



POPULAR ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2010

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
2010	16,981	13,922	\$ 30,480
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

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
2010	13.0%	\$ 6,878.2	\$ 686.2
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

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, 2010

All amounts in millions

Asset	Market Value	Percent of Total	2010 Return	2009 Return
Domestic equity	\$ 209.3	3.0%	18.1%	(34.8%)
International equity	1,316.4	19.2%	10.1%	(30.5%)
Fixed income	1,760.0	25.6%	14.5%	(4.7%)
Real estate	655.4	9.5%	(10.8%)	(25.6%)
Private equity	370.5	5.4%	16.2%	(15.1%)
Commodities	278.6	4.0%	10.6%	(55.9%)
Infrastructure	94.3	1.4%	7.9%	(4.0%)
Opportunistic	948.7	13.8%	12.0%	(21.0%)
Cash, Overlay, other Assets and Liabilities	1,245.0	18.1%	0.3%	1.1%
Total	\$ 6,878.2	100.0%	13.0%	(24.4%)

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 2009 and 2010.

HISTORICAL FUND REVIEW

All amounts in millions

Fiscal Year	County Contributions	Employee Contributions	Investment Earnings	Funding Ratio
2010	\$ 276.7	\$ 46.4	\$ 830.8	84.3%
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%

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

FUND EXPENSES

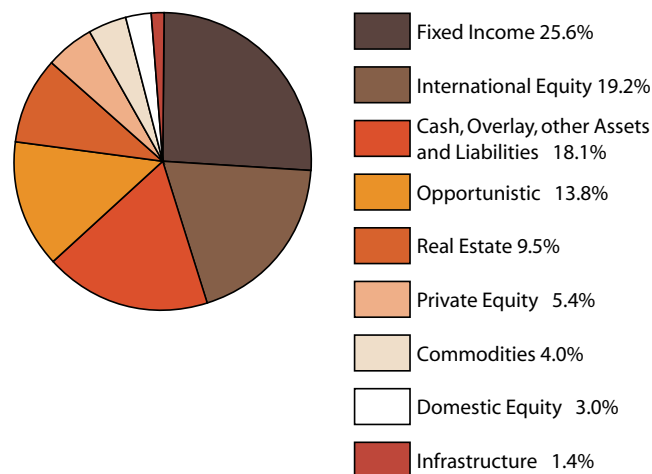
All amounts in millions

Expense	2010	2009
Benefit payments	\$ 431.1	\$ 399.9
Retiree health care program	23.6	23.9
Investment expenses	59.2	61.6
Administration expenses	10.4	10.1

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, 2010



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, 2009




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, 2009.

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.

This *Popular Annual Financial Report* (PAFR) of San Diego County Employees Retirement Association (SDCERA) summarizes the *Comprehensive Annual Financial Report* (CAFR) for the fiscal year ended June 30, 2010. The PAFR is published to provide a general understanding of SDCERA's overall financial condition; for more detailed information, refer to the CAFR online at www.sdcera.org.

FINANCIAL AND ECONOMIC SUMMARY

The global recovery that began in March 2009 continued this fiscal year. The financial markets are still in a period of heightened volatility and economic uncertainty; SDCERA continues to manage these risks by focusing on diversification and risk management. SDCERA's total net assets were \$6.9 billion on June 30, 2010. For the fiscal year, investments provided a return of 13.0% net of fees. SDCERA's annualized rate of return averaged 10.4% over the last 25 years.

A retirement system's funded ratio, a ratio of assets to liabilities, is the measurement by which it is typically evaluated. The higher the funded ratio, the lower the need for contributions and the more the public and members feel assured that the pension benefits are secure. SDCERA's funding levels remain good. The most recent actuarial valuation reports that as of June 30, 2010, SDCERA's funded ratio is 84.3%.

MAJOR INITIATIVES AND SIGNIFICANT EVENTS

SDCERA adopted a new strategic asset allocation model that increases the fund's diversification, is designed to perform in well in a variety of market conditions and will enable SDCERA to meet future pension obligations with lower overall risk.

The Board of Retirement adopted a new 8% annual assumed rate of return. The new rate acknowledges changes in the financial markets, while recognizing the fund's historical ability to generate strong returns.

The Board voted to reduce the amount of the Supplemental Benefit Allowance (SBA) in order to provide payments of this non-vested, discretionary benefit to eligible retired members for nearly two years longer. SDCERA continues to work toward implementing its new pension administration system. The complexity of the system and the implementation of a new tier have caused some delays; however, SDCERA remains committed to quality and the long-term improvements in efficiency and service the system will allow.

SDCERA continues to fight to protect retired member confidentiality by challenging a court's ruling to release members' names and benefit amounts to the California Foundation for Fiscal Responsibility. CFFR maintains a list of retired public employees receiving a benefit of \$100,000 or more. The median SDCERA annual retirement benefit is \$22,000 and only about 2% of SDCERA retired members receive a benefit of \$100,000 or more.

AWARDS AND ACHIEVEMENTS

The Government Finance Officers Association (GFOA) awarded SDCERA with the *Certificate of Achievement for Excellence in Financial Reporting* for its 2009 *Comprehensive Annual Financial Report*. This prestigious national award recognizes conformance with the highest standards for state and local government financial reporting. SDCERA also received the *Award for Outstanding Achievement in Popular Annual Financial Reporting* for its *Popular Annual Financial Report*. We are confident this current report will also receive honors.

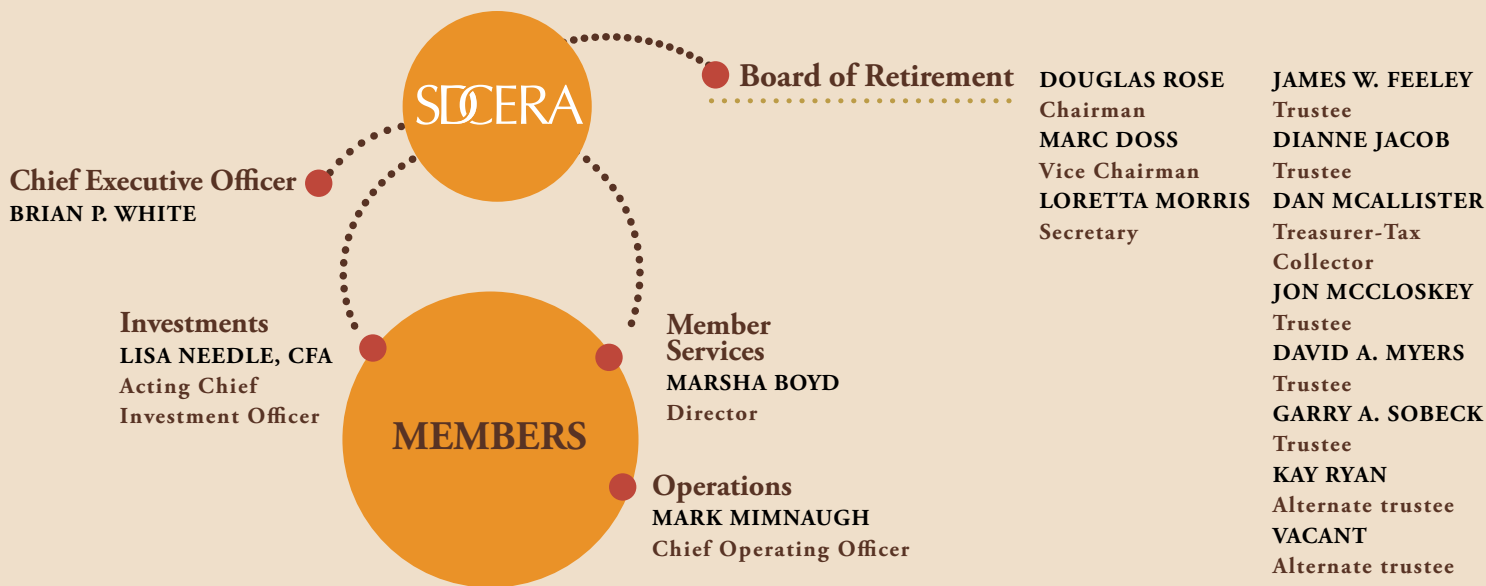
The Public Pension Coordinating Council (PPCC) also granted SDCERA an award for meeting the professional standards for plan design and administration as set forth in the Public Pension Standards.

Thank you for reviewing this report. 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.