450
Total	$ 2,775,230	$ 1,032,665	$ 544,316	$ 561,867	$ 565,171

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, 2009, 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 illustrate SDCERA's Fixed Income securities ratings as of June 30, 2009:

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	$ 537,415	$ 16,232	$ 0	$ 0	$ 0	$ 553,647
AAA	94,430	183,440	0	1,315	98,783	377,968
AA	20,090	15,101	594	317	376	36,478
A	77,036	105,602	3,278	2,474	15,494	203,884
BBB	48,136	33,776	6,767	5,221	23,002	116,902
BB	8,380	0	9,879	75,215	72,548	166,022
B	10,287	0	11,937	154,006	18,776	195,006
CCC	13,554	0	2,758	99,277	601	116,190
CC	2,028	0	0	1,048	288	3,364
C	0	0	0	210	0	210
D	0	0	0	3,044	0	3,044
NR	87,276	0	11,986	64,778	32,551	196,591
	$ 898,632	$ 354,151	$ 47,199	$ 406,905	$ 262,419	$ 1,969,306

Credit Risk	Domestic Fixed Income	Global Fixed Income	Convertibles Fixed Income	High Yield Fixed Income	Emerging Market Debt Fixed Income
Gov't	59.9%	4.6%	0.0%	0.0%	0.0%
AAA	10.5%	51.7%	0.0%	0.3%	37.6%
AA	2.2%	4.3%	1.3%	0.1%	0.1%
A	8.6%	29.8%	7.0%	0.6%	5.9%
BBB	5.4%	9.5%	14.3%	1.3%	8.8%
BB	0.9%	0.0%	20.9%	18.5%	27.7%
B	1.1%	0.1%	25.4%	37.8%	7.2%
CCC	1.5%	0.0%	5.8%	24.3%	0.2%
CC	0.2%	0.0%	0.0%	0.3%	0.1%
C	0.0%	0.0%	0.0%	0.1%	0.0%
D	0.0%	0.0%	0.0%	0.8%	0.0%
NR	9.7%	0.0%	25.3%	15.9%	12.4%
	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 9.7% 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.

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, excluding 25.3% unrated securities.

HIGH YIELD FIXED INCOME PORTFOLIO

The weighted average rating of the High Yield Fixed Income Portfolio as of June 30, 2009, was B, excluding 15.9% 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, 2009, the Emerging Market Debt portfolio had an average credit rating of AA, excluding 12.4% 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, Jordanian 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.

NET EXPOSURE TO FOREIGN CURRENCY RISK AS OF JUNE 30, 2009 (THOUSANDS OF DOLLARS)

Currency	Fair Value
EURO CURRENCY UNIT	$ 290,811
BRITISH POUND STERLING	220,092
JAPANESE YEN	191,996
AUSTRALIAN DOLLAR	143,399
HONG KONG DOLLAR	94,826
CANADIAN DOLLAR	67,842
NORWEGIAN KRONE	65,083
BRAZIL REAL	55,446
SOUTH KOREAN WON	50,635
SINGAPORE DOLLAR	48,715
S AFRICAN COMM RAND	38,798
SWEDISH KRONA	32,404
NEW TAIWAN DOLLAR	25,390
NEW TURKISH LIRA	24,117
MEXICAN NEW PESO	24,088
SWISS FRANC	20,943
INDONESIAN RUPIAN	19,016
INDIAN RUPEE	15,167
GERMANY DEUTSCHE MARK	11,865
CHINA YUAN RENMINBI	10,918
CZECH REPUBLIC, KORUNY	10,042
UNITED ARAB EMIRATES DIRHAM	9,628
RUBLES	9,576
ZLOTYCH	9,297
HUNGARIAN FORINT	7,356
NIGERIAN NAIRA	7,139
ITALY LIRE	6,992
DANISH KRONE	5,972
MALAYSIAN RINGGIT	5,905
COLUMBIAN PESO	4,489
THAILAND BAHT	4,191
ROMARIA	4,056
ISRAEL, NEW SHEKELS	4,031
CHILEAN PESO	3,921
EGYPTIAN POUND	3,410
PHILLIPINE PESO	3,067
BELGIUM FRANCS	2,966
Other (Less than $2 million holdings)	2,773
Total	$ 1,556,362

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, 2009, are summarized in the following table. The Fund lent $433,954,366 in securities and received cash collateral of $446,471,169 from borrowers.

Securities Lent	SDCERA Securities Lent	Cash Received Value
Lent for Cash Collateral:		
U.S. Government and Agency Securities	$ 11,440,499	$ 11,667,985
US Treasury Bills	71,992,900	73,440,000
Asset and Mortgage Backed Securities	7,205,425	7,335,032
Treasury Inflation Protected Securities	161,055,352	164,188,938
Domestic Corporate Fixed Income securities	28,385,396	29,077,025
Exchange Traded	81,102	82,905
Domestic Equities	83,185,364	85,470,753
International Equities	67,285,861	71,799,032
Sovereign	3,322,467	3,409,499
Total	$ 433,954,366	$ 446,471,169

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, 2009:

Securities Lending Investments	Fair Value
Floating Rate Notes	$ 253,297,560
Asset Back Fixed	177,538
Asset Back Floating	134,601,240
Repurchase Agreements	15,483,729
Other (Cash)	48,117
Total	$ 403,608,184

Cash collateral is invested in the agent's short-term investment pool, which as of June 30, 2009, had a weighted average maturity of 30 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, 2009. 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	9.19%–9.97%	21.49%
Safety members	11.94%	29.87%

During the year, pension contributions totaled $340,722,256, which included $49,474,591 in employee contributions, $291,247,665 in employer contributions paid by the County, which includes $71,612,179 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, SDCERA investment staff expenses, portfolio evaluation, custodian services and actuarial services for investment related activities, as provided in Section 31596.1 of the California Government Code. Outside legal expenses are paid from systems assets as provided in Section 31529.9 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.

5 ACTUARIAL ASSUMPTIONS

The required contribution rates, as adopted by the SDCERA Board of Retirement, were determined as part of the June 30, 2007, actuarial valuation based on an individual entry-age normal cost method. The actuarial assumptions included (a) an 8.25% investment rate-of-return, (b) projected salary increases of 5.25% per year, and (c) cost-of-living increases for retirees of 3.0%.

6 RESERVES OF PLAN ASSETS

Member and employer contributions are allocated to various legally required reserve accounts based on actuarial determinations. Member contribution reserves are fully funded. 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 of 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.

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, 2009.

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. The contingency reserve and the undistributed excess earnings reserve 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 2009	2008
Reserve for Member Contributions		
Active	$ 369,644	$ 333,358
Deferred	39,936	38,534
Subtotal	409,580	371,892
Reserve for County Contributions	3,023,746	3,038,447
Reserve for Retirement Allowances	4,424,854	4,266,027
Total	7,858,180	7,676,366
Reserve for Supplemental Benefits	131,044	148,926
Reserve for Disability Supplemental Benefits	16,796	18,919
Reserve for Undistributed Earnings	0	0
Reserve for Contingencies	0	84,080
Reserve for Smoothed Market Value Transition	554,885	560,560
Reserve for Market Stabilization	(2,381,077)	(99,041)
Total Retirement Fund	6,179,828	8,389,810
Health Benefits 401(h) Account	12,125	18,206
Total Fund	$ 6,191,953	$ 8,408,016

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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.

Administrative Expenses For the year ended June 30, 2009	
Total Asset Base, at fair value (December 31, 2008)	$ 8,009,032,450
Maximum Allowable for Administrative Expenses (.0018 x $8,009,032,450)	$ 14,416,258
Actual Administrative Expenses for the Fiscal Year	$ 10,107,031
Excess of Allowance over Actual Administrative Expenses	$ 4,309,227
Actual Administrative Expenses as a Percentage of Total Assets Base	0.13%

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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, 2016. These future minimum rental payments as of June 30, 2009, are as follows:

Year Ending June 30	West A Street	Rio San Diego
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	$288,794	$10,193,896

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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 counterparties 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).

OTHER

On February 25, 2009, the United States Attorney's Office and the Federal Bureau of Investigation arrested the two principals of WG Trading Company, a limited partnership fund in which SDCERA invested, on charges of securities fraud, wire fraud, and conspiracy to commit securities fraud and wire fraud. On the same day, all entities connected with the principals of WG Trading Company were placed in receivership at the request of the Securities and Exchange Commission, and the U.S. Commodity Futures Trading Commission. As of June 30, 2009, there was $78 million invested. The loss and recovery amounts cannot be estimated at this time.

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 $160 million and alternative equity for $227 million.

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PENSION DISCLOSURES

SUMMARY ACTUARIAL INFORMATION	
Valuation Date	June 30, 2009
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]
6/30/09	8,413,065	9,198,636	785,571	91.5 %	1,129,171	69.6%

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
6/30/09	219,635	219,635	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, 2009.

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

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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. 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 the Summary of Significant Accounting Policies on Page 25, 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, 2008. 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, 2010, 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.

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SUBSEQUENT EVENTS

TIER B

On July 21, 2009, by ordinance, the County Board of Supervisors approved Tier B for general employees and a new tier for safety members, hired on or after August 28, 2009. The new Tier B for general members has a benefit formula described as: 2.62% at 62, highest 3 years final average compensation, minimum retirement age of 55 and a 2% maximum cost of living adjustment (COLA). For safety employees, a new tier was created with the following benefit formula: 3% at 55, highest 3 years final average compensation, minimum retirement age of 50 and a 2% maximum COLA.

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

Valuation Date	A Valuation Assets[1]	B Actuarial Accured 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
6/30/09	8,413,065	9,198,636	785,571	91.5	1,129,171	69.6

[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	194,970	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
6/30/09	219,635	219,635	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, 2009
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 Adjustment 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)	4 Funded Ratio (1)/(2)	5 Annual Covered Payroll	6 UAAL as % of Covered Payroll [(2-1)/5]
6/30/07	$ *	$235,755	$235,755	0.0%	$1,020,991	23.1%
6/30/08	$18,206	$217,559	$199,353	8.4%	$1,135,432	17.6%

* The valuation does not include the actuarial value of assets held for benefits, however as of June 30, 2009, there were $18.2 million available for benefits.

Source: The Segal Group, Inc. Bi-Annual Actuarial Valuation.

SCHEDULE IV — EMPLOYER CONTRIBUTIONS (OPEB) CONTRIBUTIONS FROM THE COUNTY OF SAN DIEGO (THOUSANDS OF DOLLARS)			
Year Ended	Annual Required Contribution (ARC)	Contributions Made	% of Required Contributions Made
6/30/08	$23,616	$23,616	100.0%
6/30/09	$23,237	$23,237	100.0%

SUMMARY ACTUARIAL INFORMATION FOR OPEB

Valuation Date	June 30, 2008
Actuarial Cost Method	Individual entry-age normal cost method
Amortization Method	Separate declining 20-year bases starting June 30, 2007, amortized as level dollar amount.
Remaining Amortization Period	Various
Asset Valuation Method	Market Value

ACTUARIAL ASSUMPTIONS

Investment Rate of Return*	8.25%
Projected Salary Increase**	Not Applicable
Projected increase in maximum Health Insurance Allowance	None
Inflation Rate	Not Applicable
Medical cost trend rate	9.00% graded down to ultimate rate of 5.00% over 8 years
Dental cost trend rate	5.00%

* 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, 2009
(THOUSANDS OF DOLLARS)

Individual or Firm	Net Assets Managed at Fair Value	Fees
Domestic Equity Managers		
Dimensional Fund Advisors	$ 0	$ 187
DH Small Tansition (Managed by BGI)	35	50
Legato Capital Management	147,614	1,272
Total Domestic Equity Managers		1,509
International Equity Managers		
Artisan Partners	169,698	1,347
Ballie Gifford	147,899	1,049
Berens Capital Management, LLC	25,558	189
Capital Guard Trust Company	211,877	859
Genesis Asset Management	162,996	964
Pyramis Global Advisors	228,976	979
Mondrian Investment Partners Ltd.	241,418	1,156
Total International Equity Managers		6,543
Overlay		
AEGIS	617	5,263
Barclays Global Investors	24,353	1,809
Campbell & Company	19,170	597
FX Concepts, Inc.	(334)	771
Graham Capital	18,602	2,509
Kenmar	25,001	5,406
Mellon Capital Management	843	1,124
Russell Investment Group	93,240	633
Total Overlay		18,112
Fixed Income Managers		
Ashmore	262,419	1,914
Colchester Global Investments	355,400	1,183
Golden Tree Asset Management	66,178	825
Oaktree Capital Management LLC	113,124	486
Pacific Investment Management Company	663,393	1,530
TCW Asset Management	157,174	1,413
Zazove Associates	70,749	217
Bridgewater Associates, Inc.	100,283	416
Total Fixed Income Managers		7,984
Opportunistic		
BlackRock	57,116	232
Bridgewater Associates, Inc.	37,327	41
Carlson Capital	58,036	261
DE Shaw	90,362	632
Moon Capital	39,739	395
Nicholas Applegate	57,886	555
Oaktree Capital Management LLC	83,070	556
Silver Point Capital	63,295	241
TCW Asset Management	37,018	949
Total Opportunistic		3,862

SCHEDULE V — INVESTMENT EXPENSES (Continued)
FOR THE YEAR ENDED JUNE 30, 2009
(THOUSANDS OF DOLLARS)

Alpha Engine Managers		
Barclays Global Investors	*	1,194
Bridgewater Associates, Inc.	*	402
Carlson Capital	38,691	354
DE Shaw	*	(815)
Lotsoff Capital Management	*	109
Moon Capital	*	(193)
Silver Point Capital	*	744
Western Asset Management	*	221
WG Trading	78,393	397
Total Alpha Managers		2,413
Infrastructure		
Global Infrastructure Partners	25,185	719
Macquarie Infrastructure Partners	38,520	674
Total Infrastructure		1,393
Commodities		
Western Asset Management	268,004	359
Total Commodities		359
Alternative Equity Managers		
Apex Investment Fund V, L.P.	2,412	72
Apex Investment Fund VI, L.P.	4,154	160
Arch Venture Fund V	2,563	87
Bain Capital IX	3,137	105
Bain Capital IX Coinvestment	720	37
Bain Capital X	3,495	25
Belvedere Partners	0	24
Blackstone Capital Partners V	8,040	99
Brazos Private Equity Partners	3	433
Capital Int'l Emerging Mkts Private Equity	2,642	19
Capital Int'l PE Fund V, LP	3,009	112
Cerberus Institutional Partners II	4,434	1
Cerberus Institutional Partners IV	9,131	222
Charterhouse VIII	4,615	175
Code, Hennessy & Simmons IV	3,450	12
Coller International Partners V-A	4,453	21
Columbia Capital	8,319	118
DAG Ventures	2,060	129
Darwin Venture Capital	5,155	69
Emerging Europe Growth Fund II	287	182
EnerVest Energy Institutional Fund X	6,932	150
EnerVest Energy Institutional Fund XI -B	6,128	300
EnCap Energy Capital Fund VI	6,155	(116)
EnCap Energy Capital Fund VII	2,302	152
Forward Ventures III	0	(729)
Forward Ventures IV	1,782	126
Graham Partners	6,221	75
Granite Global Ventures II	7,177	178
Granite Global Ventures III	5,398	344
Greenbriar Equity Fund II, LP	744	164
Harbouvest Partners International	11,506	399
Hellman & Friedman Investors VI, LLC	8,006	75
Lexington Capital Partners V	4,055	102
Lexington Capital Partners VI	5,194	44
Lighthouse Capital Partners	6,502	190
Merit Energy	1,876	1
Meritech Capital Partners II	3,446	47
Mission Ventures I	1,968	70

* Moved to Opportunistic allocation

SCHEDULE V — INVESTMENT EXPENSES (Continued)
FOR THE YEAR ENDED JUNE 30, 2009
(THOUSANDS OF DOLLARS)

Mission Ventures II	7,746	302
Northgate Venture Partners II, LP	6,051	95
Northgate PE Partners II, LP	9,071	141
Northgate Venture Partners III	3,862	46
Northgate PE Partners III, LP	5,198	135
Oak Investment Partners XI	8,433	202
Oak Investment Partners XII	8,776	272
Oakhill Capital Management	3,074	(27)
OCM Opportunities Fund IV	21	2
OCM Opportunities Fund VI	5,520	76
OCM Opportunities Fund VII	6,005	157
OCM Opportunities Fund VII B	10,630	227
Onex Partners III	464	81
Paul Capital Partners VIII-B, LP	8,747	113
Paul Capital Partners IX, LP	6,204	73
Relational Partners	19,991	223
Sofinnova Venture Partners VII, LP	2,249	223
Sorrento Ventures	3,802	153
Stinson Capital Partners	0	224
TA Associates Subordinated Debt Fund	1,009	51
TA Associates Subordinated Debt Fund II	3,375	35
TA Associates IX	4,862	124
TA Associates X, L.P.	6,262	312
Total Alternative Equity Managers		6,924
Real Estate Managers		
Blackstone Real Estate Partners	12,848	727
California Smart Growth Fund IV	7,545	283
Canyon Johnson Urban Fund	19,647	497
CB Richard Ellis	70,883	357
Cornerstone Asset Management	8,207	208
Kennedy Associates Real Estate Counsel, Inc.	0	(12)
RREEF	286,233	380
Southern California Smart Growth Fund	12,935	313
Trophy Property	13,872	325
Total Real Estate Managers		3,078
Master Custodian		
BNY Mellon		1,712
Total Master Custodian		1,712
Other Professional Fees		
Albourne America, LLC		459
Bear Measurisk, LLC		242
Cambridge Capital Advisors		446
Cost Effective Management, Inc.		20
Ennis Knupp		510
Mcube Investment Technologies		19
Mount Lucas Management		850
Plexus		28
S&P Rating Services		8
The Segal Company		127
The Townsend Group		100
Wilshire Associates, Inc.		7
Total Other Professional Fees		2,816
Administrative, Support and Other[1]		4,926
Total Investment Expenses		$ 61,631

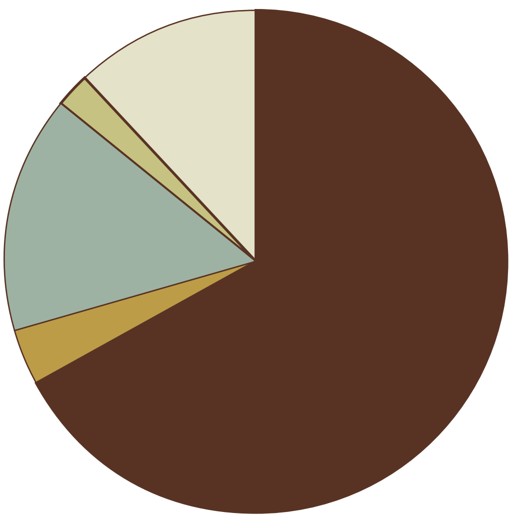
[1] Represents the reversal of prior year incentive fee accrual

SCHEDULE VI — ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED JUNE 30, 2009 and 2008 (THOUSANDS OF DOLLARS)

Expense Category	2009	2008
Salaries and Benefits	$ 6,865	$ 6,645
Professional Fees	351	925
Building Occupancy Expenses	1,561	1,795
Equipment and Maintenance	223	281
Depreciation and Amortization	1,215	1,136
Other Expenses*	(108)	(271)
Total Administrative Expenses	$ 10,107	$ 10,511

* Includes overhead expense allocations to Investments and Health Care.

ADMINISTRATIVE EXPENSES BY CATEGORY 2009



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

Type of Service	
Legal Services	$ 1,318.2
Actuarial Services	127.0
Medical Consulting Services	118.8
Audit Services	101.9
Total Payments to Consultants	$ 1,665.9

Hillcrest sign at Fifth
and University, 1940.

Time Motel, La Mesa.

investments

SAN DIEGO COUNTY EMPLOYEES
RETIREMENT ASSOCIATION

SDCERA

Strength. Service. Commitment.

DEAR TRUSTEES, BOARD OF RETIREMENT:

Global capital markets registered one of the weakest, recorded returns in history during the fiscal year ending June 2009. Market weakness that began with widespread defaults on securitized mortgage loans to sub-prime borrowers, quickly escalated to a large-scale credit and liquidity crisis. The crisis reached its tipping point in September 2008 with the failures of major financial institutions that ultimately led to coordinated actions by policymakers across the world to stem the crisis. These market events exposed the use of excessive leverage and risk-taking embedded in the financial system.

As conditions continued to worsen during the fourth quarter of 2008, investors sought the protection of Treasury securities. The impact of this flight to quality was felt across all capital market sectors associated with risk, including U.S. equity; non-U.S. equity; spread sectors of the fixed income market; money markets tied to short-term corporate paper; real estate; and commodities. The only assets to generate positive returns during the period were Treasury securities and guaranteed bank deposits.

As activity in the financial system came to a near-halt, governments across the world intervened with coordinated measures to inject liquidity into the financial system and restore economic stability. Policy actions ranged from emergency liquidity measures to large monetary stimulus programs and explicit and implicit support to large financial institutions. In the U.S., the Federal Reserve reduced its target overnight lending rates to historic lows of between 0.00% and 0.25%. In addition, efforts to inject liquidity into the market and spur additional lending included the Federal Open Market Committee's (FOMC) plan to purchase up to $1.25 trillion in agency mortgage-backed securities, $200 billion in agency debt, and $300 billion in Treasury securities by the end of 2009. The implicit goal of this program was to reduce mortgage rates and quell fears of deflation.

The U.S. Treasury implemented several policy initiatives aimed at improving liquidity in the credit markets. Programs included the Term Asset-Backed Securities Loan Facility (TALF), which was designed to support the new-issue asset-backed securities markets, and the Public-Private Investment Program (PPIP), which seeks to improve conditions of distressed securities such as non-agency residential mortgage-backed securities and commercial mortgage-backed securities. Governments across Europe and Asia also undertook efforts to shore up troubled financial institutions and improve liquidity in the financial system.

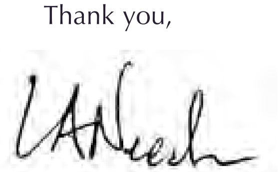
The various government policies and programs have effectively calmed market sentiment as confidence and liquidity appear to be returning. Investors once again sought risk-based assets as financial markets rebounded strongly in early March of 2009 through the end of the fiscal year 2009. Equity markets rallied nearly 50% between the first week of March and the end of June, with emerging market equities leading gains. Within the fixed income market, investors moved out of the safety of Treasuries and into more risky bonds. As a result, credit spreads narrowed across fixed income sectors – high yield bonds were among the best performing securities between the end of 2008 and June 2009, posting a 30% gain. The Treasury yield curve moved to a historical steep position with short-term interest rates remaining low and longer term rates rising significantly from lows as market conditions improved. As the economic outlook improved, commodities rebounded significantly from their end of 2008 lows. Crude oil, which fell to below $40/barrel towards the end of 2008, rebounded to nearly $70/barrel by June 2009.The U.S. dollar, which benefited from the flight to quality as investors piled into the safety of U.S. Treasuries, began to show signs of weakness as investors increasingly moved assets into foreign currency denominated assets.

During this difficult period in the financial markets, the SDCERA Fund (the Fund) underperformed relative to both its policy benchmark and peers for the fiscal year. The Fund generated a net of fee return of -24.4% (gross -24.0%) against a policy benchmark return of -18.1%, placing it at the bottom of the Wilshire Master Trust Universe of peer funds (TUCS) for the year and in the 97th percentile for the three-year period. Despite the full year struggles, the majority of the detraction was driven by underperformance in fourth quarter 2008 and the last six months of the fiscal year were quite favorable as the Fund regained its footing and placed in the 1st percentile over that period. The Fund also continues to have very strong long–term relative performance; over the trailing five and ten-year periods the Fund ranks in the 25th and 17th percentile, respectively, in the TUCS universe of public funds with more than $1 billion in assets.

In a year in which all risky assets posted declines, only the domestic fixed income asset class, with a return of 3.3%, and the managed futures program, with a return of 2.3%, posted positive absolute returns. Outside of the emerging market debt portfolio, each other asset class posted double digit declines. The commodities portfolio was the weakest performing asset class, posting a loss of 55.9%. In terms of relative performance, the U.S. equity component detracted the most from the Fund's relative performance during the period.

During the fiscal year, the decision was made to unwind the Alpha Engine portfolio. Accordingly, the Board approved increasing the allocation to "Opportunistic" investments from 8% to 12% in order to continue to retain compelling managers previously held within the Alpha Engine portfolio. Other highlights of the fiscal year include the engagements of Brevan Howard to manage an opportunistic allocation, Legato Capital Management to manage small-cap U.S. equities, and Davidson Kempner to manage a high yield fixed income mandate.

Thank you,



Lisa Needle
Acting Chief Investment Officer
November 30, 2009

The current asset allocation policy of the SDCERA is, as follows:

Asset Class	% Allocation
U.S. Equity	17.5 %
Non-U.S. Equity	17.5
Emerging Market Debt	4.0
High Yield Fixed Income	3.0
Real Estate	10.0
Commodities	4.0
Infrastructure	5.0
Private Equity	5.0
Total Return-Driven Assests	66.0 %
Opportunistic	12.0
Bridgewater All-Weather	4.0
Total	16.0 %
U.S. Bonds	13.0
U.S. TIPS	5.0
Total Low-Risk Assets	18.0 %
Total	100 %
Expected Compound Annual Return* (without Active Component)	7.29 %
Expected Risk*	11.75 %

*Based on EnnisKnupp Capital Market Expectations

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:

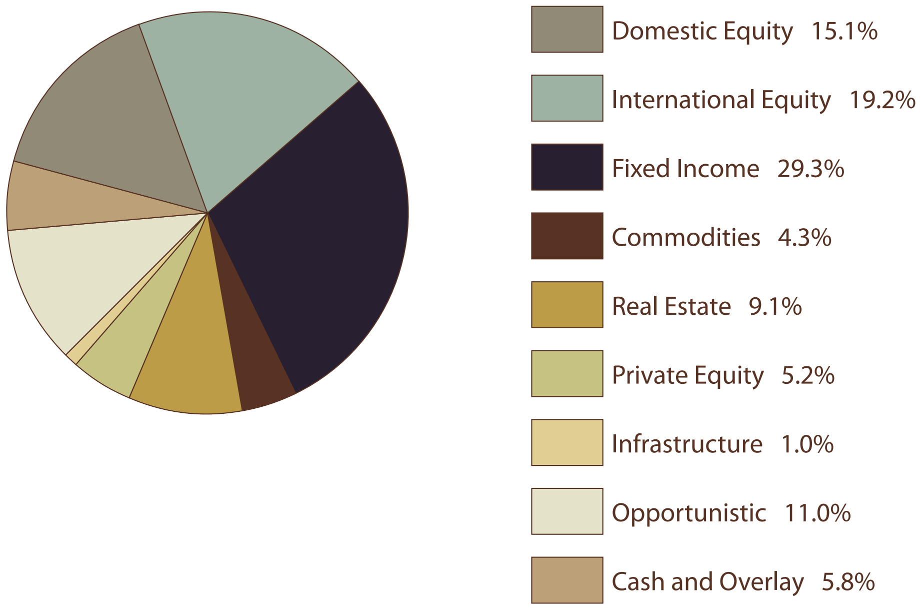
(a) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.

(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, 2009



Asset Allocation
As of June 30, 2009
(THOUSANDS OF DOLLARS)

Asset Type	Fair Value	Percent of Total	Target Percent of Total
Domestic Equity	$ 933,247	15.1 %	17.5 %
International Equity	1,188,422	19.2 %	17.5 %
Fixed Income	1,815,649	29.3 %	29.0 %
Commodities	268,004	4.3 %	4.0 %
Real Estate	561,209	9.1 %	10.0 %
Private Equity	320,427	5.2 %	5.0 %
Infrastructure	63,705	1.0 %	5.0 %
Opportunistic	683,268	11.0 %	12.0 %
Overlay	189,930	3.1 %	0.0 %
Cash and other assets and liabilities	168,092	2.7 %	0.0 %
Total	$ 6,191,953	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	(24.4%)	(4.2%)	2.8%	3.9%	Custom Benchmark[1]	(18.1%)	(1.0%)	4.1%	3.7%
					Master Trust Median	(17.0%)	(2.5%)	2.1%	2.9%
					Public Fund Sponsors Median	(17.1%)	(2.6%)	2.2%	2.7%
					Actuarial Rate of Return	8.25%			
Domestic Equity	(34.8%)	(14.9%)	(5.2%)	(1.7%)	Russell 3000 Index	(26.6%)	(8.3%)	(1.8%)	(1.5%)
Non-US Equity - Developed Markets	(31.5%)	(7.3%)	4.0%	2.3%	MSCI EAFE	(31.0%)	(7.5%)	2.8%	1.6%
Non-US Equity - Emerging Markets	(27.6%)	3.5%	16.0%	10.6%	MSCI Emerging Markets Index	(27.8%)	3.3%	15.1%	9.0%
Fixed Income - TIPS	(1.6%)	5.8%	5.0%	N/A	Barclay's US Inflation Linked Bond Index	(0.4%)	6.0%	5.1%	N/A
Fixed Income - High Yield	(20.8%)	(4.6%)	0.6%	3.5%	Citigroup HY Cash-Pay Index	(2.7%)	2.1%	4.1%	4.9%
Fixed Income - Emerging Market Debt	(9.1%)	5.0%	11.1%	N/A	JP Morgan Global EMBI	2.3%	6.3%	8.6%	N/A
Fixed Income - US	3.3%	6.4%	5.4%	6.9%	Fixed Income Custom Benchmark[2]	6.0%	6.9%	5.5%	6.2%
All-Weather	(21.8%)	(1.5%)	N/A	N/A	All-Weather Custom Benchmark[3]	(15.1%)	(3.7%)	N/A	N/A
Commodities	(55.9%)	(17.2%)	N/A	N/A	Goldman Sachs Commodity Index	(59.7%)	(15.2%)	N/A	N/A
Infrastructure	(4.0%)	N/A	N/A	N/A	Infrastructure Custom Benchmark	3.5%	N/A	N/A	N/A
Opportunistic	(21.0%)	N/A	N/A	N/A	Opportunistic Custom Benchmark	(21.2%)	N/A	N/A	N/A
Real Estate	(25.6%)	(4.4%)	5.4%	9.6%	Real Estate Custom Benchmark[4]	(20.3%)	(2.3%)	6.8%	9.7%
Private Equity	(15.1%)	1.6%	9.1%	10.5%	Alternative Equity Custom Benchmark[5]	(22.7%)	0.5%	7.6%	8.0%
Cash	1.1%	3.0%	N/A	N/A	US 90-Day T-Bill Index	0.8%	3.0%	N/A	N/A

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

NOTES:

1 The Total Fund Benchmark is comprised of 23% Russell 3000, 24% MSCI 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% Barclays Capital Aggregate Bond Index, and 5% Barclays US Inflation Linked Bond Index.

2 The performance benchmark for U.S. Bonds is the Barclays Capital Aggregate Bond Index.

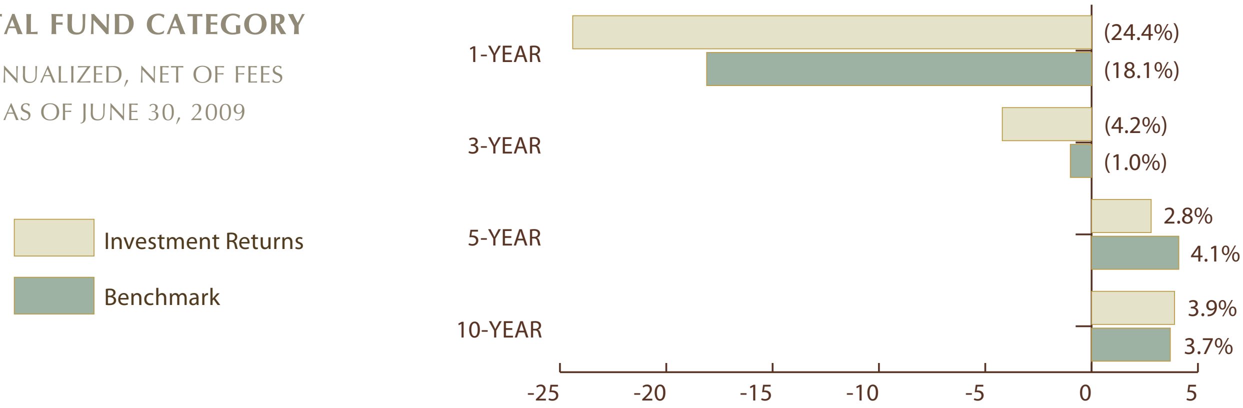
3 The benchmark is composed of 39% Russell 3000 Index, 39% MSCI All-Country World ex-U.S. Investable Market Index (IMI), and 22% Barclays Aggregate Bond Index.

4 The performance benchmark for the Real estate component is a custom benchmark that comprises the NCREIF Property Index (private real estate) and the NAREIT Equity Index (REITs). The allocation between the two indices is adjusted quarterly to reflect the actual weightings between SDCERA's Private Real Estate and REIT allocations. Information for the NCREIF Property Index is lagged one quarter.

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 are customized to include only funds with vintage years 1996 and later.

PERFORMANCE RESULTS
TOTAL FUND CATEGORY

ANNUALIZED, NET OF FEES
AS OF JUNE 30, 2009



TOP 10 HOLDINGS—EQUITY
AS OF JUNE 30, 2009

Shares	Security Name	Market Value
213,769	Telefonica SA	$ 4,833,471
96,196	Nestle SA	3,619,457
137,668	Royal Dutch Shell A SHS	3,437,172
61,064	Total SA	3,295,849
172,904	Glaxosmithkline ORD	3,042,515
89,867	Canon Inc.	2,943,242
66,822	Carrefour	2,851,216
72,600	Toyota Motor Corp	2,761,486
117,706	Unilever PLC ORD	2,760,333
853,941	Intesa SanPaolo	2,748,907

TOP 10 HOLDINGS—FIXED INCOME
AS OF JUNE 30, 2009

Book Value	Description	Market Value
33,393,269	U.S. Treasury Inflation Index Notes, 01/15/15	$ 33,515,591
31,489,451	U.S. Treasury Inflation Index Notes, 07/15/15	32,288,274
30,243,429	U.S. Treasury Inflation Index Notes, 01/15/26	31,748,354
29,709,704	U.S. Treasury Inflation Index Notes, 04/15/29	31,099,953
27,358,121	U.S. Treasury Inflation Index Notes, 01/15/14	27,534,176
25,945,503	Poland Government Bonds, 10/24/13	26,827,181
28,918,527	New Zealand Bonds, 12/15/17	26,758,485
22,593,752	U.S. Treasury Inflation Index Notes, 04/15/28	23,642,915
23,553,838	U.S. Treasury Inflation Index Notes, 01/15/11	23,489,688
21,700,000	Barclays REPO	21,700,000

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

INVESTMENT EXPENSES BY CATEGORY

AS OF JUNE 30, 2009

	Fees (000's)
Domestic Equity	$ 1,509
International Equity	6,543
Overlay	18,112
Fixed Income	7,984
Alpha Engine	2,413
Opportunistic	3,862
Infrastructure	1,393
Commodities	359
Private Equity	6,924
Real Estate	3,078
Master Custodian	1,712
Other Professional Fees	2,816
Administrative, Support and Other	4,926
Total Investment Expenses	$ 61,631

COMMISSIONS PAID – DOMESTIC EQUITY

FOR THE YEAR ENDED JUNE 30, 2009

No.	Brokerage Firm	Total Commissions	% of Total Commissions
1	Citigroup Global Markets, Inc.	$ 255,235	25.21 %
2	Baypoint Trading, LLC	61,751	6.10 %
3	Deutsche Bank Securities, Inc.	55,426	5.47 %
4	Goldman Sachs & Co.	45,704	4.51 %
5	Bank of America Securities, LLC	36,466	3.60 %
6	Baird, Robert W & Co, Inc.	35,070	3.46 %
7	Ridge Clearing & Outsourcing	31,995	3.16 %
8	Direct Trading Instl, Inc.	30,907	3.05 %
9	Seslia Securities	28,247	2.79 %
10	Other*	431,717	42.65 %
	Total	$ 1,012,518	100.00 %

* Includes approximately 133 additional firms, each with less than 2.5% of total commissions.
SDCERA has commission recapture arrangements with Russel Investment Group, Lynch, Jones & Ryan, Abel Noser, and Donaldson Co.

COMMISSIONS PAID - INTERNATIONAL EQUITY

FOR THE YEAR ENDED JUNE 30, 2009

No.	Brokerage Firm	Total Commissions	% of Total Commissions
1	JP Morgan Securities	$ 130,032	10.31 %
2	Credit Suisse	107,645	8.53 %
3	Deutsche Banc Securities	104,283	8.27 %
4	Morgan Stanley	98,252	7.79 %
5	UBS Securities	96,928	7.68 %
6	Merrill Lynch	91,034	7.22 %
7	Goldman Sachs	84,279	6.68 %
8	Citigroup Global Markets	63,172	5.01 %
9	HSBC Securities	39,170	3.10 %
10	Other**	446,898	35.41 %
	Total	$ 1,261,693	100.00 %

** Includes approximately 128 additional firms, each with less than 2.7% of total commissions.

SUMMARY OF INVESTMENT PORTFOLIO BY TYPE
AS OF JUNE 30, 2009

Investment Description	Fair Market Value	% of Total Market Value
Domestic Equity		
Technology	$ 180,801,862	2.9 %
Financial	133,025,512	2.1 %
Healthcare	130,732,199	2.1 %
Energy	114,737,534	1.9 %
Consumer Staples	101,446,485	1.6 %
Consumer Discretionary	88,946,907	1.4 %
Industrials	76,359,497	1.2 %
Capital Goods & Services	57,325,400	0.9 %
Utilities	36,567,840	0.6 %
Telecommunication Services	27,861,068	0.5 %
Material & Services	25,562,556	0.4 %
Convertibles	19,228,853	0.3 %
Other	12,716,934	0.2 %
Total Domestic Equity	1,005,312,648	16.2 %
International Equity	1,132,511,918	18.3 %
Total Equity	2,137,824,566	34.5 %
Fixed Income		
US Government Obligations	643,841,360	10.4 %
International Bonds	638,676,858	10.3 %
Domestic Investment Grade Bonds	415,744,843	6.7 %
Domestic High Yield Bonds	228,434,083	3.7 %
Domestic Convertible Bonds	47,198,425	0.8 %
Short-Term Notes	38,250,710	0.6 %
Municipal Bonds	4,390,136	0.1 %
Interest Rate and Credit Default Swaps	(9,745,513)	(0.2 %)
Total Fixed Income	2,006,790,902	32.4 %
Other Investments		
Real Estate	551,967,565	9.0 %
Private Equity	320,426,694	5.2 %
Cash and Securities for Commodity Swaps	282,057,288	4.6 %
Multi-Strategy Hedge Fund	140,354,118	2.3 %
Opportunistic	138,866,972	2.2 %
Balanced Fund	100,282,752	1.6 %
Cash and Securities for Overlay Futures	96,162,120	1.6 %
Global Macro Hedge Fund	94,181,021	1.5 %
Infrastructure	63,705,322	1.0 %
Long/Short Hedge Fund	61,868,650	1.0 %
Cash & Cash Equivalents with Fiscal Agents	244,149,247	3.9 %
Other Assets and Liabilities	(46,683,941)	(0.8 %)
Total Other	2,047,337,808	33.1 %
Net Investment Portfolio	$ 6,191,953,275	100.0 %

SUMMARY OF RETIREMENT PORTFOLIO BY MANAGER AND ASSET TYPE
AS OF JUNE 30, 2009

Securities Description	Asset Type	Market Value
Domestic Equity		
S&P 500 Enhanced	S&P 500 Index	$ 776,800,578
DH Small Transitional	Value-Small Cap	25,753
Legato Capital Management	Small/Mirco Cap Growth	142,626,541
Baillie Gifford & Co	Large Cap Growth	32,860,971
Zazove Associates	Convertible Preferred	11,018,573
Artisan Partners	Large Cap Growth	19,810,973
Nicholas Applegate Convertible Bond	Convertible Preferred	9,570,894
Mondrian Investment Partners	Large Cap Value	5,851,957
Pyramis Global Advisors	Large Cap Growth	3,792,505
Oaktree Capital Management LLC	Convertible Preferred	499,058
Oaktree High Yield Conv	Convertible Preferred	138,299
Oaktree-WR Huff Liquidation	Convertible Preferred	850,673
Pimco Core Plus	Convertible Preferred	1,177,455
Pimco TIPS	Convertible Preferred	156,994
RREEF - Global REITs	Large Cap Growth	107,250
Unallocated Securities	Other	24,173
Total Domestic Equity		1,005,312,647
International Equity		
Pyramis Global Advisors	Core	221,158,404
Mondrian Investment Partners	Large Cap Value	232,125,821
Artisan Partners	Large Cap Growth	144,069,332
Capital Guardian Trust Company	Small Cap	211,877,497
Genesis	Emerging Markets	162,996,255
Baillie Gifford & Co	Emerging Markets	111,683,306
Berens Capital	Emerging Markets	25,557,562
Barclays Global Investors	Currency Overlay	24,352,532
RREEF - Global REITs	International REIT	5,192,080
Mellon Capital	Currency Overlay	842,920
CB Richard Ellis Investors, LLC	Foreign Currency	2,620,890
Pimco	Foreign Currency	(91,311)
Colchester Global	Foreign Exchange Contracts	(8,513,946)
AMB Japan Hedge Fund	Foreign Exchange Contracts	(1,359,424)
Total International Equity		1,132,511,918
Total Equity		2,137,824,565

SUMMARY OF RETIREMENT PORTFOLIO BY MANAGER AND ASSET TYPE AS OF JUNE 30, 2009 (Continued)

Securities Description	Asset Type	Market Value
Fixed Income		
PIMCO Tips	Inflation Protection	$ 423,966,208
Colchester Global	Global	354,150,746
Colchester Global Beta	Global	(4,382,903)
Ashmore Emerging Markets	Emerging Markets Debt	137,242,203
Ashmore FX	Foreign Exchange Contracts	125,176,583
PIMCO Core Plus	Core Plus	312,681,928
Oaktree Capital Management	High Yield	8,680,226
Oaktree Bank Loan Fund	Credit Funds	71,485,259
RREEF - Global REITs	Convertibles	62,645
Nicholas Applegate Convertible	Convertibles	47,198,425
TCW Asset Management Company	Strategic MBS	102,253,002
Managed Futures	Managed Futures	61,983,780
Zazove Associates	High Yield Convertible	57,021,183
Goldentree	High Yield	66,177,787
TCW Asset Management Company	Mortgage Backed	51,411,409
TCW Asset Management Company	Credit Funds	37,017,593
Oaktree Capital Management	Convertible	97,548,834
BlackRock Credit Investors, LP	Credit Funds	57,115,994
Total Fixed Income		2,006,790,902
Real Estate, Alternative Equity and Other		
Cash and Securities for Commodity Swaps	Commodity Swaps	282,057,288
Real Estate	Real Estate	551,967,565
Bridgewater All Weather	Balanced Fund	100,282,752
Private Equity	Private Equity	320,426,694
Opportunistic	Renewable Energy/Global	138,866,972
Infrastructure	Global Infrastructure	63,705,322
Global Macro Hedge Fund	Global Macro	94,181,021
Long/Short Hedge Fund	Long/Short	61,868,650
Multi-Strategy Hedge Fund	Multi-Strategy	140,354,118
Cash	Cash	244,149,246
Overlay Cash and Securities	Overlay Cash and Securities	96,162,120
Other Assets and Liabilities	Other	(46,683,940)
Net Investment Portfolio		$ 6,191,953,275

SUMMARY OF DERIVATIVE FINANCIAL INSTRUMENTS
AS OF JUNE 30, 2009

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	348,588,120
Total Equity	348,588,120
Total Overlay Futures	348,588,120
Currency Forwards Exposure for Policy Overlay	(264,817,258)
Total Exposure for Policy Overlay	83,770,862

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

	BOOK VALUE
Utilized Cash	
Domestic Equity	
Legato Capital Management	$ 4,654,197
DH Small Transition	9,356
Total Domestic Equity Cash	4,663,553
International Equity	
Artisan	4,818,032
Baillie Gifford	3,518,968
Mondrian	1,942,804
Pyramis (Fidelity)	3,394,875
Total International Equity Cash	13,674,679
Operational Cash Less SL	160,872,118
County Pool Cash	648,415
UBOC Cash	1,306,171
Aegis & Overlay Futures Cash	94,800,918
S&P Futures Cash	51,732,731
Subtotal	327,698,583
Managed Futures Collateral	71,210,778
Enhanced S&P 500 Excess Collateralization	213,907,580
Total	$ 612,816,941

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, 2009 (Continued)

D. ENHANCED S&P 500:

ENHANCED S&P 500 SWAPS

	NOTIONAL VALUE	MARKET VALUE
S&P 500 Futures		
Equity S&P 500	295,340,300	
Total S&P 500 SWAPS	483,731,308	$ 519,910,887

	BOOK VALUE	MARKET VALUE
Alpha Engine Managers		
Enhanced STIF Cash	$ 458,823,362	$ 458,823,362
Amaranth	5,845,779	5,845,779
BGI Multi-Strategy	37,321,968	34,043,817
Carlson Capital	38,690,915	38,690,915
Stark Investment	35,975,217	34,942,436
UBS O'Connor - Multi Strategy	43,163,438	46,899,645
WG Trading[1]	77,907,376	78,392,934
Total Alpha Engine	$ 697,728,055	$ 697,638,888
Less Notional Value of Swap Investments		483,731,308
Excess Collateralization		213,907,580

[1] Terminated. Balance as of January 31, 2009

E. COMMODITY SWAPS:

	NOTIONAL VALUE	MARKET VALUE
Commodity Swaps	255,501,095	$ 242,315,052

	BOOK VALUE	MARKET VALUE
Western Asset Management	$ 342,428,077	$ 230,068,831
Commodity Collateral Cash	51,121,603	51,121,603
Less Notional Value of Commodity Swap Investments		(255,501,095)
Excess Collateralization		25,689,339

actuarial

4555. Church of the Immaculate Conception,
Old Town, San Diego, Cal.

SEGAL

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

VIA EMAIL AND USPS

November 11, 2009

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, 2009 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, 2009 actuarial valuation, The Segal Company (Segal) conducted an examination of all participant data for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the 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.

Board of Retirement
San Diego County Employees Retirement Association
November 11, 2009
Page 2

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, 2009 is illustrated in the Schedule of Funding Progress and History of Employer Contribution Rates.

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, 2009 actuarial valuation. It is our opinion that the assumptions used in the June 30, 2009 valuation produce results, which, in the aggregate, reflect the future experience of the Plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The next experience analysis is due to be performed as of June 30, 2009 and those assumptions will be used in setting the contribution rates in the June 30, 2010 actuarial valuation.

In the June 30, 2009 valuation, the ratio of the valuation assets to actuarial accrued liabilities decreased from 94.4% to 91.5%. The employer's rate has increased from 18.25% of payroll to 20.46% of payroll, while the employee's rate decreased from 10.38% of payroll to 10.35% of payroll.

Board of Retirement
San Diego County Employees Retirement Association
November 11, 2009
Page 3

In the June 30, 2009 valuation, the actuarial value of assets included $2,381.1 million in deferred investment losses, which represented 38% of the market value of assets. If these deferred investment losses were recognized immediately in the actuarial value of assets, the funded percentage would decrease from 91.5% to 65.6% and the aggregate employer contribution rate, expressed as a percent of payroll, would increase from 20.46% to 35.83%.

The undersigned are Members of the American Academy of Actuaries and meet the qualification requirements to render the actuarial opinion contained herein.

Sincerely,

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

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

CZI/hy
Enclosures

THE SEGAL COMPANY
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VIA E-MAIL AND USPS

November 23, 2009

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

Dear Members of the Board:

The Segal Company (Segal) performed a biennial actuarial valuation of the Other Post Employment Benefits (OPEB) funded through the San Diego County Employees Retirement Association Health Insurance Allowance program as of June 30, 2008. We believe that the actuarial valuation was prepared in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet with our understanding of the parameters of the Governmental Accounting Standards Board Statements No. 43 and No. 45.

As part of our valuation, Segal conducted an examination of all participant data for reasonableness. We did not audit the Plan's financial statements. For actuarial valuation purposes, plan assets are valued at Market Value. Under the method, the assets used to determine employer and employee contribution rates equal market value of assets.

The Entry Age Normal Cost Method was used to determine the Annual Required Contribution (ARC) and the actuarial accrued liability. Under this method, the ARC provides for current cost (normal cost) plus a level dollar amount to amortize any unfunded actuarial accrued liability (UAAL). The UAAL is amortized over separate declining 20-year level dollar bases starting June 30, 2007.

The method described above is used for the purposes of fulfilling the Plan's accounting and funding requirements.

Board of Retirement
San Diego County Employees Retirement Association
November 23, 2009
Page 2

The actuarial valuation reflects a long-term perspective that involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. The assumptions used in this valuation were adopted by the Board based on the experience analysis during the period July 1, 2003 through June 30, 2006 and in conjunction with the June 30, 2008 actuarial valuation. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

The valuation was based upon the benefits provided under the terms of the substantive plan in effect at the time of the valuation. The schedules presented in the Actuarial Section have been prepared and/or reviewed by Segal. That valuation and these schedules were completed under the supervision of Dave Bergerson, ASA, MAAA, FCA, EA and Patrick Twomey, ASA, MAAA, EA. They are Members of the American Academy of Actuaries and meet their “General Qualifications Standards for Statements of Actuarial Opinions” to render the actuarial opinion contained in the valuation.

Sincerely,

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

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

AB/kek
Enclosures

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

	Aggregate Accrued Liablities for				Portion of Accrued Liability Covered by Reported Assets			
Valuation Date	Active Member Contributions[2]	Liability for Retired Participants	Liability for Active Members (Employer Financed Portion)	Total	Valuation Value of Assets	Active Member Contributions	Liability for Retired Participants	Liability for Active Members (Employer Financed Portion)
6/30/04	235,851	2,890,576	3,243,063	6,369,490	5,166,759	100%	100%	62.90%
6/30/05	262,320	3,315,888	3,412,518	6,990,726	5,612,320	100%	100%	59.80%
6/30/06	290,339	3,679,444	3,525,511	7,495,294	6,263,019	100%	100%	65.00%
6/30/07	316,513	3,924,551	3,841,453	8,082,517	7,250,404	100%	100%	78.30%
6/30/08	371,892	4,260,025	4,090,377	8,722,294	8,236,926	100%	100%	88.10%
6/30/09	409,580	4,616,573	4,172,483	9,198,636	8,413,065	100%	100%	81.20%

[1] Liabilities for vested deferred members are included in Active Member Contributions.

Source: The Segal Company, Annual Actuarial Valuation

HISTORY OF EMPLOYER CONTRIBUTION RATES

	General Members			Safety Members		
	Normal	UAAL	Total	Normal	UAAL	Total
Year Ended	%	%	%	%	%	%
06/30/2004	12.04	9.30	21.34	17.79	11.40	29.19
06/30/2005	12.18	10.81	22.99	17.91	12.77	30.68
06/30/2006	12.15	9.34	21.49	17.93	11.94	29.87
06/30/2007	12.52	6.18	18.70	18.66	8.89	27.55
06/30/2008	12.46	3.99	16.45	18.77	5.87	24.64
06/30/2009	12.45	6.10	18.55	18.72	8.50	27.22

Source: The Segal Company, Annual Actuarial Valuation

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

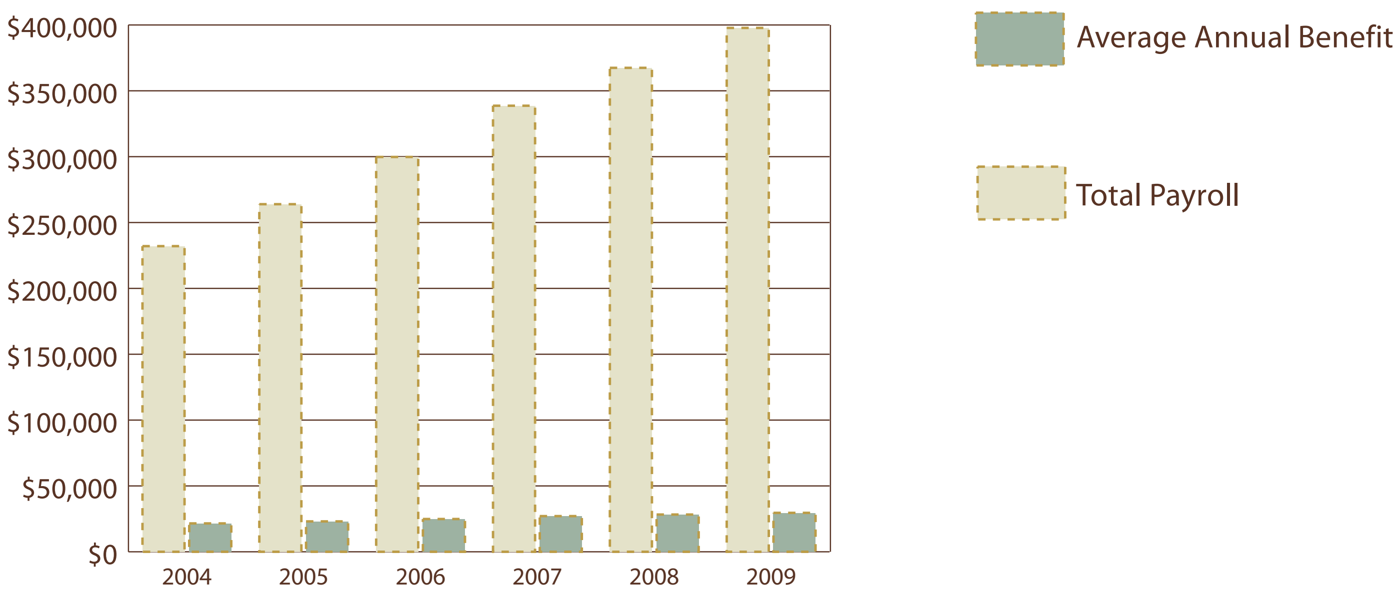
	Added to Rolls		Removed from Rolls		Rolls at End of Year				
Fiscal Year	Number	Annual Allowance [1]	Number	Annual Allowance [1]	Number	Annual Allowance [1]	% Increase in Retiree Allowance	Average Annual Allowance	Change in Average Benefit
2004	900	$ 32,384,224	383	$ 5,714,843	10,770	$ 232,065,825	13.0%	$ 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%
2009	868	38,221,329	406	7,899,309	13,453	397,766,808	8.3%	29,567	4.5%

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

Source: The Segal Company, Annual Actuarial Valuation

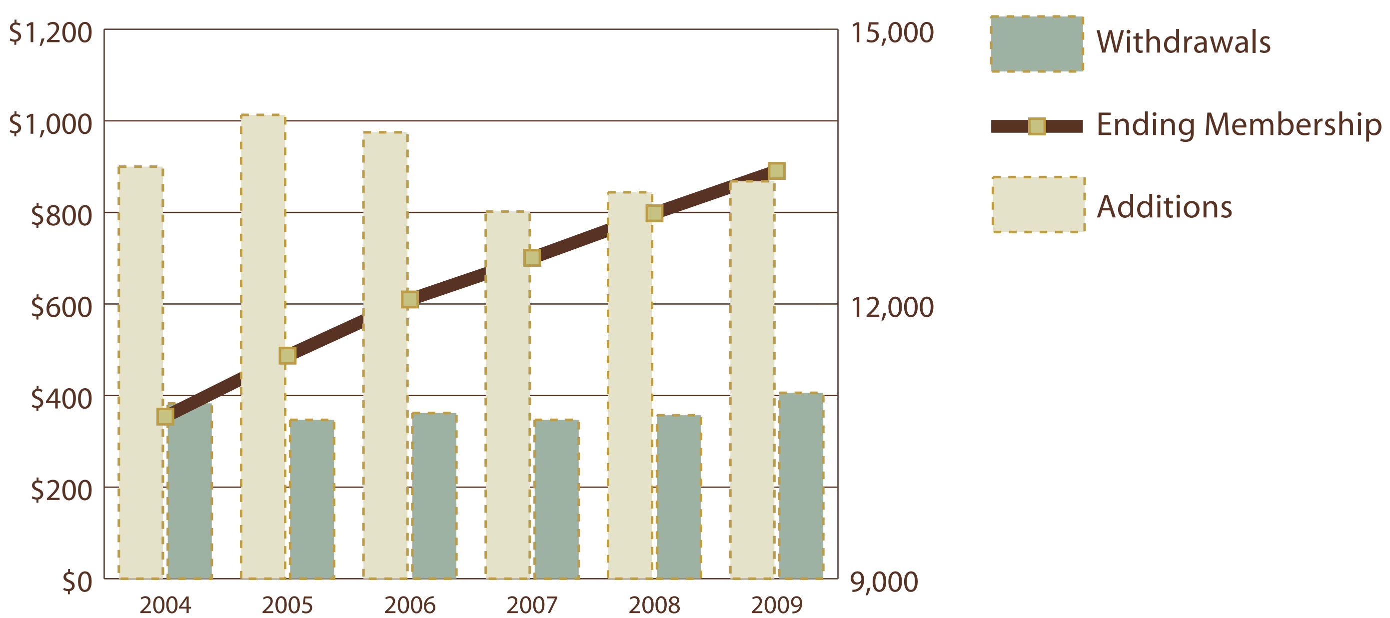
RETIREMENT PAYROLL AND AVERAGE ANNUAL PENSION BENEFIT

FOR THE YEARS ENDED JUNE 30



MEMBERSHIP ACTIVITY

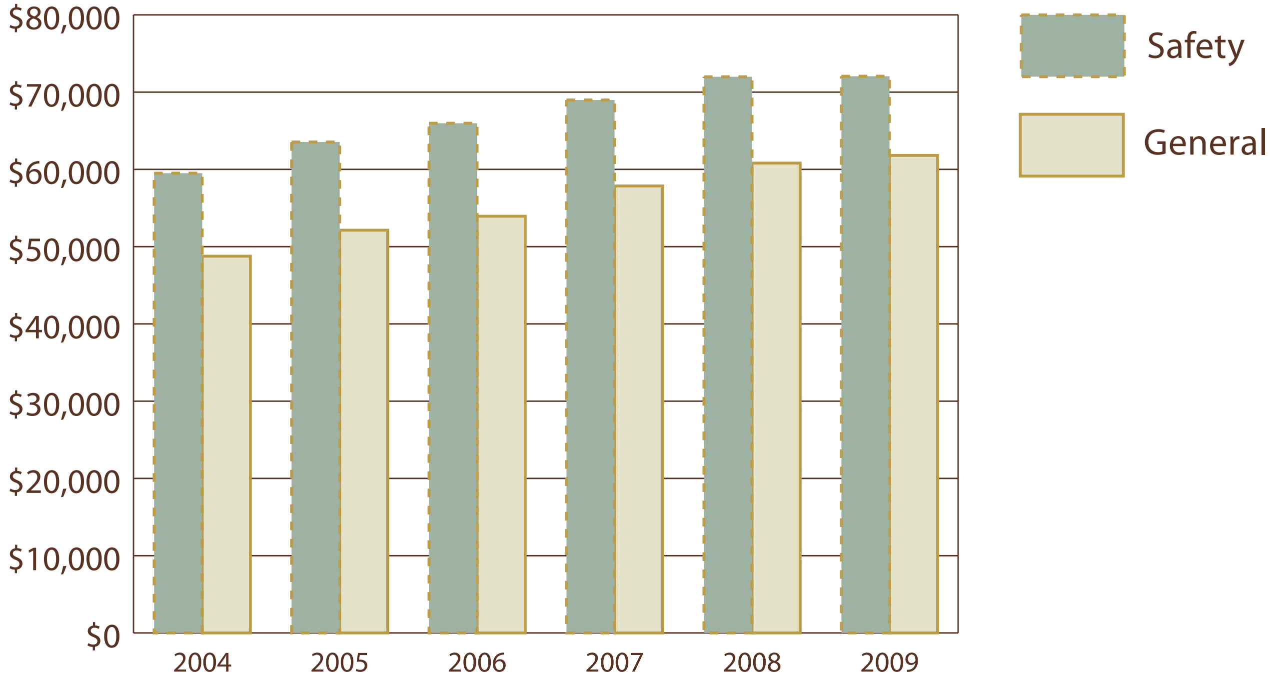
FOR THE YEARS ENDED JUNE 30



Source: The Segal Company, Annual Actuarial Valuation June 30, 2009

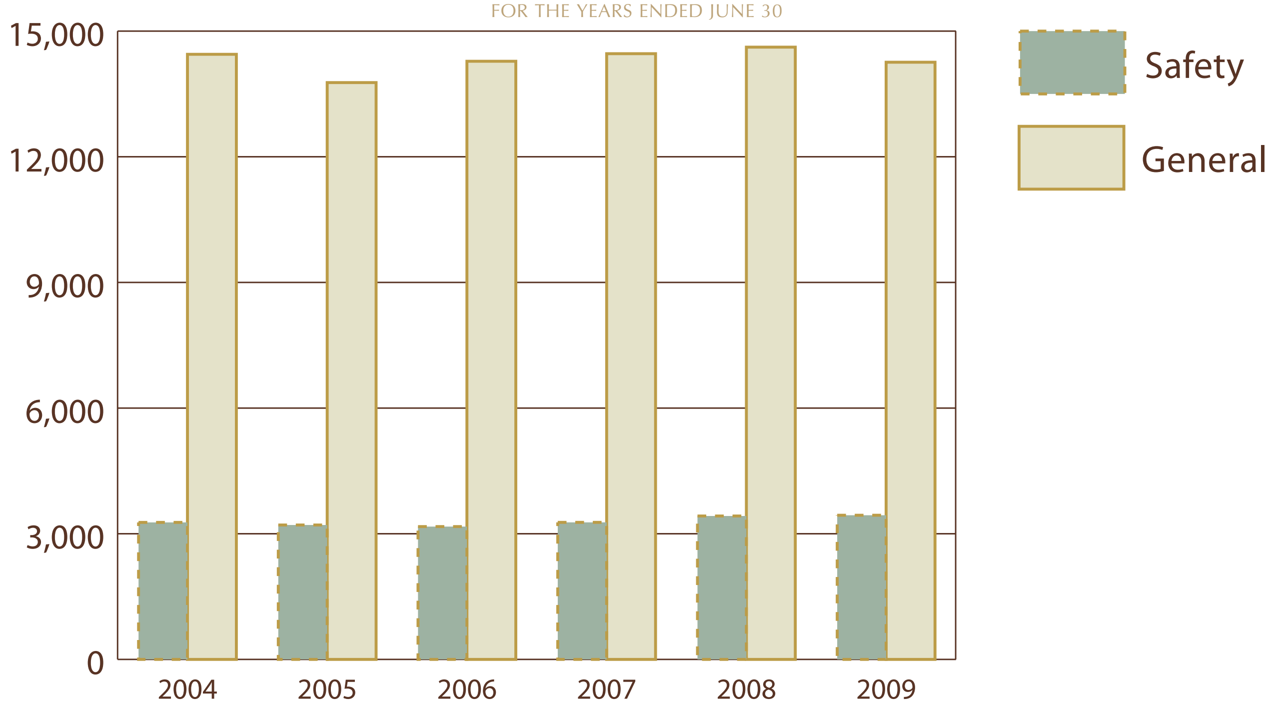
ACTIVE MEMBERSHIP HISTORY
AVERAGE ANNUAL SALARIES BY MEMBER TYPE

FOR THE YEARS ENDED JUNE 30



GROWTH IN ACTIVE MEMBERSHIP

FOR THE YEARS ENDED JUNE 30



Source: The Segal Company, Annual Actuarial Valuation June 30, 2009

DETERMINATION OF ACTUARIAL AND VALUATION VALUE OF ASSETS FOR THE YEAR ENDED JUNE 30, 2009 (THOUSANDS OF DOLLARS)

Six Month Period From	Six Month Period To	Total Actual Market Return (net)	Expected Market Return (net)	Investment Gain/(Loss)	Deferred Factor	Deferred Return
7/2004	12/2004	$ 393,633,977	$ 228,521,789	$ 165,112,188	0.0	$ 0
1/2005	6/2005	393,633,977	228,521,789	165,112,188	0.0	0
7/2005	12/2005	565,517,934	262,672,774	302,845,160	0.2	60,569,032
1/2006	6/2006	388,653,398	286,420,193	102,233,205	0.3	30,669,962
7/2006	12/2006	556,128,897	302,680,212	253,448,685	0.4	101,379,474
1/2007	6/2007	552,867,341	325,757,782	227,109,559	0.5	113,554,780
7/2007	12/2007	311,315,142	348,358,000	(37,042,857)	0.6	(22,225,714)
1/2008	6/2008	(326,670,408)	360,831,645	(687,502,053)	0.7	(481,251,437)
7/2008	12/2008	(2,499,382,909)	346,476,271	(2,845,859,180)	0.8	(2,276,687,344)
1/2009	6/2009	345,409,043	242,171,217	103,237,826	0.9	92,914,043

1. Total Deferred Return	$ (2,381,077,204)
2. Net Market Value of Assets	6,191,953,275
3. Actuarial Value of Assets (Item 2—Item 1)	8,573,030,479
4. Non-valuation Reserves	
a. Supplemental Benefit Reserve	131,044,498
b. 401(h) Reserve	12,124,729
c. Disability Supplemental Benefit Reserve	16,796,079
d. Contingency Reserve	0
e. Undistributed Reserve	0
f. Subtotal	159,965,306
5. Valuation Value of Assets (Item 3—Item 4e)	$ 8,413,065,173

Source: The Segal Company, Annual Actuarial Valuation June 30, 2009

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, 2009

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
06/30/2004	17,717	$ 917,081,642	1.2	51,763	5.5
06/30/2005	16,980	921,795,559	0.5	54,287	4.9
06/30/2006	17,451	979,367,931	6.2	56,121	3.4
06/30/2007	17,733	1,062,396,028	8.5	59,911	6.8
06/30/2008	18,041	1,135,431,988	6.9	62,936	5.0
06/30/2009	17,699	1,129,170,721	(0.6)	63,799	1.4

Source: The Segal Company, Annual Actuarial Valuation

HISTORIC SUMMARY OF ASSUMPTIONS FOR THE YEARS ENDED JUNE 30

	Fiscal Year Ended					3-Year	5-Year
Assumption	2009	2008	2007	2006	2005	Average	Average
Inflation[1]	(0.6%)	4.6%	2.3%	3.8%	3.3%	2.10%	2.68%
Assumed[2]						3.75	3.80
Average Pay increase	1.4	5.0	6.8	3.4	4.9	4.40	4.30
Assumed[3]						4.25	4.25
Merit & Longevity Pay Increase	0.7	2.3	1.9	2.9	1.1	1.63	1.78
Assumed[4]						1.00	1.00
Total Payroll	(0.6)	6.9	8.5	6.2	0.5	4.93	4.30
Assumed[3]						4.25	4.25
Investment Return Rate[7]	1.5	13.1	14.0	10.8	6.5	9.53	9.18
Assumed[5]						8.25	8.25
Real Rate of Investment Return	2.1	8.5	11.7	7.0	3.2	7.43	6.50
Assumed[6]						4.50	4.45
Admin. Expenses (% of Assets)	0.1	0.1	0.1	0.1	0.1	0.10	0.10
Assumed						0.10	0.10

1 Based on Consumer Price Index for San Diego, All items, 1982-84=100, change from June to June, different from the measure used to determine the annual retiree COLA.

2 Effective with June 30, 2006 valuation, this assumption has been reduced from 4.00% to 3.75%.

3 Effective with June 30. 2005 valuation, this assumption has been increased from 4.00% to 4.25%.

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, 2006 valuation, this assumption has been increased from 4.25% to 4.5%.

7 Based on actuarial value of assets, not market value, or book value.

Source: The Segal Company, Annual Actuarial Valuation

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, 2009.

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 seven-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

General			
Years of Service	Male	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)[2]		
	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.

[2] No vested termination is assumed after a member is eligible for retirement.

Source: The Segal Company, Annual Actuarial Valuation, June 30, 2009

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, 2009

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.

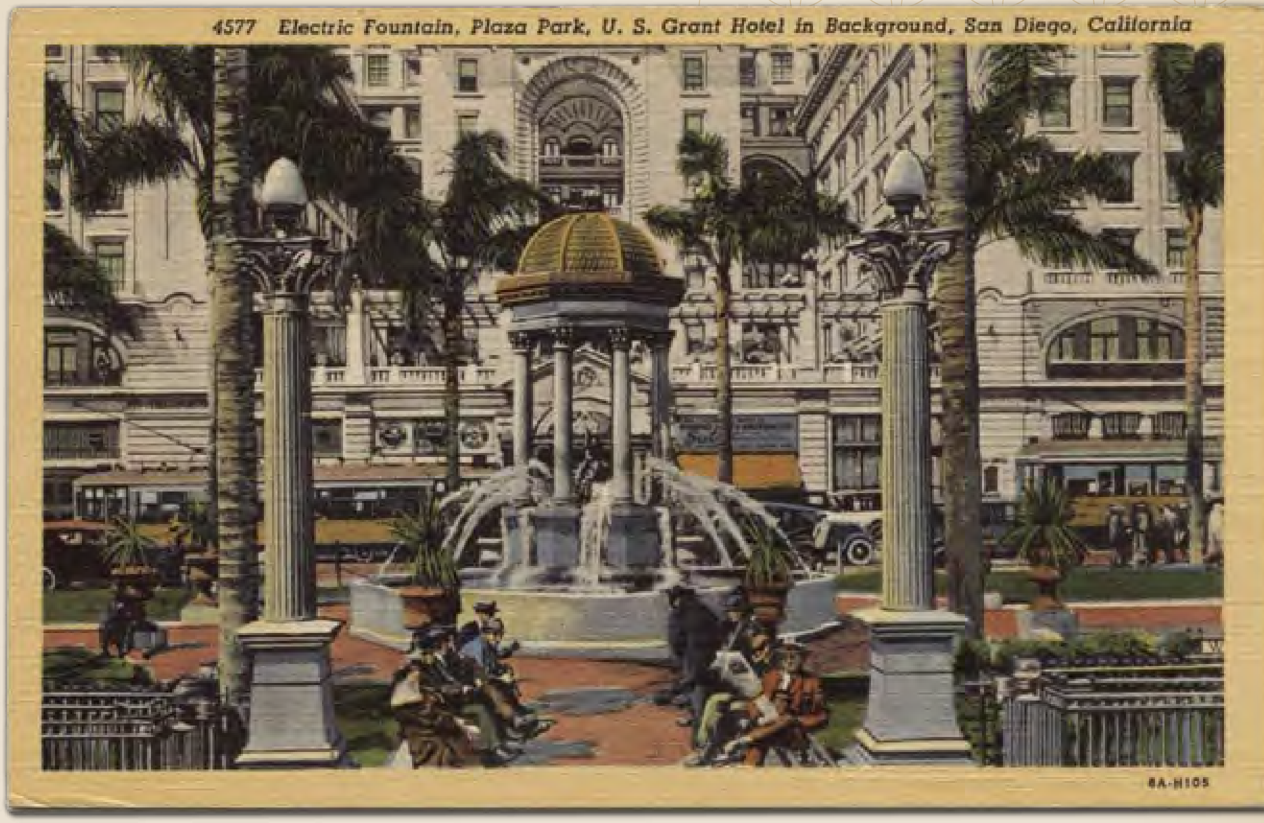
The rates of employer pick-up vary by employee. Employees with fewer than five years of service have a lesser percentage of their employee contributions “picked up” than employees with five or more years of service.

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.



statistical

Spring Valley girls with sign advertising Country Fair, 1940.

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

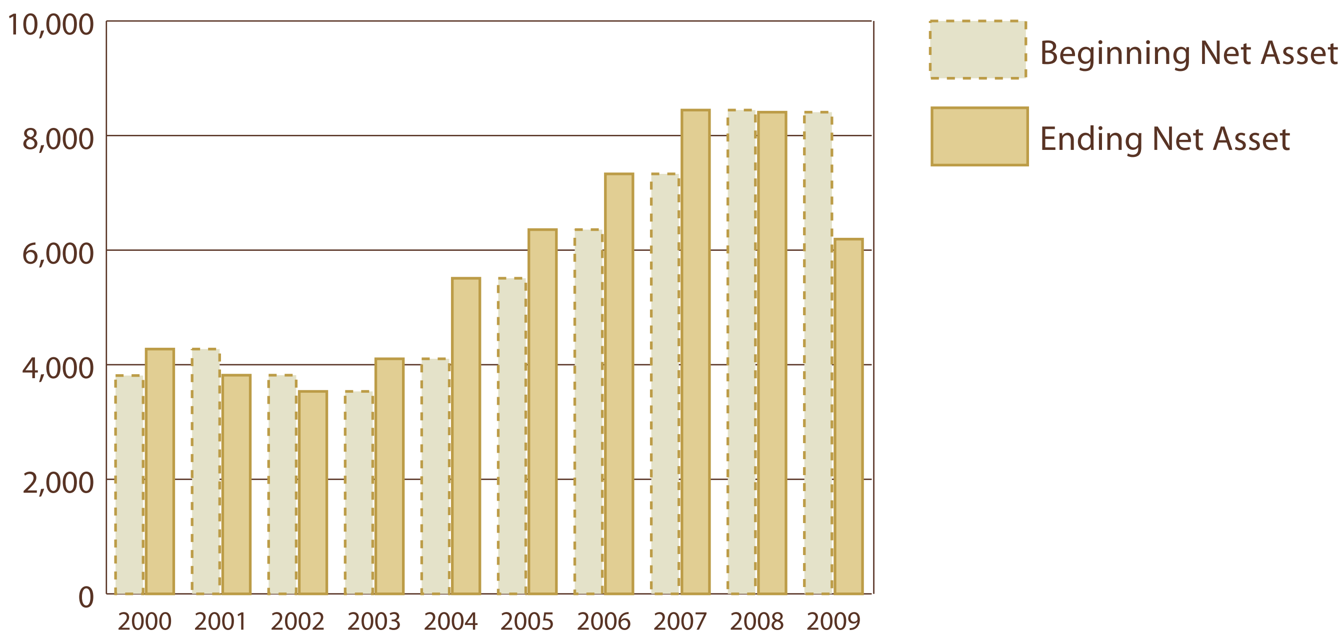
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Additions										
Employee Contributions[1]	$ 8.4	$ 10.8	$ 17.3	$ 34.7	$ 33.6	$ 40.8	$ 41.9	$ 44.5	$ 45.5	$ 49.5
Employer Contributions[2]	38.1	41.1	50.6	616.1	700.6	316.1	302.5	320.5	329.0	314.5
Investment Income (Net of expenses)	564.4	(344.8)	(164.8)	149.9	936.5	794.7	962.2	1119.3	(4.8)	(2,143.9)
Total Additions	$ 610.9	$ (292.9)	$ (96.9)	$ 800.7	$ 1,670.7	$ 1,151.6	$ 1,306.6	$ 1,484.3	$ 369.7	$ (1,779.9)
Deductions										
Administrative Expenses	$ 5.3	$ 6.4	$ 7.6	$ 7.0	$ 7.4	$ 7.5	$ 8.0	$ 10.3	$ 10.5	$ 10.1
Retirement Benefits[1,3]	132.8	144.1	163.0	201.2	228.8	259.5	290.2	322.6	368.6	399.9
Health Benefits	9.0	10.8	14.3	19.9	26.5	32.6	32.9	35.3	24.4	23.9
Refunds	1.7	1.6	1.5	2.8	2.7	2.2	3.0	2.6	2.7	2.3
Total Deductions	$ 148.8	$ 162.9	$ 186.4	$ 230.9	$ 265.4	$ 301.8	$ 334.1	$ 370.8	$ 406.2	$ 436.2
Total Change in Net Assets	$ 462.1	$ (455.8)	$ (283.3)	$ 569.8	$ 1,405.3	$ 849.8	$ 972.5	$ 1,113.5	$ (36.5)	$ (2,216.1)

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

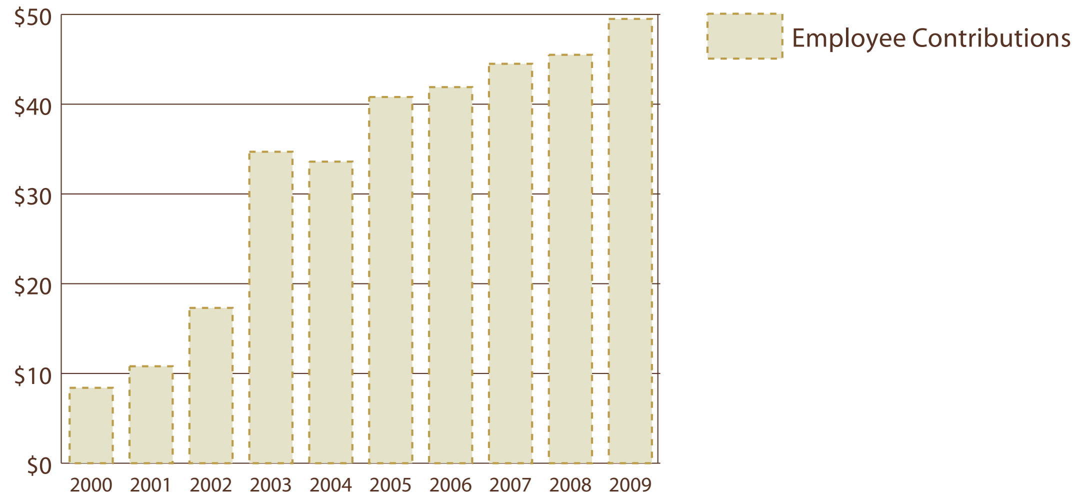
2 Includes proceeds from Pension obligation bonds of $550 million in 2003 and $450 million in 2004.

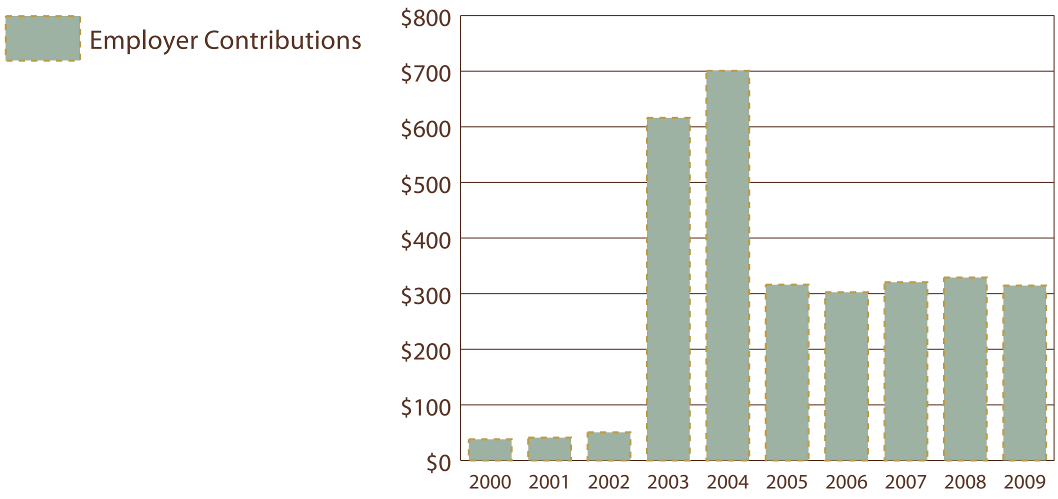
3 Refer to benefit and refund deductions for detail.

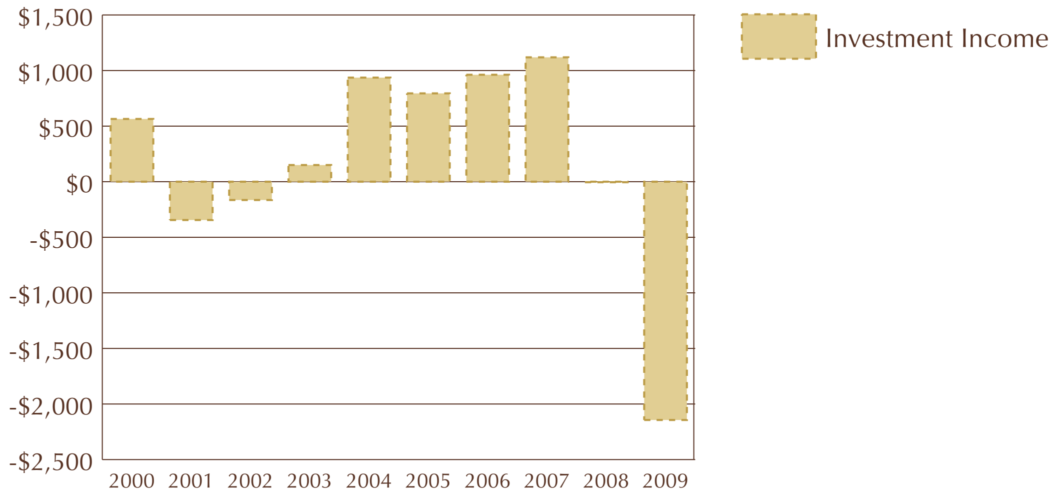
SDCERA NET ASSET VALUE (MILLIONS OF DOLLARS)



ADDITIONS TO PLAN NET ASSETS BY SOURCE (MILLIONS OF DOLLARS)







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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Type of Benefit										
Age and Service	$104.4	$113.4	$130.5	$161.1	$185.3	$209.5	$239.4	$295.3	$301.8	$310.8
Disability—Duty	15.2	3.9	4.2	5.2	2.8	6.7	8.8	12.0	16.9	37.7
Disability—Non-Duty	3.6	16.4	18.3	22.6	25.6	25.4	24.2	28.7	26.9	5.6
Death Benefits	1.6	1.7	0.6	1.3	1.2	2.7	1.1	1.6	0.9	1.8
Survivors	8.0	8.7	10.0	12.3	15.1	15.2	16.7	20.3	22.0	24.0
Total	$132.8	$144.1	$163.6	$202.5	$230.0	$259.5	$290.2	$357.9	$368.5	$379.9
Type of Refund										
Separation	1.7	1.6	1.5	1.5	1.5	2.2	3.0	2.6	2.7	2.3
Total	$1.7	$1.6	$1.5	$1.5	$1.5	$2.2	$3.0	$2.6	$ 2.7	$2.3

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

Fiscal Year 2009

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement[a] 1	2	3	4	5	6
$0–$1,000	3,481	2,663	597	46	20	146	9
$1,001–2,000	3,800	2,834	378	21	396	159	12
$2,001–3,000	2,505	1,751	175	10	519	34	16
$3,001–4,000	1,362	1,100	65	1	178	10	8
$4,001–5,000	741	693	15	2	29	2	-
$5,001–6,000	564	519	7	1	35	1	1
$6,001–7,000	397	379	4	-	14	-	-
$7,001–8,000	246	233	-	-	13	-	-
$8,001–9,000	129	120	1	-	8	-	-
$9,001–10,000	71	68	-	-	3	-	-
Over $10,000	157	150	-	-	7	-	-
Total	13,453	10,510	1,242	81	1,222	352	46

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

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

Note: 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 BENEFIT OPTIONS
FOR THE CURRENT AND PRIOR FISCAL YEAR ENDED JUNE 30

Fiscal Year 2009

		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	3,481	3,285	44	125	8	3	-	16
$1,001–2,000	3,800	3,659	49	73	5	7	1	6
$2,001–3,000	2,505	2,417	30	48	2	6	-	2
$3,001–4,000	1,362	1,317	16	22	1	4	-	2
$4,001–5,000	741	699	18	16	-	7	1	-
$5,001–6,000	564	544	6	9	-	5	-	-
$6,001–7,000	397	379	11	5	-	2	-	-
$7,001–8,000	246	241	1	1	-	3	-	-
$8,001–9,000	129	124	-	2	-	3	-	-
$9,001–10,000	71	71	-	-	-	-	-	-
Over $10,000	157	152	-	1	-	4	-	-
Total	13,453	12,888	175	302	16	44	2	26

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

[b] 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)

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

AVERAGE BENEFIT PAYMENTS (Pension Plan)
CURRENT AND EIGHT 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 2009							
Average monthly benefit	$841	$1,046	$1,576	$2,636	$3,496	$5,323	$6,720
Average final monthly salary	$5,263	$4,514	$4,571	$4,829	$5,367	$6,423	$6,883
Number of retired members	**32**	**107**	**150**	**120**	**107**	**83**	**87**
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**
Fiscal Year 2001							
Average monthly benefit	$645	$945	$1,015	$1,277	$1,924	$2,706	$4,144
Average final monthly salary	$1,543	$1,928	$3,105	$3,264	$3,668	$4,084	$4,960
Number of retired members	**21**	**44**	**103**	**48**	**51**	**30**	**40**

Note: Data for fiscal years 1997 to 2000, is not available in our current system.

AVERANGE BENEFIT PAYMENTS (OPEB) CURRENT AND PRIOR FISCAL YEAR

	Health Insurance Reimbursement	Medical Payments	Medicare Part B
Fiscal Year 2009			
Average Monthly Benefit	$192	$252	$93
Number of Retired Members	1,237	4,826	5,050
Fiscal Year 2008			
Average Monthly Benefit	$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 2009						
Number of Covered Employees	36,447	33,850	2,539	20	13	25
Percentage to Total System	100.00%	92.87	6.97	0.05	0.04	0.07
Rank		1	2	4	5	3
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.

Illustrations credits

1, Rob Goldman; 3, Courtesy Jacklyn Williams; 3, Williams, Gregory L. *Guide to Photograph Collections of the San Diego Historical Society*. San Diego Historical Society, 1998; 12, Hendrickson, Nancy. *San Diego Then and Now*. Thunder Bay Press, 2003; 13, Christman, Florence. *The Romance of Balboa Park*. San Diego Historical Society, 1985; 13, Courtesy Jacklyn Williams; 46, Hendrickson, Nancy. *San Diego Then and Now*. Thunder Bay Press, 2003. 46-47, 60-61, 78, Courtesy Jacklyn Williams; 79, Adema, Thomas Joseph. *Our Hills and Valleys: A History of the Helix-Spring Valley Region*. San Diego Historical Society, 1993. 79, Courtesy Jacklyn Williams.

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