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San Diego County Employees Retirement Association



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Chief Financial Officer
Jerry Woodham
Chief Investment Officer
Maesta Boyd
Director, Member Services
Deborah Bill
Member Services Manager
Judith Hughes
Member Services Manager
RoseMarie Linaga
Member Services Manager
Arlene Tichava
Member Services Manager
William Dean Smith
Senior Deputy County Counsel

BOARD OF RETIREMENT

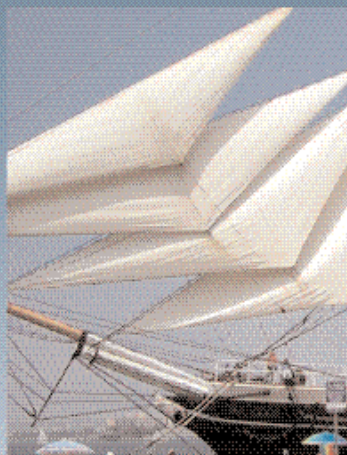
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Frank Russell, Jr.
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SDCERA

Comprehensive Annual Financial Report

2003

Fiscal Year Ended June 30



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, 2003.

Financial and economic summary

The fiscal year ended June 30, 2003, began with a continuation of the extended bear market in equities, but finished with a strong stock market rally. The year was marked by the overthrow of Saddam Hussein, a hesitant economic recovery and a continuation of the bond market rally. By mid-2003, however, the economy and the financial markets were showing marked improvement. The total return of the S&P 500 during the fiscal year ended June 30, 2003, was 0.25%, not a very exciting return but nevertheless a striking improvement from the -18.00% return of the prior fiscal year. The total return of the Lehman Brothers Aggregate bond index was 10.40%, compared to 8.63% in the prior fiscal year. The annualized return of the S&P 500 during the three years ended June 30, 2003, was -11.20%, compared to 10.09% for the Lehman Brothers Aggregate bond index.

Major initiatives and significant event at SDCERA in 2003

The Board of Retirement completed a thorough asset/liability study in January which resulted in the Board adopting a new strategic asset allocation. SDCERA implemented a new Pension Administration and Retirement Information System (PARIS) and it went live as of January 1, 2003. The integrated system is supported by SDCERA Information Technology staff and replaces multiple County developed systems with a single database. PARIS supports active, deferred and retired member recordkeeping, health benefits administration and retiree payroll.

In an effort to increase understanding and awareness of SDCERA retirement benefits, the Communications and Education Division launched the Outreach program to visit active members around the County. More than 140 meetings were scheduled throughout 2003. SDCERA has also redesigned many portions of our web site to provide more information to our members.

On October 3, 2002 the County received the proceeds from the issuance of pension obligation bonds and transferred \$550.0 million to SDCERA to fund a major portion of the retirement system's accrued liability.


Brian P. White
Chief Executive Officer

The complete Financial Report, which provides a comprehensive overview of SDCERA's financial and operating results, 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, 2003

(all amounts in millions)

Investment	Market Value	Percent of Total	2003 Return	2002 Return
Domestic equity	\$ 1,482.2	36.1%	- 0.55%	- 12.85%
International equity	1,023.5	24.9%	- 1.56%	- 5.50%
Fixed income	1,126.8	27.4%	12.98%	6.33%
Real estate	319.3	7.8%	11.45%	15.20%
Alternative equity/other	151.5	3.8%	- 9.07%	- 9.19%
TOTAL	\$ 4,103.3	100%	4.64%	- 4.57%

This chart shows the market value at fiscal year end, the actual percent each investment holds in the entire portfolio, and the annual return for both fiscal year 2002 and fiscal year 2003.

HISTORICAL MARKET RETURN ON AVAILABLE ASSETS

(all amounts in millions)

Fiscal Year	Total Fund Return	Total Fund Market Value	Increase/Decrease Market Value
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
1999	12.28%	3,810.6	304.5

** TOTAL FUND RETURN is the market return of entire investment portfolio, net of all investment fees.*

** TOTAL FUND MARKET VALUE are the assets available to pay benefits.*

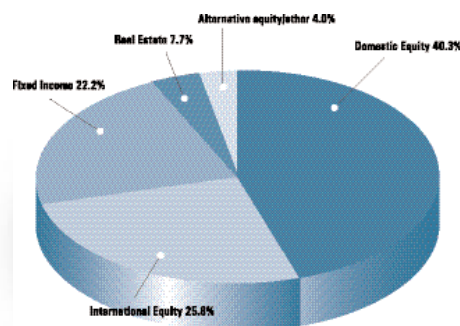
HISTORICAL FUND REVIEW

(all amounts in millions)

Fiscal Year	County Contributions	Employee Contributions	Investment Earnings
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
1999	36.4	7.4	396.0

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

ASSET ALLOCATION June 30, 2003



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

HISTORICAL MEMBERSHIP

Fiscal Year	Number of Active Members	Number of Retired Members	Average Annual Benefit Received
2003	18,434	10,280	\$ 19,935
2002	18,276	9,657	18,201
2001	17,346	8,921	15,857
2000	16,669	8,703	15,071
1999	16,579	8,292	14,250

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 (all amounts in millions)

Expense	2003	2002
Benefit payments	\$ 203.0	\$ 163.6
Retiree health care program	20.0	14.3
Investment expenses	43.9	39.7
Administration expenses	7.0	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.