




SDCERA



Supporting the Membership



Popular Annual Financial Report
for Fiscal Year Ended June 30, 2005

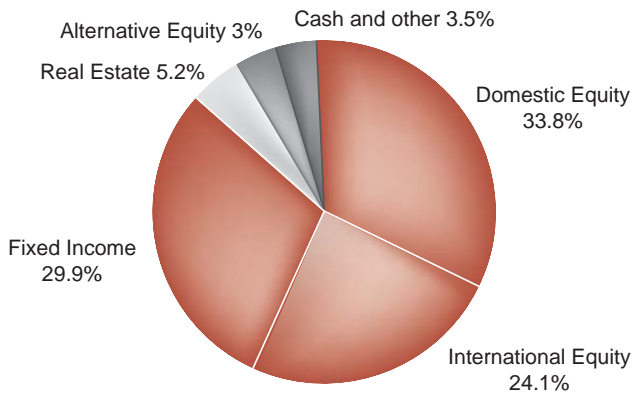
San Diego County Employees Retirement Association
A Component Unit of the County of San Diego, California

Historical Membership

| Fiscal Year | Number of Active Members | Number of Retired Members | Average Annual Benefit Received |
|-------------|--------------------------|---------------------------|---------------------------------|
| 2005 | 16,980 | 11,436 | \$ 23,076 |
| 2004 | 17,717 | 10,770 | 21,547 |
| 2003 | 18,466 | 10,253 | 20,033 |
| 2002 | 18,276 | 9,657 | 18,201 |
| 2001 | 17,346 | 8,921 | 15,657 |

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.

Asset Allocation • June 30, 2005



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

Historical Fund Review

ALL AMOUNTS IN MILLIONS

| Fiscal Year | County Contributions | Employee Contributions | Investment Earnings |
|-------------|----------------------|------------------------|---------------------|
| 2005 | \$ 316.1 | \$ 40.8 | \$ 794.8 |
| 2004 | 700.6* | 33.6 | 936.5 |
| 2003 | 616.1* | 35.0 | 150.0 |
| 2002 | 50.6 | 17.3 | (164.8) |
| 2001 | 41.1 | 10.8 | (344.8) |

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

* Includes proceeds from pension obligation bonds.

Historical Market Return on Available Assets

ALL AMOUNTS IN MILLIONS

| Fiscal Year | Total Fund Return | Total Fund Market Value | Increase/Decrease Market Value |
|-------------|-------------------|-------------------------|--------------------------------|
| 2005 | 13.91% | \$ 6,358.5 | \$ 849.9 |
| 2004 | 21.27% | 5,508.6 | 1,405.3 |
| 2003 | 4.64% | 4,103.3 | 569.7 |
| 2002 | (4.57%) | 3,533.6 | (283.3) |
| 2001 | (8.40%) | 3,816.9 | (455.7) |

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, 2005

ALL AMOUNTS IN MILLIONS

| Asset | Market Value | Percent of Total | 2005 Return | 2004 Return |
|--------------------------|----------------|------------------|---------------|---------------|
| Domestic equity | \$ 2,147.9 | 33.8% | 8.5% | 23.30% |
| International equity | 1,530.5 | 24.1% | 21.23% | 34.24% |
| Fixed income | 1,900.0 | 29.9% | 12.07% | 7.24% |
| Real estate | 331.9 | 5.2% | 26.01% | 20.23% |
| Alternative equity/other | 224.4 | 3.5% | 19.41% | 20.00% |
| Cash and other | 223.8 | 3.5% | N/A* | N/A* |
| Total | 6,358.5 | 100.0% | 13.91% | 21.27% |

This chart 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 2004 and 2005.

* Returns for cash and other included in domestic equity returns.

Fund Expenses

ALL AMOUNTS IN MILLIONS

| Expense | 2005 | 2004 |
|-----------------------------|----------|----------|
| Benefit payments | \$ 259.5 | \$ 230.0 |
| Retiree health care program | 32.5 | 26.4 |
| Investment expenses | 48.5 | 51.9 |
| Administration expenses | 7.4 | 7.4 |

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.



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, 2004



Nancy L. Ziehl
President

Jeffrey L. Esoll
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) 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, 2004.

Mission Statement

The San Diego County Employees Retirement Association 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 its members.

SDCERA

Supporting The
Membership



It is with great pleasure that I submit this summary of the Annual Financial Report of San Diego County Employees Retirement Association (SDCERA, Association or Plan) for the year ended June 30, 2005.

Financial and Economic Summary

The Fund ended the fiscal year with \$6,358 million in Net Plan Assets, an increase of \$850 million over the prior fiscal year.

Throughout the fiscal year, the financial markets appeared to focus on the consequences of rising oil prices and a change in the Federal Reserve's policy of monetary accommodation. Economic growth was moderate. Real GDP rose 3.6% during the year, compared to 4.6% the prior year. Despite an intense rally that began in October of 2004, the U.S. stock market was outperformed by foreign markets. While the S&P 500 returned 6.30% for the year, and total return of the Lehman Brothers Aggregate bond index was 10.20%, the Citigroup Primary Market Index—excluding the United States—had a total return of 15.56%. The more volatile segments of the market performed particularly well. The Citigroup Emerging Markets index was 33.03% and the return of the Citigroup index of international small cap stocks was 20.31%.

The SDCERA Fund (the Fund) performed well both in absolute terms and relative to its benchmarks and other peer funds. The Fund returned 13.91% for the year against a policy benchmark of 11.98%. Implementation of SDCERA's asset allocation policies added 1.93%, providing more than \$100 million in additional earnings to the Fund. The Fund ranked in the top four percent of the Wilshire Master Trust Universe of peer funds (TUCS) and in the top one percent against all TUCS public funds with more than \$1 billion in assets for the year as well as the three year period.

Major Initiatives and Significant Events

The Board of Retirement modified SDCERA's investment asset allocation model, reducing our overall equity exposure and increasing our added value strategies.

SDCERA conducted a comprehensive survey of our membership which showed that retiree members were generally satisfied with our communications, while active members desired more summary information and varied communication vehicles. Results of this survey are being utilized to develop communication strategies and goals tailored to our members' needs.

SDCERA also began a project to analyze the various business processes within our member services operations. The project goals include streamlining these business processes and establishing performance measures.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) 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, 2004. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. The award is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements and will submit it to the GFOA for their consideration.

We hope you will find our 2005 Popular Annual Financial Report to be informative and as always welcome your comments and feedback.

Brian P. White

Brian P. White
CHIEF EXECUTIVE OFFICER

SDCERA Management

Brian P. White
CHIEF EXECUTIVE OFFICER

Mark Mimnaugh
CHIEF OPERATING OFFICER

David Deutsch
CHIEF INVESTMENT OFFICER

Marsha Boyd
DIRECTOR, MEMBER SERVICES

Deborah Bill
MEMBER SERVICES MANAGER

Jan Eleni Garner
MEMBER SERVICES MANAGER

Judith Hughes
MEMBER SERVICES MANAGER

Arlene Thichava
MEMBER SERVICES MANAGER

Board of Retirement

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CHAIRMAN

Laura DeMarco

James W. Feeley

Natalya Smith Gonzalez

Dianne Jacob

David A. Myers

Douglas M. Rose

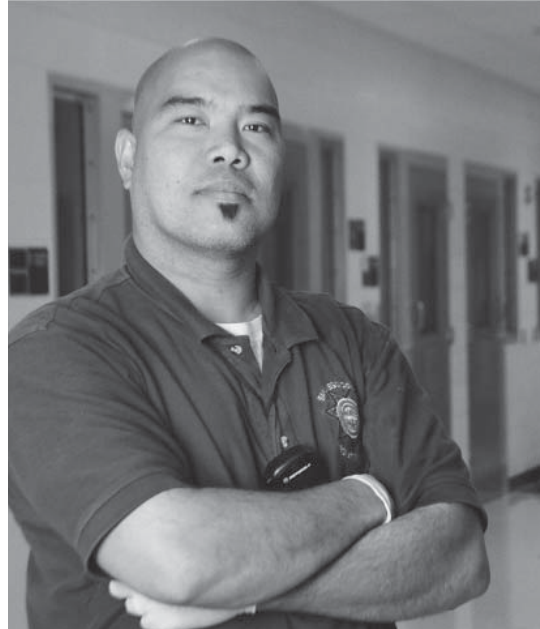
Frank Russell, Jr.

Garry Sobeck

ALTERNATE TRUSTEES

Warren L. Gibson

George S. Shoemaker



Supporting the Membership

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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 with Generally Accepted Accounting Principles (GAAP). However, SDCERA's CAFR, which is produced in conformity with GAAP, provides a comprehensive overview of SDCERA's financial and operating results. SDCERA's CAFR is available for review at the Retirement Association's office or on our web site at www.sdcera.org.