SDCERA

Strength. Service. Commitment.

A Measured Approach

DEVOTED TO OUR CRAFT

Comprehensive Annual Financial Report

Fiscal year ended June 30, 2013

San Diego County Employees Retirement Association
San Diego County, CA

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Please contact 619.515.6800.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for fiscal year ended June 30, 2013

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.) and by the California Public Employees' Pension Reform Act of 2013 (Government Code Section 7522 et seq.) as they have been adopted and implemented by the San Diego County Board of Supervisors and the SDCERA Board of Retirement. SDCERA administers 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

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SDCERA

Strength. Service. Commitment.

Introduction

Comprehensive Annual Financial Report
Fiscal year ended June 30, 2013

SDCERA

Strength. Service. Commitment.

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 fiscal year ended June 30, 2013.

The past fiscal year evidenced SDCERA's success in prudently managing the fund with a focus on reducing unnecessary risk in its investment portfolio. SDCERA's measured approach to administering the fund is meant to generate stable returns while minimizing downside risk over the long term.

The dedicated staff and Board at SDCERA inspired this report's theme of "a measured approach," recognizing that the care and handling of our members' funds today provides a secure retirement future for our community tomorrow.

ABOUT SDCERA

SDCERA is a public retirement system 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.

As San Diego County has grown to more than three million residents, SDCERA has become the financial guardian for the pension benefits for nearly 38,000 active and retired San Diego County employees who have spent their professional lives in public service. The Association administers service retirement, disability, death, health care and survivor benefits to members.

SDCERA is administered by a nine-member Board of Retirement made up 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.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

Responsibility for the accuracy of the data in this report, 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

SDCERA PORTFOLIO PERFORMS AS DESIGNED WITH STABLE RETURNS

Despite a challenging economic climate during May and June, SDCERA's portfolio provided stable returns for the year. SDCERA's diversified portfolio incorporates risk management as an important element in the portfolio to protect earnings in down markets and generate stable returns over the long term. This strategic approach reinforces SDCERA's core mission of meeting our return objectives while minimizing downside and equity risk.

COMPREHENSIVE MEMBER SURVEY

Results from SDCERA's most recent member survey show that 88% of surveyed members think the Fund is stable—an all-time high. Members also gave SDCERA an all-time high score for overall job performance of 3.39 on a scale of zero to four. This increased from 3.17 in 2009. The survey has been conducted every three years.

STAKEHOLDER COMMUNICATIONS

Increasing public awareness about defined benefit pensions and SDCERA is a priority for the fund. This is especially true as the public debate about pensions grows.

Nationwide, households increasingly express anxiety about lacking retirement savings. This concern reveals the need for SDCERA to continue engaging stakeholders in an ongoing dialogue about the benefits of a prudently managed fund that is capable of providing a stable lifetime income stream in retirement.

SDCERA informs key stakeholders with clear and accurate facts about the Fund's activities and clarifies complex pension concepts. SDCERA's communications activities have educated stakeholders about the portfolio's investment performance, recent pension legislation, and resources to stay well-informed about preparing for retirement. In total, these efforts show how the lifetime income stream of defined benefit pensions and SDCERA's management of the fund are a long-term solution contributing to the stability of San Diego County's economy and reducing our community's retirement insecurity.

PENSION ADMINISTRATION SYSTEM

Exemplifying SDCERA's measured approach in all operational aspects, the new pension administration software system continues to progress. This commitment to consistent performance during implementation of the new pension administration system will increase efficiency.

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 the 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 are free from material misstatement.

INVESTMENT ACTIVITIES

For fiscal year 2013, SDCERA's gross gains were 8.3%, outperforming the portfolio's benchmark gross return of 6.9% for the same period. The fiscal year-end net investment return of 7.73% was slightly below SDCERA's assumed rate of return of 7.75%.

FUNDING

A retirement system's funded ratio, a ratio of valuation value of assets to the actuarial accrued liabilities, is one 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 post employment benefits are secure.

Based on the most recent actuarial valuation report as of June 30, 2013, the valuation value of assets for the pension plan was $9.2 billion and the actuarial accrued liability totaled $11.6 billion, resulting in an unfunded actuarial accrued liability of $2.4 billion. SDCERA's funded ratio is 79.0%, surpassing both the national average of 74.9% for public funds and Fitch Ratings' standard of 70% for adequate funding.

AWARDS AND ACHIEVEMENTS IN REPORTING

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.

PLAN DESIGN AND ADMINISTRATION

The Public Pension Coordinating Council (PPCC) honored SDCERA for meeting the professional standards for plan design and administration as stipulated in the Public Pension Standards. SDCERA has received this award for nine consecutive years.

ACKNOWLEDGEMENTS

The goal of this CAFR is 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.

Finally, I wish to express my appreciation for the people who committed to the hard work in preparing this report. The collaboration and dedication by each Board member, staff member and associate working with SDCERA raises the continued level of exellence of our organization for the benefit of the members.

Brian White
Chief Executive Officer
December 11, 2013

PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2013

Presented to

San Diego County Employees Retirement Association

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

Government Finance Officers Association

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

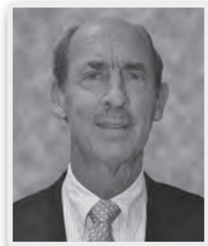
June 30, 2012

Executive Director/CEO

SDCERA BOARD OF RETIREMENT

David A. Myers
Chairman

E.F. "Skip" Murphy
Vice Chairman



Dick Vortmann
Secretary

Martin Cherry

Marc Doss

Dianne Jacob

Dan McAllister

David B. Moore

Douglas Rose

ALTERNATE TRUSTEES

James W. Feeley

Tim Hancock

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

VICE CHAIRMAN
E.F. "Skip" Murphy
Elected by SDCERA Retired members
Present term expires June 30, 2014

SECRETARY
Dick Vortmann
Appointed by County Board of Supervisors
Present term expires June 30, 2014

TRUSTEE
Martin Cherry
Elected by SDCERA General members
Present term expires June 30, 2013

TRUSTEE
Marc Doss
Appointed by County Board of Supervisors
Present term expires June 30, 2013

TRUSTEE
Dianne Jacob
Appointed by County Board of Supervisors
Present term expires December 31, 2013

TRUSTEE
Dan McAllister
County Treasurer-Tax Collector
Holds office during incumbency

TRUSTEE
David B. Moore
Appointed by County Board of Supervisors
Present term expired June 30, 2015

TRUSTEE
Douglas Rose
Elected by SDCERA General members
Present term expires June 30, 2014

ALTERNATE TRUSTEE
James W. Feeley
Elected by SDCERA Retired members
Present term expires June 30, 2014

ALTERNATE TRUSTEE
Tim Hancock
Elected by SDCERA Safety members
Present term expires December 31, 2013

Board of Retirement

David A. Myers
Chairman
Elected by SDCERA Safety members

E.F. "Skip" Murphy
Vice Chairman
Elected by SDCERA Retired members

Dick Vortmann
Secretary
Appointed by County Board of Supervisors

Martin Cherry
Trustee
Elected by SDCERA General members

Marc Doss
Trustee
Appointed by County Board of Supervisors

Dianne Jacob
Trustee
Appointed by County Board of Supervisors

Dan McAllister
Trustee
County Treasurer-Tax Collector

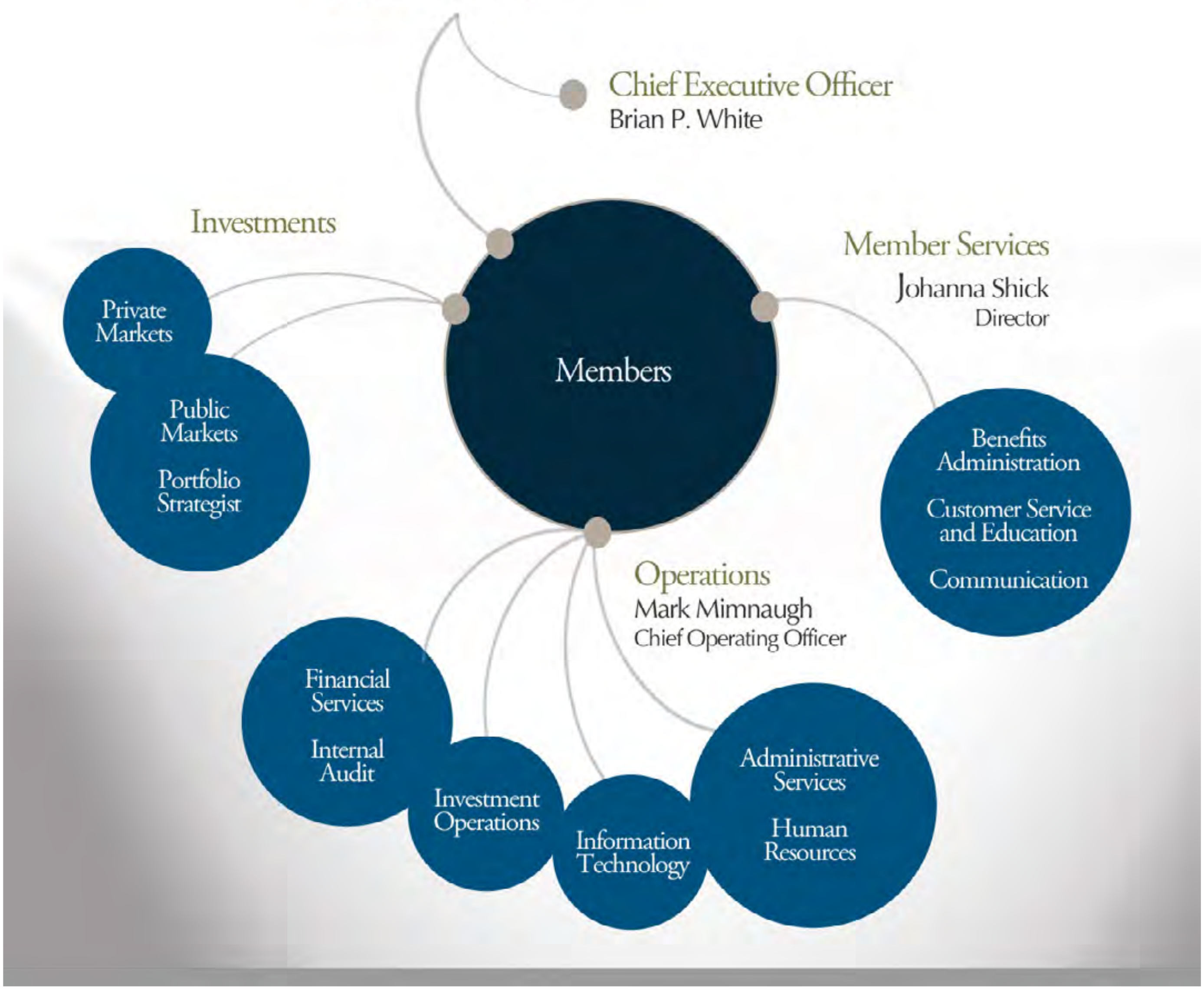
David B. Moore
Trustee
Appointed by County Board of Supervisors

Douglas Rose
Trustee
Elected by SDCERA General members

James W. Feeley
Alternate Trustee
Elected by SDCERA Retired members

Tim Hancock
Alternate Trustee
Elected by SDCERA Safety members

SDCERA



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

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SDCERA

Strength. Service. Commitment.

Financial

Comprehensive Annual Financial Report

Fiscal year ended June 30, 2013

MGO Certified Public Accountants.

Sacramento
3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

Walnut Creek

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the San Diego County Employees Retirement Association (SDCERA), as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise SDCERA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the San Diego County Employees Retirement Association, as of June 30, 2013, and the changes in plan net position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 9 to the basic financial statements, based on the most recent pension plan actuarial valuation as of June 30, 2013, SDCERA's independent actuary determined that SDCERA's actuarial accrued liability exceeded the actuarial value of its assets by $2.45 billion. The most recent pension plan actuarial value of assets as of June 30, 2013 does not reflect the remaining deferred investment losses that will be recognized in future years.

As described in Note 10, based on the most recent biennial health care plan actuarial valuation as of June 30, 2012, SDCERA's independent actuary determined that SDCERA's actuarial accrued liability exceeded the actuarial value of its assets by $180.24 million.

Our opinion is not modified with respect to these matters.

Other Matters

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required 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's financial statements for the fiscal year ended June 30, 2012, from which such partial information was derived.

We have previously audited SDCERA's 2012 financial statements, and we expressed an unmodified audit opinion on the financial statements in our report dated December 21, 2012. In our opinion, the partial comparative information presented herein as of and for the fiscal year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SDCERA's basic financial statements. The other supplemental information, introductory, investment, actuarial, and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

The introductory, investment, actuarial and statistical sections have not been subjected to the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013 on our consideration of SDCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SDCERA's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

San Diego, California
December 11, 2013

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, 2013. 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 position, which represents funds restricted for current and future benefits, were $9.1 billion as of the end of the fiscal year, an increase of $543.7 million over the prior year.
- Total additions to net position were $1,118.8 million primarily from an investment gain of $670.2 million, employer pension contributions of $376.9 million and $71.7 million in member pension contributions. Total additions to net position increased by $250.2 million or 28.8% from the prior year, SDCERA's total fund return of 7.73% exceeded the benchmark return by 75 basis points this fiscal year.
- Total deductions to net position were $575.1 million, an increase of $43.1 million or 8.1% over the prior year. Retirement benefits have risen $44.2 million, driven by a net increase in the number of retired members by 654 and a 2.5% increase in average monthly benefit. Health benefits have decreased by $0.9 million and refunds have decreased $0.6 million. Administrative expenses increased by $0.6 million and health care administrative expenses decreased by $0.3 million.
- During fiscal year 2013, the rate of return on investments was 7.73% 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, 2013, the date of our last actuarial pension plan valuation, the funded status (the ratio of the actuarial assets to the actuarial liabilities) was 79.0%.
- As of June 30, 2012, the date of the last actuarial valuation, the OPEB plan unfunded actuarial accrued liability totaled $180.2 million with a funded ratio of 2.7%.

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

The Statement of Changes in Plan Net Position provides information on the increases and decreases that caused the change in the net position during the fiscal year.

The statement also presents summarized prior year-end balances for comparative purposes. Both statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statements. 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 funding progress of the Pension and OPEB plans. Other Supplemental Information schedules are administrative expenses (presenting the overall cost of administering the fund), consultant expenses and investment expenses (costs associated with investing the assets of the fund).

FINANCIAL ANALYSIS

Table 1 and Table 2 summarize and compare SDCERA's financial results for the current and prior fiscal years.

TABLE 1: NET POSITION
As of June 30, 2013, and 2012
(dollars in thousands)

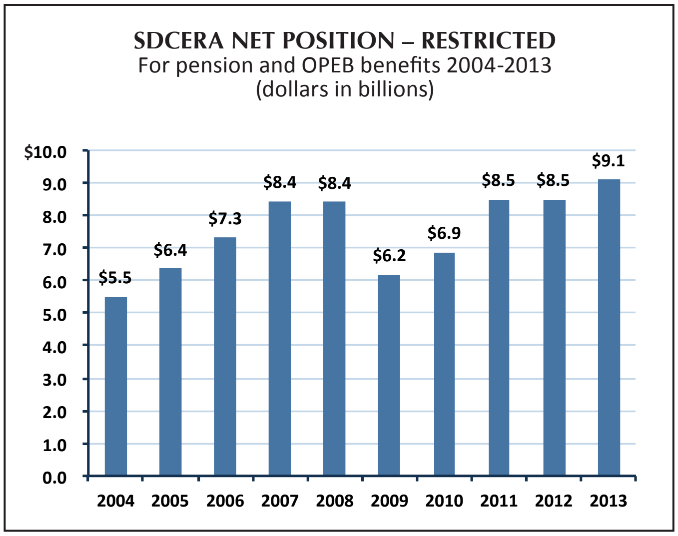
	06/30/2013	06/30/2012	Increase/ (Decrease)	% Change
Cash	$ 2,541,304	$ 1,777,609	$ 763,695	43.0%
Securities lending collateral	23,760	106,905	(83,145)	(77.8%)
Receivables	17,107	123,786	(106,679)	(86.2%)
Investments	6,515,747	6,661,697	(145,950)	(2.2%)
Capital assets	12,360	12,025	335	2.8%
Total assets	**9,110,278**	**8,682,022**	**428,256**	**4.9%**
Collateral payable for securities lending	24,748	115,587	(90,839)	(78.6%)
Investments purchased	9,847	29,403	(19,556)	(66.5%)
Other	11,489	16,529	(5,040)	(30.5%)
Total liabilities	**46,084**	**161,519**	**(115,435)**	**(71.5%)**
Net position restricted for pension and health care benefits	**$ 9,064,194**	**$ 8,520,503**	**$ 543,691**	**6.4%**

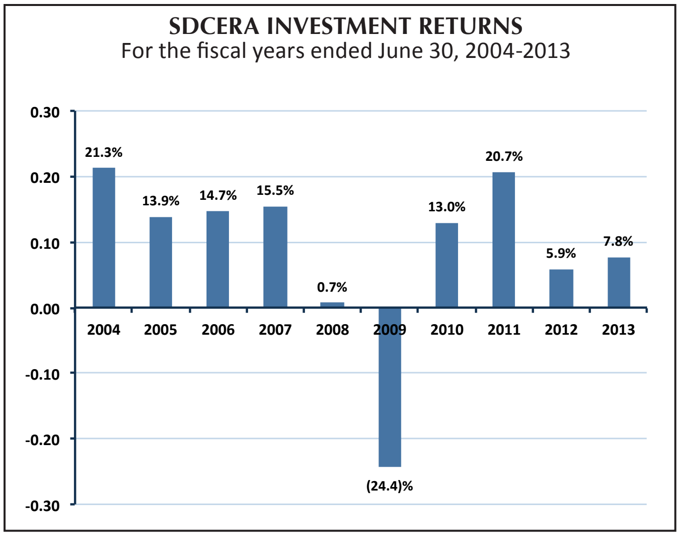
TABLE 2: CHANGES IN PLAN NET POSITION
For the fiscal years ended June 30, 2013, and 2012
(dollars in thousands)

	06/30/2013	06/30/2012	Increase/ (Decrease)	% Change
Additions				
Employer pension contributions	$ 357,893	$ 334,810	$ 23,083	6.9%
Employer OPEB contributions	19,025	19,198	(173)	(0.9)%
Member pension contributions	71,718	59,778	11,940	20.0%
Net investment income	667,298	451,589	215,709	47.8%
Net securities lending income	2,902	3,237	(335)	(10.3)%
Total additions	1,118,836	868,612	250,224	28.8%
Deductions				
Retirement benefits	540,506	496,265	44,241	8.9%
Health benefits	20,407	21,299	(892)	(4.2)%
Refund of contributions	2,778	3,366	(588)	(17.5)%
Administrative expenses	11,454	10,866	588	5.4%
Health care administrative expenses	-	293	(293)	(100.0)%
Total deductions	575,145	532,089	43,056	8.1%
Net increase in net position	$ 543,691	$ 336,523	$ 207,168	61.6%
Net position restricted for pension and health care benefits				
Beginning of year	8,520,503	8,183,980		
End of year	$ 9,064,194	$ 8,520,503		

Net position restricted for pension and OPEB benefits as of June 30, 2013, were $9.1 billion, an increase of $543.7 million, or 6.4%, over the prior year. Investment returns of 7.73% generated $670.2 million in plan net position increases from operations.

Total employer and member contributions, net of refunds, added $445.9 million, offset by member benefit payments of $560.9 million.





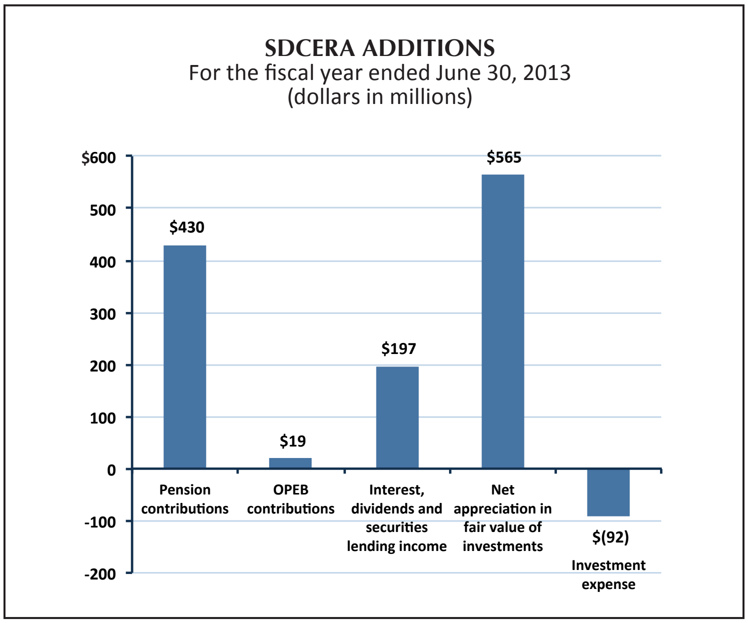
ADDITIONS TO PLAN NET POSITION

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 Net Position) total $1,118.8 million for the fiscal year ended June 30, 2013, an increase of $250.2 million over the prior year.

- Employer and member pension contributions were $429.6 million in fiscal year 2013, an increase of $35.0 million over the prior year. Combined employer contribution rates of 29.96% in fiscal year 2013 compared to 27.02% in fiscal year 2012, increased the Pension Annual Required Contribution (ARC) by $24.0 million. This was offset by a reduction in the employee offset of $15.1 million. The County made excess contributions of $14.2 million in fiscal year 2013. Member contributions increased by $11.9 million, fueled by a reduction in the employer offset rate.

- Employer OPEB contributions were $19.0 million in fiscal year 2013, $0.2 million lower than the prior year.

- Net investment income equaled $670.2 million in fiscal year 2013, an increase of $215.4 million over the prior year. This income was primarily comprised of net appreciation in the fair value of investments of $565.5 million and $197.0 million in interest and other income, offset by investment expenses of $92.3 million.

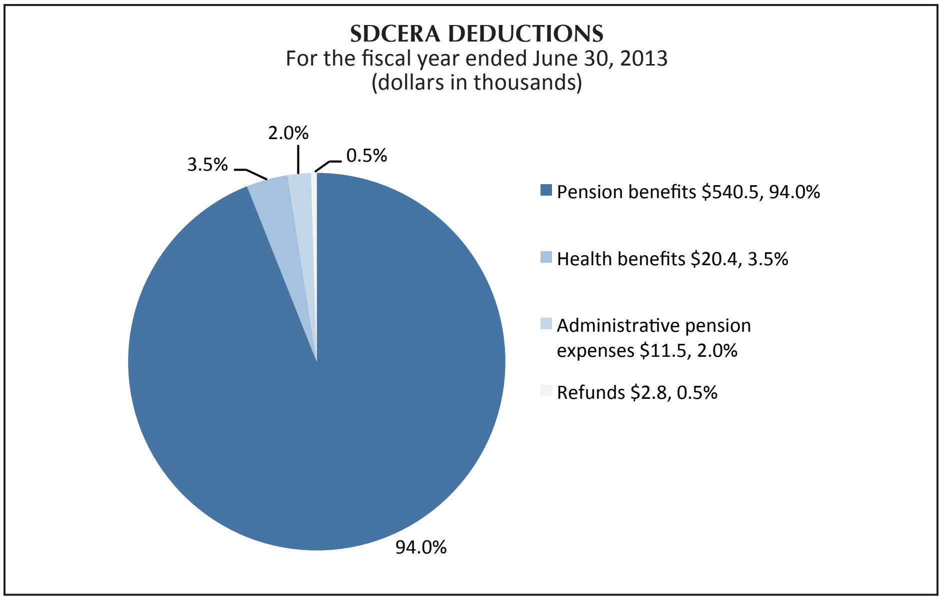


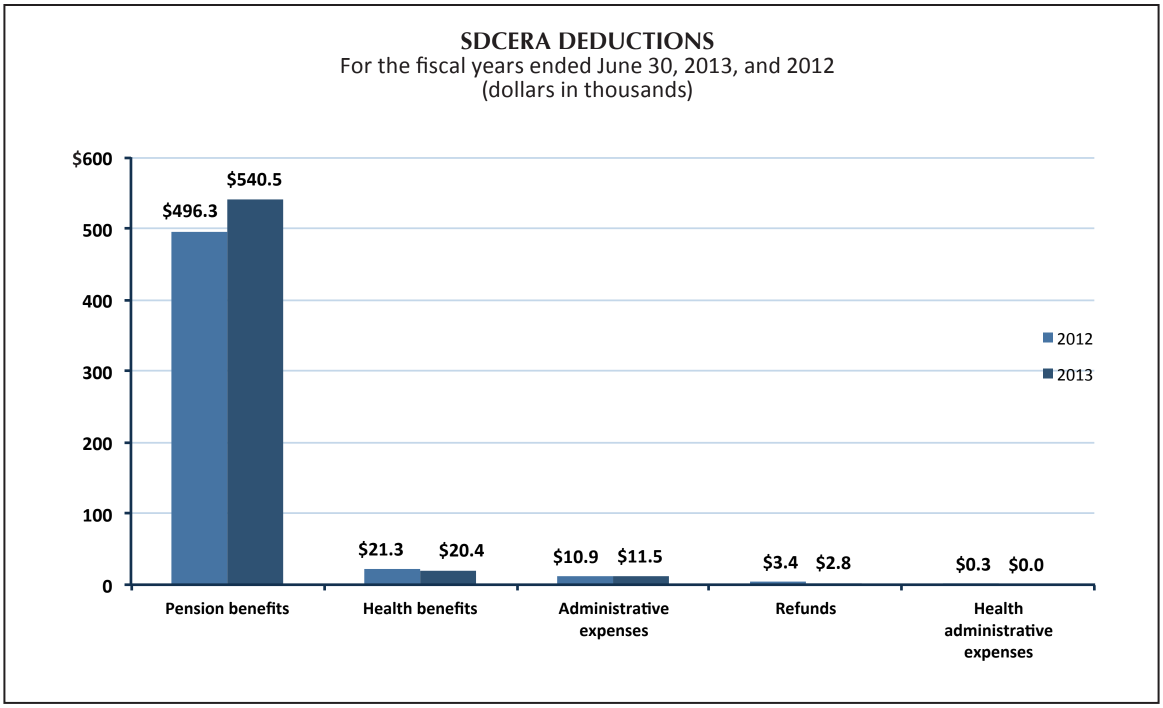
1. Pension contributions: $430 million
2. OPEB contributions: $19 million
3. Interest, dividends and securities lending and other investment income: $197 million
4. Net appreciation in fair value of investments: $565 million
5. Investment expense: $(92) million

DEDUCTIONS FROM PLAN NET POSITION

SDCERA's assets are primarily used to pay pension, health and survivor benefits, refund members' contributions and the costs for administering the plan. Deductions from plan net position for fiscal year ended June 30, 2013, totaled $575.1 million, an increase of $43.1 million, or 8.1%, over 2012.

Pension and health care benefits represent $43.3 million of the year-over-year change primarily due to the increase in the number of retired members.





SUMMARY

Plan net position experienced a solid increase for the fiscal year ended June 30, 2013, and is currently at $9.1 billion. Net investment income contributed $670.2 million of the increase. Employer/employee contributions net of refunds have delivered $445.9 million in assets to help fund $572.4 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
December 3, 2013

STATEMENT OF PLAN NET POSITION
As of June 30, 2013
(with summarized comparative amounts as of June 30, 2012)

	June 30, 2013			June 30, 2012
	Pension Plan	Health Care	Total Fund	Total Fund
Assets				
Cash and short-term investments				
Cash in County pool	$ 4,207,950	$ 1,857	$ 4,209,807	$ 3,500,877
Cash and cash equivalents with fiscal agents	205,286,606	90,597	205,377,203	215,836,859
Early Retiree Reinsurance Program (ERRP) cash	19,005	-	19,005	525,144
Collateral cash	2,330,669,623	1,028,565	2,331,698,188	1,557,746,000
Total cash and short-term investments	**2,540,183,184**	**1,121,019**	**2,541,304,203**	**1,777,608,880**
Securities lending cash collateral	23,748,891	10,481	23,759,372	106,904,740
Receivables				
Contributions	4,332,655	1,912	4,334,567	3,777,456
Accrued interest and dividends	8,477,073	3,739	8,480,812	63,036,510
Settlement of investments sold	4,289,833	1,893	4,291,726	56,971,565
Total receivables	**17,099,561**	**7,544**	**17,107,105**	**123,785,531**
Investments at fair value				
Domestic equity securities	325,470,793	143,636	325,614,429	494,467,150
International equity securities	560,034,601	247,153	560,281,754	416,124,813
Total equity securities	**885,505,395**	**390,788**	**885,896,183**	**910,591,963**
United States government obligations	757,118,264	334,130	757,452,394	1,037,883,376
Domestic bonds	517,163,057	228,233	517,391,290	507,961,534
International bonds	884,385,850	390,295	884,776,145	814,241,218
Total fixed income securities	**2,158,667,170**	**952,659**	**2,159,619,829**	**2,360,086,128**
Cash and securities for futures	278,520,411	122,916	278,643,327	163,711,358
Cash and securities for swaps	8,139,837	3,592	8,143,429	227,818,863
Opportunistic	7,043,370	3,108	7,046,478	65,690,437
Hedge funds	686,178,437	302,823	686,481,260	838,229,488
Relative value	591,190,222	260,903	591,451,125	485,362,916
Private equity	408,959,380	180,481	409,139,861	337,119,455
Real estate	988,397,195	436,197	988,833,392	900,838,627
Infrastructure	226,326,564	99,882	226,426,446	193,518,177
Natural resources	267,524,400	118,063	267,642,463	171,410,542
Unallocated fund	6,420,543	2,834	6,423,377	7,319,344
Total investments	**6,512,872,922**	**2,874,248**	**6,515,747,170**	**6,661,697,298**
Capital assets, net	12,354,784	5,452	12,360,236	12,025,345
Total assets	**9,106,259,342**	**4,018,744**	**9,110,278,086**	**8,682,021,794**
Liabilities				
Collateral payable for securities lending	24,737,248	10,917	24,748,165	115,586,553
Settlement of investments purchased	9,842,388	4,344	9,846,732	29,402,727
Professional services	9,417,211	4,156	9,421,367	8,708,730
Death benefits	747,066	-	747,066	654,940
Retirement benefits	305,455	-	305,455	206,786
Refunds to members	306,993	-	306,993	266,100
County advance contribution	312,829	-	312,829	5,514,067
ERRP funds	18,538	-	18,538	524,830
Cash in transit	352,155	155	352,310	377,605
Other	24,986	13	24,999	276,665
Total liabilities	**46,064,869**	**19,585**	**46,084,454**	**161,519,003**
Net position restricted for pension and health care benefits	**$ 9,060,194,473**	**$ 3,999,159**	**$ 9,064,193,632**	**$ 8,520,502,791**

The Notes to the Basic Financial Statements are an integral part of this statement.

STATEMENT OF CHANGES IN PLAN NET POSITION
For the fiscal year ended June 30, 2013
(with summarized comparative amounts for June 30, 2012)

	June 30, 2013			June 30, 2012
	Pension Plan	Health Care	Total Fund	Total Fund
Additions to Plan net position				
Contributions				
Employer contributions	$ 357,893,100	$ 19,024,841	$ 376,917,941	$ 354,008,560
Plan member contributions	71,718,077	-	71,718,077	59,777,636
Total contributions	**429,611,177**	**19,024,841**	**448,636,018**	**413,786,196**
Investment income				
Net appreciation/(depreciation) in fair value of investments				
Stocks	81,364,426	38,597	81,403,023	(77,509,359)
Bonds	(59,516,741)	(28,233)	(59,544,974)	91,501,732
Foreign currency	(2,766,993)	(1,313)	(2,768,306)	(12,148,188)
Real estate and private equity	91,226,138	43,275	91,269,413	70,127,832
Energy fund	10,540,931	5,000	10,545,931	7,852,971
Opportunistic	67,678,691	32,105	67,710,796	26,682,527
Relative value	41,107,068	19,500	41,126,568	7,885,216
Multi-strategy fund	4,949,897	2,348	4,952,245	6,650,822
Infrastructure	21,920,946	10,399	21,931,345	10,936,208
Swaps	183,469,853	87,034	183,556,887	(66,990,010)
Futures	125,252,840	59,417	125,312,257	312,201,479
Total net appreciation in fair value of investments	**565,227,056**	**268,129**	**565,495,185**	**377,191,229**
Interest income				
Bonds	34,408,344	16,323	34,424,667	42,942,214
Cash	19,330,537	9,170	19,339,707	18,607,506
Total interest income	**53,738,881**	**25,493**	**53,764,374**	**61,549,720**
Other				
Dividends on stock investments	93,869,929	44,530	93,914,459	68,144,271
Real estate equity investment income	33,927,845	16,095	33,943,940	25,721,171
Private equity investment income	7,027,652	3,334	7,030,986	5,431,008
Natural resources investment income/(loss)	5,420,980	2,572	5,423,552	(431,099)
Commission recapture	1,239	1	1,240	5,966
Other income	86	-	86	67,138
Total other	**140,247,731**	**66,532**	**140,314,263**	**98,938,455**
Less: investment expenses	**(92,232,107)**	**(43,753)**	**(92,275,860)**	**(86,090,505)**
Net investment income, other than securities lending	**666,981,561**	**316,401**	**667,297,962**	**451,588,899**
Securities lending appreciation	2,322,599	1,102	2,323,701	2,425,554
Securities lending income	288,418	137	288,555	509,574
Add: securities lending premiums and agent fees	289,520	138	289,658	301,934
Net securities lending	**2,900,537**	**1,377**	**2,901,914**	**3,237,062**
Net investment income	**669,882,097**	**317,779**	**670,199,876**	**454,825,961**
Total additions to plan net position	**1,099,493,274**	**19,342,620**	**1,118,835,894**	**868,612,158**
Deductions from Plan net position				
Benefits				
Retirement benefits	539,172,804	-	539,172,804	494,674,645
Death benefits	1,332,648	-	1,332,648	1,590,312
Health benefits	-	20,407,372	20,407,372	21,298,588
Total benefits	**540,505,452**	20,407,372	**560,912,824**	**517,563,545**
Member refunds	2,778,423	-	2,778,423	3,366,473
Health care administrative expenses	-	-	-	293,151
Administrative expenses	11,453,806	-	11,453,806	10,866,053
Total deductions from plan net position	**554,737,681**	20,407,372	**575,145,053**	**532,089,222**
Increase/(decrease) in net position	**544,755,593**	**(1,064,752)**	**543,690,841**	**336,522,936**
Net position restricted for pension and health care benefits				
Beginning of year	8,515,438,880	5,063,911	8,520,502,791	8,183,979,855
End of year	**$ 9,060,194,473**	**$ 3,999,159**	**$ 9,064,193,632**	**$ 8,520,502,791**

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 accruing five years of service credit.

MEMBERSHIP

As of June 30, 2013, the SDCERA membership consisted of retired members or their beneficiaries, active members, terminated members eligible for benefits but not yet receiving them (deferred-vested members) and terminated nonvested (deferred-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 former County Employees Retirement Law of 1937.

TIER STRUCTURE

General and Safety members who entered the retirement system prior to October 1, 1978, were 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. Both Tier I and Tier II are closed to new entrants.

The maximum General, Tier I benefit formula is approximately 2.62% of monthly final average compensation at age 62. The maximum General, Tier II benefit formula is approximately 2.43% of monthly final average compensation at age 65. The maximum Safety, Tier I and Safety, Tier II benefit formula is approximately 2.62% of monthly compensation at age 55. Monthly final average compensation is based on the highest 26 consecutive pay periods (one year) of eligible earnings for Tier I members and the highest 78 consecutive pay periods (three years) for Tier II members.

General, Tier A members entered the system on or after March 8, 2002, and before August 28, 2009. The maximum General, Tier A benefit formula is approximately 3% of monthly final average compensation at age 60. The maximum Safety, Tier A benefit formula is 3% of monthly final average compensation at age 50. Monthly final average compensation for Tier A members is based on the highest 26 consecutive pay periods (one year) of eligible earnings. Tier A members may retire at age 50 with 10 or more years of service credit, or at any age with 30 or more years of service credit (20 years for Safety members). All Tier A members (both General and Safety) may retire from active service at age 70 regardless of the number of years of service credit.

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 and before December 1, 2012. The maximum General, Tier B benefit formula is approximately 2.62% of monthly final average compensation at age 62. The maximum Safety, Tier B benefit formula is 3% of monthly final average compensation at age 55. Monthly final average compensation for Tier B members is based on the highest 78 consecutive pay periods (three years) of eligible earnings. General, Tier B members may retire when they are at least age 55 with 10 or more years of service credit or at any age with 30 or more years of service credit. Safety, Tier B members may retire when they are at least age 50 with 10 or more years of service credit, or at any age with 20 or more years of service credit. All Tier B members (both General and Safety) may retire from active service at age 70 regardless of the number of years of service credit.

On September 12, 2012, the California Public Employees' Pension Reform Act (PEPRA) was signed into law by Governor Jerry Brown, establishing Tier C for General and Safety employees entering SDCERA membership on or after January 1, 2013. The benefit formula for General members is 2.5% at age 67 and the Safety formula is 2.7% at age 57. Monthly final average compensation for Tier C members is based on the highest 78 consecutive pay periods (three years) of eligible earnings. Additionally, PEPRA limits the amount of compensation SDCERA can use to calculate a Tier C retirement benefit to 100% of the Social Security taxable wage base limit for General members ($113,700 in 2013) and 120% for Safety members ($136,440 in 2013).

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 retired Tier I, Tier II and Tier A members is limited to a maximum of 3% per year. The COLA for retired Tier B and Tier C members 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% 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. 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 was reduced in 2013 and, absent the allocation of any available excess earnings, will be eliminated entirely in approximately 2016.

TERMINATED MEMBERS' DEFERRED RETIREMENT BENEFIT AND WITHDRAWAL BENEFIT

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

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

MEMBERSHIP SUMMARY
As of June 30, 2013

	General	Safety	Total
Active members			
General, Tier I	30	-	30
General, Tier A	10,968	-	10,968
General, Tier B	1,829	-	1,829
General, Tier C	643	-	643
Safety, Tier A	-	2,848	2,848
Safety, Tier B	-	486	486
Safety, Tier C	-	87	87
Total active members	**13,470**	**3,421**	**16,891**
Deferred (terminated) members			
General, Tier I	1,699	-	1,699
General, Tier A	2,471	-	2,471
General, Tier B	223	-	223
General, Tier C	19	-	19
Safety, Tier A	-	558	558
Safety, Tier B	-	30	30
Safety, Tier C	-	-	-
Total deferred (terminated) members	**4,412**	**588**	**5,000**
Retired members			
General, Tier I	5,197	-	5,197
General, Tier II	1,676	-	1,676
General, Tier A	6,512	-	6,512
General, Tier B	5	-	5
Safety, Tier I	-	495	495
Safety, Tier II	-	296	296
Safety, Tier A	-	1,638	1,638
Safety, Tier B	-	1	1
Total retired members	**13,390**	**2,430**	**15,820**
Total members	**31,272**	**6,439**	**37,711**

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.

HEALTH BENEFITS FOR RETIRED MEMBERS

The Board of Retirement has approved a Health Insurance Allowance (HIA) 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 retired member health benefit allowances and is funded by the County of San Diego and other participating agencies. The HIA is not a vested SDCERA benefit and is not guaranteed. It may be reduced or discontinued at any time.

Currently, an HIA benefit 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 HIA become eligible for 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 allowance.

The HIA may be used toward a member's insurance premiums for an SDCERA-sponsored plan or toward medical, dental and prescription insurance premiums paid to other providers elected by the member.

The Total Fund's Statement of Plan Net Position 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 and 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 Position 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 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 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 based on fair values.

VALUATION OF INVESTMENTS

SDCERA's investments include global equity, global fixed income, private equity, infrastructure, natural resources, 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, INFRASTRUCTURE AND NATURAL RESOURCES

The fair value of all private equity, infrastructure and natural resources 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 are 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, 2013, SDCERA's share of outstanding debts on directly held real estate investments totaled approximately $259.5 million as summarized below:

MORTGAGE LOANS PAYABLE
As of the fiscal year ended June 30, 2013
(dollars in thousands)

	Principal	Interest	Total
2014	$ 10,352,000	$ 9,860,463	$ 20,212,463
2015	51,329,316	9,800,286	61,129,603
2016	63,414,647	7,456,607	70,871,254
2017	59,772,000	4,562,000	64,334,000
2018	45,076,000	2,997,000	48,073,000
2019-2023	29,600,000	3,605,000	33,205,000
Total	**$259,543,963**	**$38,281,357**	**$297,825,320**

OTHER EXTERNALLY MANAGED FUND STRUCTURES

Investments made in externally managed funds, such as hedged funds and relative value, 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

SDCERA utilizes 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 Plan Net Position.

Swaps allow SDCERA to exchange a money market return for the rights to the return of a specific index, such as MSCI World, U.S. high yield 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 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 Position.

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 10 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 fiscal year ended June 30, 2013

	Balance 07/01/2012	Additions	Deletions and transfers	Balance 06/30/2013
Computer hardware, software, and maintenance	$ 5,187,880	$ 317,315	$ (319,525)	$ 5,185,670
Office furniture and fixtures	1,349,465	114,926	-	1,464,391
Leasehold improvements	1,641,872	-	-	1,641,872
Software in progress	10,939,535	599,760	(37,938)	11,501,357
Total capital assets	**$ 19,118,752**	**$ 1,032,001**	**$ (357,463)**	**$ 19,793,290**
Accumulated depreciation--hardware, software, and maintenance	(4,942,956)	(147,636)	-	(5,090,592)
Accumulated depreciation--office furniture and fixtures	(1,299,633)	(25,645)	-	(1,325,278)
Accumulated depreciation--Leasehold improvements	(850,818)	(166,366)	-	(1,017,184)
Net capital assets	**$ 12,025,345**	**$ 692,354**	**$ (357,463)**	**$ 12,360,236**

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 to SDCERA 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.

SUMMARIZED PRIOR YEAR INFORMATION

The accompanying financial statements include certain prior year summarized comparative information in total, but do 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's financial statements as of and for the fiscal year ended June 30, 2012, from which the summarized information was derived.

NEW GASB PRONOUNCEMENTS

GASB STATEMENT NO. 62

Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedures which do not conflict with or contradict other GASB pronouncements. The provisions of this statement are effective for financial statement periods beginning after December 15, 2011. The implementation of this statement does not have an impact on SDCERA's financial statements.

GASB STATEMENT NO. 63

Effective July 1, 2012, SDCERA implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources, and Net Position*. Certain defined transactions that do not qualify for treatment as either assets or liabilities are accounted for and reported as either deferred outflows of resources or deferred inflow of resources. These elements define as a consumption and/or acquisition of the net position that is applicable to a future reporting period. With the implementation of GASB No. 63, the Statement of Plan Net Assets became the Statement of Plan Net Position. The new standard clarifies where these elements are to be reported in the statement of financial position. GASB Statements No. 53 and No. 60 previously identified certain transactions requiring the use of deferred outflows and deferred inflows of resources. Based on review and analysis of GASB No. 53 and No. 60, SDCERA does not have these types of transactions.

FUTURE GASB PRONOUNCEMENTS

GASB STATEMENT NOS. 67 AND 68

In June 2012, GASB approved Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, and Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. GASB Statement No. 67 addresses reporting by pension plans that administer benefits for governments, and is effective for financial statements for periods beginning after June 15, 2013. GASB Statement No. 68, which primarily relates to reporting by governments that provide pensions to their employees, is effective for fiscal years beginning after June 15, 2014. These standards were subsequently published in August 2012.

Key changes include:

- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments to projected benefit payments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA/Aa- or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Requiring more extensive note disclosures and required supplementary information.

SDCERA will be subject to the provisions of GASB Statement No. 67 beginning with the fiscal year ending June 30, 2014. GASB Statement No. 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB Statement No. 67 builds upon the existing framework for financial reports of defined benefit pension plans and enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. In addition, it requires the presentation of new information about the annual money-weighted rates of return on pension plan investments in the notes to the financial statements and in 10-year required supplementary information schedules.

3 DEPOSITS AND INVESTMENTS

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

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, investment risk disclosure is required for: interest rate risk, credit risk (including custodial credit risk and concentrations of credit risk) and foreign currency risk.

INTEREST RATE RISK

It is the practice of the Fund to require investment managers to diversify by issue, maturity, sector, coupon and geography. As of June 30, 2013, SDCERA had the following investments and maturities in the table below:

INTEREST RATE RISK
(dollars in thousands)

		Investment Maturities (in years)			
Investment type	**Total fair value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Asset and mortgage backed securities	$ 42,823	$ 26,813	$ 16,010	$ -	$ -
Certificates of deposits	64,065	64,065	-	-	-
Collateralized mortgage obligations	109,799	73,656	5,835	5,778	24,530
Commercial paper	466,206	466,206	-	-	-
Convertible bonds	83,830	9,833	47,659	6,632	19,706
Corporate bonds	1,179,151	811,392	309,789	57,970	-
Emerging market debt securities	530	530	-	-	-
Municipal bonds	394,726	318,490	76,236	-	-
International bonds	148	-	76	-	72
Mutual funds	80	80	-	-	-
Private placements	614,874	318,716	227,626	57,226	11,306
Repurchase agreements	34,513	34,513	-	-	-
US treasuries	212,886	-	18,613	-	194,273
Total	**$3,203,631**	**$2,124,294**	**$701,844**	**$127,606**	**$249,887**

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, 2013, SDCERA has no single issuer that exceeds 5% of the total investments or plan net position.

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, 2013:

CREDIT RISK
(dollars in thousands)

Ratings	Domestic core fixed income	Convertibles fixed income	High yield fixed income	Emerging market debt fixed income	Short-term investments	Total
Govt	$194,273	$ -	$ -	$ -	$ 18,614	$ 212,887
AAA	-	-	-	-	442,825	442,825
AA	-	-	-	-	526,576	526,576
A	-	6,524	909	-	1,083,002	1,090,436
BBB	-	9,962	2,188	-	182,007	194,158
BB	-	12,844	43,913	-	22,291	79,047
B	-	15,588	129,607	-	-	145,195
CCC	-	1,743	21,789	-	-	23,532
CC	-	-	1,482	-	-	1,482
C	-	-	79	-	-	79
NR	913	37,169	172	530	448,629	487,414
Total	**$195,186**	**$83,830**	**$200,139**	**$530**	**$2,723,945**	**$3,203,631**

CREDIT RISK

Ratings	Domestic core fixed income	Convertibles fixed income	High yield fixed income	Emerging market debt fixed income	Short-term investments
Govt	99.5%	0.0%	0.0%	0.0%	0.7%
AAA	0.0%	0.0%	0.0%	0.0%	16.2%
AA	0.0%	0.0%	0.0%	0.0%	19.3%
A	0.0%	8.2%	0.4%	0.0%	39.8%
BBB	0.0%	12.5%	1.1%	0.0%	6.7%
BB	0.0%	16.0%	21.5%	0.0%	0.8%
B	0.0%	14.8%	65.3%	0.0%	0.0%
CCC	0.0%	2.2%	10.7%	0.0%	0.0%
CC	0.0%	0.0%	0.8%	0.0%	0.0%
C	0.0%	0.0%	0.0%	0.0%	0.0%
NR	0.5%	46.3%	0.2%	100.0%	16.5%
	100.0%	**100.0%**	**100.0%**	**100.1%**	**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 mostly comprised of U.S. government securities, which were rated AAA, but are exempt from the credit rating risk disclosures, excluding 0.5% 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 46.3% of unrated securities.

HIGH YIELD FIXED INCOME PORTFOLIO

The weighted average rating of the High Yield Fixed Income Portfolio as of June 30, 2013, was B, excluding 0.2% 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, 2013, the Emerging Market Debt portfolio consisted of only unrated securities in the portfolio.

In addition, SDCERA holds fixed income investments in commingled funds. The following table summarizes the interest and credit risks for fixed income, commingled fund investments:

COMMINGLED FUNDS
As of June 30, 2013
(dollars in thousands)

Funds	Fair Value	Weighted Average Maturity (in years)	Ratings
Wellington CIF II Trust	$888,639	7.83	NR
Oaktree Expanded High Yield	222,244	7.32	NR
Blackrock Credit Investors	11,820	1.18	NR
SSgA TIPS	433,757	8.66	NR
Total	**$1,556,460**		

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 or less and are limited to hedging currency exposure existing in the portfolio. SDCERA's exposure to foreign currency risk derives from its positions in foreign currency denominated international equity and fixed income investments.

NET EXPOSURE TO FOREIGN CURRENCY RISK
As of June 30, 2013
(dollars in thousands)

Currency name	Equity	Fixed income	Real assets	Foreign Exchanges	Short-term investments	Total
MEXICAN PESO	$ 21,775	$ 97,566	$ -	$ 79,175	$ 75,857	$ 274,373
SOUTH AFRICAN RAND	38,471	89,747	-	-	-	128,218
BRAZIL REAL	31,333	87,703	-	-	-	119,036
MALAYSIAN RINGGIT	11,600	91,168	-	-	-	102,768
NEW TURKISH LIRA	13,598	88,503	-	-	-	102,101
POLISH ZLOTY	4,429	95,256	-	-	-	99,685
EURO	58,891	(10,219)	-	18,614	24,163	91,449
CANADIAN DOLLAR	5,810	(9,152)	88,285	(259)	40	84,724
RUSSIAN RUBLES	10,024	71,532	-	-	-	81,555
INDONESIAN RUPIAH	12,615	67,710	-	-	-	80,325
DANISH KRONE	-	-	-	38,751	39,221	77,972
THAILAND BAHT	15,738	53,226	-	-	-	68,964
SOUTH KOREAN WON	55,158	9,952	-	-	-	65,110
NEW TAIWAN DOLLAR	53,237	-	-	-	-	53,237
NIGERIAN NAIRA	4,404	33,233	-	-	-	37,637
HONG KONG DOLLAR	37,057	-	-	-	-	37,057
HUNGARIAN FORINT	3,826	32,522	-	-	-	36,348
COLOMBIAN PESO	1,461	30,389	-	-	-	31,850
INDIAN RUPEE	25,468	4,443	-	-	-	29,911
CHINESE YUAN	26,433	-	-	(2)	-	26,431
PERUVIAN NUEVO SOL	-	14,839	-	-	-	14,839
POUND STERLING	11,365	-	-	(555)	-	10,810
ICELAND KRONA	-	9,064	-	-	-	9,064
ROMANIA NEW LEI	-	4,265	-	-	-	4,265
Other (Less than $2 million holdings)	13,311	(76,151)	-	-	-	(62,840)
Total	**$456,004**	**$785,595**	**$88,285**	**$135,724**	**$139,281**	**$1,604,889**

SECURITIES LENDING

SDCERA's investment policy permits the Plan to use investments and to enter into securities lending transactions. 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, 2013, are summarized in the following table. The Fund lent $25,096,165 in securities and received cash and non-cash collateral of $25,726,999 from borrowers.

SECURITIES LENDING TRANSACTIONS

	SDCERA Securities Lent	Cash and Non-Cash Collateral
Lent for cash collateral		
Domestic corporate	$16,354,594	$16,723,036
Domestic equities	6,510,001	6,664,554
International equities	1,272,497	1,360,575
Lent for securities collateral		
US Government Debt	959,073	978,834
Total	**$25,096,165**	**$25,726,999**

In fiscal year 2013, SDCERA received a premium on all securities it held as collateral.

Cash collateral is invested by the agent in a separately managed short-term investment account which, as of June 30, 2013, had a weighted average maturity of 32 days. At June 30, 2013, short-term investments are comprised of 12% overnight Repurchase Agreements. Asset-backed Securities represent 84% of the short-term investments. Of the Asset-backed Securities, 35% are rated AAA, 28% are rated A, and the remaining 27% are rated BBB to CCC. 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.

SECURITIES LENDING INVESTMENTS

	Fair Value
Repurchase agreements	$ 3,151,923
Asset-backed floating	20,569,293
Other (cash)	38,156
Total	**$23,759,372**

DERIVATIVE INSTRUMENTS

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, 2013:

DERIVATIVES INSTRUMENTS
(dollars in thousands)

Derivative type	Changes in fair value*	Fair value	Notional value
Forwards	$ (4,938)	$ 2,974	$ 135,680
Futures	132,708	-	4,038,860
Swaps	183,546	8,478	1,494,903
Total	**$ 311,316**	**$ 11,452**	**$5,669,443**

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

FORWARDS

As of June 30, 2013, SDCERA has $135.7 million in exposure to foreign currency primarily through short-term investments.

A summary of SDCERA's forward contracts at June 30, 2013, are shown in the chart below:

FORWARD CONTRACTS
(dollars in thousands)

	Notional value	Fair value
Cash and Cash Equivalents with fiscal agents	$135,680	$2,974
Total	**$135,680**	**$2,974**

FUTURES

A summary of SDCERA's futures contracts at June 30, 2013, are shown in the chart below:

SUMMARY OF FUTURES CONTRACTS
(dollars in thousands)

	Notional value
Global Futures	$ 638,712
Fixed Income Futures	2,905,892
Private Equity Futures	484,326
Managed Futures	9,930
Total	**$4,038,860**

SWAPS

The table below shows SDCERA's swaps investments by type:

INTERNALLY MANAGED SWAPS
As of June 30, 2013
(dollars in thousands)

Description/ Counterparty	Effective date	Maturity date	Terms	6/30/2013 Notional value	Fair value
1. Commodity swap					
Goldman Sachs	3/28/13	9/30/13	Pay 3 mos TBill, 0.38% and 0.45% spread. Settlement based on ENHG139T & AGGSB2BT indexes pricing at monthly reset and termination date.	$ 178,929	$(766)
Total commodity swap				**178,929**	**(766)**
2. Global equity swap					
Deutsche Bank	11/8/12	11/8/13	Receive 3 mos LIBOR, -0.475% spread. Settlement based on NDDUWI Index pricing at quarterly reset and expiration date.	641,248	3,572
Goldman Sachs	10/12/12	10/14/13	Pay 3 mos LIBOR, -0.475% spread. Settlement based on NDDUWI Index pricing at quarterly reset and expiration date.	618,713	4,583
Total global equity swap				**1,259,961**	**8,155**
Total Internally managed swaps				**$1,438,890**	**$7,389**

EXTERNALLY MANAGED SWAPS
As of June 30, 2013
(dollars in thousands)

Description	Notional value	Fair value
Credit default swaps	$46,360	$ 490
Currency swaps	9,654	599
Total	**$56,014**	**$1,089**

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, futures, and swaps in asset position as of June 30, 2013, is as follows:

CREDIT RISK DERIVATIVES AT FAIR VALUE
As of June 30, 2013
(dollars in thousands)

Credit rating	Swaps	Forwards
AA-	$ 188	$ 387
A+	3,874	2,552
A	14,237	2,685
Total subject to credit risk	**$18,299**	**$5,624**

4 FUNDING POLICY—PENSION PLAN

Pension 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:

(i) The annual normal costs for each active member, payable from the date of entry into the Plan until retirement, would accumulate to the amount necessary to fully fund the member's retirement related benefits; 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 7522.30, 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 some 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 (Sections 7522.30, 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, 2013. Contribution rates for Tier I, Tier A, and Tier B members (General and Safety) are based on the actuarial valuation as of June 30, 2011. Contribution rates for Tier C members (General and Safety) are based on recommendations made by The Segal Company and approved by the Board of Retirement as required by PEPRA. Contribution rates are expressed as a percentage of covered payroll. The member contribution rates (weighted average) depicted vary according to membership tier. Rates for Tier I, Tier A, and Tier B members also vary depending on entry age and certain negotiated contracts which provide for the employer to pay a portion of the member's contribution.

CONTRIBUTION RATES

Member Classification	Tier	Average Member Rates	Employer Rate
General members	Tier I, Tier A and Tier B	7.95% - 10.24%	26.79%
	Tier C	7.05%	7.05%
Safety members	Tier A and Tier B	11.33% -13.13%	41.04%
	Tier C	12.58%	12.58%

During the year, pension contributions totaled $429,611,177. This included $71,718,077 in member contributions, and $357,893,100 in employer contributions, which includes $45,605,456 in member contributions paid by the employers.

SDCERA is an independent governmental entity. As such, the entire expense of administration of the retirement system is charged against the earnings of the 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 SDCERA's 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 of Other Post Employment Benefits (OPEB) as of June 30, 2012, established the employer contribution rate of 1.94% of covered payroll which amounted to $19.0 million for the fiscal year ended June 30, 2013. 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. SDCERA is in compliance with this limit.

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 Sections 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, 2013.

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 the assumed investment rate of return of 7.75%.

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. This mechanism 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 position are depicted in the following table:

RESERVE As of June 30, 2013 (dollars in thousands)		
Reserve for member contributions	$	551,337
Reserve for employer contributions		1,912,829
Reserve for retirement allowances		6,088,335
Total	**$**	**8,552,501**
Reserve for supplemental benefits		45,170
Reserve for disability supplemental benefits		6,940
Reserve for undistributed excess earnings		-
Reserve for contingencies		-
Reserve for smoothed market value transition		633,531
Reserve for market stabilization		(177,947)
Total retirement fund	**$**	**9,060,195**
Health benefits 401(h) account		3,999
Total fund	**$**	**9,064,194**

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 contributions 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'S ADMINISTRATIVE EXPENSES For the fiscal year ended June 30, 2013	
Total Actuarial Accrued Liability (as of June 30, 2012)	$ 10,943,172,000
Maximum allowable for administrative expenses (.0021 X 10,943,172,000)	22,980,661
Actual administrative expenses for the fiscal year	11,453,806
Excess of allowance over actual administrative expenses	11,526,855
Actual administrative expenses as a percentage of total actuarial accrued liability	**0.10%**

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 Position are unfunded commitments to acquire real estate for investment totaling $97 million, infrastructure for $137 million, natural resources funds for $289 million, and private equity for $712 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)
6/30/2013	$9,186,032	$11,631,237	$2,445,205	79.0%	$1,067,792	229.0%

The following summarizes the actuarial assumptions and methods used in the most recent actuarial valuation as of June 30, 2013, and the June 30, 2011, actuarial valuation, which was used to determine current year contribution rates.

SUMMARY ACTUARIAL INFORMATION		
Valuation date	June 30, 2013	June 30, 2011
Actuarial cost method	Individual entry-age normal cost method	Individual entry-age normal cost method
Amortization method	Level percent of payroll	Level percent of payroll
Remaining amortization period	20-year fixed (decreasing or closed) layered amortization periods for all UAAL.	20-year fixed (decreasing or closed) layered amortization periods for all UAAL.
Asset valuation method	Five-year smoothed market	Five-year smoothed market
Actuarial Assumptions		
Investment rate of return*	7.75%	8.00%
Projected salary increase (General/Safety)**	4.75% / 5.00%	5.00% / 5.50%
Cost-of-living adjustments for retired members	3.00% for Tier I and Tier A 2.00% for Tier B and Tier C	3.00% for Tier I and Tier A 2.00% for Tier B
Inflation	3.25%	3.50%

** Includes inflation of 3.25% for 2013 and 3.50% for 2011.*

*** Includes inflation of 3.25% for 2013 and 3.50% for 2011, across the board increase of 0.75% for 2013 and 2011, plus merit and longevity increases.*

Key findings from the June 30, 2013, actuarial valuation include the following:

- The ratio of the valuation value of assets to actuarial accrued liabilities, the funded ratio, increased from 78.7% to 79.0%.
- The total employer contribution rate for fiscal year 2014-2015 will increase from 34.04% of payroll to 35.79% of payroll.
- The average member rate for fiscal year 2014-2015 will increase from 10.47% of payroll to 11.69% of payroll primarily due to changes in actuarial assumptions and methods.
- For the June 30, 2013, valuation, the Board adopted an adjustment to the asset smoothing method that combines the net deferred losses of $170.6 million from the June 30, 2012, valuation into a single four and a half years smoothing "layer." These deferred losses are then recognized over the next four and a half years from that date in nine level amounts of approximately $19.0 million each six month period.
- The total unrecognized investment loss as of June 30, 2013, was $177.9 million, versus an unrecognized loss of $170.6 million in the June 30, 2012, 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 79.0% to 77.4%, up from 77.1% in the prior year valuation.
- If the unrecognized investment losses were recognized immediately the aggregate employer contribution rate for fiscal year 2014-2015 would increase from 35.79% of payroll to 36.98% of payroll, up from 35.42% in the prior year 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)
6/30/2012	$5,064	$185,302	$180,238	2.7%	$1,052,367	17.1%

The following summarizes the actuarial assumptions and methods used in the most recent actuarial valuation as of June 30, 2012, and the June 30, 2010, actuarial valuation, which was used to determine current year contribution rates

SUMMARY ACTUARIAL INFORMATION FOR HEALTH CARE PLAN		
Valuation date	June 30, 2012	June 30, 2010
Actuarial cost method	Individual entry-age normal cost method	Individual entry-age normal cost method
Amortization method	Separate declining 20-year bases starting June 30, 2007, amortized as level dollar amount.	Separate declining 20-year bases starting June 30, 2007, amortized as level dollar amount.
Remaining amortization period	14.9 years	Various
Asset valuation method	Market Value	Market Value
Actuarial Assumptions		
Investment rate of return*	8.00%	8.00%
Projected salary increase	Not Applicable	Not Applicable
Projected increase in maximum Health Insurance Allowance (HIA)	None	None
Inflation rate	Not Applicable	Not Applicable
Medical cost trend rate	8.00% graded down to ultimate rate of 5.00% over 10 years	10.00% graded down to ultimate rate of 5.00% over 10 years
Dental cost trend rate	5.00%	5.00%

* Includes inflation of 3.50% for 2012 and 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.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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)
6/30/08	$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	177.9
6/30/12	8,607,483	10,943,172	2,335,689	78.7	1,052,366	221.9
6/30/13	9,186,032	11,631,237	2,445,205	79.0	1,067,792	229.0

(1) Excludes assets held for Health Benefit Reserve.
(2) Excludes liabilities held for Health Benefit Reserve.

SCHEDULE II—EMPLOYER CONTRIBUTIONS (PENSION PLAN)
(dollars in thousands)

Year Ended	Annual Required Contribution (ARC)	Contributions Made	% of Required Contributions Made
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
6/30/12	274,106	274,106	100.0
6/30/13	298,128	312,288	104.8

Source: The Segal Group, Inc. Annual Actuarial Valuation, June 30, 2013

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%
6/30/12	5,064	185,302	180,238	2.7%	1,052,367	17.1%

* 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)

Fiscal 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%
6/30/12	19,198	19,198	100.0%
6/30/13	19,024	19,024	100.0%

SCHEDULE V—INVESTMENT EXPENSES
For the fiscal year ended June 30, 2013
(dollars in thousands)

Individual or Firm	Net assets managed at fair value	Fees
Domestic equity managers		
Legato Capital Management (Legato Accounts)	$ -	$ 839
Nicholas Applegate Conv	97,832	500
Unallocated cash/securities	39	
Total domestic equity managers		**1,340**
Emerging market equity managers		
DFA Emerging Market Fund	241,410	1,393
Genesis Asset Management	230,847	1,455
Total emerging market equity managers		**2,848**
Emerging market debt		
Wellington	888,639	2,507
Total emerging market debt managers		**2,507**
High yield/credit managers		
BlackRock Credit Fund	11,820	17
Hotchkis & Wiley High Yield	221,232	431
Oaktree Capital Mgmt LLC	222,244	627
Silver Point Capital	11,710	897
Zazove Associates (HY Conv.)	2,891	136
Total high yield/credit managers		**2,109**
TIPS		
State Street Global Assets (SSGA) -TIPS	433,757	122
Total TIPS		**122**
US Treasuries		
Hoisington	194,447	286
Total US Treasuries		**286**
Policy overlay		
Russell Investments Group	-	597
Total policy overlay manager		**597**
Global macro		
Blackrock Global Ascent	145,423	2,985
Bridgewater Pure Alpha II	68,816	766
Bridgewater Pure Alpha Major Market	51,122	2,006
De Shaw Heliant Fund, LLC	124,685	6,883
Kenmar (Base Fee + CTAs fee)	129,346	7,184
Total global macro		**19,825**

SCHEDULE V—INVESTMENT EXPENSES (CONTINUED)

Individual or Firm	Net assets managed at fair value	Fees
Relative value		
AQR Delta	358,347	2,390
Blue Mountain Credit Alternative	130,499	1,162
BlueMountain L/S Credit Fund, LP	-	2,742
Carlson Capital Partner - Double Black Diamond	-	835
Carlson Capital Partner - Black Diamond	-	1,252
DE Shaw	9,030	189
Moon Capital	72,724	1,292
Saba Capital Management	101,505	1,162
UBS O'Connor	5,652	2,425
Total relative value		**13,452**
Infrastructure		
Actis Energy 3	1,983	256
Brookfield Americas Infrastructure	74,965	1,262
Global Infrastructure Partners	50,409	1,332
JP Morgan Maritime Fund	5,203	1,122
Macquarie Infrastructure Partners II	93,866	1,125
Total infrastructure		**5,098**
Natural resources and other real assets		
Energy Funds (EnerVest, EnCap, Kayne, Merit)	34,041	584
Amerra Agri Fund II	26,662	1,063
Brookfield Brazil Agriland	47,987	1,124
Denham Commodity Partners VI	7,012	674
Falcon E & P Opportunities	33,368	936
Hancock Agricultural Investment Group	14,421	69
Molpus Woodland	38,824	421
SSGA Materials	183,854	108
SSGA S&P MLP	203,344	159
Red Kite Mine Finance Fund I	33,912	1,128
Taurus Resources Fund No. 2	31,413	1,128
Total natural resources and other real assets		**7,398**
Real estate managers		
Allegis Value Trust, Inc.	24,259	169
AMB Japan Fund	36,070	588
Amstar SD Partners	131,980	1,178
Blackstone Real Estate Partners VI	60,828	2,503
California Smart Growth Fund IV	15,731	232
Canyon Johnson	14,573	378

SCHEDULE V—INVESTMENT EXPENSES (CONTINUED)

Individual or Firm	Net assets managed at fair value	Fees
CB Richard Ellis Strategic V	15,238	429
Cornerstone (CHIEF)	2,360	102
Cornerstone Apartment Venture III	13,461	143
JP Morgan CB Strategis Property Fund	241,575	1,924
La Salle Asia Op2	4,307	119
PRISA II	29,812	313
PRISA III	52,808	860
The Rreef Funds/Rio San Diego Plaza II	22,690	132
RREEF IMA	309,091	1,888
Southern California Smart Growth Fund	7,508	216
Trophy Property GP LTD	6,497	222
Total real estate managers		**11,406**
Private equity managers		
Bain Capital IX, LP	5,138	126
Bain Capital IX - Coinvestment, LP	1,120	27
Bain Capital X, LP	12,808	244
Baring Asia Private Equity V	18,630	1,000
Blackstone Capital Partners V, LP	13,346	40
Blackstone Capital Partners VI, LP	27,060	962
Capital Int'l PE Fund V, LP	5,417	79
Capital Int'l PE Fund VI, LP	9,546	741
Cerberus Institutional Partners II, LP	2,312	218
Cerberus Institutional Partners IV, LP	12,247	536
Charterhouse VIII	9,346	86
Coller International Partners V-A	6,243	97
Drug Royalty II/LSRC II S.ar.I	9,449	374
Drug Royalty II Co-Investment/LSRC II S.ar.I	3,401	124
Emerging Europe Growth Fund II, LP	6,902	199
EQT VI, LP	16,225	759
Fountain Vest Capital Growth II	5,578	990
Gores Capital Partners III. LP	35,790	367
Gores Small Capitalization Partners, LP	6,072	363
Graham Partners II, LP	7,720	24
Greenbriar Equity Fund II, LP	6,418	166
GSO Capital Partners	44,809	315
HarbourVest Partners International Private Equity III	2,725	9
Hellman & Friedman Investors VI, LLC	8,862	60
Hellman & Friedman Investors VII, LLC	3,748	219
Lexington Capital Partners V, LP	1,898	24
Lexington Capital Partners VI, LP	6,095	68
Northgate PE Partners II, LP	9,245	113
Northgate PE Partners III, LP	10,848	132
Oak Hill Capital Partners, LP	141	4

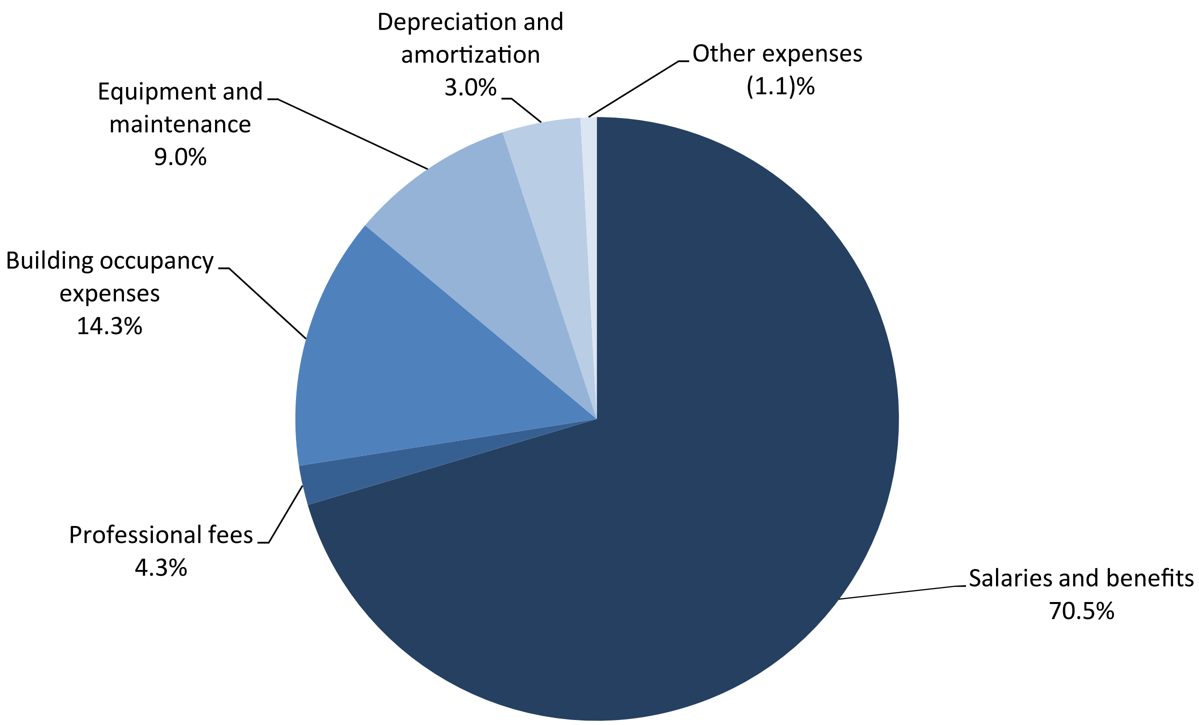
SCHEDULE V—INVESTMENT EXPENSES (CONTINUED)		
Individual or Firm	**Net assets managed at fair value**	**Fees**
Oaktree European Principal Fund III	32,324	1,356
OCM Opportunities Fund IV, LP	32	-
OCM Opportunities Fund VI, LP	1,248	33
OCM Opportunities Fund VII	1,756	59
OCM Opportunities Fund VII - B	3,617	96
Onex Partner III	11,837	249
Paul Capital Partners VIII-B, LP	5,682	79
Paul Capital Partners IX, LP	8,956	197
Providence Equity Partners V, LP	3,925	36
TA Associates Subordinated Debt Fund	34	-
TA Associates Subordinated Debt Fund II	6	101
TA Associates IX. LP	647	-
TA Associates X, L.P.	7,276	288
Texas Pacific Group	5,359	9
TPG Asia VI	5,432	1,030
Thomas Lee Equity Fund V,	1,595	(101)
Total private equity managers	**398,865**	**11,919**
Other		
Pimco Collateral Cash	2,327,018	2,510
Total other		**2,510**
Master custodian		
BNY Mellon		917
Total master custodian		**917**
Other professional fees		
Albourne America LLC		640
Cost Effective Management Inc.		25
Ennis Knupp		426
Integrity Capital		4,717
S&P Rating Services		7
The Segal Company		308
The Townsend Group		100
Total other professional fees		**6,224**
Administrative, support and other (*)		**3,710**
Total investment expenses		**$92,276**

SCHEDULE VI—ADMINISTRATIVE EXPENSES
For the fiscal year ended June 30, 2013
(dollars in thousands)

Expense category	Pension	Health care
Salaries and benefits	$ 7,886	$ 187
Professional fees	350	144
Building occupancy expenses	1,600	37
Equipment and maintenance	1,031	-
Depreciation and amortization	340	-
Other expenses*	247	(368)
Total administrative expenses	**$ 11,454**	**$ -**

* Includes overhead expense allocations to Investments and Health Care and reimbursements from plan participants.

Administrative Services by Category 2013



SCHEDULE VII—PAYMENTS TO CONSULTANTS
(dollars in thousands)

Type of Service	
Legal services	$ 1,665
Computer services	642
Actuarial services	308
Audit services	79
Health care consulting services	86
Total payments to consultants	**$ 2,760**

SDCERA

Strength. Service. Commitment.

Investments

Comprehensive Annual Financial Report

Fiscal year ended June 30, 2013

Salient®

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October 4, 2013

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

Dear Trustees:

The fiscal year began where the previous left off as the developed world continued to struggle with increasing debt-to-GDP levels and declining demographics. This placed a strain on economic growth and has led to a decline in investor sentiment.

Early in the first quarter of the fiscal year, equity markets remained under pressure driven by investors' continued concerns about a possible break-up of the Eurozone. In July 2012, risk appetite abruptly returned as the European Central Bank (ECB) President, Mario Draghi, announced he would do "whatever it takes" to support the Euro and the Eurozone via the ECB's Outright Monetary Transactions (OMT). Investor confidence in Europe, as well as around the globe, soared on Draghi's announcements coupled with a decision by the U.S. Federal Open Market Committee (FOMC) to implement a third round of quantitative easing (QE3). This investor optimism was rewarded as the S&P 500 reached a five-year high early in the fiscal year.

The intervention of both the ECB and FOMC, and subsequent market turnaround, evidenced a continuation of investor dependence on accommodative central bank policies to fuel asset prices. The side effects of central bank involvement in markets can manifest itself in three ways. First, monetary policy intervention, whether stimulative or restrictive, can lead to higher correlations among asset classes. Second, correlations tend to increase within asset classes (i.e. all stocks move together). Lastly, investors in search of yield are forced into more speculative assets that offer higher potential returns. Consequently, when these effects are at an extreme–much like we saw during the fiscal year–investors are penalized for diversification and rewarded for certain forms of concentrated risk.

U.S. economic data was largely positive throughout the fiscal year, highlighted by a steadily decreasing unemployment rate and improved housing market. Subsequent to the end of the fiscal year, central bank policy was at a key juncture. Economic data remained volatile but continued to show an upward bias, which may provide the FOMC a greater impetus to withdraw some of the monetary stimulus it has provided over the past three years. The release of the June FOMC meeting minutes indicated that the committee was considering tapering U.S. Treasury and/or mortgage-backed security purchases on the basis of improving growth and employment statistics. In the wake of this policy rhetoric, many elements of SDCERA's portfolio that had previously provided significant sources of diversification became more positively correlated as markets declined into the final trading days of the fiscal year.

For the year ending June 30, 2013, SDCERA's portfolio generated a gross portfolio return of 8.25%, compared to the median fund in the plan's universe, which generated a 12.25% return over the same period. This positioned SDCERA in the 91st percentile of its peer group for the fiscal year according to Wilshire Associates Trust Universe Comparison Service (TUCS) data of public plans with greater than $1 billion in investable assets. On a net of fee basis, the fund generated a 7.73% return compared to the fund's policy benchmark of 6.98% and in line with SDCERA's actuarial rate of return of 7.75%. The fund generated an 11.93% gross return for the three year period ending June 30, 2013, outpacing 65% of its peers with lower risk than 84% of its peers. The SDCERA fund continues to satisfy its core objective of generating consistent returns that meet the plan's actuarial assumptions while managing the level of risk as measured by the variability of returns over time.

Sincerely,

Lee Partridge
Portfolio Strategist

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

ASSET ALLOCATION POLICY		
Asset class	**Benchmark**	**Target %**
Global developed equities	MSCI World Net Index	20
Emerging market equities	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
US Treasuries	Barclay's 10-year UST Futures Index	40
Asset allocation strategies	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**

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:

1. 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.

2. 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.

3. 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.

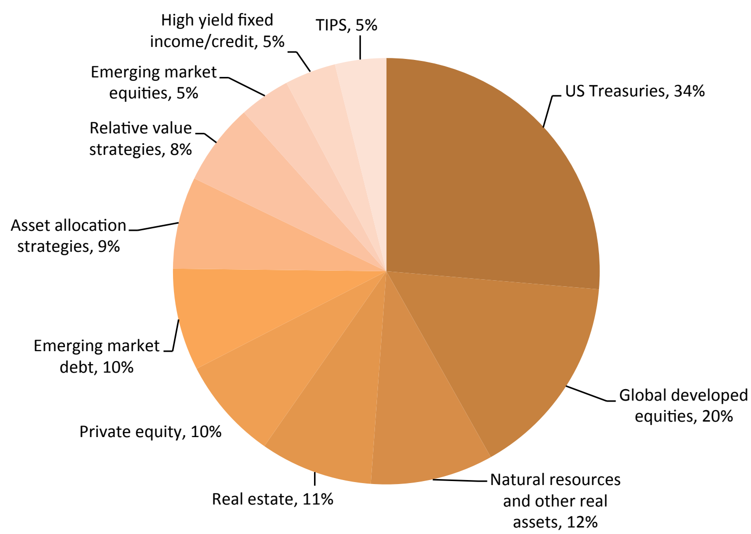
The Board has adopted an investment policy statement and related policies to ensure that the plan is managed to the prudent expert standard, required in California. These policies set investment return and risk objectives, both at the manager and plan level, and provide for the extensive diversification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

ASSET ALLOCATION REPORT
As of June 30, 2013
(dollars in thousands)

				Allocation %				
					Percentage Limits			
					Target	Min.	Max.	
Asset Type	Market Value	Cash Collateral	Asset Allocation w/Exposure	% Actual	% Target	% Target	% Target	Within Limits
Global Equity	$ 169,337	$1,641,435	$ 1,810,772	20%	20%	15%	25%	YES
Emerging Market Equity	472,257		472,257	5%	5%	2%	10%	YES
High Yield Fixed Income	469,896		469,896	5%	5%	2%	10%	YES
Private Equity	459,543	476,564	936,107	10%	10%	5%	15%	YES
Emerging Market Debt	888,639		888,639	10%	10%	5%	15%	YES
Global Macro/CTA	767,963		767,963	8%	10%	5%	15%	YES
Relative Value	684,803		684,803	8%	10%	5%	15%	YES
Treasuries	308,538	2,803,681	3,112,219	34%	40%	20%	60%	YES
Real Estate	988,833		988,833	11%	10%	5%	15%	YES
Real Assets	881,400	178,791	1,060,191	12%	10%	5%	15%	YES
TIPS	433,844		433,844	5%	5%	2%	15%	YES
Other*	2,539,141	(5,100,472)	2,561,330	(28)%	0%			N/A
Total	**$9,064,194**	**$ -**	**$9,064,194**	**100%**	**135%**			

*Available Cash Less the Derivatives Notional

ASSET ALLOCATION
As of June 30, 2013



Exposure is expressed as a percent of the fund's net asset value and totals to 128%.

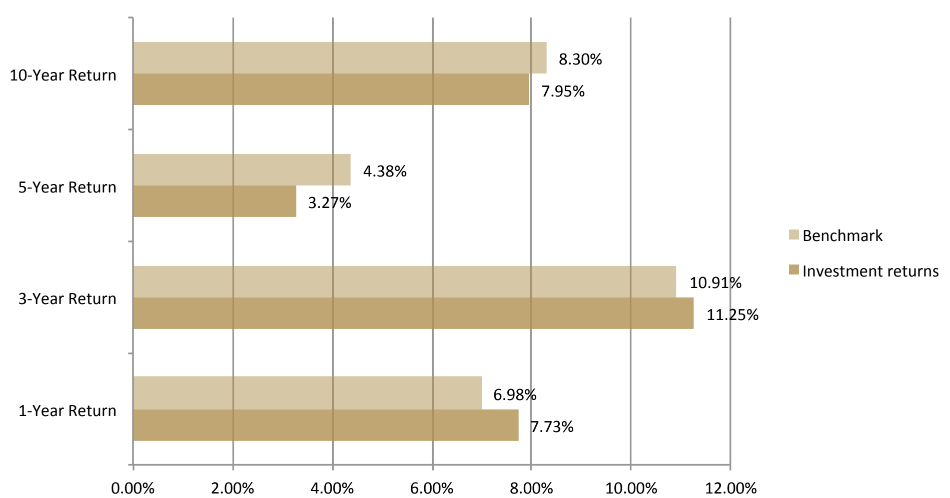
PERFORMANCE RESULTS, ANNUALIZED, NET OF FEES

For the fiscal years ended June 30

	Performance				Benchmark*			
Asset class	**1 Year**	**3 Year**	**5 Year**	**10 Year**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
Public developed equity	17.24%	14.25%	2.83%	N/A	18.58%	13.72%	3.77%	N/A
Emerging market equity	4.34	4.82	1.48	15.36	3.23	3.72	(0.11)	14.02
High yield fixed income/credit	12.26	10.05	7.22	N/A	9.57	10.43	10.36	N/A
Private equity	15.70	11.87	4.29	N/A	20.60	17.38	6.50	N/A
Total growth oriented portfolio	**14.57**	**11.98**	**3.53**	**N/A**	**16.01**	**13.13**	**4.17**	**N/A**
Emerging market debt	3.71	6.59	4.96	N/A	1.32	6.03	7.52	N/A
U.S. bonds	(3.46)	3.69	5.69	N/A	(2.40)	4.03	5.50	N/A
Global macro/CTA	3.11	3.38	1.89	N/A	(0.27)	1.49	(1.35)	N/A
Relative value	6.37	5.32	1.18	N/A	2.08	2.09	(1.01)	N/A
Total stable value portfolio	**0.32**	**4.91**	**5.22**	**N/A**	**(0.84)**	**3.87**	**5.61**	**N/A**
U.S. TIPS	(4.81)	4.58	4.51	N/A	(4.78)	4.63	4.39	N/A
Real estate	6.51	14.62	0.06	7.74	10.52	15.28	3.71	9.49
Natural resources and other real assets	8.69	10.58	(6.45)	N/A	5.88	9.30	(1.47)	N/A
Total inflation sensitive portfolio	5.23	10.86	(0.25)	N/A	5.61	11.00	2.21	N/A
Grand total investments	**7.73**	**11.25**	**3.27**	**7.95**	**6.98**	**10.91**	**4.38**	**8.30**

*Benchmark index information can be found on Page 58.
Basis of calculation is time-weighted rates of return based on market values.

PERFORMANCE RESULTS
Total Fund Category
(annualized, net of fees)
As of June 30, 2013



TOP 10 HOLDINGS – EQUITY
As of June 30, 2013

Shares	Security name	Market value
497,266	Enterprise Products Partners	$30,905,082
195,838	Kinder Morgan Energy Partners	16,724,565
292,642	Plains All American Pipeline	16,332,350
420,926	Potash Corp of Saskatchewan	16,007,916
208,940	Magellan Midstream Partners	11,387,230
185,365	Energy Transfer Equity	11,088,534
108,148	Monsanto Co	10,685,022
186,600	Ei Du Pont De Nemours & Co	9,796,500
395,062	Goldcorp Inc	9,781,525
166,347	Energy Transfer Partners	8,407,177

TOP 10 HOLDINGS – FIXED INCOME
As of June 30, 2013

Book value	Description	Market value
$207,990,954	U.S. Treasury NT Prin Strip	$194,273,373
81,631,792	Erste Abwicklungsanstalt	81,571,800
57,976,850	Development Bank of Japan	57,432,762
53,864,594	Bank of America Corp	52,935,405
50,349,780	Mexican Bonos	49,364,557
37,304,425	NYKredit RealKredit A/S	37,541,864
29,244,796	FNMA GTD Remic	29,638,235
29,158,760	Svensk ExportKredit AB	29,159,500
26,265,200	Depfa ACS Bank	26,015,926
23,427,553	Swedbank Hypotek	23,471,136

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

INVESTMENT EXPENSES BY CATEGORY INVESTMENT EXPENSES For the fiscal year ended June 30, 2013 (dollars in thousands)	
Investment expenses	**Fees**
Global macro	$ 19,826
Relative value	13,453
Private equity	11,919
Real estate	11,406
Natural resources and other real assets	7,398
Other professional fees	6,225
Infrastructure	5,099
Administrative, support and other	3,710
Emerging market equity managers	2,849
Other (short-term investments) - Pimco collateral cash	2,510
Emerging market debt	2,507
High yield/credit managers	2,110
Domestic equity	1,341
Master custodian	917
Overlay	597
U.S. treasuries	287
TIPS	122
Total investment expenses	**$ 92,276**

COMMISSIONS PAID — DOMESTIC
For the fiscal year ended June 30, 2013

No.	Brokerage firm	Total commissions	% of Total commissions
1	Barclays Capital Inc.	$ 92,911	21.20%
2	Pershing LLC	42,730	9.75%
3	Morgan Stanley & Co Inc.	30,440	6.95%
4	RBC Capital Markets LLC	15,536	3.55%
5	J.P.Morgan Securities Inc.	15,327	3.50%
6	Citigroup Global Markets	14,329	3.27%
7	Knight Equity Markets L.P.	11,091	2.53%
8	BNY Convergex	10,725	2.45%
9	Jefferies & Co Inc	10,534	2.40%
10	Other*	194,629	44.41%
	Total	**$438,253**	**100.00%**

*Includes approximately 103 additional firms, each with less than 2.2% of total commissions.

COMMISSIONS PAID — INTERNATIONAL
For the fiscal year ended June 30, 2013

No.	Brokerage firm*	Total commissions	% of Total commissions
1	Goldman Sachs & Co	$ 241,501	96.61%
2	Citigroup Global Markets	3,169	1.27%
3	Singer Capital Markets LTD	1,940	0.78%
4	Knight Equity Markets L.P.	1,241	0.50%
5	CIBC Mellon GSS	869	0.35%
6	Albert Fried & Company LLC	634	0.25%
7	Bloomberg Tradebook LLC	457	0.18%
8	Seaport Group Securities LLC	141	0.06%
9	Credit Suisse	32	0.00%
	Total	**$ 249,984**	**100.00%**

* There are 11 additional firms, each with less than 0.001% of total commissions.

SUMMARY OF INVESTMENT PORTFOLIO BY MANAGER/ASSET TYPE
As of June 30, 2013

Securities description	Asset type		Market value
Global developed equity			
Nicholas Applegate	Convertible	$	97,792,352
Unallocated Securities	Other		39,161
Mondrian	Large cap value		2,144
Pyramis Global Advisors (Fidelity)	Core		11,952
Artisan	Large cap growth		31,025
Global Equity Swap	Swaps		8,153,595
Global Equity Overlay	Global equity overlay futures		63,306,283
Total global developed equity			**169,336,513**
Emerging market equity			
DFA Emerging Market Fund	Emerging markets		241,410,386
Genesis	Emerging markets		230,846,539
Total emerging market equity			**472,256,925**
High yield fixed income/credit			
Blackrock Credit Investors, LP	Credit funds		11,819,736
Hotchkis & Wiley Cap Mgt	High yield		221,231,514
Oaktree Capital Mgt	High yield		222,243,548
Zazove Associates High Yield	High yield		2,891,233
Silver Point	Credit/multi-strategy		11,710,228
Total high yield fixed income			**469,896,259**
Private equity			
Private Equity	Private equity		409,665,363
PE Overlay	PE overlay futures		49,877,164
Total private equity			**459,542,527**
Emerging market debt			
Wellington	Emerging market debt		888,638,755
Total emerging market debt			**888,638,755**
US Treasuries			
Hoisington	Treasuries		194,447,089
US Core Overlay	US core overlay futures		114,091,073
Total US Treasuries			**308,538,162**
Asset allocation strategies			
Blackrock Global Ascent	Global macro		145,422,682
Brevan Howard	Global macro		202,532,339
Bridgewater Pure Alpha II	Global macro		68,815,833
Bridgewater Pure Alpha Major Market	Global macro		51,121,929
De Shaw Heliant Fund	Systematic & Discret. Macro		124,685,124
Trend Strategy	Global Macro Futures Overlay		46,039,685
Kenmar	Collateral		129,345,594
Total asset allocation strategies			**767,963,186**

SUMMARY OF INVESTMENT PORTFOLIO BY MANAGER/ASSET TYPE (CONTINUED) As of June 30, 2013		
Securities description	**Asset type**	**Market value**
Relative value strategies		
AQR Delta	Relative value	358,347,385
Blue Mountain Credit Alternatives	Relative Value	130,498,669
De Shaw	Multi-strategy	9,029,665
Moon Capital	EM long/short equity	72,724,143
Saba Capital Partners	Relative value	101,504,501
Stark Investments	Multi-strategy	7,046,478
UBS O'Connor	Market neutral long/short equity	5,652,139
Total relative value strategies		**684,802,980**
TIPS		
Treasure Inflation Protected Securities	Inflation protected	433,756,839
Total TIPS		**433,756,839**
Real estate		
Real Estate	Real estate	988,833,392
Total real estate		**988,833,392**
Natural resources and other real assets		
Cash and securities for commodity swaps	Commodity swaps	137,122
Natural resources and other real assets	Materials and commodity	654,836,535
Infrastructure	Global infrastructure	226,426,446
Total natural resources and other real assets		**881,400,103**
Other assets (collateral cash) and liabilities	Other	2,539,227,989
Net investment portfolio		**$ 9,064,193,632**

SDCERA

Strength. Service. Commitment.

Actuarial

Comprehensive Annual Financial Report

Fiscal year ended June 30, 2013

Segal Consulting

100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 www.segalco.com

VIA EMAIL AND USPS

November 11, 2013

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:

Segal Consulting (Segal) prepared the June 30, 2013 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, 2013 actuarial valuation, Segal conducted an examination of all participant data for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the Association's financial statements. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return over a five-year period. The deferred investment gains and losses as of June 30, 2012 have been combined and the net deferred loss of $170.6 million will be recognized in equal amounts over a period of four and a half years from that date.

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 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 through June 30, 2013 are amortized as a level percentage of payroll over a 20-year period. Future components of the UAAL that arise due to actuarial experience

Board of Retirement
San Diego County Employees Retirement Association
November 11, 2013
Page 2

gains and losses as well as changes in assumptions or methods will be amortized over separate 20-year periods. Effective with the June 30, 2013 valuation, any change in the UAAL that arises due to plan amendments is amortized over separate 15-year periods. Also, any change in the UAAL that arises due to retirement incentives is amortized over separate periods of up to 5 years. The progress being made towards meeting the funding objective through June 30, 2013 is illustrated in the Schedule of Funding Progress.

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);
12. Schedule of participating employers; and
13. Actuarial Analysis of Financial Experience

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on the June 30, 2012 Experience Analysis or in conjunction with the June 30, 2013 actuarial valuation. It is our opinion that the assumptions used in the June 30, 2013 valuation produce results, which, in the aggregate, anticipate 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, 2015 and those assumptions will be used in setting the contribution rates in the June 30, 2016 actuarial valuation. The 7.75% 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.

Board of Retirement
San Diego County Employees Retirement Association
November 11, 2013
Page 3

For members with membership dates on or after January 1, 2013, they have been enrolled and reported in the new General Tier C and Safety Tier C under the California Public Employees' Pension Reform Act of 2013 (CalPEPRA).

In the June 30, 2013 valuation, the ratio of the valuation assets to actuarial accrued liabilities increased from 78.7% to 79.0%. The aggregate employer's rate has increased from 34.04% of payroll to 35.79% of payroll, while the average employee's rate has increased from 10.47% of payroll to 11.69% of payroll.

In the June 30, 2013 valuation, the actuarial value of assets included $177.9 million in deferred investment losses, which represented 2% 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 79.0% to 77.4% and the aggregate employer contribution rate, expressed as a percent of payroll, would increase from 35.79% to 36.98%.

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

Sincerely,

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

AW/gxk
Enclosures

SEGAL

THE SEGAL COMPANY
100 Montgomery Street, Suite 500 San Francisco, CA 94104-4308
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VIA E-MAIL AND USPS

December 5, 2012

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, 2012. 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 and the equivalent single amortization period as of June 30, 2012 is 14.9 years. The ARC has increased from 1.91% of payroll in the last valuation as of June 30, 2010 to 1.94% of payroll in the current valuation as of June 30, 2012. The funded ratio has decreased from 4.47% in the June 30, 2010 valuation to 2.73% in the June 30, 2012 valuation.

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 5, 2012
Page 2

A listing of supporting OPEB-related schedules Segal prepared to assist completing the Association's CAFR is provided below:

1. Schedule of actuarial methods and assumptions;
2. Summary of Plan benefits;
3. Retirees and beneficiaries added to and removed from retiree payroll;
4. Solvency test;
5. Average monthly OPEB benefit payments.

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, 2012 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 Thomas Bergman, ASA, MAAA, 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/gxk
Enclosures

SOLVENCY TEST (PENSION PLAN)
(dollars in thousands)

Valuation date	Aggregate accrued liabilities for: Active member contributions[1]	Liability for retired members	Active members (employer financed portion)	Total	Valuation value of assets	Portion of accrued liability covered by reported assets: Active member contributions	Liability for retired members	Active members (employer financed portion)
6/30/08	$371,892	$4,260,025	$4,090,377	$8,722,294	$8,236,926	100%	100%	88.1%
6/30/09	409,580	4,616,573	4,172,483	9,198,636	8,413,065	100%	100%	81.2%
6/30/10	434,512	5,133,785	4,430,864	9,999,161	8,433,310	100%	100%	64.7%
6/30/11	454,649	5,494,076	4,533,932	10,482,657	8,542,291	100%	100%	57.2%
6/30/12	482,861	6,010,596	4,449,715	10,943,172	8,607,483	100%	100%	47.5%
6/30/13	551,337	6,577,083	4,502,817	11,631,237	9,186,032	100%	100%	45.7%

[1] Liabilities for deferred-vested members are included in active member contributions.

Source: The Segal Company, Annual Actuarial Valuation

SOLVENCY TEST (OPEB PLAN)
(dollars in thousands)

Valuation date*	Active member contributions	Liability for retired participants	Liability for non-retired members (employer financed portion)	Total	Valuation assets	Active member contributions	Liability for retired participants	Liability for active members (employer financed portion)
6/30/07	-	$219,656	$16,099	$235,755	$ -	0.0%	0.0%	0.0%
6/30/08	-	204,348	13,211	217,559	18,206	0.0%	8.9%	0.0%
6/30/10	-	194,792	11,655	206,447	9,221	0.0%	4.7%	0.0%
6/30/12	-	176,173	9,129	185,302	5,064	0.0%	2.9%	0.0%

*Valuations performed biennially after 2008
Source: The Segal Company, Annual Actuarial Valuation

HISTORY OF EMPLOYER PENSION CONTRIBUTION RATES

For the years ended June 30	General members: Normal %	UAAL %	Total %	Safety members: Normal %	UAAL %	Total %
2008	12.46	3.99	16.45	18.77	5.87	24.64
2009	12.45	6.10	18.55	18.72	8.50	27.22
2010	13.06	11.05	24.11	20.92	16.25	37.17
2011	12.87	13.92	26.79	20.86	20.18	41.04
2012	13.04	17.81	30.85	21.33	24.59	45.92
2013	13.31	19.96	33.27	20.73	23.34	44.07

Source: The Segal Company, Annual Actuarial Valuation

DEMOGRAPHIC ACTIVITY OF RETIRED MEMBERS AND BENEFICIARIES (PENSION PLAN)

	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
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%
2012	1,082	51,405,845	412	9,370,529	15,166	497,318,040	9.2%	32,792	4.4%
2013	1,077	44,953,478	423	10,603,202	15,820	531,668,316	6.9%	33,607	2.5%

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

Source: The Segal Company, Annual Actuarial Valuation

DEMOGRAPHIC ACTIVITY OF RETIRED MEMBERS AND BENEFICIARIES (OPEB PLAN)

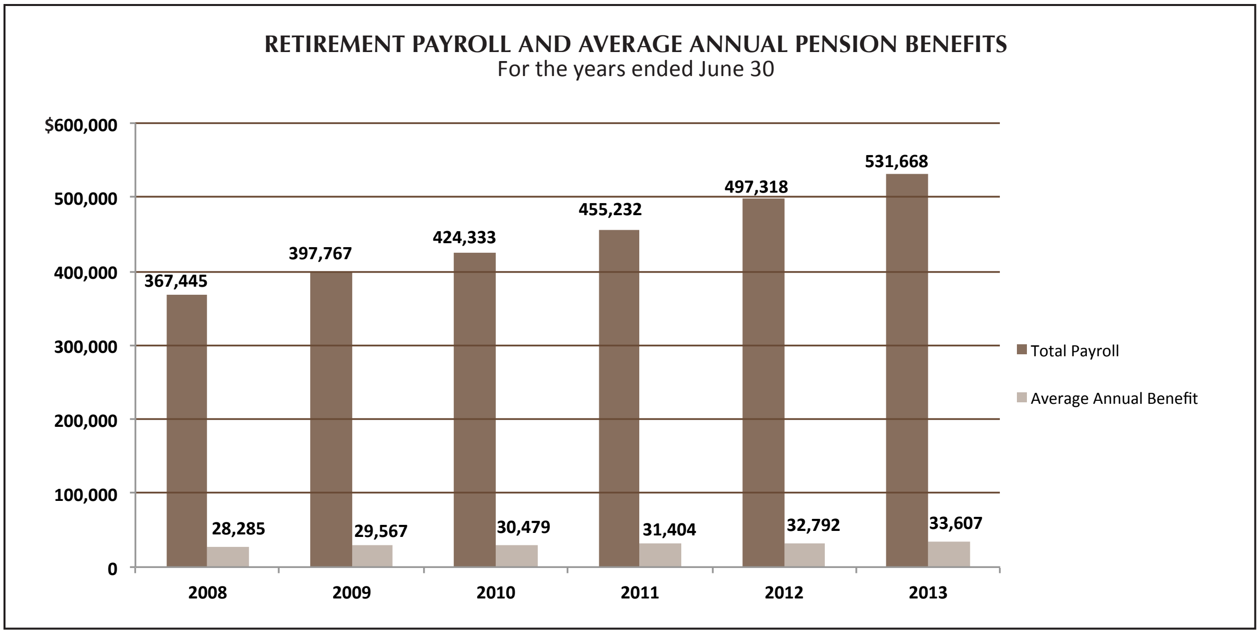
	Added to rolls		Removed from rolls		Rolls at end of year				
Plan year ended June 30*	Number	Annual allowance***	Number	Annual allowance	Number	Annual allowance	% Increase in retiree allowance	Average annual allowance	Change in average benefit
2007	N/A	N/A	N/A	N/A	6,450	$ 22,728,007**	N/A	$3,524	N/A
2008	260	$1,390,427	391	$1,362,384	6,319	22,756,050	0.1%	3,601	2.2%
2010	153	1,340,227	515	1,815,192	5,957	22,281,085	(2.1)%	3,740	3.9%
2012	162	449,510	564	2,106,672	5,555	20,623,923	(7.4)%	3,713	(0.7)%

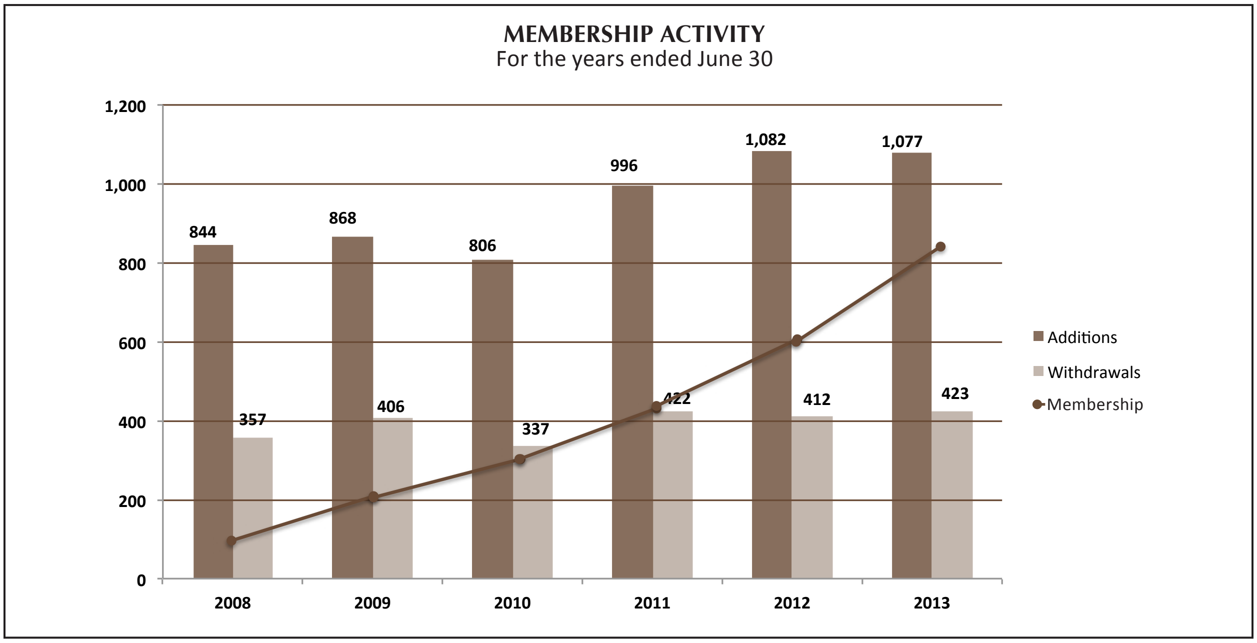
*Valuations performed biennially after 2008

**Projected based on June 30, 2006, valuation data

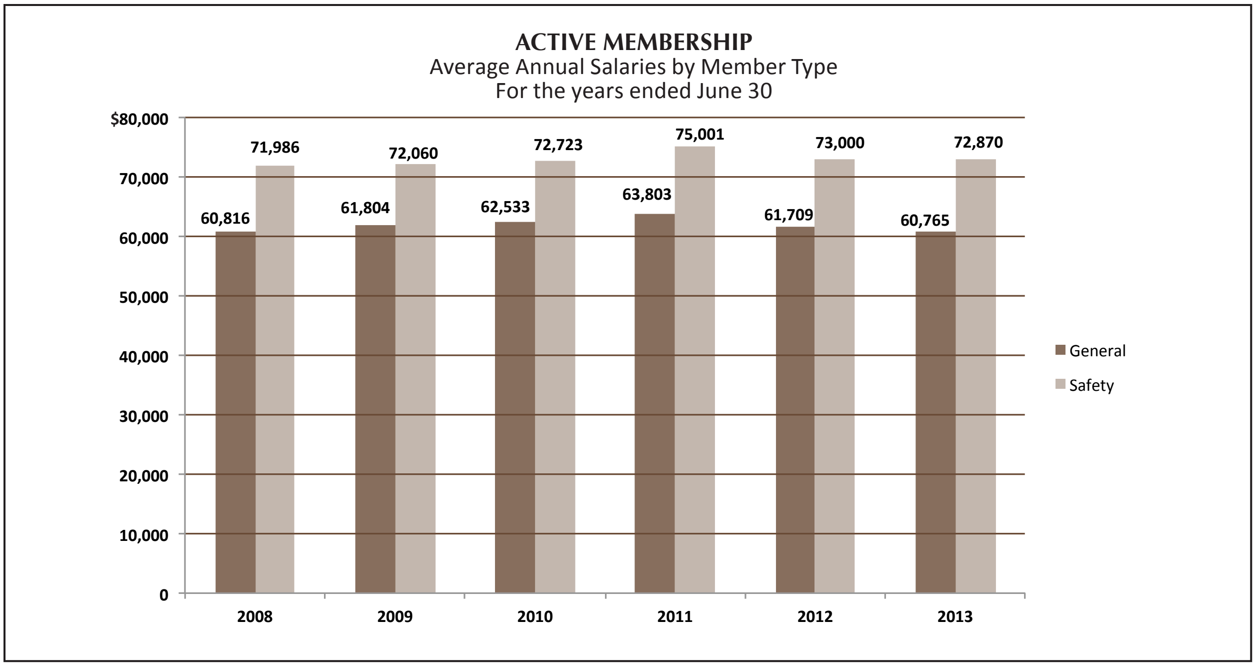
***Includes increase for continuing retirees

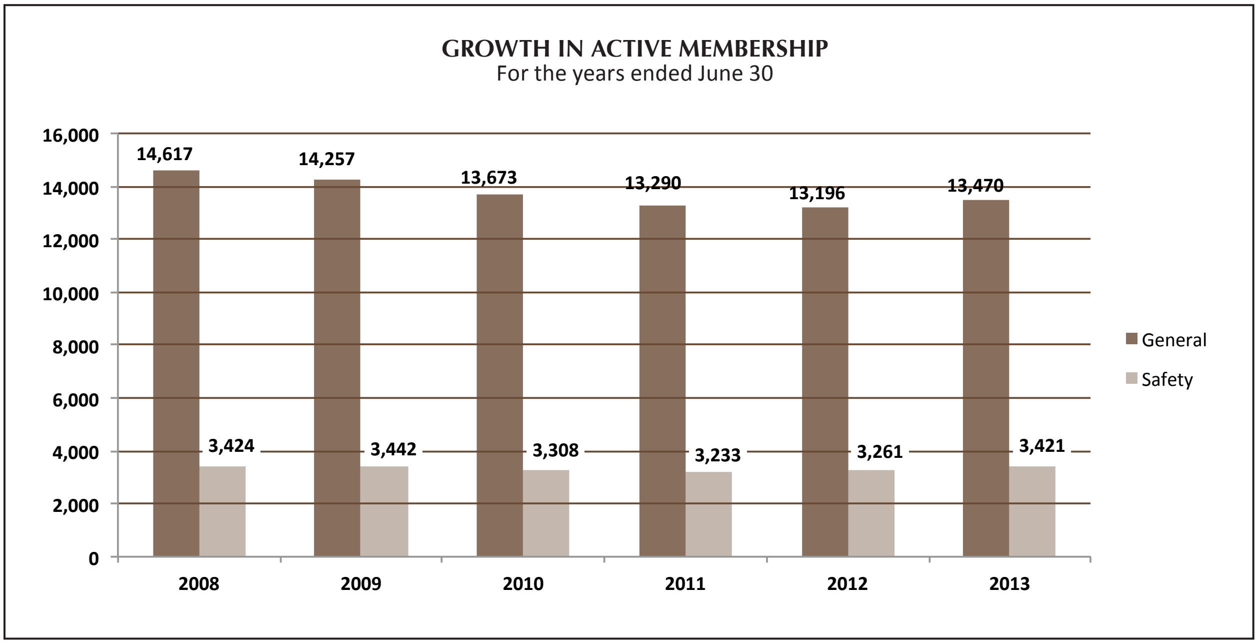
Source: The Segal Company, Annual Actuarial Valuation





Source: The Segal Company, Annual Actuarial Valuation, June 30, 2013





Source: The Segal Company, Annual Actuarial Valuation, June 30, 2013

DETERMINATION OF ACTUARIAL AND VALUATION VALUE OF ASSETS

For the fiscal year ended June 30, 2013
(dollars in thousands)

Six month period From	Six month period To	Total actual market return (net)	Expected market return (net)	Investment gain/(loss)	Deferred factor	Deferred return
6/2012 Combined net deferred loss*				$(170,571,295)	0.8	$(132,666,563)
7/2012	12/2012	$595,958,895	$329,280,436	266,678,459	0.8	213,342,768
1/2013	6/2013	62,787,174	350,146,351	(287,359,177)	0.9	(258,623,260)
1. Total deferred return						(177,947,055)
2. Net market value of assets						9,064,193,630
3. Actuarial value of assets						9,242,140,685
4. Non-valuation reserves						
a. Supplemental retirement reserve						45,170,437
b. 401(h) reserve						3,999,159
c. Disability supplement retirement reserve						6,939,506
d. Contingency reserve						0
e. Undistributed reserve						0
f. Subtotal						56,109,101
5. Valuation value of assets (Item 3 - Item 4f)						$9,186,031,584

* Net deferred loss as of June 30, 2012, was combined and will be recognized over 4.5 years.
Source: The Segal Company, Annual Actuarial Valuation, June 30, 2013

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE (PENSION PLAN)

(dollars in thousands)

	Plan years ended June 30					
	2013	2012	2011	2010	2009	2008
Prior valuation unfunded actuarial liability	$2,335,689	$1,940,366	$1,565,851	$785,571	$485,368	$832,113
Salary increase greater (less) than expected	(169,406)	(196,062)	(116,085)	(161,956)	(129,349)	42,224
Asset return less (greater) than expected	19,304	533,655	467,919	561,959	459,959	(391,427)
Other experience	(4,136)	74,197	22,681	(33,748)	(30,407)	2,458
Economic and non-economic assumption changes	263,754	(16,467)	-	414,025	-	-
Ending unfunded actuarial accrued liability	**$2,445,205**	**$2,335,689**	**$1,940,366**	**$1,565,851**	**$785,571**	**$485,368**

Source: The Segal Company

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 closed basis, as a level percent of pay with amortization layered.

On June 6, 2013, SDCERA's Board adopted The Segal Company's recommendation for using alternative periods for funding future changes in UAAL. Effective with the June 30, 2013, valuation, any change in the UAAL that arises due to plan amendments will be amortized over separate 15-year declining amortization periods. Any change in the UAAL that arises due to retirement incentives is amortized over separate declining amortization periods of up to five years.

Active member payroll in aggregate was assumed to increase 4.0% a year for the purpose of determining the level percent contributions towards funding the unfunded actuarial accrued liabilities, 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 was 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, retired members and beneficiaries;
4. Rates of withdrawal of active members (without entitlement to a retirement benefit);
5. Rates of disability among members; and
6. Age patterns of actual retirements.

In making a valuation, the monetary effect of each assumption is calculated for as long as a present-covered person survives. That period of time can be as long as a century.

Actual experience of the system will not coincide exactly with assumed experience, regardless of the choice of the assumptions, the skill of the actuary and the precision of the many calculations made. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The latest experience study was done for the period July 1, 2009, through June 30, 2012, 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 7.75% 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	3.25%
Real Rate of Return	4.50%
Total	**7.75%**

Source: The Segal Company, Annual Actuarial Valuation, June 30, 2013

CONSUMER PRICE INDEX URBAN WAGE EARNERS AND CLERICAL WORKERS BEFORE 1978 ALL URBAN CONSUMERS AFTER 1977 10-YEAR MOVING AVERAGE	
June 30, 1962	1.3%
June 30, 1972	3.3%
June 30, 1982	8.8%
June 30, 1992	3.8%
June 30, 2002	2.5%
June 30, 2012	2.5%
50-Year Average	**4.2%**

Salary increase rates used to project current pay for those upon which a benefit will be based, were revised in 2013. Rates vary by length of service, and consist of 3.25% 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 11.25% and the minimum combined rate is 4.00%.

PROJECTED SALARY INCREASE RATES

Years of Service	Safety	General
0	8.00%	6.00%
1	5.75%	4.50%
2	5.00%	4.00%
3	4.75%	3.00%
4	4.25%	2.25%
5+	1.00%	0.75%

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Employees	Total Payroll	% Change	Average Salary	% Change
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
06/30/12	16,457	1,052,366,941	(3.5)	63,946	(3.1)
06/30/13	16,891	1,067,792,128	1.5	63,217	(1.1)

Source: The Segal Company, Annual Actuarial Valuation

HISTORICAL SUMMARY OF ASSUMPTIONS
For the fiscal years ended June 30

Assumption	2013	2012	2011	2010	2009	2008	3 year average	5 year average
	Fiscal Year Ended							
Inflation [1]	0.9%	1.7%	3.4%	1.4%	(0.6)%	4.6%	1.40%	2.22%
Assumed [2]							3.58	3.65
Average pay increase	(1.1)	(3.1)	2.3	1.1	1.4	5.0	1.60	3.32
Assumed [3]							4.25	4.25
Merit and longevity pay increase	3.3	4.7	1.2	0.3	0.7	2.3	0.73	1.28
Assumed [4]							1.00	1.00
Total payroll	1.5	(3.5)	(0.5)	(3.0)	(0.6)	6.9	(1.37)	2.26
Assumed [3]							4.25	4.25
Investment return rate [7]	7.7	1.7	2.4	1.5	1.5	13.1	1.80	6.50
Assumed [5]							8.08	8.15
Real rate of investment return	6.8	0.0	-1.0	0.1	2.1	8.5	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 COLA for retired members.
(2) Effective with June 30, 2013, valuation, this assumption has been reduced from 3.50% to 3.25%.
(3) Effective with June 30, 2013, valuation, this assumption has been reduced from 4.25% to 4.00%.
(4) Effective with June 30, 2013, valuation, this assumption of 0.75% has remained unchanged for General members and decreased from 1.25% to 1.00% for Safety members.
(5) Based on actuarial value of assets, not market value or book value.
(6) Effective with June 30, 2013, valuation, this assumption has been decreased from 8.00% to 7.75%.
(7) This assumption has stayed at 4.50% since the June 30, 2006, valuation.

Source: The Segal Company, Annual Actuarial Valuation

Rates of separation from active membership are shown below. This assumption measures the probabilities of members remaining in employment. Starting with the June 30, 1997, valuation, all employees eligible to retire are assumed to not withdraw accumulated member contributions upon separation from service.

It is also assumed that 25% of General and 30% of Safety separating active members will continue employment with a reciprocal employer. General reciprocal members are assumed to receive 4.75% compensation increases per annum while Safety reciprocal members are assumed to receive 5.00% compensation increases per annum.

In May of 2013, 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 (nonservice-connected and service-connected), salary increases and percentage of married members. On December 6, 2012, 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 members	General members		Safety members
Age	**Male**	**Female**		**Male**	**Female**	
20	0.00%	0.00%	0.00%	0.01%	0.00%	0.03%
25	0.00%	0.00%	0.00%	0.01%	0.01%	0.08%
30	0.01%	0.01%	0.00%	0.01%	0.03%	0.19%
35	0.02%	0.02%	0.02%	0.03%	0.06%	0.49%
40	0.04%	0.06%	0.06%	0.06%	0.09%	0.65%
45	0.06%	0.10%	0.07%	0.16%	0.14%	0.65%
50	0.10%	0.14%	0.07%	0.23%	0.17%	1.22%
55	0.18%	0.17%	0.07%	0.28%	0.25%	1.96%
60	0.22%	0.22%	0.07%	0.33%	0.30%	2.26%
65	0.22%	0.25%	0.03%	0.20%	0.18%	2.72%

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 2013. This assumption is used to measure the probabilities of members dying after retirement and the probabilities of each benefit payment being made after retirement. For members with a disability 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:

HEALTHY LIFE MORTALITY

Sample ages	General		Safety	
	Male	Female	Male	Female
30	0.04	0.02	0.04	0.02
35	0.06	0.04	0.06	0.04
40	0.09	0.05	0.09	0.06
45	0.11	0.08	0.12	0.09
50	0.14	0.12	0.15	0.13
55	0.21	0.21	0.23	0.24
60	0.41	0.41	0.46	0.47

DISABLED LIFE MORTALITY

Sample ages	General		Sample ages	Safety	
	Male	Female		Male	Female
30	0.06	0.03	30	0.06	0.03
35	0.09	0.05	35	0.09	0.05
40	0.11	0.07	40	0.11	0.07
45	0.14	0.11	45	0.14	0.11
50	0.21	0.17	50	0.21	0.17
55	0.41	0.35	55	0.41	0.35
60	0.80	0.71	60	0.80	0.71

WITHDRAWAL RATES WITH LESS THAN 5 YEARS OF SERVICE

Years of service	Ordinary withdrawals (Less than 5 years of service) General Male	Female	Safety
0	13.50%	14.50%	11.50%
1	8.25%	9.25%	8.00%
2	5.70%	6.50%	4.00%
3	4.30%	6.00%	3.00%
4	4.05%	5.50%	2.75%

Of all terminating members, 60% will choose a refund of contributions and 40% will choose a deferred-vested benefit.

WITHDRAWAL RATES FOR TERMINATION WITH MORE THAN 5 YEARS OF SERVICE

Age	Termination (More than 5 years of service) [1] General Male	Female	Safety
20	5.46%	5.43%	3.71%
25	4.56%	5.23%	3.19%
30	4.08%	4.64%	2.62%
35	3.54%	3.79%	2.00%
40	2.69%	2.88%	1.35%
45	2.31%	2.35%	1.08%
50	2.42%	2.25%	1.00%
55	2.50%	2.25%	1.22%
60	2.50%	2.25%	1.58%
65	2.50%	2.25%	0.68%

[1] Of all terminating members, 15% will choose a refund of contributions and 85% will choose a deferred-vested benefit. Termination rates are zero at ages where members are expected to retire.

RETIREMENT RATES (%)

	General			Safety		
Age	Tier I and Tier A	Tier B	Tier C	Tier A	Tier B	Tier C
48	-	-	-	4.0	3.0	-
49	50.0	-	-	8.0	3.5	-
50	7.0	-	-	14.0	11.0	14.0
51	5.0	-	-	12.0	11.0	9.5
52	5.0	-	-	12.0	11.0	9.5
53	5.0	-	-	15.0	11.0	9.5
54	6.0	-	-	15.0	12.0	10.5
55	11.0	5.5	4.0	16.0	19.0	16.5
56	11.0	6.5	4.5	18.0	22.0	19.0
57	11.0	7.5	5.5	20.0	20.0	20.0
58	12.0	7.5	5.5	21.0	21.0	21.0
59	15.0	7.5	5.5	22.0	22.0	22.0
60	20.0	10.0	7.5	25.0	25.0	25.0
61	20.0	13.0	10.0	30.0	30.0	30.0
62	24.0	19.0	14.0	30.0	30.0	30.0
63	25.0	19.0	15.0	30.0	30.0	30.0
64	28.0	19.0	16.0	30.0	30.0	30.0
65	31.0	30.0	26.0	60.0	60.0	60.0
66	31.0	30.0	30.0	60.0	60.0	60.0
67	31.0	30.0	30.0	60.0	60.0	60.0
68	35.0	30.0	30.0	60.0	60.0	60.0
69	37.0	30.0	30.0	60.0	60.0	60.0
70	50.0	50.0	50.0	100.0	100.0	100.0
71	50.0	50.0	50.0	100.0	100.0	100.0
72	50.0	50.0	50.0	100.0	100.0	100.0
73	50.0	50.0	50.0	100.0	100.0	100.0
74	50.0	50.0	50.0	100.0	100.0	100.0
75 and later	100.0	100.0	100.0	100.0	100.0	100.0

Source: The Segal Company, Annual Actuarial Valuation, June 30, 2013

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: 75% 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.

SDCERA

Strength. Service. Commitment.

Statistical

Comprehensive Annual Financial Report

Fiscal year ended June 30, 2013

STATISTICAL SECTION OVERVIEW

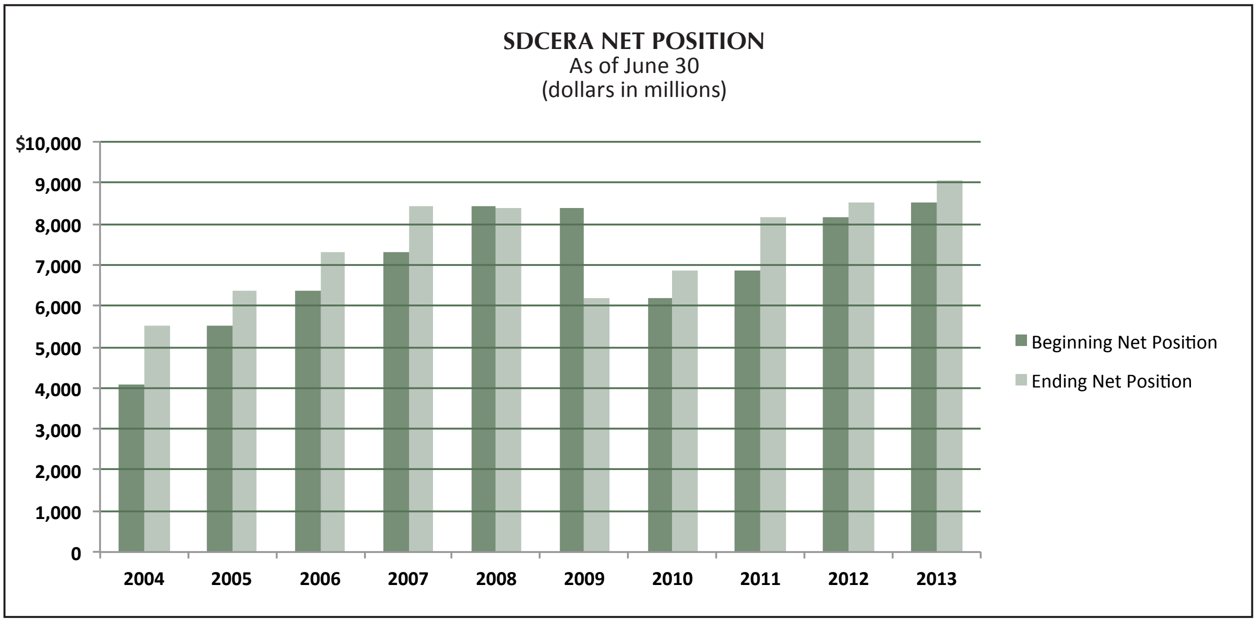
There are five categories included in this section: financial trends, demographic and economic information, expenses, and operating information. The data disclosed in this section provides multi-year trend information that will assist in developing a better understanding of SDCERA's activities over time.

Financial trends information is presented in the Changes in Plan Net Position and Benefit and Refund Deductions from Net Position 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 plan net position 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 Position and the Benefit and Refund Deductions from Net Position 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 10 years.



CHANGES IN PENSION PLAN NET POSITION*
For the last 10 fiscal years ended June 30
(dollars in millions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Additions										
Member Contributions	$33.6	$40.8	$41.9	$44.5	$45.5	$49.5	$46.4	$44.0	$59.8	$71.7
Employer Contributions (1)	700.6	316.1	302.5	320.5	329.0	314.5	276.7	321.8	334.8	357.9
Investment Income (Net of expenses)	936.5	794.7	962.2	1119.3	(4.8)	(2,143.9)	830.8	1,437.0	454.6	669.9
Total Additions	**1,670.7**	**$1,151.6**	**$1,306.6**	**$1,484.3**	**$369.7**	**$(1,779.9)**	**$1,153.9**	**$1,802.8**	**$849.2**	**$1,099.5**
Deductions										
Administrative Expenses	$7.4	$7.5	$8.0	$10.3	$10.5	$10.1	$10.4	$10.5	$10.9	$11.4
Retirement Benefits (2)	228.8	259.5	290.2	322.6	368.6	399.9	431.1	461.6	496.3	540.5
Health Benefits	26.5	32.6	32.9	35.3	24.4	23.9	23.6	21.8	-	-
Refunds	2.7	2.2	3.0	2.6	2.7	2.3	2.6	3.1	3.4	2.8
Total Deductions	**$265.4**	**$301.8**	**$334.1**	**$370.8**	**$406.2**	**$436.2**	**$467.7**	**$497.0**	**$510.6**	**$554.7**
Total Change in Net Position	**$1,405.3**	**$849.8**	**$972.5**	**$1,113.5**	**$(36.5)**	**$(2,216.1)**	**$686.2**	**$1,305.8**	**$338.6**	**$544.8**

* In years prior to 2012, health care net position is included in this schedule

NOTES:

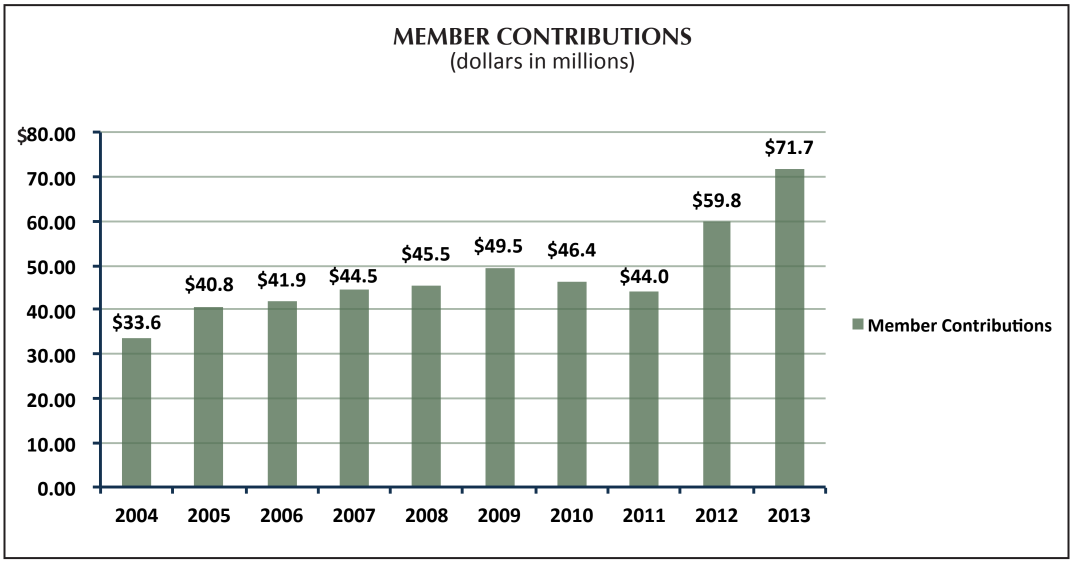
(1) Includes proceeds from pension obligation bonds of $450 million in 2004.

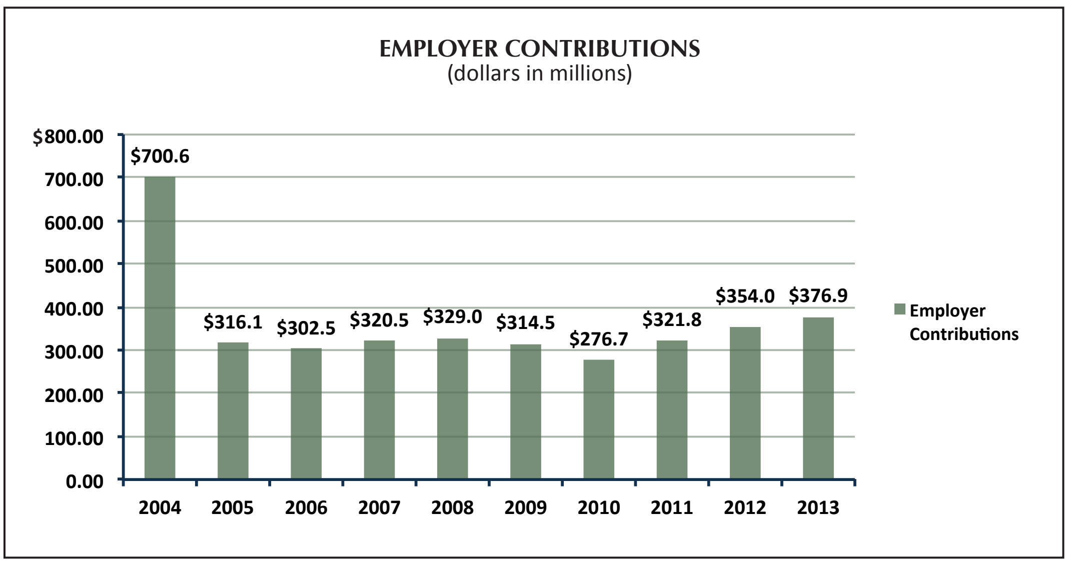
(2) Refer to benefit and refund deductions for detail.

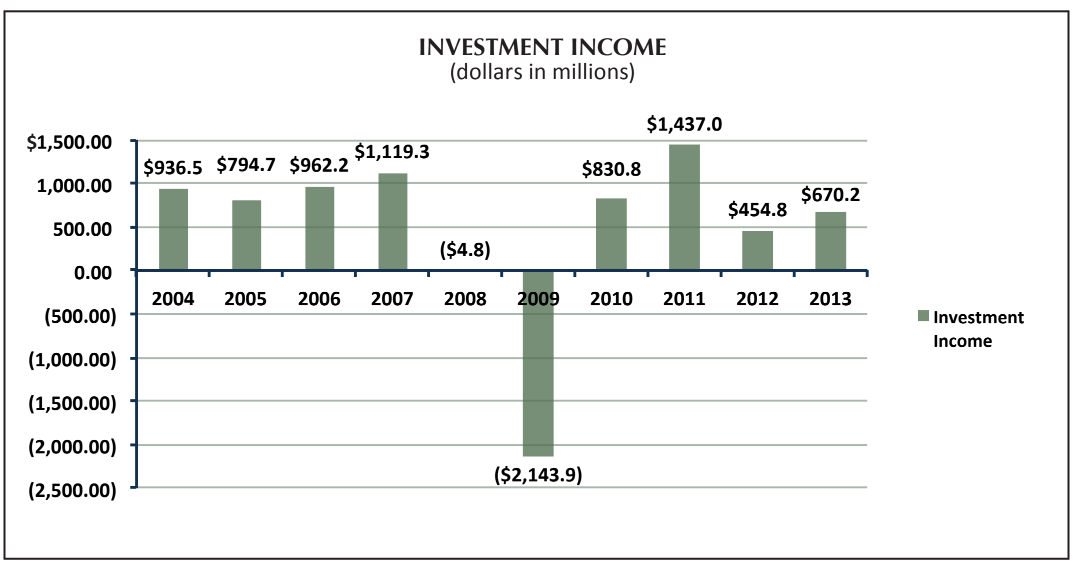
CHANGES IN OPEB NET POSITION
For the fiscal year ended June 30
(dollars in millions)

	2012	2013
Additions		
Employer Contributions	$ 19.2	$ 19.0
Investment Income (Net of expenses)	0.2	0.3
Total additions	19.4	19.3
Deductions		
Administrative Expenses	0.2	-
Health Benefits	21.3	20.4
Total deductions	21.5	20.4
Total change in net position	$ (2.1)	$ (1.1)

ADDITIONS TO PLAN NET POSITION BY SOURCE







BENEFIT AND REFUND DEDUCTIONS FROM NET POSITION BY TYPE
For the last 10 fiscal years ended June 30
(dollars in millions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Type of benefit										
Age and service	$185.3	$209.5	$239.4	$295.3	$301.8	$310.8	$357.5	$386.8	$418.0	$456.0
Disability - Duty	2.8	6.7	8.8	12.0	16.9	37.7	41.4	42.8	45.1	48.0
Disability - Non-duty	25.6	25.4	24.2	28.7	26.9	5.6	6.2	5.9	6.1	6.3
Death benefits	1.2	2.7	1.1	1.6	0.9	1.8	1.4	1.2	1.6	1.3
Survivors	15.1	15.2	16.7	20.3	22.0	24.0	24.5	24.8	25.5	28.9
Total	**$230.0**	**$259.5**	**$290.2**	**$357.9**	**$368.5**	**$379.9**	**$431.0**	**$461.5**	**$496.3**	**$540.5**
Type of refund										
Separation	1.5	2.2	3.0	2.6	2.7	2.3	2.6	3.1	3.4	2.8
Total	**$1.5**	**$2.2**	**$3.0**	**$2.6**	**$2.7**	**$2.3**	**$2.6**	**$3.1**	**$3.4**	**$2.8**

RETIRED MEMBERS BY TYPE OF BENEFIT
For the current and prior fiscal years ended June 30

Fiscal year 2013		Type of retirement [a]					
Amount of monthly benefit	Number of retired members	1	2	3	4	5	6
$0 - $1,000	3,378	2,727	532	11	9	86	13
1,001 - 2,000	4,142	3,147	462	7	319	196	11
2,001 - 3,000	2,961	2,209	223	3	478	38	10
3,001 - 4,000	1,886	1,434	121	1	309	13	8
4,001 - 5,000	1,072	971	39	-	55	6	1
5,001 - 6,000	744	687	16	-	39	2	-
6,001 - 7,000	572	530	11	-	30	1	-
7,001 - 8,000	405	381	5	-	19	-	-
8,001 - 9,000	249	234	1	-	14	-	-
9,001 - 10,000	135	122	4	-	9	-	-
Over 10,000	276	264	-	-	12	-	-
Total	**15,820**	**12,706**	**1,414**	**22**	**1,293**	**342**	**43**

Fiscal year 2012		Type of retirement [a]					
Amount of monthly benefit	Number of retired members	1	2	3	4	5	6
$0 - $1,000	3,391	2,711	536	20	11	101	12
1,001 - 2,000	4,064	3,050	456	10	349	188	11
2,001 - 3,000	2,844	2,081	203	4	510	36	10
3,001 - 4,000	1,718	1,334	104	-	261	12	7
4,001 - 5,000	1,003	918	30	-	49	5	1
5,001 - 6,000	711	665	15	-	29	2	-
6,001 - 7,000	518	481	6	-	30	1	-
7,001 - 8,000	341	319	2	-	20	-	-
8,001 - 9,000	218	204	1	-	13	-	-
9,001 - 10,000	118	112	2	-	4	-	-
Over 10,000	240	230	-	-	10	-	-
Total	**15,166**	**12,105**	**1,355**	**34**	**1,286**	**345**	**41**

[a]Type of Retirement:

1 - Service retirement

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

Note: Above numbers are number of benefits paid. Some payees receive multiple benefits, i.e., someone who is a retired member and a surviving spouse.

RETIRED MEMBERS BY TYPE OF BENEFIT OPTION SELECTED

For the current and prior fiscal years ended June 30

Fiscal year 2013

Amount of monthly benefit	Number of retired members and beneficiaries	Option selected [b]						
		Unmodified	1	2	3	4	Death - Minor child supplement	Lump-sum installment
$0 - $1,000	3,378	3,177	54	126	2	3	-	16
1,001 - 2,000	4,143	3,973	62	88	5	7	-	8
2,001 - 3,000	2,960	2,854	40	56	2	6	-	2
3,001 - 4,000	1,886	1,816	27	35	1	6	-	1
4,001 - 5,000	1,072	1,015	19	30	2	6	-	-
5,001 - 6,000	744	718	10	9	-	7	-	-
6,001 - 7,000	572	550	8	10	-	4	-	-
7,001 - 8,000	405	396	4	3	1	1	-	-
8,001 - 9,000	249	241	2	1	-	5	-	-
9,001 - 10,000	135	130	1	2	-	2	-	-
Over 10,000	276	270	-	1	-	5	-	-
Total	**15,820**	**15,140**	**227**	**361**	**13**	**52**	**-**	**27**

Fiscal year 2012

Amount of monthly benefit	Number of retired members and beneficiaries	Option selected [b]						
		Unmodified	1	2	3	4	Death - Minor child supplement	Lump-sum installment
$0 - $1,000	3,391	3,195	54	119	2	3	2	16
1,001 - 2,000	4,064	3,908	57	80	5	6	-	8
2,001 - 3,000	2,844	2,744	41	46	4	7	-	2
3,001 - 4,000	1,718	1,658	20	32	1	6	-	1
4,001 - 5,000	1,003	945	23	26	1	8	-	-
5,001 - 6,000	711	688	7	9	1	6	-	-
6,001 - 7,000	518	498	7	9	-	4	-	-
7,001 - 8,000	341	333	2	4	-	2	-	-
8,001 - 9,000	218	211	2	1	-	4	-	-
9,001 - 10,000	118	114	1	1	-	2	-	-
Over 10,000	240	234	-	1	-	5	-	-
Total	**15,166**	**14,528**	**214**	**328**	**14**	**53**	**2**	**27**

[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 - Split account paid to beneficiary(ies)

Death-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

Note: Above numbers are number of benefits paid. Some payees receive multiple benefits, i.e., someone who is a retired member and a surviving spouse.

AVERAGE BENEFIT PAYMENTS (PENSION PLAN)*
For fiscal years ended June 30

	Years of credited service						
Retirement effective	**0-5**	**5-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**
Fiscal year 2013							
Average annual benefit	$9,841	$12,071	$20,662	$32,694	$50,152	$66,810	$82,334
Average monthly benefit	$820	$1,006	$1,722	$2,725	$4,179	$5,568	$6,861
Average final monthly salary	$7,418	$4,639	$5,046	$5,498	$6,413	$7,028	$7,099
Number of retired members	46	155	252	141	160	121	84
Fiscal year 2012							
Average annual benefit	$12,316	$12,473	$21,098	$32,172	$48,805	$62,542	$80,469
Average monthly benefit	$1,026	$1,039	$1,758	$2,681	$4,067	$5,212	$6,706
Average final monthly salary	$9,243	$4,920	$5,066	$5,123	$6,137	$6,409	$6,856
Number of retired members	35	132	234	139	198	108	120
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

* Includes only new retired members for fiscal year 2013
Source: The Segal Company

AVERAGE BENEFIT PAYMENTS (OPEB PLAN)
For the fiscal years ended June 30

	Health Insurance Reimbursement	Medical Payments	Medicare Part B
Fiscal year 2012			
Average monthly benefit	$ 196	$ 243	$ 93
Number of retired members	1,148	4,331	4,657
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 fiscal years ended June 30

	Total		County of San Diego	Superior Court	San Dieguito River Valley Joint Powers Authority	Local Agency Formation Commission	San Diego County Office of Education
Fiscal year 2013							
Number of covered members	37,711		36,017	1,653	19	13	9
Percentage to total system	100.00	%	95.51	4.38	0.05	0.03	0.02
Rank			1	2	3	4	5
Fiscal year 2012							
Number of covered members	36,662		34,882	1,740	18	13	9
Percentage to total system	100.00	%	95.14	4.75	0.05	0.04	0.02
Rank			1	2	3	4	5
Fiscal year 2011							
Number of covered members	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 members	36,157		33,582	2,514	22	15	24
Percentage to total system	100.00	%	92.88	6.95	0.06	0.04	0.07
Rank			1	2	4	5	3
Fiscal year 2009							
Number of covered members	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 members	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 members	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 members	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 members	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 members	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

Note: Fiscal years 2004 to 2005 are restated to correct distribution among employers.
Source: The Segal Company

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Retirement Association
San Diego County, CA

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