For Fiscal Year Ended June 30, 2010

San Diego County Employees
Retirement Association

San Diego County, California

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, 2010

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

MISSION STATEMENT

SDCERA's mission is to prudently manage the fund, efficiently administer benefits, and provide superior service to SDCERA's membership.

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

SDCERA
Strength. Service. Commitment.

ADOPT THE PACE OF NATURE;
HER SECRET IS PATIENCE.

~ Ralph Waldo Emerson

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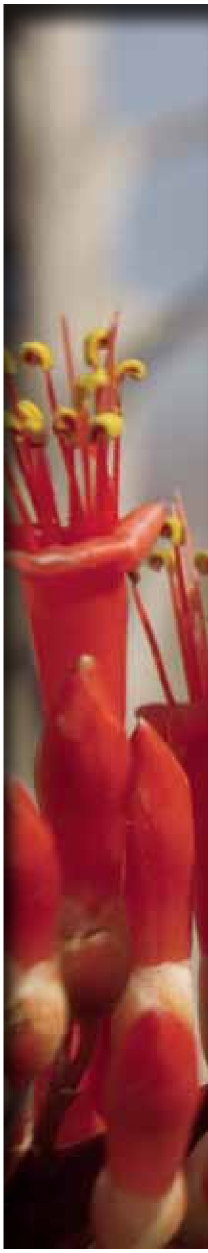


introduction

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 submit this Comprehensive Annual Financial Report (CAFR) of San Diego County Employees Retirement Association (SDCERA) for the year ended June 30, 2010.

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

Please read this letter of transmittal in conjunction with the Management's Discussion and Analysis, which provides a narrative overview and analysis of financial activities as of and for the year ended June 30, 2010.

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 fund's financial position and SDCERA's operating results.

Major Initiatives and Significant Events

SDCERA adopted a new strategic asset allocation model, which increases the fund's diversification, and is designed to perform well in a variety of market conditions and enable SDCERA to best meet future pension obligations with lower overall risk.

The Board of Retirement adopted a new 8% annual assumed rate of return. The new rate acknowledges changes in the financial markets that reduce the likelihood of returns at the 8.25% rate, the assumed rate used for the past 13 years, while recognizing the fund's historical ability to generate strong returns—averaging 10.4% over a 25 year period.

Under direction from the Board of Retirement, SDCERA is exploring options for how to best staff its investment operations, which could save money and decrease employer contributions. Potential staffing arrangements include keeping investment positions in-house and continuing to use external consultants; decreasing reliance on external consultants and hiring additional investment staff with specialized expertise; and various combinations of working with contractors, consultants and internal staff.

The Board voted to reduce the amount of the Supplemental Benefit Allowance (SBA) effective January 1, 2011, in order to provide payments to qualified retired members for a longer period of time. The SBA is a non-vested, discretionary benefit funded from a reserve account containing voluntary contributions of excess earnings approved by the Board in prior years. The Board's decision provides payments to retired members for nearly two years longer than if benefits were kept at current levels.

SDCERA has been approved to participate in the federally funded Early Retiree Reinsurance Program. SDCERA expects to receive a portion of the $5 billion designated for the program to help offset health insurance premiums for people retiring prior to becoming Medicare-eligible.

SDCERA continues to work toward implementing its new pension administration system. The scope of the project, the complexity of the system, and the implementation of a new tier has caused some delays. SDCERA remains committed to quality and is focused on the long-term improvements in efficiency and service the system will allow. By doing so, the investment of time, money and resources today will yield the maximum return on investment in the future.

ACCOUNTING SYSTEMS AND REPORTS

This CAFR was prepared in accordance with accounting principles generally accepted in the United States and reporting guidelines set forth by the applicable standards issued by the Governmental Accounting Standards Board (GASB) 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. Benefit payments are recorded when due and payable in accordance with the terms of the plan. Other expenses are recorded when corresponding liabilities are incurred, regardless of when payment is due or made.

Macias Gini & O'Connell LLP, SDCERA's independent auditor, audited the accompanying basic financial statements. Management believes that an adequate system of internal control exists to provide reasonable assurance regarding the safekeeping of assets, and the fair presentation of the accompanying statements, schedules and tables.

INVESTMENT ACTIVITIES

SDCERA adopted a new investment policy and strategic asset allocation model, which are described in the Investments section of this publication.

The total net assets held in trust were $6.9 billion on June 30, 2010. For fiscal year 2010, investments provided a return of 13.0% net of fees. SDCERA's annualized rate of return net of fees was -4.9% over the last 3 years, 2.6% over the last 5 years, and 3.7% over the last 10 years.

FUNDING

A retirement system's funded ratio, a ratio of actuarial value of assets to the actuarial accrued liability, is the measurement by which it is typically evaluated. The higher the funded ratio, the lower the need for contributions and the more the public and members feel assured that the pension benefits are secure.

The most recent actuarial valuation reports that as of June 30, 2010, the actuarial liability totaled $10.0 billion and the value of assets was $8.4 billion, resulting in an unfunded actuarial accrued liability of $1.6 billion. The pension plan's funded ratio is 84.3%. For the OPEB plan, the June 30, 2010 actuarial liability totaled $206 million. The value of assets was $9.2 million, resulting in an unfunded actuarial accrued liability of $197.2 million and a funded ratio of 4.5%.

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

AWARDS AND ACHIEVEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded SDCERA with the Certificate of Achievement for Excellence in Financial Reporting for its 2009 CAFR. This prestigious national award recognizes conformance with the highest standards for state and local government financial reporting. SDCERA was also presented with the Award for Outstanding Achievement in Popular Annual Financial Reporting for its Popular Annual Financial Report. We are confident this current report will also receive favorable consideration when we submit it for the 2010 GFOA award.

The Public Pension Coordinating Council (PPCC) also granted SDCERA an award for meeting the professional standards for plan design and administration as set forth in the Public Pension Standards.

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 SDCERA'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 our continued successful operation.

BP White

Brian P. White
Chief Executive Officer
December 22, 2010

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration

2010

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
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, 2009

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

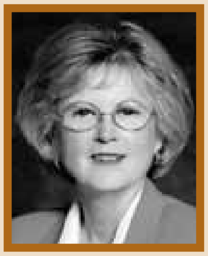
SDCERA BOARD OF RETIREMENT

Douglas Rose
Chairman

Marc Doss
Vice Chairman

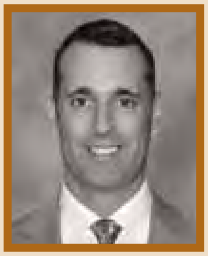
Loretta Morris
Secretary

James W. Feeley



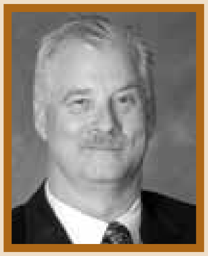
Dianne Jacob

Dan McAllister



Jon McCloskey

David A. Myers



Garry A. Sobeck

Kay Ryan

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

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

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

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, 2012

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

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

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

Board of Retirement

DOUGLAS ROSE
Chairman
Elected by SDCERA General members

MARC DOSS
Vice Chairman
Appointed by County Board of Supervisors

LORETTA MORRIS
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

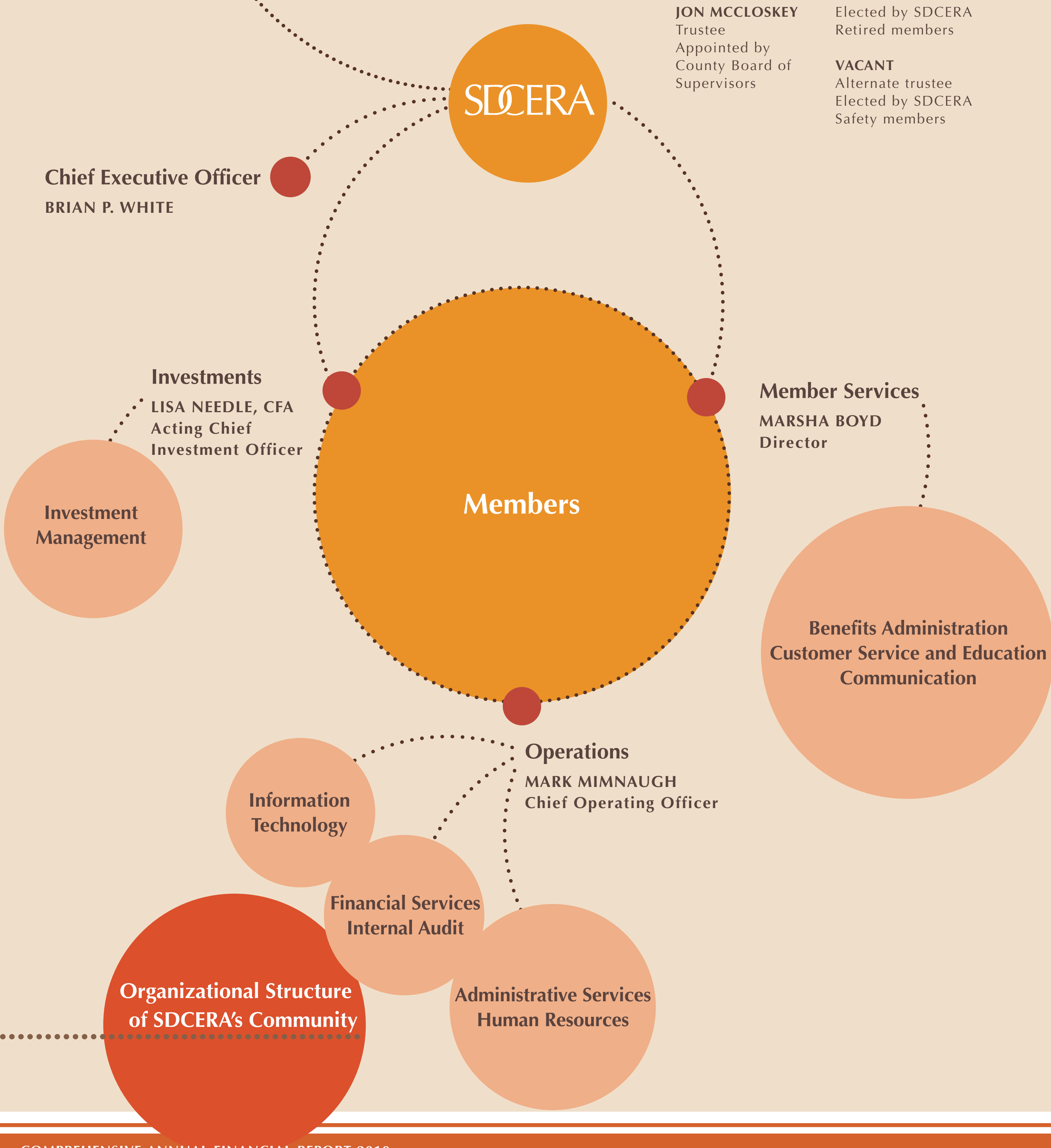
JON MCCLOSKEY
Trustee
Appointed by County Board of Supervisors

DAVID A. MYERS
Trustee
Elected by SDCERA Safety members

GARRY A. SOBECK
Trustee
Elected by SDCERA General members

KAY RYAN
Alternate trustee
Elected by SDCERA Retired members

VACANT
Alternate trustee
Elected by SDCERA Safety members



CONSULTANTS

Auditor

Macias Gini & O'Connell LLP
3000 S Street, Suite 300
Sacramento, CA 95816

Investment Consultants

Integrity Capital, LLC
1210 Rhondstat Run
Cedar Park, TX 78613

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

Hewitt Associates
100 Half Moon Road
Lincolnshire, IL 60069

Actuary

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

Master Custodian

The Bank of New York
Mellon Trust Company, NA
400 S. Hope Street
Los Angeles, CA 90071

Additional information regarding investment professionals who provide services to SDCERA is located in the *Investments* section, Page 55.

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

Forensic & Litigation Consulting
FTI Consulting, Inc.
909 Commerce Road
Annapolis, MD 21401

Groom Law Group, Chartered
1707 Pennsylvania Avenue N.W., Suite 1200
Washington, DC 20006

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

Fisher & Phillips LLP, Attorneys at Law
4747 Executive Drive, Suite 1000
San Diego, CA 92121

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MGO Certified Public Accountants.

Sacramento • Walnut Creek • Oakland • Los Angeles • Century City • Newport Beach • San Diego

mgocpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement of the
San Diego County Employees Retirement Association
San Diego, California

We have audited the accompanying statement of plan net assets of the San Diego County Employees Retirement Association (SDCERA), as of June 30, 2010, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of SDCERA's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from SDCERA's 2009 financial statements which were audited by other auditors whose report thereon dated November 30, 2009, expressed an unqualified opinion.

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 Standar*ds, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SDCERA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the San Diego County Employees Retirement Association as of June 30, 2010, and the changes in plan net assets for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

As discussed in Note 2, effective July 1, 2009, SDCERA adopted the provisions of Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.*

As described in Note 9, based on the most recent pension plan actuarial valuation as of June 30, 2010, SDCERA's independent actuary determined that, at June 30, 2010, the value of SDCERA's actuarial accrued liability exceeded the actuarial value of its assets by $1.57 billion. The most recent pension plan actuarial value of assets as of June 30, 2010 does not reflect the remaining deferred investment losses that will be recognized in the future.

As described in Note 10, based on the most recent healthcare plan actuarial valuation as of June 30, 2010, SDCERA's independent actuary determined that, at June 30, 2010, the value of SDCERA's actuarial accrued liability exceeded the actuarial value of its assets by $197.23 million.

3000 S Street, Suite 300, Sacramento, CA 95814
2121 N. California Blvd., Suite 750, Walnut Creek, CA 94596
505 14th Street, 5th Floor, Oakland, CA 94612
515 S. Figueroa Street, Suite 325, Los Angeles, CA 90071
2029 Century Park East, Suite 500, Los Angeles, CA 90067
1201 Dove Street, Suite 680, Newport Beach, CA 92660
225 Broadway, Suite 1750, San Diego, CA 92101

In accordance with *Government Auditing Standards*, we have issued our report dated December 20, 2010, on our consideration of SDCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, the Schedules of Funding Progress and the Schedules of Employer Contributions, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The introductory section, other supplemental information in the financial section and the investment, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information in the financial section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, investment, actuarial and statistical sections have not been subjected to auditing procedures applied in the audit of the basic financials statements and, accordingly, we express no opinion on them.

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 20, 2010

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) as of and for the fiscal year ended June 30, 2010. 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 $6.9 billion as of the end of the fiscal year, an increase of $686.2 million over the prior year.

- Total additions to net assets were $1.2 billion primarily from an investment gain of $830.8 million, Employer contributions of $276.7 million and $46.4 million in member contributions.

- Total deductions to net assets totaled $467.7 million, an increase of $31.6 million or 7.2% over the prior year. Retirement benefits have risen $31.3 million, driven by a net increase in the number of retired members by 469, and a 3.1% increase in average monthly benefit.

- During fiscal year 2010, the rate of return on investments was 13.0% 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, 2010, the date of our last actuarial pension plan valuation, the funded status (the ratio of system assets to system liabilities) was 84.3%.

- As of June 30, 2010, the OPEB plan actuarial liability totaled $206 million with a funded ratio of 4.5%.

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 represents 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 presented in accordance with Governmental Accounting Standards Board (GASB) statement numbers 25, 28, 34, 37, 38, 40, 43, 50, 51 and 53. 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 Pension and OPEB plans. Other Supplemental Information 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 1and 2 summarize and compare SDCERA's financial results for the current and prior fiscal years.

TABLE 1: NET ASSETS
As of June 30, 2010 and 2009
(THOUSANDS OF DOLLARS)

	06/30/2010	06/30/2009	Increase/ (Decrease)	Percentage Change
Cash	$ 1,502,074	$ 244,149	$ 1,257,925	515.2%
Receivables	739,227	315,607	423,620	134.2%
Investments	4,887,674	5,994,488	(1,106,814)	(18.5%)
Securities Lending Collateral	200,214	446,471	(246,257)	(55.2%)
Capital Assets	9,320	7,613	1,707	22.4%
Total Assets	7,338,509	7,008,328	330,181	4.7%
Liabilities to Brokers for Securities Lending	210,106	456,947	(246,841)	(54.0%)
Securities Purchased	240,780	346,955	(106,175)	(30.6%)
Other	9,458	12,473	(3,015)	(24.2%)
Total Liabilities	460,344	816,375	(356,031)	(43.6%)
Net Assets Held in Trust for Pension and Healthcare Benefits	$ 6,878,165	$ 6,191,953	$ 686,212	11.1%

TABLE 2: CHANGES IN PLAN NET ASSETS

For the fiscal years ended June 30, 2010 and 2009
(THOUSANDS OF DOLLARS)

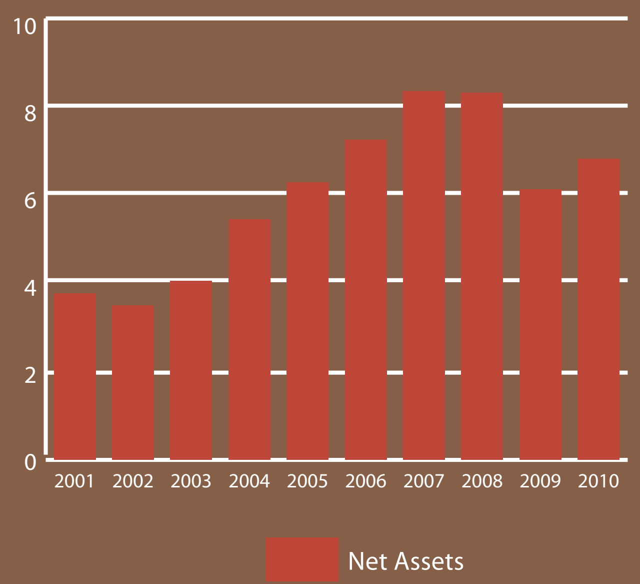
	06/30/2010	06/30/2009	Increase/ (Decrease)	Percentage Change
ADDITIONS				
Employer Pension Contributions	$ 257,897	$ 291,248	$ (33,351)	(11.5%)
Employer OPEB Contributions	18,789	23,237	(4,448)	(19.1%)
Member Pension Contributions	46,416	49,475	(3,059)	(6.2%)
Net Investment Income/(Loss)	830,962	(2,149,038)	2,980,000	138.7%
Net Securities Lending Income/(Loss)	(145)	5,171	(5,316)	(102.8%)
Total Additions	**1,153,919**	**(1,779,907)**	**2,933,826**	**164.8%**
DEDUCTIONS				
Retirement Benefits	431,068	399,773	31,295	7.8%
Health Benefits	22,797	23,079	(282)	(1.2%)
Refund of Contributions	2,593	2,335	258	11.0%
Administrative Pension Expenses	10,441	10,107	334	3.3%
Healthcare Administrative Expenses	808	861	(53)	(6.2%)
Total Deductions	**467,707**	**436,155**	**31,552**	**7.2%**
Increase/(decrease) in Net Assets held in trust for Pension and OPEB Benefits	**$ 686,212**	**$ (2,216,062)**	**$ 2,902,271**	**131.0%**
Net Assets Held in Trust for Pension and Healthcare Benefits				
Beginning of Year	**$ 6,191,953**	**$ 8,408,015**		
End of Year	**$ 6,878,165**	**$ 6,191,953**		

Net assets held in trust for pension and OPEB benefits as of June 30, 2010, were $6.9 billion, an increase of $0.7 billion, or 11.1%, over the prior year. Investment returns of 13.0% generated $830.8 million in plan net asset increases from operations.

Total employer and employee contributions, net of refunds, added $320.5 million, but were more than offset by member benefit payments of $453.9 million.

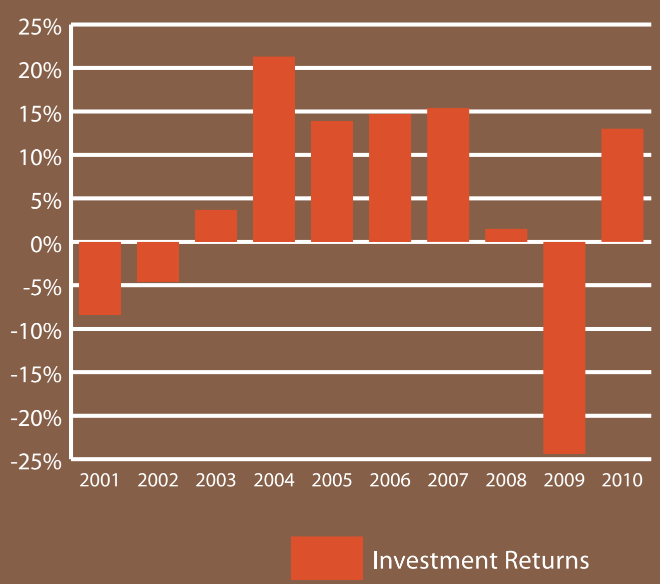
SDCERA NET ASSETS HELD IN TRUST

For Pension and OPEB Benefits 2001-2010
(BILLIONS OF DOLLARS)



SDCERA INVESTMENT RETURNS

2001-2010



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 $1.2 billion for the fiscal year ended June 30, 2010, an increase of $2.9 billion over the prior year.

- Employer and member pension contributions were $304.3 million in fiscal year 2010, a decrease of $36.4 million over the prior year. Combined contribution rates of 18.23% in fiscal year 2010 compared to 20.58% in fiscal year 2009, coupled with a 4.6% reduction in the Retirement Gross salary reduced the Pension ARC by $33 million. Employer offsets and employee contributions also decreased by $6.3 million, fueled by the decrease in Retirement Gross salary. These were offset by Military Service retirement contributions of $1.7 million and excess County contributions of $1.1 million.

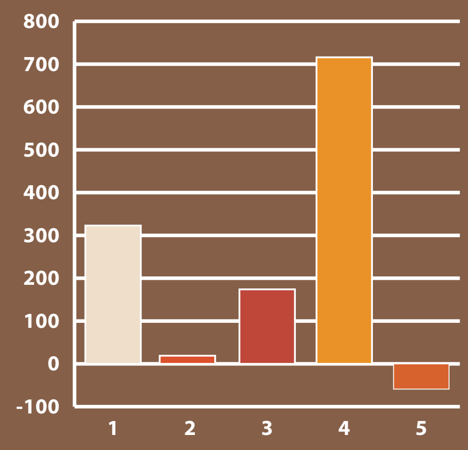
- Employer OPEB contributions were $18.8 million in fiscal year 2010, a decrease of $4.4 million over the prior year. This decrease is primarily as a result of a decrease in the contribution rate from 2.31% in fiscal year 2009 to 1.80% in fiscal year 2010.

- Net investment income equaled $830.8 million in fiscal year 2010, an increase of $3.0 billion, over prior year. This gain was primarily due to net appreciation in the fair value of investments of $716.2 million and $173.9 million in interest and other income, offset by investment expenses of $59.2 million.

SDCERA'S ADDITIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(MILLIONS OF DOLLARS)



1. Pension Contributions: $304 million
2. OPEB Contributions: $19 million
3. Interest, Dividends and Securities Lending Income: $174 million
4. Net Appreciation in Fair Value of Investments: $716 million
5. Investment Expense: ($59 million)

DEDUCTIONS FROM RETIREMENT PLAN NET ASSETS

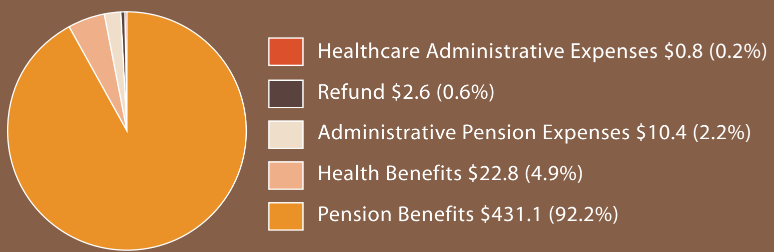
SDCERA's assets are primarily used to pay pension, health and survivor benefits, refund members' contributions and administer the plan. Deductions from retirement plan net assets for fiscal year ended June 30, 2010, totaled $467.7 million, an increase of $31.6 million, or 7.2%, over 2009.

- Pension and health benefits represent $30.9 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

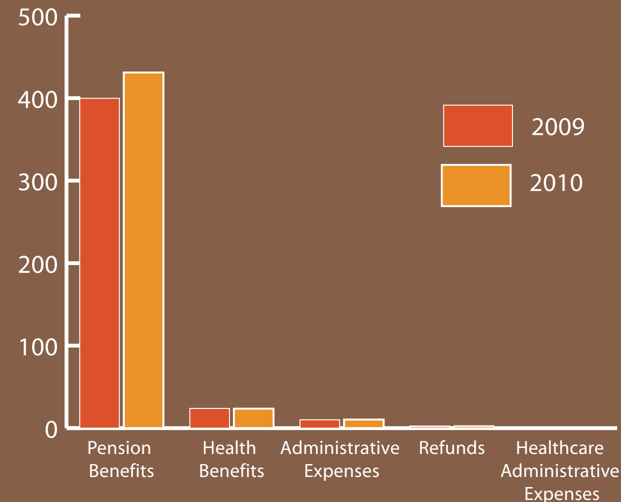
For the fiscal year ended June 30, 2010

(MILLIONS OF DOLLARS)



SDCERA'S DEDUCTIONS

(MILLIONS OF DOLLARS)



SUMMARY

Plan net assets recovered some of the prior year's losses for the fiscal year ended June 30, 2010, and are currently at $6.9 billion. Employer/employee contributions have delivered $323.1 million in assets to help fund $467.7 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

STATEMENT OF PLAN NET ASSETS

AS of June 30, 2010 (with summarized comparative amounts for June 30, 2009)

	June 30, 2010 Pension Plan	Healthcare Plan	Total Fund	June 30, 2009 Total Fund
ASSETS				
CASH AND SHORT-TERM INVESTMENTS				
Cash in County Pool	$ 478,110	$ 717	$ 478,827	$ 648,515
Cash and Cash Equivalents with Fiscal Agents	1,196,668,854	1,796,324	1,198,465,178	243,500,731
Collateral Cash	302,675,765	454,348	303,130,113	-
Total Cash and Short-Term Investments	**1,499,822,729**	**2,251,389**	**1,502,074,118**	**244,149,246**
RECEIVABLES				
Contributions	5,049,043	62,124	5,111,167	9,614,158
Accrued Interest and Dividends	7,921,769	11,891	7,933,660	23,630,952
Settlement of Securities Sold and Others	725,093,593	1,088,441	726,182,034	282,361,922
Total Receivables	**738,064,405**	**1,162,456**	**739,226,861**	**315,607,032**
INVESTMENTS AT FAIR VALUE				
Domestic Equity Securities	314,831,016	472,594	315,303,610	228,512,070
Cash, Cash Equivalents, and Securities for Domestic Equity Swaps and Alpha Engine	-	-	-	776,800,578
Total Domestic Equity Securities and Cash	**314,831,016**	**472,594**	**315,303,610**	**1,005,312,648**
International Equity Securities	361,723,208	542,984	362,266,192	1,132,511,918
Total Equity Securities and Cash	**676,554,224**	**1,015,578**	**677,569,802**	**2,137,824,566**
Securities Lending Collateral	199,913,901	300,092	200,213,993	446,471,169
United States Government Obligations	450,586,662	676,377	451,263,039	643,841,360
Domestic Bonds	158,604,670	238,082	158,842,752	695,767,487
International Bonds	710,750,121	1,066,913	711,817,034	638,676,858
Interest Rate and Credit Default Swaps	-	-	-	(9,745,513)
Short-term Notes	-	-	-	38,250,710
Total Bonds and Cash	**1,319,941,453**	**1,981,372**	**1,321,922,825**	**2,006,790,902**
Cash and Securities for Overlay Futures	437,500,855	656,734	438,157,589	96,162,120
Cash and Securities for Commodity Swaps	291,708,332	437,885	292,146,217	282,057,288
Cash and Securities for REIT Swap	245,752,072	368,899	246,120,971	-
Balanced Fund	-	-	-	100,282,752
Opportunistic	127,632,705	191,590	127,824,295	138,866,972
Global Macro Hedge Fund	389,029,699	583,974	389,613,673	94,181,021
Long/Short Hedge Fund	101,570,303	152,468	101,722,771	61,868,650
Multi-Strategy Hedge Fund	64,469,856	96,776	64,566,632	140,354,118
Relative Value Fund	299,550,344	449,656	300,000,000	-
Infrastructure	94,168,627	141,357	94,309,984	63,705,322
Private Equity	369,958,983	555,347	370,514,330	320,426,694
Real Estate	407,638,157	611,907	408,250,064	551,967,565
Unallocated Fund	54,872,734	82,370	54,955,104	-
Total Investments	**5,080,262,245**	**7,626,005**	**5,087,888,250**	**6,440,959,139**
Capital Assets, Net	9,305,533	13,969	9,319,502	7,613,471
Total Assets	**7,327,454,912**	**11,053,819**	**7,338,508,731**	**7,008,328,888**
LIABILITIES				
Liabilities to Brokers for Securities Lending	209,791,452	314,919	210,106,371	456,947,259
Settlement of Securities Purchased and Others	240,419,437	360,895	240,780,332	346,955,313
Professional Services	5,254,201	7,887	5,262,088	8,314,646
Death Benefits	568,801	-	568,801	655,798
Retirement Benefits	302,120	-	302,120	246,760
Refunds to Members	270,539	-	270,539	415,299
County Advance Contribution	-	-	-	181,153
Health Insurance Premiums	-	1,146,418	1,146,418	1,181,844
Cash in Transit	473,786	711	474,497	412,399
Other	1,430,308	2,147	1,432,455	1,065,142
Total Liabilities	**458,510,644**	**1,832,977**	**460,343,621**	**816,375,613**
Net Assets Held in Trust for Pension and Healthcare Benefits	**$ 6,868,944,268**	**$ 9,220,842**	**$ 6,878,165,110**	**$ 6,191,953,275**

See accompanying *Notes to the Basic Financial Statements* beginning on Page 25.

STATEMENT OF CHANGES IN PLAN NET ASSETS

For the year ended June 30, 2010 (with summarized comparative amounts for June 30, 2009)

	June 30, 2010 Pension Plan	Healthcare	Total Fund	June 30, 2009 Total Fund
ADDITIONS TO PLAN NET ASSETS				
Contributions				
Employer Contributions	$ 257,896,481	$ 18,789,098	$ 276,685,579	$ 314,484,703
Plan Member Contributions	46,416,076	-	46,416,076	49,474,591
Total Contributions	**304,312,557**	**18,789,098**	**323,101,655**	**363,959,294**
Investment Income				
Net Appreciation (Depreciation) in Fair Value of Investments				
Stocks	372,863,478	860,307	373,723,785	(700,163,905)
Bonds	263,644,394	608,306	264,252,700	(329,480,717)
Foreign Currency	8,212,290	18,948	8,231,238	(63,332,891)
Real Estate and Private Equity	(3,156,759)	(7,284)	(3,164,043)	(267,058,985)
Opportunistic	48,646,170	112,241	48,758,411	6,908,216
Infrastructure	4,344,098	10,023	4,354,121	157,279
Balanced Fund	12,144,790	28,022	12,172,812	(102,660,557)
Enhanced S&P 500	96,066,707	221,654	96,288,361	(514,396,887)
Commodity Swaps	(6,288,295)	(14,509)	(6,302,804)	(195,042,854)
REIT Swaps	(18,837,349)	(43,463)	(18,880,812)	-
Futures	(63,712,517)	(147,004)	(63,859,521)	(114,524,537)
Securities Lending	582,368	1,344	583,712	(10,476,089)
Total Net Appreciation (Depreciation) in Fair Value of Investments	**714,509,375**	**1,648,585**	**716,157,960**	**(2,290,071,927)**
Interest Income				
Bonds	91,321,196	210,706	91,531,902	114,916,094
Cash	3,337,078	7,700	3,344,778	(1,168,354)
Total Interest Income	**94,658,274**	**218,406**	**94,876,680**	**113,747,740**
Other				
Dividends on Stock Investments	65,681,586	151,547	65,833,133	76,153,749
Real Estate Equity Investment Income	8,119,909	18,735	8,138,644	11,156,275
Private Equity	4,973,860	11,476	4,985,336	1,546,164
Commission Recapture	156,513	361	156,874	133,856
Other Income	15,002	35	15,037	(72,074)
Total Other	**78,946,870**	**182,154**	**79,129,024**	**88,917,970**
Less: Investment Expenses	(59,065,196)	(136,281)	(59,201,477)	(61,631,481)
Securities Lending Income	414,007	955	414,962	10,669,761
Less: Securities Lending Rebates and Bank Charges	(558,450)	(1,289)	(559,739)	(5,498,901)
Net Securities Lending	(144,443)	(334)	(144,777)	5,170,860
Net Investment Income/(Loss)	828,904,880	1,912,530	830,817,410	(2,143,866,838)
Total Additions to Plan Net Assets	**1,133,217,437**	**20,701,628**	**1,153,919,065**	**(1,779,907,544)**
DEDUCTIONS FROM PLAN NET ASSETS				
Benefits				
Retirement Benefits	429,672,226	-	429,672,226	397,987,538
Death Benefits	1,395,482	-	1,395,482	1,785,832
Health Benefits	-	22,796,948	22,796,948	23,079,037
Total Benefits	**431,067,708**	**22,796,948**	**453,864,656**	**422,852,407**
Member Refunds	2,592,661	-	2,592,661	2,335,133
Healthcare Administrative Expenses	-	808,455	808,455	860,865
Administrative Pension Expenses	10,441,458	-	10,441,458	10,107,031
Total Deductions from Plan Net Assets	**444,101,827**	**23,605,403**	**467,707,230**	**436,155,436**
Increase (Decrease) in Net Assets	$ 689,115,610	$ (2,903,775)	$ 686,211,835	$ (2,216,062,980)
Net Assets Held in Trust for Pension and Healthcare Benefits				
Beginning of Year	$ 6,179,828,658	$ 12,124,617	$ 6,191,953,275	$ 8,408,016,255
End of Year	$ 6,868,944,268	$ 9,220,842	$ 6,878,165,110	$ 6,191,953,275

See accompanying *Notes to the Basic Financial Statements* beginning on Page 25.

1 DESCRIPTION OF PLANS

San Diego County Employees Retirement Association (SDCERA, Association, Fund, 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, health, death and survivor benefits for its employees under the County Employees Retirement Law 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 administers a cost sharing, multiple-employer defined benefit pension plan and healthcare 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 and other participating employers 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 credit.

PENSION PLAN

MEMBERSHIP

As of June 30, 2010, 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 28.

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 retirement system prior to October 1, 1978, were designated as Tier I members. On August 15, 1978, the County Board of Supervisors established by ordinance 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 all non-retired Safety members.

All active General members were converted to Tier A unless they elected to opt out during the one-time opt-out period offered that ended March 7, 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. The maximum Tier I benefit formula is 2.62% of average annual compensation at age 62, payable for life. The retirement formula is reduced at earlier ages with a 1.77% formula applicable for members retiring at age 55. Final average monthly compensation is based on the highest 26 consecutive pay periods, of eligible earnings. Tier II is closed to new entrants. Tier II members who retired at or after age 61¼ (50 for safety members) with 10 years of credited service receive a benefit equal to 2% of the average of their highest three year annual salary or slightly higher as the retirement age advanced beyond 61¼.

General Tier A members entered the system on or after March 8, 2002, and before August 28, 2009. Eligible General Tier A Members receive an annual retirement benefit 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 for members retiring at age 50. Members may retire with ten or more years of credited service or at any age with 30 or more years of credited service.

The maximum Safety Tier A benefit formula is 3% of their final average compensation for each year of credited service at age 50. All Tier A members (both General and Safety) may retire from active service at age 70 regardless of the number of years of credited service. Final average monthly compensation for Tier A members is based on 26 consecutive pay periods of eligible earnings.

On July 21, 2009, the County Board of Supervisors closed Tier A to new entrants and approved by ordinance Tier B for General and Safety members, hired on or after August 28, 2009. Eligible Tier B members (both General and Safety) receive an annual retirement benefit, payable monthly for life.

The maximum General, Tier B benefit formula is 2.62% of their final average monthly compensation at age 62. The retirement formula is reduced at earlier ages with a 1.7% formula applicable for members retiring at age 55. General, Tier B members may retire when they are at least age 55 with 10 or more years of credit service or at any age with 30 or more years of credit.

The maximum Safety, Tier B benefit formula is 3% of final average monthly compensation at age 55. The retirement formula is reduced for earlier ages with 2.3% formula applicable for members retiring at age 50. Safety, Tier B members may retire when they are at least age 50 with 10 or more years of credited service or at any age with 20 or more years of credited service.

All Tier B members (both General and Safety) may retire from active service at age 70 regardless of the number of years of credited service. Final average monthly compensation for Tier B members is based on the highest three years (78 consecutive pay periods) of eligible earnings.

COST-OF-LIVING ADJUSTMENTS

Cost-of-living adjustments are based on changes in the Consumer Price Index for the San Diego area. The COLA for Tier I and Tier A is limited to a maximum of 3% per year. The COLA for Tier B is limited to a maximum of 2%. Effective May 3, 2007, the Board of Retirement approved a permanent STAR COLA—a 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 became subject to the same cost-of-living increase paid by SDCERA on every April 1 pursuant to Section 31870.1.

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 year 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.

SUPPLEMENTAL BENEFIT ALLOWANCE

A supplemental benefit allowance (SBA) is available to General and Safety, Tier A members who have at least 10 years of SDCERA service credit at retirement. Tier A 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.

MEMBERSHIP SUMMARY
As of June 30, 2010

	General	Safety	Total
ACTIVE MEMBERS			
General Tier I	42	–	42
General Tier A	13,468	–	13,468
General Tier B	163	–	163
Safety Tier A	–	3,281	3,281
Safety Tier B	–	27	27
Total Active Members	**13,673**	**3,308**	**16,981**
DEFERRED (TERMINATED) MEMBERS			
General Tier I	2,079	–	2,079
General Tier A	2,541	–	2,541
General Tier B	12	–	12
Safety Tier A	–	620	620
Safety Tier B	–	2	2
Total Deferred Members	**4,632**	**622**	**5,254**
RETIRED MEMBERS			
General Tier I	5,534	–	5,534
General Tier II	1,814	–	1,814
General Tier A	4,550	–	4,550
General Tier B	–	–	–
Safety Tier I	–	540	540
Safety Tier II	–	304	304
Safety Tier A	–	1,180	1,180
Safety Tier B	–	–	–
Total Retired Members	**11,898**	**2,024**	**13,922**
Total Members	**30,203**	**5,954**	**36,157**

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. Employer-paid contributions under various Memorandums of Understanding (salary negotiations) are not refundable.

Healthcare Plan

DESCRIPTION OF PLAN

SDCERA administers an Other Post Employment Benefits (OPEB) healthcare plan on behalf of the County of San Diego, including its participating agencies.

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 and other participating agencies. 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 retired General and Safety 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 of $400 per month 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. Members who were granted a disability retirement and determined to be totally disabled are eligible for the maximum allowance. Members with less than 10 years of service credit who were granted a disability retirement and determined to be partially disabled are eligible for the minimum health insurance allowance.

The health allowance may be used toward a member's insurance premiums for an SDCERA-sponsored plan or toward insurance premiums paid to other providers elected by the member.

The total fund's Statement of Net Plan Assets is allocated between the Pension Plan and Healthcare Plan based on their pro rata share of Total Fund Assets after the balances and transactions specific to the Pension Plan or Healthcare Plan are assigned. Healthcare Plan assets are pooled with Pension Plan assets for the purpose of investment. While Pension and Healthcare Contributions and Benefits are known, the total investment income of the pooled funds are allocated between the Pension and Healthcare Plans. As a result, on the Statement of Changes in Plan Net Assets after Pension and Healthcare contributions and benefits are reported, income of the fund is allocated to the Healthcare Plan based on its pro-rata share of the total fund assets.

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, which includes realized and unrealized gains and losses on investments.

USE OF ESTIMATES

A number of estimates and assumptions have been made relating to the reported amount of assets and liabilities, and related disclosures 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. Collateral cash is invested in fixed income and related cash securities with a maximum of 180 days effective duration. 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. 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.

VALUATION OF INVESTMENTS

SDCERA's investments include global equity, global fixed income, private equity, real estate, and other investments. The investments are reported at fair value, but the diversity of the investment types requires a variety of techniques to determine fair value. The majority of the investments are held by SDCERA's custodian bank.

The following outline the general valuation processes and information sources:

Global Equity

The majority of the Association's equity securities are actively traded on major exchanges or over-the-counter. Fair value for exchange traded investments is determined as of the close of the trading date on the primary market, or agreed upon, exchange . Listed investments that are not traded on a particular day are valued at the last known price. Over-the-counter investments not traded on an exchange are valued based on prices obtained from a third party pricing source.

Global Fixed Income

Securities with an active market are valued using the last traded price on a specific date. Other securities not actively traded are valued by third party pricing sources using various inputs such as recent trades, price quotes, maturity and credit ratings.

Private equity

The fair value of all private equity assets is determined in good faith by the General Partner/Fund Manager consistent with the managers' valuation policies as outlined in the managers' documents. The assumptions used in the valuations are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment. In addition, private equity investments held by managers are subjected to annual independent audit.

Real Estate

Separate accounts direct-owned properties are valued every three years through an independent third party appraisal consistent with the Uniform Standards of Professional Appraisal Practice.

Limited partner interests are valued based on the net asset value of the partnership which is determined by the general partner in accordance with the valuation policies as outlined in the managers' documents. The properties are generally valued through an independent third party appraisal performed on a rotational one to three year basis consistent with the Uniform Standards of Professional Appraisal Practice. During the interim years, real estate values are adjusted for market conditions and cash flow activities. In addition, real estate investments held in separate accounts and limited partner interest are subjected to annual independent audit.

Other Externally Managed Fund Structures

Investments made in externally managed funds are recoded at fair value based on the proportionate interest in the net asset value of the funds. Acceptable fair valuation methods and applications are used that give the highest priority to unadjusted quoted prices in active markets for identical or equivalent assets.

There are three different valuation methods that may be used; 1) the market approach, 2) the income approach and 3) the cost approach. Observable inputs into the valuation techniques is preferred, but unobservable, including assumptions involving risks may also be included as deemed appropriate.

1. **Market Approach**—uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
2. **Income Approach**—uses valuation techniques to convert expected future amounts to a single present amount
3. **Cost Approach**—is based on the amount that currently would be required to replace the service capacity of an asset

Real estate investments are reported net of outstanding debts in the financial statements. As of June 30, 2010, SDCERA's share of outstanding debts on directly held real estate investments totaled $126,529,000, as summarized below:

Real Estate Investment	Loan Origination/ Assumption Date	Interest Rate	Maturity Date	Monthly Payment	Current Loan Amount
RREEF/The Woods*	11/30/05	5.350%	11/30/05	$107,000	$24,000,000
RREEF/Stratford Station	12/1/05	6.020%	12/1/05	75,000	12,509,000
RREEF/Clifton Commons*	4/12/01	6.770%	5/1/11	43,000	7,680,000
RREEF/Sawgrass & Spectrum*	12/30/01	6.010%	1/1/12	36,000	7,110,000
RREEF/Ryan Building*	4/11/02	6.800%	5/1/12	38,000	6,625,000
RREEF/Commerce Park*	11/14/03	5.890%	12/1/13	47,000	9,560,000
RREEF/Highlands Ranch*	9/21/06	5.578%	10/5/16	101,000	20,000,000
RREEF/Terry Park Drive*	3/19/07	5.160%	4/1/17	38,000	8,075,000
RREEF/The Hills of Corona	8/1/03	5.930%	7/1/13	98,000	17,470,000
RREEF/405 Bothell Business Park*	4/19/06	5.350%	5/15/16	67,000	13,500,000
Total					**$126,529,000**

*** Interest only**

DERIVATIVE FINANCIAL INSTRUMENTS

As of June 30, 2010, SDCERA utilized a diverse group of derivative instruments across the total fund, including swaps, options, forwards and a variety of futures contracts. All derivatives are considered investments and the fair value of all derivative instruments are reported in the Statement of Net Assets.

Swaps allow SDCERA to exchange a money market return for the rights to the return of a specific index, such as Dow Jones REIT or commodity indices. All swaps entered into by SDCERA are fully collateralized by cash at least equal to the notional value of the most recent reset. Allowing insufficient collateral is strictly prohibited by the Investment Policy Statement.

Options and forwards are standard 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 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 in 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.

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.

CAPITAL ASSETS

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 capital assets is depicted in the table below:

	Balance 07/01/2009	Additions	Deletions and Transfers	Balance 06/30/2010
Computer hardware, software and maintenance	$ 5,818,554	$ 569,629	$ 521,154	$ 5,867,029
Office furniture and fixtures	1,809,766	-	-	1,809,766
Leasehold Improvements	1,959,157	-	-	1,959,157
Software in progress	4,925,605	2,864,105	179,785	7,609,925
Total Capital Assets	**14,513,082**	**3,433,734**	**700,939**	**17,245,877**
Accumulated Depreciation	(6,899,611)	(1,038,343)	(11,579)	(7,926,375)
Net Capital Assets	**$ 7,613,471**	**$ 2,395,391**	**$ 689,360**	**$ 9,319,502**

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.

IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS

The provisions of Governmental Standards (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, is to be implemented as of June 30, 2010, however, this provision is not applicable to SDCERA.

Governmental Standards (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Investments*, was also implemented as of June 30, 2010. GASB Statement No. 53 establishes accounting and financial reporting standards for all state and local governments that enter into derivative instruments. As of June 30, 2010, SDCERA's derivative instruments are considered investments and not hedges for accounting purposes. SDCERA reported all investments, including investment derivative instruments, at fair value in prior fiscal years, therefore, the implementation of Statement No. 53 does not have a significant impact on the financial statements for the fiscal year ended June 30, 2010. Details for investment derivative instruments can be found in the Derivative subsection of Note 3.

RECLASSIFICATION

Certain reclassifications have been made to the comparative totals as of and for the year ended June 30, 2009 to conform to the presentation as of and for the year ended June 30, 2010.

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.

3 DEPOSITS AND INVESTMENTS

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

In accordance with GASB Statement No. 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, 2010, 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	$ 465,487	$ 465,487	$ –	$ –	$ –
Certificates of Deposits	232,501	232,501	–	–	–
Commercial Paper	1,121,376	1,121,376	–	–	–
Convertible Bonds	85,703	5,722	45,460	4,376	30,145
Corporate Bonds	11,201	–	7,673	2,065	1,463
Credit Funds	205,489	52,504	95,493	56,040	1,452
Emerging Market Debt Securities	707,566	128,989	194,722	126,442	257,413
International Bonds	101,671	101,208	391	–	72
Private Placements	1,501	285	1,216	–	–
Repurchase Agreements	503,784	503,784	–	–	–
Treasuries Inflation Index	378,959	455	134,151	124,564	119,789
US Treasuries	21,996	21,996	–	–	–
US Agencies	11,001	11,001	–	–	–
TOTAL	**$ 3,848,235**	**$ 2,645,307**	**$ 479,106**	**$ 313,488**	**$ 410,334**

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, 2010, SDCERA has no single issuer that exceeds 5% of total fixed income investments or plan net assets.

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, 2010:

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
AAA	$ 378,958	$ 0	$ 0	$ 145	$ 0	$ 379,103
AA	0	0	0	0	53,068	53,069
A	0	0	2,938	214	283,027	286,179
BBB	0	0	6,034	2,235	155,665	163,934
BB	0	0	11,714	47,219	120,286	179,219
B	0	0	15,777	124,915	3,538	144,230
CCC	0	0	4,028	31,435	0	35,463
CC	0	0	0	288	0	288
C	108	0	0	0	0	108
D	0	0	0	823	0	823
NR	1,443	1,653	18,378	36,827	91,984	150,285
	$ 380,509	**$ 1,653**	**$ 58,869**	**$ 244,102**	**$ 707,568**	**$ 1,392,701**

The credit risk table excludes short-term investments of approximately $2.4 billion which were included in the *Interest Rate Risk* table on Page 35.

Credit Risk	Domestic Fixed Income	Global Fixed Income	Convertibles Fixed Income	High Yield Fixed Income	Emerging Market Debt Fixed Income
AAA	99.6%	0.0%	0.0%	0.1%	0.0%
AA	0.0%	0.0%	0.0%	0.0%	7.5%
A	0.0%	0.0%	5.0%	0.1%	40.0%
BBB	0.0%	0.0%	10.3%	0.9%	22.0%
BB	0.0%	0.0%	19.9%	19.3%	17.0%
B	0.0%	0.0%	26.9%	51.2%	0.5%
CCC	0.0%	0.0%	6.8%	12.9%	0.0%
CC	0.0%	0.0%	0.0%	0.1%	0.0%
C	0.0%	0.0%	0.0%	0.0%	0.0%
D	0.0%	0.0%	0.0%	0.3%	0.0%
NR	0.4%	100.0%	31.1%	15.1%	13.0%
	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, corporate bonds, private placements, and other bonds. The overall weighted average rating for Domestic Fixed Income was AAA, excluding 0.4% of unrated securities.

GLOBAL FIXED INCOME PORTFOLIO

SDCERA's Global Fixed Income portfolio includes corporate bonds and sovereign debt. The small amount in the Global Fixed Income portfolio was unrated.

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 31.1% unrated securities.

HIGH YIELD FIXED INCOME PORTFOLIO

The weighted average rating of the High Yield Fixed Income Portfolio as of June 30, 2010, was B, excluding 15.1% of unrated securities in the portfolio.

EMERGING MARKET DEBT

SDCERA's Emerging Market Debt portfolio invests in sovereign debt of emerging countries. As of June 30, 2010, the Emerging Market Debt portfolio had an average credit rating of A, excluding 13.0% 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.

NET EXPOSURE TO FOREIGN CURRENCY RISK
As of June 30, 2010
(THOUSANDS OF DOLLARS)

Currency	Equity	Fixed Income	Real Estate	Overlay	FX	Total
SOUTH AFRICAN RAND	$ 29,044	$ 70,969	$ –	$ –	$ 14	$ 100,026
MEXICAN PESO	9,353	83,383	–	–	(114)	92,621
BRAZIL REAL	26,503	60,426	2	–	(271)	86,661
INDONESIAN RUPIAH	14,829	68,917	–	–	–	83,746
NEW TURKISH LIRA	13,856	49,954	–	–	–	63,810
POLISH ZLOTY	703	56,535	–	–	5,210	62,448
HUNGARIAN FORINT	2,269	56,605	–	–	38	58,913
COLOMBIAN PESO	1,090	50,874	–	–	–	51,964
HONG KONG DOLLAR	49,492	–	29	(0)	13	49,534
SOUTH KOREAN WON	33,243	14,081	–	–	(1,213)	46,111
THAILAND BAHT	3,470	39,270	–	–	–	42,740
MALAYSIAN RINGGIT	3,319	38,138	–	–	176	41,633
NEW TAIWAN DOLLAR	22,955	14,434	–	–	41	37,430
OLD RUSSIAN RUBLES	836	35,520	–	–	–	36,355
PERUVIAN NUEVO SOL	–	22,784	–	–	–	22,784
SINGAPORE DOLLAR	1,969	14,293	–	–	385	16,647
INDIAN RUPEE	15,346	–	–	–	(0)	15,346
EURO	6,082	81	9	(3)	9,042	15,211
PHILIPPINE PESO	567	14,364	–	–	–	14,930
EGYPTIAN POUND	3,736	6,510	–	–	–	10,245
JAPANESE YEN	7,348	0	76	0	2,152	9,576
CANADIAN DOLLAR	6,850	0	374	(6)	749	7,967
AUSTRALIAN DOLLAR	843	124	0	9	3,507	4,483
NIGERIAN NAIRA	3,249	–	–	–	–	3,249
Other (Less than $2 million holdings)*	(101,362)	13,446	15	–	299	(87,602)
Total	**$ 155,588**	**$710,706**	**$ 505**	**$ 0**	**$ 20,028**	**$ 886,827**

*** Includes Vietnamese Dong of ($7,146,424) and Pound Sterling of ($113,645,318).**

SECURITIES 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. Cash and non-cash collateral are pledged at 102% and 105% of the fair value of domestic securities and international 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. The security lending agents are required to indemnify SDCERA if the borrowers fail to return the borrowed securities.

SDCERA's securities lending transactions as of June 30, 2010 are summarized in the following table. The Fund lent $202,283,022 in securities and received cash collateral of $210,106,371 from borrowers.

SECURITIES LENT	SDCERA Securities Lent	Cash Collateral Received
Lent for Cash Collateral:		
Agency Discount Notes	$ 139,977,400	$ 142,799,950
US Treasury Bills	21,997,140	22,440,000
Domestic Corporate	10,470,795	10,703,738
Domestic Equities	23,648,098	24,293,786
International Equities	6,189,589	9,868,896
Total	**$ 202,283,022**	**$ 210,106,371**

SDCERA receives a premium on all securities it holds as collateral.

Cash collateral is invested in the agent's short-term investment pool, which as of June 30, 2010, had a weighted average maturity of 26 days. The agent's short-term investment pool is not rated. 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.

The following derivative instruments are reported in the financial statements in the domestic equity, international equity, fixed income, real estate, futures, and swaps categories. The following schedule shows SDCERA's derivative investments, as of June 30, 2010.

DERIVATIVE INSTRUMENTS
(THOUSANDS OF DOLLARS)

Derivative Type	Changes in Fair Value	Fair Value	Notional
Forwards	$ 8,231	20,028	2,016,162
Futures	(80,908)	(16,293)	2,489,834
Options	–	(536)	58,350
Swaps	70,318	(33,988)	465,000
Total	**$ (2,359)**	**(30,789)**	**5,029,346**

As of June 30, 2010, SDCERA has $1.7 billion in exposure to foreign currency primarily through external Equity and Fixed Income managers. SDCERA also has $289.4 million in currency exposure through the policy overlay program. Summary of SDCERA's forward contracts at June 30, 2010 are shown in the chart below (Dollars in thousands):

SUMMARY OF FORWARD CONTRACTS
As of June 30, 2010
(THOUSANDS OF DOLLARS)

	2010	
	Notional	Fair Value
Equity	$ 337,510	$ 2,165
Fixed Income	1,112,955	8,837
Overlay	545,000	8,655
Real Estate	20,697	371
TOTAL	**$ 2,016,162**	**$ 20,028**

SUMMARY OF FUTURES CONTRACTS
As of June 30, 2010
(THOUSANDS OF DOLLARS)

	2010	
	Notional	Fair Value
Global Equity Futures	$ 2,040,094	$ (16,374)
Fixed Income Futures	449,740	81
TOTAL	**$ 2,489,834**	**$ (16,293)**

SWAPS INVESTMENTS BY TYPE

Counterparty	Effective date	Maturity date	Terms	June 30, 2010 Notional value	June 30, 2010 Fair value
1. Commodity Swap					
Goldman Sachs	4/30/10	6/30/10	Pay 3 mos TBill, 0.40% spread. Settlement based on index pricing at monthly reset and termination date.	$ 200,000	$ (483)
Lehman Brothers*	NA	NA	NA	–	(14,355)
Barclays	5/28/10	6/30/10	NA	–	(269)
Total Commodity Swap				**200,000**	**(15,107)**
2. REIT Swap					
BNP Paribas	6/17/10	6/17/11	Pay 3 mos LIBOR, 0.25% spread. Settlement based on DJSRE Index pricing at monthly reset and expiration date.	265,000	(18,881)
Total internally managed Swap				**$ 465,000**	**$ (33,988)**

*** Closed. Pending transactions only.**

DERIVATIVE CREDIT RISK

For the internally managed Swaps, 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 that the counterparty cannot fulfill their obligation. The derivative instruments have a maturity of one year or less. A summary of counterparty credit ratings relating to forward contracts in asset positions as of June 30, 2010 is as follows.

SUMMARY OF CREDIT RATINGS
As of June 30, 2010
(THOUSANDS OF DOLLARS)

Credit Rating	Forward
AA	$ 23,536
AA-	3,650
A+	5,920
A	4,686
Total subject to credit risk	**$ 37,792**

4 FUNDING POLICY— PENSION PLAN

Pension 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 Employer contributions. Because there is no requirement to account for these contributions separately they are shown combined with the basic contributions.

The Employers have negotiated to pay all or a portion of most member contributions. In some cases, the employers have 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 Employers are 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.

The following schedule summarizes the contribution rates in effect at June 30, 2010. These rates are based on the actuarial valuation as of June 30, 2008. Contribution rates are expressed as a percentage of covered payroll. The member contribution rates (weighted average) depicted below vary according to age at entry, benefit tier level and certain negotiated contracts which provide for the Employer to pay a portion of the member's contribution.

Member Classification	Member Rates	Employer Rate
General members	9.18%–9.95%	16.45%
Safety members	11.93%	24.64%

During the year, pension contributions totaled $304,312,557, which included $46,416,076 in employee contributions, and $257,896,481 in employer contributions, which includes $68,426,385 in employee contributions paid by the employers.

SDCERA is an independent governmental entity. As such, the entire expense of administration of the retirement system is charged against the earnings of the Plans. 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 FUNDING POLICY— HEALTHCARE PLAN

The employer funds health allowances (OPEB)-based on a biennial actuarial valuation. The Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2008 established the employer contribution rate of 1.8% of covered payroll which amounted to $18.8 million for the fiscal year ended June 30, 2010. The Internal Revenue Code limits employer contributions to a 401(h) account to a maximum of 25% of the employer's normal cost contributions to the pension plan.

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 EMPLOYER CONTRIBUTIONS INCLUDES:

- Employer 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 Employer 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 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 Employer contributions for the sole purpose of payment of the cost of benefits described in the retirement law.

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, 2010.

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 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 8.00%.

THE HEALTH BENEFITS 401(H) ACCOUNT, also known as the OPEB plan, 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 employers 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 As of June 30, 2010 (THOUSANDS OF DOLLARS)		
Reserve for Member Contributions		
Active	$	393,910
Deferred		40,601
Subtotal		**434,511**
Reserve for Employer Contributions		3,001,126
Reserve for Retirement Allowances		4,434,342
Total		**7,869,979**
Reserve for Supplemental Benefits		111,244
Reserve for Disability Supplemental Benefits		14,366
Reserve for Undistributed Earnings		0
Reserve for Contingencies		0
Reserve for Smoothed Market Value Transition		563,332
Reserve for Market Stabilization		(1,689,977)
Total Retirement Fund		**6,868,944**
Health Benefits 401(h) Account		9,221
Total Fund	**$**	**6,878,165**

7 ADMINISTRATIVE EXPENSES

SDCERA's Board of Retirement annually adopts an administrative expense budget based on the total asset base at fair value on December 31 of the preceding year. By statute, the administrative expenses are charged against SDCERA's investment earnings and are limited to eighteen hundredths of one percent of the total assets of the retirement system as set forth under Government Code Section 31580.2.

ADMINISTRATIVE PENSION EXPENSES For the year ended June 30, 2010	
Total Asset Base, at fair value (December 31, 2009)	$ 7,822,778,172
Maximum Allowable for Administrative Expenses (.0018 X 7,822,778,172)	$ 14,081,001
Actual Administrative Expenses for the Fiscal Year	$ 10,441,458
Excess of Allowance over Actual Administrative Expenses	$ 3,639,543
Actual Administrative Expenses as a Percentage of Total Assets Base	0.13%

8 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).

REAL ESTATE, INFRASTRUCTURE AND PRIVATE EQUITY UNFUNDED COMMITMENTS

Not reflected in the accompanying Statement of Plan Net Assets are unfunded commitments to acquire real estate for investment totaling $94 million, infrastructure for $59 million and private equity for $385 million.

9 PENSION DISCLOSURES

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.

FUNDED STATUS (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]
6/30/10	$ 8,433,310	$ 9,999,161	$ 1,565,851	84.3%	$ 1,095,582	142.9%

The following summarizes the actuarial assumptions and methods used in the actuarial valuation as of June 30, 2010, the most recent valuation, and the June 30, 2008 actuarial valuation, which was used to determine current year contribution rates.

SUMMARY ACTUARIAL INFORMATION		
Valuation Date	June 30, 2010	June 30, 2008
Actuarial Cost Method	Individual entry-age normal cost method	Individual entry-age normal cost method
Amortization Method	Level percent of pay	Level percent of pay
Remaining Amortization Period	Twenty years closed	Twenty years closed
Asset Valuation Method	Five-year smoothed market	Five-year smoothed market
ACTUARIAL ASSUMPTIONS		
Investment Rate of Return*	8.00%	8.25%
Projected Salary Increase (General/Safety)**	5.00% / 5.50%	5.25% / 5.25%
Cost-of-Living Adjustments for Retirees	3.00% for Tier I and Tier A 2% for Tier B	3.00% for Tier I and Tier A
Inflation	3.50%	3.75%

*** Includes inflation of 3.50% for 2010 and 3.75% for 2008.**

**** Includes inflation of 3.50% for 2010 and 3.75% for 2008, across the board increase of 0.75% for 2010 and 0.50% for 2008, plus merit and longevity increases.**

The June 30, 2010 Actuarial Valuation reflects changes in the actuarial assumptions adopted by the Board. Those changes include a reduction in the investment return assumption from 8.25% to 8.00%, a reduction in the inflation assumption from 3.75% to 3.50%, an increase in the real "across the board" salary increase assumption from 0.50% to 0.75%, a reduction in the general promotional and merit increase from 1.00% to 0.75% and an increase in the safety promotional and merit increase from 1.00% to 1.25%, and a change to a more current mortality table. These actuarial assumption changes caused an increase in the Unfunded Actuarial Accrued Liability (UAAL) of $414.0 million and an increase in the employer contribution rate of 3.71% or $40.6 million, of which $29.5 million is the current year's amortization of the UAAL, and an increase in the employee contribution rate of 0.66% or $7.2 million.

Key findings from the June 30, 2010 actuarial valuation include the following:

- The ratio of the valuation value of assets to actuarial accrued liabilities, the funded ratio, decreased from 91.5% to 84.3%
- The total employer contribution rate for fiscal year 2011–2012 will increase from 20.46% of payroll to 26.98% of payroll primarily due to lower than expected returns on the valuation value of assets after "smoothing" and the effect of the new actuarial assumptions adopted by the Board for this valuation.
- The Individual entry age based member rates changed as a result of the new actuarial assumptions adopted by the Board for this valuation. The average member rate for fiscal year 2011–2012 will increase 10.28% of payroll to 10.94% of payroll.
- The total unrecognized investment loss as of June 30, 2010 was $1,690.0 million, versus an unrecognized loss of $2,381.1 million in the June 30, 2009 valuation. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes over the next few years, to the extent it is not offset by recognition of investment gains derived from future experience.
- If the unrecognized investment losses were recognized immediately the funded ratio would decrease from 84.3% to 67.4%, this number was 65.6% in the prior valuation. The 67.4% funded ratio is developed after reflecting the new actuarial assumptions adopted by the Board for the June 30, 2010 valuation. The funded ratio would have been 70.4% before reflecting the new actuarial assumptions.
- If the unrecognized investment losses were recognized immediately the aggregate employer contribution rate for fiscal year 2011–2012 would increase from 26.98% of payroll to 38.00% of payroll, this number was 35.83% in the prior valuation. Again, the 38.00% of payroll rate is developed after reflecting the new actuarial assumptions adopted by the Board for the June 30, 2010 valuation. The employer contribution rate would have been 34.29% before reflecting the new actuarial assumptions.
- Effective August 28, 2009, the employer has implemented new "Tier B" plans for General and Safety members the costs associated with these plans are reflected in the results of this valuation.

10 OTHER POST EMPLOYMENT BENEFITS (OPEB)

FUNDED STATUS (OPEB)
(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]
6/30/10	$9,221	$206,447	$197,226	4.5%	$1,095,582	18.0%

SUMMARY ACTUARIAL INFORMATION FOR HEALTHCARE PLAN		
Valuation Date	June 30, 2008	June 30, 2010
Actuarial Cost Method	Individual entry-age normal cost method	Individual entry-age normal cost method
Amortization Method	Separate declining 20-year bases starting June 30, 2007, amortized as level dollar amount.	Separate declining 20-year bases starting June 30, 2007, amortized as level dollar amount.
Remaining Amortization Period	Various	Various
Asset Valuation Method	Market Value	Market Value
ACTUARIAL ASSUMPTIONS		
Investment Rate of Return*	8.25%	8.00%
Projected Salary Increase	Not Applicable	Not Applicable
Projected increase in maximum Health Insurance Allowance	None	None
Inflation Rate	Not Applicable	Not Applicable
Medical cost trend rate	9.00% graded down to ultimate rate of 5.00% over 8 years	10.00% graded down to ultimate rate of 5.00% over 10 years
Dental cost trend rate	5.00%	5.00%

*** Includes inflation of 3.75% for 2008 and 3.50% for 2010.**

OPEB ACTUARIAL VALUATION

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. The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

SCHEDULE I—FUNDING PROGRESS (PENSION PLAN)

(THOUSANDS OF DOLLARS)

Valuation Date	A Valuation Assets[1]	B Actuarial Accrued Liability (AAL)[2]	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	C Annual Covered Payroll	UAAL as % of Covered Payroll [(B-A)/C]
6/30/05	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 %
6/30/10	$ 8,433,310	$ 9,999,161	$ 1,565,851	84.3%	$ 1,095,582	142.9%

[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.**

SCHEDULE II—EMPLOYER CONTRIBUTIONS (PENSION PLAN)

(THOUSANDS OF DOLLARS)

Year Ended	Annual Required Contribution (ARC)	Contributions Made	% of Required Contributions Made
6/30/05	$ 235,122	$ 259,988	110.6
6/30/06	202,445	242,443	119.8
6/30/07	234,106	257,677	110.1
6/30/08	236,763	236,763	100.0
6/30/09	219,635	219,635	100.0
6/30/10	188,414	189,470	100.6

Source: The Segal Group, Inc. Annual Actuarial Valuation, June 30, 2010.

SCHEDULE III—FUNDING PROGRESS (OPEB 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]
6/30/07	$ *	$ 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%
6/30/10	$ 9,221	$ 206,447	$ 197,226	4.5%	$ 1,095,582	18.0%

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

Source: The Segal Group, Inc. Bienniel Actuarial Valuation.

SCHEDULE IV—EMPLOYER CONTRIBUTIONS (OPEB PLAN)
(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%
6/30/10	$18,789	$18,789	100.0%

SCHEDULE V—INVESTMENT EXPENSES

For the year ended June 30, 2010

(THOUSANDS OF DOLLARS)

Individual or Firm	Net Assets Managed at Fair Value	Fees
Domestic Equity Managers		
DH Small Transition (Managed by BGI)	$ –	$ (2)
Legato Capital Management	142,787	1,266
Nicholas Applegate	66,427	390
SSGA S&P 500 Index Fund	–	59
Total Domestic Equity Managers		**1,713**
International Equity Managers		
Artisan Partners	1,177	1,158
Ballie Gifford	159,693	1,232
Berens Capital Management, LLC	31,651	205
Capital Guardian Trust Company	4,315	573
Genesis Asset Management	189,934	1,282
Pyramis Global Advisors	1,069	859
Mondrian Investment Partners Ltd.	1,867	1,010
Morgan Stanley Transition	926,727	370
Total International Equity Managers		**6,689**
Overlay		
AEGIS	–	146
Barclays Global Investors	1,260	597
Campbell & Company	23,847	1,207
FX Concepts, Inc.	–	875
Graham Capital	18,390	2,722
Kenmar	29,125	4,208
Mellon Capital Management	–	1,125
Russell Investment Group	421,949	442
Total Overlay		**11,322**
Fixed Income Managers		
Ashmore	309,936	2,416
Colchester Global Investments	21,952	1,110
GoldenTree Asset Management	22,975	3,571
Oaktree Capital Management LLC	139,383	714
Pacific Investment Management Company	5,513	1,378
Silver Point Capital	41,949	513
TCW Asset Management	290	1,880
Zazove Associates	54,401	236
Bridgewater Associates, Inc.	–	197
Total Fixed Income Managers		**12,015**
Opportunistic		
Barclays Global Investors	–	(762)
BlackRock	44,653	178
Bridgewater Associates, Inc.	48,898	1,683
Carlson Capital	49,419	1,637
DE Shaw	30,019	2,224
Moon Capital	80,080	281
Total Opportunistic		**5,241**

SCHEDULE V — INVESTMENT EXPENSES (Continued)

For the year ended June 30, 2010

(THOUSANDS OF DOLLARS)

Individual or Firm	Net Assets Managed at Fair Value	Fees
Infrastructure		
Global Infrastructure Partners	56,804	1,257
Macquarie Infrastructure Partners	37,026	887
Total Infrastructure		2,144
Commodities		
Western Asset Management	1,684	227
Jefferies Asset Management	19,992	201
Total Commodities		428
Private Equity Managers		
Apex Investment Fund V, L.P.	2,285	76
Apex Investment Fund VI, L.P.	5,578	169
Arch Venture Fund V	2,552	46
Bain Capital IX Coinvestment	1,017	(28)
Bain Capital X	4,840	227
Blackstone Capital Partners V	8,953	109
Brazos Private Equity Partners	–	67
Capital Int'l Emerging Mkts Private Equity	3,487	41
Capital Int'l PE Fund V, LP	7,146	208
Cerberus Institutional Partners II	4,435	85
Cerberus Institutional Partners IV	13,009	223
Charterhouse VIII	7,673	28
Code, Hennessy & Simmons IV	1,961	42
Coller International Partners V-A	4,762	79
Columbia Capital	9,058	150
DAG Venture IV	4,788	127
Darwin Venture Capital	6,601	59
Drug Royalty II/LSRC II S.ar.l	2,470	158
Emerging Europe Growth Fund II	1,991	300
EnerVest Energy Institutional Fund X	6,923	150
EnerVest Enegery Institutional Fund XI -B	9,633	300
EnCap Energy Capital Fund VI	7,166	63
EnCap Energy Capital Fund VII	4,275	157
Forward Ventures IV	1,881	114
Graham Partners	6,716	69
Granite Global Ventures II	7,299	(93)
Granite Global Ventures III	9,048	341
Greenbriar Equity Fund II, LP	501	157
Harbourvest Partners International	11,163	6
Hellman & Friedman Investors VI, LLC	11,545	193
Kayne Anderson Energy Fund V	642	325
Lexington Capital Partners V	3,823	49
Lexington Capital Partners VI	6,034	79
Lighthouse Capital Partners	3,556	160
Merit Energy	2,916	9
Meritech Capital Partners II	3,110	49
Mission Ventures I	2,208	(20)
Mission Ventures II	8,375	199
Northgate Venture Partners II, LP	7,773	104
Northgate PE Partners II, LP	9,979	148
Northgate Venture Partners III	4,852	125
Northgate Venture PE Partners III, LP	6,834	209
Oak Investment Partners XI	7,244	228

SCHEDULE V — INVESTMENT EXPENSES (Continued)

For the year ended June 30, 2009

(THOUSANDS OF DOLLARS)

Individual or Firm	Net Assets Managed at Fair Value	Fees
Oak Investment Partners XII	10,248	338
Oakhill Capital Management	2,420	20
OCM Opportunities Fund IV	47	2
OCM Opportunities Fund VI	4,069	47
OCM Opportunities Fund VII	6,992	115
OCM Opportunities Fund VII B	15,782	187
Onex Partner III	850	204
Paul Capital Partners VIII-B, LP	8,794	179
Paul Capital Partners IX, LP	8,622	327
Providence Equity Partners V, LP	9,961	31
Sofinnova Venture Partners VII, LP	2,851	104
Sorrento Ventures	3,602	(11)
TA Associates Subordinated Debt Fund	638	20
TA Associates Subordinated Debt Fund II	5,464	26
TA Associates IX	3,310	66
TA Associates X, L.P.	9,056	280
Thomas Lee Equity	8,234	14
Total Private Equity Managers		7,236
Real Estate Managers		
Blackstone Real Estate Partners	15,489	555
California Smart Growth Fund IV	8,345	263
Canyon Johnson Urban Fund	17,474	374
CB Richard Ellis	128	446
ING Realty	66	1
The RREEF	–	341
Southern California Smart Growth Fund	8,154	246
Total Real Estate Managers		2,226
Master Custodian		
BNY Mellon	–	1,860
Total Master Custodian		1,860
Other Professional Fees		
Albourne America LLC		673
Bear Measurisk, LLC	–	176
Cambridge Capital Advisors	–	(149)
Ennis Knupp	–	468
Integrity Capital	–	762
Mount Lucas Index Management	–	850
Plexus	–	28
S&P Rating Services	–	8
The Segal Company	–	305
The Townsend Group	–	100
Other	–	83
Total Other Professional Fees		3,304
Administrative, Support and Other	–	5,023
Total Investment Expenses		**$ 59,201**

SCHEDULE VI — ADMINISTRATIVE EXPENSES

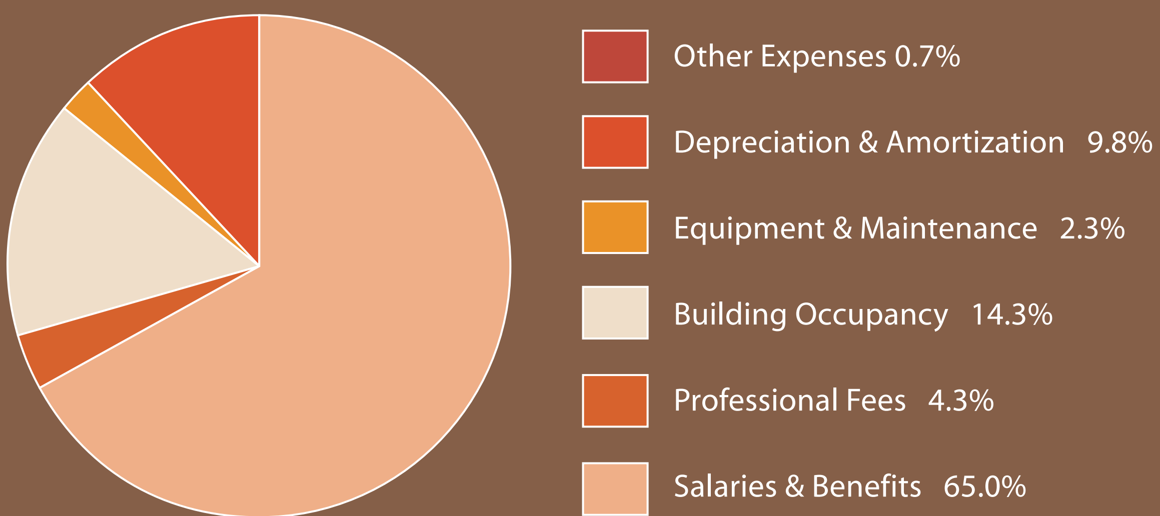
For the year ended June 30, 2010

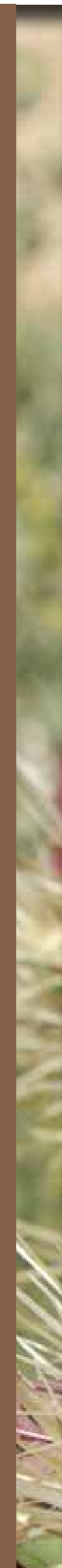
(THOUSANDS OF DOLLARS)

Expense Category	Pension	Healthcare
Salaries and Benefits	$ 7,154	$ 324
Professional Fees	447	47
Building Occupancy Expenses	1,490	63
Equipment and Maintenance	243	–
Depreciation and Amortization	1,028	–
Other Expenses	78 *	374
Total Administrative Expenses	**$ 10,441**	**$ 808**

* **Other Expenses exclude allocations to Investments and Healthcare expenses.**

ADMINISTRATIVE PENSION EXPENSES BY CATEGORY 2010





SCHEDULE VII — SCHEDULE OF PAYMENTS TO CONSULTANTS

(THOUSANDS OF DOLLARS)

Type of Service	
Legal Services	$ 1,484.8
Computer Services	328.5
Actuarial Services	304.5
Audit Services	68.5
Healthcare Consulting Services	46.8
Total Payments to Consultants	**$ 2,233.1**

investments

INTEGRITY CAPITAL SERVICES, LLC

14647 VIA AZUL • SAN DIEGO • CA • 92127 512 . 779 . 3505

November 1, 2010

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:

Integrity Capital Services (ICS), Portfolio Strategist for the San Diego County Employees Retirement Association (SDCERA), is pleased to present this review of SDCERA's investment performance over the past fiscal year.

Market Update and Portfolio Performance

The fiscal year ended June 30, 2010, was marked by a continuation of the global recovery that began in March 2009. Both the Federal Reserve and U.S. Congress took extraordinary measures to induce both monetary and fiscal stimulus to the U.S. economy, which caused industrial production, consumer spending, business inventories and overall growth to return to normal levels. Despite these improving conditions, the unemployment rate rose from 9.27% to 9.70% over the course of the year. Similarly, the single-family home foreclosure rate rose from 4.30% to 4.57% of loans outstanding.

This combination of economic expansion, rising unemployment and growing foreclosures set the stage for the Federal Reserves' resolve to maintain an accommodative monetary policy that fueled the appreciation of risky assets while placing pressure on the U.S. Dollar. Developed market equities rose 10.86% over the course of the year while emerging markets rose 23.15%. High Yield bond yields decreased from 12.28% at the beginning of the fiscal year to 9.16% at the end of the fiscal year, which resulted in a 26.76% return for this asset class. The interest rate on 10-year U.S. Treasury Notes fell from 3.53% to 2.93% over the course of the year. The trade-weighted U.S. Dollar fell 25.41% against its major trading partners in the wake of this period of unprecedented monetary stimulus.

SDCERA's investment portfolio appreciated 13.02% during this period versus the fund's overall benchmark performance of 10.86%. This significant outperformance was principally due to an overweight to credit-related strategies overall and strong security selection across both equity and debt markets.

Outlook

As we look forward to the next fiscal year, we believe that the central bankers of developed market economies will be forced to keep policy rates low in the midst of a precarious recovery. Both equity and credit markets are at attractive valuation levels; however, in the wake of growing foreclosures, high unemployment and consumer deleveraging, it appears that corporate revenues may grow at a lower trajectory, which could limit stock price appreciation over the coming year. Accordingly, equities and corporate credit may generate positive relative returns but their nominal returns may be lower than historic norms.

From a more strategic perspective, the financial markets seem to be at an economic crossroad: the structural tailwinds of deregulation, disinflationary policies, credit creation, lower taxation and the adoption of equities as the preferred asset class, which helped bolster developed market economies for the past 20 years, has shifted to the headwinds of re-regulation, inflationary policies, deleveraging, increasing taxation and portfolio diversification. These conditions that characterize many of the developed markets, especially the United States, are not echoed by their emerging markets counterparts who are entering the growth phase of their development lifecycles.

Buoyed by positive demographics, improving fiscal conditions and a shift toward internal demand; emerging markets offer more attractive growth opportunities than developed market alternatives; possess stronger national balance sheets; and evidence better demographic structures.

As developed market central bankers combat these structural forces, pressure will continue to weigh on developed market currencies. Emerging market currencies and hard assets may serve as attractive alternatives.

Initiatives

Throughout the fiscal year, ICS, SDCERA staff and the SDCERA consulting team have pursued three key initiatives: (1) risk management and surveillance, (2) diversification and (3) the structural separation of market and active risks. On the risk management front, we initiated a factor based risk-analysis framework that assesses both systematic and idiosyncratic sources of risk; established a manager tracking database; strengthened our manager due diligence process; designed a manager surveillance methodology; enhanced counterparty risk management procedures; and initiated a new placement agent policy. The Board of Retirement adopted an investment policy and a strategic asset allocation that is designed to perform well across a variety of growth, inflation and liquidity scenarios. The new portfolio structure makes full use of traditional and alternative investment vehicles while managing overall costs.

Financial markets are in a period of heightened volatility and economic uncertainty. The current level of sovereign, sub-national and consumer debt appears unsustainable and the current policy response may have mixed results. ICS continues to work with SDCERA to manage these risks, by focusing on diversification and using a forward looking approach to risk management, both of which help steer the course through stormy economic waters.

I look forward to continuing to work with SDCERA on these initiatives, which I believe will help protect the fund from these economic cross currents while attaining its long-term performance goals.

Sincerely,

Lee Partridge
Chief Executive Officer
Integrity Capital Services, LLC

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.

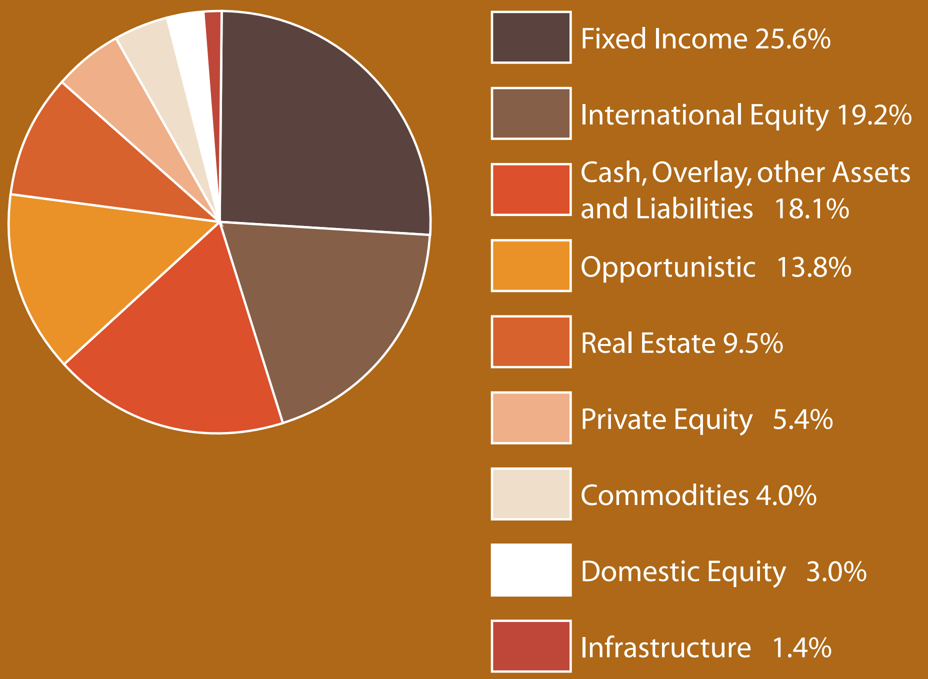
(b) With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(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, 2010



ASSET ALLOCATION

As of June 30, 2010

(THOUSANDS OF DOLLARS)

Asset Type	Fair Value	Percent of Total	Target Percent of Total
Domestic Equity	$ 209,262	3.0 %	17.5 %
International Equity	1,316,433	19.2 %	17.5 %
Fixed Income	1,759,992	25.6 %	29.0 %
Real Estate	655,398	9.5 %	4.0 %
Private Equity	370,514	5.4 %	10.0 %
Commodities	278,625	4.0 %	5.0 %
Infrastructure	94,310	1.4 %	5.0 %
Opportunistic	948,691	13.8 %	12.0 %
Overlay	494,035	7.2 %	0.0 %
Cash and other Assets and Liabilities	750,905	10.9 %	0.0 %
Total	**$6,878,165**	**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	13.0%	(4.9%)	2.6%	3.7%	Custom Benchmark[1]	10.8%	(2.6%)	4.1%	3.6%
					Master Trust Median	13.3%	(4.0%)	3.1%	3.4%
					Public Fund Sponsors Median	13.1%	(4.0%)	3.2%	3.4%
					Actuarial Rate of Return	8.25%			
Domestic Equity	18.1%	(13.6%)	(3.6%)	(1.4%)	Russell 3000 Index	15.7%	(9.5%)	(0.5%)	(0.9%)
Non-US Equity—Developed Markets	7.6%	(12.5%)	2.3%	1.4%	MSCI EAFE Index	6.4%	(12.9%)	1.4%	0.6%
Non-US Equity—Emerging Markets	29.1%	(0.6%)	14.4%	11.8%	MSCI Emerging Markets Index	23.5%	(2.2%)	13.1%	10.3%
Fixed Income— TIPS	10.8%	8.0%	N/A	N/A	Barclay's US Inflation Linked Bond Index	9.5%	7.6%	N/A	N/A
Fixed Income—High Yield	35.2%	1.5%	N/A	N/A	Citigroup HY Cash-Pay Index	24.9%	6.0%	N/A	N/A
Fixed Income—Emerging Market Debt	15.7%	4.6%	8.5%	N/A	JP Morgan Global EMBI	17.9%	8.2%	8.2%	N/A
Fixed Income—US	14.5%	10.2%	6.7%	7.9%	Fixed Income Custom Benchmark[2]	9.5%	8.8%	5.9%	6.8%
All-Weather	16.1%	2.1%	N/A	N/A	All-Weather Custom Benchmark[3]	18.1%	7.5%	N/A	N/A
Commodities	10.6%	(10.2%)	(7.6%)	N/A	Goldman Sachs Commodity Index	(5.4%)	(12.5%)	(8.1%)	N/A
Infrastructure	7.9%	N/A	N/A	N/A	Infrastructure Custom Benchmark	5.9%	N/A	N/A	N/A
Opportunistic	12.0%	0.1%	N/A	N/A	Opportunistic Custom Benchmark	13.2%	(5.7%)	N/A	N/A
Real Estate	(10.8%)	(12.0%)	(1.7%)	7.4%	Real Estate Custom Benchmark[4]	(1.7%)	(7.4%)	2.0%	8.5%
Private Equity	16.2%	(3.0%)	5.8%	4.6%	Private Equity Custom Benchmark[5]	10.3%	(2.7%)	6.2%	2.1%
Cash	0.3%	1.6%	2.9%	2.9%	US 90-Day T-Bill Index	0.2%	1.6%	2.8%	2.7%

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.

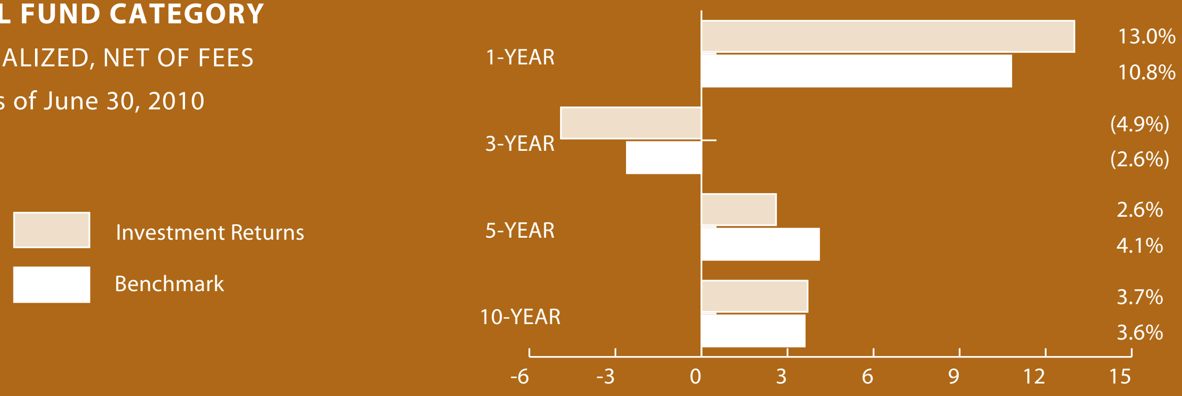
2 The performance benchmark for U.S. Bonds is the Barclays Capital Aggregate Bond Index.

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, 2010



TOP 10 HOLDINGS—EQUITY
As of June 30, 2010

Shares	Security Name	Market Value
11,900	Samsung Electronics CO LTD	$ 7,537,531
272,600	VALE SA	6,637,810
1,708,981	Hon Hai Precision Industry	6,063,328
1,326,400	Turkiye Garanti Bankasi	5,571,173
583,200	OGX Petroleo E Gas	5,409,766
155,100	Petroleo Brasileiro SA	5,323,032
231,750	ITAU Unibanko Holdings SA	4,173,818
1,871,900	Wal-Mart De Mexico	4,160,940
24,200	Hyundai Mobis	4,099,463
91,100	Proto Corporation JPY50	3,484,840

TOP 10 HOLDINGS—FIXED INCOME
As of June 30, 2010

Book Value	Description	Market Value
$ 3,803,500	Cell Therapeutics Inc	$ 5,666,000
2,608,175	Edeavor International Corp Inc	3,163,060
3,204,500	First Data Corp	2,584,000
2,102,070	China Med Technilogies Inc	2,123,725
1,348,407	Headwaters Inc Conv	2,122,050
2,143,874	Fibertower Corp	2,116,138
1,557,643	Rite Aid Corp	2,062,085
1,607,738	Greenbrier Cos Inc	1,988,675
1,454,850	Jazz Technologies Inc	1,987,900
1,569,000	Horizon Lines Inc	1,856,250

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

INVESTMENT FEES BY CATEGORY

As of June 30, 2010	Fees (000's)
Overlay	$ 11,321
Fixed Income	12,016
Private Equity	7,234
International Equity	6,689
Opportunistic	5,631
Real Estate	2,225
Other Professional Fees	3,305
Master Custodian	1,860
Domestic Equity	1,323
Infrastructure	2,144
Commodities	428
Administrative, Support and Other	5,025
Total Investment Expenses	$ 59,201

COMMISSIONS PAID – DOMESTIC EQUITY

For the year ended June 30, 2010

No.	Brokerage Firm	Total Commissions	% of Total Commissions
1	Goldman Sachs & Co.	$ 66,911	11.48%
2	Barclays Bank	66,324	11.38%
3	Citigroup Global Market Inc	45,448	7.80%
4	State Street Global Markets LLC	34,854	5.98%
5	Baypoint Trading LLC	32,080	5.50%
6	Merrill Lynch Pierce Fenner Smith Inc	20,273	3.48%
7	BNY Convergex	19,957	3.42%
8	Baird, Robert W & Co Inc	18,710	3.21%
9	Liquidnet Inc	16,189	2.78%
10	Other*	262,054	44.96%
	Total	**$ 582,800**	**100.00 %**

*** Includes approximately 113 additional firms, each with less than 2.4% 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, 2010

No.	Brokerage Firm	Total Commissions	% of Total Commissions
1	Morgan Stanley & Co	$ 431,345	30.30% %
2	Goldman Sachs & Co	88,336	6.21% %
3	Credit Suisse	86,770	6.10% %
4	JP Morgan Securities	80,765	5.67% %
5	Merrill Lynch	79,897	5.61% %
6	Deutsche Banc Securities	73,555	5.17% %
7	UBS Securities	71,422	5.02% %
8	Citigroup Global Markets	52,864	3.71% %
9	Nomura Securities	40,508	2.85% %
10	Other**	418,122	29.36% %
	Total	**$1,423,585**	**100.00 %**

**** Includes approximately 118 additional firms, each with less than 2.8% of total commissions.**

SUMMARY OF INVESTMENT PORTFOLIO BY TYPE

As of June 30, 2010

Investment Description	Fair Value	% of Total Fair Value
Domestic Equity		
Total Domestic Equity	**209,261,862**	**3.0 %**
International Equity	1,316,476,340	19.1 %
Total Equity	**1,525,738,202**	**22.2 %**
Fixed Income		
US Government Obligations	451,263,039	6.6 %
International Bonds	711,817,034	10.4 %
Domestic Investment Grade Bonds	56,799,019	0.8 %
Domestic High Yield Bonds	43,175,424	0.6 %
Domestic Convertible Bonds	58,868,309	0.9 %
Total Fixed Income	1,321,922,825	19.2 %
Other Investments		
Real Estate	408,250,064	6.0 %
Private Equity	370,514,330	5.4 %
Cash and Securities for REIT Swaps	292,146,217	4.2 %
Cash and Securities for Commodity Swaps	246,120,971	3.6 %
Multi-Strategy Hedge Fund	64,566,632	0.9 %
Relative Value Fund	300,000,000	4.4 %
Opportunistic	127,824,295	1.9 %
Cash and Securities for Overlay Futures	438,157,589	6.4 %
Global Macro Hedge Fund	389,613,673	5.7 %
Infrastructure	94,309,984	1.4 %
Emerging Market Debt	1,017,503,127	14.8 %
Long/Short Hedge Fund	101,722,771	1.5 %
Other Assets and Liabilities	179,774,430	2.6 %
Total Other	4,030,504,083	58.6 %
Net Investment Portfolio	**$ 6,878,165,110**	**100.0 %**

SUMMARY OF RETIREMENT PORTFOLIO BY MANAGER AND ASSET TYPE

As of June 30, 2010

Securities Description	Asset Type	Fair Value
Domestic Equity		
Nicholas Applegate	Convertible	$ 66,427,296
Unallocated Securities	Other	47,477
Total Domestic Equity		**66,474,773**
International Equity		
Mondrian	Value	1,866,709
Pyramis Global Advisors (Fidelity)	Core	1,068,541
Artisan	Growth	1,177,046
International Small Cap Mandate	Small Cap	4,315,174
Morgan Stanley Transition Account	Transition	926,726,692
Berens Capital Management	Emerging Markets	31,695,211
Baillie Gifford	Emerging Markets	159,692,941
Genesis	Emerging Markets	189,934,026
Total International Equity		**1,316,476,340**
Total Equity		**1,382,951,113**
Fixed Income		
Ashmore Emerging Markets Debt	Emerging Market Debt	309,936,433
Blackrock Credit Investors, LP	Credit	44,653,053
Colchester Global	US Fixed Income	21,952,226
Davidson Kempner	Event Driven/Multi-Strategy	32,415,427
Golden Tree	High Yield	22,974,772
Oaktree Bank Loan Fund	Credit	10,937,934
Oaktree Capital Mgt	High Yield	122,567,858
OCM High Yield Convertible	High Yield	6,056,893
Zazove Associates High Yield	High Yield	53,650,704
Pimco	Core Plus	2,212,340
PIMCO - TIPS	Inflation protected	3,300,848
Silver Point	Credit/Multi-Strategy	41,544,712
SSGA TIPS	Inflation protected	378,958,113
TCW Credit	Credit	288,316
TCW MBS	Core	1,389
Wellington	Emerging Market Debt	707,566,694
Total Fixed Income		**1,759,017,712**
Real Estate, Private Equity and Other		
Real Estate	Real Estate	655,397,557
Private Equity	Private Equity	370,514,331
Cash and Securities for Commodity Swaps	Commodity Swaps	258,632,912
Multi-Strategy Hedge Fund	Multi-Strategy	64,566,632
Opportunistic	Renewable Energy/Global	948,467,142
Overlay Cash and Securities	Overlay Cash and Securities	494,035,236
Global Macro Hedge Fund	Global Macro	389,613,673
Infrastructure	Global Infrastructure	94,309,985
Long/Short Hedge Fund	Long/Short	101,722,771
Other Assets and Liabilities	Other	358,936,046
Net Investment Portfolio		**6,878,165,110**

actuarial

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 23, 2010

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, 2010 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, it is our understanding that 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, 2010 actuarial valuation, The Segal Company (Segal) conducted an examination of all participant data for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the Association's financial statements. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return over a five-year period.

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

Components of the UAAL are amortized as a level percentage of payroll over a 20-year period. Future components of the UAAL will be amortized over separate 20-year periods. The progress being made towards meeting the funding objective through June 30, 2010 is illustrated in the Schedule of Funding Progress and History of Employer Contribution Rates.

Board of Retirement
San Diego County Employees Retirement Association
November 23, 2010
Page 2

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

1. Schedule 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, 2009 Experience Analysis or in conjunction with the June 30, 2010 actuarial valuation. It is our opinion that the assumptions used in the June 30, 2010 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, 2012 and those assumptions will be used in setting the contribution rates in the June 30, 2013 actuarial valuation. The 8.00% net investment earnings assumption has been developed without taking into consideration the impact of any future allocations of "excess earnings" as described in the Board's interest crediting and excess earnings policy.

In the June 30, 2010 valuation, the ratio of the valuation assets to actuarial accrued liabilities decreased from 91.5% to 84.3%. The employer's rate has increased from 20.46% of payroll to 26.98% of payroll, while the employee's rate increased from 10.28% of payroll to 10.94% of payroll.

In the June 30, 2010 valuation, the actuarial value of assets included $1,690.0 million in deferred investment losses, which represented 25% 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 84.3% to 67.4%[(1)] and the aggregate employer contribution rate, expressed as a percent of payroll, would increase from 26.98% to 38.00%[(1)].

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/kek
Enclosures

(1) *Both the market value basis funded ratio and contribution rate have been calculated after reflecting the new actuarial assumptions adopted by the Board for this valuation. The market value basis funded ratio and contribution rate before reflecting the new actuarial assumptions are 70.4% and 34.29%, respectively.*

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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 E-MAIL AND USPS

December 3, 2010

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, 2010. 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 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
December 3, 2010
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, 2006 through June 30, 2009 and in conjunction with the June 30, 2010 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

TXB/hy
Enclosures

SHORT-TERM SOLVENCY TEST
(THOUSANDS OF DOLLARS)

Aggregate Accrued Liablities for					Portion of Accrued Liability Covered by Reported Assets			
Valuation Date	Active Member Contributions[1]	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)
6/30/05	$ 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%**
6/30/10	434,512	5,133,785	4,430,864	9,999,161	**8,433,310**	**100%**	**100%**	**64.70%**

[1] Liabilities for vested deferred members are included in Active Member Contributions.
Source: The Segal Company, Annual Actuarial Valuation, June 30, 2010.

HISTORY OF EMPLOYER CONTRIBUTION RATES

	General Members			Safety Members		
Valuation Year Ended	Normal %	UAAL %	Total %	Normal %	UAAL %	Total %
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
06/30/2010	13.06	11.05	24.11	20.92	16.25	37.17

Source: The Segal Company, Annual Actuarial Valuation, June 30, 2010.

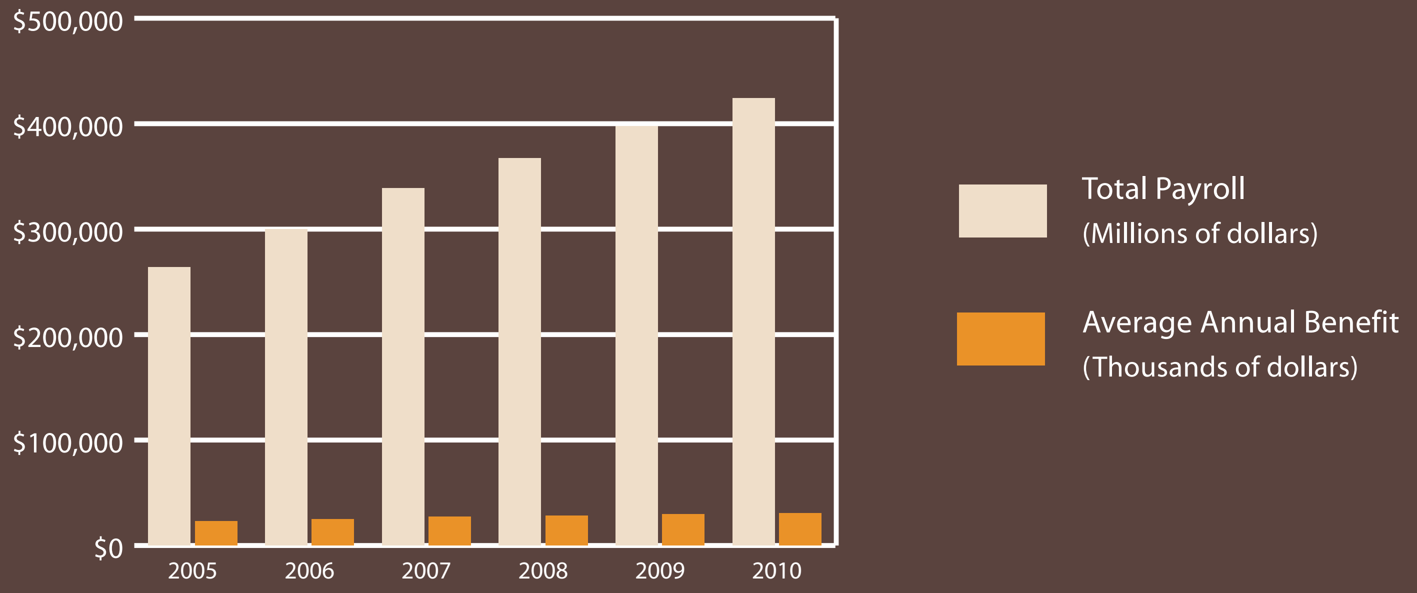
DEMOGRAPHIC ACTIVITY OF RETIREES AND BENEFICIARIES
For the years ended June 30

	Added to 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
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%
2010	806	33,675,288	337	7,109,364	13,922	424,332,732	6.7%	30,479	3.1%

[1] Includes automatic cost-of-living adjustments granted on April 1.
Source: The Segal Company, Annual Actuarial Valuation, June 30, 2010.

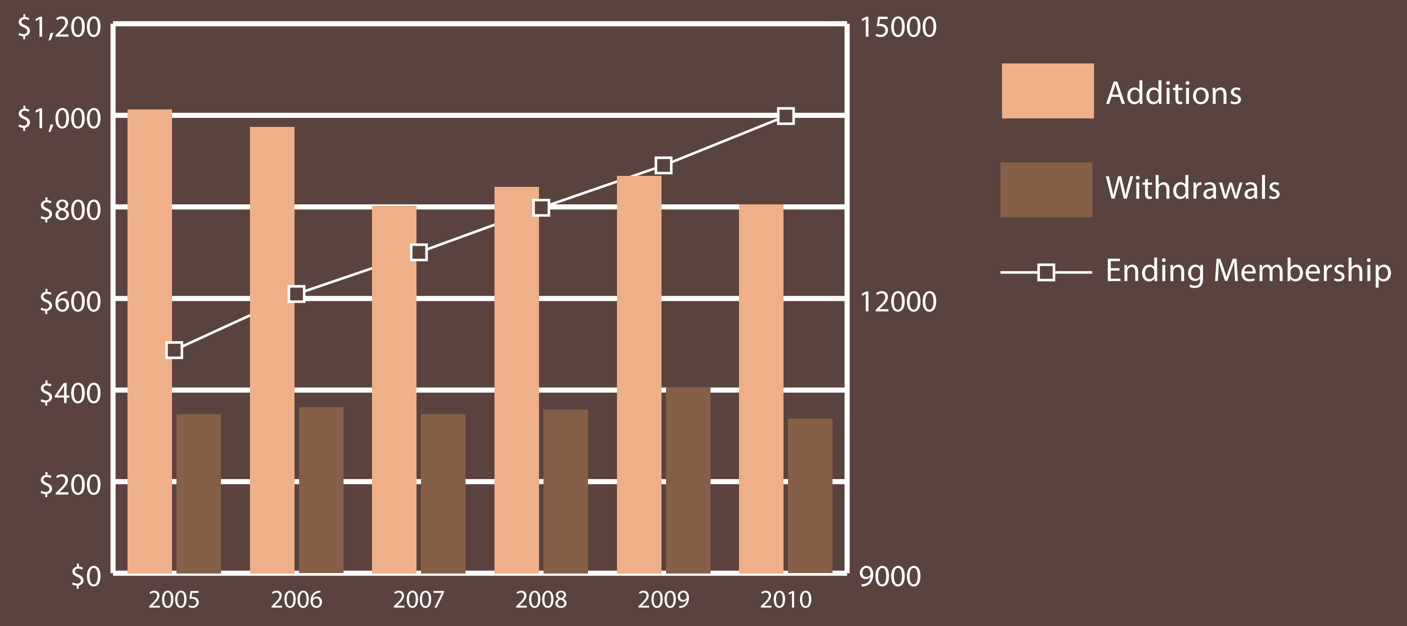
RETIREMENT PAYROLL AND AVERAGE ANNUAL PENSION BENEFIT

For the years ended June 30



MEMBERSHIP ACTIVITY

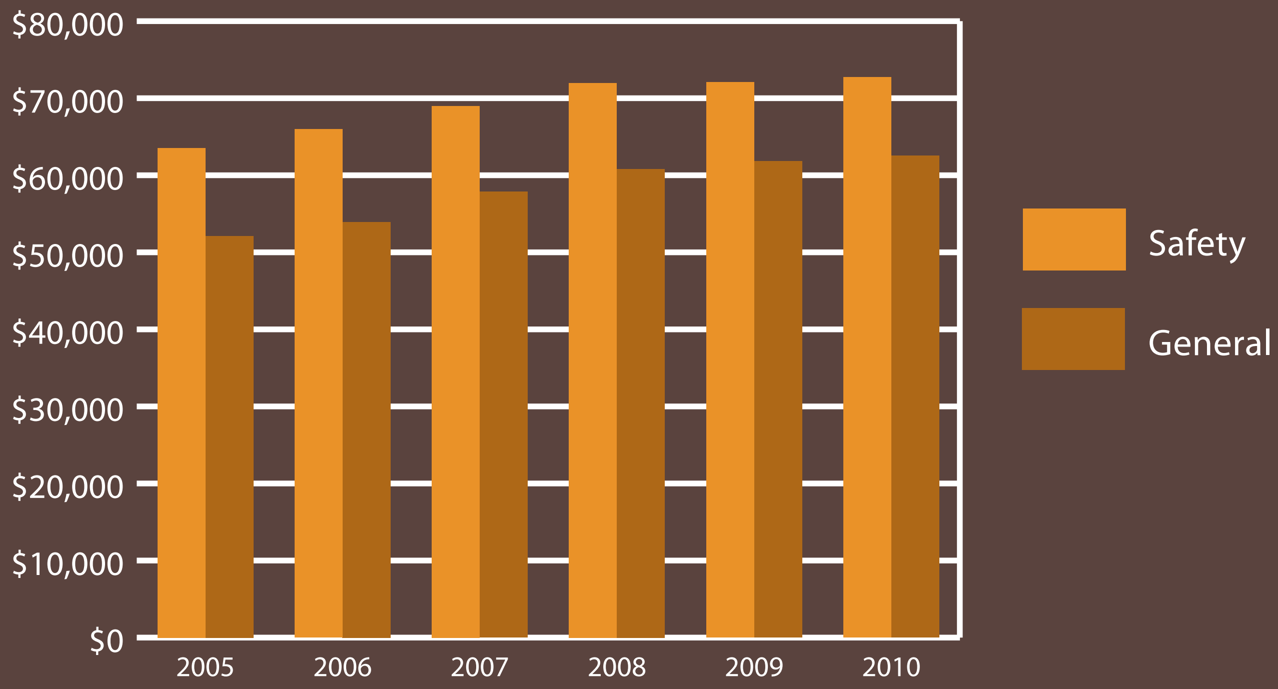
For the years ended June 30



Source: The Segal Company, Annual Actuarial Valuation, June 30, 2010.

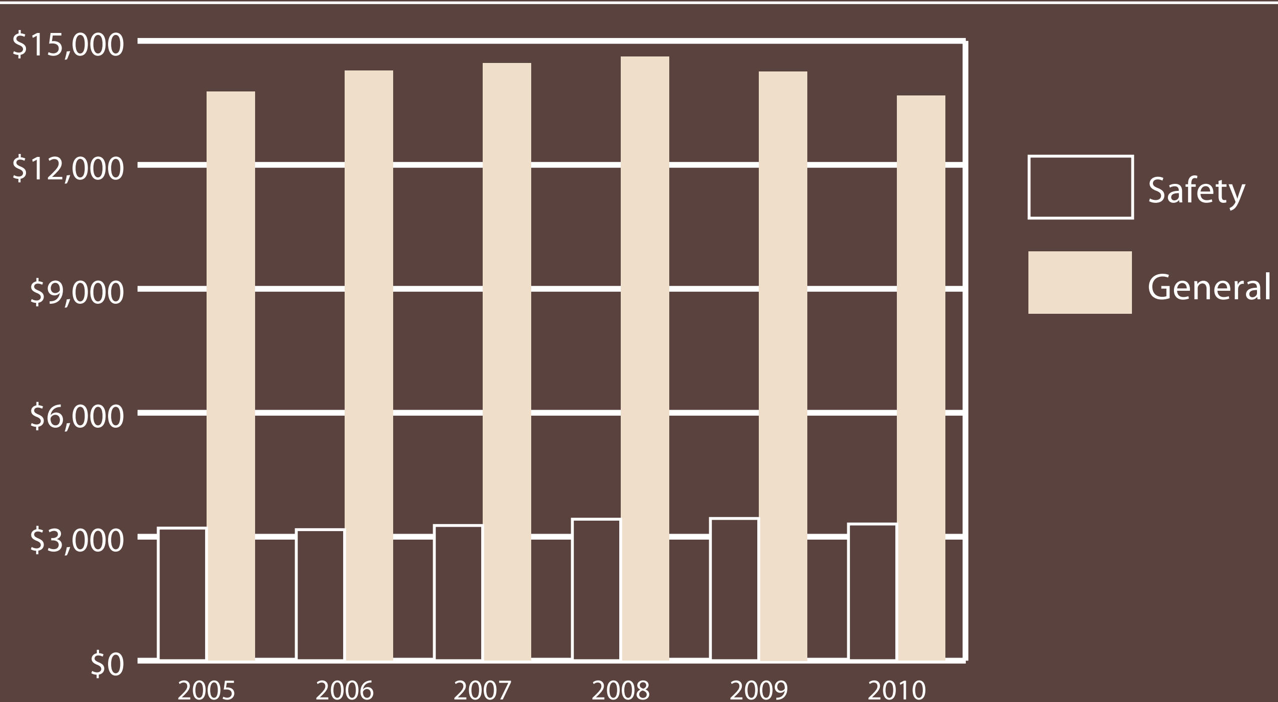
ACTIVE MEMBERSHIP HISTORY
AVERAGE ANNUAL SALARIES BY MEMBER TYPE

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, 2010.

DETERMINATION OF ACTUARIAL AND VALUATION VALUE OF ASSETS

For the year ended June 30, 2010

(THOUSANDS OF DOLLARS)

Six Month Period From	To	Total Actual Market Return (net)	Expected Market Return (net)	Investment Gain/(Loss)	Deferred Factor	Deferred Return
7/05	12/05	$ 565,517,934	$ 262,672,774	$ 302,845,160	0.0	$ 0
1/06	6/06	388,653,398	286,420,193	102,233,205	0.1	10,223,321
7/06	12/06	556,128,897	302,680,212	253,448,686	0.2	50,689,737
1/07	6/07	552,867,341	325,757,782	227,109,559	0.3	68,132,868
7/07	12/07	311,315,142	348,358,000	(37,042,857)	0.4	(14,817,143)
1/08	6/08	(326,670,408)	360,831,645	(687,502,053)	0.5	(343,751,026)
7/08	12/08	(2,499,382,909)	346,476,271	(2,845,859,180)	0.6	(1,707,515,508)
1/09	6/09	345,409,043	242,171,217	103,237,826	0.7	72,266,478
7/09	12/09	977,086,049	254,188,608	722,897,441	0.8	578,317,953
1/10	6/10	(156,710,097)	291,649,269	(448,359,366)	0.9	(403,523,429)

1. Total Deferred Return	$ (1,689,976,750)
2. Net Market Value of Assets	6,878,165,109
3. Actuarial Value of Assets	8,568,141,859
4. Non-valuation Reserves	
a. Supplemental Benefit Reserve	111,244,326
b. 401(h) Reserve	9,220,842
c. Disability Supplemental Benefit Reserve	14,366,270
d. Contingency Reserve	0
e. Undistributed Reserve	0
f. Subtotal	134,831,438
5. Valuation Value of Assets	**$ 8,433,310,421**

Source: The Segal Company, Annual Actuarial Valuation, June 30, 2010.

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 5.5% 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, 2006 through June 30, 2009, 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 8.00% 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	3.50%
Real Rate of Return	4.50%
Total	8.00%

Source: The Segal Company, Annual Actuarial Valuation, June 30, 2010.

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 2010. Rates vary by length of service, and consist of 3.50% for inflation plus the merit and longevity increases shown in the table below. The maximum combined rate is 11.50% and the minimum combined rate is 4.25%.

Years of Service	Safety	General
0	8.00%	6.00%
1	6.50%	4.75%
2	5.50%	3.75%
3	4.75%	2.75%
4	4.25%	2.25%
5+	1.25%	0.75%

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

For the years ended June 30

Valuation Date	Employees	Total Payroll	% Change	Average Salary	% Change
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
06/30/2010	16,981	1,095,581,953	(3.0)	64,518	1.1

Source: The Segal Company, Annual Actuarial Valuation, June 30, 2010.

HISTORIC SUMMARY OF ASSUMPTIONS

For the years ended June 30

	Fiscal Year Ended						3-Year	5-Year
Assumption	2010	2009	2008	2007	2006	2005	Average	Average
Inflation[1]	1.4	(0.6%)	4.6%	2.3%	3.8%	3.3%	2.10%	2.68%
Assumed[2]							3.75	3.80
Average Pay increase	1.1	1.4	5.0	6.8	3.4	4.9	4.40	4.30
Assumed[3]							4.25	4.25
Merit & Longevity Pay Increase	0.3	0.7	2.3	1.9	2.9	1.1	1.63	1.78
Assumed[4]							1.00	1.00
Total Payroll	(3.0)	(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	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	0.1	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	0.1	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, June 30, 2010.

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 30% of General and 35% of Safety separating active members will continue employment with a reciprocal employer. General reciprocal members are assumed to receive 5.00% compensation increases per annum while Safety reciprocal members are assumed to receive 5.50% compensation increases per annum.

In May of 2010, SDCERA's Board adopted The Segal Group's recommendations regarding changes to the assumed rate of return, inflation rate, assumptions for retirement from active employment, deferred vested retirement age, pre-retirement mortality, healthy life mortality, disabled life mortality, turnover (withdrawal and vested termination), disability (non-service connected and service connected), salary increases and percentage of married members. On December 2, 2010, the Board also adopted Segal's recommendations on changes to the Employer and 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%	0.05%
25	0.00%	0.00%	0.00%	0.01%	0.02%	0.10%
30	0.01%	0.01%	0.02%	0.02%	0.05%	0.24%
35	0.02%	0.02%	0.05%	0.04%	0.10%	0.61%
40	0.04%	0.07%	0.08%	0.10%	0.13%	0.81%
45	0.07%	0.12%	0.10%	0.17%	0.21%	0.81%
50	0.12%	0.15%	0.10%	0.21%	0.25%	1.18%
55	0.19%	0.18%	0.10%	0.31%	0.30%	2.07%
60	0.22%	0.26%	0.10%	0.38%	0.33%	2.56%
65	0.22%	0.30%	0.04%	0.16%	0.13%	1.04%

Source: The Segal Company, Annual Actuarial Valuation, June 30, 2010.

The post-retirement mortality table used is the RP 2000 Combined Healthy Mortality Table with a two-year age setback for General members and a three-year age setback for Safety members. SDCERA's Board adopted this table in May 2010. 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 six-year age set forward on post-retirement mortality for General members and a three-year age setback for Safety members. Related values are shown below:

POST-RETIREMENT MORTALITY RATES

	Healthy Life Mortality					Disabled Life Mortality			
Sample Ages	General Male	General Female	Safety Male	Safety Female	Sample Ages	General Male	General Female	Safety Male	Safety Female
30	0.04	0.02	0.04	0.02	30	0.08	0.05	0.04	0.02
35	0.06	0.04	0.06	0.04	35	0.11	0.08	0.06	0.04
40	0.10	0.06	0.09	0.06	40	0.16	0.12	0.10	0.06
45	0.13	0.09	0.12	0.09	45	0.24	0.09	0.13	0.09
50	0.19	0.14	0.17	0.13	50	0.42	0.31	0.19	0.14
55	0.29	0.22	0.27	0.20	55	0.77	0.58	0.29	0.22
60	0.53	0.39	0.47	0.35	60	1.44	1.10	0.53	0.39

WITHDRAWAL RATES WITH LESS THAN 5 YEARS OF SERVICE

Ordinary Withdrawals

Years of Service	General Male	General Female	Safety
0	12.25 %	13.00 %	11.00 %
1	7.50 %	8.25 %	7.50 %
2	5.75 %	6.00 %	3.75 %
3	4.50 %	5.25 %	3.25 %
4	4.25 %	5.00 %	3.25 %

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 Male	General Female	Safety	General Male	General Female	Safety
20	1.00 %	1.25 %	0.86 %	6.16 %	6.48 %	3.42 %
25	1.00 %	1.25 %	0.72 %	5.76 %	5.28 %	3.12 %
30	1.00 %	1.16 %	0.66 %	4.94 %	4.50 %	2.58 %
35	0.83 %	0.83 %	0.58 %	3.72 %	3.76 %	1.94 %
40	0.60 %	0.55 %	0.41 %	3.02 %	2.92 %	1.34 %
45	0.51 %	0.34 %	0.33 %	2.67 %	2.36 %	1.04 %
50	0.50 %	0.25 %	0.31 %	2.50 %	2.08 %	0.88 %
55	0.50 %	0.25 %	0.30 %	2.50 %	1.94 %	0.80 %
60	0.38 %	0.25 %	0.12 %	2.50 %	1.90 %	0.32 %

[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, 2010.

RETIREMENT PROBABILITY

Age	General		Safety	
	Tier I and Tier A	Tier B	Tier A	Tier B
48	-	-	4.0 %	3.0 %
49	50.0 %	-	7.0 %	3.0 %
50	8.0 %	-	15.0 %	12.0 %
51	5.0 %	-	13.0 %	12.0 %
52	5.0 %	-	13.0 %	12.0 %
53	5.0 %	-	15.0 %	12.0 %
54	7.0 %	-	15.0 %	12.0 %
55	12.0 %	6.0 %	16.0 %	19.0 %
56	12.0 %	7.0 %	20.0 %	23.0 %
57	13.0 %	9.0 %	24.0 %	27.0 %
58	14.0 %	9.0 %	30.0 %	32.0 %
59	16.0 %	9.0 %	30.0 %	32.0 %
60	20.0 %	10.0 %	30.0 %	45.0 %
61	21.0 %	14.0 %	30.0 %	45.0 %
62	25.0 %	20.0 %	35.0 %	45.0 %
63	26.0 %	20.0 %	35.0 %	45.0 %
64	30.0 %	20.0 %	35.0 %	45.0 %
65	30.0 %	30.0 %	75.0 %	100.0 %
66	30.0 %	30.0 %	75.0 %	100.0 %
67	30.0 %	30.0 %	75.0 %	100.0 %
68	35.0 %	30.0 %	75.0 %	100.0 %
69	40.0 %	30.0 %	75.0 %	100.0 %
70	75.0 %	100.0 %	100.0 %	100.0 %
71	75.0 %	100.0 %	100.0 %	100.0 %
72	75.0 %	100.0 %	100.0 %	100.0 %
73	75.0 %	100.0 %	100.0 %	100.0 %
74	75.0 %	100.0 %	100.0 %	100.0 %
75 and later	100.0 %	100.0 %	100.0 %	100.0 %

Source: The Segal Company, Annual Actuarial Valuation, June 30, 2010.

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 Employer'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.

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

STATISTICAL SECTION OVERVIEW

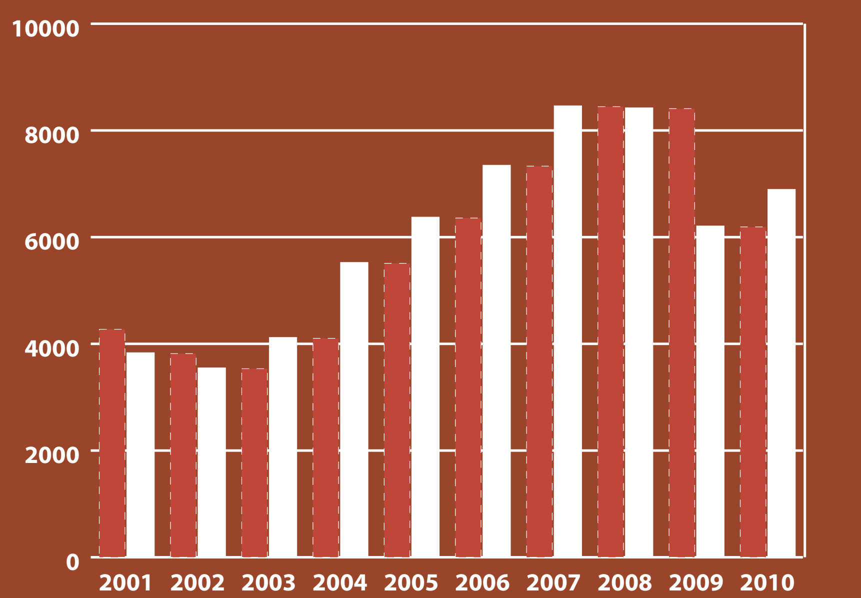
There are five categories included in this section: Financial Trends, Demographic and Economic Information, Expenses, and Operating Information. The data disclosed in this section provides multi-year trend information that will assist in developing a better understanding of SDCERA's activities over time.

CHANGES IN PLAN NET ASSETS

For the last ten fiscal years ended June 30
(MILLIONS OF DOLLARS)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Employee Contributions[1]	$ 10.8	$ 17.3	$ 34.7	$ 33.6	$ 40.8	$ 41.9	$ 44.5	$ 45.5	$ 49.5	$ 46.4
Employer Contributions[2]	41.1	50.6	616.1	700.6	316.1	302.5	320.5	329.0	314.5	276.7
Investment Income (Net of expenses)	(344.8)	(164.8)	149.9	936.5	794.7	962.2	1119.3	(4.8)	(2,143.9)	830.8
Total Additions	**$ (292.9)**	**$ (96.9)**	**$ 800.7**	**$ 1,670.7**	**$ 1,151.6**	**$ 1,306.6**	**$ 1,484.3**	**$ 369.7**	**$ (1,779.9)**	**$ 1,153.9**
Administrative Expenses	$ $ 6.4	$ 7.6	$ 7.0	$ 7.4	$ 7.5	$ 8.0	$ 10.3	$ 10.5	$ 10.1	$ 10.4
Retirement Benefits[1,3]	144.1	163.0	201.2	228.8	259.5	290.2	322.6	368.6	399.9	431.1
Health Benefits	10.8	14.3	19.9	26.5	32.6	32.9	35.3	24.4	23.9	23.6
Refunds	1.6	1.5	2.8	2.7	2.2	3.0	2.6	2.7	2.3	2.6
Total Deductions	**$ 162.9**	**$ 186.4**	**$ 230.9**	**$ 265.4**	**$ 301.8**	**$ 334.1**	**$ 370.8**	**$ 406.2**	**$ 436.2**	**$ 467.7**
Total Change in Net Assets	**$ (455.8)**	**$ (283.3)**	**$ 569.8**	**$ 1,405.3**	**$ 849.8**	**$ 972.5**	**$ 1,113.5**	**$ (36.5)**	**$ (2,216.1)**	**$ 686.2**

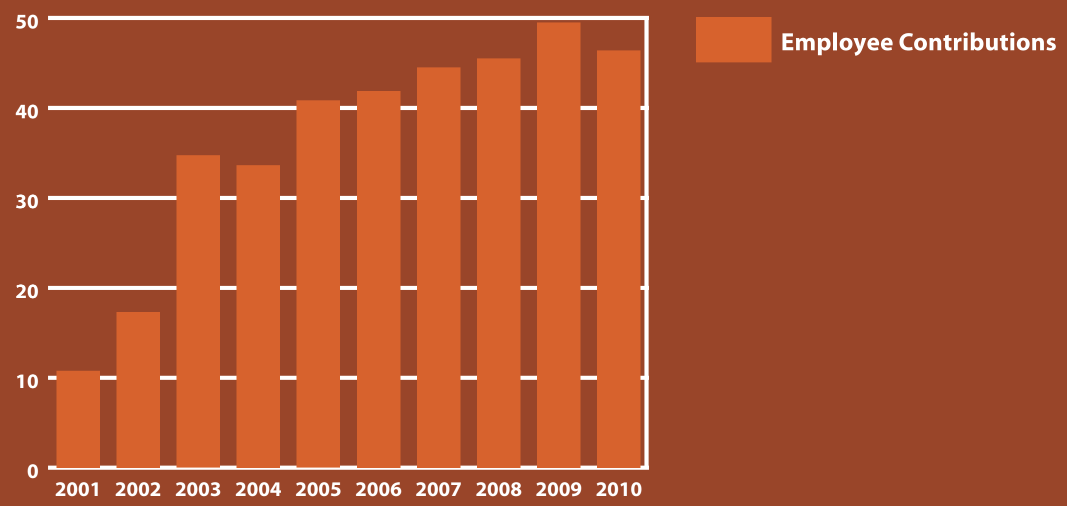
[1] Enhancement of Plan benefits in March 2002, resulted in an increase in member contributions and benefit payments.
[2] Includes proceeds from Pension obligation bonds of $550 million in 2003 and $450 million in 2004.
[3] Refer to benefit and refund deductions for detail.

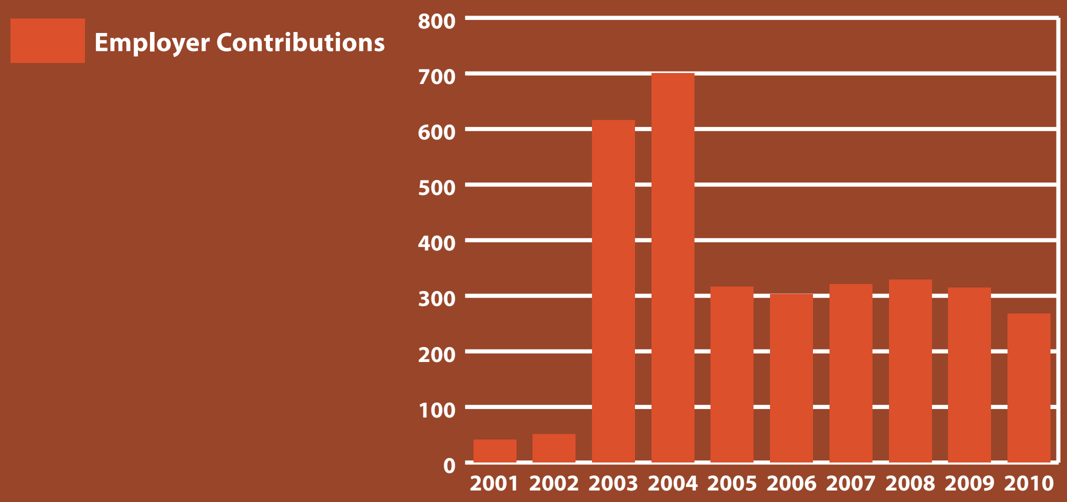


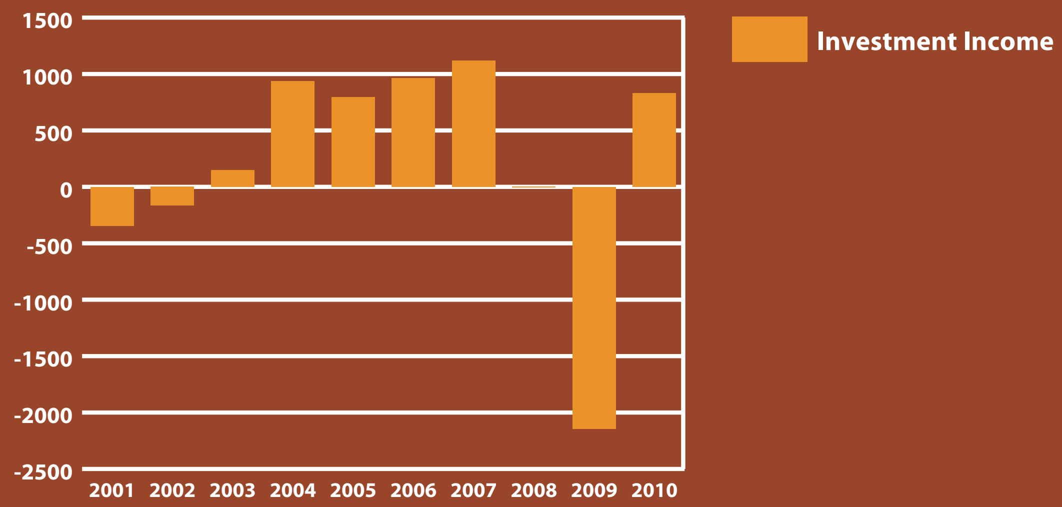
SDCERA NET ASSET VALUE
(MILLIONS OF DOLLARS)

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)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Type of Benefit									
Age and Service	$130.5	$161.1	$185.3	$209.5	$239.4	$295.3	$301.8	$310.8	$357.5
Disability—Duty	4.2	5.2	2.8	6.7	8.8	12.0	16.9	37.7	41.4
Disability—Non-Duty	18.3	22.6	25.6	25.4	24.2	28.7	26.9	5.6	6.2
Death Benefits	0.6	1.3	1.2	2.7	1.1	1.6	0.9	1.8	1.4
Survivors	10.0	12.3	15.1	15.2	16.7	20.3	22.0	24.0	24.5
Total	$163.6	$202.5	$230.0	$259.5	$290.2	$357.9	$368.5	$379.9	$431.0
Type of Refund									
Separation	1.5	1.5	1.5	2.2	3.0	2.6	2.7	2.3	2.6
Total	**$1.5**	**$1.5**	**$1.5**	**$2.2**	**$3.0**	**$2.6**	**$2.7**	**$2.3**	**$2.6**

RETIRED MEMBERS BY TYPE OF BENEFITS

For the current and prior fiscal year ended June 30

Fiscal Year 2010

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement [a] 1	2	3	4	5	6
$0–$1,000	3,236	2,472	586	13	14	125	26
$1,001–2,000	4,124	3,159	395	7	391	158	14
$2,001–3,000	2,634	1,849	203	6	536	31	9
$3,001–4,000	1,425	1,151	65	1	192	10	6
$4,001–5,000	803	751	16	1	32	3	–
$5,001–6,000	596	551	9	–	35	1	–
$6,001–7,000	426	407	4	–	15	–	–
$7,001–8,000	275	258	1	–	16	–	–
$8,001–9,000	144	136	1	–	7	–	–
$9,001–10,000	92	87	–	–	5	–	–
Over $10,000	167	160	–	–	7	–	–
Total	**13,992**	**10,981**	**1,280**	**28**	**1,250**	**328**	**55**

[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 2010

		Option Selected[a]						
Amount of MonthlyBenefit	Number of Retirees & Beneficiaries	Unmodified	1	2	3	4	Death—Minor Child Supplement	Lump Sum Installment
$0–$1,000	3,236	3,028	53	117	8	13	-	17
$1,001–2,000	4,124	3,977	51	70	6	13	1	6
$2,001–3,000	2,634	2,549	32	42	3	6	-	2
$3,001–4,000	1,425	1,377	17	25	-	5	-	1
$4,001–5,000	803	759	16	17	1	9	1	-
$5,001–6,000	596	582	8	5	-	1	-	-
$6,001–7,000	426	413	8	3	-	2	-	-
$7,001–8,000	275	270	2	1	-	2	-	-
$8,001–9,000	144	141	-	1	-	2	-	-
$9,001–10,000	92	90	-	-	-	2	-	-
Over $10,000	167	166	-	-	-	1	-	-
Total	**13,922**	**13,352**	**187**	**281**	**18**	**56**	**2**	**26**

[a] Option selected:
Unmodified plan - beneficiary receives 60 percent continuance.
The following options reduce the retired member's monthly benefit:
Option 1 - Beneficiary receives lump sum or member's unused contributions
Option 2 - Beneficiary receives 100 percent of member's reduced monthly benefit
Option 3 - Beneficiary receives 50 percent of member's reduced monthly benefit
Option 4 - Split account paid to ex-spouse of member
Dth-Minor Child Supplement - Paid to minor child of deceased member with no surviving spouse
Lump sum installment - Death benefit paid in installments
Source: SDCERA's Pension and Administration Retirement Information System (PARIS).
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 2010							
Average annual benefit	$8,472	$10,745	$20,486	$31,420	$45,480	$58,630	$78,128
Average monthly benefit	$706	$895	$1,707	$2,618	$6,790	$4,886	$6,511
Average final monthly salary	$6,342	$4,149	$5,833	$5,864	$6,656	$10,678	$6,992
Number of retired members	**16**	**144**	**153**	**105**	**152**	**67**	**83**
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.

AVERAGE BENEFIT PAYMENTS (OPEB)

Current and prior fiscal year

	Health Insurance Reimbursement	Health Allowance	Medicare Part B
Fiscal Year 2010			
Average Monthly Benefit	$ 191	$ 249	$ 93
Number of Retired Members	1,341	4,924	5,164
Fiscal Year 2009			
Average Monthly Benefit	$ 192	$ 252	$ 93
Number of Retired Members	1,237	4,826	5,050

SCHEDULE OF PARTICIPATING EMPLOYERS

For the years ended June 30

	Total Members	County of San Diego	Superior Court	SanDieguito River Valley Joint Power Authority	Local Agency Formation Commission	San Diego County Office of Education
Fiscal Year 2010						
Number of Covered Members	36,157	33,582	2,514	22	15	24
Percentage to Total System	100.00%	92.88	6.95	0.06	0.04	0.07
Rank		1	2	4	5	3
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 1997 to 2002, is not available in our current system.

Fiscal Years 2003 to 2005 are restated to correct distribution among employers.

Photography credits

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2275 Rio Bonito Way, Suite 200
San Diego, California
Call Center: 619.515.6800
or 888.4.SDCERA

www.sdcera.org