



Live the dream

Popular Annual Financial Report for fiscal year ended June 30, 2008
San Diego County Employees Retirement Association, San Diego County, California

SDCERA
Strength. Service. Commitment.



HISTORICAL MEMBERSHIP

Fiscal Year	Number of Active Members	Number of Retired Members	Average Annual Benefit Received
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 FUND REVIEW

All amounts in millions

Fiscal Year	County Contributions	Employee Contributions	Investment Earnings	Funding Ratio
2008	\$ 329.1	\$ 45.5	\$ (4.8)	94.4%
2007	320.5	44.5	1,119.2	89.7%
2006	302.5	41.9	962.2	83.6%
2005	316.1	40.8	794.8	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.

HISTORICAL MARKET RETURN ON AVAILABLE ASSETS

All amounts in millions

Fiscal Year	Total Fund	Total Fund Market Value	Increase/Decrease Market Value
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.

FUND EXPENSES

All amounts in millions

Expense	2008	2007
Benefit payments	\$ 368.6	\$ 322.6
Retiree health care program	24.4	35.3
Investment expenses	77.7	87.2
Administration expenses	10.5	10.2

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.

PENSION BENEFIT ASSETS—JUNE 30, 2008

All amounts in millions

Asset	Market Value	Percent of Total	2008 Return	2007 Return
Domestic equity	\$ 1,717.2	20.4%	(16.2%)	12.8%
International equity	1,950.1	23.2%	(5.7%)	32.1%
Fixed income	2,839.0	33.8%	9.8%	7.6%
Real estate	627.0	7.5%	2.8%	14.2%
Alternative equity	356.8	4.2%	5.1%	18.0%
Commodities	466.6	5.6%	48.6%	(13.5%)
Infrastructure	20.1	0.2%	—*	N/A
Cash and overlays	431.2	5.1%	3.5%	—**
Total	\$ 8,408.0	100.0%	0.70%	15.4%

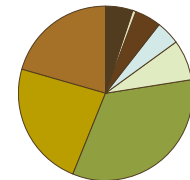
This table shows the market value at fiscal year end, the actual percent of each asset type in the entire portfolio and the annual return for both fiscal years 2007 and 2008.

* Newly funded allocation.

** Returns for cash and overlays are included in domestic equity returns.

ASSET ALLOCATION

JUNE 30, 2008



Domestic equity	20.4%
International equity	23.2%
Fixed income	33.8%
Real estate	7.5%
Alternative equity	4.2%
Commodities	5.6%
Infrastructure	0.2%
Cash and overlays	5.1%

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, 2007



Michael R. ...
President

Jeffrey L. Easer
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, 2007.

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 Annual Financial Report of the San Diego County Employees Retirement Association (SDCERA) for the year ended June 30, 2008.

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

On a market value basis, the total net assets held in trust were \$8.4 billion on June 30, 2008. SDCERA's funding ratio, which compares the plan's assets to its liabilities, increased to 94.4%, up from 89.7% from last year.

For the fiscal year 2008, the SDCERA fund performed well compared to its peers. Investments provided a return of 0.7% net of fees amid difficult market conditions. SDCERA's annualized rate of return, net of fees, was 10.07% over the last three years and 13.00% over the last five years. The Wilshire Associates' Trust Universe Comparison Service (TUCS) ranked the fund in the 6th percentile for the three-year period and the 5th percentile for the five-year period among all TUCS public funds with more than \$1 billion in assets.

High oil prices, dramatically increasing numbers of home foreclosures, and the widening fallout from the problems in sub-prime lending led to extraordinary volatility in the equity markets. The U.S. stock market generated negative returns across the different market caps and investment styles. The S&P 500 returned -13.1%. While foreign stocks, with a -20.25% return, declined more than U.S. stocks during the period, the fall in the U.S. dollar reduced this decline to -10.61% in U.S. dollar terms.

Excluding domestic and international equity and high yield fixed income, all other asset classes posted positive returns. The MSCI Emerging Markets Index returned +4.5% and commodities posted a strong absolute return of 48.6%.

SUBSEQUENT EVENTS

Global markets significantly declined, and like all public sector pension plans, SDCERA was affected. Despite the market downturn, retirement benefits are secure. SDCERA is a defined benefit plan that, by law, guarantees lifetime retirement benefits for its members. Retirement benefits are based on a formula that uses years of service credit, final average compensation (salary) and age, and are unaffected by market fluctuations.

MAJOR INITIATIVES AND SIGNIFICANT EVENTS

SDCERA was awarded Standard & Poor's highest issuer credit rating of AAA. The rating reflects SDCERA's strong management team, use of prudent actuarial assumptions and high funded ratio.

SDCERA is developing a new pension administration system. Using the new system, which is scheduled for implementation in 2010, members will be able to access online services, staff will be able to work more efficiently, and member records will be more comprehensive because every interaction and transaction will automatically be documented.

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, 2007. This prestigious national award recognizes conformance to 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 2008 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

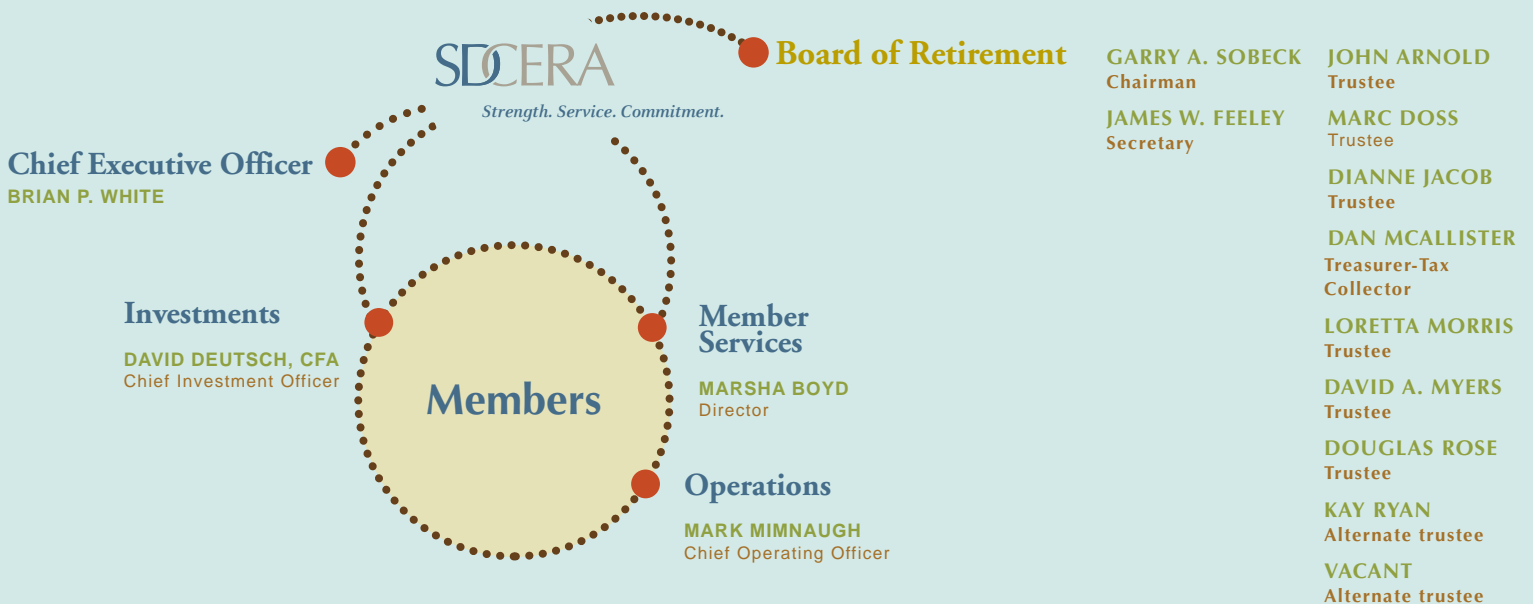
Brian P. White
Chief Executive Officer





You are never too old to set another goal or dream a new dream.

ABRAM L. URBAN



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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.