

SECERA

Strength. Service. Commitment.



POPULAR ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2006

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

Historical Membership

Fiscal Year	Number of Active Members	Number of Retired Members	Average Annual Benefit Received
2006	17,451	12,049	\$ 24,880
2005	16,980	11,436	23,078
2004	17,717	10,770	21,547
2003	18,466	10,253	20,033
2002	18,276	9,657	18,201

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.

Historical Market Return on Available Assets

ALL AMOUNTS IN MILLIONS

Fiscal Year	Total Fund Return	Total Fund Market Value	Increase/Decrease Market Value
2006	14.68%	\$ 7,330.9	\$ 972.5
2005	13.91%	6,358.5	849.9
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)

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

ALL AMOUNTS IN MILLIONS

Fiscal Year	County Contributions	Employee Contributions	Investment Earnings
2006	\$ 302.5	\$ 41.9	\$ 962.2
2005	316.1	40.8	794.8
2004	700.6*	33.6	936.5
2003	616.1*	35.0	150.0
2002	50.6	17.3	(164.8)

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

* Includes proceeds from pension obligation bonds.

Fund Expenses

ALL AMOUNTS IN MILLIONS

Expense	2006	2005
Benefit payments	\$ 290.2	\$ 259.5
Retiree health care program	32.9	32.6
Investment expenses	85.5	48.5
Administration expenses	8.0	7.5

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, 2006

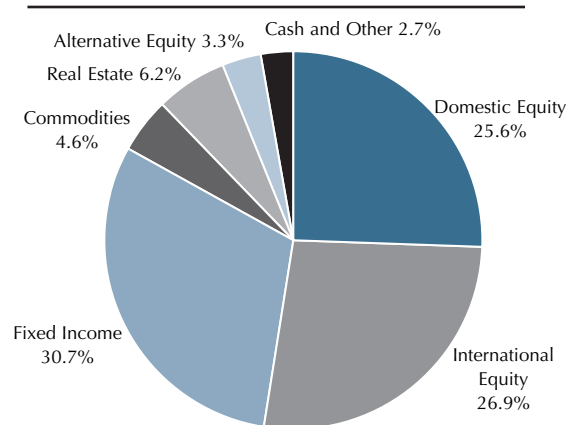
ALL AMOUNTS IN MILLIONS

Asset	Market Value	Percent of Total	2006 Return	2005 Return
Domestic equity	\$ 1,875.0	25.6%	14.69%	8.5%
International equity	1,974.5	26.9%	32.49%	21.23%
Fixed income	2,248.1	30.7%	3.79%	12.07%
Real estate	459.0	6.2%	18.07%	26.01%
Alternative equity	241.0	3.3%	23.63%	19.41%
Cash and other	195.3	2.7%	N/A*	N/A*
Commodities	338.1	4.6%	7.29%	N/A*
Total	\$ 7,330.9	100.0%	14.68%	13.91%

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 years 2005 and 2006.

* Returns for cash and other included in domestic equity returns.

Asset Allocation • June 30, 2006



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

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, 2005



Thomas J. Flannery
President
Jeffrey L. Esser
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) 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, 2005.

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 its members.

SDCERA

Strength. Service. Commitment.

It is with great pleasure that I submit this summary of the Annual Financial Report of the San Diego County Employees Retirement Association (SDCERA, Association or Plan) for the year ended June 30, 2006.

The San Diego County Employees Retirement Association 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 (Board) 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).



Brian White
CHIEF EXECUTIVE OFFICER

Financial and Economic Summary

The total net assets held in trust increased by \$1 billion from 2005, ending the year at \$7.3 billion as of June 30, 2006.

The SDCERA Fund performed well both in absolute terms and relative to its benchmarks and other peer funds. The Fund generated a net of fee return of 14.68% for the year against a policy benchmark return of 12.2%. Accordingly, SDCERA's active implementation of asset allocation policies added 2.5%, providing over \$150 million additional earnings to the Fund. The Fund placed in the top five percent in the Wilshire Master Trust Universe of peer funds for the year and in the top one percent for the three-year, five-year and ten-year periods against all TUCS public funds with more than \$1 billion in assets.

The markets remained focused on the rising price of oil, increasing inflationary pressures, rising interest rates and heightened geopolitical risk. During this period, the price of oil hit a high of \$74.61 per barrel versus the prior period's peak of \$60.54. The federal funds rate ended the period at 5.25%, after the Federal Reserve Bank raised rates eight consecutive times (a total of 2.00%) during this period. Additionally, the introduction of a new Federal Reserve Chairman at the beginning of 2006 generated some market volatility as market participants tried to gauge his strategy in managing monetary policy.

The US stock market generated positive returns across the different market caps (large, mid and small) and investment styles (growth and value). The S&P 500 Index returned 8.6% for the year compared to a return of 6.3% for the same period last year.

Non-US markets outperformed the US markets for the period. The Morgan Stanley EAFE Index, excluding the US, had a total return of 27.1%.

Major Initiatives and Significant Events

SDCERA received the Mid-size Public Fund of the Year award from Money Management Letter, a trade publication specializing in the public pension industry.

Over the past year, SDCERA established baseline "best practice" service standards for all customer service and operational functions. Quarterly progress reporting will be made to the Board of Retirement.

Further enhancing SDCERA's resources for members, a new Call Center was developed and will be fully operational in the first quarter of 2007. Medicare Part D was implemented as part of SDCERA's Medicare health plans, and a new electronic newsletter, "Extra," was introduced and is now distributed to active members via e-mail.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to SDCERA for its Popular Annual Financial Report for the year ended June 30, 2005. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements and will submit it to the GFOA for their consideration.

We thank you for taking the time to view our Popular Annual Financial Report, and as always welcome your feedback.

Brian P. White

Brian P. White
Chief Executive Officer

SDCERA MANAGEMENT

Brian P. White
CHIEF EXECUTIVE OFFICER

Mark Mimnaugh
CHIEF OPERATING OFFICER

David Deutsch
CHIEF INVESTMENT OFFICER

Marsha Boyd
DIRECTOR, MEMBER
SERVICES

Victor E. DeWitt
ASSISTANT DIRECTOR,
MEMBER SERVICES

Deborah Bill
MEMBER SERVICES
MANAGER

Jan Eleni Garner
MEMBER SERVICES
MANAGER

Judith Hughes
MEMBER SERVICES
MANAGER

Johanna Shick
MEMBER SERVICES
MANAGER

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A Component Unit of the County of San Diego, California*

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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 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.