



Follow us... separate the signal from the noise

Popular Annual Financial Report
for fiscal year ended June 30, 2011

San Diego County Employees Retirement Association
San Diego County, CA



SDCERA

Strength. Service. Commitment.



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, 2011. For more detailed information, please refer to the CAFR online at www.sdccera.org.

INVESTMENT ACTIVITIES

SDCERA implemented a new asset allocation model in July 2010, emphasizing increased diversity and downside protection. For fiscal year 2011, SDCERA's net gains were 20.7% (more than 21% gross), far exceeding the 8% needed to fund the benefit. This performance is significant because it was generated with less exposure to equity markets. The portfolio is performing as designed: it is providing steady gains in up markets and protecting those gains in volatile markets. Over the past 25 years, the average annual gains have been more than 10%. The total net assets held in trust on June 30, 2011, were \$8.2 billion.

FUNDING

A retirement system's funded ratio, a ratio of assets to liabilities, is the measurement by which it is typically evaluated. As of June 30, 2011, the actuarial value of assets was \$8.5 billion and the actuarial accrued liability totaled \$10.4 billion, resulting in an unfunded actuarial accrued liability of \$1.9 billion. SDCERA's funded ratio is 81.5%, surpassing both the average of 76.1% for public funds and Fitch Ratings' standard of 70% for adequate funding.

MAJOR INITIATIVES AND SIGNIFICANT EVENTS

Communications enhancement

In line with our strategic goal to connect more directly with our stakeholders, SDCERA increased its outreach to external stakeholders including the media and the general public. Whether we connect through Twitter, correspondence, or face-to-face, SDCERA presents concise, accurate information to members and media alike.

Investment staffing structure

This past year, SDCERA formalized its investment staffing structure, which uses a combination of in-house staff and external consultants to implement our investment model. SDCERA adopted an investment staffing structure that allows existing internal staff to focus on areas in which they excel: private markets. Lee Partridge, of Integrity Capital Services, has been serving as SDCERA's Portfolio Strategist since October 2009. In November 2010, Integrity Capital was acquired by Salient Partners, LP. Mr. Partridge remains SDCERA's Portfolio Strategist providing the same services as defined in his contract.

AWARDS AND ACHIEVEMENTS IN REPORTING

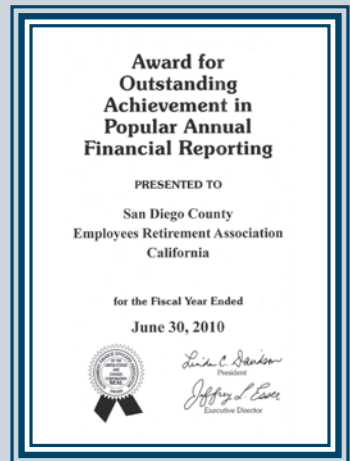
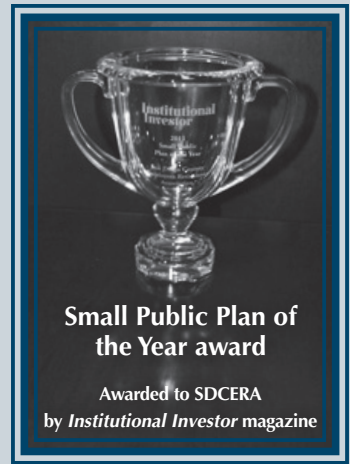
SDCERA was named Small Public Plan of the Year by *Institutional Investor* magazine. The Public Pension Coordinating Council (PPCC) granted SDCERA the Public Pension Standards Award for Funding and Administration for meeting the professional standards for plan design and administration as set forth in the Public Pension Standards.

SDCERA was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) of the United States and Canada. In addition, SDCERA was presented with the Award for Outstanding Achievement in Popular Annual Financial Reporting.

I would like to express my thanks to the Board of Retirement and the retirement staff for their dedication and commitment to SDCERA, a combination that assures our continued successful operation. We welcome your feedback.



Brian P. White
Chief Executive Officer



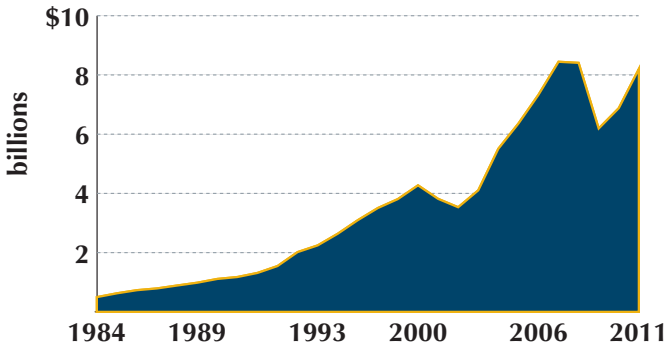
MISSION STATEMENT

SDCERA's mission is to prudently manage the fund, efficiently administer benefits and provide superior service to SDCERA members.

All data is as of June 30, 2011.

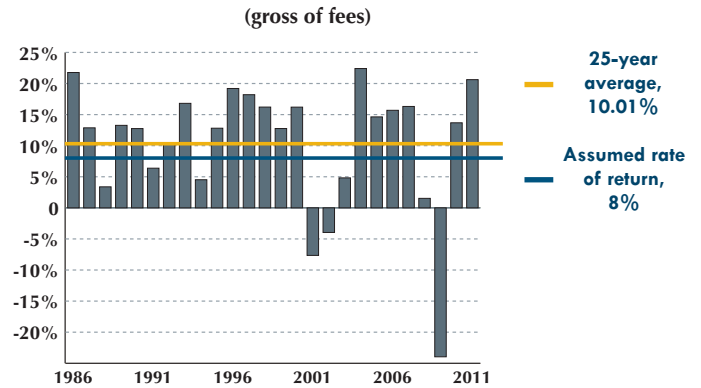
SDCERA's assets top \$8 billion again

SDCERA's strategic investing drove a resurgence in the market value of assets to \$8.2 billion. The fund is recovering well from the 2008-2009 economic crisis.



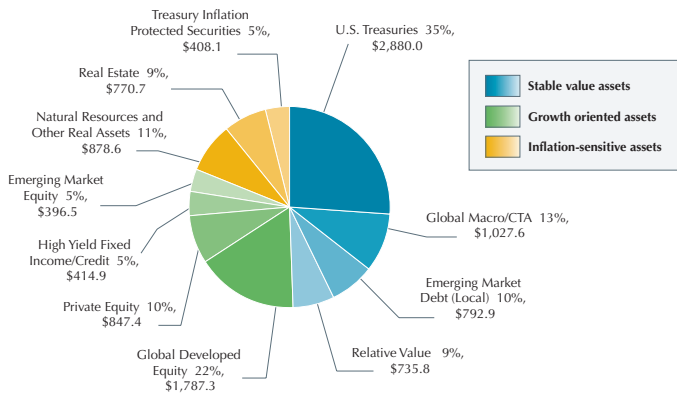
Long-term investment gains securely fund benefits

SDCERA's 25-year average annual return of 10.01% surpasses the 8% needed to fund the benefit.



Asset allocation fuels SDCERA's success

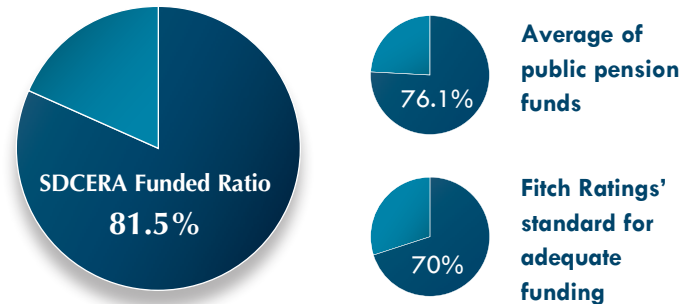
The portfolio is designed to provide steady gains in up markets and protect those gains in volatile markets. The investment program earns industry accolades including 2011 Small Public Plan of the Year.



Exposure is expressed as a percent of the fund's net asset value and totals to 134%. Dollars are expressed in millions.

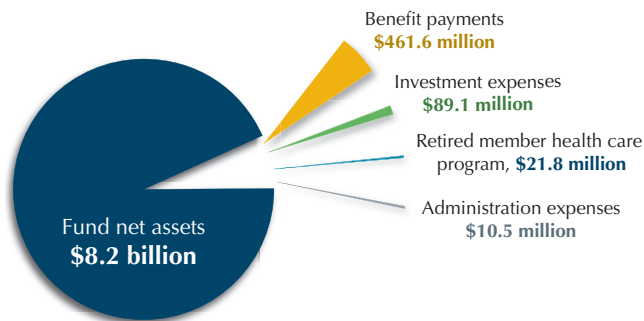
Healthy funded ratio: fund financially sound

SDCERA's funded ratio of 81.5% surpasses the public pension fund average of 76.1% and Fitch Rating's standard of 70% for adequate funding.



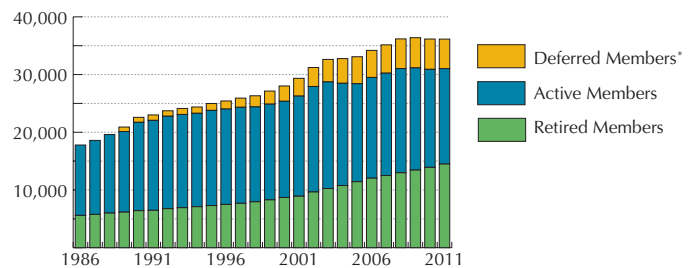
Below-limit costs preserve assets

SDCERA keeps administrative expenses well below the legal limit. Over time, Tier B will reduce benefit payment costs. After deducting expenses, the fund's net assets are \$8.2 billion.



SDCERA provides services to more than 36,000 members

Prudent investing and careful management ensures a reliable and secure benefit for eligible retirees.

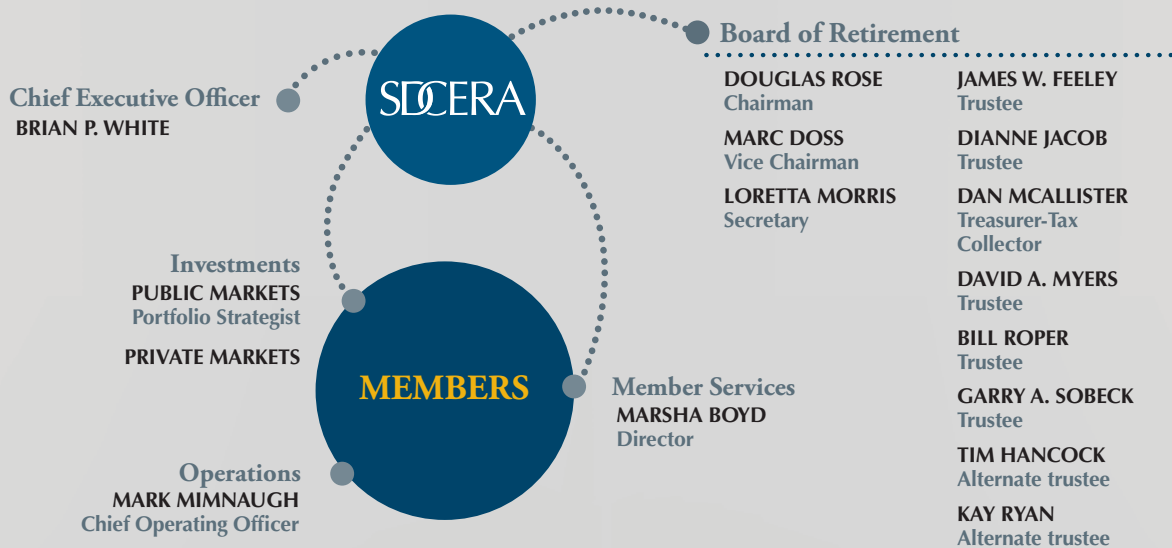


*1986-1988 deferred member data unavailable at the time of printing.

Working together, the above components result in secure pension benefits for members. The median monthly benefit is \$1,962; the goods and services purchased with these benefits help support more than 2,000 local jobs.

SDCERA

Strength. Service. Commitment.



San Diego County Employees Retirement Association

2275 Rio Bonito Way, Suite 200
San Diego, CA 92108-1685

www.sdcera.org

Call Center: 619.515.6800 or 888.4.SDCERA

twitter.com/sdcera

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 website. SDCERA documents are available in alternative formats by request.