

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



SDCERA

Strength. Service. Commitment.

**Popular Annual Financial Report
for fiscal year ended June 30, 2009**

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

HISTORICAL MEMBERSHIP

Fiscal Year	Number of Active Members	Number of Retired Members	Average Annual Benefit Received
2009	17,699	13,453	\$ 29,567
2008	18,041	12,991	28,284
2007	17,733	12,504	27,086
2006	17,451	12,049	24,880
2005	16,980	11,436	23,078
2004	17,717	10,770	21,457

Membership includes the total number of active employees working in permanent positions at least 20 hours each week and the total number of retired members drawing monthly benefits. Deferred members are not shown.

HISTORICAL MARKET RETURN ON AVAILABLE ASSETS

All amounts in millions

Fiscal Year	Total Fund	Total Fund Market Value	Increase/Decrease Market Value
2009	(24.4%)	\$ 6,191.9	\$ (2,216.1)
2008	0.7%	8,408.0	(36.5)
2007	15.7%	8,444.5	1,113.6
2006	14.7%	7,330.9	972.5
2005	13.9%	6,358.5	849.9
2004	21.3%	5,508.6	1,405.3

Total Fund Return is the market return of entire investment portfolio, net of all investment fees. Total Fund Market Value is the assets available to pay benefits.

PENSION BENEFIT ASSETS—JUNE 30, 2009

All amounts in millions

Asset	Market Value	Percent of Total	2009 Return	2008 Return
Domestic equity	\$ 933.2	15.1%	(34.8%)	(16.2%)
International equity	1,188.4	19.2%	(30.5%)	(5.7%)
Fixed income	1,815.7	29.3%	(4.7%)	9.8%
Commodities	268.0	4.3%	(55.9%)	48.6%
Real estate	561.2	9.1%	(25.6%)	2.8%
Private equity	320.4	5.2%	(15.1%)	5.1%
Infrastructure	63.7	1.0%	(4.0%)	—*
Opportunistic	683.3	11.0%	(21.0%)	—*
Cash and overlays	358.0	5.8%	1.1%	3.5%
Total	\$ 6,191.9	100.0%	(24.4%)	0.70%

This table shows the market value at fiscal year end, the actual percent of each asset type in the entire portfolio and the annual return for both fiscal years 2008 and 2009.

* Newly funded allocation.

HISTORICAL FUND REVIEW

All amounts in millions

Fiscal Year	County Contributions	Employee Contributions	Investment Earnings	Funding Ratio
2009	\$ 314.5	\$ 49.5	\$ (2,143.9)	91.5%
2008	329.0	45.5	(4.8)	94.4%
2007	320.5	44.5	1,119.3	89.7%
2006	302.5	41.9	962.2	83.6%
2005	316.1	40.8	794.7	80.3%
2004	700.6*	33.6	936.5	81.1%

This table shows the three sources of revenue for the retirement fund over a five-year period.

* Includes proceeds from pension obligation bonds.

FUND EXPENSES

All amounts in millions

Expense	2009	2008
Benefit payments	\$ 399.9	\$ 368.6
Retiree health care program	23.9	24.4
Investment expenses	61.6	77.7
Administration expenses	10.1	10.5

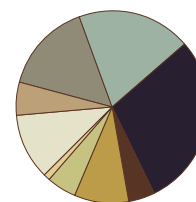
The majority of SDCERA's expenditures are for retiree benefit payments.

Health care program benefits are designed to assist retirees with a portion of their medical costs. Investment expenses are payments to asset managers, investment consultants, actuaries and the master custodian.

Administration expenses include retirement office salaries and operating costs.

ASSET ALLOCATION

JUNE 30, 2009



Domestic Equity	15.1%
International Equity	19.2%
Fixed Income	29.3%
Commodities	4.3%
Real Estate	9.1%
Private Equity	5.2%
Infrastructure	1.0%
Opportunistic	11.0%
Cash and Overlay	5.8%

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

San Diego County
Employees Retirement Association
California

for the Fiscal Year Ended

June 30, 2008




President

Executive Director

The Government Finance Officers Association (GFOA) of the United States and Canada has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to SDCERA for its Popular Annual Financial Report for the fiscal year ended June 30, 2008.

MISSION STATEMENT

SDCERA is committed now and in the future to achieving its primary duty, which is to its members, by prudently managing the fund, efficiently administering benefits and providing superior service to members.

I am pleased to submit this summary of the *Popular Annual Financial Report* of the San Diego County Employees Retirement Association (SDCERA) for the year ended June 30, 2009.

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

FINANCIAL AND ECONOMIC SUMMARY

Global and capital markets registered one of the weakest recorded returns in history for the fiscal year 2009. The market crisis reached its tipping point in September 2008 with the failures of major financial institutions that ultimately led to coordinated actions by policymakers across the world to stem the crisis.

SDCERA's funding ratio, which compares the actuarial value of the plan's assets to its liabilities, decreased to 91.5%, down just 2.9% over last year. On a market value basis, the total net assets held in trust were \$6.2 billion on June 30, 2009.

During this difficult period in the financial markets, the SDCERA Fund underperformed relative to its policy benchmark for the fiscal year. The Fund generated a net of fee return of -24.4% against a policy benchmark return of -18.1%. However, the last six months of the fiscal year were quite favorable as the Fund regained its footing and placed in the 1st percentile over that period in the Wilshire Associates' Trust Universe Comparison Service (TUCS). The Fund continues to have strong, long-term relative performance, ranking in the 25th and 17th percentiles for the five and 10-year periods, respectively, among all TUCS public funds with more than \$1 billion in assets.

SDCERA continues to work through the challenging market environment and is seeing signs of steady growth. The Fund earned \$692 million in the first quarter of fiscal year 2010 and \$1.4 billion since March 2009, when the market was at its lowest point.

MAJOR INITIATIVES AND SIGNIFICANT EVENTS

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

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

AWARDS AND ACHIEVEMENTS

The Government and Finance Officers Association (GFOA) of the United States and Canada presented SDCERA with the Award for Outstanding Achievement in Popular Annual Financial Reporting for the year ended June 30, 2008. This prestigious national award recognizes conformance with the highest standards for state and local government financial reporting. We are confident this current report will also receive favorable consideration when we submit it for the 2009 GFOA award.

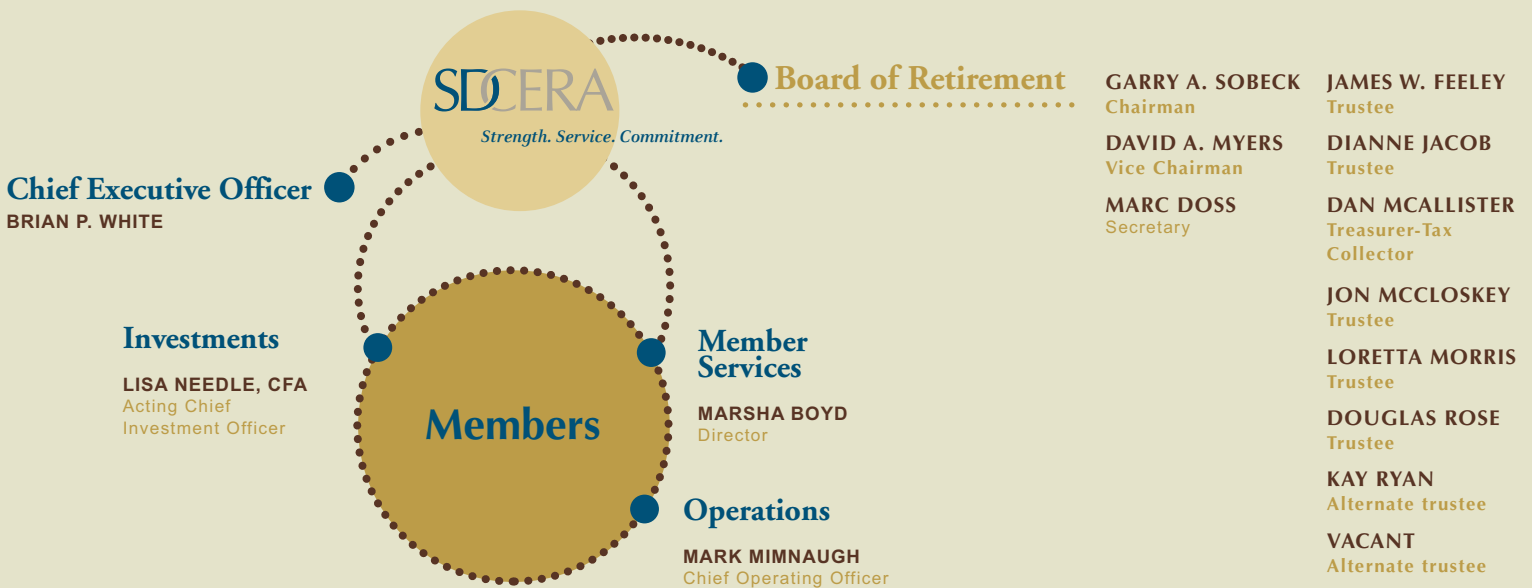
The Public Pension Coordinating Council also granted SDCERA an award for meeting the public pension standards for plan design and administration.

Thank you for taking the time to view our *Popular Annual Financial Report*, and as always, we welcome your feedback.



Brian P. White
Chief Executive Officer





SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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This summary annual report is derived from the information contained in SDCERA's Comprehensive Annual Financial Report (CAFR). This summary does not represent our financial information in a manner to conform to Generally Accepted Accounting Principles (GAAP). However, SDCERA's CAFR, which conforms to GAAP, provides a comprehensive overview of SDCERA's financial and operating results. SDCERA's CAFR is available for review at SDCERA's office or on our web site.