



San Diego County Employees Retirement Association

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

Judith Hughes
Member Services Manager

RoseMarie Linzaga
Member Services Manager

Arlene Thichava
Member Services Manager

William Dean Smith
Senior Deputy County Counsel

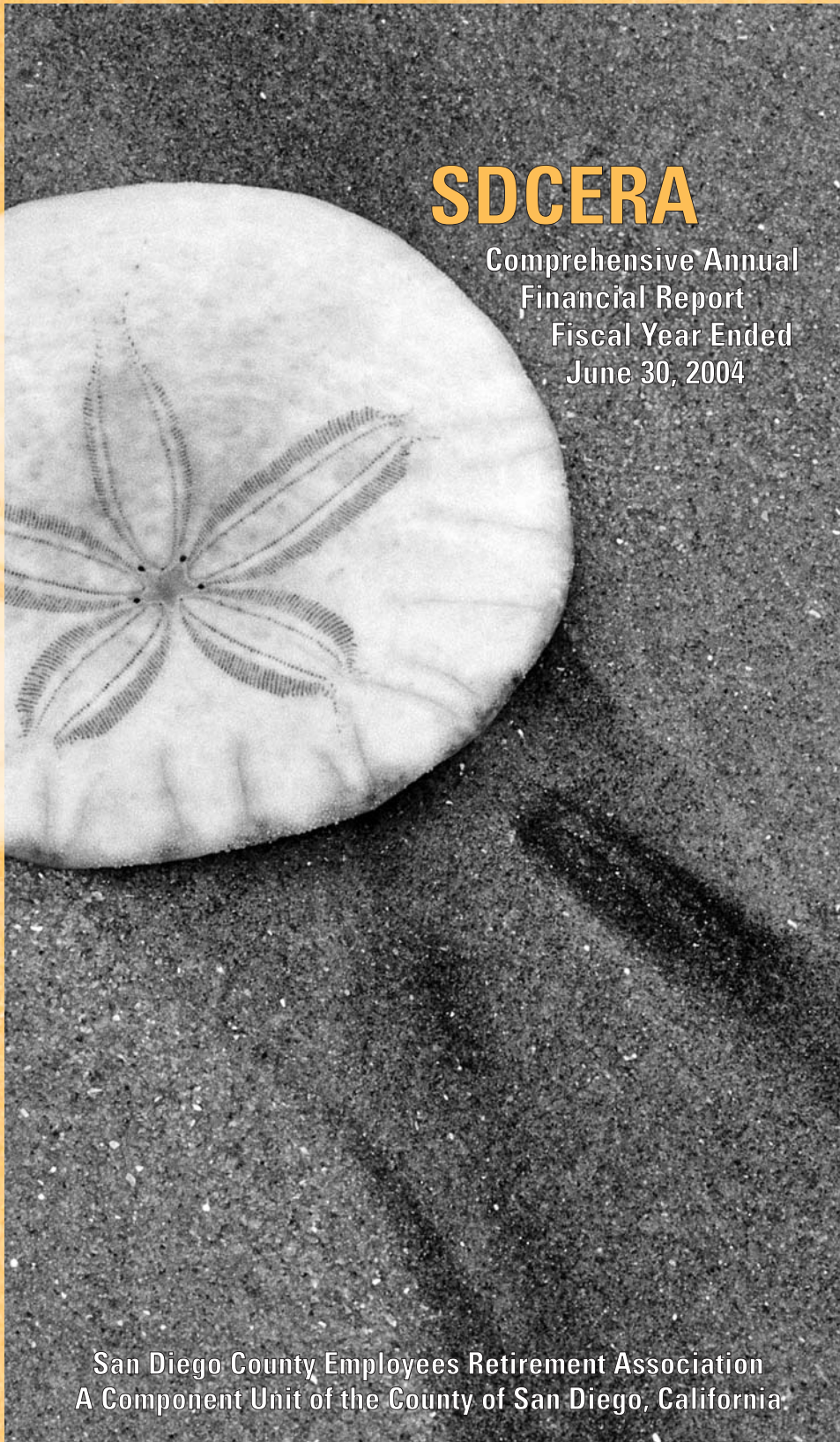
BOARD OF RETIREMENT

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SDCERA

Comprehensive Annual
Financial Report
Fiscal Year Ended
June 30, 2004

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

It is with great pleasure that I submit this summary of the Annual Financial Report of San Diego County Employees Retirement Association for the year ended June 30, 2004.



Financial and Economic Summary

The U.S. economy continued to pick up in its second year of a recovery, with growth in the GDP ranging from good to outstanding. Events in the year clearly demonstrated increased evidence of sustainable global recovery in developed countries. Other influential issues included the ascent of China in global trade, continuing concerns about stability in Iraq and terrorism. Global equity markets reflected strong gains, while the global debt markets were lackluster. The S&P 500 returned 19.11% for the year, following an increase of only .23% in the prior period. The Lehman Brothers Aggregate bond index returned only .33% for the period, whereas the riskier high yield segment performed well with a total return of 10.04% as measured by the Citigroup Cash Pay High Yield Index.

The SDCERA Fund (the Fund) performed very well both in absolute terms and relative to its benchmarks and universes of peer funds. For the year, the Fund returned 21.27%, the second highest return of all funds in the Master Trust Universe as well as in the Public Funds Universe, and the highest return among similar funds with assets in excess of \$1 billion.

Major Initiatives and Significant Events

The Board of Retirement completed a thorough Governance and Policy study which resulted in the adoption of 15 new or updated Board Policies.

SDCERA completed a redesign of its website to provide more information with easier accessibility for our members. The Communications Division commissioned an in-depth member survey to use as a benchmark for improving our communications tools and methods. A three-year Strategic Communications Plan was adopted for the 2004–2006 period, and SDCERA also issued the first comprehensive personalized benefits statement to our active and deferred members, replacing a prior generalized statement.

On June 29, 2004, the County of San Diego received the proceeds from the issuance of pension obligation bonds and transferred \$450 million to SDCERA to fund a major portion of the system's accrued liability. SDCERA was also very pleased when the retirement fund received an AA+ rating from Standard and Poor (S&P).

Brian P. White
Chief Executive Officer

This summary annual report is derived from the information contained in SDCERA's Comprehensive Annual Financial Report (CAFR). This summary does not present 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.

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 members.

Pension Benefit Assets

June 30, 2004

Asset Type	ALL AMOUNTS IN MILLIONS			
	Fair Value	Percent of Total	2004 Return	2003 Return
Domestic equity	\$ 2,166.6	39.3%	23.30%	- 0.55%
International equity	1,258.7	22.8%	34.24%	- 1.56%
Fixed income	1,568.8	28.5%	7.24%	12.98%
Real estate	314.0	5.7%	20.23%	11.45%
Alternative equity/other	190.1	3.5%	20.00%	- 9.07%
Cash and other	10.4	0.2%	0.00%	0.00%
Total	\$ 5,508.6	100.0%	21.27%	4.64%

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 year 2003 and fiscal year 2004.

Historical Market Return on Available Assets

Fiscal Year	ALL AMOUNTS IN MILLIONS		
	Total Fund Return	Total Fund Market Value	Increase/Decrease Market Value
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
2000	15.75%	4,272.6	462.0

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.

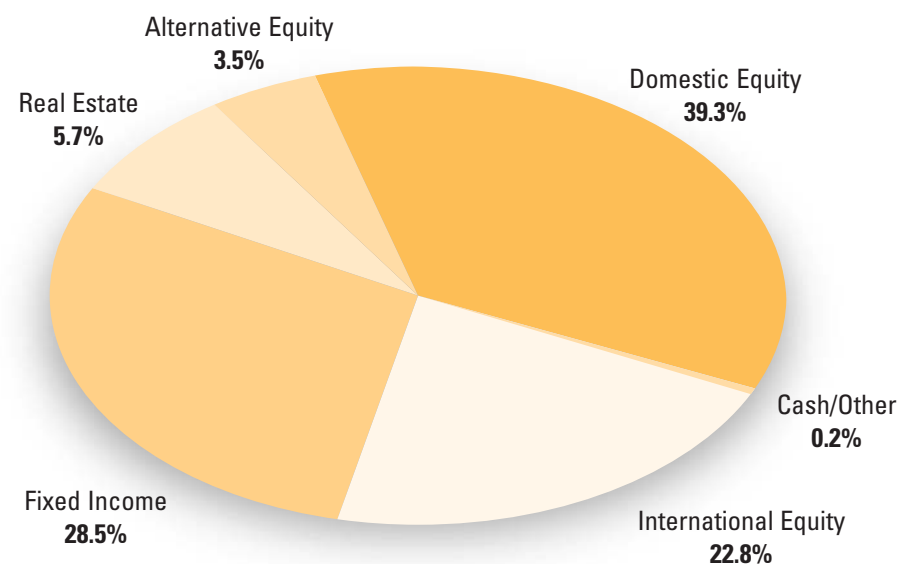
Historical Fund Review

Fiscal Year	ALL AMOUNTS IN MILLIONS		
	County Contributions	Employee Contributions	Investment Earnings
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
2000	38.1	8.4	564.4

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

Asset Allocation

June 30, 2004



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

Historical Membership

Fiscal Year	Number of Active Members	Number of Retired Members	Average Annual Benefit Received
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
2000	16,669	8,703	15,071

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

Expense	ALL AMOUNTS IN MILLIONS	
	2004	2003
Benefit payments	\$ 230.0	\$ 203.0
Retiree health care program	26.4	20.0
Investment expenses	51.9	43.9
Administration expenses	7.4	7.0

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.

Full report is available at
SDCERA, 401 West A Street, Suite 1300, San Diego, CA 92101-7906, or at www.sdcera.org.