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Comprehensive Annual Financial Report
for fiscal year ended June 30, 2011

San Diego County Employees Retirement Association
San Diego County, CA

SDCERA

Strength. Service. Commitment.

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

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

Comprehensive Annual Financial Report
for fiscal year ended June 30, 2011

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

Introduction

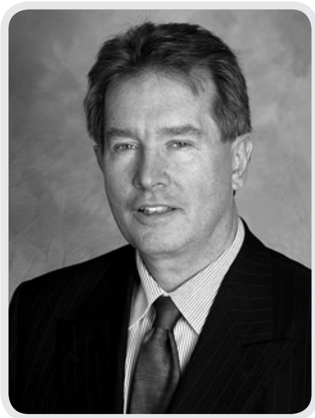
Financial

Investments

Actuarial

Statistical

introduction



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 of Retirement Trustees:

I am pleased to submit this *Comprehensive Annual Financial Report* (CAFR) of the San Diego County Employees Retirement Association (SDCERA, Association, Fund or Plan) as of and for the year ended June 30, 2011. Inside these pages our story is told in more than just numbers, but also in the ability to be responsive—to nimbly adjust or strategically stay the course as dynamics shift. In a time when pensions are under discussion everywhere—from the *New York Times* opinion page to Twitter—follow SDCERA (@SDCERA); we'll help you separate the signal from the noise.

SDCERA is a public retirement system that was established by the County of San Diego on July 1, 1939, in response to the County Employees Retirement Law of 1937. The 1937 Act regulates 20 systems in counties across the State of California and has provided secure retirement income that has bolstered the state's economy for more than 70 years. SDCERA is administered by a nine-member Board of Retirement made up of a combination of member-elected representatives, Board of Supervisors-appointed representatives, and the elected County Treasurer-Tax Collector, who holds a permanent seat on the Board of Retirement.

As San Diego County has grown to more than 3 million residents, SDCERA has grown to be the financial guardian for the pension benefits of nearly 36,000 San Diego County employees and retirees who have spent their professional lives in public service. We provide service retirement, disability, death, health care and survivor benefits for our members.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

Responsibility for the accuracy of this 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 transparently present both the Fund's financial position and SDCERA's operational results. Detailed information is provided in the Management's Discussion and Analysis section.

MAJOR INITIATIVES AND SIGNIFICANT EVENTS

COMMUNICATIONS ENHANCEMENT

In line with our strategic goal to connect more directly with our stakeholders, SDCERA increased its outreach to external stakeholders including the media and the general public. Whether we connect through Twitter, correspondence, or face-to-face, SDCERA presents concise, accurate information to members and media alike. As media understands and accurately reports on SDCERA, all our stakeholders gain a better appreciation that, thanks to prudent investing and dedicated management, the Fund is financially sound.

INVESTMENT STAFFING STRUCTURE

This past year, SDCERA formalized its investment staffing structure, which uses a combination of in-house staff and external consultants to implement our investment model. Lee Partridge, of Integrity Capital Services, has been serving as SDCERA's Portfolio Strategist since October 2009. In November 2010, Integrity Capital was acquired by Salient Partners, LP. Mr. Partridge remains SDCERA's Portfolio Strategist providing the same services as defined in his contract. The merger brought, at no additional cost to SDCERA, added resources that strengthen management of the portfolio and further protect it from unintended risk. SDCERA adopted an investment staffing structure that capitalizes on those additional resources and allows existing internal staff to focus on areas in which they excel: private markets.

SUPPLEMENTAL BENEFIT ALLOWANCE REDUCTION

The Supplemental Benefit Allowance (SBA) reduction, approved by the Board of Retirement in 2010, was implemented as of January 1, 2011. The current benefit will be reduced further in approximately 2013 and, absent the allocation of any available excess earnings, will be eliminated entirely in 2017.

PENSION ADMINISTRATION SYSTEM

The SDCERA pension administration software system continues to be a priority and various components are in the testing phase. The system is being implemented to improve efficiency and customer service.

ACCOUNTING SYSTEM AND REPORTS

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 terms of the plan. Other expenses are recorded when corresponding liabilities are incurred, regardless of when payment is due or made.

SDCERA management is responsible for the establishment and maintenance of internal controls designed to ensure that the assets are protected from theft or misuse. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. Reasonable assurance recognizes the cost of a control relative to the benefits likely to be derived and that these judgments by management are based on estimates.

Macias Gini & O'Connell LLP, a certified public accounting firm, has audited the financial statements and related disclosures. The financial audit provides reasonable assurance that SDCERA's financial statements are presented in conformity with accounting principles generally accepted in the United States, including the reporting guidelines set forth by the applicable standards issued by the Governmental Accounting Standards Board (GASB) and the County Employees Retirement Law of 1937, and are free from material misstatement.

INVESTMENT ACTIVITIES

SDCERA implemented a new asset allocation model in July 2010, emphasizing increased diversity and downside protection. The downside protection strategy seeks to preserve capital during difficult markets and provide steady growth in up markets.

For fiscal year 2011, SDCERA's net gains were 20.7% (more than 21% gross), well above the 8% assumed rate of return needed to fund the benefit. Over the past 25 years, the average annual gains have been more than 10%. The total net assets held in trust on June 30, 2011, were $8.2 billion.

FUNDING

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

As of June 30, 2011, the actuarial value of assets for the pension plan was $8.5 billion and the actuarial accrued liability totaled $10.4 billion, resulting in an unfunded actuarial accrued liability of $1.9 billion. SDCERA's funded ratio is 81.5%, surpassing both the average of 76.1% for public funds and Fitch Ratings' standard of 70% for adequate funding.

AWARDS AND ACHIEVEMENTS IN REPORTING

PLAN OF THE YEAR

SDCERA was named Small Public Plan of the Year by *Institutional Investor* magazine. In the past year, SDCERA was also nominated as Plan of the Year by both *aiCIO* magazine (Asset International for Institutional Chief Investment Officers) and *Money Management Letter*.

EXCELLENCE IN FINANCIAL REPORTING

SDCERA was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) of the United States and Canada. This prestigious award recognizes conformance with the highest standards for state and local government financial reporting. SDCERA was presented with the Award for Outstanding Achievement in Popular Annual Financial Reporting in the Popular Annual Financial Report category.

PLAN DESIGN AND ADMINISTRATION

The Public Pension Coordinating Council (PPCC) granted SDCERA the Public Pension Standards Award for Funding and Administration 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 associated with SDCERA. 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 funds.

This report will enable the Board of Retirement, SDCERA members, the County of San Diego, and members of the general public to better appreciate that SDCERA exercises prudent management and is financially sound. 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, 2011

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2011

Presented to

San Diego County Employees Retirement Association

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H Winkle

Alan H. Winkle
Program Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Diego County Employees Retirement Association California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010

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

Linda C. Davidson

President

Jeffrey R. Esser

Executive Director

SDCERA BOARD OF RETIREMENT

Douglas Rose
Chairman

Marc Doss
Vice Chairman

Loretta Morris
Secretary

James W. Feeley

Dianne Jacob

Dan McAllister

David A. Myers

Bill Roper

Garry A. Sobeck

Tim Hancock

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, 2013

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, 2013

TRUSTEE
Dan McAllister
Treasurer-Tax Collector
Holds office during incumbency

TRUSTEE
David A. Myers
Elected by SDCERA Safety members
Present term expires December 31, 2013

TRUSTEE
Bill Roper
Appointed by County Board of Supervisors
Present term expires June 30, 2012

TRUSTEE
Garry A. Sobeck
Elected by SDCERA General members
Present term expires June 30, 2013

ALTERNATE TRUSTEE
Tim Hancock
Elected by SDCERA Safety members
Present term expires June 30, 2013

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

DAVID A. MYERS
Trustee
Elected by SDCERA Safety members

BILL ROPER
Trustee
Appointed by County Board of Supervisors

GARRY A. SOBECK
Trustee
Elected by SDCERA General members

TIM HANCOCK
Alternate trustee
Elected by SDCERA Safety members

KAY RYAN
Alternate trustee
Elected by SDCERA Retired members

SDCERA

Chief Executive Officer

BRIAN P. WHITE

Members

Investments

Public Markets Portfolio Strategist

Private Markets

Member Services

MARSHA BOYD
Director

Benefits Administration
Customer Service and Education
Communication

Operations

MARK MIMNAUGH
Chief Operating Officer

Investment Operations

Information Technology

Financial Services
Internal Audit

Administrative Services
Human Resources

Organizational Structure of SDCERA's Community

CONSULTANTS

Auditor

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

Investment Consultants

Salient Partners
4265 San Felipe, 8th Floor
Houston, TX 77027

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

Refer to the investment section on page 64 for a listing of investment professionals who provide services to SDCERA.

Legal Counsel

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

Butz, Dunn, DeSantis & Bingham
101 West Broadway, Suite 1700
San Diego, CA 92101-8289

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

James S. Mathis
4308 Brush Hill Road
Nashville, TN 37216

Jenner & Block, LLP
353 N. Clark Street
Chicago, IL 60654-3456

K & L Gates, LLP
925 Fourth Avenue, Suite 2900
Seattle, WA 98104

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

Paul, Plevin, Sullivan & Connaughton, LLP
401 "B" Street, Tenth Floor
San Diego, CA 92101

The Law Offices of Ruth Claire Black, Esquire
2534 Navarra Drive, Suite D
Carlsbad, CA 92209

The Law Offices of Vivian Shultz
11450 Pochard Way
San Diego, CA 92131

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

financial

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, 2011, 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 2010 financial statements on which our report dated December 20, 2010, 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, 2011, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 9, based on the most recent pension plan actuarial valuation as of June 30, 2011, SDCERA's independent actuary determined that, at June 30, 2011, the value of SDCERA's actuarial accrued liability exceeded the actuarial value of its assets by $1.94 billion. The most recent pension plan actuarial value of assets as of June 30, 2011 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.

In accordance with *Government Auditing Standards*, we have issued our report dated December 16, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedules of Funding Progress and the Schedules of Employer Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The introductory section, other supplemental information in the financial section, 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory, investment, actuarial and statistical sections have not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Macias Gini & O'Connell LLP

Sacramento, California
December 16, 2011

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, Fund or Plan) as of and for the fiscal year ended June 30, 2011. We believe that the information presented here, in conjunction with the Chief Executive Officer's Letter of Transmittal found in the Introduction Section, provides you with a clear picture of the Association's overall financial status.

FINANCIAL HIGHLIGHTS

- Plan net assets, which represent funds available to pay current and future benefits, were $8.2 billion as of the end of the fiscal year, an increase of $1.3 billion over the prior year.
- Total additions to net assets were $1.8 billion primarily from an investment gain of $1.5 billion, employer contributions of $321.8 million and $44.0 million in member contributions.
- Total deductions to net assets were $497.0 million, an increase of $29.3 million or 6.3% over the prior year. Retirement benefits have risen $30.5 million, driven by a net increase in the number of retired members by 574, and a 3.0% increase in average monthly benefit. Health benefits have decreased by $1.8 million and refunds have increased $0.5 million. Administrative expenses increased by $0.1 million.
- During fiscal year 2011, the rate of return on investments was 20.7% on a market-value basis, net of fees.
- SDCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2011, the date of our last actuarial pension plan valuation, the funded status (the ratio of the Plan assets to the Plan liabilities) was 81.5%.
- As of June 30, 2010, the date of the last actuarial valuation, the OPEB plan actuarial liability totaled $206.4 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 summarized 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 1 and 2 summarize and compare SDCERA's financial results for the current and prior fiscal years.

TABLE 1: NET ASSETS
As of June 30, 2011 and 2010
(THOUSANDS OF DOLLARS)

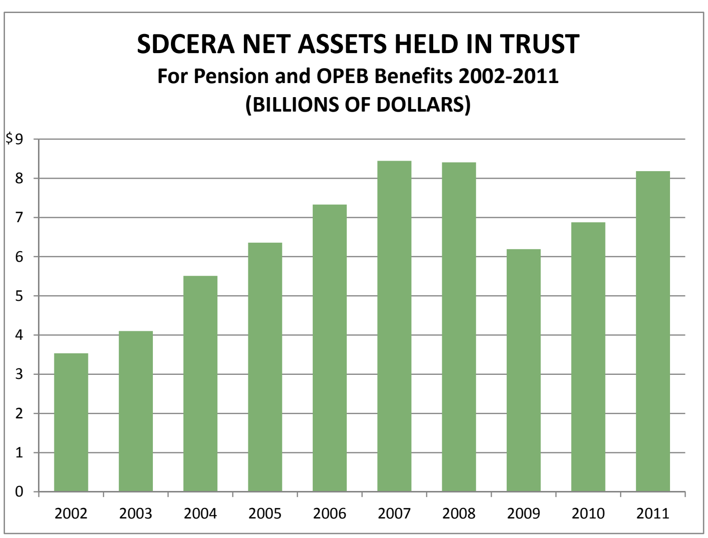
	06/30/2011	06/30/2010	Increase/ (Decrease)	Percentage Change
Cash	$ 2,108,780	$ 1,502,074	$ 606,706	40.4%
Receivables	30,389	739,227	(708,838)	(95.9%)
Investments	6,093,074	4,887,674	1,205,400	24.7%
Securities Lending Collateral	283,039	200,214	82,825	41.4%
Capital Assets	10,901	9,320	1,581	17.0%
Total Assets	8,526,183	7,338,509	1,187,674	16.2%
Liabilities to Brokers for Securities Lending	296,414	210,106	86,308	41.1%
Securities Purchased	37,311	240,780	(203,469)	(84.5%)
Other	8,478	9,458	(980)	(10.4%)
Total Liabilities	342,203	460,344	(118,141)	(25.7%)
Net Assets Held in Trust for Pension & Health Care Benefits	**$ 8,183,980**	**$ 6,878,165**	**$ 1,305,815**	**19.0%**

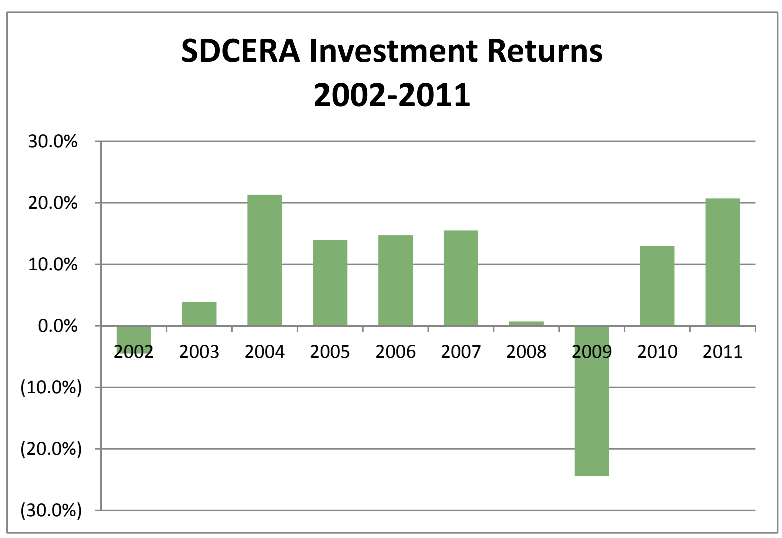
TABLE 2: CHANGES IN PLAN NET ASSETS
For the years ended June 30, 2011 and 2010
(THOUSANDS OF DOLLARS)

	06/30/2011	06/30/2010	Increase/ (Decrease)	Percentage Change
Additions				
Employer Pension Contributions	$ 303,809	$ 257,897	$ 45,912	17.8%
Employer OPEB Contributions	18,028	18,789	(761)	(4.0%)
Member Pension Contributions	43,994	46,416	(2,422)	(5.2%)
Net Investment Income	1,436,101	830,962	605,139	72.8%
Net Securities Lending Income	886	(145)	1,031	711.0%
Total Additions	1,802,818	1,153,919	648,899	56.2%
Deductions				
Retirement Benefits	461,573	431,068	30,505	7.1%
Health Benefits	20,971	22,797	(1,826)	(8%)
Member Refunds	3,108	2,593	515	19.9%
Administrative Expenses	10,514	10,441	73	0.7%
Health Care Administrative Expenses	837	808	29	3.6%
Total Deductions	497,003	467,707	29,296	6.3%
Increase in Net Assets Held in Trust for Pension and Health Care Benefits	**$ 1,305,815**	**$ 686,212**	**$ 619,603**	**90.3%**

Net assets held in trust for pension and OPEB benefits as of June 30, 2011, were $8.2 billion, an increase of $1.3 billion, or 19.0%, over the prior year. Investment returns of 20.7% generated $1.4 billion in plan net asset increases from operations.

Total employer and employee contributions, net of refunds, added $362.7 million, but were more than offset by member benefit payments of $482.5 million.





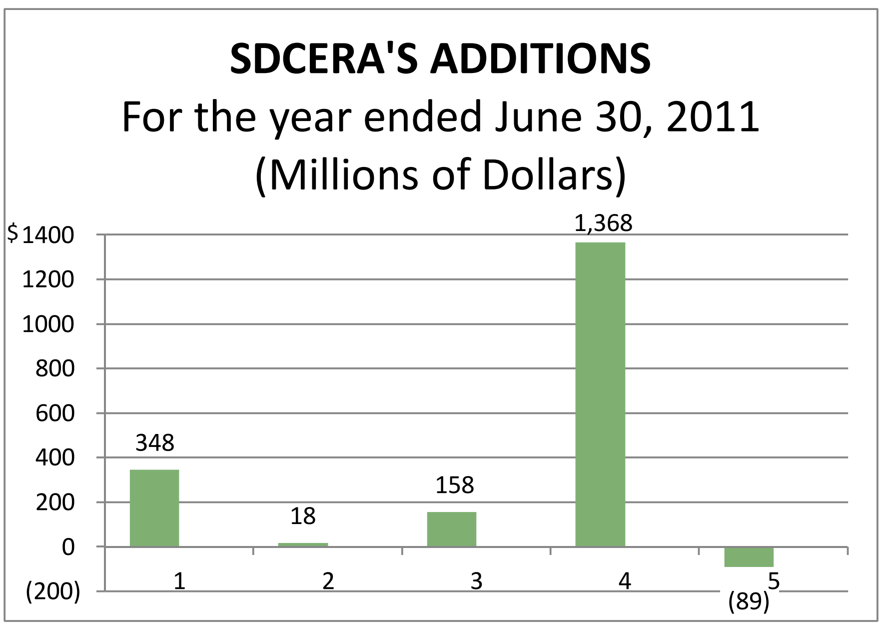
ADDITIONS TO RETIREMENT PLAN NET ASSETS

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 Plan Net Assets) total $1.8 billion for the fiscal year ended June 30, 2011, an increase of $648.9 million over the prior year.

- Employer and member pension contributions were $347.8 million in fiscal year 2011, an increase of $42.7 million over the prior year. Combined contribution rates of 20.46% in fiscal year 2011 compared to 18.23% in fiscal year 2010, increased the Pension Annual Required Contribution (ARC) by $13.1 million. Military Service retirement contributions of $1.6 million and excess County contributions of $28.0 million added another $29.6 million. Employee contributions decreased by $2.4 million, fueled by the decrease in Retirement Gross Salary.

- Employer OPEB contributions were $18.0 million in fiscal year 2011, a decrease of $0.8 million over the prior year. This decrease is primarily as a result of a 1.7% decrease in the Retirement Gross Salary.

- Net investment income equaled $1.4 billion in fiscal year 2011, an increase of $605.1 million, over prior year. This gain was primarily due to net appreciation in the fair value of investments of $1.4 billion and $157.6 million in interest and other income, offset by investment expenses of $89.1 million.

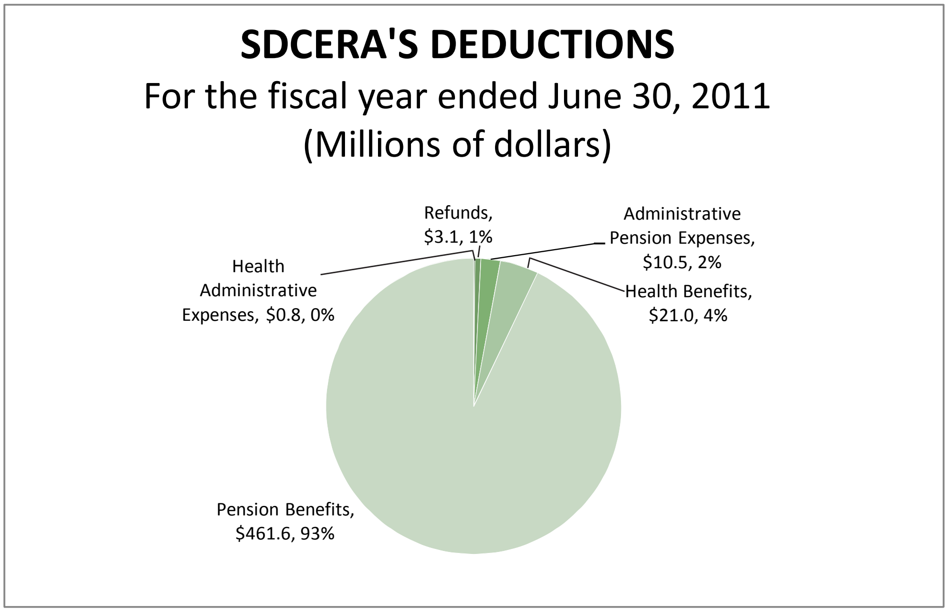


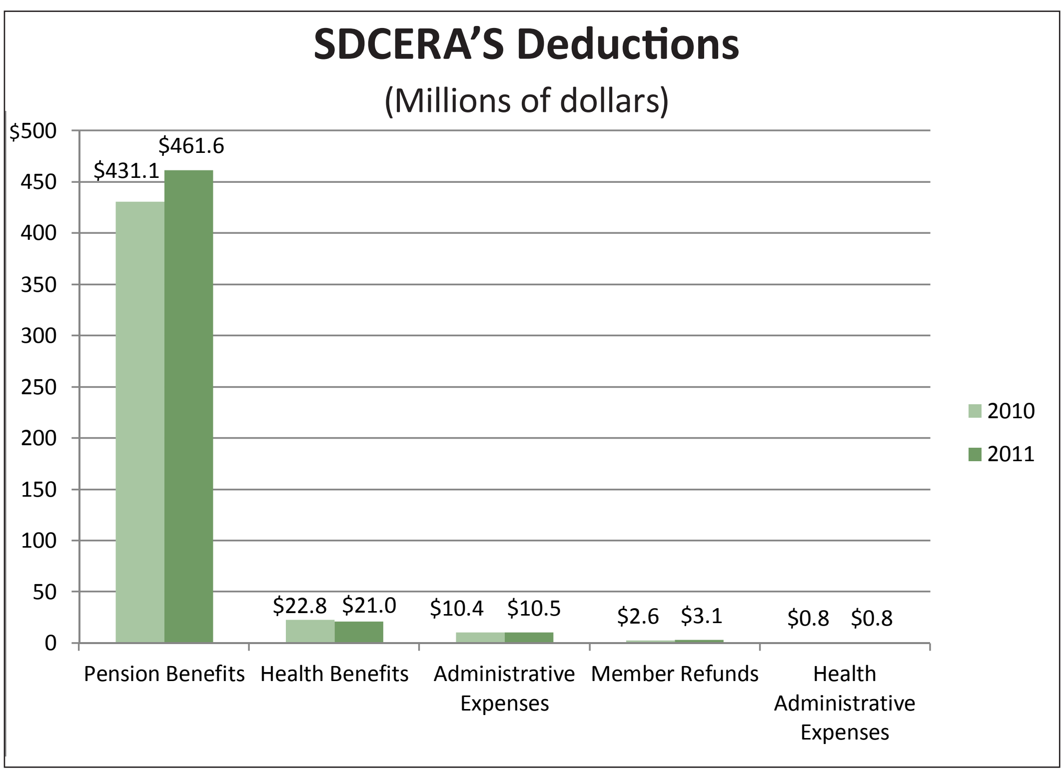
1. Pension Contributions: $348 million
2. OPEB Contributions: $18 million
3. Interest, Dividends and Securities Lending Income: $158 million
4. Net Appreciation in Fair Value of Investments: $1.4 billion
5. Investment Expense: ($89 million)

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, 2011, totaled $497.0 million, an increase of $29.3 million, or 6.3%, over 2010.

Pension and health benefits represent $28.7 million of the year-over-year change reflecting a net increase in the number of retirements.





SUMMARY

Plan net assets experienced a significant increase for the fiscal year ended June 30, 2011, and are currently at $8.2 billion. Net investment income contributed $1.4 billion of the increase. Employer/employee contributions have delivered $365.8 million in assets to help fund $497.0 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, CA 92108.

Mark Mimnaugh
Chief Operating Officer

STATEMENT OF PLAN NET ASSETS
As of June 30, 2011
(With Summarized Comparative Amounts for June 30, 2010)

	June 30, 2011			June 30, 2010
	Pension Plan	Health Care	Total Fund	Total Fund
ASSETS				
Cash and Short-Term Investments				
Cash in County Pool	$ 2,888,023	$ 2,523	$ 2,890,546	$ 478,827
Cash and Cash Equivalents with Fiscal Agents	354,254,082	309,478	354,563,560	1,198,465,178
Early Retiree Reinsurance Program (ERRP) Cash	1,035,047	-	1,035,047	-
Collateral Cash	1,748,762,918	1,527,728	1,750,290,646	303,130,113
Total Cash and Short-Term Investments	**2,106,940,070**	**1,839,729**	**2,108,779,799**	**1,502,074,118**
RECEIVABLES				
Contributions	2,886,235	2,521	2,888,756	5,111,167
Accrued Interest and Dividends	14,308,832	12,498	14,321,329	7,933,660
Settlement of Securities Sold	13,167,042	11,503	13,178,545	726,182,034
Total Receivables	**30,362,109**	**26,522**	**30,388,630**	**739,226,861**
INVESTMENTS AT FAIR VALUE				
Domestic Equity Securities	562,452,170	491,361	562,943,531	156,398,620
International Equity Securities	477,973,402	417,560	478,390,962	400,288,668
Total Equity Securities	**1,040,425,572**	**908,921**	**1,041,334,493**	**556,687,288**
Securities Lending Collateral	282,792,015	247,049	283,039,064	200,213,993
United States Government Obligations	743,368,965	649,411	744,018,376	451,263,039
Domestic Bonds	430,401,470	376,001	430,777,471	279,725,266
International Bonds	790,560,811	690,638	791,251,449	711,817,034
Total Bonds	**1,964,331,246**	**1,716,050**	**1,966,047,296**	**1,442,805,339**
Cash and Securities for Overlay Futures	340,629,121	297,575	340,926,696	438,157,589
Cash and Securities for Commodity Swaps	272,622,916	238,165	272,861,081	292,146,217
Cash and Securities for REIT Swap	258,902,862	226,179	259,129,041	246,120,971
Opportunistic	70,085,510	61,227	70,146,737	127,824,295
Global Macro Hedge Fund	442,206,812	386,314	442,593,126	389,613,673
Long/Short Hedge Fund	265,654,160	232,077	265,886,237	101,722,771
Multi-Strategy Hedge Fund	27,243,982	23,800	27,267,782	64,566,632
Relative Value	385,594,490	336,857	385,931,347	300,000,000
Infrastructure	138,671,217	121,144	138,792,361	94,309,984
Private Equity	268,577,079	234,630	268,811,709	370,514,330
Real Estate	520,496,082	454,708	520,950,790	408,250,064
Natural Resources	52,732,651	46,068	52,778,719	-
Global Equity Swaps	28,986,881	25,323	29,012,204	-
Unallocated Fund	10,595,535	9,256	10,604,791	54,955,104
Total Investments	**6,370,548,131**	**5,565,343**	**6,376,113,474**	**5,087,888,250**
Capital Assets, Net	10,891,457	9,515	10,900,972	9,319,502
Total Assets	**8,518,741,768**	**7,441,108**	**8,526,182,876**	**7,338,508,731**
LIABILITIES				
Liabilities to Brokers for Securities Lending	296,154,884	258,722	296,413,606	210,106,371
Settlement of Securities Purchased	37,278,534	32,567	37,311,101	240,780,332
Professional Services	5,466,161	4,775	5,470,936	5,262,088
Death Benefits	602,407	-	602,407	568,801
Retirement Benefits	410,262	-	410,262	302,120
Refunds to Members	291,237	-	291,237	270,539
County Advance Contribution	931	-	931	-
Health Insurance Premiums	-	-	-	1,146,418
ERRP Funds	1,034,755	-	1,034,755	-
Cash in Transit	399,570	349	399,919	474,497
Other	267,633	234	267,867	1,432,455
Total Liabilities	**341,906,374**	**296,647**	**342,203,021**	**460,343,621**
Net Assets Held in Trust for Pension and Health Care Benefits	**$ 8,176,835,394**	**$ 7,144,461**	**$ 8,183,979,855**	**$ 6,878,165,110**

The notes to the basic financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN PLAN NET ASSETS
For the year ended June 30, 2011
(With Summarized Comparative Amounts for June 30, 2010)

	June 30, 2011			June 30, 2010
	Pension Plan	Health Care	Total Fund	Total Fund
ADDITIONS TO PLAN NET ASSETS				
Contributions				
Employer Contributions	$ 303,809,437	$ 18,027,576	$ 321,837,013	$ 276,685,579
Plan Member Contributions	43,994,305	-	43,994,305	46,416,076
Total Contributions	**347,803,742**	**18,027,576**	**365,831,318**	**323,101,655**
INVESTMENT INCOME				
Net Appreciation (Depreciation) in Fair Value of Investments				
Stocks	250,875,060	297,884	251,172,944	373,723,785
Bonds	130,081,806	154,460	130,236,266	264,252,700
Foreign Currency	100,606,420	119,461	100,725,881	8,231,238
Real Estate and Private Equity	99,616,427	118,286	99,734,713	(3,164,043)
Natural Resources	7,117,698	8,452	7,126,150	-
Opportunistic	64,716,932	76,846	64,793,778	48,758,411
Relative Value	43,126,783	51,209	43,177,992	-
Infrastructure	22,014,379	26,140	22,040,519	4,354,121
Balanced Fund	-	-	-	12,172,812
Enhanced S&P 500	-	-	-	96,288,361
Commodity Swaps	55,282,905	65,643	55,348,548	(6,302,804)
REIT Swaps	103,449,823	122,837	103,572,660	(18,880,812)
Global Equity Swaps	72,560,646	86,159	72,646,805	-
Futures	420,881,020	499,758	421,380,778	(63,859,521)
Securities Lending	(3,478,034)	(4,130)	(3,482,164)	583,712
Total Net Appreciation in Fair Value of Investments	**1,366,851,865**	**1,623,005**	**1,368,474,870**	**716,157,960**
Interest Income				
Bonds	29,905,885	35,512	29,941,397	91,531,902
Cash	24,040,043	28,545	24,068,588	3,344,778
Total Interest Income	**53,945,928**	**64,057**	**54,009,985**	**94,876,680**
OTHER				
Dividends on Stock Investments	78,435,103	93,135	78,528,238	65,833,133
Real Estate Equity Investment Income	20,806,499	24,706	20,831,205	8,138,644
Private Equity Investment Income	2,594,103	3,080	2,597,183	4,985,336
Natural Resources Investment Income	765,867	909	766,776	-
Commission Recapture	24,086	29	24,115	156,874
Other Income	11,597	14	11,611	15,037
Total Other	**102,637,255**	**121,873**	**102,759,128**	**79,129,024**
Less: Investment Expenses	**(89,036,742)**	**(105,723)**	**(89,142,465)**	**(59,201,477)**
Securities Lending Income	923,077	1,096	924,173	414,962
Less: Securities Lending Rebates and Bank Charges	(38,626)	(46)	(38,672)	(559,739)
Net Securities Lending	**884,451**	**1,050**	**885,501**	**(144,777)**
Net Investment Income	**1,435,282,757**	**1,704,262**	**1,436,987,019**	**830,817,410**
Total Additions to Plan Net Assets	**1,783,086,499**	**19,731,838**	**1,802,818,337**	**1,153,919,065**
DEDUCTIONS FROM PLAN NET ASSETS				
Benefits				
Retirement Benefits	460,327,993	-	460,327,993	429,672,226
Death Benefits	1,245,487	-	1,245,487	1,395,482
Health Benefits	-	20,971,275	20,971,275	22,796,948
Total Benefits	**461,573,480**	**20,971,275**	**482,544,755**	**453,864,656**
Member Refunds	3,108,374	-	3,108,374	2,592,661
Health Care Administrative Expenses	-	836,944	836,944	808,455
Administrative Expenses	10,513,519	-	10,513,519	10,441,458
Total Deductions from Plan Net Assets	**475,195,373**	**21,808,219**	**497,003,592**	**467,707,230**
Increase (Decrease) in Net Assets Held in Trust for Pension and Health Care Benefits	**1,307,891,126**	**(2,076,381)**	**1,305,814,745**	**686,211,835**
Net Assets Held in Trust for Pension and Health Care Benefits				
Beginning of Year	6,868,944,268	9,220,842	6,878,165,110	6,191,953,275
End of Year	**$ 8,176,835,394**	**$ 7,144,461**	**$ 8,183,979,855**	**$ 6,878,165,110**

The notes to the basic financial statements are an integral part of this statement.

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 health care 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, 2011, 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 nonvested members, as summarized in the Membership Summary on Page 24.

There are two types of membership:

SAFETY MEMBERS

Permanent or interim employees engaged in the performance of active law enforcement are considered Safety members and are not covered by Social Security. Court service officers and probation officers were added to Safety membership in 1998 and 1999, respectively.

GENERAL MEMBERS

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

TIER STRUCTURE

General and Safety members eligible to enter the 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 active 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 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. Monthly final average 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. Monthly final average 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.

Tier B will minimize costs over time.

The maximum General, Tier B benefit formula is 2.62% of their monthly final average 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 monthly final average 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. Monthly final average 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 (COLA) 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 every April 1 pursuant to Section 31870.1.

DISABILITY BENEFITS

Disability retirement benefits are available to members who are found by the Board of Retirement to be permanently incapacitated. 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 monthly final average 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 monthly final average 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 nonvested at the time of death, and whether the death was job related. The eligible beneficiary of a nonvested member whose death was nonservice-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 nonservice-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 nonservice-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 monthly final average 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.

The Supplemental Benefit Allowance (SBA) reduction, approved by the Board of Retirement in 2010, was implemented as of January 1, 2011. The current benefit will be reduced further in approximately 2013 and, absent the allocation of any available excess earnings, will be eliminated entirely in 2017.

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, 2011

	General	Safety	Total
Active Members			
General, Tier I	37	-	37
General, Tier A	12,611	-	12,611
General, Tier B	642	-	642
Safety, Tier A	-	3,154	3,154
Safety, Tier B	-	79	79
Total Active Members	13,290	3,233	16,523
Deferred (Terminated) Members			
General, Tier I	1,938	-	1,938
General, Tier A	2,542	-	2,542
General, Tier B	46	-	46
Safety, Tier A	-	593	593
Safety, Tier B	-	6	6
Total Deferred (Terminated) Members	**4,526**	**599**	**5,125**
Retired Members			
General, Tier I	5,400	-	5,400
General, Tier II	1,747	-	1,747
General, Tier A	5,218	-	5,218
General, Tier B	1	-	1
Safety, Tier I	-	520	520
Safety, Tier II	-	300	300
Safety, Tier A	-	1,310	1,310
Safety, Tier B	-	-	-
Total Retired Members	12,366	2,130	14,496
Total Members	**30,182**	**5,962**	**36,144**

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.

Health Care Plan

DESCRIPTION OF PLAN

SDCERA administers an Other Post Employment Benefits (OPEB) health care 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 Tier 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 Tier II members, with at least 10 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 Plan Net Assets is allocated between the Pension Plan and Health Care Plan based on their pro-rata share of Total Fund Assets after the balances and transactions specific to the Pension Plan or Health Care Plan are assigned. Health Care Plan assets are pooled with Pension Plan assets for the purpose of investment. While Pension and Health Care Contributions and Benefits are known, the total investment income of the pooled funds are allocated between the Pension and Health Care Plans. As a result, on the Statement of Changes in Plan Net Assets after Pension and Health Care contributions and benefits are reported, income of the fund is allocated to the Health Care 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

The preparation of SDCERA's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain financial statement amounts and disclosures. 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 outlines 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 by management based on valuations provided 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 interests are subjected to annual independent audit.

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, 2011, SDCERA's share of outstanding debts on directly held real estate investments totaled approximately $113.5 million as summarized below:

Mortgage Loans Payable
As of June 30, 2011
(DOLLARS IN THOUSANDS)

Real Estate Investment	Loan Origination/ Assumption Date	Interest Rate	Maturity Date	Monthly Payment	Current Loan Amount
RREEF/Stratford Station	10/17/2007	6.0%	11/1/2012	$ 75	$ 12,355
RREEF/Clifton Commons	4/1/2011	5.3%	5/1/2021	86*	19,600
RREEF/Sawgrass & Spectrum	12/30/2001	6.0%	1/1/2012	36*	7,110
RREEF/Ryan Building	4/11/2002	6.8%	5/1/2012	38*	6,625
RREEF/Commerce Park	11/14/2003	5.9%	12/1/2013	47*	9,560
RREEF/Highlands Ranch	9/21/2006	6.0%	10/5/2016	101*	20,000
RREEF/Terry Park Drive	3/19/2007	5.6%	4/1/2017	39*	8,075
RREEF/The Hills of Corona	7/1/2003	5.2%	7/1/2013	98	17,184
RREEF/405 Bothell Business Park	4/19/2006	5.9%	5/15/2016	67*	13,500
Total					**114,009**
Less: Deferred Financing Costs					560
Net Mortgage Loans Payable					**$ 113,449**

* Interest Only

OTHER EXTERNALLY MANAGED FUND STRUCTURES

Investments made in externally managed funds are recorded 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.

DERIVATIVE FINANCIAL INSTRUMENTS

As of June 30, 2011, 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, MSCI World, or commodity indices.

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:

Capital Assets
As of June 30, 2011

	Balance 07/01/2010	Additions	Deletions	Balance 06/30/2011
Computer hardware, software, and maintenance	$ 5,867,029	$ 786,579	$ 432,936	$ 6,220,671
Office furniture and fixtures	1,809,766	30,126	3,099	1,836,792
Leasehold Improvements	1,959,157	4,078	-	1,963,235
Software in Progress	7,609,925	1,864,877	-	9,474,803
Total Capital Assets	**17,245,877**	**2,685,660**	**436,035**	**19,495,502**
Accumulated Depreciation--Hardware, software, and maintenance	(5,622,299)	(262,601)	-	(5,884,900)
Accumulated Depreciation--Office furniture and fixtures	(1,464,377)	(239,438)	-	(1,703,815)
Accumulated Depreciation--Leasehold Improvements	(839,699)	(166,116)	-	(1,005,815)
Net Capital Assets	**$ 9,319,502**	**$ 2,017,505**	**$ 436,035**	**$ 10,900,972**

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.

RECLASSIFICATIONS

Certain reclassifications have been made to the comparative totals as of and for the year ended June 30, 2010 to conform to the presentation as of and for the year ended June 30, 2011.

SUMMARIZED PRIOR YEAR INFORMATION

The accompanying financial statements include certain prior year summarized comparative information in total, but 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, 2010, from which the summarized information was derived.

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SDCERA is dedicated to the protection and maintenance of the pension fund's assets.

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

It is the practice of the Fund to require investment managers to diversify by issue, maturity, sector, coupon and geography. As of June 30, 2011, SDCERA had the following investments and maturities in the table below:

Interest Rate Risk
(THOUSANDS OF DOLLARS)

		Investment Maturities (in years)			
Investment Type	Total Fair Value	Less than 1	1-5	6-10	More than 10
Asset and mortgage backed securities	$ 223,492	$ 123,975	$ $9,699	$ $24,988	$ 64,830
Certificates of Deposits	53,167	53,167	-	-	-
Collateralized Mortgage obligations	62,630	15,002	-	21,716	25,912
Commercial Paper	377,233	377,233	-	-	-
Convertible Bonds	124,058	5,100	51,939	6,075	60,944
Corporate Bonds	718,424	171,937	484,774	51,984	9,729
Credit Funds	146,041	-	46,791	94,656	4,594
Emerging market debt securities	788,233	203,506	203,404	148,030	233,293
Fixed Income	762,372	726,834	35,538	-	-
International bonds	1,736	-	1,664	-	72
Other	(3,023)	(3,023)	-	-	-
Private placements	616,798	138,529	392,152	67,993	18,124
Repurchase agreements	209,222	209,222	-	-	-
Treasuries Inflation Index	408,053	612	151,714	133,148	122,579
U.S. Governments	5,039	5,039	-	-	-
U.S. Treasuries	166,004	-	-	-	166,004
Total	**$ 4,659,479**	**$ 2,027,133**	**$ 1,377,675**	**$ 548,590**	**$ 706,081**

CREDIT RISK

SDCERA assumes credit risk through two principal sources. By accepting both secured and unsecured debt obligations of various governments, corporate and consumer borrowers through its investment portfolio, the Fund is exposed to the creditworthiness of the underlying issuers. These holdings are well diversified and managed by professional investment managers. Secondly, the Fund engages in various over-the-counter (OTC) agreements that exchange one cash flow stream for another. These transactions represent mutual commitments between two counterparties who are expected to perform according to the terms of a contractual commitment. SDCERA has entered into ISDA Credit Support Annex (CSA) agreements with a diverse group of counterparties that require each party to set aside collateral, generally cash or U.S. Treasuries, on a daily basis to offset the change in market value of these contracts. Although SDCERA has no formal policy, as of June 30, 2011, SDCERA has no single issuer that exceeds 5% of the total fixed income investments or plan net assets.

SDCERA monitors the OTC risk and collateral daily. Through this combination of diversification and the introduction of CSA agreements, the fund addresses its principal source of credit risk emanating from OTC agreements. The following tables illustrate SDCERA's Fixed Income securities ratings as of June 30, 2011:

Credit Risk

(THOUSANDS OF DOLLARS)

Credit Risk	Domestic Core Fixed Income	Convertibles Fixed Income	High Yield Fixed Income	Emerging Market Debt Fixed Income	Short-Term Investments	Total
Govt	$ 574,057	$ -	$ -	$ -	$ $96,801	$ 670,858
AAA	-	-	-	2,128	650,630	652,758
AA	-	-	-	20,652	179,261	199,913
A	-	2,415	-	244,163	788,725	1,035,303
BBB	-	5,736	551	341,463	124,333	472,083
BB	-	21,144	75,021	85,642	722	182,529
B	-	15,481	198,203	20,344	-	234,028
CCC	-	2,731	50,198	-	-	52,929
C	111	-	2,148	-	-	2,259
NR	821	28,037	31,197	73,842	1,022,922	1,156,819
Total	**$ 574,989**	**$ 75,544**	**$ 357,318**	**$ 788,234**	**$ 2,863,394**	**$ 4,659,479**

Credit Risk					
Credit Risk	Domestic Core Fixed Income	Convertibles Fixed Income	High Yield Fixed Income	Emerging Market Debt Fixed Income	Short-Term Investments
Govt	99.9%	0.0%	0.0%	0.0%	3.4%
AAA	0.0%	0.0%	0.0%	0.3%	22.7%
AA	0.0%	0.0%	0.0%	2.6%	6.3%
A	0.0%	3.2%	0.0%	31.0%	27.6%
BBB	0.0%	7.6%	0.2%	43.3%	4.3%
BB	0.0%	28.0%	21.0%	10.9%	0.0%
B	0.0%	20.6%	55.5%	2.6%	0.0%
CCC	0.0%	3.6%	14.1%	0.0%	0.0%
C	0.0%	0.0%	0.6%	0.0%	0.0%
NR	0.1%	37.0%	8.7%	9.3%	35.7%
	100.0%	**100.1%**	**100.0%**	**100.0%**	**100.0%**

DOMESTIC CORE FIXED INCOME PORTFOLIO

SDCERA's Domestic Core Fixed Income portfolio consists of government securities, corporate bonds, private placements, and other bonds. The overall weighted average rating for Domestic Core Fixed Income was AAA, excluding 0.1% of unrated securities.

CONVERTIBLES FIXED INCOME PORTFOLIO

SDCERA Convertibles Fixed Income Portfolio invests in convertible bonds, convertible preferred stock and readily tradable private placements. The overall weighted average rating of the Convertibles Fixed Income Portfolio was BB, excluding 37.0% unrated securities.

HIGH YIELD FIXED INCOME PORTFOLIO

The weighted average rating of the High Yield Fixed Income Portfolio as of June 30, 2011, was B, excluding 8.7% 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, 2011, the Emerging Market Debt portfolio had an average credit rating of BBB, excluding 9.3% of unrated securities in the portfolio.

CUSTODIAL CREDIT RISK

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 allows international equity and fixed income managers to enter into foreign exchange contracts provided that the contracts have a maturity of one year of 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, 2011
(THOUSANDS OF DOLLARS)

Currency Name	Equity	Fixed Income	Real Assets	Forward	Short-term Investments	Total
MEXICAN PESO	$ $7,874	$ $84,420	$ -	$ 12	$ 53,902	$ 146,208
SOUTH AFRICAN RAND	35,638	77,247	-	-	-	112,885
CANADIAN DOLLAR	5,993	518	93,589	103	5,366	105,569
POLISH ZLOTY	-	101,367	-	-	-	101,367
BRAZILIAN REAL	21,778	73,384	-	-	-	95,162
INDONESIAN RUPIAH	19,347	75,670	-	-	-	95,017
MALAYSIA RINGGIT	5,212	83,316	-	-	-	88,528
THAILAND BAHT	4,669	83,710	-	-	-	88,379
TURKISH LIRA	7,170	62,270	-	-	-	69,440
EURO	3,083	-	-	(9,267)	73,940	67,756
SOUTH KOREAN WON	47,308	7,882	-		-	55,190
HONG KONG DOLLARS	53,759	-	-	-	-	53,759
RUSSIAN RUBLE	-	51,629	-	-	-	51,629
COLOMBIAN PESO	1,401	37,126	-	-	-	38,527
BRITISH POUND	9,188	2,692	-	(1,589)	20,530	30,821
TAIWAN NEW DOLLAR	26,028	-	-	-	-	26,028
PERUVIAN NUEVO SOL	-	24,751	-	-	-	24,751
HUNGARIAN FORINT	3,321	19,785	-	-	-	23,106
ROMANIAN LEU	-	11,666	-	-	-	11,666
PAKISTANI RUPEE	-	10,878	-	-	-	10,878
PHILIPPINES PESO	-	10,011	-	-	-	10,011
INDIA RUPEE	7,067	-	-	68	-	7,135
URUGUAYAN PESO	-	5,439	-	-	-	5,439
EGYPTIAN POUND	3,185	-	-	-	-	3,185
NIGERIAN NAIRA	2,573	-	-	-	-	2,573
Other Currencies (Individually less than $2 million)	3,261	(32,318)	-	(4,897)	113	(33,840)
Total	**$ 267,855**	**$ 791,443**	**$ 93,589**	**$ (15,570)**	**$ 153,851**	**$ 1,291,169**

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, 2011 are summarized in the following table. The Fund lent $295,299,061 in securities and received cash and non-cash collateral of $302,936,018 from borrowers.

Securities Lent	Fair Value of Securities on Loan	Collateral Received
Lent for Cash Collateral:		
U.S. T-Strips	$ 145,258,050	$ 148,632,236
Domestic Corporate	49,428,752	50,611,967
Domestic Equities	79,276,465	81,359,878
Exchange Traded	126,295	128,950
International Corporate	1,408,215	1,424,550
International Equities	13,427,042	14,256,065
Lent for Securities Collateral:		
Domestic Corporate	271,363	277,118
Domestic Equities	117,408	119,806
U.S. T-Strips	5,985,471	6,125,473
Total	**$ 295,299,061**	**$ 302,936,018**

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, 2011, had a weighted average maturity of 11 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, 2011:

Derivative Instruments
(THOUSANDS OF DOLLARS)

Derivative Type		Changes in Fair Value*		Fair Value		Notional
Forwards	$	97,807	$	(15,570)	$	(92,418)
Futures		375,794		(3,021)		3,694,198
Options		-		(536)		58,350
Swaps		231,731		25,269		1,671,451
Total	**$**	**705,332**	**$**	**6,142**	**$**	**5,331,581**

* All changes in the fair value of these derivatives are reported as investment income in the Statement of Changes in Plan Net Assets.

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 on which a seller agrees to deliver a specified cash commodity to a buyer sometime in the future. Forward contracts are not traded on federally designated exchanges as the terms of the forward are not standardized, i.e., delivery time and amount are negotiated between the buyer and seller.

As of June 30, 2011, SDCERA has ($140.8 million) in exposure to foreign currency primarily through equity, fixed income and short-term investments. SDCERA also has ($233.2 million) in currency exposure through the overlay program.

Summary of SDCERA's forward contracts at June 30, 2011 are shown in the chart below:

Forward Contracts
(THOUSANDS OF DOLLARS)

		Notional		Fair Value
Equity	$	46	$	-
Fixed Income		2,007		1
Overlay		(233,237)		(1,025)
Real Estate		20,697		(1,874)
Other		118,069		(12,672)
Total	**$**	**(92,418)**	**$**	**(15,570)**

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.

Summary of Futures Contracts
As of June 30, 2011
(THOUSANDS OF DOLLARS)

	2011 Notional Value	2011 Fair Value
Global Futures	$ 401,941	$ 3,862
Fixed Income Futures	2,713,849	(11,632)
Commodity Futures	-	-
Private Equity Futures	578,408	4,749
Total	**$ 3,694,198**	**$ (3,021)**

SWAPS

Swaps allow SDCERA to exchange a money market return for the rights to the return of a specific index, such as the Dow Jones REIT, MSCI World, or commodity indices. The table below shows SDCERA's swaps investments by type:

Internally Managed Swaps
(THOUSANDS OF DOLLARS)

Counterparty	Effective date	Maturity date	Terms	6/30/2011 Notional Value	6/30/2011 Fair Value
1. Commodity SWAP					
Goldman Sachs	6/30/11	9/30/11	Pay 3 mos TBill, 0.40% spread. Settlement based on ENHGE96T index pricing at monthly reset and termination date.	$ 256,751	$ 4,296
Lehman Brothers*	NA	NA	NA		(14,355)
Total Commodity Swap				***256,751***	***(10,059)***
2. Global Equity Swap					
Deutsche Bank	11/9/10	11/9/11	Pay 3 mos LIBOR, 0.40% spread. Settlement based on NDDUWI Index pricing at quarterly reset and expiration date.	1,133,946	29,012
Total Global Equity Swap				***1,133,946***	***29,012***
3. REIT Swap: BNP Paribas	4/5/11	4/5/12	Pay 3 mos LIBOR, 0.27% spread. Settlement based on DJUSRET Index pricing at monthly reset and expiration date.	245,000	6,576
Total Internally Managed Swaps				**$ 1,635,697**	**$ 25,529**

*Closed. Pending transactions only.

Externally Managed Swaps
(DOLLARS IN THOUSANDS)

Counterparty	2011 Notional Value	Fair Value
Credit Default Swaps	$ 26,100	$ 168
Currency Swaps	9,654	(428)
Total	**$ 35,754**	**$ (260)**

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.

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 and swaps in asset positions as of June 30, 2011 is as follows:

Credit Risk Derivatives at Fair Value
As of 6/30/3011
(DOLLARS IN THOUSANDS)

Credit Rating	Swaps	Forwards
AA	$ 10,871	$ 111
AA-	136	1,590
A+	29,045	2,330
A	-	90
Total subject to credit risk	**$ 40,052**	**$ 4,121**

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 Plan 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 salary 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, 2011. These rates are based on the actuarial valuation as of June 30, 2009. Contribution rates are expressed as a percentage of covered payroll. The member contribution rates (weighted average) depicted 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	Average Member Rates	Employer Rate
General members	9.06% -9.91%	18.6%
Safety members	11.9%	27.2%

During the year, pension contributions totaled $347,803,742, which included $43,994,305 in employee contributions, and $303,809,437 in employer contributions, which includes $68,417,489 in employee contributions paid by the employers.

By using earnings above 8%, excess earnings, to pay down pension liabilities, SDCERA strengthens its funding.

SDCERA is an independent governmental entity. As such, the entire expense of administration of the retirement system is charged against the earnings of the Plan. Earnings from investments are reduced for investment managers' fees, SDCERA investment staff expenses, portfolio evaluation, custodian services and actuarial services for investment related activities, as provided in Section 31596.1 of the California Government Code. Outside legal expenses are paid from systems assets as provided in Section 31529.9 of the California Government Code.

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

5 FUNDING POLICY – HEALTH CARE 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 $18.0 million for the fiscal year ended June 30, 2011. 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, 2011.

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 assumed investment rate of return of 8.00%.

THE HEALTH BENEFITS 401(h) ACCOUNT, also known as the OPEB trust fund, 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 and investment earnings to the various reserve accounts of net assets are depicted in the following table:

Reserve (DOLLARS IN THOUSANDS)		**As of June 30, 2011**
Reserve for Member Contributions	$	454,649
Reserve for County Contributions		2,245,971
Reserve for Retirement Allowances		5,264,562
Total		**7,965,182**
Reserve for Supplemental Benefits		90,473
Reserve for Disability Supplemental Benefits		11,930
Reserve for Undistributed Earnings		-
Reserve for Contingencies		-
Reserve for Smoothed Market Value Transition		577,109
Reserve for Market Stabilization		(467,858)
Total Retirement Fund		**8,176,836**
Health Benefits 401(h) Account		7,144
Total Fund	**$**	**8,183,980**

7

ADMINISTRATIVE EXPENSES

SDCERA's Board of Retirement annually adopts an administrative expense budget based on the accrued actuarial liability of the retirement system. By statute, the administrative expenses are charged against SDCERA's investment earnings and are limited to twenty-one hundredths of one percent of the accrued actuarial liability of the retirement system as set forth under Government Code Section 31580.2.

SDCERA exercises prudent management; administrative expenses are significantly below the legal limit.

SDCERA's Administrative Expenses For the year ended June 30, 2011		
Total Actuarial Accrued Liability (as of June 30, 2010)	$	9,999,161,000
Maximum Allowable for Administrative Expenses (.0021 X 9,999,161,000)	$	20,998,238
Actual Administrative Expenses for the Fiscal Year	$	10,513,519
Excess of Allowance over Actual Administrative Expenses	$	10,484,719
Actual Administrative Expenses as a Percentage of Total Assets Base		**0.11%**

8 COMMITMENTS AND CONTINGENCIES

DERIVATIVE INSTRUMENTS

SDCERA is party to financial instruments 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 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).

UNFUNDED COMMITMENTS

Not reflected in the accompanying Statement of Plan Net Assets are unfunded commitments to acquire real estate for investment totaling $328 million, infrastructure for $182 million, energy/natural resources funds for $125 million, and private equity for $504 million.

CONTINGENCIES

SDCERA is involved in litigation relating to various matters. In the opinion of management, after consultation with legal counsel, the outcome of these matters is not expected to have a material adverse effect on SDCERA's financial position.

9 PENSION DISCLOSURES

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. The dollar amounts in the following table are in thousands.

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)
6/30/2011	$8,542,291	$10,482,657	$1,940,366	81.5%	$1,090,413	178.0%

SDCERA is committed to transparency:

- Current and historical financial reports are available online
- Board meetings are streamed live and archived online
- The online benefit calculator allows members and the public to estimate benefit payments

The following summarizes the actuarial assumptions and methods used in the actuarial valuation as of June 30, 2011, the most recent valuation, and the June 30, 2009 actuarial valuation, which was used to determine current year contribution rates.

SUMMARY Actuarial INFORMATION		
Valuation Date	June 30, 2011	June 30, 2009
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 2011 and 3.75% for 2009.*

*** Includes inflation of 3.50% for 2011 and 3.75% for 2009, across the board increase of 0.75% for 2011 and 0.50% for 2009, plus merit and longevity increases.*

Key findings from the June 30, 2011 actuarial valuation include the following:

- The ratio of the valuation value of assets to actuarial accrued liabilities, the funded ratio, decreased from 84.3% to 81.5%.
- The total employer contribution rate for fiscal year 2012–2013 will increase from 26.98% of payroll to 29.96% of payroll.
- The average member rate for fiscal year 2012–2013 will decrease from 10.94% of payroll to 10.80% of payroll.
- The total unrecognized investment loss as of June 30, 2011 was $467.9 million, versus an unrecognized loss of $1,690.0 million in the June 30, 2010 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 81.5% to 77.0%, up from 67.4% in the prior valuation.
- If the unrecognized investment losses were recognized immediately the aggregate employer contribution rate for fiscal year 2012–2013 would increase from 29.96% of payroll to 33.02% of payroll, up from 38.00% in the prior valuation.
- Effective August 28, 2009, the employer has implemented “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)

The following tables summarize the most recent funded status and actuarial assumptions and methods for the OPEB plan. The dollar amounts in the following table are in thousands.

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)
6/30/2010	$9,221	$206,447	$197,226	4.5%	$1,095,582	18.0%

SUMMARY Actuarial INFORMATION FOR HEALTH CARE PLAN		
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	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*	8.00%	8.25%
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	10.00% graded down to ultimate rate of 5.00% over 10 years	9.00% graded down to ultimate rate of 5.00% over 8 years
Dental cost trend rate	5.00%	5.00%

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

ACTUARIAL VALUATIONS

Actuarial valuations for pension and OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The 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.

11 SUBSEQUENT EVENTS

On August 5, 2011, Standard & Poor's lowered its long-term credit rating on debt of the U.S. government from AAA to AA+. That action affected Standard & Poor's view of U.S. public finance debt instruments that are directly or indirectly backed by the U.S. As a result, on August 8, 2011, Standard & Poor's lowered its long-term credit ratings of U.S. government-sponsored enterprises and public debt issues that have credit enhancement guarantees by those government-sponsored enterprises to AA+. These credit downgrades relate to the credit risk associated with the SDCERA's investments in U.S. Government & Agency Obligations, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association securities.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SDCERA's funded ratio surpasses the public pension fund average of 76.1% and Fitch Rating's standard of 70% for adequate funding.

SCHEDULE I - FUNDING PROGRESS (PENSION PLAN)

(DOLLARS IN THOUSANDS)

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)
6/30/06	$ 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
6/30/11	8,542,291	10,482,657	1,940,366	81.5	1,090,413	178.0

[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)

(DOLLARS IN THOUSANDS)

Year Ended	Annual Required Contribution (ARC)	Contributions Made	% of Required Contributions Made
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
6/30/11	205,799	235,392	114.4

Source: The Segal Group, Inc. Annual Actuarial Valuation, June 30, 2011

SCHEDULE III - FUNDING PROGRESS (OPEB PLAN)
(DOLLARS IN THOUSANDS)

Valuation Date	(1) Valuation Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	Funded Ratio (1)/(2)	(5) Annual Covered Payroll	UAAL as % of Covered Payroll (2 - 1)/(5)
6/30/07	$ *	$ 235,755	$ 235,755	0.0%	$1,020,991	21.2%
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. Actuarial Valuation

SCHEDULE IV - EMPLOYER CONTRIBUTIONS (OPEB PLAN)
(DOLLARS IN THOUSANDS)

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%
6/30/11	18,028	18,028	100.0%

SCHEDULE V - INVESTMENT EXPENSES

For the year ended June 30, 2011
(DOLLARS IN THOUSANDS)

Individual or Firm	Net Assets Managed at Fair Value	Fees
Domestic Equity Managers		
Legato Capital Management	$ 193,910	$ 1,343
Nicholas Applegate Conv	84,539	447
S&P 500 Index Fund		13
Total Domestic Equity Managers		**1,803**
International Equity Managers		
Artisan Partners	351	135
Ballie Gifford	148,119	1,183
Berens Capital Management, LLC	4,692	127
Genesis Asset Management	243,661	1,407
Pyramis Global Advisors	247	136
Morgan Stanley Transition		(370)
Total International Equity Managers		**2,618**
Emerging Market Debt		
Ashmore Global Emerging Markets Debt Fund		366
Ashmore Local FX		282
Wellington	792,856	1,218
Total Emerging Market Debt Managers		**1,866**
High Yield/Credit Managers		
BlackRock Credit Fund	36,315	154
GoldenTree		(446)
Hotchkis & Wiley High Yield	201,761	836
Oaktree Capital Mgmt LLC	109,726	657
Oaktree Bank Loan Fund		10
Silver Point Capital	15,799	511
TCW Credit Fund		1
Zazove Associates (HY Conv.)	51,275	2,517
Total High Yield/Credit Managers		**4,240**
Core Bond		
PIMCO Global/Core Plus	416	102
Total Core Bond Managers		**102**
TIPS		
State Street Global Assets (SSGA)	408,053	108
Total TIPS		**108**
U.S. Treasuries		
Hoisington	166,188	196
Total U.S. Treasuries		**196**
Policy Overlay		
Russell Investments Group	337,944	760
Total Policy Overlay Manager		**760**

SCHEDULE V - INVESTMENT EXPENSES (CONTINUED)

Individual or Firm	Net Assets Managed at Fair Value	Fees
Global Macro/CTA		
Barclays Emerging		41
Blackrock Global Ascent	121,855	4,247
Blackrock Emerging Market Macro	33,501	628
Bridgewater Pure Alpha	56,601	4,416
Bridgewater Pure Alpha Major Market	57,606	2,618
Campbell & Company	33,123	1,925
Graham Capital	71,191	8,084
Kenmar (Base Fee + CTAs fee)	39,051	9,577
Mellon Capital	-	(64)
Total Global Macro/CTA		**31,472**
Relative Value		
AQR Delta	337,388	6,224
BlueMountain L/S Credit Fund, LP	75,104	529
Carlson Capital Partner	54,052	2,018
DE Shaw	14,708	743
Moon Capital	81,926	273
UBS O'Connor	108,830	1,672
Total Relative Value		**11,459**
Real Assets Managers		
Commodities		
Western Asset Management	932	1
Total Commodities		**1**
Infrastructure		
Brookfield Americas Infrastructure	15,851	1,111
Global Infrastructure Partners	72,143	1,455
JP Morgan Maritime Fund	1,043	909
Macquarie Infrastructure Partners II	50,667	1,125
Total Infrastructure		**4,600**
Natural Resources and Other Real Assets		
EnerVest Energy Institutional Fund X	6,939	112
EnerVest Energy Institutional Fund XI -B	10,496	225
EnCap Energy Capital Fund VI	6,550	65
EnCap Energy Capital Fund VII	6,546	47
Falcon	17,145	866
Kayne Anderson Energy Fund V	934	300
Merit Energy	3,559	13
SSGA Materials	186,380	297
Total Natural Resources and Other Real Assets		**1,925**
Total Real Assets Managers		**6,526**

SCHEDULE V - INVESTMENT EXPENSES (CONTINUED)

Individual or Firm	Net Assets Managed at Fair Value	Fees
Real Estate Managers		
Allegis Value Trust, Inc.	18,613	127
AMB Japan Fund	40,644	589
Blackstone Real Estate Partners VI	52,380	750
California Smart Growth Fund IV	14,060	189
Canyon Johnson	16,369	302
CB Richard Ellis	40,811	351
Cornerstone (CHIEF)	5,341	147
Cornerstone Apartment Venture III	15,469	168
Hearthstone MSI&II-Homebuilding Investors LLC	42	3
La Salle Asia Op2	11,083	240
PRISA II	24,412	284
PRISA III	40,504	584
The RREEF - Global REITS	0	50
The RREEF Funds/Rio San Diego Plaza II	21,660	126
RREEF Value Added	91	184
RREEF IMA	189,595	2,328
Southern California Smart Growth Fund	10,028	153
Trophy Property GP LTD	17,955	243
Total Real Estate Managers		**6,818**
Private Equity Managers		
Apex Investment Fund V, L.P.		30
Apex Investment Fund VI, L.P.		102
Arch Venture Fund V		66
Bain Capital IX	7,339	155
Bain Capital IX Coinvestment	1,453	60
Bain Capital X	6,321	179
Baring Private Equity Asia V	316	583
Blackstone Capital Partners V	12,394	96
Blackstone Capital Partners VI		617
Capital Int’l Emerging Mkts Private Equity	292	(37)
Capital Int’l PE Fund V, LP	8,236	128
Cerberus Institutional Partners II	3,642	18
Cerberus Institutional Partners IV	16,330	205
Charterhouse VIII	10,364	70
Code, Hennessy & Simmons IV	1,928	(13)
Coller International Partners V-A	6,525	151
Columbia Capital		83
DAG Venture - QP		169
Darwin Venture Capital		48
Drug Royalty II/LSRC II S.ar.I	1,681	326
Emerging Europe Growth Fund II	3,982	192

SCHEDULE V - INVESTMENT EXPENSES (CONTINUED)

Individual or Firm	Net Assets Managed at Fair Value	Fees
Forward Ventures IV		54
Gores Capital Partners	8,086	2,182
Graham Partners	7,313	95
Granite Global Ventures III		135
Greenbriar Equity Fund II, LP	3,454	161
Harbourvest International Private	8,120	175
Hellman & Friedman Investors VI, LLC	13,456	263
Lexington Capital Partners V	3,221	38
Lexington Capital Partners VI	7,177	60
Lighthouse Capital Partners		95
Meritech Capital Partners II		11
Mission Ventures II		57
Northgate Venture Partners II, LP		53
Northgate PE Partners II, LP	11,224	139
Northgate Venture Partners III		39
Northgate PE Partners III, LP	9,252	154
Oak Investment Partners XI		102
Oak Investment Partners XII		169
Oakhill Capital Management	2,533	1
OCM Opportunities Fund IV	31	2
OCM Opportunities Fund VI	3,679	64
OCM Opportunities Fund VII	5,785	106
OCM Opportunities Fund VII - B	12,844	188
Onex Partner III	3,681	124
Paul Capital Partners VIII-B, LP	8,565	82
Paul Capital Partners IX, LP	8,607	254
Provident Equity Partners V, LP	9,434	99
Sofinnova Venture Partners VII, LP		88
Sorrento Ventures		(23)
TA Associates Subordinated Debt Fund	305	2
TA Associates Subordinated Debt Fund II	3,864	93
TA Associates IX	1,857	37
TA Associates X, L.P.	9,031	284
Thomas Lee Equity	6,160	22
Total Private Equity Managers		**8,634**
Master Custodian		
BNY Mellon		1,687
Total Master Custodian		**1,687**

SCHEDULE V - INVESTMENT EXPENSES (CONTINUED)

Individual or Firm	Net Assets Managed at Fair Value	Fees
Other Professional Fees		
Albourne America LLC		640
Bear Measurisk, LLC		(4)
Cost Effective Management Inc.		30
Ennis Knupp		508
Salient Partners		1,052
Plexus Group		28
S&P Rating Services		8
The Segal Company		190
The Townsend Group		100
Other		**1,909**
Total Other Professional Fees		**4,460**
Administrative, Support and Other		**6,394**
Total Investment Expenses		**$ 89,143**

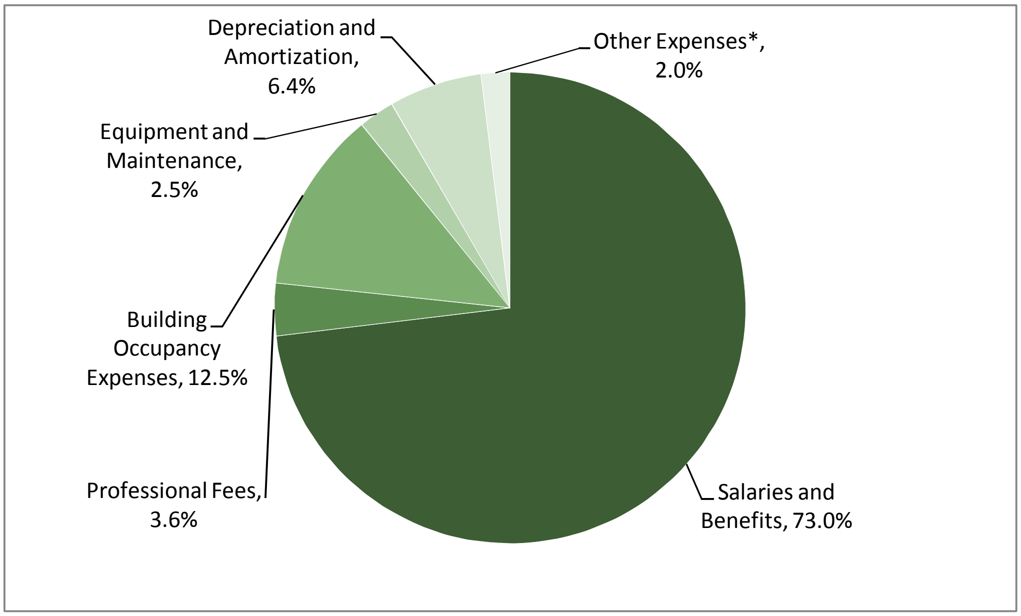
SCHEDULE VI - ADMINISTRATIVE EXPENSES

Year ended June 30, 2011
(THOUSANDS OF DOLLARS)

Expense Category		Pension		Health Care
Salaries and Benefits	$	7,674	$	332
Professional Fees		378		111
Building Occupancy Expenses		1,325		58
Equipment and Maintenance		260		-
Depreciation and Amortization		668		-
Other Expenses*		209		336
Total Administrative Expenses	**$**	**10,514**	**$**	**837**

* Includes overhead expense allocations to Investments and Health Care.

ADMINISTRATIVE EXPENSES BY CATEGORY - 2011



SCHEDULE VII - SCHEDULE OF PAYMENTS TO CONSULTANTS

(THOUSANDS OF DOLLARS)

Type of Service		
Legal Services	$	2,846
Computer Services		453
Actuarial Services		190
Audit Services		76
Health Care Consulting Services		111
Total Payments to Consultants	**$**	**3,676**

investments

SALIENT PARTNERS
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December 22, 2011

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:

SDCERA's portfolio finished the fiscal year with a gross portfolio return of 21.61% (20.72% net of management fees) in line with its strategic policy benchmark return of 21.19%. According to the TUCS universe data this placed SDCERA slightly ahead of the median fund in its category. We consider this performance to be a significant accomplishment given the fund's shift from an equity centric strategy benchmarked against a strategic policy index that allocated 78% to equity markets and only 22% to fixed income markets. This performance was generated with a significantly lower weight to equity markets than most of the funds peers.

Beginning July 1, 2010, SDCERA implemented a new investment policy statement and associated asset allocation policy that was approved by the Board of Trustees in April 2010. The new policy was intended to provide further diversification to the fund and lower its sensitivity to various conditions of growth, inflation and investor sentiment. Accordingly, public equity targets were reduced to a modest 25% of portfolio holdings while private holdings of equity, real estate and natural resources were each targeted at 10% of the overall portfolio value (30% in aggregate). To provide further diversification to the fund, these holdings were complemented by a 20% allocation to hedge fund strategies that are less sensitive to overall market conditions, a 40% target to ten-year treasury futures backed by a 5% cash holding, a 5% allocation to high yield debt and a 10% target to local emerging market debt.

Each of the building blocks referenced above played an important role in lowering the fund's net exposure to extreme economic outcomes and helped lower volatility during both positive and negative quarters over the course of the year while achieving a total return for the year that is well ahead of its actuarial assumptions. Fiscal year 2011 witnessed a 30.69% return posted by the S&P 500 index compared to the more modest 3.90% return generated by the Barclay's Capital Aggregate Bond Index but roughly in line with the 26.11% return generated by the S&P GSCI Total Return Index that tracks broad commodity price movements. The fund's overall level of diversification appeared to be a drag on performance through the first half of the fiscal year but proved valuable as economic conditions began softening during the last quarter ending June 30, 2011.

As we enter into the 2012 fiscal year, the portfolio is positioned with the full diversification plan in place which continues to be valuable as we see the effects of global deleveraging impact the European periphery, the global banking system and overall employment levels. Following the massive increase in total debt to GDP that the developed world incurred over two and a half decades that ended in 2008, we believe the developed world entered into a different phase of a long-term credit cycle whereby we collectively moved from the speculative phase of credit expansion to a more austere phase of credit deleveraging. Despite the proliferation of public sector debt—driven by a Keynesian, deficit spending prescription for economic weakness—it appears that the

4265 San Felipe, 8th Floor | Houston, TX 77027 | 713.993.4675| Fax: 713.993.4698

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private sector is contracting faster than the government sector is growing. Higher savings, increasing bank capital, lower loan demand, and reductions in post-retirement benefits all point to a pernicious deterioration in credit creation and financial innovation.

If history offers any indication of how long this phase may last, it would seem that given the unprecedented level of debt created during the buildup, the unwind may last for 10-15 years, which would place the conclusion somewhere in the neighborhood of 2018-2023. Despite this gloomy outlook, we recognize that fiscal and monetary policy makers will likely move violently between social measures intended to alleviate the genuine suffering inflicted on a huge portion of the labor pool that may be permanently displaced (along with aging workers who have inadequate savings to meet rising health care costs and consumer prices) and fiscal conservatism intended to bring forth a more sustainable budget picture that will restore primary surpluses in the foreseeable future. As those policy measures are discussed, market volatility will likely remain high while overall growth conditions remain low.

Sincerely,

Lee Partridge
Chief Investment Officer

4265 San Felipe, 8th Floor | Houston, TX 77027 | 713.993.4675| Fax: 713.993.4698

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

Asset Class	Benchmark	Target
Global Developed Equity	MSCI World Net Index	20%
Emerging Market Equity	MSCI Emerging Markets Index	5%
High Yield Fixed Income/Credit	ML High Yield Master II	5%
Private Equity	Russell 3000 + 3%	10%
Total Growth Oriented Assets	**Weighted Average of Subcomponents**	**40%**
Emerging Market Debt	JP Morgan GBI--EM Global Diversified (Unhedged)	10%
U.S. Treasuries	Barclay's 10-year UST Futures Index	40%
Global Macro/CTA	2/3 HFRI Macro + 1/3 Barclays CTA Indices	10%
Relative Value Strategies	Three-Month Treasury Bills + 2%	10%
Total Stable Value Assets	**Weighted Average of Subcomponents**	**70%**
Treasure Inflation Protected Securities	Barclay's Capital US TIPS	5%
Real Estate	NCREIF NPI	10%
Natural Resources and Other Real Assets	1/3 GSCI + 1/3 Citi MLP + 1/6 S&P Materials Index + 1/6 S&P/TSX Materials Composite Index	10%
Total Inflation-Sensitive Assets	**Weighted Average of Subcomponents**	**25%**
Total Fund	**Weighted Average of Subcomponents**	**135%**

The portfolio is designed to provide steady gains in up markets and protect those gains in volatile markets.

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.

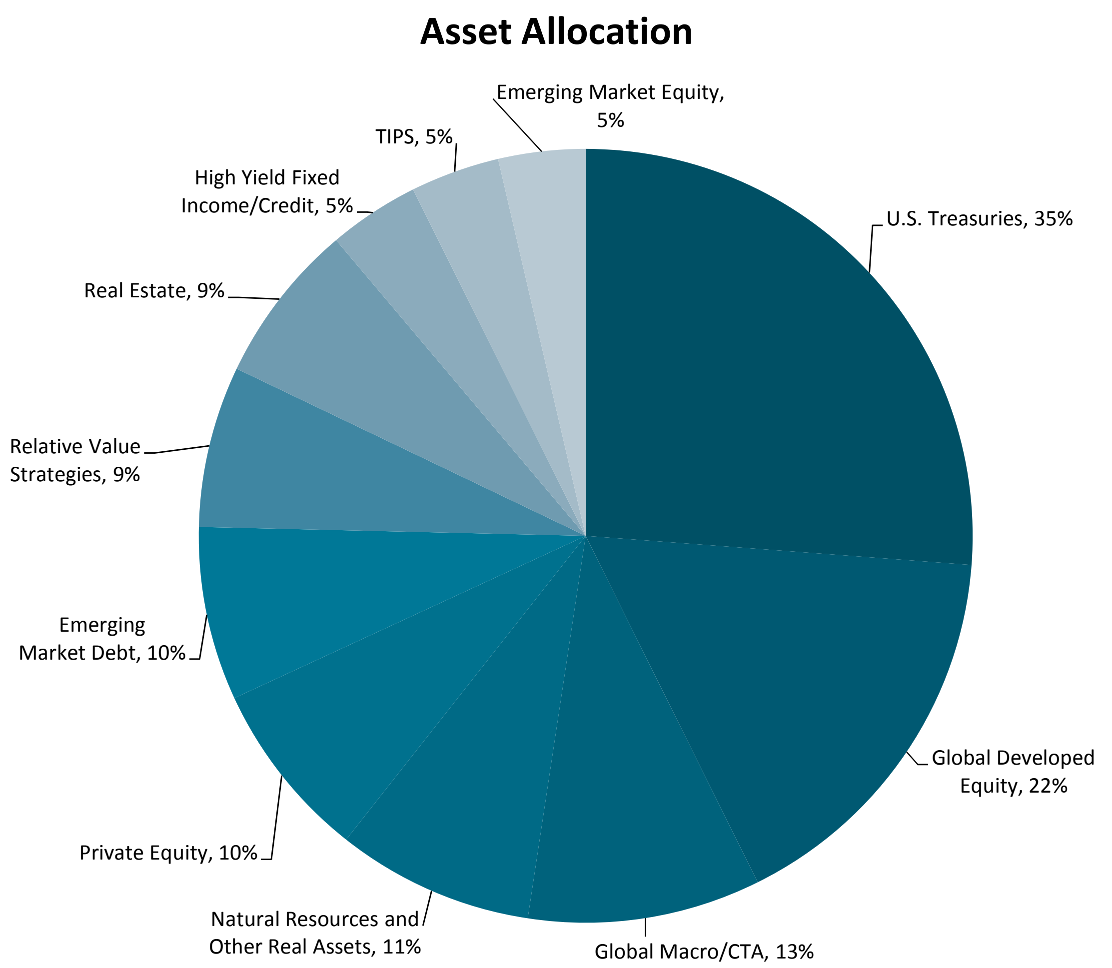
Asset Allocation Report

As of June 30, 2011
(THOUSANDS OF DOLLARS)

					Allocation % Percentage Limits			
					Target	Min.	Max.	
Asset Type	Fair Value	Additional Exposure	Asset	% of Total Exposure	% Target	% Target	% Target	Within Limits
Global Developed Equity	$ 362,966	$ 1,424,357	$ 1,787,323	22%	20%	15%	25%	YES
Emerging Market Equity	396,471	-	396,471	5%	5%	2%	10%	YES
High Yield Fixed Income/Credit	414,882	-	414,882	5%	5%	2%	10%	YES
Private Equity	364,054	483,299	847,353	10%	10%	5%	15%	YES
Emerging Market Debt	792,856	-	792,856	10%	10%	5%	15%	YES
U.S. Treasuries	354,544	2,525,493	2,880,037	35%	40%	20%	60%	YES
Global Macro/CTA	611,896	415,697	1,027,593	13%	10%	5%	15%	YES
Relative Value Strategies	735,833	-	735,833	9%	10%	5%	15%	YES
Treasury Inflation Protected Securities	408,102	-	408,102	5%	5%	2%	15%	YES
Real Estate	778,207	(7,535)	770,672	9%	10%	5%	15%	YES
Natural Resources and Other Real Assets	866,955	11,636	878,591	11%	10%	5%	15%	YES
Cash & Other Assets and Liabilities*	2,097,214	(4,852,947)	(2,755,733)	(34%)	0%			N/A
Total	**$ 8,183,980**	**$ -**	**$ 8,183,980**	**100%**	**135%**			

*Notional exposure exceeding cash holdings

Note: Allocated assets include cash and cash equivalents in this table.

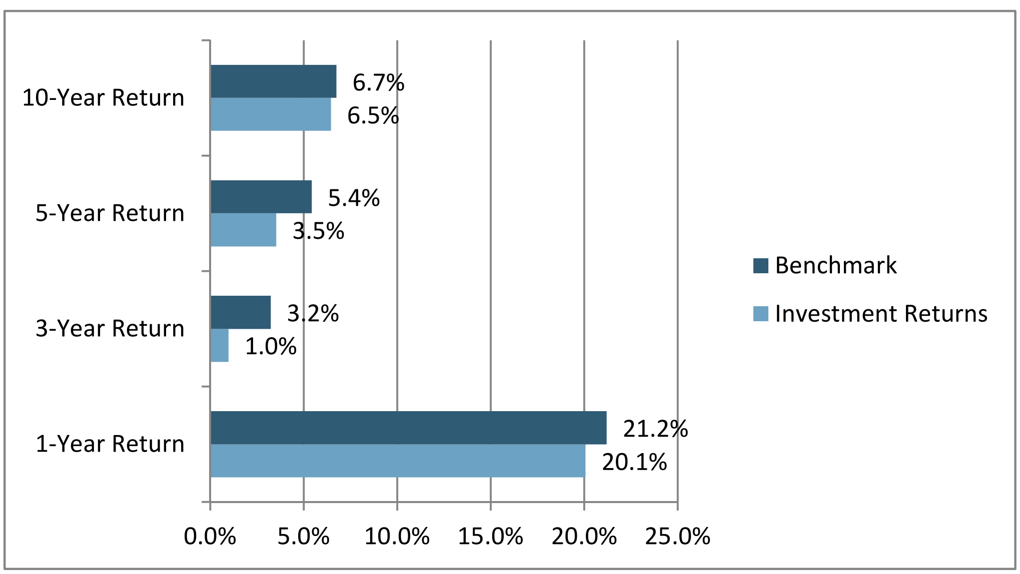


Exposure is expressed as a percent of the fund's net asset value and totals to 134%

Performance Results, Annualized, Net of Fees For the years ended June 30								
	Performance				Benchmark			
Manager	1 Year	3 Year	5 Year	10 Year	1 Year	3 Year	5 Year	10 Year
Public Developed Equity	31.0	0.3	3.3	N/A	31 .5	2.2	3.8	N/A
Emerging Market Equity	26.8	5.5	12.4	17.3	28.1	4.5	11.8	16.5
High Yield Fixed Income/Credit	15.2	8.2	6.4	N/A	15.4	11.9	8.9	N/A
Private Equity	17.6	1.9	4.7	N/A	25.2	2.0	6.8	N/A
Total Growth Oriented Portfolio	24.8	1.9	5.4	N/A	27.2	2.5	4.3	N/A
Emerging Market Debt	17.7	7.4	9.6	N/A	19.7	13.0	11.1	N/A
U.S. Bonds	(0.3)	5.7	N/A	N/A	3.5	6.3	6.5	N/A
Global Macro/CTA	5.7	1.7	5.4	N/A	7.0	(1.5)	1.7	N/A
Relative Value	9.2	(0.3)	N/A	N/A	2.1	(3.0)	0.7	N/A
Total Stable Value Portfolio	6.7	6.0	7.8	N/A	6.1	7.6	7.3	N/A
U.S. TIPS	7.6	5.4	7.1	N/A	7.8	5.3	6.9	N/A
Real Estate	28.3	(5.1)	0.1	8.5	24.5	(0.8)	2.7	9.0
Natural Resources and ORA	27.7	(12.2)	(3.1)	N/A	31.6	(2.2)	4.5	N/A
Total Inflation Sensitive Portfolio	23.5	(3.6)	1.6	N/A	23.9	0.3	4.6	N/A
Grand Total Investments	**20.7**	**1.0**	**3.5**	**6.5**	**21.2**	**3.2**	**5.4**	**6.8**

SDCERA has earned industry accolades: this year it was named Small Public Plan of the Year and was nominated for two additional awards.

Performance Results
Total Fund Category
Annualized, Net of Fees
As of June 30, 2011



Top 10 HOLDINGS – Equity As of June 30, 2011		
Shares	**Security Name**	**Market Value**
857,185	Enterprise Products Partners	$ 37,038,964
414,928	Kinder Morgan Energy Partners	30,123,773
259,511	Plains All American Pipeline	16,608,704
239,543	Magellan Midstream Partners	14,307,903
227,907	Potash Corp of Saskatchewan	13,007,064
266,453	Barrick Gold Corp	12,089,915
263,525	Energy Transfer Equity LP	11,848,084
174,299	Kinder Morgan Management LLC	11,432,271
194,000	Ei Du Pont De Nemours & Co	10,485,700
197,900	Freeport-McMoran Copper & Gold	10,468,910

SDCERA's wise investment practices enable the organization to provide secure retirement benefits for members.

Top 10 HOLDINGS – Fixed Income As of June 30, 2011		
Book Value	**Description**	**Market Value**
$ 674,259,537	Pimco FDC Short Term FLTG	$ 674,217,876
199,683,190	U.S. Treasury Bd Prin Strip	166,003,550
72,648,000	Citigroup Cat	72,648,000
53,166,024	Mexican Cetes	53,721,626
34,865,409	Danfin Funding LTD	34,486,890
33,181,000	Deutsche Bank	33,181,000
30,236,400	Royal Bank of Scotland	30,153,900
21,992,337	Kinder Morgan	21,992,337
20,194,000	Barclays Bank	20,063,200
20,107,640	Lloyds TSB Bank	20,063,200

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

Investment Expenses by Category For the year ended June 30, 2011 (THOUSANDS OF DOLLARS)		Fees
Global Macro/CTA	$	31,472
Relative Value		11,459
Private Equity		8,634
Real Estate		6,818
Administrative, Support and Other		6,394
Infrastructure		4,600
High Yield/Credit Managers		4,238
International Equity		2,619
Other Professional Fees		2,552
Natural Resources and other Real Assets		1,925
Other (Short-Term Investments)		1,910
Emerging Market Debt		1,866
Domestic Equity		1,803
Master Custodian		1,687
Overlay		760
U.S. Treasures		196
TIPS		108
Core Bond		102
Commodities		1
Total Investment Expenses	**$**	**89,143**

Commissions Paid -- Domestic
For the year ended June 30, 2011

No.	Brokerage Firm		Total Commissions	% of Total Commissions
1	RBC Dominion Securities Inc.	$	51,228	8.1%
2	Investment Technology Group		48,142	7.6%
3	BTIG LLC		42,656	6.7%
4	UBS Securities		38,414	6.1%
5	CIBC World Market Inc.		37,953	6.0%
6	TD Waterhouse Securities		37,259	5.9%
7	Merrill Lynch Pierce Fenner Inc		35,624	5.6%
8	State Street Bank & Trade Co		35,621	5.6%
9	Barclays Capital Inc.		28,311	4.5%
10	Other*		277,956	43.9%
	Total	**$**	**633,164**	**100.0%**

*Includes approximately 100 additional firms, each with less than 2.9% of total commissions.

Commissions Paid – International
For the year ended June 30, 2011
SUMMARY OF INTERNATIONAL BROKER COMMISSIONS

No.	Brokerage Firm		Total Commissions	% of Total Commissions
1	Goldman Sachs & Co	$	353,992	69.0%
2	Morgan Stanley & Co		37,936	7.4%
3	Deutsche Bank Intl Equities & Securities		19,587	3.8%
4	UBS Equities & Securities		19,213	3.7%
5	Merrill Lynch		13,083	2.5%
6	JP Morgan Securities		11,328	2.2%
7	BNP Paribas Peregrine Sec Ltd		10,334	2.0%
8	Banco BTG Pactual SA		7,965	1.6%
9	Kotak Securities		5,839	1.1%
10	Other**		33,992	6.6%
	Total	**$**	**513,269**	**100.0%**

** Includes approximately 19 additional firms, each with less than 0.8% of total commissions.

Summary of Retirement Portfolio by Manager/Asset Type
As of June 30, 2011

Securities Description	Asset Type	Market Value
Global Developed Equity		
Nicholas Applegate	Convertible	$ 84,538,818
Legato Capital Management	Growth-Small & Micro Cap	193,909,774
Unallocated Securities	Other	88,545
Mondrian	Large Cap Value	339,735
Pyramis Global Advisors (Fidelity)	Core	247,275
Artisan	Large Cap Growth	350,699
Global Equity Swap	Swaps	29,012,205
Russell Global Equity Overlay	Global Equity Overlay Futures	54,478,532
Total Global Developed Equity		**362,965,583**
Emerging Market Equity		
Ballie Gifford	Emerging Markets	148,119,328
Berens Capital Management	Emerging Markets	4,691,650
Genesis	Emerging Markets	243,660,503
Total Emerging Market Equity		**396,471,481**
High Yield Fixed Income/Credit		
Blackrock Credit Investors, LP	Credit Funds	36,315,360
Hotchkis & Wiley Cap Mgt	High Yield	201,761,428
Oaktree Bank Loan Fund	Credit Funds	5,451
Oaktree Capital Mgt	High Yield	109,725,587
Zazove Associates High Yield	High Yield	51,274,591
Silver Point	Credit/Multi-Strategy	15,799,234
Total High Yield Fixed Income		**414,881,651**
Private Equity		
Private Equity & Russell PE Overlay	Private Equity	268,945,381
Russell PE Overlay	PE Overlay Futures	95,108,978
Total Private Equity		**364,054,359**
Emerging Market Debt		
Wellington	Emerging Market Debt	792,856,384
Total Emerging Market Debt		**792,856,384**
U.S. Treasuries		
Hoisington	Treasuries	166,187,874
Russell U.S. Core Overlay	U.S. Core Overlay Futures	188,356,182
Total U.S. Treasuries		**354,544,055**
Global Macro/CTA		
Blackrock Emerging Market Macro	Global Macro	33,500,868
Blackrock Global Ascent	Global Macro	121,855,379
Brevan Howard	Global Macro	173,029,826
Bridgewater Pure Alpha II	Global Macro	56,600,883
Bridgewater Pure Alpha Major Market	Global Macro	57,606,169
Campbell & Co	Collateral	33,123,159
Graham Capital	Discretionary	71,190,845
Graham Capital K4D	Systematic Macro	25,937,409
Kenmar	Collateral	39,051,170
Total Global Macro/CTA		**611,895,708**
Relative Value Strategies		
AQR Delta	Relative Value	337,387,775
BlueMountain	Long/Short Credit	75,104,330
Carlson Capital	Multi-Strategy	54,052,316
Carlson Capital - Black Diamond	Relative Value	48,543,572
DE Shaw	Multi-Strategy	14,254,914
Moon Capital	EM L/S Equity	81,925,514
Stark Investments	Multi-Strategy	15,734,423
UBS O'Connor	Market Neutral L/S Equity	108,830,311
Total Relative Value Strategies		**735,833,155**
TIPS		
Treasure Inflation Protected Securities	Inflation protected	408,101,868
Total TIPS		**408,101,868**
Real Estate		
Real Estate & REIT Swap & Cash	Real Estate	778,207,286
Total Real Estate		**778,207,286**
Natural Resources & Other Real Assets		
Cash and Securities for Commodity Swaps	Commodity Swaps	245,114,984
Natural Resources & Other Real Assets	Materials & Commodity	482,135,794
Infrastructure	Global Infrastructure	139,703,776
Total Natural Resources & Other Real Assets		**866,954,554**
Other Assets (Collateral Cash) and Liabilities	Other	2,097,213,772
Net Investment Portfolio		**$ 8,183,979,855**

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 18, 2011

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, 2011 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, 2011 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, 2011 is illustrated in the Schedule of Funding Progress and History of Employer Contribution Rates.

Board of Retirement
San Diego County Employees Retirement Association
November 18, 2011
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;
9. Membership summary;
10. Schedule of retiree members by type of retirement and option selected;
11. Average benefit payments (pension plan); and
12. Schedule of participating employers.

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, 2011 actuarial valuation. It is our opinion that the assumptions used in the June 30, 2011 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, 2011 valuation, the ratio of the valuation assets to actuarial accrued liabilities decreased from 84.3% to 81.5%. The employer's rate has increased from 27.02% of payroll to 29.96% of payroll, while the employee's rate decreased from 10.94% of payroll to 10.80% of payroll.

In the June 30, 2011 valuation, the actuarial value of assets included $467.9 million in deferred investment losses, which represented 6% 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 81.5% to 77.0% and the aggregate employer contribution rate, expressed as a percent of payroll, would increase from 29.96% to 33.02%.

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

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

Andy Yeung

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

AW/gxk
Enclosures

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
(DOLLARS IN THOUSANDS)

	Aggregate Accrued Liabilities for				Portion of Accrued Liability Covered by Reported Assets			
Valuation Date	Active Member Contributions [1]	Liability for Retired Members	Active Members (Employer Financed Portion)	Total	Valuation Value of Assets	Active Member Contributions	Liability for Retired Members	Active Members (Employer Financed Portion)
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%**
6/30/11	454,649	5,494,076	4,533,932	10,482,657	**8,542,291**	**100%**	**100%**	**57.20%**

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

Sources: The Segal Company, Annual Actuarial Valuation, June 30, 2011

History of Employer Contribution Rates

	General Members			Safety Members		
Year Ended	Normal %	UAAL %	Total %	Normal %	UAAL %	Total %
6/30/2006	12.15	9.34	21.49	17.93	11.94	29.87
6/30/2007	12.52	6.18	18.70	18.66	8.89	27.55
6/30/2008	12.46	3.99	16.45	18.77	5.87	24.64
6/30/2009	12.45	6.10	18.55	18.72	8.50	27.22
6/30/2010	13.06	11.05	24.11	20.92	16.25	37.17
6/30/2011	12.87	13.92	26.79	20.86	20.18	41.04

Sources: The Segal Company, Annual Actuarial Valuation, June 30, 2011

Demographic Activity of Retirees and Beneficiaries

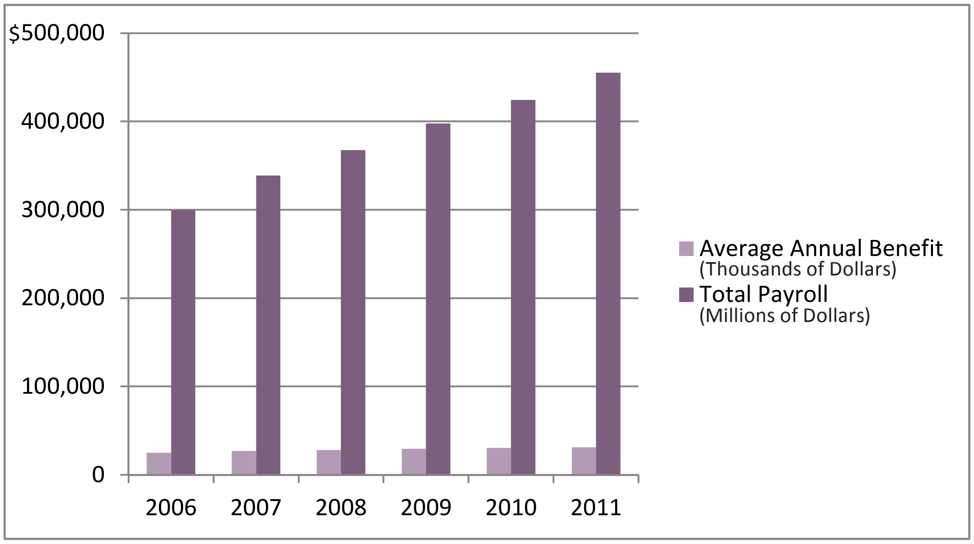
	Added to Rolls		Removed from Rolls		Rolls at End of Year				
Plan year ended June 30	Number	Annual Allowance *	Number	Annual Allowance	Number	Annual Allowance	% Increase in Retiree Allowance	Average Annual Allowance	Change in Average Benefit
2006	975	$ 41,577,431	362	$ 5,714,102	12,049	$ 299,781,468	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%
2011	996	40,668,972	422	9,718,980	14,496	455,282,724	7.3%	31,407	3.0%

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

Sources: The Segal Company, Annual Actuarial Valuation, June 30, 2011

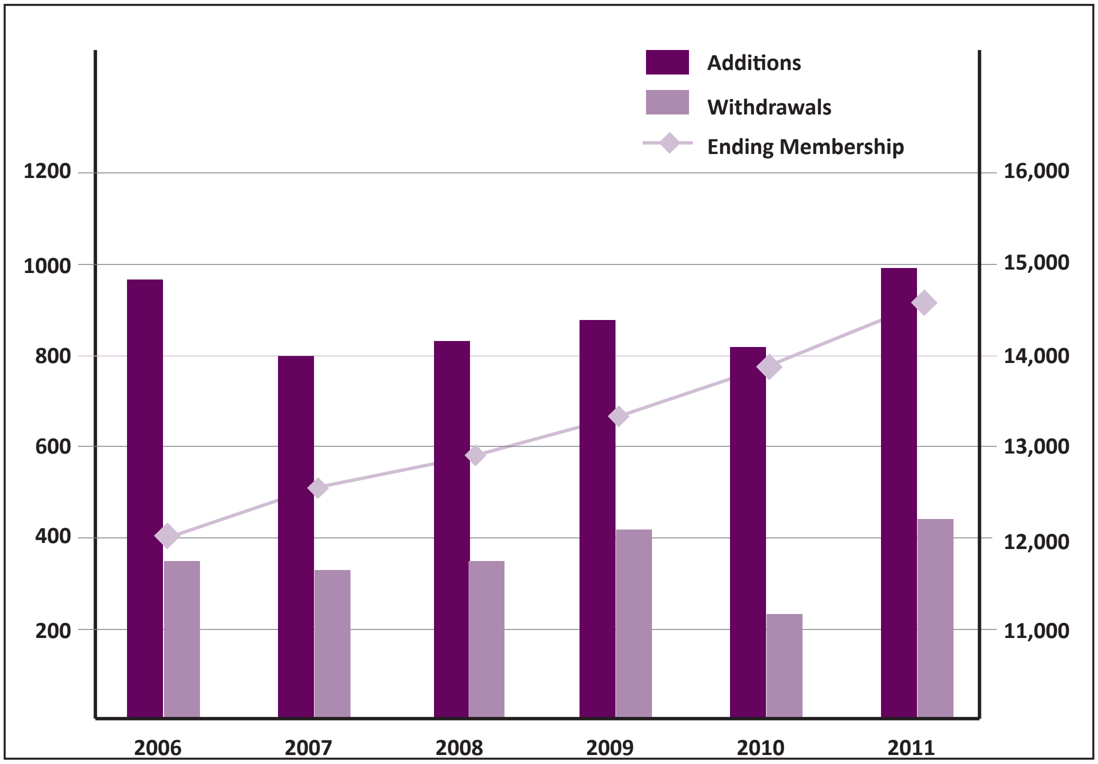
Retirement Payroll & Average Annual Pension Benefit

For the years ended June 30



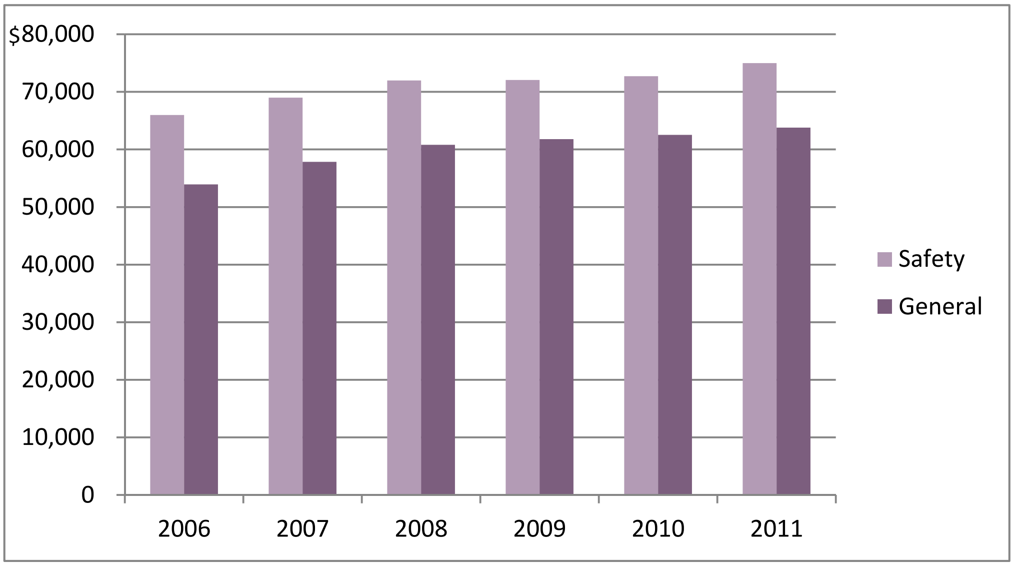
Membership Activity

For the years ended June 30

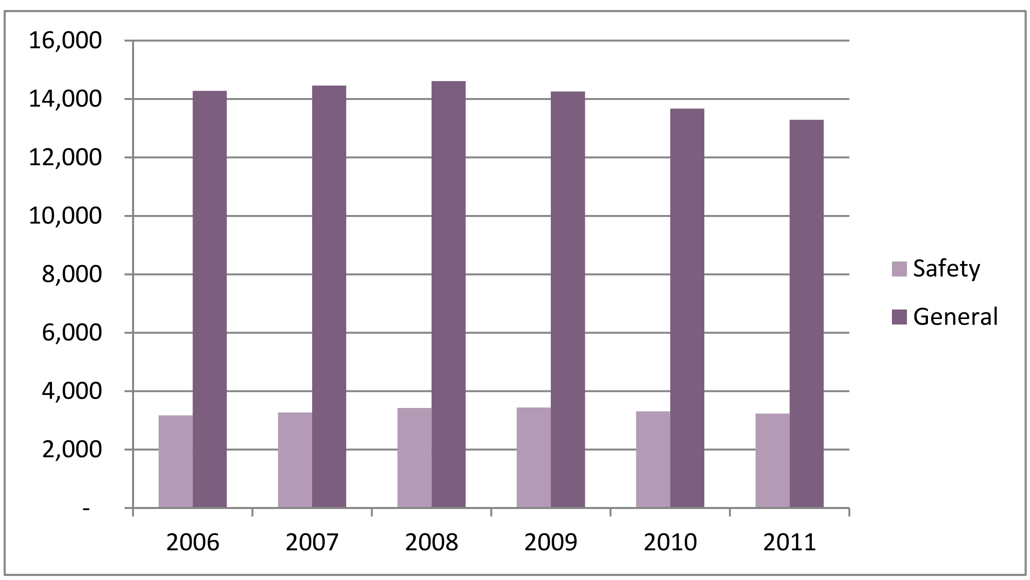


Source: The Segal Company, Annual Actuarial Valuation, June 30, 2011

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, 2011

Determination of Actuarial and Valuation Value of Assets
For the year ended June 30, 2011

Six Month Period From	To	Total Actual Market Return (net)	Expected Market Return (net)	Investment Gain/ (Loss)	Deferred Factor	Deferred Return
1/07	6/07	$ 552,867,341	$ 325,757,782	$ 227,109,559	0.1	$ 22,710,956
7/07	12/07	311,315,142	348,358,000	(37,042,857)	0.2	(7,408,571)
1/08	6/08	(326,670,408)	360,831,645	(687,502,053)	0.3	(206,250,616)
7/08	12/08	(2,499,382,909)	346,476,271	(2,845,859,180)	0.4	(1,138,343,672)
1/09	6/09	345,409,043	242,171,217	103,237,826	0.5	51,618,913
7/09	12/09	977,086,049	254,188,608	722,897,441	0.6	433,738,465
1/10	6/10	(156,710,097)	291,649,269	(448,359,366)	0.7	(313,851,556)
7/10	12/10	957,426,830	274,046,127	683,380,703	0.8	546,704,562
1/11	6/11	469,046,670	309,910,021	159,136,649	0.9	143,222,984
1. Total Deferred Return						(467,858,535)
2. Net Market Value of Assets						8,182,869,202
3. Actuarial Value of Assets						8,650,727,737
4. Non-valuation reserves						
a. Supplemental Retirement Reserve						90,472,592
b. 401(h) Reserve						6,033,816
c. Disability Supplement Retirement reserve						11,930,524
d. Contingency Reserve						-
e. Undistributed Reserve						-
f. Subtotal						108,436,932
5. Valuation Value of Assets (Item 3 - Item 4f)						**$8,542,290,805**

Source: The Segal Company, Annual Actuarial Valuation, June 30, 2011

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 more than five years of service and higher rates for those with less than five 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.

By reviewing assumptions and adjusting contributions as needed, SDCERA ensures the pension is prudently managed and properly funded.

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, 2011

SDCERA's 25-year average annual return is 10.01%, surpassing the 8% needed to fund the benefit.

Consumer Price Index Urban Wage Earners & 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. When inflation rate is added to the longevity rates (below) the resulting maximum combined rate is 11.50% and the minimum combined rate is 4.25%.

Projected Salary Increase Rates

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

Valuation Date	Employees	Total Payroll	% Change	Average Salary	% Change
06/30/06	17,451	$ 979,367,931	6.2	$ 56,121	3.4
06/30/07	17,733	1,062,396,028	8.5	59,911	6.8
06/30/08	18,041	1,135,431,988	6.9	62,936	5.0
06/30/09	17,699	1,129,170,721	(0.6)	63,799	1.4
06/30/10	16,981	1,095,581,953	(3.0)	64,518	1.1
06/30/11	16,523	1,090,413,350	(0.5)	65,994	2.3

Sources: The Segal Company, Annual Actuarial Valuation, June 30, 2011

Historical Summary of Assumptions

For the years ended June 30

Assumption	2011	2010	Fiscal Year Ended 2009	2008	2007	2006	3 Year Average	5 Year Average
Inflation [1]	3.4%	1.4%	(0.6%)	4.6%	2.3%	3.8%	1.40%	2.22%
Assumed [2]							3.58	3.65
Average Pay increase	2.3	1.1	1.4	5.0	6.8	3.4	1.60	3.32
Assumed [3]							4.25	4.25
Merit & Longevity Pay Increase	1.2	0.3	0.7	2.3	1.9	2.9	0.73	1.28
Assumed [4]							1.00	1.00
Total Payroll	(0.5)	(3.0)	(0.6)	6.9	8.5	6.2	(1.37)	2.26
Assumed [3]							4.25	4.25
Investment Return Rate [7]	2.4	1.5	1.5	13.1	14.0	10.8	1.80	6.50
Assumed [5]							8.08	8.15
Real Rate of Investment Return	(1.0)	0.1	2.1	8.5	11.7	7.0	0.40	4.28
Assumed [6]							4.50	4.50
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, 2011

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 7, 2011, the Board also adopted Segal's recommendations on changes to the Employer and Employee Contribution Rate.

Disability Rates

	Nonservice-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, 2011

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			
	General		Safety			General		Safety	
Sample Ages	Male	Female	Male	Female	Sample Ages	Male	Female	Male	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 (Less than 5 years of service)		
	General		
Years of Service	Male	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			General		
Age	Male	Female	Safety	Male	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, 2011

Retirement Rates (%)				
	General		Safety	
Age	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	75.0 %	100.0 %	100.0 %	100.0 %

Source: The Segal Company, Annual Actuarial Valuation, June 30, 2011

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

On average, a dollar invested by employers in the County retirement system yields about $5.88 to the California economy after being invested, paid to retirees and trickling through the local economy.

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.

Financial trends information is presented in the Changes in Plan Net Assets and Benefit and Refund Deductions from Net Assets by Type schedules. The amount of additions by contributions from employees and employers as well as investment income is highlighted. In addition, the change in net assets by year for the last 10 fiscal years is shown.

Demographic and economic information is shown in the Retired Members by Type schedules and the Average Benefit Payments schedules. The Retired Members by Type schedules detail the number of retired members receiving benefits by payment level and by type of retirement. The Average Benefit Payments schedules show the number of retired members and the average monthly benefit for current and past years for the Pension and OPEB plans.

Expense information is included in the Changes in Plan Net Assets and the Benefit and Refund Deductions from Net Assets by Type schedules. Specifically, the administrative expenses, refunds and benefit payments of the Fund for the last 10 years are detailed.

Operating information is shown on the Schedule of Participating Employers. This schedule shows the total number of active, deferred and retired members by year and by employer for the last nine years.

CHANGES IN PLAN NET ASSETS
For the last 10 fiscal years ended June 30
(MILLIONS OF DOLLARS)

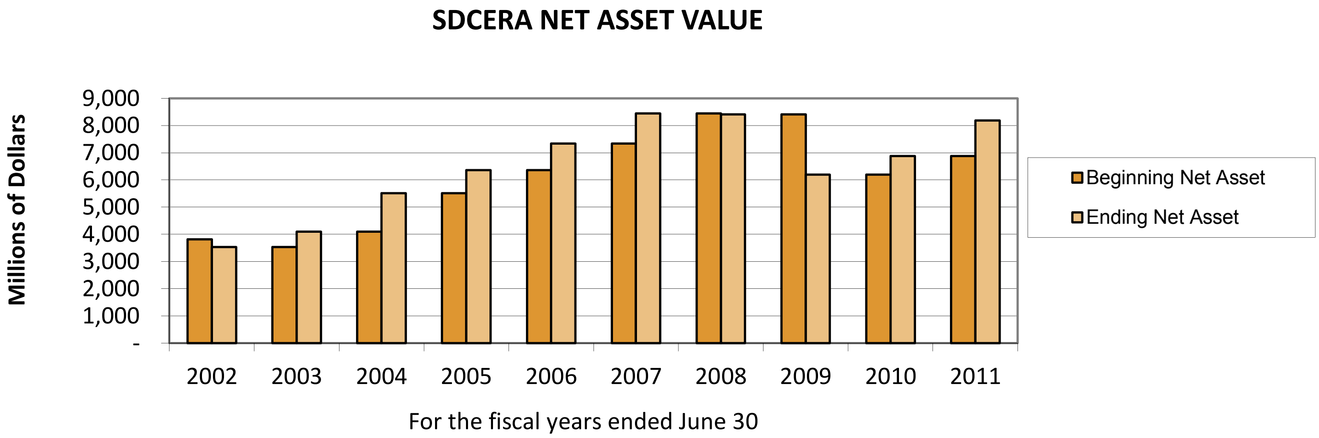
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Additions										
Member Contributions[1]	$ 17.3	$ 34.7	$ 33.6	$ 40.8	$ 41.9	$ 44.5	$ 45.5	$ 49.5	$ 46.4	$ 44.0
Employer Contributions[2]	50.6	616.1	700.6	316.1	302.5	320.5	329.0	314.5	276.7	321.8
Investment Income (Net of expenses)	(164.8)	149.9	936.5	794.7	962.2	1119.3	(4.8)	(2,143.9)	830.8	1,437.0
Total Additions	**$ (96.9)**	**$ 800.7**	**$ 1,670.7**	**$ 1,151.6**	**$ 1,306.6**	**$ 1,484.3**	**$ 369.7**	**$ (1,779.9)**	**$ 1,153.9**	**$ 1,802.8**
Deductions										
Administrative Expenses	$ 7.6	$ 7.0	$ 7.4	$ 7.5	$ 8.0	$ 10.3	$ 10.5	$ 10.1	$ 11.2	$ 11.3
Retirement Benefits [1] [3]	163.0	201.2	228.8	259.5	290.2	322.6	368.6	399.9	431.1	461.6
Health Benefits	14.3	19.9	26.5	32.6	32.9	35.3	24.4	23.9	22.8	21.0
Refunds	1.5	2.8	2.7	2.2	3.0	2.6	2.7	2.3	2.6	3.1
Total Deductions	**$ 186.4**	**$ 230.9**	**$ 265.4**	**$ 301.8**	**$ 334.1**	**$ 370.8**	**$ 406.2**	**$ 436.2**	**$ 467.7**	**$ 497.0**
Total Change in Net Assets	**$ (283.3)**	**$ 569.8**	**$ 1,405.3**	**$ 849.8**	**$ 972.5**	**$ 1,113.5**	**$ (36.5)**	**$ (2,216.1)**	**$ 686.2**	**$ 1,305.8**

NOTES:

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

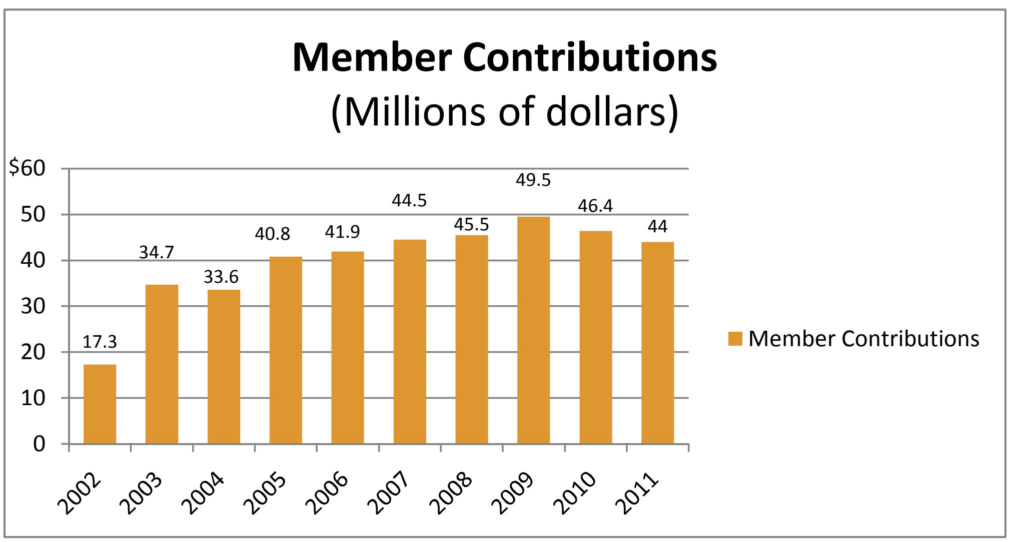
(2) Includes proceeds from Pension obligation bonds of $550 million in 2003 and $450 million in 2004.

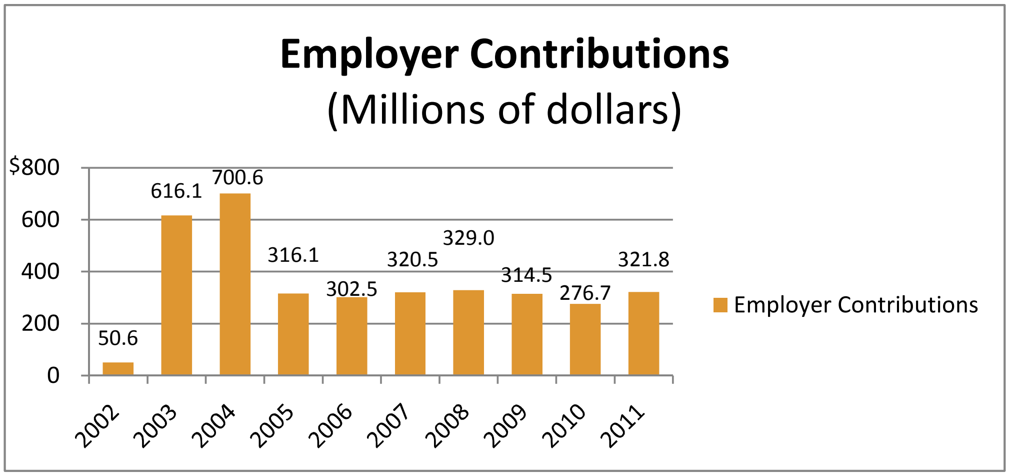
(3) Refer to benefit and refund deductions for detail.



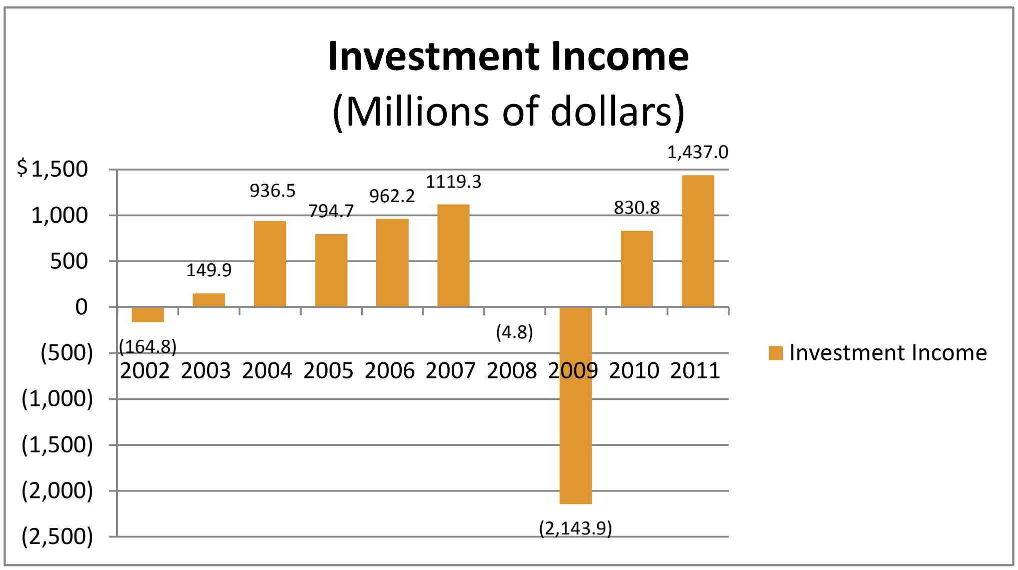
Both employees and the employer contribute to the fund. These contributions and the investment earnings fund the retirement benefit.

ADDITIONS TO PLAN NET ASSETS BY SOURCE





The participating employers make their annually required contribution each year.



Generally, investment earnings fund between 70% and 80% of the benefits.

BENEFIT AND REFUND DEDUCTIONS FROM NET ASSETS BY TYPE

For the last 10 fiscal years ended June 30

(MILLIONS OF DOLLARS)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Type of Benefit										
Age and Service	$129.9	$159.8	$184.1	$209.5	$239.4	$260.0	$301.8	$350.8	$357.6	$386.9
Disability - Duty	4.2	5.2	2.8	6.7	8.8	12.0	16.9	37.7	41.4	42.8
Disability - Non-Duty	18.3	22.6	25.6	25.4	24.2	28.7	26.9	5.6	6.2	5.9
Death Benefits	0.6	1.3	1.2	2.7	1.1	1.6	0.9	1.8	1.4	1.2
Survivors	10.0	12.3	15.1	15.2	16.7	20.3	22.0	24.0	24.5	24.8
Total	**$163.0**	**$201.2**	**$228.8**	**$259.5**	**$290.2**	**$322.6**	**$368.5**	**$399.9**	**$431.1**	**$461.6**
Type of Refund										
Separation	1.5	2.8	2,7	2.2	3.0	2.6	2.7	2.3	2.6	3.1
Total	**$1.5**	**$2.8**	**$2.7**	**$2.2**	**$3.0**	**$2.6**	**$2.7**	**$2.3**	**$2.6**	**$3.1**

Most retired SDCERA members stay in the San Diego area; when they spend their pension benefits, they help support more than 2,000 local jobs.

The average retirement benefit SDCERA members receive is $2,617 per month.

RETIRED MEMBERS BY TYPE OF BENEFITS

For the current and prior fiscal year ended June 30

Fiscal Year 2011		Type of Retirement[a]					
Amount of Monthly Benefit	Number of Retired Members	1	2	3	4	5	6
$0 - $1,000	3,451	2,720	569	19	13	116	14
1,001 - 2,000	3,968	2,975	428	9	368	175	13
2,001 - 3,000	2,707	1,937	203	4	518	35	10
3,001 - 4,000	1,575	1,238	97	1	221	13	5
4,001 - 5,000	912	846	21	1	41	2	1
5,001 - 6,000	640	593	11	-	34	2	-
6,001 - 7,000	470	443	5	-	22	-	-
7,001 - 8,000	301	281	1	-	19	-	-
8,001 - 9,000	179	169	2	-	8	-	-
9,001 - 10,000	97	92	1	-	4	-	-
Over 10,000	196	189	-	-	7	-	-
Total	**14,496**	**11,483**	**1,338**	**34**	**1,255**	**343**	**43**

Fiscal Year 2010		Type of Retirement[a]					
Amount of Monthly Benefit	Number of Retired Members	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	**13,922**	**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 - Duty Disability Retirement
- 5 - Nonduty Disability Retirement
- 6 - Beneficiary Payment - Disability

Source: The Segal Company, Annual Actuarial Valuation, June 30, 2011

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

Benefits are calculated on an employee's final average compensation, which excludes overtime and terminal pay cash outs.

RETIRED MEMBERS BY TYPE OF BENEFITS OPTION

For the current and prior fiscal year ended June 30

Fiscal Year 2011			Option Selected[b]					
Amount of Monthly Benefit	Number of Retirees & Beneficiaries	Unmodified	1	2	3	4	Dth - Minor Child Supplement	Lump Sum Installment
$0 - $1,000	3,451	3,250	56	120	2	3	1	19
1,001 - 2,000	3,968	3,830	53	67	5	7	-	6
2,001 - 3,000	2,707	2,610	35	49	3	8	-	2
3,001 - 4,000	1,575	1,519	19	29	1	6	-	1
4,001 - 5,000	912	860	21	24	1	6	-	-
5,001 - 6,000	640	619	7	7	1	6	-	-
6,001 - 7,000	470	452	7	8	-	3	-	-
7,001 - 8,000	301	294	2	3	-	2	-	-
8,001 - 9,000	179	173	2	1	-	3	-	-
9,001 - 10,000	97	95	-	1	-	1	-	-
Over 10,000	196	190	-	1	-	5	-	-
Total	**14,496**	**13,892**	**202**	**310**	**13**	**50**	**1**	**28**

Fiscal Year 2010			Option Selected[b]					
Amount of Monthly Benefit	Number of Retirees & Beneficiaries	Unmodified	1	2	3	4	Dth - 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**

[b]Option selected:
Unmodified plan: beneficiary receives 60 percent continuance.
The following options reduce the retired member's monthly benefit:
- Option 1 - Beneficiary receives lump sum of 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 - Multiple beneficiaries receive a percentage of member's reduced benefit. Generally used as part of a dissolution of marriage settlement.

Dth-Minor Child Supplement - Paid to minor child of deceased member with no surviving spouse
Lump sum installment - Death benefit paid in installments
Source: The Segal Company, Annual Actuarial Valuation, June 30, 2011
Note: Above numbers are number of benefits paid. Some payees receive multiple benefits, e.g., retiree and surviving spouse.

AVERAGE BENEFIT PAYMENTS (PENSION PLAN)
For the last 10 fiscal years ended June 30

	Years credited service						
Retirement Effective	**0-5**	**5-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**
Fiscal Year 2011							
Average annual benefit	$9,976	$11,658	$20,806	$30,700	$46,065	$58,157	$75,885
Average monthly benefit	$831	$972	$1,734	$2,558	$3,839	$4,846	$6,324
Average final monthly salary	$7,175	$4,631	$4,928	$5,265	$6,037	$5,991	$6,676
Number of retired members	40	146	209	118	185	82	104
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	$3,790	$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

AVERAGE BENEFIT PAYMENTS (OPEB)
Prior fiscal year, the date of the last actuarial valuation

	Health Insurance Reimbursement	Medical Payments	Medicare Part B
Fiscal Year 2010			
Average monthly benefit	$191	$249	$93
Number of retired members	1,341	4,924	5,164

SCHEDULE OF PARTICIPATING EMPLOYERS

For the years ended June 30

	Total Members		County of San Diego	Superior Court	San Dieguito River Valley Joint Power Authority	Local Agency Formation Commission	San Diego County Office of Education
Fiscal Year 2011							
Number of Covered Employees	36,144		33,631	2,464	22	14	13
Percentage to Total System	100.00	%	93.05	6.82	0.06	0.04	0.04
Rank			1	2	3	4	5
Fiscal Year 2010							
Number of Covered Employees	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

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

SDCERA

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San Diego County Employees Retirement Association

2275 Rio Bonito Way, Suite 200
San Diego, CA 92108-1685

www.sdcera.org **Call Center: 619.515.6800 or 888.4.SDCERA** **twitter.com/sdcera**