

PSRST STD
U. S. Postage
PAID
Permit No. 2325
San Diego, CA

San Diego County Employees Retirement Association



SDCERA MANAGEMENT

- Brian P. White
Chief Executive Officer
- Leslie Browder
Chief Financial Officer
- Jerry Woodham
Chief Investment Officer
- Marsha Boyd
Director, Member Services
- Judith Hughes
Member Services Manager
- RoseMarie Luciga
Member Services Manager
- Arlene Thichava
Member Services Manager
- William Dean Smith
Senior Deputy County Counsel

BOARD OF RETIREMENT

- E. F. "Skip" Murphy, Jr.
Chairman
- David E. Dayal
Secretary
- Michael Branch
- Ralph B. "Skip" Cumber, III
- James W. Falley
- Don Y. McAllister
- Doug Rose
- Frank Russell, Jr.
- Marjyn A. Wiczynski

SDCERA

Comprehensive Annual Financial Report

2002
Fiscal Year Ended June 30



San Diego County Employees Retirement Association
A Component Unit of the County of San Diego, California

Major initiatives and significant events for the year



I am pleased to present this summary of the Annual Financial Report for the year ended June 30, 2002.

On March 8, 2002, the San Diego County Board of Supervisors approved major enhancements to member retirement benefits. These enhancements represented the biggest change to our retirement plan in 20 years. Many hours of planning and coordination were required to implement the new program, including the establishment of a call center staffed with specialists who could answer questions quickly and accurately. Our call center has been a great success and remains in operation today. During its first year, staff answered approximately 40,000 phone calls and 90% of the calls were resolved during the member's first contact with a call center specialist. Over 800 retirement applications were processed during the first three months after the new enhancements became effective.

On a market value basis, the total net assets held in trust declined from \$3.8 billion at June 30, 2001, to \$3.5 billion at June 30, 2002. For fiscal year 2002, investments provided a return of -4.57%, net of fees, and reflected market conditions throughout the year. The S&P 500 Index was -18.00% for fiscal year 2002. Positive returns in the real estate and fixed income categories helped to offset negative performance in the equity markets. The Board's emphasis on asset diversification and managing risk to minimize investment losses will help ensure that the Retirement Fund will have sufficient assets to meet its benefit obligations.

The complete Annual Financial Report, which provides a comprehensive overview of SDCERA's financial position and operating results, is available for review at the Retirement Association's office, or on our web site at www.sdcer.org.

Chief Executive Officer
Brian P. White



Mission Statement

The San Diego County Employees Retirement Association is committed, now and in the future, to prudently manage the fund, efficiently administer benefits, and provide superior service to members.

PENSION BENEFIT ASSETS June 30, 2002

(all amounts in millions)

Investment	Market Value	Percent of Total	2002 Return	2001 Return
Domestic equity	\$ 1,425.3	40.3%	- 12.85%	- 9.97%
International equity	910.3	25.8%	- 5.50%	- 23.96%
Fixed income	784.8	22.2%	6.33%	3.14%
Real estate	272.8	7.7%	15.20%	16.86%
Alternative equity/other	140.4	4.0%	- 9.19%	- 5.01%
TOTAL	\$ 3,533.6	100%	- 4.57%	- 8.40%

This chart shows the market value at fiscal year end, the actual percent each investment holds in the entire portfolio, and the annual return for both fiscal year 2001 and fiscal year 2002.

HISTORICAL MARKET RETURN ON AVAILABLE ASSETS

(all amounts in millions)

Fiscal Year	Total Fund Return	Total Fund Market Value	Increase/Decrease Market Value
2002	- 4.57%	\$ 3,533.6	\$ - 283.3
2001	- 8.40%	3,816.9	- 455.7
2000	15.75%	4,272.6	462.0
1999	12.28%	3,810.6	304.5
1998	16.22%	3,506.1	409.7

* **TOTAL FUND RETURN** is the market return of entire investment portfolio, net of all investment fees.

* **TOTAL FUND MARKET VALUE** are the assets available to pay benefits.

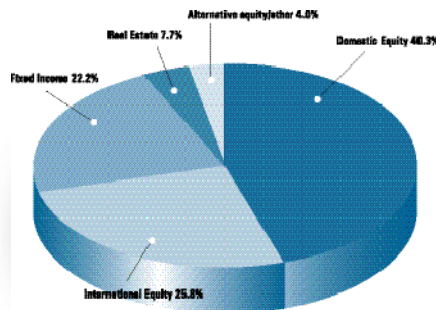
HISTORICAL FUND REVIEW

(all amounts in millions)

Fiscal Year	County Contributions	Employee Contributions	Investment Earnings
2002	\$ 50.6	\$ 17.3	\$ - 164.8
2001	41.1	10.8	- 344.8
2000	38.1	8.4	564.4
1999	36.4	7.4	396.0
1998	51.8	6.7	466.9

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

ASSET ALLOCATION June 30, 2002



This chart gives a visual overview of the percent each asset classification holds in the SDCERA portfolio.

HISTORICAL MEMBERSHIP

Fiscal Year	Number of Active Members	Number of Retired Members	Average Annual Benefit Received
2002	18,276	9,657	\$ 18,201
2001	17,346	8,921	15,657
2000	16,669	8,703	15,071
1999	16,579	8,292	14,250
1998	16,441	7,955	13,545

Membership includes the total number of active employees paying into the plan and the total number of retired members drawing monthly benefits. Deferred members are not shown.

FUND EXPENSES (all amounts in millions)

Expense	2002	2001
Benefit payments	\$ 163.6	\$ 144.1
Retiree health care program	14.3	10.8
Investment expenses	39.7	27.4
Administration expenses	7.0	6.4

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.