

San Diego City Employees' Retirement System



Comprehensive Annual Financial Report

For The Year Ended June 30, 2001

A RETIREMENT SYSTEM TRUST FUND OF THE CITY OF SAN DIEGO, CALIFORNIA

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San Diego City Employees' Retirement System

A Retirement System Trust Fund of the City of San Diego, California

Comprehensive Annual Financial Report

For The Year Ended June 30, 2001

The San Diego City Employees' Retirement System (SDCERS) pledges to continually deliver accurate and timely benefits through prudent administration and safeguarding of SDCERS, while ensuring the Retirement System Trust Fund's maximum safety, integrity, and growth.

SDCERS is committed to excellence through:

Treating all participants with courtesy, dignity, respect and compassion.

Conducting business in an open, honest, fair, and efficient manner.

Maintaining the highest degree of ethics, fiscal responsibility and SDCERS independence.

ISSUED BY:

Lawrence B. Grissom
Retirement Administrator

PREPARED BY:

Executive Retirement Staff
Douglas B. McCalla
Chief Investment Officer

Lori Chapin
General Counsel

Vincent Hayes, Jr.
Chief Operations Officer

Patrick Lane
Chief Financial Officer

Investment Staff

Dawne Clark
Assistant Investment Officer

Robin Oleksow
Retirement Financial Specialist III

Jamie Hamrick
Retirement Financial Specialist I

Office: 401 B Street, Suite 400, San Diego, CA 92101-4298 (619) 533-4660

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I. INTRODUCTORY SECTION





THE CITY OF SAN DIEGO

TRANSMITTAL LETTER

Members of the Retirement Board, Active and Deferred Members, Retirees and Beneficiaries
San Diego City Employees' Retirement System
401 B Street, Suite 400
San Diego, CA 92101-4298

Dear Board Members, Active and Deferred Members, Retirees and Beneficiaries:

As Retirement Administrator of the San Diego City Employees' Retirement System (SDCERS), I am pleased to present this Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2001 (FY 2001).

FY 2001 marked the 74th year of SDCERS' operations providing retirement and health benefits to retirees and their beneficiaries. The Board has continued to demonstrate its commitment to SDCERS' membership by delivering accurate and timely benefits through the prudent administration and safeguarding of SDCERS, while ensuring the Retirement System Trust Fund's maximum safety, integrity and growth.

Over the past year, the Board successfully managed the investment portfolio through a period of stock market volatility. The Board has adopted a long-term asset allocation strategy with an equity exposure that is more conservative than most public plans. Additionally, the target asset allocation is risk controlled with active rebalancing. As of June 30, 2001, Plan Net Assets totaled \$2.602 billion, a \$50 million reduction from June 30, 2000, Plan Net Assets of \$2.652.

SDCERS, acting as agent of a multi-employer, defined benefit plan, continues to enjoy a well-funded status. The City of San Diego's funded status as of the June 30, 2000, actuarial valuation is 97.3%. The San Diego Unified Port District's funded status is 137.1% over the same valuation period.

The Comprehensive Annual Financial Report

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation contained in this CAFR rests with SDCERS' management. It is our intent to ensure that the financial information is accurate and fair, and all material disclosures have been made. This CAFR is divided into five sections:

Introductory Section: Contains a Transmittal Letter, the Certificate of Achievement, a list of Members of the Retirement Board, SDCERS' Organization Chart, a narrative of each of



City Employees' Retirement System
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SDCERS' Division's functional area of responsibility and a list of Professional Services provided to SDCERS.

Financial Section: Presents the Independent Auditor's Report prepared by Calderon, Jaham & Osborn, the audited financial statements of SDCERS, and required supplemental schedules disclosing the funding progress of and employer contributions to SDCERS.

Investment Section: Contains the Investment Consultant's Statement prepared by Callan Associates, SDCERS' investment consultant, SDCERS' investment results, investment policy, and graphs and schedules depicting asset allocation, asset diversification, and ten-year historical asset information.

Actuarial Section: Includes the Actuary's Certification Letter prepared by Gabriel, Roeder, Smith & Co., SDCERS' actuary, along with supporting schedules and information pertaining to SDCERS.

Statistical Section: Contains schedules of comparative data of revenues and expenses, active and deferred membership, retired membership, average monthly retirement benefits, and participating employers.

SDCERS' History and SDCERS' Board

SDCERS was established in 1927 by the City of San Diego, and in accordance with the California State Constitution Article XVI, Section 17, the San Diego City Charter Articles IX and X, Sections 141 – 148.1 and the San Diego Municipal Code Sections 24.0100 *et seq.* SDCERS provides retirement, health insurance, disability, and death benefits to its members.

SDCERS, acting as agent of a multi-employer, defined benefit plan, provides vested members with a specified portion of their annual salaries when they retire. In order to attain the appropriate level of funding for each member, SDCERS specifies a formula to calculate the amount that would need to be contributed by participating employers and members each year until retirement. To maintain low levels of required contributions, SDCERS invests in equities, fixed income and real estate, and reinvests dividends, interest earnings and gains from the sale of securities.

A thirteen member Retirement Board, comprised as follows, governs SDCERS:

- Three elected general member representatives
- One elected fire/safety member representative
- One elected police/safety member representative
- One elected retiree representative
- Three ex-officio members: City Manager, City Treasurer, and City Auditor
- Four City of San Diego Council-appointed members (San Diego citizens, including one local banker)

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Board members who are elected or appointed serve six-year terms with no term limits. Ex-officio members serve the Retirement Board for the period of their respective positions with the City of San Diego. A list of Board members as of June 30, 2001, appears in the Introductory Section of this CAFR.

The Retirement Board oversees the Retirement Administrator and staff in the performance of their duties.

Member Benefits and Services

Since SDCERS' inception 74 years ago, SDCERS' membership and number of retirees have continued to grow. In the most recent fiscal year, there was an increase of 741 members (active and deferred) and 216 retirees, which includes 135 Deferred Retirement Option Program (DROP) participants. Continued growth in membership and retirees is projected over the coming years. To accommodate this growth in future liabilities, SDCERS has established a long-term investment strategy based on sound investment policies and risk reduction through the diversification of assets. By adhering to prudent investment principles, SDCERS' objective is to be able to fund the retirement benefits earned by current and future members.

Over the past fiscal year, SDCERS provided the following services to its membership, retirees and beneficiaries: processed 1,385 purchase of service credit contracts (PSCs); completed 596 service and disability retirements and 460 DROP applications; hosted 18 pre-retirement seminars; provided information at 26 new employee orientations; and, advised members in 1,440 counseling sessions.

Accomplishments and Enhancements

In an effort to meet SDCERS' goal "to be the leader among public retirement systems in providing all participants with the most participant friendly, efficient, and technologically advanced services," SDCERS has developed a Membership Benefit System (MBS) through the use of Pension Gold.

Pension Gold is a tremendous enhancement over the 20-year old mainframe system it replaced, in that it: 1) tracks all employee contributions, 2) performs all benefit calculations, 3) performs purchase of service credit calculations, 4) allows for reciprocity tracking and 5) provides a pension payroll system. Pension Gold will have expanded capabilities to report out data in a variety of ways that will be more useful for the administration of SDCERS. We expect to implement all functions of Pension Gold in the coming fiscal year.

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Changes in SDCERS' Provisions

Legal action was taken against SDCERS in 1998 by William J. Corbett, Donald B. Allen, Leonard Lee Moorhead and Gordon L. Wilson (the Corbett Case). The Plaintiffs alleged that retirement benefits paid by SDCERS had not been calculated correctly in light of the decision in Ventura County Deputy Sheriff's Association v. Board of Retirement of Ventura County Employees' Retirement Association. In the Ventura decision, the California Supreme Court ruled that the Retirement Board in that case was required to classify certain payments made by the County of Ventura to its employees over and above their basic salaries as "compensation earnable" and to include those payments in "final compensation" used to calculate the amount of monthly pension benefits payable to the retired employees under the County Employees' Retirement Law of 1937 (CERL). The Plaintiffs in the Corbett Case argued that the same rationale should be applied to certain payments made by the City of San Diego to its employees.

On November 19, 1999, the Court signed an order certifying the case as a class action lawsuit. In March 2000, all of the parties and counsel in this case participated in mediation. As a result of this mediation, the parties and counsel were able to reach an agreement to settle the case.

The terms of the settlement were effective as of July 1, 2000 (FY 2001). SDCERS paid a one-time, retroactive payment, for the period July 1, 1995 to June 30, 2000, totaling \$23,623,562, to retirees and DROP participants on November 17, 2000. In addition, \$7,041 was paid out during the year in increased benefits in conjunction with the settlement. Corbett benefit payments totaled \$23,630,603 during FY 2001 and is listed as a deduction in the Comparative Statement of Plan Net Assets in the Financial Section of this CAFR. Additional terms of the settlement concerning retirees and members of SDCERS going forward are discussed in the Notes to the Financial Statements in the Financial Section of this CAFR.

Accounting Systems and Reports

SDCERS' management is charged with establishing and maintaining an internal control structure designed to ensure that SDCERS' assets are protected from loss, theft or misuse. Responsibility for the accuracy, completeness and fair presentation of this information, and all disclosures, rests with SDCERS' management. The accounting firm of Calderon, Jaham & Osborn performs an annual audit of SDCERS' financial statements and internal controls. This CAFR was prepared in accordance with accounting principals generally accepted in the United States of America and reporting guidelines set forth by the Governmental Accounting Standards Board (GASB). The accompanying financial statements were prepared using the accrual basis of accounting. Employer and employee

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contributions are recognized as revenues in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred. Benefits and refunds are recognized when due and payable in accordance with SDCERS' Plan. Gains or losses on investments are recognized when securities have been sold, on a trade date basis.

Actuarial Funding Status

SDCERS' funding objective is to meet long-term benefit obligations by maintaining a well-funded plan, which is achieved by earning consistent investment returns that helps to minimize employer and employee contributions. Employer contributions remain approximately level as a percentage of member payroll. The greater the level of overall plan funding, the larger the ratio of assets accumulated to the actuarial accrued liability. The advantage of a well-funded plan is that the benefits earned by participants are funded during their working careers and not by future generations of taxpayers. As of the date of the most recent actuarial valuation, June 30, 2000, SDCERS has a funded status of 97.3% for the City of San Diego (the City) and 137.1% for the San Diego Unified Port District (the District). An eight-year history of the funding progress for the City and the District is presented in the Notes to the Financial Statements in the Financial Section of this CAFR.

SDCERS retains an independent actuary firm, Gabriel, Roeder, Smith & Co., to conduct annual actuarial valuations. The actuary presents recommendations to SDCERS' Board for consideration each Spring. A full copy of the actuarial valuation report can be obtained by calling SDCERS at (619) 533-4660.

The actuarial accrued liabilities of SDCERS for the City, as of June 30, 2000, and June 30, 1999, were \$2.529 billion and \$2.182 billion, respectively. The actuarial value of the assets for the City as of June 30, 2000, and June 30, 1999, were \$2.460 billion and \$2.033 billion, respectively. The actuarial accrued liabilities of SDCERS for the District, as of June 30, 2000, and June 30, 1999, were \$97 million and \$89 million, respectively. The actuarial value of the assets for the District, as of June 30, 2000, and June 30, 1999, were \$133 million and \$110 million, respectively.

The City is amortizing an unfunded actuarial accrued liability (resulting from liabilities exceeding assets) over a closed 30-year amortization period, which began July 1, 1991, with 20 years remaining. The District does not presently have an unfunded actuarial accrued liability as their funded status exceeds 100%.

Investments

General Authority: Article XVI, Section 17 of the Constitution of the State of California provides that "Notwithstanding any other provisions of law or this Constitution, the Retirement Board of a public pension or retirement system shall have plenary authority

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and fiduciary responsibility for investment of moneys and administration of the system ... "Article XVI, Section 17(a) of the Constitution of the State of California provides that "the Retirement Board of a public pension or retirement system shall have the sole exclusive fiduciary responsibility over the assets ..."

Prudent Person Rule: Article XVI, Section 17(c) of the Constitution of the State of California, provides that "the members of the Retirement Board of a public pension or retirement system shall discharge their duties ... with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aim." By further diversifying the investments within a fund, the prudent person standard may enable a fund to reduce overall risk and increase returns. Information on SDCERS' asset allocation strategy appears in the Investment Section of this CAFR.

The Prudent Person Rule permits the Board to establish an investment policy based upon professional advice and counsel, and to delegate investment authority to professional investment advisors. The Statement of Investment Objectives and Policy summarizes the Trust Fund's responsibilities and the appropriate degree of risk for the Trust Fund. Investment advisors must execute the Investment Policy in accordance with specific investment guidelines incorporated in each of the investment management agreements between SDCERS and each of the investment managers.

For the years ended June 30, 2001, and June 30, 2000, SDCERS earned a total return of -0.45% and 14.93%, respectively. SDCERS' annualized total return over the past three years was 7.81%, and over the past five years was 10.92%.

Professional Services

The SDCERS Board retains consultants and investment managers to provide professional services essential to operate SDCERS effectively and efficiently. The Investment Consultant's Statement can be found in the Investment Section of this CAFR.

An opinion letter from the independent outside auditor and a certification letter from the actuary are included in this CAFR in the Financial and Actuarial Sections of this CAFR, respectively. The Introductory Section of the CAFR contains a complete list of firms that provide professional services to SDCERS. A schedule of payments to investment professionals and consultants appears in the Financial Section of this CAFR.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the

Page Seven

San Diego City Employees' Retirement System for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2000. The Certificate of Achievement is a prestigious award that recognizes conformance with the highest standards for preparing state and local government financial reports.

To be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized CAFR, which conforms to program standards. The CAFR must satisfy both accounting principals generally accepted in the United States of America and applicable legal requirements.

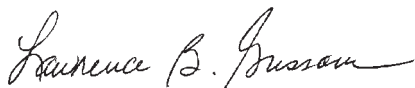
A Certificate of Achievement is valid for a period of one year only. This was the first year that SDCERS applied for and received a Certificate of Achievement. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting this CAFR to the GFOA for consideration.

Acknowledgments

The compilation of this report reflects the combined effort of SDCERS' staff under the leadership of the Retirement Board. It is intended to provide complete and reliable information with respect to the Board's stewardship of SDCERS. This CAFR is available to all members and retirees, upon request. We are mailing a summary of this CAFR to all of our active members, retirees and beneficiaries. We hope our employers (plan sponsors), members, retirees and beneficiaries will find these reports informative.

On behalf of the SDCERS' Retirement Board, I would like to take this opportunity to express my gratitude to the staff, the advisors, and the many people who have worked so diligently to ensure the successful operation of SDCERS.

Respectfully submitted,



Lawrence B. Grissom
Retirement Administrator
November 30, 2001

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Diego City Employees'
Retirement System,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Imelda D. Brewer
President

Jeffrey L. Essler
Executive Director

San Diego City Employees' Retirement System

Members of the Retirement Board

The 13-member Retirement Board is comprised of: a representative from the City Manager's office, the City Treasurer, the City Auditor, four citizens of San Diego appointed by the Mayor and City Council (including one banker), three SDCERS members elected by general members, two SDCERS members elected by police and fire safety members and one retiree elected by the retired members. The following individuals served as members of the Retirement Board, as of June 30, 2001:



Mr. Frederick W. Pierce, IV, President
Council Appointee
The Pierce Company
Term Ends: December 7, 2002



Mr. John Torres, Vice-President
General Member Representative
City of San Diego, Police Dept. - Forensics
Term Ends: June 21, 2007



Mr. Paul Barnett
Council Appointee
Wells Fargo Bank, Business Trust Dept.
Term Ends: December 7, 2004



Mr. John Casey
General Member Representative
City of San Diego, Planning and
Development Review
Term Ends: June 17, 2004



Mr. David Crow
Retiree Representative
Term Ends: December 18, 2004



Ms. Cathy Lexin
Ex-Officio Member
City of San Diego, Human Resources
Manager
for Mr. Michael Uberaga, City Manager

San Diego City Employees' Retirement System

Members of the Retirement Board (continued)



Ms. Conny Jamison
Ex-Officio Member
City of San Diego, Treasurer
(retired June 2001)



Ms. Mary Vattimo
Ex-Officio Member
City of San Diego, Treasurer
(sworn in June 2001)



Mr. Tom Rhodes
Safety/Police Representative
City of San Diego, Police Dept.
Term Ends: June 21, 2003



Ms. Diann Shipione
Council Appointee
UBS/Paine Webber
Term Ends: December 7, 2005



Mr. Ron Saathoff
Safety/Fire Representative
City of San Diego, Fire Dept.
Term Ends: June 21, 2003



Ms. Terri Webster
Ex-Officio Member
City of San Diego, Assistant Auditor
for Mr. Ed Ryan, City of San Diego,
Auditor & Comptroller



Ms. Sharon Wilkinson
General Member Representative
Qualcomm Stadium
Term Ends: June 15, 2002



Council Appointee

The Retirement Board meets monthly on the third Friday of each month at 1:30PM. Meetings are open to the public.

San Diego City Employees' Retirement System

Retirement Board Committees

In addition to regular Board duties, SDCERS' Board members also participate on one or more standing committees. The standing committees are responsible for reviewing policies and procedures related to the various areas of SDCERS administration, reporting their findings and making recommendations to the full Retirement Board. The responsibilities and composition of the standing committees as of June 30, 2001, were as follows:

Investment Committee

Conny Jamison (Chair)

John Casey (Vice-Chair)

Paul Barnett

Dave Crow

Frederick W. Pierce, IV

Ron Saathoff

Diann Shipione

Responsible for monitoring investment performance and market conditions and recommending changes to the Investment Policy as dictated by changes in the financial marketplace. This committee meets monthly at 3:00 P.M. on the Thursday before the Friday of the full Retirement Board meeting.

Proxy Voting Committee

Conny Jamison (Chair)

John Casey

Frederick W. Pierce, IV

Ron Saathoff

Responsible for reviewing and updating the Proxy Voting Guidelines as well as overseeing the proxy voting function. This committee meets each March to report on annual voting activities and meets as needed to make recommendations to the full Retirement Board.

San Diego City Employees' Retirement System

Retirement Board Committees (continued)

Business Procedures Committee

Ron Saathoff (Chair)
 Dave Crow (Vice-Chair)
 John Casey
 Cathy Lexin
 Frederick W. Pierce, IV
 Tom Rhodes
 John Torres
 Terri Webster
 Sharon Wilkinson

Responsible for reviewing SDCERS procedures and making recommendations; reviewing and suggesting solutions to specific problems related to SDCERS administration; establishing, periodically reviewing and updating strategic planning and performance plans for SDCERS. This committee meets monthly at 9:30 A.M. on the third Friday of each month.

Rules Committee

John Torres (Chair)
 Dave Crow
 Frederick W. Pierce, IV
 Tom Rhodes
 Ron Saathoff

Responsible for reviewing the Retirement Board Rules and making recommendations for necessary changes as recommended by the Board, the Retirement Administrator or General Counsel. This committee meets monthly at 10:30 A.M. on the Thursday before the Friday of the full Retirement Board meeting

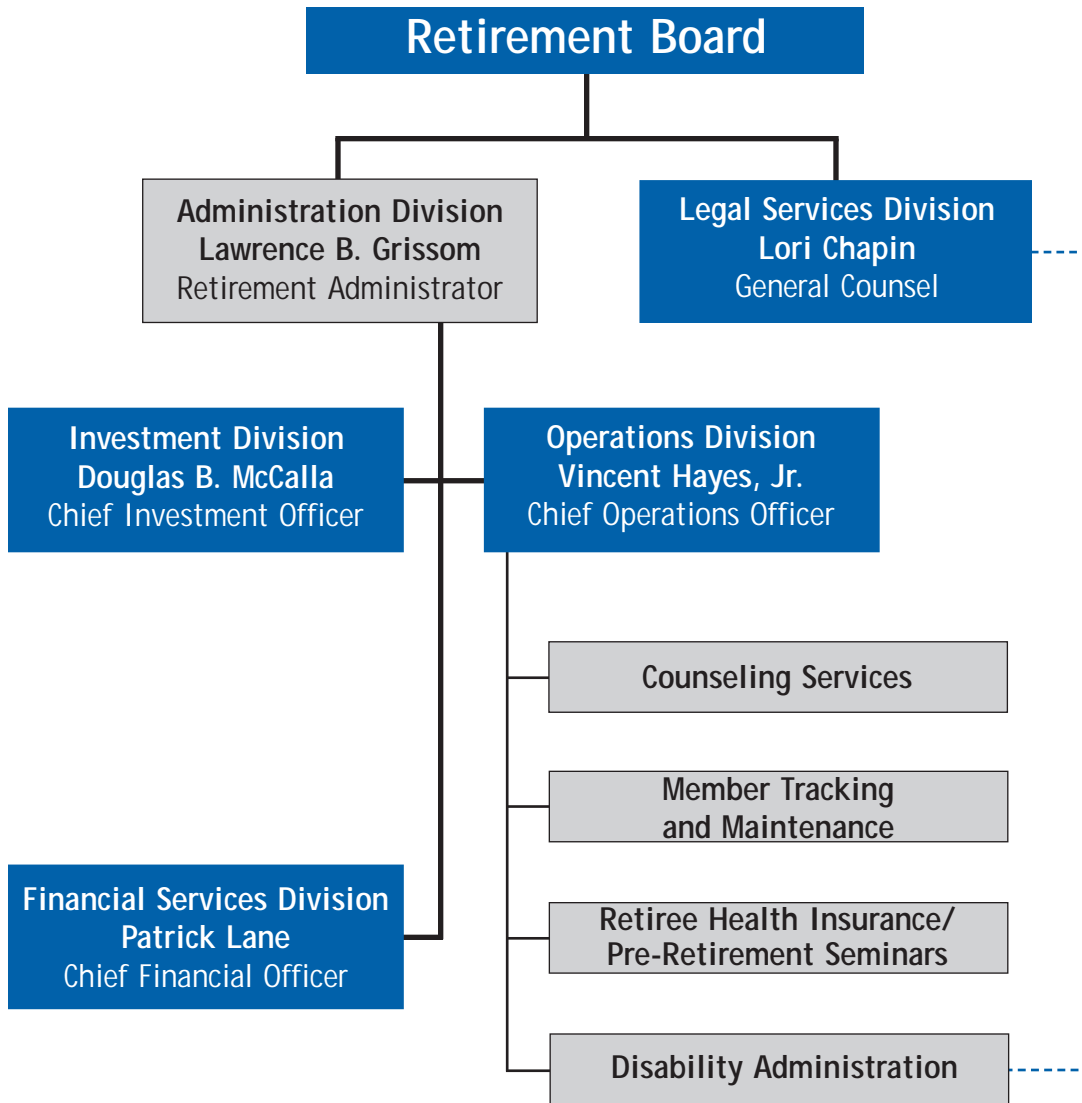
Health Advisory Committee

Dave Crow (Chair)
 Stan Elmore (City of San Diego Retiree)
 Steve Margetts (POA)
 John Thompson (Local 145)
 John Torres (MEA)
 Robert West (City of San Diego Retiree)

Responsible for addressing retiree health-related issues and making recommendations to the Business Procedures Committee. This committee meets monthly at 9:00 A.M. on the Thursday before the Friday of the full Retirement Board meeting

San Diego City Employees' Retirement System

Organization Chart



San Diego City Employees' Retirement System

Organization Divisions

The Administration Division interfaces with the Retirement Board, manages the daily affairs of the office, orientates new Board members; facilitates on-going education for existing Board members; directs and encourages professional development of Retirement staff; and prepares and maintains agendas and minutes of committee and Retirement Board meetings.

The Legal Services Division provides legal advice and assistance to the Retirement Board and staff in the areas of trust, tax, contract, community property, benefit interpretation/eligibility, investments, corporate governance and fiduciary responsibility; drafts legal documents, including ordinances, resolutions, contracts, rules and pleadings; coordinates the use of outside counsel representing the SDCERS Board in all legal proceedings to which the Board is a party.

The Investment Division conducts the day-to-day investment and corporate governance functions in accordance with SDCERS Board adopted investment objectives and policies; negotiates contracts with, reviews the performance of, and maintains positive relationships with external asset managers, consultants and other investment service providers; manages cash flows between SDCERS, external asset managers, the City and other parties; researches, analyzes, and recommends investment alternatives to the Investment Committee and SDCERS Board; monitors investment activity of asset managers and the custodial bank; performs monthly asset reconciliation and assists with the preparation of the monthly and annual financial statements of the Retirement System Trust Fund.

The Financial Services Division conducts all necessary internal audits, administers the operational budget and provides information technology services. Internal audit staff is responsible for evaluating operational efficiencies and implementing sound internal controls, managing the member contribution tracking system, developing and monitoring budget activities and conducting special studies as requested by the Retirement Administrator. Information Technology staff coordinates new systems development, mainframe application enhancements and support, necessary payroll interface requirements, local and wide area network administration, internal systems support, phone and data infrastructure requirements and hardware and software procurement.

The Operations Division performs the day-to-day delivery of services and benefits to SDCERS' members, which includes individual and group counseling sessions and calculating benefit payments. The major programs operated by this division are:

Counseling Services makes presentations at new employee orientations and payroll specialists' training sessions. This area assists and counsels members, on a one-on-one basis, concerning retirement benefits, including: Deferred Retirement Option Program (DROP), disability retirement and service retirement.

San Diego City Employees' Retirement System

Organization Divisions (continued)

Member Tracking and Maintenance processes and enrolls new members into SDCERS and tracks a member's retirement account from the time a member enters SDCERS until the member terminates employment, retires, or dies. This area is also calculates and processes all benefits offered by SDCERS. This includes Purchase of Service Credit (PSCs) calculations, retirement allowance estimates and the issuance of pension payroll checks.

Retiree Health Insurance/Pre-Retirement Seminars administers the health benefits program for retired members and conducts financial planning and pre-retirement seminars for mid-career members and members approaching retirement.

Disability Administration processes all disability applications. This area evaluates disability claims and submits reports to the SDCERS Board that recommends approval, denial or judicial hearing of an applicant's claim for disability benefits; provides monthly reports related to status of all pending disability cases and represents SDCERS at all disability pre-hearings and hearings.

San Diego City Employees' Retirement System
Professional Services

AS OF JUNE 30, 2001

ACTUARY

Gabriel, Roeder, Smith & Co.
 San Diego, CA

CONSULTING SERVICES

Buck Consultants
 Los Angeles, CA

Levi, Ray & Shoup
 Springfield, IL

William M. Mercer, Inc.
 San Francisco, CA

San Diego Data Processing
 Corporation
 San Diego, CA

CUSTODIAN

State Street Bank & Trust Co.
 Alameda, CA

INDEPENDENT AUDITOR

Calderon, Jaham & Osborn
 San Diego, CA

INVESTMENT CONSULTANT

Callan Associates
 San Francisco, CA

INVESTMENT MANAGERS

Domestic Equity

Addison Capital Management
 Philadelphia, PA

Delta Asset Management
 Los Angeles, CA

Dimensional Fund Advisors
 Santa Monica, CA

Globeflex Capital, L.P.
 San Diego, CA

Lincoln Capital Mgt. Co.
 Chicago, IL

Putnam Investments
 Boston, MA

Sector Capital
 Memphis, TN

Trinity Investment Mgt. Corp.
 Englewood, CO

Wall Street Associates
 La Jolla, CA

Domestic Fixed Income

GW Capital
 Bellevue, WA

Nicholas-Applegate Capital Mgt.
 San Diego, CA

Pacific Investment Mgt. Co.
 (PIMCO)
 Newport Beach, CA

Salus Capital Mgt, Inc.
 Los Angeles, CA

International Equity

Brandes Investment Partners
 San Diego, CA

Capital Guardian Trust Co.
 Los Angeles, CA

Putnam Investments
 Boston, MA

International Fixed Income

Rogge Global Partners
 London, England

Real Estate

PM Realty Advisors
 Newport Beach, CA

RREEF Funds
 San Francisco, CA

RREEF America L.L.C.
 Chicago, IL

SSR Realty Advisors
 San Francisco, CA

TA Associates Realty
 Boston, MA

TCW Associates Realty /
 Westmark
 Los Angeles, CA

U.S. Realty Advisors
 New York, NY

LEGAL SERVICES

Justice Howard B. Weiner
 San Diego, CA

Hanson, Bridgett, Marcus,
 Vlahos Rudy, LLP
 San Francisco, CA

Hillyer & Irwin
 San Diego, CA

JAMS (Judicial Arbitration
 Services)
 San Diego, CA

Jones, Day, Reavis & Pogue
 San Francisco, CA

Peterson & Associates
 (Court Reporters)
 San Diego, CA

Vail Christians & Associates
 (Court Reporters)
 Los Angeles, CA

REAL ESTATE CONSULTANT

Russell Real Estate Advisors
 San Diego, CA



THE CITY OF SAN DIEGO

**REPORT FROM THE
RETIREMENT BOARD PRESIDENT**

Dear Members:

On behalf of the members of the Retirement Board, I am pleased to present the San Diego City Employees' Retirement System (SDCERS) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2001.

The SDCERS Trust Fund experienced a net reduction in Plan Net Assets of approximately \$50 million for the fiscal year ended June 30, 2001, due to declines in the financial markets over the past year and increases in benefit payments to SDCERS retirees. Total Plan Net Assets were \$2.602 billion as of June 30, 2001, as compared to Total Plan Net Assets of \$2.652 billion as of June 30, 2000.

SDCERS was able to weather the volatility in the financial markets due to its conservative target asset allocation strategy. SDCERS' total fund performance for the year ending June 30, 2001 was -0.45%, which ranked favorably compared to the investment performance of a sampling of other public retirement plans.

The settlement of Corbett v. the City of San Diego, SDCERS, et al, litigation brought about enhanced benefit changes to SDCERS members, which became effective beginning July 1, 2000. This increased benefit payments by \$26 million for the year ending June 30, 2001, primarily due a one-time retroactive payment to retirees and DROP participants which occurred on November 17, 2000. Active members will now have a choice of enhanced benefits at the time of retirement. For information regarding the benefit change options for members, resulting from the Corbett settlement, please refer to the Subsequent Event Disclosure in the Notes to Financial Statements in the Financial Section of this CAFR.

In spite of the benefit enhancements resulting from the Corbett settlement, SDCERS funded status, as of the most recent actuarial valuation (June 30, 2000), is 97.3% for the City of San Diego and 137.1% for the San Diego Unified Port District. A funded status in excess of 90% indicates strong financial health for a defined benefit plan such as SDCERS.



City Employees' Retirement System
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Located in the Introductory Section of this CAFR is a complete list of SDCERS Board representatives and their participation in respective committees. SDCERS Board and its committees convene for two full days each month to effectively administer SDCERS and provide for the effective delivery of benefits to SDCERS' retirees and beneficiaries.

These dedicated volunteers contribute an immense amount of time for the benefit of the members and plan sponsors and I extend my heart felt thanks to each of them for their continued commitment. I thank the committee chairs, for their dedicated service to SDCERS: Mr. John Torres (Board Vice President and Rules Committee Chair), Ms. Conny Jamison (Investment Committee Chair and Proxy Voting Committee Chair), Mr. Ron Saathoff (Business Procedures Committee Chair), and Mr. Dave Crow (Health Advisory Committee Chair).

In particular, I would like to recognize Ms. Conny Jamison, former City of San Diego Treasurer, for over ten years of service as a member of SDCERS' Board. Ms. Jamison's leadership, commitment and financial expertise will be sorely missed; however, we sincerely wish her happiness in a well-deserved retirement! With Ms. Jamison's retirement, I would like to introduce and welcome Ms. Mary Vattimo, City of San Diego Treasurer, SDCERS' newest Board member and Chair of SDCERS' Investment Committee.

SDCERS Board cannot deliver service to its members without the support of SDCERS executive staff, including Lawrence Grissom, Doug McCalla, Lori Chapin, Vincent Hayes and Patrick Lane. These individuals together with their talented staff have worked over the past year to bring a new Membership Benefit System (MBS) on line, counsel members on the terms of the Corbett settlement, streamline the disability retirement process and community property case reviews, and review the investment manager structure and asset allocation strategy. The committed and professional work of SDCERS' staff continues to be focused on serving the best interests of SDCERS' membership.

In closing, SDCERS' Board members and staff wish to express appreciation to the active and retired members for your continued support and confidence in us during the past year. If you should ever have any questions or would like to provide input, please do not hesitate to contact us. We remain committed to providing the best service possible.

Sincerely,
San Diego City Employees' Retirement System



Frederick W. Pierce, IV
Retirement Board President
November 30, 2001

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II. FINANCIAL SECTION




CALDERON, JAHAM & OSBORN

AN ACCOUNTANCY CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Administration
 San Diego City Employees' Retirement System
 San Diego, California

We have audited the accompanying statements of plan net assets of the San Diego City Employees' Retirement System ("SDCERS") as of June 30, 2001 and 2000, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of SDCERS' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of SDCERS as of June 30, 2001 and 2000, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information and schedules presented in Section II in the accompanying Annual Financial Report are not a requirement of the basic financial statements and are presented for the purpose of additional analysis. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The schedules in Sections III through V are not required parts of the basic financial statements of SDCERS but are supplementary information required by the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

November 2, 2001

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THE CITY OF SAN DIEGO

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dear Members:

We are pleased to provide this overview and analysis of the financial activities of SDCERS for the fiscal year ended June 30, 2001 (FY 2001). We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Transmittal Letter in the Introductory Section of this Comprehensive Annual Financial Report (CAFR).

Financial Highlights

- As of June 30, 2001, SDCERS assets exceeded its current year liabilities. \$2,601,813,168 in Plan Net Assets are held in Trust for the payment of benefits. All of the Plan Net Assets are available to meet SDCERS ongoing obligations to its members, retirees and beneficiaries
- SDCERS Plan Net Assets held in Trust for the payment of benefits decreased by \$50,679,066, or about 2%, from the prior year due to increased benefit payments as a result of the Corbett settlement and declines in the financial markets which impacted SDCERS investment performance.
- Revenues (Additions to Plan Assets) for the year were \$110,262,688, which includes employer and employee contributions totaling \$133,880,778 and net investment losses of \$23,618,090 (including miscellaneous income of \$371,123). As compared to FY 2000 in which additions totaled \$460,445,235, FY 2001 additions of \$110,262,688 were down by \$350,182,547, or approximately 76% from the prior year.
- Expenses (Deductions in Plan Assets) increased to \$160,941,754 from \$117,678,839, an increase of \$43,262,915, or approximately 37% from the prior year. This was due to an increased number of retirees and increased benefits paid as a result of the Corbett settlement. (See the Notes to the Financial Statements in the Financial Section, for further discussion on the terms of the settlement).
- SDCERS' funding objective is to meet its long-term benefit obligations through contributions and investment income. As of June 30, 2000, the date of the last actuarial valuation, the funded ratio for the City is 97.3%. In general, this means that SDCERS currently has \$0.97 for every dollar of benefits earned by City employees



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Page Two

(members), retirees and beneficiaries. As of June 30, 2000, the date of the last actuarial valuation, the funded ratio for the District is 137.1%. In general, this means that SDCERS currently has \$1.37 for every dollar of benefits earned for District employees (members), retirees and beneficiaries.

Overview of the Financial Statements

The following discussion and analysis is intended to serve as an introduction to SDCERS' financial statements, which are comprised of these components:

1. Comparative Statement of Plan Net Assets
2. Comparative Statement of Changes in Plan Net Assets
3. Notes to the Financial Statements
4. Required Supplementary Information
5. Supporting Schedules

The Comparative Statement of Plan Net Assets is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at this time.

The Comparative Statement of Changes in Plan Net Assets, on the other hand, provides a view of current year additions and deductions to the plan. Both statements are in compliance with Governmental Accounting Standards Board (GASB) Statements Nos. 25, 26, 28, 33 and 34. These pronouncements require certain disclosures and require State and Local Governments to move to the full accrual method of accounting. SDCERS complies with all material requirements of these pronouncements.

The Comparative Statement of Plan Net Assets and the Comparative Statement of Changes in Plan Net Assets report information about SDCERS' activities. These statements include all assets and liabilities, using the accrual basis of accounting. All investment gains and losses are shown on a trade date basis, not settlement date. In addition, both realized and unrealized gains and losses on investments are shown, and all fixed assets are depreciated over their useful lives. (See SDCERS' financial statements in the Financial Section of this CAFR.)

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. (See Notes to the Financial Statements in the Financial Section of this CAFR.)

Required Supplementary Information provides additional information and detail concerning SDCERS' progress in funding its obligations, the history of employers' contributions and Notes to the Schedules of Trend Information. (See Required Supplementary Information in the Financial Section of this CAFR.)

Page Three

Supporting Schedules section includes the schedules of administrative expenses, investment manager fees and other investment expenses, and payments to consultants. (See Supporting Schedules in the Financial Section of this CAFR.)

Financial Analysis

SDCERS' financial position is measured in several ways. One way is to determine the Plan Net Assets (difference between total assets and total liabilities) available to pay benefits. Over time, increases and decreases in SDCERS' Plan Net Assets is one indicator of whether its financial health is improving or deteriorating. Other factors, such as financial market conditions, should also be taken into consideration when measuring SDCERS' overall health.

SDCERS' Plan Net Assets as of June 30, 2001, totaled \$2,601,813,168. All of the Plan Net Assets are available to meet SDCERS' ongoing obligations to members, retirees and beneficiaries (See Table 1 below).

SDCERS' Plan Net Assets held in Trust for the payment of benefits has steadily increased over the past decade. However, in the year ending June 30, 2001, Plan Net Assets decreased by \$50,679,066, or 2.0%, due to increases in benefit payments and declines in investment earnings.

Despite volatility in the financial markets, SDCERS' management and actuary concur that SDCERS remains in a strong financial position to meet its obligations to SDCERS' members, retirees and beneficiaries. The current financial position is a result of diligent strategic planning and a successful investment program.

Table 1: SDCERS Plan Net Assets

	2001	2000	Increase/ (Decrease) Amount	Percentage Change
Current Assets	\$275,929,702	\$221,441,786	\$54,487,916	24.6%
Investments, at Fair Value	2,531,252,338	2,777,275,075	(246,022,737)	(8.9%)
Fixed Assets	264,578	293,284	(28,706)	(9.8%)
Total Assets	2,807,446,618	2,999,010,145	(191,563,527)	(6.4%)
Current Liabilities	1,487,434	1,215,888	(271,546)	(22.3%)
Securities Purchased	204,146,016	345,302,023	(141,156,007)	(40.9%)
Total Liabilities	205,633,450	346,517,911	(140,884,461)	(40.7%)
SDCERS Plan Net Assets	\$2,601,813,168	\$2,652,492,234	(\$50,679,066)	(1.9%)

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Reserves

All retirement systems establish reserve accounts to earmark Plan Net Assets to fund future anticipated liabilities. SDCERS' reserves are established from contributions and the accumulation of investment earnings, after satisfying investment and administrative expenses. A complete listing of SDCERS established reserve balances for years ending June 30, 2001, and June 30, 2000, can be found in the Notes to the Financial Statements, Item 6, Retirement Trust Fund – Reserves.

SDCERS reserve categories have remained the same over the past several years. However in FY 2001, SDCERS Board allocated funds to a new reserve, Reserve for Contingencies. This reserve was established to fund possible future benefit changes resulting from the 2002 Meet and Confer process (labor and management negotiations). This reserve will close as of June 30, 2002, at which time all available funds will be allocated to the Reserve for Employers' Contributions.

SDCERS' Activities

Declines in the market value of invested assets and increases in benefit payments as a result of the Corbett settlement decreased Plan Net Assets by \$50,679,066. This accounted for a 2.0% decrease in Plan Net Assets from June 30, 2000. Key elements of this decrease are described in the sections that follow.

Revenues – Additions to Plan Assets

The revenues needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and earnings on investments (net of investment expenses). Revenues for the fiscal year ended June 30, 2001, totaled \$110,262,688. (See Table 2 following.)

As a result of less investment income and declines in the market value of invested assets, revenues decreased by \$350,182,547, or 76.1%, from the prior year. The Investment Section of this CAFR provides more detail concerning the investment activity for the fiscal year ended June 30, 2001.

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Table 2: Contributions and Investment Earnings

	2001	2000	Increase/ (Decrease) Amount	Percentage Change
Employer Contributions	\$45,553,367	\$40,666,091	\$4,887,276	12.0%
Employee Contributions Paid by Employer	25,566,207	24,271,821	1,294,386	5.3%
Employee (Member) Contributions	36,360,970	29,533,246	6,827,724	23.1%
DROP Contributions	26,400,234	16,011,124	10,389,110	64.9%
Investment Earnings	(23,989,213)*	349,654,651*	(373,643,864)	(106.9%)
Miscellaneous	371,123	308,302	62,821	20.4%
Totals	\$110,262,688	\$460,445,235	(\$350,182,547)	(76.1%)

* Net of investment manager fees of \$10,075,379 and \$9,561,581 for June 30, 2001, and June 30, 2000, respectively.

Expenses – Deductions from Plan Assets

SDCERS was created to provide lifetime retirement annuities, survivor benefits, permanent disability benefits and retiree health insurance to qualified SDCERS members. The cost of such programs includes recurring benefit payments as designated by SDCERS, refund of contributions to terminated employees, and the cost of administering SDCERS.

Deductions for the fiscal year ending June 30, 2001, totaled \$160,941,754, an increase of 36.8% over June 30, 2000 (See Table 3 below). The increase in benefits and health insurance payments paid resulted from an increase in the number of new retirees receiving benefits, an increase in the average benefit amount, and retroactive benefits paid as a result of the Corbett settlement. Deductions of \$160,941,754 exceeded additions of \$110,262,688, resulting in a net reduction of \$50,679,066 in Plan Net Assets for the fiscal year ended June 30, 2001.

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Table 3: Benefit Payments and Other Expenses

	2001	2000	Increase/ (Decrease) Amount	Percentage Change
Benefit Payments	\$145,991,812	\$105,179,379	\$40,812,433	38.8%
Health Insurance Payments	7,207,618	5,413,222	1,793,796	33.1%
Administrative Expenses	6,250,872	5,813,354	437,518	7.5%
Refund of Terminated Members' Contributions	1,462,746	1,250,997	211,749	16.9%
Other Expenses	28,706	21,887	6,819	31.2%
Totals	\$160,941,754	\$117,678,839	\$43,262,915	36.8%

Requests for Information

This CAFR is designed to provide the Retirement Board, our membership, taxpayers, investment managers and creditors with a general overview of SDCERS' financial position and to show accountability for the funds it receives.

This CAFR is also available in its entirety on the City of San Diego's web site (in Adobe Acrobat) at www.sandiego.gov/retirement/index.shtml.

Questions concerning any of the information provided in this CAFR or requests for additional financial information should be addressed to:

SDCERS
401 B Street, Suite 400
San Diego, California 92101-4298

Respectfully submitted,



Douglas B. McCalla
Chief Investment Officer
November 30, 2001

San Diego City Employees' Retirement System

Comparative Statement of Plan Net Assets

FOR THE YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

	<u>2001</u>	<u>2000</u>
ASSETS		
Cash and Cash Equivalents		
Cash or Equity in Pooled Cash and Investments on Deposit with City of San Diego	\$2,088,990	\$1,932,589
Cash on Deposit with Custodial Bank	109,951,889	114,124,797
Cash Equivalents on Deposit with Custodial Bank	122,153,791	47,441,443
Total Cash and Cash Equivalents	234,194,670	163,498,829
Receivables		
Employer Contributions	5,179,847	4,717,021
Plan Members-Purchased Service	3,386,133	2,109,280
Accrued Interest Receivable	11,250,100	14,285,278
Accrued Interest on Investments Purchased	1,170,406	2,399,742
Securities Sold	20,708,770	34,402,353
Total Receivables	41,695,256	57,913,674
Investments, at Fair Value		
Short Term Investments	11,864,163	69,460,684
Domestic Fixed Income Securities (Bonds)	688,257,352	888,648,574
International Fixed Income Securities (Bonds)	115,499,233	116,505,899
Domestic Equity Securities (Stocks)	1,093,158,064	1,064,985,536
International Equity Securities (Stocks)	353,605,176	408,202,384
Mortgages	1,617,777	2,784,927
Real Estate and Real Estate Securities	267,250,573	226,687,071
Total Investments	2,531,252,338	2,777,275,075
Prepaid Expenses	39,776	29,283
Properties, at cost, net of accumulated depreciation of \$288,632 and \$259,926, respectively	264,578	293,284
TOTAL ASSETS	\$2,807,446,618	\$2,999,010,145
LIABILITIES		
Accounts Payable	\$813,460	\$22,217
Accrued Payroll	127,468	118,601
Accrued Annual Leave and Sick Leave	214,193	199,878
PPE Conversion Liability	257,168	270,524
Notes Payable	—	553,000
Pension Liability	75,145	51,668
Securities Purchased	204,146,016	345,302,023
TOTAL LIABILITIES	\$205,633,450	\$346,517,911
NET ASSETS HELD IN TRUST FOR THE PAYMENT OF BENEFITS	\$2,601,813,168	\$2,652,492,234

See accompanying Notes to Financial Statements.

San Diego City Employees' Retirement System

Comparative Statement of Changes in Plan Net Assets

FOR THE YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

	2001	2000
ADDITIONS		
Contributions		
Employer—City	\$44,337,715	\$39,364,162
Employer—District	1,215,652	1,301,929
Employer—Employee Portion Paid By City	23,271,129	21,986,996
Employer—Employee Portion Paid By District	2,295,078	2,284,825
Employee—City	35,516,435	28,751,540
Employee—District	844,535	781,706
DROP—City	26,373,428	15,992,698
DROP—District	26,806	18,426
Total Contributions	133,880,778	110,482,282
Investment Income		
Net Appreciation (Depreciation) in Fair Value of Investments		
Equity (Stocks)	(193,229,353)	(52,376,011)
Fixed Income (Bonds)	(6,255,020)	(7,590,722)
Real Estate and Real Estate Securities	21,455,258	1,316,761
Total Net Appreciation (Depreciation) in Fair Value of Investments	(178,029,115)	(58,649,972)
Realized Income		
Equity (Stocks)—Dividends, Gains & Losses	83,014,833	348,273,891
Fixed Income (Bonds)—Interest, Gains & Losses	55,193,442	61,230,868
Mortgages—Earnings	107,379	197,141
Real Estate—Income, Dividends, Gains & Losses	24,605,750	7,355,171
Total Realized Income	162,921,404	417,057,071
Securities Lending Income		
Earnings	1,695,590	1,153,211
Administrative Expense	(501,713)	(344,078)
Total Securities Lending Income	1,193,877	809,133
Less Investment Expenses (Principally Investment Managers' Fees)	(10,075,379)	(9,561,581)
Net Investment Income (Loss)	(23,989,213)	349,654,651
Miscellaneous Income		
	371,123	308,302
TOTAL ADDITIONS	\$110,262,688	\$460,445,235

San Diego City Employees' Retirement System

Comparative Statement of Changes in Plan Net Assets (continued)

FOR THE YEARS ENDED JUNE 30, 2001 AND JUNE 30, 2000

	<u>2001</u>	<u>2000</u>
DEDUCTIONS		
Benefit and Withdrawal Payments		
Monthly Retirement Allowances	\$117,511,739	\$101,736,915
Health Insurance Payments	7,207,618	5,413,222
Corbett Settlement Benefit Payment	23,630,603	0
DROP Payments	4,324,380	3,097,356
Death Benefit Payments	525,090	345,108
Refund of Terminated Members Contributions	1,462,746	1,250,997
Total Benefit and Withdrawal Payments	154,662,176	111,843,598
Administrative Expenses	6,250,872	5,813,354
Depreciation Expenses	28,706	21,887
TOTAL DEDUCTIONS	\$160,941,754	\$117,678,839
NET ASSETS HELD IN TRUST FOR PAYMENT OF BENEFITS		
Beginning of Year	\$2,652,492,234	\$2,309,725,838
Net Additions (Deductions)	(50,679,066)	342,766,396
END OF YEAR	\$2,601,813,168	\$2,652,492,234

See accompanying Notes to Financial Statements.

San Diego City Employees' Retirement System

Notes to Financial Statements

FOR YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

1. PLAN DESCRIPTION

The following description of the San Diego City Employees' Retirement System (SDCERS) provides only general information. Participants should refer to the SDCERS agreement for a more complete description of the various provisions.

General

SDCERS is the agent of a multi-employer, defined benefit retirement system, established in 1927 by the City of San Diego (City). It is administered by the SDCERS Board to provide retirement, disability, death and survivor benefits to its members. Employees of the San Diego Unified Port District (District) became members of SDCERS in 1963, through an agreement between the City and the District. The Plan provisions applicable to the City's general members are generally applicable to the District's general members, and those provisions applicable to the City's lifeguard members are generally applicable to the District's safety members.

SDCERS, as agent of a multiple-employer, defined benefit retirement system, acts as a common and independent investment and administrative agent for the City and the District, and covers all eligible employees of the City and the District. As a defined benefit plan, retirement benefits are determined primarily by a member's age at retirement, length of membership service and final compensation, based on the highest consecutive one-year period.

SDCERS is considered part of the City of San Diego's financial reporting entity and is included in the City's Comprehensive Annual Financial Report as a Retirement System Trust Fund.

Membership

All benefited (40, 60 and 80 hours bi-weekly standard) City and District employees are eligible to participate in SDCERS. Salaried classified employees and salaried unclassified members hired on or after August 11, 1993, become members of SDCERS upon employment.

As of June 30, 2001, and June 30, 2000, SDCERS membership consisted of active employees; terminated members entitled to benefits but not yet receiving them (deferred vested members); and retired members, as follows:

San Diego City Employees' Retirement System

Notes to Financial Statements (continued)

FOR YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

	City					
	General		Safety		District	
	2001	2000	2001	2000	2001	2000
Active Vested Members	3,642	3,286	1,811	1,663	292	203
Deferred Vested Members	306	766	60	107	14	142
Active Non-Vested Members (includes inactive non-vested members)	4,687	3,870	996	1,094	624	451
Retired Members	2,736	2,694	1,717	1,683	245	240
DROP Participants	198	155	349	257	2	2
Totals	11,375	10,771	4,846	4,804	1,122	1,038

SDCERS membership (active and deferred) increased by 741 over the prior year. SDCERS retirees increased by 216, which includes 135 DROP participants, over the prior year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Accounting**

SDCERS' financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized as revenues in the period in which the employee services are performed and expenses are recorded when the corresponding liabilities are incurred. Benefits and refunds are recognized when due and payable in accordance with SDCERS' Plan. Gains or losses on investments are recognized as earned when securities have been sold, on a trade date basis.

Cash or Equity in Pooled Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds of the City and other related entities for which the City is the depository. The credit risk for this pool is disclosed in the Notes to the City's Comprehensive Annual Financial Report. Interest is earned on the pooled funds each accounting period (13 periods each fiscal year). SDCERS had a total of \$2,088,990 and \$1,932,589 on deposit in the pool as of June 30, 2001, and June 30, 2000, respectively.

Investments

SDCERS operates under the "Prudent Person Rule". Under the California State Constitution and other relevant authority, SDCERS' Board may, at its discretion, invest funds in any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board. SDCERS' agent in SDCERS' name holds all investments. SDCERS' investments are stated at fair value in the accompanying Comparative Statement of Plan Net Assets. The custodian, State Street Bank & Trust Company, provides the market values of SDCERS' invested assets.

San Diego City Employees' Retirement System

Notes to Financial Statements (continued)

FOR YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

Receivables

Included in SDCERS receivables are accounts receivable representing employee contributions due as well as matching contributions including retirement buybacks under various plans.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 25, securities sold represents a receivable of cash under trade date accounting which is received as of settlement date.

Fixed Assets

Purchased fixed assets are recorded at historical cost. Assets are depreciated using the straight line method over the following useful lives:

Office Equipment	10-15 years
Computer Equipment	3 years

Expenses

SDCERS is an independent entity. As such, the entire expense of SDCERS' administration is charged against the earnings and assets of SDCERS. Fees for investment management, actuarial services, custodial bank and travel costs for investment related activities are netted against annual additions to plan assets to arrive at Plan Net Assets at the end of the year as provided for in Sections 24.1501 and 24.1502 of the San Diego Municipal Code.

Income Taxes

SDCERS operates as a Retirement System Trust Fund under Section 401(a) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements, as the Retirement System Trust Fund is considered exempt from federal and state income taxes under the provisions of the Internal Revenue Code, Section 501, and California Revenue and Taxation Code Section 23701.

Reclassifications

Certain prior year balances have been reclassified to conform to current year presentation.

San Diego City Employees' Retirement System

Notes to Financial Statements (continued)

FOR YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

3. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

SDCERS' funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using the projected unit credit actuarial funding method.

Unfunded actuarial accrued liabilities are being amortized (closed amortization) as a level percent of payroll over a period of 30 years (20 years remaining), which began July 1, 1991.

Employees are required to contribute a percentage of their annual salary to SDCERS. Contributions vary according to age at entry into SDCERS and salary. The City and the District contribute a portion of the employees' share and the remaining amount necessary to fund SDCERS based on an actuarial valuation at the end of the preceding year under the projected unit credit method of actuarial funding. Before June 30, 1993, contributions were based on the entry age normal cost method of actuarial funding.

Computed City and District contribution rates as of June 30, 2000, which applied to fiscal year 2002 (which began July 1, 2001), and rates as of June 30, 1999, which applied to fiscal year 2001 (which began July 1, 2000), were as follows (expressed as percentages of active payroll):

San Diego City Employees' Retirement System
Notes to Financial Statements (continued)
 FOR YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

CITY OF SAN DIEGO

General Member Contributions (Employer) Based on Valuation of:	June 30, 2000		June 30, 1999	
	General	Legislative	General	Legislative
Normal Cost*	8.92%	28.86%	7.40%	22.16%
Amortization Payment*	(0.02)	25.42	0.93	18.47
SUBTOTAL	8.90	54.28	8.33	40.63
Adjusted for payment at the beginning of year	8.56	52.23	8.02	39.10
Total City Contributions	8.56%	52.23%	8.02%	39.10%

Safety Member Contributions (Employer) Based on Valuation of:	June 30, 2000			June 30, 1999		
	Police	Fire	Life Guard	Police	Fire	Life Guard
Normal Cost*	17.04%	19.43%	16.70%	14.26%	16.90%	14.21%
Amortization Payment*	2.95	2.95	2.95	4.82	4.82	4.82
SUBTOTAL	19.99	22.38	19.65	19.08	21.72	19.03
Adjusted for payment at the beginning of year	19.24	21.54	18.91	18.36	20.90	18.31
Total City Contributions	19.24%	21.54%	18.91%	18.36%	20.90%	18.31%

SAN DIEGO UNIFIED PORT DISTRICT

District Contribution (Employer) Based on Valuation of:	June 30, 2000		June 30, 1999	
	General	Safety	General	Safety
Normal Cost*	7.70%	13.78%	7.14%	13.75%
Amortization Payment*	(8.27)	(7.40)	(4.90)	(3.14)
SUBTOTAL	(0.57)	6.38	2.24	10.61
Adjusted for payment at the beginning of year	(0.55)	6.13	2.16	10.21
Total District Contributions	(0.55%)	6.13%	2.16%	10.21%

*Rates assume that contributions are made uniformly during the plan year. (Applies to all tables.)

San Diego City Employees' Retirement System
Notes to Financial Statements (continued)
 FOR YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

Average employees' contribution rates for each member group are shown below. Averages shown apply to salary amounts over \$400 per month in the case of employees with social security integrated benefits.

	Average Employees' Contribution Rates as of June 30, 2000	Average Employees' Contribution Rates as of June 30, 1999
<u>City of San Diego</u>		
General Members	9.97%	9.29%
Safety Members	12.83%	12.09%
<u>San Diego Unified Port District</u>		
General Members	9.64%	9.93%
Safety Members	10.65%	10.69%

All or part of the employee rate is subject to potential offset (or pickup) by the employer. The rates above (actuarially determined amounts) are shown prior to any applicable offset. Such offset and related accumulated interest are not refunded to employees at termination.

The City has reported offset amounts of compensation as follows: 5.0% for represented general members, 6.0% for unclassified general members, 6.9% for legislative members, 6.5% for lifeguard members and 7.3% for police and fire safety members. The City's employer pickup contributed to SDCERS is reduced (prior to being contributed) by the anticipated savings from employee terminations prior to being vested in SDCERS. The City has decided to reflect a "refund savings" assumption of the pickup of 22% for general members and 7% for safety members, which is not directly reflected in the valuation. The District has reported offset amounts of 7.0% of compensation for all members, except for safety members at 8.0% and management members at 8.5%.

Significant actuarial assumptions are used to compute employer and employee contribution requirements.

4. CASH, INVESTMENTS AND SECURITIES LENDING

SDCERS' cash or equity in pooled cash and investments, cash and cash equivalents and investments, were as follows at June 30, 2001, and June 30, 2000:

	June 30, 2001	June 30, 2000
Cash or equity in pooled cash and investments on deposit with City of San Diego	\$2,088,990	\$1,932,589
Cash and cash equivalents on deposit with Custodial Bank	232,105,680	161,566,240
Investments (including accrued interest on investments purchased plus receivables for securities sold)	2,564,381,614	2,828,362,448
Totals	\$2,798,576,284	\$2,991,861,277

San Diego City Employees' Retirement System

Notes to Financial Statements (continued)

FOR YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

Securities Lending

SDCERS has agreed with a fiscal agent, currently SDCERS' custodial bank, to lend domestic and international equity and fixed income securities to various borrowers for collateral that will be returned in the future for the same securities plus a fee. The fiscal agent manages the securities lending program and receives cash and securities as collateral. Collateral securities are pledged at no less than 102% of the market value of the collateral, for domestic fixed income, domestic equity securities and international fixed income securities, and no less than 105% of the market value of the collateral for international equity securities, marked to market on a daily basis. As with other extensions of credit, SDCERS may encounter various risks related to securities lending agreements. However, the fiscal agent is required to maintain its securities lending program in compliance with applicable laws of the United States and all countries in which lending activities take place, and all rules, regulations and exemptions from time to time promulgated and issued under the authority of those laws. SDCERS, through its lending agent, does not pledge or sell collateral securities. At year-end, SDCERS had no credit risk exposure to borrowers because the amounts provided to SDCERS, in the form of collateral, exceeded the amounts the borrowers owed SDCERS for securities borrowed.

SDCERS' securities lending income was as follows (for years ending June 30):

	2001	2000
Gross Earnings	\$12,866,190	\$10,992,439
Expenses		
Borrower Rebates	11,170,600	9,839,228
Fees Paid to Agent	501,713	344,078
Total Expenses	11,672,313	10,183,306
Net Income from Securities Lending	\$1,193,877	\$809,133

Investments

The Retirement Board has exclusive control over the administration and investment of SDCERS assets pursuant to Section 144 of the San Diego City Charter and pursuant to California Constitution Article XVI, Section 17.

The Board is authorized to invest in any bonds or securities which are allowed by general law for savings banks. The Board is further permitted to invest in such additional classes or types of investments, as approved by resolution of the Council of the City of San Diego. The Board has further restricted the authorized investments to those believed by independent investment counsel to be appropriate for investment by trust funds operating under the

San Diego City Employees' Retirement System

Notes to Financial Statements (continued)

FOR YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

"Prudent Person Rule" as set forth in state law. These investments include, but are not limited to, bonds, notes or other obligations, real estate investments, common stock, preferred stock and pooled vehicles.

Investment policies permit SDCERS to invest in financial futures contracts provided the contracts do not leverage the Retirement System Trust Fund's portfolio. Financial futures contracts, which are recorded at market value each day, must be settled at expiration date. Thus, changes in the market value of the contract will result in the recognition of a gain or loss at the expiration date of the futures contract.

A copy of SDCERS' investment objectives and policies may be obtained from SDCERS' Office. Through its investment objectives and policies, SDCERS has placed considerable importance on generating a reasonable rate of return above inflation in order to insure payment of benefits to retirees. The policy also places considerable importance on the preservation of capital. Therefore, any investment opportunity considered may be entered into only after the associated risk is clearly understood.

SDCERS attempts to preserve capital through the following risk control methods:

Credit Risk is mitigated by diversifying the investment portfolio so that failure of any one issuer will not unduly harm SDCERS' cash flow. This is accomplished by the following restrictions on the size of investments in non-U.S. government securities: not more than 5% of the equity portfolio can be invested in any one stock and, at the time of initial investment, not more than 10% of the fixed income portfolio can be invested in any one corporate bond issue.

Market Risk is mitigated by diversifying the investment portfolio among the asset classes of stocks, bonds and real estate. Further diversification within the asset classes of stocks and bonds is achieved by investing in both the domestic and international markets. Additional real estate diversification is achieved by investing in various property types in different geographic regions (domestically).

SDCERS' investments at June 30, 2001, and June 30, 2000, that can be specifically identified as to credit risk, are categorized as follows:

- Category 1: Insured or registered, or securities held by SDCERS or its agent in SDCERS' name.
- Category 2: Uninsured and unregistered, with securities held by the counter party's trust department or agent in SDCERS' name.
- Category 3: Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in SDCERS' name.

San Diego City Employees' Retirement System

Notes to Financial Statements (continued)

FOR YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

Investments that are not subject to credit risk categorization, but which fair values are required to be disclosed are also presented below with required disclosures for securities lending:

As of June 30, 2001, and June 30, 2000, respectively:

	Risk Category	June 30, 2001 Fair Value	June 30, 2000 Fair Value
INVESTMENTS - Categorized			
Fixed Income Securities Not on Securities Loan	1	\$797,033,963	\$1,006,173,737
Equity Securities Not on Securities Loan	1	1,401,783,856	1,376,072,782
Equity Securities on Securities Loan for Securities Collateral	1	180,860	5,883,608
Total Categorized Investments		\$2,198,998,679	\$2,388,130,127
INVESTMENTS - Non-Categorized			
Fixed Income Securities on Securities Loan for Cash Collateral		\$18,586,785	\$68,441,420
Equity Securities on Securities Loan for Cash Collateral		156,038,652	184,167,446
Real Estate Equity Holdings		156,010,445	133,751,155
Mortgage Notes		1,617,777	2,784,927
Total Non-Categorized Investments		\$332,253,659	\$389,144,948
Total Investments		\$2,531,252,338	\$2,777,275,075

San Diego City Employees' Retirement System

Notes to Financial Statements (continued)

FOR YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

5. FIXED ASSETS

The following is a summary of fixed assets at June 30, 2001:

	Balance July 1, 2000	Additions	Adjustments and Transfers	Deletions	Balance June 30, 2001
Equipment	\$553,210	\$0	\$0	\$0	\$553,210
Accumulated Depreciation	(259,926)	(28,706)	0	0	(288,632)
Totals	\$293,284	(\$28,706)	\$0	\$0	\$264,578

6. RETIREMENT TRUST FUND - RESERVES

The San Diego Municipal Code authorizes SDCERS' Board to establish reserve accounts based on the advice of its actuary. Annual increases to Retirement System Trust Fund, comprised of investment earnings and employee and employer contributions, are distributed in the order below in accordance with San Diego Municipal Code. Reserves are established by allocating SDCERS' assets valued at cost.

Reserve balances at June 30 each year:

	2001	2000
Reserved for Investment in Fixed Assets	\$264,578	\$293,284
Reserved for Encumbrances	2,689,362	1,977,957
Reserved for Employees' Contributions	316,365,007	295,762,443
Reserved for Employers' Contributions	439,122,663	392,195,260
Reserved for DROP Contributions	66,373,564	38,187,621
Reserved for Retired Members	1,139,754,674	994,994,107
Reserved for Supplemental Benefit Payments	3,713,427	3,711,146
Supplemental COLA Reserve	31,530,240	33,120,053
Receivables Reserve	3,386,133	2,109,280
Payables Reserve	205,633,450	346,517,911
General Reserve	109,160,143	109,160,143
Reserve for Retiree Health Insurance	26,755,533	21,191,897
Reserve for Retirement Changes - City	82,498,325	82,498,325
Reserve for Retirement Changes - District	4,272,283	4,272,283
Reserve for Employee Contribution Rate Increase	40,490,052	41,765,545
Reserve for Contingencies	105,848,108	—
Reserve for Net Pension Obligation	30,983,989	23,046,989
Surplus Undistributed Earnings Reserve	106,795,160	338,366,856
TOTAL ASSETS (AT COST)	\$2,715,636,690	\$2,729,171,100

San Diego City Employees' Retirement System

Notes to Financial Statements (continued)

FOR YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

Reserved for Investment in Fixed Assets - Depreciated cost of office equipment owned by SDCERS.

Reserved for Encumbrances - Balance of contractual liabilities incurred but not yet paid at year-end.

Reserved for Employees' Contributions - Funds representing the accumulated contributions, plus accumulated allocated interest, held on account for all active and deferred members.

Reserved for Employers' Contributions - Funds representing the otherwise unallocated accumulated contributions, plus accumulated allocated interest, of all participating agencies.

Reserved for Deferred Retirement Option Program (DROP) Contributions - Contributions representing accumulated deferred retirement benefits, plus accumulated allocated interest, held on account for members participating in DROP.

Reserved for Retired Members - Funds sufficient based upon advice of the actuary, to pay present and future benefits of current retired members. Upon retirement, employees' funds are transferred from the Reserve for Employees' Contributions to this reserve, along with sufficient funds from the Employers' Contributions Reserve, to fund the expected present and future cost of benefits for existing retirees.

Reserved for Supplemental Benefit Payments - Funds sufficient to provide for an unvested supplemental benefit "13th check" to qualified retirees when annual realized earnings and gains are sufficient to fund all other reserves of higher priority in accordance with the San Diego Municipal Code.

Supplemental COLA Reserve - Funds sufficient to pay this benefit to retirees whose effective date of retirement was prior to June 30, 1983, for the rest of their lives (until the fund is depleted).

Receivables Reserve - Balance of receivables expected to be received in the future.

Payables Reserve - Funds sufficient to pay liabilities as of June 30, 2001. Payables includes a large liability (90%+ of payables) classified as "Securities Purchased" which recognizes investments purchased and booked as an asset on a trade date basis per Governmental Accounting Standards Board Statement No. 25.

General Reserve - An amount representing 4% of total plan assets at cost, which may be reallocated by SDCERS Board.

San Diego City Employees' Retirement System

Notes to Financial Statements (continued)

FOR YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

Reserve for Retiree Health Insurance - Funds set aside in a 401(h) trust to provide health benefits to Health Eligible and Non-Health Eligible Retirees.

Reserve for Retirement Changes (City) - Funds sufficient to satisfy the additional cost to SDCERS associated with benefit enhancements adopted by the City Council, effective January 1, 1997.

Reserve for Retirement Changes (District) - Funds sufficient to satisfy the additional cost to SDCERS associated with benefit enhancements effective January 1, 1997, pursuant to the Third Amendment to the Agreement with City Council.

Reserve for Employee Contribution Rate Increase Payments - Funds sufficient to satisfy the 0.49% contribution rate increase (beginning July 1, 1998) to the active members associated with benefit enhancements adopted by the City Council, effective January 1, 1997.

Reserve for Net Pension Obligation - Funds sufficient to supplement the City of San Diego employer contributions to equal total City contributions as recommended by the actuary.

Surplus Undistributed Earnings Reserve - This reserve represents the balance of earnings remaining after the annual distribution to the employees' and employers' reserve accounts in accordance with SDCERS Board established assumed rate of interest. At the beginning of each fiscal year, the SDCERS Board shall credit all Surplus Undistributed Earnings to the Reserve for Employers' Contributions in order to reduce the SDCERS' current liabilities.

San Diego City Employees' Retirement System

Notes to Financial Statements (continued)

FOR YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

7. SUBSEQUENT EVENT DISCLOSURE

Corbett Settlement, Effective July 1, 2000

Legal action was taken against the San Diego City Employees' Retirement System (SDCERS) in 1998 by William J. Corbett, Donald B. Allen, Leonard Lee Moorhead and Gordon L. Wilson alleging that retirement benefits paid by SDCERS had not been calculated correctly in light of Ventura County Deputy Sheriff's Association v. Board of Retirement of Ventura County Employees' Retirement Association. In the Ventura decision, the California Supreme Court ruled that the Retirement Board in that case was required to classify certain payments made by the County of Ventura to its employees over and above their basic salaries as "compensation earnable" and to include those payments in "final compensation" used to calculate the amount of monthly pension benefits payable to the retired employees under the County Employees' Retirement Law of 1937 ("CERL"). The Plaintiffs in the Corbett case alleged that the same rationale should be applied to certain payments made by the City of San Diego to its employees.

On November 19, 1999, the Court signed an order certifying the case as a class action lawsuit. In March 2000, all of the parties and counsel in this case participated in mediation. As a result of this mediation, the parties and counsel were able to reach an agreement to settle the case.

The terms of the settlement were effective as of July 1, 2000. A one-time, retroactive payment, for the period July 1, 1995, to June 30, 2000, totaling \$23,623,562, was paid to retirees and DROP participants on November 17, 2000. In addition, \$7,041 was paid out in increased benefits during the year in conjunction with the settlement. Corbett benefit payments totaled \$23,630,603 in FY 2001 and is listed as a deduction in the Comparative Statement of Changes in Plan Net Assets in the Financial Section of this CAFR. Additional terms of the settlement are described below.

Description of Settlement

Retired Members:

- Retired members who are covered by the settlement agreement received a one-time lump sum payment in November, 2000, which represented a 7% retroactive increase to their Base Retirement Benefit for the period covering July 1, 1995, (or the effective date of retirement after July 1, 1995) through June 30, 2000. The Base Retirement Benefit includes the annual two percent (2%) COLA. It does not include the 13th check or the Supplemental COLA adjustment.

San Diego City Employees' Retirement System

Notes to Financial Statements (continued)

FOR YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

- Beginning July 1, 2000, and for each year thereafter, retired members began receiving a 7% increase to their Base Retirement Benefit. The right to receive this increase each year accrues monthly. Payment are made annually in November. The payment is contingent upon the availability of Surplus Undistributed Earnings as described in San Diego Municipal Code Section 24.1502 (See **Surplus Undistributed Earnings** section which follows).
- To the extent this increase is not paid in any year because there are insufficient Surplus Undistributed Earnings, the liability for this increase shall be carried forward as a contingent liability which will be paid in future years in which there are sufficient Surplus Undistributed Earnings to pay for the increase. Liabilities carried forward shall be paid in the order in which they accrued.

Active Safety and General Members:

- As of July 1, 2000, active safety and general members have the opportunity to CHOOSE at the time of retirement EITHER an increase to the Retirement Calculation Factor OR an increase to their Final Compensation (highest one-year average salary) as follows:

For Safety Members:

An increase in the Retirement Calculation Factor from 2.2% (Lifeguard) or 2.5% (Police & Fire) to 3% at age 50 and all ages after age 50 with no change in Final Compensation.

For General Members:

An increase in the Retirement Calculation Factor from 2.0% to 2.25% at ages 55 through 59, increasing by .05% for each year of age after age 59, to a maximum of 2.55% at age 65 with no change in Final Compensation.

OR

A ten percent (10%) increase in Final Compensation, with the Base Retirement Benefit calculated by using the Retirement Calculation Factors in effect on June 30, 2000.

- Effective July 1, 2001, the employee contribution to SDCERS increased to:

General Members	+ 0.49%
Safety Members	+ 0.53%
Lifeguards	+ 1.23%

San Diego City Employees' Retirement System

Notes to Financial Statements (continued)

FOR YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

- Effective July 1, 2000, the employee contribution to SDCERS increased by an additional 0.16% to pay for the cost of providing active general and safety members the choice of the Retirement Calculation Factors in effect July 1, 2000, with no change in Final Compensation or the Retirement Calculation Factors in effect on June 30, 2000, with a ten percent (10%) increase to Final Compensation.
- The additional 0.16% increase is being paid from the Employee Benefit Reserve described in SDMC Section 24.1507 until the Reserve is exhausted, in approximately 20 years.

Active Legislative Members:

- Beginning July 1, 2000, active legislative members shall receive a ten percent (10%) increase to their Final Compensation with their Base Retirement Benefit calculated using the Retirement Calculation Factors in effect on June 30, 2000.
- Beginning July 1, 2001, the legislative member's employee contribution to the Retirement System increased by +0.49%.
- Beginning July 1, 2000, 0.16% of the employee contribution is being paid from the Employee Benefit Reserve described in San Diego Municipal Code, Section 24.1507.

Current DROP Participants:

- Current DROP Participants received a one-time lump sum payment in November, 2000, to their DROP account. This payment represented a 7% increase to their Base Retirement Benefit for the period covering their date of DROP enrollment through June 30, 2000. The Base Retirement Benefit includes the annual 2% COLA. It does not include the 13th check.
- Beginning July 1, 2000, the Base Retirement Benefit of current DROP participants (active as of June 30, 2000) increased by 10%.

Future DROP Participants:

- Members who elect to participate in DROP on or after July 1, 2000, must irrevocably CHOOSE at the time of DROP participation EITHER an increase to the Retirement Calculation Factor OR an increase to their Final Compensation as follows:

San Diego City Employees' Retirement System

Notes to Financial Statements (continued)

FOR YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

For Safety Members:

An increase in the Retirement Calculation Factor from 2.2% (Lifeguard) or 2.5% (Police & Fire) to 3% at age 50 and all ages after age 50 with no change in Final Compensation.

For General Members:

An increase in the Retirement Calculation Factor from 2.0% to 2.25% at ages 55 through 59, increasing by .05% for each year of age after age 59, to a maximum of 2.55% at age 65 with no change in Final Compensation.

OR

A 10% increase in Final Compensation, with their Base Retirement Benefit calculated using the Retirement Calculation Factors in effect on June 30, 2000.

Currently Vested Deferred Members:

- Members who left City employment prior to July 1, 2000, who were vested when they left City employment, who left their contributions on deposit, and who deferred their retirement until a date on or after July 1, 2000, receive a 7% increase to their Final Compensation.
- After retirement, currently vested deferred members' right to receive this increase accrues monthly. Payment will be made annually in November. The payment is contingent upon the availability of Surplus Undistributed Earnings as described in the San Diego Municipal Code, Section 24.1502.
- To the extent this increase is not paid in any year because there are insufficient Surplus Undistributed Earnings, the liability for this increase will be carried forward as a contingent liability which will be paid in future years in which there are sufficient surplus Undistributed Earnings to pay for the increase. Liabilities carried forward will be paid in the order in which they accrued.

Future Vested Deferred Members:

- Members who leave City employment on or after July 1, 2000, who are vested at the time they leave City employment, who leave their contributions on deposit, and who defer their retirement until a future date have the opportunity to CHOOSE at the time of retirement

San Diego City Employees' Retirement System

Notes to Financial Statements (continued)

FOR YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

EITHER an increase to the Retirement Calculation Factor OR an increase to Final Compensation as follows:

For Safety Members:

An increase in the Retirement Calculation Factor from 2.2% (Lifeguard) or 2.5% (Police & Fire) to 3% at age 50 and all ages after age 50 with no change in Final Compensation.

For General Members:

An increase in the Retirement Calculation Factor from 2.0% to 2.25% at ages 55 through 59, increasing by .05% for each year of age after age 59, to a maximum of 2.55% at age 65 with no change in Final Compensation.

OR

A 10% increase in their Final Compensation, with their Base Retirement Benefit calculated using the Retirement Calculation Factors in effect on June 30, 2000.

Surplus Undistributed Earnings (San Diego Municipal Code, Section 24.1502):

- Beginning July 1, 2000, the right to receive the 7% increase to the Base Retirement Benefit for retired members accrues monthly and is paid annually in November after the SDCERS Board determines there are sufficient Surplus Undistributed Earnings to pay for the increase in accordance with the San Diego Municipal Code, Section 24.1502.
- San Diego Municipal Code, Section 24.1502 sets forth the order of payments which must be made to determine the existence as well as the amount of Surplus Undistributed Earnings for the Retirement System for any given year. The funds remaining after the payments have been made is the surplus undistributed earnings for a fiscal year. The order of payments is as follows:
 1. An interest credit determined by the SDCERS Board (currently 8%) to the contribution accounts of SDCERS members, the City and the District.
 2. Budgeted expenses and costs of operating SDCERS.
 3. Reserves recommended by the Board's Actuary.
 4. District's share of SDCERS earnings.
 5. Health Insurance premiums for Post Retirement Health Benefits.

San Diego City Employees' Retirement System

Notes to Financial Statements (continued)

FOR YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

6. The Annual Supplemental Benefit (13th check).
7. Corbett Settlement - 7% Increase to the Base Retirement Benefit for retired members.
8. The Reserves for the Supplemental COLA and employee contributions.

To the extent accruals from Item #7 are not paid in any year because there are insufficient Surplus Undistributed Earnings, the liability for this increase shall be carried forward as a contingent liability which will be paid in future years in which there are sufficient Surplus Undistributed Earnings to pay for the increase. Liabilities carried forward shall be paid in the order in which they accrued.

Andrect Settlement, Effective January 1, 2002

If approved by the San Diego Unified Port District's Active Membership and Retirees of SDCERS

Legal action was taken against the San Diego City Employees' Retirement System (SDCERS) and the San Diego Unified Port District (Port District) in 2000 by Kenneth Lee Andrect, Loretta Dwyer Managan, Mark Brakebill, Stephen Byrd, Don Claypool, Salvador Colin, John W. Forsythe, Dave Garrity, Sheila Herron, Angela Innes, Mario Martinez, Columbus Offord, Joseph Parra, Pedro Quiroz, Jr., Cynthia A. Sarmiento-Markley, and Laura Tosatto, et. al, alleging that retirement benefits paid by SDCERS had not been calculated correctly in light of Ventura County Deputy Sheriff's Association v. Board of Retirement of Ventura County Employees' Retirement Association. In the Ventura decision, the California Supreme Court ruled that the Retirement Board in that case was required to classify certain payments made by the County of Ventura to its employees over and above their basic salaries as "compensation earnable" and to include those payments in "final compensation" used to calculate the amount of monthly pension benefits payable to the retired employees under the County Employees' Retirement Law of 1937 ("CERL"). The Plaintiffs in the Andrect case alleged that the same rationale should be applied to certain payments made by the San Diego Unified Port District to its employees.

On September 19, 2001, the court approved a Notice of Class Action and Proposed Settlement, which was provided to all class participants. A vote of the Port District's active membership and retirees of SDCERS to approve the settlement is required by the San Diego City Charter. The election will take place from November 16, 2001 through November 29, 2001. If the Port District's active membership and retirees of SDCERS approve the settlement, the terms of the settlement will be effective as of January 1, 2002.

* * *

San Diego City Employees' Retirement System
Schedule of Funding Progress

FOR THE YEARS ENDED JUNE 30

CITY OF SAN DIEGO

(\$ in Thousands)

Continuation Indicators

Valuation Date	Valuation Assets	AAL	Funded Ratio	UAAL *	Member Payroll	Ratio to Payroll
6/30/00 ³	\$2,459,815	\$2,528,774	97.3%	\$68,959	\$448,502	15.4%
6/30/99	2,033,153	2,181,547	93.2	148,394	424,516	35.0
6/30/98 ¹	1,852,151	1,979,668	93.6	127,517	399,035	32.0
6/30/97	1,632,361	1,748,868	93.3	116,507	382,715	30.4
6/30/96 ²	1,480,772	1,620,373	91.4	139,602	365,089	38.2
6/30/95	1,316,903	1,421,150	92.7	104,247	350,584	29.7
6/30/94	1,216,063	1,290,927	94.2	74,864	338,440	22.1
6/30/93	1,137,019	1,178,311	96.5	41,292	320,624	12.9

AAL - Actuarial Accrued Liability UAAL - Unfunded Actuarial Accrued Liability

1 Reflects revised actuarial and economic assumptions

2 After Manager's Proposal

3 Reflects non-contingent Corbett benefit increases

* NOTE: Actuarial gains and losses reduce or increase the unfunded actuarial accrued liability which is being amortized over a closed 30-year period which began July 1, 1991 (20 years remaining).

SAN DIEGO UNIFIED PORT DISTRICT

(\$ in Thousands)

Continuation Indicators

Valuation Date	Valuation Assets	AAL	Funded Ratio	UAAL	Member Payroll	Ratio to Payroll
6/30/00	\$133,183	\$97,160	137.1%	(\$36,023)	\$30,621	(117.6%)
6/30/99	110,310	89,809	122.8	(20,501)	30,035	(68.3)
6/30/98 ²	98,007	81,633	120.1	(16,374)	26,672	(61.4)
6/30/97 ¹	84,511	73,564	114.9	(10,947)	25,390	(43.1)
6/30/96	72,511	62,231	116.5	(10,280)	23,557	(43.6)
6/30/95	63,533	55,560	114.4	(7,973)	22,383	(35.6)
6/30/94	57,765	47,353	122.0	(10,412)	21,733	(47.9)
6/30/93	52,164	42,519	122.7	(9,645)	20,108	(48.0)

AAL - Actuarial Accrued Liability UAAL - Unfunded Actuarial Accrued Liability

1 Reflects benefit increase for District general employees

2 Reflects revised actuarial assumptions

San Diego City Employees' Retirement System
Schedule of Employer Contributions

FOR THE YEARS ENDED JUNE 30

CITY OF SAN DIEGO

	2001	2000	1999	1998	1997	1996
Actuarially Calculated, Required Contributions	\$50,772,110	\$45,809,229	\$41,562,858	\$39,685,147	\$33,480,756	\$29,105,861
<i>Contributions Made to SDCERS</i>	44,337,715	39,364,162	34,467,454	30,979,325	28,060,503	25,471,498
Difference - Over/(Under) Contributed	(\$6,434,395)	(\$6,445,067)	(\$7,095,394)	(\$8,705,822)	(\$5,420,253)	(\$3,634,363)
Percentage Contributed	87.33%	85.93%	82.93%	78.06%	83.81%	87.51%

Pursuant to the City Manager's proposal of 1996, the City of San Diego has agreed to pay the following rates:

<u>Fiscal Year End</u>	<u>City-Paid Rate*</u>
2001	9.33%
2002	9.83
2003	10.33
2004	10.83
2005	11.33
2006	11.83
2007	12.18
2008	13.00

* Note: City-Paid Rate is stated as a percentage of active payroll.

This rate schedule will remain in place unless the City of San Diego's funded ratio falls below 82.3% or there are insufficient monies from Surplus Undistributed Earnings to cover the shortfall between the City-Paid Rate and the actuarially computed rate.

Since this funding method is not one of the six approved funding methods under rules set by the Governmental Accounting Standards Board (GASB), a pension expense in the City of San Diego's Financial Statements will result. A reserve account, Net Pension Obligation, has been established to supplement the City of San Diego employer contributions to equal total City contributions as recommended by the actuary.

SAN DIEGO UNIFIED PORT DISTRICT

	2001	2000	1999	1998	1997	1996
Actuarially Calculated, Required Contributions	\$1,117,298	\$1,109,560	\$1,277,140	\$996,473	\$837,117	\$571,580
<i>Contributions Made to SDCERS</i>	1,215,652	1,301,929	1,433,903	1,518,004	1,105,081	650,062
Difference - Over/(Under) Contributed	\$98,354	\$192,369	\$156,763	\$521,531	\$267,964	\$78,482
Percentage Contributed	108.80%	117.34%	112.27%	152.34%	132.01%	113.73%

San Diego City Employees' Retirement System

Notes to the Schedules of Trend Information

FOR THE YEARS ENDED JUNE 30

Schedule of Funding Progress

A schedule of funding progress presents a consolidated snapshot of a retirement system's ability to meet current and future liabilities with the assets of the system. Of particular interest to most is the funded status ratio. This ratio quickly conveys a retirement system's level of assets to liabilities, which is important in determining the financial health of a retirement system. The closer a retirement system is to a 100% funded status, the better position it is in to meet all of its liabilities.

As of June 30, 2000, the date of the last actuarial valuation, the City of San Diego (City) has a 97.3% funded status. The San Diego Unified Port District (District) has a 137.1% funded status. Overall, the financial condition of SDCERS continues to be in sound condition in accordance with the actuarial principles of level-cost funding.

City of San Diego

In this schedule, eight years of historical information is presented with respect to the funding progress of the City, a participating employer of SDCERS. The City has maintained, on average, a 94% funded status over the past eight years. This is an important accomplishment for the City, as a consistent funded status provides for level and predictable employer contributions from year to year. This consistency has been achieved through solid earnings on invested assets provided by a well-diversified investment program administered by SDCERS Board. This consistent funded ratio has also been achieved during a time when the City's employee base increased to meet the service needs of San Diego citizens, which increases the future liabilities of SDCERS to provide future benefits to an increased number of SDCERS members.

The City currently has an unfunded accrued actuarial liability (UAAL), resulting from actuarial accrued liabilities (AAL) exceeding the valuation of assets. The UAAL is being amortized by the City over a closed 30-year period, which began July 1, 1991 (20 years remaining). A majority of retirement systems have a UAAL, as they are not at a 100% funded status. In the opinion of most actuarial firms, a funded status in excess of 90% indicates that a retirement system is financially positioned to meet its current and future liabilities to its members.

San Diego Unified Port District

In this schedule, eight years of historical information is presented with respect to the funding progress of the San Diego Unified Port District (District), a participating employer of SDCERS. The District has maintained a funded status in excess of 100% in every year over the past eight years. This funded status indicates that the District is currently in a position to fund all current and future member and retiree liabilities resulting from their participation in SDCERS.

San Diego City Employees' Retirement System

Notes to the Schedules of Trend Information (continued)

FOR THE YEARS ENDED JUNE 30

A strong funded status in excess of 100% provides the District with a cushion in which to weather volatile financial markets without having to anticipate increases in employer contributions over the next several years. Retirement systems with funded status in excess of 100% are in a favorable position to offer enhanced benefits to their current and future members if they are negotiated between the employer (plan sponsor) and its employees. They are also in a position to take a contribution holiday in a future year if they so choose. Finally, a stable, funded status provides for level and predictable employer contributions year to year. This funded status has also been strengthened by solid earnings on invested assets provided by a well-diversified investment program administered by SDCERS Board.

Schedule of Employer Contributions

The sources of revenues that fund a retirement system are: employer contributions, employee contributions and investment earnings on plan assets. Each year, SDCERS' actuary determines the amount of employer contributions required to fund a given schedule of benefits (current and future liabilities). This benefit schedule is calculated from: SDCERS benefit structure for the City or District, statistical data about the City's or District's employees that are members of SDCERS and current and predicted future retirees and beneficiaries of SDCERS. Assumptions must be made to estimate how many employees (SDCERS members): terminate employment, leave on a disability retirement or service retirement and the average ages of employees (members) at retirement and at mortality. Finally, the preceding data is combined with an actuarially assumed investment rate of return and assumed salary increases of the City's and District's employees (members). All of this information taken together is presented in an annual actuarial valuation in which the actuary recommends an employer contribution rate (percentage) to the participating employers. This contribution rate percentage is applied to the actuarially determined valuation payroll for each of the participating employers' employees. The resulting dollar amounts, as depicted in this schedule, are the actuarially calculated required employer contributions necessary to fund the promised benefits to SDCERS members.

City of San Diego

This schedule contains six years of historical information with respect to the City's actuarially calculated, required contributions versus the actual employer contributions made by the City, on an annual basis. Over the past six years, the City has contributed, on average, approximately 84% of the amount recommended by the actuary. This 16% difference is due in part to the City assuming that more employees will terminate employment with the City prior to vesting in SDCERS than has been estimated by the actuary. Since employer contributions are not refundable to the employer if an employee terminates, the City discounts their actuarially calculated, required contributions to account for this assumption variance.

San Diego City Employees' Retirement System

Notes to the Schedules of Trend Information (continued)

FOR THE YEARS ENDED JUNE 30

Beginning in 1996, the City negotiated with SDCERS to contribute a "City-Paid Rate" which is essentially a fixed contribution rate schedule. The annual fixed contribution rates through 2008 are depicted in a schedule on the preceding pages. Because this fixed rate arrangement is not one of the six approved funding methods under the rules set forth by the Governmental Accounting Standards Board (GASB), a pension expense in the City of San Diego's financial statements results. The advantage of a fixed schedule of employer contributions is that the City can effectively budget for annual employer contributions while continuing to provide cost-effective services to San Diego citizens without adversely impacting taxpayers. Since the City currently has a 97.3% funded status, this fixed rate contribution arrangement benefits City's employees (SDCERS members) by keeping SDCERS funded and at the same time benefits San Diego taxpayers by minimizing employer contributions paid from City tax revenues. Should the City's funded status fall below 82.3%, the City has agreed to make the necessary contributions, over time, to bring the funded status back to an acceptable level.

San Diego Unified Port District

This schedule contains six years of historical information with respect to the District's actuarially calculated, required contributions versus the actual employer contributions made by the District on an annual basis. Over the past six years, the District has contributed, on average, approximately 123% of the amount recommended by the actuary. Choosing to contribute more than is actuarially recommended provides the District with the flexibility to grow its employee workforce to provide services to the region's citizens without having to increase its annual employer contribution to SDCERS for an increase in District employees (members). Additionally, the District currently has a funded status well in excess of 100% which means that the District is in a position to fund benefit changes, if negotiated between the employer (plan sponsor) and employees. Finally, contributing more than is actuarially recommended positions the District to take an employer contribution holiday if funds were needed in any year to pay for services provided by the District.

San Diego City Employees' Retirement System
Schedule of Administrative Expenses

FOR THE YEAR ENDED JUNE 30, 2001

	2001
PERSONNEL SERVICES	
Staff Salaries	\$2,113,325
Fringe Benefits	283,758
CERS Retirement	192,384
Defined Contribution Plan (SPSP)	132,391
TOTAL PERSONNEL SERVICES	\$2,721,858
PROFESSIONAL SERVICES	
Actuary Services	\$115,200
Contract Services	1,018,888
Contracted Investment Services	431,973
Member Benefits System Development Services	318,422
Legal Fees	69,236
Data Processing/Computer Services	602,449
Accounting Department Charges	166,377
Prior Year Encumbrances—Paid	97,404
TOTAL PROFESSIONAL SERVICES	\$2,819,949
COMMUNICATION	
Postage	\$71,219
Telephone	48,228
Travel	98,564
TOTAL COMMUNICATION	\$218,011
RENTALS	
Office Space	\$364,527
Equipment	3,061
TOTAL RENTALS	\$367,588
OFFICE OPERATIONS	
Office Supplies & Administration	\$61,840
Training, Memberships & Tuition Reimbursement	51,874
Miscellaneous Fees & Charges	9,752
TOTAL OFFICE OPERATIONS	\$123,466
TOTAL ADMINISTRATIVE EXPENSES	\$6,250,872

San Diego City Employees' Retirement System
Schedule of Investment Expenses

FOR THE YEAR ENDED JUNE 30, 2001

	Market Value of Asset Under Management as of June 30, 2001	Total Fees Paid in FY 2001	Basis Points
INVESTMENT MANAGER FEES			
Domestic Equity Managers	\$1,093,158,064	\$4,010,939	36.68
International Equity Managers	353,605,176	1,814,187	51.31
Domestic Fixed Income Managers	701,739,292	2,635,306	37.75
International Fixed Income Managers	115,499,233	380,879	32.98
Real Estate Managers	267,250,573	1,292,357	48.38
TOTAL INVESTMENT MANAGER FEES	\$2,531,252,338	\$10,132,768¹	40.03
OTHER INVESTMENT SERVICE FEES			
Custodian Services	N/A	\$190,340	0.74 ²
Securities Lending	N/A	502,674	1.95 ²
Investment Consultant Fees	N/A	354,208	1.37 ²
Investment Accounting Application Fees	N/A	32,258	0.13 ²
TOTAL OTHER INVESTMENT SERVICE FEES		\$1,079,480	4.19
TOTAL FEES PAID TO INVESTMENT PROFESSIONALS		\$11,212,248	43.42²

¹ The Investment Manager Fees reflected here differ from the figure presented in the Comparative Statement of Changes in Plan Net Assets, in the Financial Section of this CAFR, due to timing differences in when quarterly management services are rendered versus when management fee invoices are paid.

² Basis Points calculation based on Total Net Investments plus Cash and Cash Equivalents of \$2,582,009,762. (Total Investments of \$2,531,252,338 plus cash of \$234,194,670 plus cash receivable for Securities Sold of \$20,708,770 less cash payable for Securities Purchased of \$204,146,016.)

San Diego City Employees' Retirement System
Schedule of Payments to Consultants

FOR THE YEAR ENDED JUNE 30, 2001

INDIVIDUAL OR FIRM	COMMISSION/FEE	NATURE OF SERVICE
Buck Consultants	\$99,475	Retirement Seminars
Doctors (See below for full listing)	69,391	Medical Consulting
Gabriel, Roeder, Smith & Company	111,650	Actuary
Levi, Ray & Shoup	458,422	Systems Development
William M. Mercer, Inc.	83,990	Tax Consulting/Strategic Planning
Legal Firms & Professional Legal Services (See below for full listing)	118,675	Legal, Arbitration, Mediation, Court Reporting
San Diego Data Processing Corporation	628,557	Computer/Applications Support
Various Providers	14,326	Contractual Operational Support Services
TOTAL PROFESSIONAL FEES	\$1,584,486	

Additional information on fees paid to investment professionals is provided on the previous page.

Doctors paid by SDCERS in FY 2001:

Pain Assessment & Rehabilitation Center Franklin Kozin, M.D.	Southern California Cardiology Medical Group, Inc. Steven A. Gross, M.D.
Radiology Medical Group, Inc.	Southwest & Associates Robert Warren, M.D.
Radiology Service Partners, LLC	
San Dieguito Orthopaedic Medical Group, Inc.:	University Avenue Orthopaedic Medical Group:
Daniel A. Green, M.D.	Drew Peterson, M.D.
David R. Hackley, M.D.	Janet Dunlap, M.D.
F. Craig Swenson, M.D.	Jerome C. Hall, M.D.
Gregory J. Loren, M.D.	William Adsit, M.D.
Raymond J. Linovitz, M.D.	Others:
Richard A. Brown, M.D.	Adrian M. Jaffer, M.D., F.A.C.P.
Robert I. Gelb, M.D.	Anthony Markarian, M.D.
Stephen Shoemaker, M.D.	Daniel J. Bressler, M.D.
Timothy A. Peppers, M.D.	David M. Reiss, M.D.
San Diego Cardiovascular Research Associates:	Dominick Addario, M.D., A.P.C.
George W. Dennish, II, M.D., F.A.C.C.	Gregory Schwab, M.D.
San Diego Nerve Study Center	H. Jurgen Lenz, M.D., Ph.D., F.A.C.P., F.A.C.G.
Jonathan Schleimer, M.D.	Paul Murphy, M.D.
	Robert E. Neveln, M.D.
	Victor Copeland, O.D.

Legal Firms & Professional Services paid by SDCERS in FY 2001:

Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP
Honorable Howard B. Weiner (Retired)
Hillyer & Irwin
JAMS (Judicial Arbitration Services)
Peterson & Associates (Court Reporters)
Vail, Christians & Associates (Court Reporters)

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III. INVESTMENT SECTION



CALLAN ASSOCIATES.

JAMES A. CALLAHAN, CFA



SAN FRANCISCO

NEW YORK

CHICAGO

ATLANTA

DENVER

September 25, 2001

Mr. Lawrence B. Grissom
 Retirement Administrator
 San Diego City Employees' Retirement System
 401 B Street Suite 400
 San Diego, CA 92101

Dear Mr. Grissom:

This letter reviews the investment performance of the San Diego City Employees' Retirement System ("SDCERS" or "The System") for the fiscal year ended June 30, 2001.

The System's custodian during fiscal year 2001, State Street Bank and Trust Company, independently prepared the underlying performance data. The performance calculations were made in compliance with AIMR Performance Presentation Standards. Callan Associates Inc. serves as SDCERS' independent investment consultant and evaluates the System's performance in relation to market benchmarks, appropriate manager peer groups, and other public funds.

SDCERS' primary investment objective is to prudently and expertly invest the System's assets, in accordance with governing law and industry practices, in a manner that will ensure the System's ability to pay promised benefits to participants and their beneficiaries. In pursuit of this objective, SDCERS' Board periodically evaluates the System's liabilities, expected contributions and potential earnings. This analysis is used to evaluate alternative investment policies. The Board selects a strategic investment policy that balances growth potential and acceptable risk. A policy benchmark index is constructed that mirrors the System's strategic asset allocation policy. This policy benchmark is a custom market index comprised of stock, bond and real estate indices weighted in the same proportions as the System's investment policy.

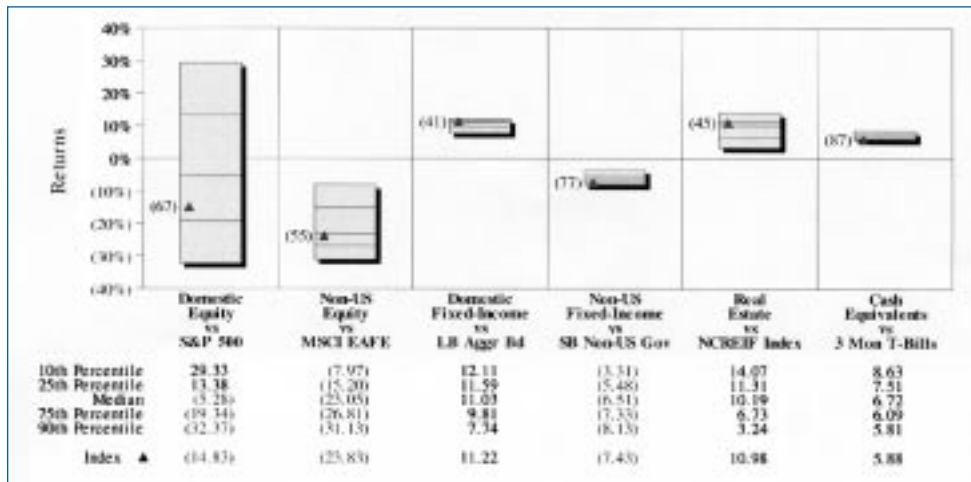
The financial markets continued to be very volatile for the year ended June 30, 2001. Domestic stocks posted a wide variety of results for the period. In general, value oriented stocks significantly outperformed growth oriented stocks during the year. Additionally, small company stocks outperformed larger company stocks. International stocks, on balance, achieved negative results. Domestic bonds posted robust returns as the global stocks markets suffered. A strong U.S. dollar created a difficult investment environment for international bonds.

71 STEVENSON STREET, SUITE 1300, SAN FRANCISCO, CALIFORNIA 94105 TELEPHONE 415.974.5000 FACSIMILE 415.493.6702 

Mr. Lawrence B. Grissom
 September 25, 2001
 Page 2 of 3

The graph below depicts the performance for the year ended June 30, 2001, of Callan’s large manager database by asset category. The performance of the major market indices is also plotted. Review of the graph demonstrates that the median active domestic and international equity managers outperformed popular market benchmarks during this period.

**Range of Separate Account Manager Returns by Asset Class
 One Year Ended June 30, 2001**



For the year ended June 30, 2001, SDCERS’ total fund had a time-weighted total return of -0.5%. Despite falling well short of the System’s actuarial earnings assumption of 8.0%, the total fund return does exceed the System’s policy benchmark target of -2.31 %. The policy benchmark is comprised of the following indices in the percentages as indicated: 22.8% S&P 500, 7.6% S&P 400 Mid Cap, 7.6 % Russell 2000, 9.7% MSCI EAFE, 1.7% MSCI Emerging Markets Free, 3.6% FT/S&P Actuaries Medium-Small Cap World Ex-U.S., 24% Lehman Aggregate, 4.8% Merrill Lynch 1-5 Year Government/Corporate, 3.2% First Boston Convertible, 5% Salomon Non-U.S. Government Bond, 7.5% NCREIF, and 2.5% NAREIT. Over longer-term time periods, the System’s total fund return is also ahead of the policy index. For example, the five-year return of +10.9% annualized is 86 basis points ahead of the policy benchmark.

SDCERS’ U.S. equity composite fell -3.5% during the year ended June 30, 2001. This outperformed the System’s custom domestic equity benchmark return of -7.3% and the median equity manager in the Callan Domestic Equity Database. The median domestic equity manager returned -5.3% for the trailing year. While SDCERS’ domestic equity returns exceed the benchmark for the trailing three year period, performance remains behind the benchmark for the trailing five and ten year periods.

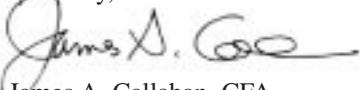
Mr. Lawrence B. Grissom
September 25, 2001
Page 3 of 3

The System's international equity composite returned -18.6% during the year ended June 30, 2001. This return outperformed the custom international equity benchmark return of -21.4% during this period and is well above the Callan Non-U.S. Equity Database Median return of -23.4%. Longer-term results for international stocks are well in excess of the benchmark and rank in the top quartile of the database.

For the trailing year, the SDCERS' domestic fixed income composite returned +6.9%, which was behind the System's custom index return of +8.7%. Over the trailing five years, SDCERS' domestic fixed income composite's compound annual return of +8.3% was above the target benchmark of +7.9% and well above the median fixed income manager. SDCERS' international bond portfolio exhibited sub-par absolute results for the trailing year, declining -7.0%. Longer term performance, while attractive relative to its benchmark, falls well behind the returns of the domestic fixed income database.

In summary, the year ended June 30, 2001, was characterized by robust volatility and sharp declines in the global equity markets. Despite this volatility and the wide disparity in returns among investment approaches, SDCERS' disciplined and diversified investment approach returned well above the Fund Benchmark. These strong results were driven by strong relative performance within both domestic and international equity portfolios.

Sincerely,



James A. Callahan, CFA
Senior Vice President

San Diego City Employees' Retirement System
Investment Manager Returns

AS OF JUNE 30, 2001

	Last Year	Last 3 Years (Annualized)	Last 5 Years (Annualized)
Domestic Equity Performance	(3.49%)	8.33%	13.03%
Blended Domestic Equity Benchmark (60% S&P 500; 20% S&P MidCap; 20% Russell 2000)	(7.32)	6.41	14.48
Standard & Poor's 500	(14.83)	3.89	14.47
Standard & Poor's MidCap 400	8.87	14.28	18.54
Russell 2000	(0.57)	5.28	9.60
International Equity Performance	(18.62%)	7.75%	11.73%
Blended International Equity Benchmark (65% MSCI EAFE Index; 11% MSCI Emerging Markets Free Index; 24% Goldman Sachs Med-Small Cap World Ex US Index)	(21.38)	(0.09)	1.50
MSCI-EAFE	(28.83)	(1.34)	2.83
MSCI Emerging Markets Free	(25.93)	(1.44)	(6.43)
FT Actuaries Small Cap (Wrld ex US)	(11.93)	1.76	0.81
Domestic Fixed Income Performance	6.85%	6.67%	8.33%
Blended Domestic Fixed Income Benchmark (75% Lehman Aggregate Bond Index; 15% Merrill Lynch 1-5 Govt/Corp; 10% First Boston Convertible Securities Index)	8.73	6.81	7.92
Lehman Aggregate	11.22	6.25	7.48
Merrill 1-5 Year Govt/Corp	10.20	6.55	6.80
First Boston Convertible Index	(11.87)	8.57	10.92
International Fixed Income Performance	(7.04%)	(0.51%)	1.48%
International Fixed Income Benchmark (100% SB World Govt. Bond)	(7.43)	(0.19)	0.49
Real Estate	21.97%	10.07%	11.09%
Blended Real Estate Benchmark (25% NAREIT Index; 75% NCREIF Index)*	14.84	8.58	11.63
NCREIF Index	11.40	12.58	13.47
NAREIT Index	25.36	4.29	10.14
*Benchmark weights previously 50% NAREIT, 50% NCREIF			
Total Fund Performance	(0.45%)	7.81%	10.92%
Custom Blended Performance Benchmark (7.6% Russell 2000; 22.8% S&P 500; 7.6% S&P MidCap; 3.2% First Boston Conv Index; 4.8% ML 1-5 GC; 24.0% L/B Agg; 7.5% NAREIT, 2.5% NCREIF; 9.7% EAFE; 1.7% MSCI Emg Mkt Fr; 3.6% FT Actuaries Sm Cap; and, 5.0% SB Wld Govt. Bond)	(2.31)	6.01	10.06

San Diego City Employees' Retirement System

Statement of Investment Objectives and Policies

ADOPTED BY THE RETIREMENT BOARD, MAY 15, 1995

INVESTMENT GOAL

It is the goal of SDCERS' investment program to ensure that sufficient financial assets are available to provide SDCERS members and their beneficiaries with all benefits due as specified in the SDCERS plan. It is the goal of the SDCERS' investment program to earn, on a long term average, a total real rate of return of at least 2.5% above the rate of inflation.

GENERAL LIMITATIONS

In accordance with the City Charter, SDCERS is structured as a separate Retirement System Trust Fund. It is neither part of nor combined with the City of San Diego operational investment pool.

The SDCERS Board establishes overall asset allocation guidelines for the Retirement System Trust Fund. These guidelines identify the asset classes that are to be utilized in SDCERS' investment portfolio. Investment ratios are designated for each class and are used to assist SDCERS' Board in determining which asset class(es) should receive additional contributions when available.

DIVERSIFICATION

1. At the time of the initial investment, not more than 5% of the equity portfolio can be invested in any one security.
2. At the time of the initial investment, not more than 10% of the fixed income portfolio can be invested in any one issue except for obligations of the U.S. Government or its agencies.
3. Both geographic area and property type must diversify mortgages. In addition, SDCERS' assets may be invested in mortgages offered by institutions or private parties.
4. Short-term investments must also be diversified by issuer type except for obligations of the U.S. Government or its agencies.
5. SDCERS' assets may be invested in equity investments provided that the equity is a common stock or preferred stock and sold on a nationally recognized registered stock exchange, is marketable because of the number of shares publicly held and traded or is in a diversified equity investment fund issued by an investment company registered with the Securities Exchange Commission (SEC) under the 1940 Act.

San Diego City Employees' Retirement System

Statement of Investment Objectives and Policies (continued)

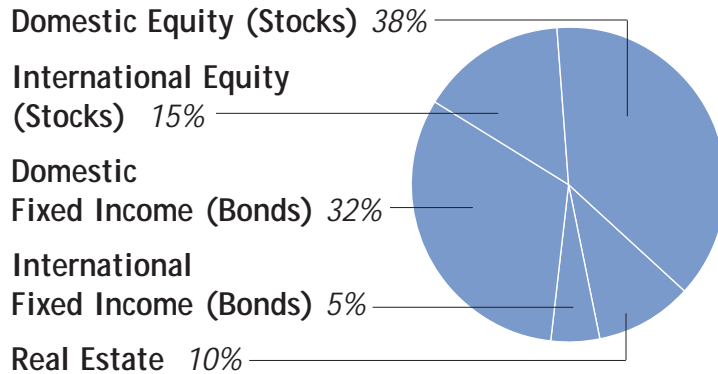
ADOPTED BY THE RETIREMENT BOARD, MAY 15, 1995

6. Fixed income investments may be in debt securities, including convertible bonds.
7. The portfolio mix consists of domestic equities, international equities, domestic fixed income, international fixed income, mortgages, real estate, and cash and cash equivalents.

* The above is an executive summary of SDCERS' *Goals, Objectives and Policies Relating to Investments as of May 19, 1995*; for a full copy of SDCERS' investment policy document, please contact SDCERS' Offices.

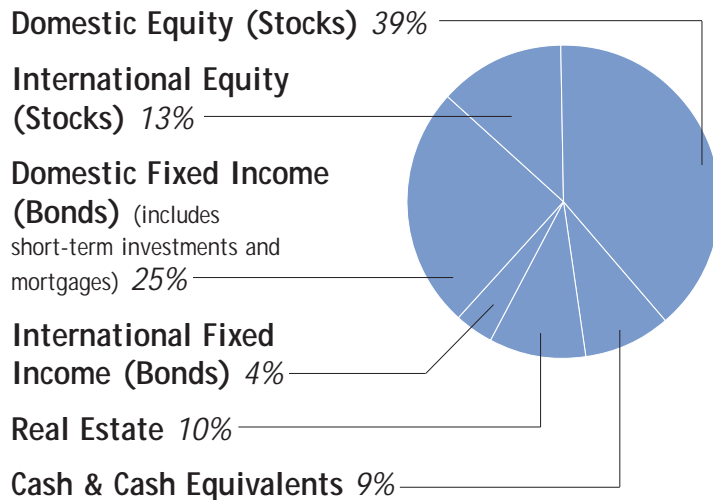
San Diego City Employees' Retirement System
Target Asset Allocation

AS OF JUNE 30, 2001



San Diego City Employees' Retirement System
Actual Asset Diversification

AS OF JUNE 30, 2001



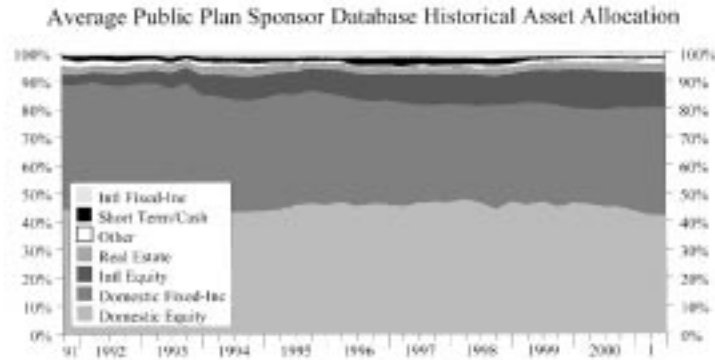
	Fair Value
Domestic Equity (Stocks)	\$1,093,158,064
International Equity (Stocks)	353,605,176
Domestic Fixed Income (Bonds) (includes Short-Term Investments & Mortgages)	701,739,292
International Fixed Income (Bonds)	115,499,233
Real Estate	267,250,573
Cash & Cash Equivalents	234,194,670
Total Invested Assets	\$2,765,447,008
(Total Cash & Cash Equivalents plus Total Investments)	

Note: The numbers included in this chart were obtained from the Comparative Statement of Plan Net Assets, located in the Financial Section of this CAFR. For purposes of asset allocation analysis, residual cash held by investment managers is considered invested in their respective asset classes of stocks, bonds and real estate. Total Invested Assets includes pending transactions in accordance with GASB Statement No. 25.

San Diego City Employees' Retirement System
Historical Asset Allocation

TEN YEAR HISTORY FISCAL YEARS 1992 - 2001
 (July 1, 1991 - June 30, 2001)

Actual vs Target Historical Asset Allocation
 The Historical asset allocation for a fund is by far the largest factor explaining its performance. The charts below show the fund's historical actual asset allocation, the fund's historical target asset allocation, and the historical asset allocation of the average fund in the Public Plan Sponsor Database.



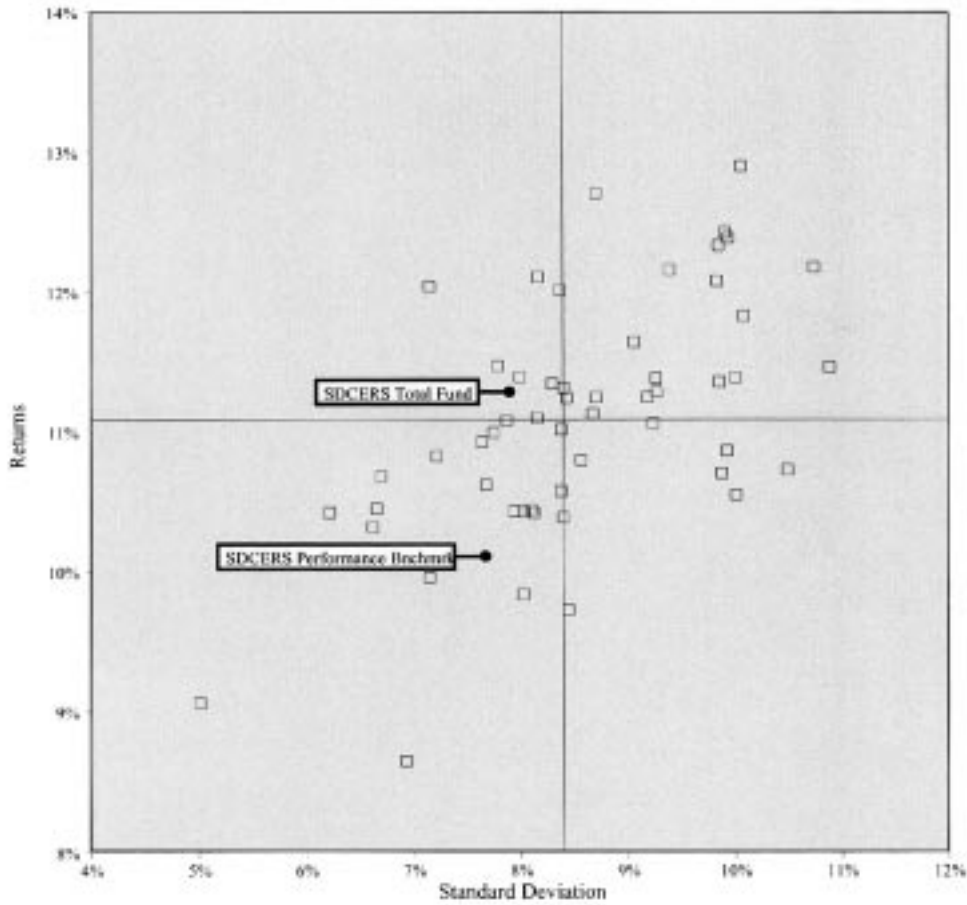
* Current Quarter Target = 22.8% S&P 500, 22.4% LBI Agg, 10.2% MSCI EAFE Index, 7.6% Russell 2000, 7.6% S&P Mid Cap 400, 7.5% NAREIT Classic Index, 6.4% ML 1-5 GovtCorp, 5.0% SIS Non-US Govt, 3.2% FB Convertible Index, 3.0% FTA Small Cap Non-US, 2.5% NAREIT and 1.8% MSCI Emer Markets
 San Diego City Employees' Retirement System

San Diego City Employees' Retirement System

Historical Risk vs. Return Analysis

TWELVE AND ONE-QUARTER YEAR COMPARISON ENDING JUNE 30, 2001

Risk/Reward vs. Public Plan Sponsor Database



San Diego City Employees' Retirement System

Schedule of Largest Equity Holdings

AS OF JUNE 30, 2001

Rank	Shares	Equity Securities (Stocks)	CUSIP	Market Value
1	495,134	General Electric Company	369604103	\$24,137,783
2	216,580	Microsoft Corporation	594918104	15,810,340
3	287,765	Pfizer, Inc.	717081103	11,524,988
4	184,408	Bank of American Corporation	060505104	11,070,012
5	182,757	Tyco International Limited New	902124106	9,960,257
6	175,171	AOL Time Warner, Inc.	00184A105	9,284,063
7	175,776	Viacom, Inc.	925524308	9,096,408
8	191,950	Home Depot, Inc.	437076102	8,935,273
9	508,000	AT&T Corporation	001957208	8,884,920
10	173,070	Johnson & Johnson	478160104	8,653,500

San Diego City Employees' Retirement System

Schedule of Largest Fixed Income Holdings

AS OF JUNE 30, 2001

Rank	Par	Fixed Income Securities (Bonds)	Market Value
1	118,000,000	GNMA I TBA JUL 30 SINGLE FAM	\$116,709,080
2	49,422,348	UNITED STATES TREASURY NOTES	50,349,017
3	25,000,000	GNMA I TBA JUL 30 SINGLE FAM	25,632,750
4	19,656,409	SMALL BUSINESS ADMINISTRATION PARTN CTF	20,811,223
5	15,000,000	FORD MOTOR CR CO	15,742,800
6	15,000,000	GENERAL MOTORS ACCEP CORP	15,193,050
7	12,000,000	GNMA I TBA JUL 30 SINGLE FAM	11,613,720
8	11,000,000	GNMA I TBA JUL 30 SINGLE FAM	11,096,250
9	11,000,000	TXU ELEC CO	11,000,000
10	11,000,000	DEUTSCHE BANK CAPITAL TRUST	10,956,660

A complete list of portfolio holdings is available upon request.

San Diego City Employees' Retirement System

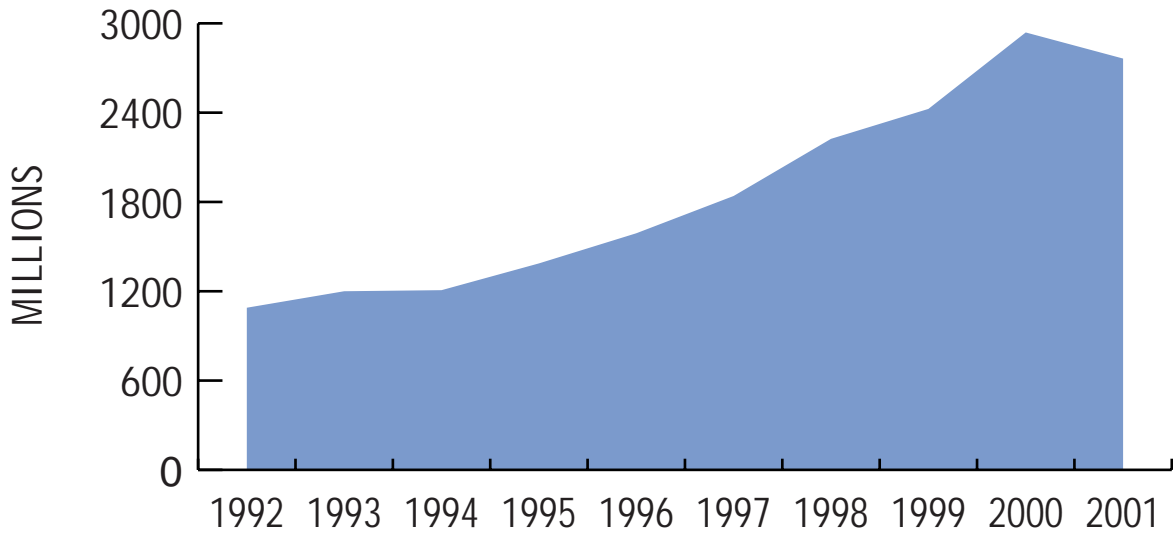
Schedule of Commissions

TOP 25 BROKERAGE FIRMS USED FOR THE YEAR ENDED JUNE 30, 2001

Rank	Brokerage Firm	Shares/Par	Commissions	Commission/Share
1	ABN AMRO	11,920,962	\$453,235	\$0.04
2	INVESTMENT TECHNOLOGY GROUP INC.	7,554,352	314,410	0.04
3	MERRILL LYNCH + CO INC	12,912,460	244,953	0.02
4	INSTINET	13,208,284	235,958	0.02
5	GOLDMAN SACHS + CO	5,003,548	221,564	0.04
6	PAINE WEBBER INCORPORATED	5,082,763	202,031	0.04
7	BEAR STEARNS CO	3,318,427	174,695	0.05
8	LEHMAN BROTHERS INC	4,366,301	165,370	0.04
9	RAGEN MACKENZIE INCORPORATED	5,146,086	165,014	0.03
10	MORGAN STANLEY AND CO, INC	5,079,326	162,974	0.03
11	BNY ESI SECURITIES COMPANY	2,940,097	148,011	0.05
12	SALOMON SMITH BARNEY INC	4,675,003	136,881	0.03
13	BRIDGE TRADING COMPANY	2,421,328	107,810	0.04
14	CS FIRST BOSTON CORPORATION	4,352,094	87,673	0.02
15	B-TRADE SERVICES LLC	2,912,884	86,779	0.03
16	CIBC WORLD MARKETS CORP	1,890,280	79,400	0.04
17	DEUTSCHE BANK SECURITIES	3,897,834	74,788	0.02
18	LYNCH JONES AND RYAN INC	1,078,305	72,051	0.07
19	PERSHING + CO	1,846,516	71,742	0.04
20	UBS WARBURG LLC	1,463,889	63,158	0.04
21	JEFFERIES+ CO	1,381,500	59,696	0.04
22	BROADCORTCAPITAL	826,299	46,757	0.06
23	CANTOR FITZGERALD + CO.	849,197	40,949	0.05
24	MORGAN, J.P., SECURITIES INC	676,646	38,395	0.06
25	ROCHDALE SECURITIES CORPORATION	1,109,537	37,918	0.03
	ALL OTHER BROKERS	25,516,877	766,744	0.03
TOTALS		131,430,795	\$4,258,956	\$0.03

San Diego City Employees' Retirement System
Growth of Investments at Fair Value

FOR TEN YEARS ENDED JUNE 30, 2001



Fiscal Year	Fair Value*
1992	\$1,092,218,302
1993	1,201,656,850
1994	1,209,027,093
1995	1,387,177,988
1996	1,590,285,263
1997	1,843,391,624
1998	2,225,367,416
1999	2,426,515,102
2000	2,940,773,904
2001	2,765,447,008

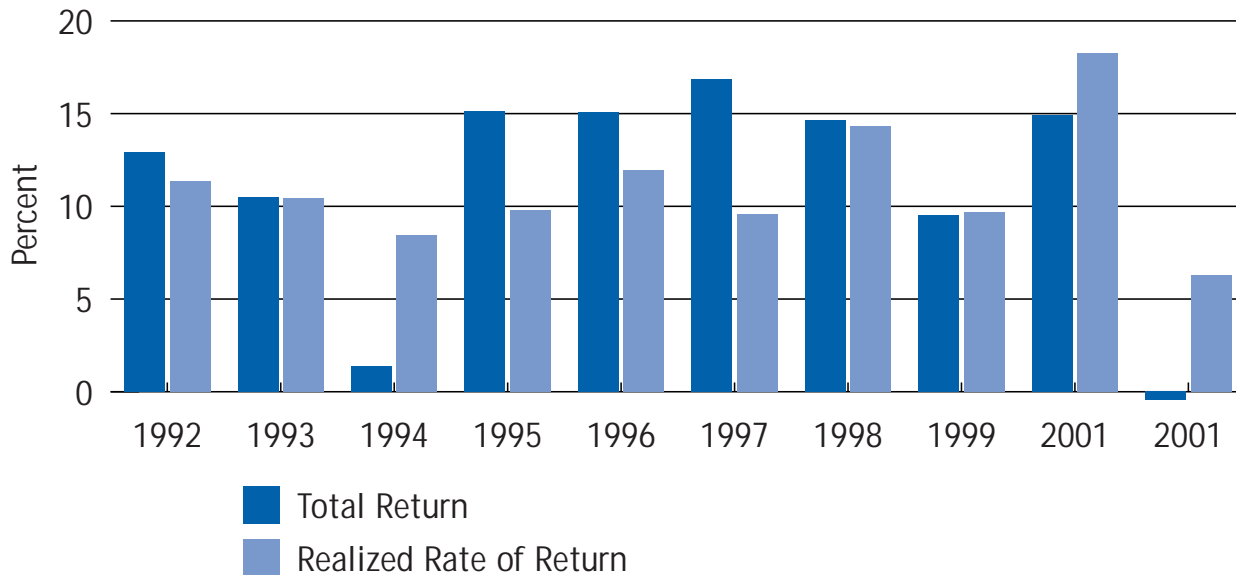
*Fair value of investments includes cash and cash equivalents deposits.

San Diego City Employees' Retirement System

History of Performance

FOR TEN YEARS ENDED JUNE 30, 2001

(Based on Fair Value)



Fiscal Year	Total Return	Realized Rate of Return
1992	12.91%	11.35%
1993	10.47	10.41
1994	1.35	8.42
1995	15.11	9.80
1996	15.08	11.96
1997	16.88	9.57
1998	14.62	14.33
1999	9.53	9.70
2000	14.93	18.24
2001	(0.45)	6.26

Total return measures SDCERS' performance in terms of the aggregate change in the SDCERS' market value from the beginning of the measurement period to the end of the measurement period. The Realized Rate of Return measures the gains or losses from actual sales of assets plus income earned and dividends paid during the period relative to the average book value of the assets during the period.

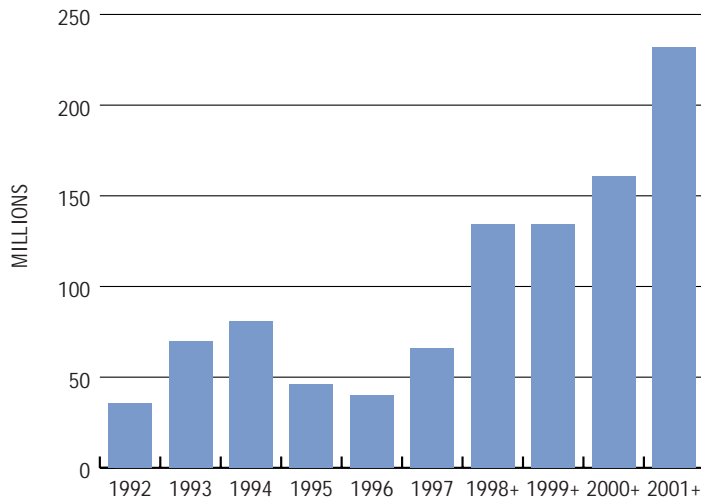
San Diego City Employees' Retirement System
Historical Asset Holdings Information

FOR TEN YEARS ENDED JUNE 30, 2001

CASH & CASH EQUIVALENT HOLDINGS

Valuation done June 30 each year

Cash and Cash Equivalents are investments with maturities of 90 days or less.



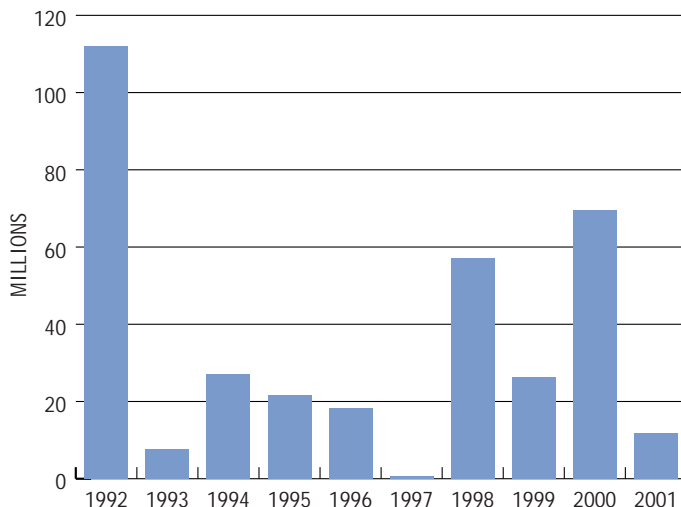
Fiscal Year	Market Value of Cash & Equivalents
1992	\$38,189,779
1993	71,585,190
1994	83,463,989
1995	46,347,036
1996	40,726,138
1997	69,361,891
1998+	135,676,617
1999+	135,976,338
2000+	163,498,829
2001+	234,194,670

+Higher cash holdings are due to a change in accounting for pending transactions pursuant to GASB Statement No. 25.

SHORT TERM INVESTMENT HOLDINGS

Valuation done June 30 each year

Short Term Investments are investments with maturities greater than 90 days but less than 1 year.



Fiscal Year	Market Value of Short Term Investments
1992	\$111,987,957
1993	7,544,620
1994	27,129,484
1995	21,666,006
1996	18,185,248
1997	609,768
1998	57,018,178
1999	26,318,203
2000	69,460,684
2001	11,864,163

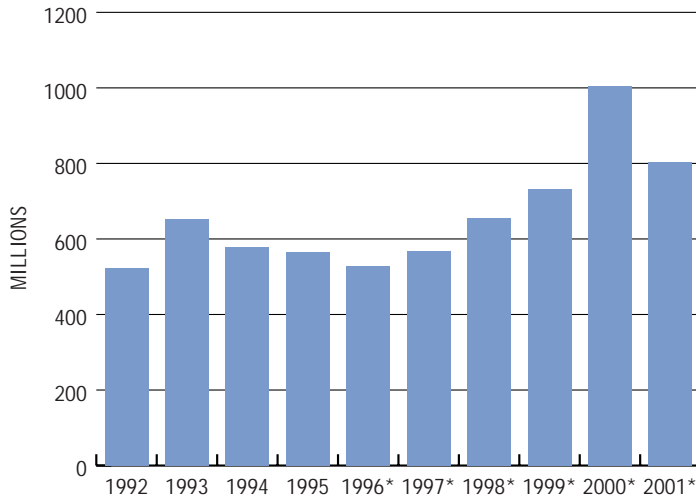
San Diego City Employees' Retirement System

Historical Asset Holdings Information (continued)

FOR TEN YEARS ENDED JUNE 30, 2001

HISTORY OF DOMESTIC AND INTERNATIONAL BOND HOLDINGS

Valuation done June 30 each year

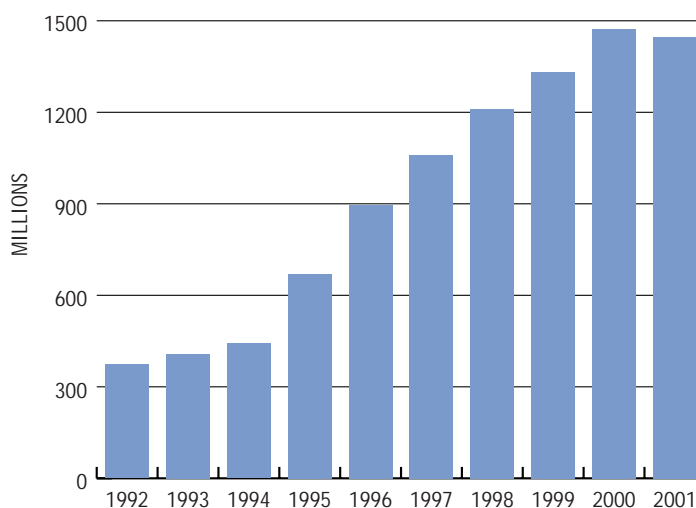


Fiscal Year	Market Value of Bonds
1992	\$521,725,018
1993	653,424,825
1994	579,577,133
1995	564,440,812
1996*	528,199,836
1997*	567,063,982
1998*	654,726,238
1999*	731,111,193
2000*	1,005,154,473
2001*	803,765,585

*International fixed income (bonds) exposure added to bond holdings in FY 1996.

HISTORY OF DOMESTIC AND INTERNATIONAL STOCK HOLDINGS

Valuation done June 30 each year



Fiscal Year	Market Value of Stocks
1992	\$372,720,437
1993	408,287,526
1994	441,786,781
1995*	669,385,913
1996*	895,631,516
1997*	1,059,691,384
1998*	1,210,749,732
1999*	1,332,344,711
2000*	1,473,187,920
2001*	1,446,763,240

*International equity exposure (stocks) added to stock holdings in FY 1995.

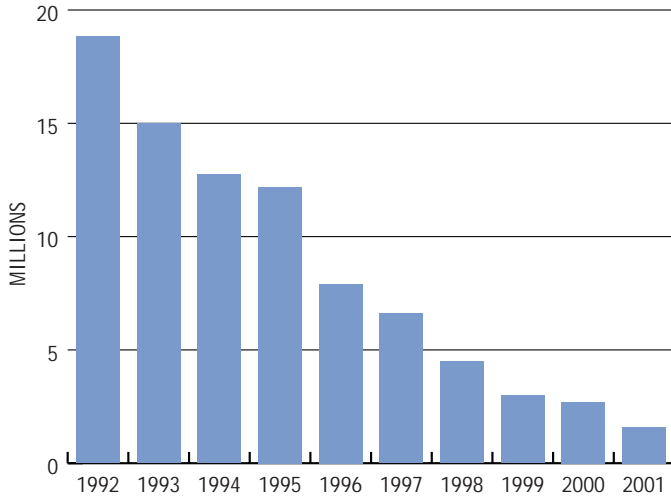
San Diego City Employees' Retirement System

Historical Asset Holdings Information (continued)

FOR TEN YEARS ENDED JUNE 30, 2001

HISTORY OF MORTGAGE HOLDINGS

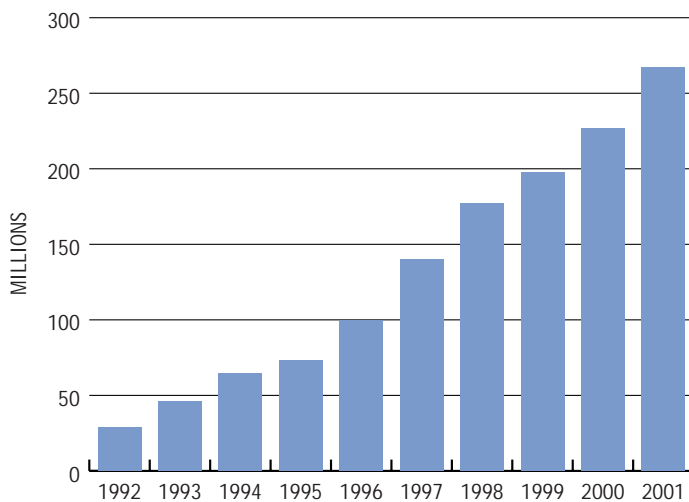
Valuation done June 30 each year



Fiscal Year	Market Value of Mortgages
1992	\$18,815,769
1993	14,997,429
1994	12,743,974
1995	12,180,228
1996	7,916,298
1997	6,551,890
1998	4,493,308
1999	3,008,566
2000	2,784,927
2001	1,617,777

HISTORY OF REAL ESTATE HOLDINGS

Valuation done June 30 each year

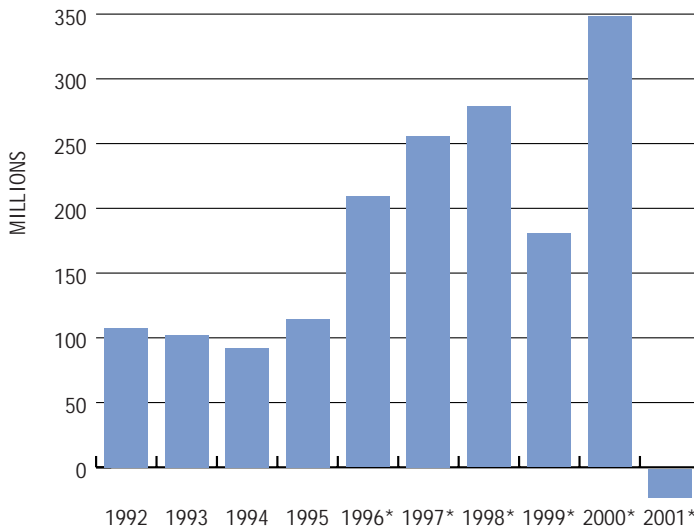


Fiscal Year	Market Value of Real Estate*
1992	\$28,779,342
1993	45,816,920
1994	64,325,732
1995	73,157,993
1996	99,626,227
1997	140,112,709
1998	176,961,020
1999	197,756,091
2000	226,687,071
2001	267,250,573

*REIT securities included in market value of real estate.

San Diego City Employees' Retirement System
Historical Asset Holdings Information (continued)
 FOR TEN YEARS ENDED JUNE 30, 2001

HISTORY OF NET INVESTMENT INCOME
 Income Earned as of June 30 each year



Fiscal Year	Net Investment Income
1992	\$107,824,717
1993	102,374,186
1994	92,323,487
1995	114,393,608
1996*	209,227,674
1997*	255,771,887
1998*	278,681,878
1999*	180,463,938
2000*	349,654,651
2001*	(23,989,213)

* Investment income is the net gain or loss from the sale of assets, dividends paid, interest earned and income from securities lending. GASB Statement No. 25 requires net appreciation/depreciation in assets to be recognized as unrealized income with changes in market value. These changes are included as part of investment income beginning FY 1996.

IV. ACTUARIAL SECTION





GABRIEL, ROEDER, SMITH & COMPANY
Consultants & Actuaries

9171 Towne Centre Drive • Suite 440 • San Diego, California 92122 • 858-535-1300 • FAX 858-535-1415

LETTER FROM THE ACTUARY

October 19, 2001

Members of the Retirement Board
San Diego City Employees' Retirement System
401 B Street, Suite 400
San Diego, CA 92101

Members of the Board:

We are pleased to have provided the actuarial report from the results of the required annual actuarial valuation of the San Diego City Employees' Retirement System (SDCERS or Retirement System) prepared as of June 30, 2000. The valuation is intended to provide a measure of the funding status of the Retirement System. As of June 30, 2000, SDCERS' funded ratio was 97.3% versus last year's funded ratio as of June 30, 1999 of 93.2%. Additionally, the funded ratio for the San Diego Unified Port District was 137.1% as of June 30, 2000 compared to the previous year's funded ratio of 122.8% which was as of June 30, 1999. The assumptions and methods used in this valuation for funding purposes meet the disclosure requirements stated in GASB Statement 25.

The valuation survey was based on financial statements and financial data provided by the Retirement Staff. The data was checked for reasonableness by our staff. The valuation was based on an inflation assumption rate of 4.25% and an annual real rate of investment return of 3.75%. Thus, the nominal assumed investment return rate was 8%. The annual salary increase was assumed to be 4.75% with an additional, variable merit increase for an employee's first five years of service.

The most recent year's actuarial valuation results indicated that there was a sizable experience gain of \$286.6 million for the Retirement System. This gain was primarily attributable to better than expected investment performance. This gain represents 13.1% of actuarial accrued liabilities as of the previous valuation date of June 30, 1999.

All schedules in the actuarial section were based on information obtained from the June 30, 2000 valuation. The following is a list of schedules in the Actuarial Section provided by us for this report.

1. Schedule of Retirants and Beneficiaries Added To and Removed From Rolls
2. Solvency Test
3. Analysis of Financial Experience

Members of the Retirement Board
San Diego City Employees' Retirement System
October 19, 2001
Page Two

While we did not specifically assemble any of the schedules in the Financial and Statistical Sections, we understand that specific data from the June 30, 2000, and June 30, 1999, valuations was used by the Retirement Staff in the presentation of some schedules. A list of those schedules follows.

Financial Section

1. Employer Contributions Based on Actuarial Valuations
2. Average Employees' Contribution Rate
3. Schedule of Funding Progress
4. City-Paid Rate for the Schedule of Employer Contributions

Statistical Section

5. Schedule of Allowances Being Paid as of July 1, 2000 (FY 2001)
6. Schedule of Average Benefit Payment Amounts
7. Schedule of Active Members
8. Schedule of Deferred Vested Members

The asset value used in determining the employer contribution rate reflects a portion of the unrealized gain or loss in assets. The actuarial assumptions used in the valuation are summarized in the attachments to the complete actuarial valuation on file at SDCERS' Offices. All assumptions were adopted by the SDCERS' Retirement Board after receiving input from the Board's actuary.

Sincerely,



Rick A. Roeder, EA, FSA, MAAA

GABRIEL, ROEDER, SMITH & COMPANY

San Diego City Employees' Retirement System

Summary of Actuarial Assumptions and Methods

USED FOR THE JUNE 30, 2000 VALUATION

- ◆ The investment rate of return in making the valuations was 8.0% per year, compounded annually, before retirement and 2.0% per year, compounded annually, after retirement.
- ◆ The real rate of return is the rate of investment return in excess of the inflation rate. The assumed inflation rate was 4.25%.

Investment return	8.00%
-Inflation	4.25%
Real rate of return	3.75%

- ◆ The actuarial value of assets was determined using the net market value and net book value of plan assets. Taking the gross values and deducting payables as indicated in the financial statements arrives at net values available for benefits. The percentage differences between net market value and net book value over the most recent five year period was calculated. The resulting percentages were averaged for the five year period and applied to the current year's net book value of plan assets to arrive at the actuarial value of plan assets.

- ◆ The actuarial assumptions and methods shown in the supporting schedules were calculated by the actuary and adopted by SDCERS' Board. These assumptions and methods are validated and approved annually with each valuation.
- ◆ The morality table used in evaluating allowances to be paid was the 1994 Uninsured Pension Mortality table, set back 2 years for retirees and 5 years for disability retirees. This assumption is used to measure the probabilities of members dying after retirement and the probabilities of each benefit payment being made after retirement. Related values are shown below:

Sample Ages	Future Life Expectancy (Years)		
	Retirants		
	Men	Women	Disabilitants
45	36.07	40.44	30.01
50	31.37	35.64	25.49
55	26.78	30.90	21.20
60	22.38	26.27	17.26
65	18.28	21.86	13.77
70	14.61	17.80	10.66
75	11.35	14.03	7.97
80	8.48	10.61	5.86

San Diego City Employees' Retirement System

Summary of Actuarial Assumptions and Methods (continued)

USED FOR THE JUNE 30, 2000 VALUATION

- ◆ The probabilities of withdrawal from active employment, together with individual pay increase assumptions, are shown in Schedule 1(a) and Schedule 1(b) in the pages following.
- ◆ The assumed, annual cost-of-living adjustment is generally 2% per annum, compounded. There is a closed group of special safety officers whom we assume an annual adjustment equal to inflation (4.25% per year).
- ◆ The probabilities of retirement with an age and service allowance are shown in Schedule 2(a) and Schedule 2(b) in the pages following.
- ◆ The member statistical data on which the valuation was based was furnished by SDCERS, together with pertinent data on financial operations. Data was reviewed for reasonableness, but was not audited by the actuary.
- ◆ Total active member payroll was assumed to increase as follows:

Inflation	4.25%
+Merit & Longevity	0.50%
Total	4.75%
- ◆ The actuarial valuation computations were made by or under the supervision of a Member of the Academy of Actuaries (M.A.A.A.).
- ◆ The projected unit credit actuarial cost method (adopted as of July 1, 1993) was used in determining age and service allowance actuarial liabilities at normal cost. Actuarial gains and losses reduce or increase the unfunded liability that is being amortized over a 30-year, closed period beginning in July 1, 1991 (20 years remaining).

San Diego City Employees' Retirement System

Schedule 1(a)

Withdrawal From Active Employment Before Age & Service Retirement and Individual Pay Increase Assumptions

PERCENT OF ACTIVE MEMBERS SEPARATING WITHIN NEXT YEAR

CITY OF SAN DIEGO

Sample Ages	Years of Service	General Members		Safety	Percent Increase in Individuals Pay During Next Year
		Men	Women		
All	0	4.30%	7.30%	4.40%	4.75%
	1	4.30	7.20	4.40	4.75
	2	4.30	7.00	4.30	4.75
	3	4.30	6.90	4.10	4.75
	4	4.20	6.30	4.00	2.00
20	5 & Over	4.00	5.60	3.20	2.00
25		4.00	5.60	3.20	2.00
30		3.70	4.20	2.20	2.00
35		3.20	2.60	1.40	2.00
40		2.10	2.00	0.60	2.00
45		1.70	1.60	0.30	2.00
50		1.30	1.30	0.10	2.00
55		0.90	1.00	0.00	2.00

Schedule 1(b)

Withdrawal From Active Employment Before Age & Service Retirement and Individual Pay Increase Assumptions

PERCENT OF ACTIVE MEMBERS SEPARATING WITHIN NEXT YEAR

SAN DIEGO UNIFIED PORT DISTRICT

Sample Ages	Years of Service	General Members		Safety	Percent Increase in Individuals Pay During Next Year
		Men	Women		
All	0	6.50%	11.00%	8.75%	
	1	6.50	10.80	8.75	4.75%
	2	6.40	10.50	8.50	4.75
	3	6.40	10.30	8.25	4.75
	4	6.30	9.50	8.00	4.75
20	5 & Over	5.99	8.34	6.36	2.00
25		5.99	8.34	6.36	2.00
30		5.50	6.24	4.44	2.00
35		4.77	3.92	2.78	2.00
40		3.21	2.96	1.17	2.00
45		2.61	2.40	0.60	2.00
50		1.88	2.00	0.21	2.00
55		1.34	1.55	0.10	2.00

San Diego City Employees' Retirement System
Schedule 2(a)
 Percent of Active Members Retiring
 Within the Next Year

CITY OF SAN DIEGO

Legislative Members

Retirement Ages	Safety Members	General Members	Legislative Members	
			Men	Women
50	10%	—	—	—
51	10	—	—	—
52	10	—	—	—
53	10	—	15%	15%
54	20	—	1	1
55	40	20%	5	6
56	40	10	3	3
57	40	10	4	4
58	50	15	5	4
59	80	15	6	5
60	85	20	60	60
61	90	25	25	25
62	100	50	39	29
63	100	40	23	25
64	100	25	34	35
65	100	50	70	60
66	100	40	70	65
67	100	40	75	70
68	100	40	80	80
69	100	40	90	90
70	100	100	100	100

Deferred vested members were assumed to retire at the earliest age that they would have been eligible for a service retirement in City employment based on their completed years of service.

San Diego City Employees' Retirement System
Schedule 2(b)
 Percent of Active Members Retiring
 Within the Next Year

SAN DIEGO UNIFIED PORT DISTRICT

Retirement Ages	Safety Members	General Members
50	10%	—
51	10	—
52	10	—
53	10	—
54	20	—
55	40	20%
56	40	10
57	40	10
58	50	15
59	80	15
60	85	20
61	90	25
62	100	50
63	100	40
64	100	25
65	100	50
66	100	40
67	100	40
68	100	40
69	100	40
70	100	100

Deferred vested members were assumed to retire at the earliest age that they would have been eligible for a service retirement in District employment based on their completed years of service.

San Diego City Employees' Retirement System
Schedule of Active Member Valuation Data
 FOR YEARS ENDED JUNE 30

CITY OF SAN DIEGO

Valuation Date	Members	Annual Payroll	Annual Average Pay	% Increase in Average Pay
6/30/00	9,913	\$448,501,827	\$45,244	2.90%
6/30/99	9,654	424,515,969	43,973	3.10
6/30/98	9,359	399,035,094	42,637	3.70
6/30/97	9,312	382,715,084	41,099	3.50
6/30/96	9,198	365,088,750	39,692	2.60
6/30/95	9,060	350,583,835	38,696	1.70

SAN DIEGO UNIFIED PORT DISTRICT

Valuation Date	Members	Annual Payroll	Annual Average Pay	% Increase in Average Pay
6/30/00	654	\$30,621,242	\$46,821	3.00%
6/30/99	661	30,034,900	45,439	4.90
6/30/98	616	26,672,111	43,299	0.30
6/30/97	588	25,390,456	43,181	4.10
6/30/96	568	23,557,274	41,474	5.40
6/30/95	569	22,382,819	39,337	2.80

San Diego City Employees' Retirement System
**Schedule of Retirants and Beneficiaries Added
 To and Removed From Rolls**

FOR YEARS ENDED JUNE 30

Year Ended	No.	Added Annual Allowances	No.	Removed Annual Allowances	No.	Total Annual Allowances	% Increase In Annual Allowances	Average Annual Allowances
2000	251	\$8,798,554	119	\$1,273,240	4,789	\$95,348,751	8.6%	\$19,910
1999	319	11,506,968	81	1,720,856	4,657	87,823,437	14.8	18,858
1998	241	8,107,722	Data Revision ⁽¹⁾		4,419	76,507,181	22.1	17,313
1997	138	4,029,048	67	746,110	4,123	62,672,105	7.6	15,201
1996	136	3,294,722	50	563,123	4,052	58,224,674	7.0	14,369
1995	87	2,620,252	41	748,986	3,966	54,404,975	5.6	13,718
1994	95	1,944,240	62	800,645	3,920	51,503,636	4.3	13,139

(1) Reflects data revision due to retroactive DROP (Deferred Retirement Option Program) retirants

NOTE: DROP recipients are treated as retirees for this exhibit. DROP was instituted in 1997. Due to the COLA, Rolls at end of the year will not "sum" to additions and removals of new and deceased benefit recipients.

San Diego City Employees' Retirement System
Solvency Test

FOR YEARS ENDED JUNE 30 (\$ In Thousands)

Valuation Date	Aggregate Accrued Liabilities For			Reported Assets*	Portion of Accrued Liabilities Covered by Reported Assets		
	(1) Active Member Contributions	(2) Retirants And Beneficiaries	(3) Active Members		(1)	(2)	(3)
6/30/00	\$295,762	\$1,170,075	\$1,062,937	\$2,592,998	100.0%	100.0%	100.0%
6/30/99	238,278	1,026,395	916,874	2,033,153	100.0	100.0	83.8
6/30/98**	227,740	885,586	866,342	1,852,151	100.0	100.0	85.3
6/30/97	218,544	699,535	830,739	1,632,361	100.0	100.0	86.0
6/30/96***	204,426	647,228	768,719	1,480,772	100.0	100.0	81.8
6/30/95	184,690	605,777	630,683	1,316,903	100.0	100.0	83.5
6/30/94**	163,269	565,913	561,745	1,216,063	100.0	100.0	86.7

* Actuarial Value of Assets

** Reflects revised actuarial and economic assumptions

*** After Manager's proposal

San Diego City Employees' Retirement System
Analysis of Financial Experience
 FOR YEARS ENDED JUNE 30

Actuarial gains or losses realized in the operation of retirement systems provides an experience test. Gains and losses are expected to cancel each other out over a period of years (in the absence of double digit inflation) and sizeable year-to-year fluctuations are common.

Components of Experience Gain (Loss)	CITY OF SAN DIEGO		SAN DIEGO UNIFIED PORT DISTRICT	
	2000	1999	2000	1999
Estimated Gain (Loss) Attributed to Investment Experience	\$290,700,000	\$74,892,018	\$14,962,558	\$3,854,203
Estimated Gain (Loss) Attributed to Pay Increases	18,773,910	13,135,392	36,100	(288,881)
Estimated Gain (Loss) Attributed to Change in Size of Group as it Pertains to Amortization of UAAL	—	—	—	—
Estimated Gain (Loss) Attributed to Post-Retirement Mortality Experience of Retirants and Beneficiaries at Beginning of Year and Pay Increases for New Retirees in Year of Retirement	—	—	(896,871)	(523,992)
Estimated Gain (Loss) Attributed to Employee Turnover, Pre-Retirement Mortality, Retirement Incidence, Data Corrections and Miscellaneous Factors	(22,834,750)	(58,277,111)	992,586	559,703
Total Estimated Experience Gain (Loss)	\$286,639,160	\$29,750,299	\$15,094,373	\$3,601,033

San Diego City Employees' Retirement System
Analysis of Financial Experience (continued)
 FOR YEARS ENDED JUNE 30

CITY OF SAN DIEGO/SAN DIEGO UNIFIED PORT DISTRICT*

Components of Experience Gain (Loss)	1998	1997	1996	1995	1994
Estimated Gain (Loss) Attributed to Investment Experience	\$101,000,000	\$40,036,829	\$60,894,270	\$3,896,000	(\$2,952,000)
Estimated Gain (Loss) Attributed to Pay Increases	9,141,984	9,609,149	14,328,481	14,901,000	16,868,000
Estimated Gain (Loss) Attributed to Change in Size of Group as it Pertains to Amortization of UAAL	—	—	—	(89,000)	(118,000)
Estimated Gain (Loss) Attributed to Post-Retirement Mortality Experience of Retirants and Beneficiaries at Beginning of Year and Pay Increases for New Retirees in Year of Retirement	—	(9,435,558)	(5,066,789)	(13,045,000)	(10,594,000)
Estimated Gain (Loss) Attributed to Employee Turnover, Pre-Retirement Mortality, Retirement Incidence, Data Corrections and Miscellaneous Factors	(79,055,974)	(1,736,427)	(10,563,002)	(17,033,990)	(9,948,850)
Total Estimated Experience Gain (Loss)	\$31,086,010	\$38,473,993	\$59,592,960	(\$11,370,990)	(\$6,744,850)

* Prior to 1999, City of San Diego and San Diego Unified Port District were reported together.

Reconciling Differences Between Assumed Experience and Actual Experience

Once actual experience has occurred and been observed, it will not coincide exactly with assumed experience regardless of the skill of the actuary and the many calculations made. Most retirement systems, including SDCERS, cope with this difference by having annual actuarial valuations. Each actuarial valuation is a complete recalculation of assumed future experience, taking into account all past differences between assumed and actual experience. The result is continuing adjustments in financial position.

San Diego City Employees' Retirement System
Analysis of Financial Experience (continued)
 FOR YEARS ENDED JUNE 30

CITY OF SAN DIEGO

Valuation Date	Gain(Loss)	Beginning of Year Accrued Liabilities	Gain(Loss) Percentage	Net Increase in Liabilities
6/30/00	\$286,639,160	\$2,181,547,453	13.1%	\$201,879,415
6/30/99	29,750,299	1,979,668,038	1.5%	238,868,590

SAN DIEGO UNIFIED PORT DISTRICT

Valuation Date	Gain(Loss)	Beginning of Year Accrued Liabilities	Gain(Loss) Percentage	Net Increase in Liabilities
6/30/00	\$15,094,373	\$89,808,543	16.8%	\$8,175,973
6/30/99	3,601,033	81,632,570	4.4%	N/A*

CITY OF SAN DIEGO/SAN DIEGO UNIFIED PORT DISTRICT*

Valuation Date	Gain(Loss)	Beginning of Year Accrued Liabilities	Gain(Loss) Percentage	Net Increase in Liabilities
6/30/98	\$31,086,010	1,822,432,018	1.7%	\$139,827,486
6/30/97	38,473,993	1,682,604,532	2.3%	205,893,870
6/30/96	59,592,960	1,476,710,662	4.0%	138,431,121
6/30/95	(11,370,990)	1,338,279,541	(0.8%)	117,449,482
6/30/94	(6,744,850)	1,220,830,059	(0.6%)	163,591,142

*Prior to 1999, City of San Diego and San Diego Unified Port District were reported together.

San Diego City Employees' Retirement System

Analysis of Financial Experience (continued)

FOR YEARS ENDED JUNE 30

Discussion of the Comparative Schedule of Experience Gain (Loss)

June 30, 2000: The net gains of \$286.6 million (City) and \$15.1 million (District) were as a result of investment earnings and the savings from expected employee pay increases exceeding losses due to more than expected pay increases to new retirees, and less than expected employee turnover and pre- and post-retirement mortality. These gains helped to reduce the net increases in liabilities of \$201.9 million (City) and \$8.2 million (District) over the prior year.

June 30, 1999: The net gains of \$29.7 million (City) and \$3.6 million (District) were as a result of investment earnings and the net savings from expected employee pay increases exceeding losses due to more than expected pay increases to new retirees, and less than expected employee turnover, and, pre- and post-retirement mortality. These gains helped to reduce the net increase in liabilities of \$238.9 million over the prior year.

June 30, 1998: The net gain of \$31.1 million was as a result of investment earnings and the savings from expected employee pay increases exceeding losses due to less than expected employee turnover and pre-retirement mortality. This gain helped to reduce the net increase in liabilities of \$139.8 million from the prior.

June 30, 1997: The net gain of \$38.5 million was as a result of investment earnings and savings from expected employee pay increases exceeding losses due to more than expected pay increases to new retirees, and less than expected employee turnover, and, pre- and post-retirement mortality. This gain helped to reduce the net increase in liabilities of \$205.9 million from the prior year.

June 30, 1996: The net gain of \$59.6 million was as a result of investment earnings and savings from expected employee pay increases exceeding losses due to more than expected pay increases to new retirees, and less than expected employee turnover, and, pre- and post-retirement mortality. This gain helped to reduce the net increase in liabilities of \$138.4 million from the prior year.

June 30, 1995: The net loss of \$11.4 million was as a result of investment earnings and savings from expected employee pay increases not exceeding losses due to more than expected pay increases to new retirees, and less than expected employee turnover, and, pre- and post-retirement mortality. This loss further increased liabilities to \$117.5 million from the prior year.

June 30, 1994: The net loss of \$6.7 million was as a result of negative investment earnings and savings from expected employee pay increases not exceeding losses due to more than expected pay increases to new retirees, and less than expected employee turnover, and, pre- and post-retirement mortality. This loss further increased liabilities to \$163.6 million from the prior year.

San Diego City Employees' Retirement System **Summary of SDCERS' Provisions**

AS OF JUNE 30, 2001

SDCERS' DESCRIPTION AND HISTORY

Established in 1927, the San Diego City Employees' Retirement System (SDCERS) provides retirement, health insurance, disability, and death benefits for its members. In 1955, the closed Police and Fire Systems were merged with SDCERS resulting in SDCERS' composition of three distinct benefit structures for: general members, police safety members and fire safety members. Employees of the San Diego Unified Port District (District) became members of SDCERS in 1963 through an agreement between the City of San Diego (City) and District. In 1971, legislative officers were added to SDCERS as the fourth distinct benefit structure.

SDCERS, acting as an agent of a multi-employer, defined benefit plan, provides vested members a specified portion of their annual salaries when they retire. In order to attain the appropriate level of funding for each member, SDCERS specifies a formula to be used to calculate the amount that would need to be contributed by members each year until retirement. To maintain low levels of required contributions by members, SDCERS invests in fixed income, equities and real estate, and reinvests interest earnings and the profits from the sale of securities. Currently, SDCERS' Plan Net Assets are valued at just over \$2.6 billion.

SDCERS is governed by a thirteen-member Board comprised of representatives of general and safety members, retirees, City management, and appointed citizens. The SDCERS Board is responsible for administering SDCERS in accordance with the California State Constitution Article XVI, Section 17, the San Diego City Charter Articles IX and X, Sections 141 – 148.1 and the San Diego Municipal Code Sections 24.0100 *et seq.*

Since its inception 74 years ago, the number of SDCERS members and retirees has continued to increase. In the most recent fiscal year, there was an increase of 741 members (active and deferred) and an increase of 216 retirees, which includes 135 DROP participants. Continued growth in members and retirees is projected for the next few years. In order to accommodate this growth, SDCERS has established a long-term investment strategy based on sound investment policies and risk reduction through diversification of assets. By adhering to prudent investment principles, SDCERS' objective is to be in a position to fund the retirement benefits earned by current and future members.

San Diego City Employees' Retirement System

Summary of SDCERS' Provisions (continued)

AS OF JUNE 30, 2001

MAJOR PROVISIONS

Membership Requirements

Salaried Classified Employees - immediate upon employment.

Salaried Unclassified Employees - immediate upon employment (if hired on or after August 11, 1993).

Salary Base for Benefits (Final Compensation)

Highest one-year average.

Service Requirement

A. Eligibility

- 1) General Members - Age 62 with 10 years of service, or age 55 with 20 years of service.
- 2) Safety Members - Age 55 with 10 years of service, or age 50 with 20 years of service.
- 3) Legislative Members - Age 60 with 4 years of service, or with 8 or more years of service at an age less than age 55 with a 2% reduction in retirement allowance for each year under age 55.

B. Benefit Formula Per Year of Service

1) General Members

CHOICE OF:

Retirement Factors in effect July 1, 2000, of 2.25% at age 55 increasing by .05% per year to age 59 to a maximum 2.55% at age 65 and over;

OR

A 10% increase to Final Compensation used to calculate the Base Retirement Benefit using the Retirement Factors in effect on June 30, 2000, of 2.0% at age 55 increasing to 2.55% at age 65 and over.

2) Lifeguard Members

CHOICE OF:

3.0% at age 50 and all ages after 50;

OR

A 10% increase to Final Compensation used to calculate the Base Retirement Benefit using the Retirement Factors in effect on June 30, 2000 of 2.2% at age 50 increasing to 2.77% at age 55 and over.

San Diego City Employees' Retirement System
Summary of SDCERS' Provisions (continued)
 AS OF JUNE 30, 2001

3) Safety/Police & Fire Members

CHOICE OF:

3.0% at age 50 and all ages after 50;

OR

A 10% increase to Final Compensation used to calculate the Base Retirement Benefit using the Retirement Factors in effect on June 30, 2000 of 2.5% at age 50 increasing to 2.999% at age 55 and over.

4) Legislative Members

A 10% increase to Final Compensation used to calculate the Base Retirement Benefit using the Retirement Factors for legislative members of 5% of first \$500 of monthly average pay plus 3% of remaining final average pay.

- C. Unmodified Form of Payment - Monthly payments continued for the life of the member, with 50% continuance to the spouse upon member's death.

Non-Industrial Disability

A. Eligibility - Ten years of service.

B. Benefit Formula Per Year of Service

- 1) General Members - Greater of 1.5% per year of service, 33.3% of salary, or the earned service retirement benefit.
- 2) Safety Members - Greater of 1.8% per year of service, 33.3% of salary, or the earned service retirement benefit.

Industrial Disability

A. Eligibility - No age or service requirement.

B. Benefit

- 1) General Members (City) - Greater of 50% of salary, or the earned service retirement benefit. General Members (District) - Greater of 33.3% of salary, or the earned service retirement benefit.
- 2) Safety Members - Greater of 50% of salary, or the earned service retirement benefit.

San Diego City Employees' Retirement System

Summary of SDCERS' Provisions (continued)

AS OF JUNE 30, 2001

Non-Industrial Death Before Eligible to Retire for Service (Basic Death Benefit)

Refund of employee contributions with interest plus one month's salary for each year of service to a maximum of six month's salary.

Non-Industrial Death After Eligible to Retire for Service

50% of earned benefit payable to surviving eligible spouse (or basic death benefit).

Industrial Death (Special or Modified Special Death Benefit)

50% of salary payable to surviving spouse or minor dependent children (or basic death benefit).

Death After Retirement

\$2,000 death benefit paid to named beneficiary.

Withdrawal Benefit

- A. Pre-12/8/77 Hires - If contributions left on deposit, entitled to earned benefits, commencing anytime after eligible to retire.
- B. Post 12/7/77 Hires
 - 1) Less than ten years of service - Refund of accumulated member contributions with interest, or may keep deposits in SDCERS and earn additional interest.
 - 2) Ten or more years of service - If contributions left on deposit, entitled to earned benefits, upon application at age 62 or older.

Post-Retirement Cost-of-Living Benefits

- A. General Members and Safety - Based on changes in Consumer Price Index, to a maximum of 2% per year.
- B. Special Class Safety Fluctuator Members - Indexed to active wages for the same position.

City Contributions

Determined by the Projected Unit Credit Funding Method with a closed, 30-year amortization of Unfunded Actuarial Accrued Liability beginning July 1, 1991.

Member Contributions

See section on contributions.

San Diego City Employees' Retirement System

Summary of SDCERS' Provisions (continued)

AS OF JUNE 30, 2001

San Diego Unified Port District Members

SDCERS' provisions applicable to City general members are generally applicable to District general members. SDCERS' provisions applicable to City lifeguard members are generally applicable to District safety members.

Legislative Members

SDCERS' provisions applicable to general members are generally applicable to legislative members except where specifically noted.

Contributions

The funding objective of SDCERS is to establish and receive contributions, expressed as percentages of active member payroll, which will remain approximately level from year to year and will not have to be increased for future generations of citizens.

Employer contributions, employee contributions, and investment income from invested assets support SDCERS. Contributions are determined by an annual actuarial valuation using assumptions, which generate sufficient assets to:

- a. Cover the actuarial present value of benefits allocated to the current year by the actuarial cost method (the normal costs); and
- b. Finance over a period of future years the actuarial present value of benefits not covered by valuation assets and anticipated future normal costs (unfunded actuarial accrued liability).

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V. STATISTICAL SECTION



San Diego City Employees' Retirement System
Schedule of Revenue by Source (Additions)
 FOR FISCAL YEARS ENDED JUNE 30

Fiscal Year	Employers' Contributions	Employee Contributions Paid By Employers	Employee Contributions	DROP Contributions*	Investment Income	Other Income	Total
2001	\$45,553,367	\$25,566,207	\$36,360,970	\$26,400,234	(\$23,989,213)	\$371,123	\$110,262,688
2000	40,666,091	24,271,821	29,533,246	16,011,124	349,654,651	308,302	460,445,235
1999	35,901,367	23,439,812	30,081,241	11,770,221	180,463,938	290,335	281,946,914
1998	32,497,329	22,148,460	24,217,798	7,939,756	278,681,878	697,110	366,182,331
1997	29,165,584	21,211,659	15,770,286	0	255,771,887	414,807	322,334,223
1996	26,121,560	19,964,925	16,222,995	0	208,982,187	420,350	271,712,017
1995	18,473,937	22,169,627	18,412,993	0	114,393,608	156,467	173,606,632

*DROP (Deferred Retirement Option Program) began in FY 1998.

San Diego City Employees' Retirement System
Schedule of Expenses by Type (Deductions)
 FOR FISCAL YEARS ENDED JUNE 30

Fiscal Year	Benefit Payments	Administrative Expenses	Refunds	Miscellaneous	Total
2001	\$153,198,830	\$6,250,872	\$1,462,746	\$28,706	\$160,941,154
2000	110,592,601	5,813,354	1,250,997	21,887	117,678,839
1999	98,302,899	3,207,897	1,643,187	27,770	103,181,753
1998	83,315,307	4,179,621	1,468,813	51,790	89,015,531
1997	65,606,901	4,539,021	1,741,230	43,791	71,930,943
1996	60,850,581	2,738,906	1,358,596	—	64,948,083
1995	57,176,235	7,048,951	1,515,652	—	65,740,838

*Administrative expenses recategorized beginning July 1, 1999 (FY 2000) to include all SDCERS' expenses except investment manager fees as identified in the **Schedule of Investment Expenses** in the Financial Section of this CAFR.

San Diego City Employees' Retirement System
**Schedule of Allowances Being Paid
as of July 1, 2000 (FY 2001)**

RETIREES AND BENEFICIARIES AS OF JUNE 30, 2000

CITY OF SAN DIEGO

Type of Allowance	Annual No.	Annual Allowances
Service Retirement		
Life Annuity Only	549	\$10,498,205
Cash Refund Annuity	93	1,823,073
Joint & 100% Survivor	139	4,954,894
Joint & 50% Survivor		
Automatic	1,929	48,002,300
Elected	9	322,813
Option 4*	12	458,425
Social Security Option	22	382,653
Total Service Retirement	2,753	66,442,363
Disability Retirement		
Life Annuity Only	300	4,430,755
Cash Refund Annuity	8	192,218
Joint & 100% Survivor		
Automatic	39	278,792
Elected	24	718,629
Joint & 50% Survivor		
Automatic	828	17,447,096
Elected	2	59,391
Option 4*	4	117,586
Social Security Option	2	8,689
Total Disability Retirement	1,207	23,253,156
Death Before Retirement	38	499,506
Death After Retirement		
Service Retirement	580	3,667,755
Disability Retirement	211	1,485,971
Total Death After Retirement	791	5,153,726
Total Allowances Being Paid	4,789	\$95,348,751

* Option 4 - Section 24.0607 of the San Diego Municipal Code allows, upon approval of the Board, other benefits that are the actuarial equivalent of the retirement allowance.

San Diego City Employees' Retirement System
Schedule of Allowances Being Paid
as of July 1, 2000 (FY 2001) (continued)

RETIREES AND BENEFICIARIES AS OF JUNE 30, 2000

SAN DIEGO UNIFIED PORT DISTRICT

Type of Allowance	Annual No.	Annual Allowances
Service Retirement		
Life Annuity Only	29	\$504,273
Cash Refund Annuity	7	136,867
Joint & 100% Survivor	5	64,005
Joint & 50% Survivor		
Automatic	102	2,355,429
Elected	0	0
Option 4*	0	0
Social Security Option	2	46,269
Total Service Retirement	145	3,106,843
Disability Retirement		
Life Annuity Only	26	350,488
Cash Refund Annuity	0	0
Joint & 100% Survivor		
Automatic	0	0
Elected	0	0
Joint & 50% Survivor		
Automatic	31	449,933
Elected	0	0
Option 4*	0	0
Social Security Option	0	0
Total Disability Retirement	57	800,421
Death Before Retirement	2	17,854
Death After Retirement		
Service Retirement	28	165,632
Disability Retirement	10	54,048
Total Death After Retirement	38	219,680
Total Allowances Being Paid	242	\$4,144,798

* Option 4 - Section 24.0607 of the San Diego Municipal Code allows, upon approval of the Board, other benefits that are the actuarial equivalent of the retirement allowance.

San Diego City Employees' Retirement System
Schedule of Average Benefit Payment Amounts
 FOR YEARS ENDED JUNE 30

CITY OF SAN DIEGO

Fiscal Year	No.	Annual Allowance	Averages				New Retirees		
			Annual Allowance	Attained Age	Age at Retirement	Service Years at Retirement	No.	Age	Allowance
2000	4,789	\$95,348,751	\$19,910	68.1	54.4	20.9	251	56.3	\$35,054
1999	4,657	87,823,437	18,858	68.0	54.5	20.9	319	55.6	36,072
1998**	4,419	76,507,181	17,313	68.3	54.5	21.0	241	56.2	33,642

SAN DIEGO UNIFIED PORT DISTRICT

Fiscal Year	No.	Annual Allowance	Averages				New Retirees		
			Annual Allowance	Attained Age	Age at Retirement	Service Years at Retirement	No.	Age	Allowance
2000	242	\$4,144,798	\$17,127	68.5	57.7	16.1	11	59.2	\$25,920
1999	232	3,776,524	16,278	68.5	58.0	16.0	7	55.4	16,382
1998**	227	3,610,346	15,905	68.7	58.6	16.7	24	60.8	30,997

CITY OF SAN DIEGO/SAN DIEGO UNIFIED PORT DISTRICT*

Fiscal Year	No.	Annual Allowance	Averages				New Retirees		
			Annual Allowance	Attained Age	Age at Retirement	Service Years at Retirement	No.	Age	Allowance
1997	4,332	\$65,543,528	\$15,130	68.7	54.6	20.2	138	55.2	\$29,196
1996	4,260	60,915,079	14,299	68.5	54.8	20.2	148	54.5	24,460
1995	4,166	56,782,774	13,630	68.3	55.0	20.3	126	54.0	23,211
1994	4,115	53,606,556	13,027	68.1	55.1	20.4	NOT PROVIDED		

* Actuarial data prior to 1998 was provided in one composite report which included members and beneficiaries from both the City of San Diego and the San Diego Unified Port District

** Retirees only (including DROP Participants); beneficiaries excluded.

San Diego City Employees' Retirement System
Schedule of Active Members
 FOR YEARS ENDED JUNE 30

CITY OF SAN DIEGO

Fiscal Year	No.	Total Salaries	Averages		
			Annual Salary	Age	Years of Service
2000	9,913	\$448,501,827	\$45,244	42.2	10.7
1999	9,654	424,515,969	43,973	41.9	10.7
1998	9,359	399,035,094	42,677	41.8	10.8

SAN DIEGO UNIFIED PORT DISTRICT

Fiscal Year	No.	Total Salaries	Averages		
			Annual Salary	Attained Age	Years of Service
2000	654	\$30,621,242	\$46,821	43.9	7.8
1999	661	30,034,900	45,439	43.7	7.5
1998	616	26,672,111	43,299	43.5	7.4

CITY OF SAN DIEGO/SAN DIEGO UNIFIED PORT DISTRICT*

Fiscal Year	No.	Total Salaries	Averages		
			Annual Salary	Attained Age	Years of Service
1997	9,900	\$408,105,540	\$41,223	41.8	10.5
1996	9,766	388,646,024	39,796	41.3	10.2
1995	9,629	372,966,654	38,734	40.8	9.8
1994	9,461	360,173,320	38,069	40.3	9.3

* Actuarial data prior to 1998 was provided in one composite report which included members and beneficiaries from both the City of San Diego and the San Diego Unified Port District

San Diego City Employees' Retirement System
Schedule of Deferred Vested Members
 FOR YEARS ENDED JUNE 30

CITY OF SAN DIEGO

Fiscal Year	Deferred Members	Other Members**	Total	Member Contribution Balances			Deferred Member Averages		
				Deferred Members	Other	Total	Age	Service	Contribution Balance
2000	1,016	N/A	1,016	\$18,620,827	N/A	\$18,620,827	44.3	7.5	\$18,328
1999	800	N/A	800	12,244,598	N/A	12,244,598	43.1	6.6	15,306
1998	791	344	1,135	12,281,289	19,829,472	32,110,761	42.6	7.4	15,526

SAN DIEGO UNIFIED PORT DISTRICT

Fiscal Year	Deferred Members	Other Members**	Total	Member Contribution Balances			Deferred Member Averages		
				Deferred Members	Other	Total	Age	Service	Contribution Balance
2000	142	N/A	142	\$938,416	N/A	\$938,416	41.6	3.7	\$6,609
1999	99	N/A	99	631,050	N/A	631,050	42.6	3.6	6,374
1998	91	37	128	567,632	1,372,784	1,940,416	41.5	4.1	6,238

CITY OF SAN DIEGO/SAN DIEGO UNIFIED PORT DISTRICT*

Fiscal Year	Deferred Members	Other Members**	Total	Member Contribution Balances			Deferred Member Averages		
				Deferred Members	Other	Total	Age	Service	Contribution Balance
1997	817	262	1,079	\$11,850,472	\$7,240,527	\$19,090,999	42.6	7.6	\$14,505
1996	777	301	1,078	9,932,950	6,524,100	16,457,050	42.1	7.1	12,784
1995	759	317	1,076	10,548,457	5,918,446	16,466,903	43.1	7.5	13,898
1994	815	N/A	815	10,818,494	N/A	10,818,494	43.6	8.1	13,274

* Actuarial data prior to 1998 was provided in one composite report which included members and beneficiaries from both the City of San Diego and the San Diego Unified Port District

** "Other Members" may include withdrawals (refunds), deaths, disabilities, and service retirements which are in transition.

San Diego City Employees' Retirement System

Schedule of Participating Employers

AS OF JUNE 30, 2001

City of San Diego

202 C Street
San Diego, CA 92101-3860
(619) 236-5555

San Diego Unified Port District

3165 Pacific Highway
San Diego, CA 92101-1128
(619) 686-6200



THE CITY OF SAN DIEGO

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