

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

Comprehensive Annual

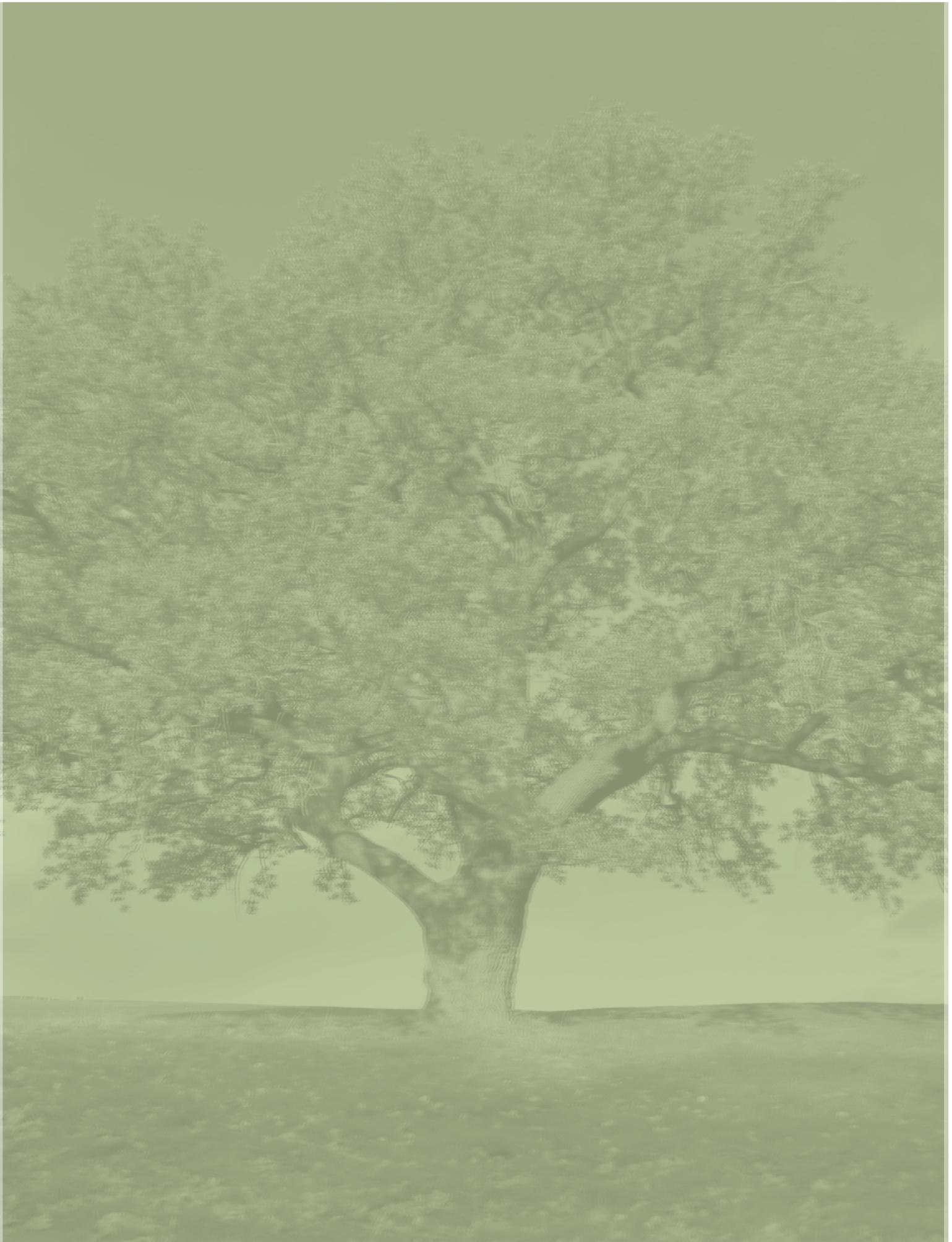
Financial Report

for the Fiscal Years Ended

June 30, 2007 and 2006

Sacramento, California





COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED
JUNE 30, 2007 AND 2006

ISSUED BY:

RICHARD STENSRUD
CHIEF EXECUTIVE OFFICER

KATHRYN T. REGALIA, CPA
CHIEF OPERATIONS OFFICER

THUYET ZIYALAN
SENIOR ACCOUNTANT



SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM

980 9th Street, Suite 1800
Sacramento, CA 95814

www.scers.org

TABLE OF CONTENTS

Introductory Section

Letter of Transmittal 6
Certificate of Achievement for Excellence in Financial Reporting 11
Board of Retirement 12
Organization Chart 13
Participating Employers 14
Professional Consultants 15

Financial Section

Independent Auditor’s Report 18
Management’s Discussion and Analysis - Required Supplementary Information 20

Basic Financial Statements

Statements of Fiduciary Net Assets - Pension Trust Fund 28
Statements of Changes in Fiduciary Net Assets - Pension Trust Fund 29
Statements of Fiduciary Net Assets - Agency Fund 30
Notes to the Basic Financial Statements 31

Required Supplementary Information

Schedule of Funding Progress 50
Schedule of Employer Contributions 50
Significant Actuarial Assumptions 51

Other Supplemental Information

Schedule of Administrative and Other Expenses 52
Schedule of Investment Fees and Expenses 52
Schedule of Payments to Consultants 52
Statements of Changes in Assets and Liabilities - Agency Fund 53

Investment Section

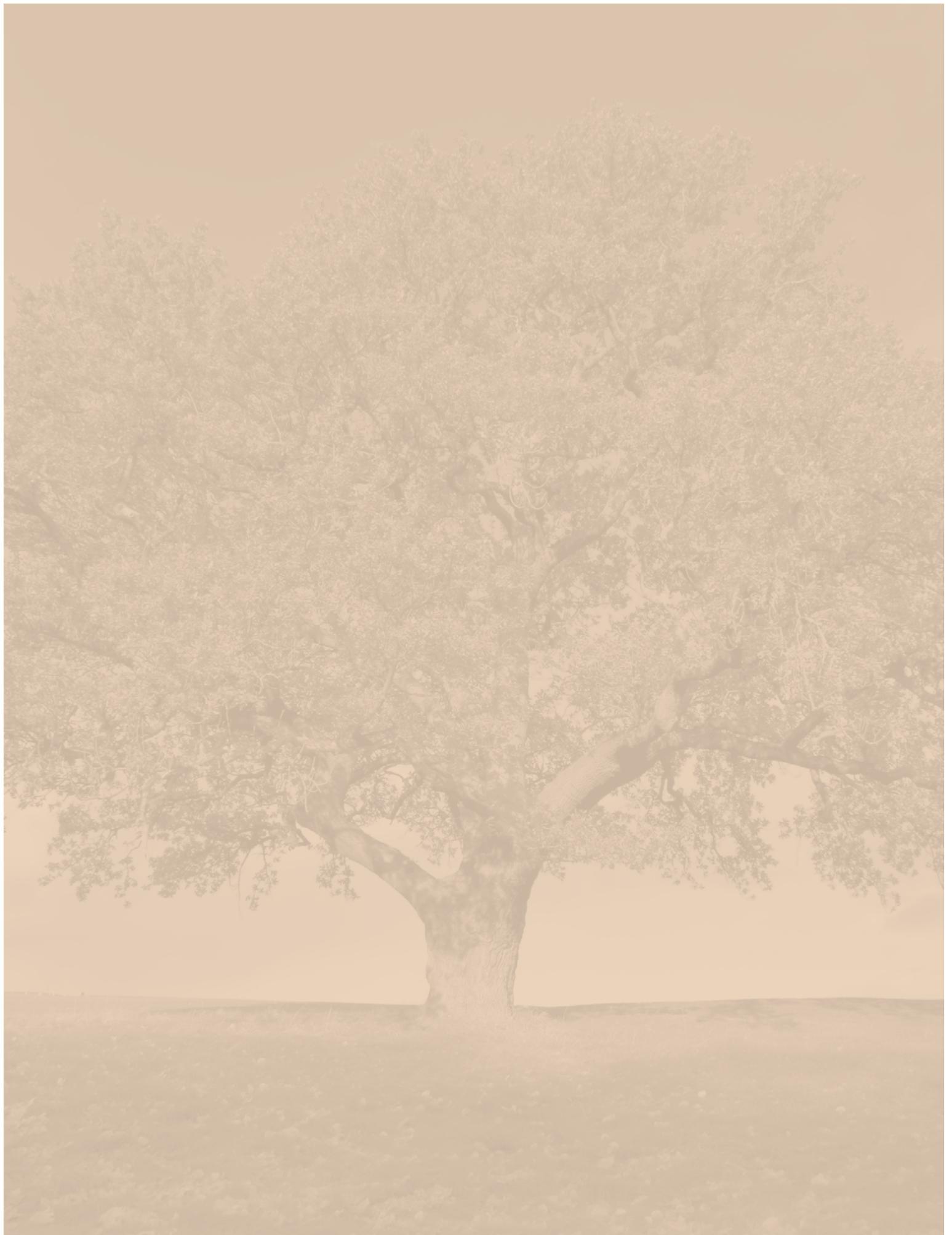
Chief Investment Officer’s Report on Investment Activity 56
Asset Allocation 61
Investment Professionals 62
Investment Results 63
Summary of Investment Assets as Allocated 64
Schedule of Manager Fees 66
Ten Largest Stock Holdings (by Fair Value) 68
Ten Largest Bond Holdings (by Fair Value) 68
Schedule of Equity Brokerage Fees 69

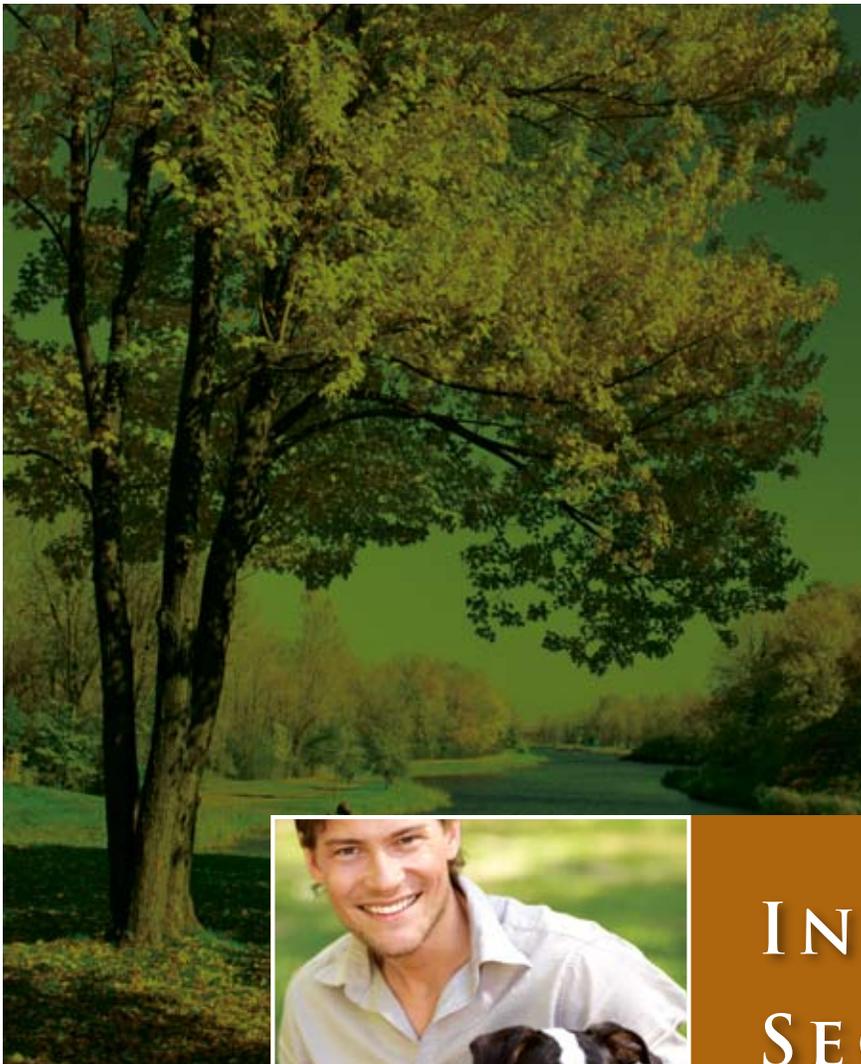
Actuarial Section

Actuarial Certification.....	78
Summary of Actuarial Assumptions and Methods	80
Summary of Plan Provisions	82
Schedule of Active Member Valuation Data	85
Retirees and Beneficiaries Added to and Removed from Retiree Payroll	86
Schedule of Funding Progress	86
Solvency Tests.....	87
Actuarial Analysis of Financial Experience	87
New Probabilities of Separation Prior to Retirement:	
Mortality Rate	88
Disability Rate.....	88
Withdrawal Rate with Less than Five Years of Service	89
Withdrawal Rate with More than Five Years of Service.....	89

Statistical Section

Schedule of Additions by Source.....	92
Schedule of Deductions by Type	93
Schedule of Benefits Paid and Withdrawals by Type	94
Schedule of Changes in Net Assets	95
Schedule of Retiree Members by Type of Benefit	96
Schedule of Average Benefit Payments (Based on Years of Credited Service)	97
Schedule of Average Benefit Payments (Based on Years Since Retirement)	98
Schedule of Principal Participating Employers and Active Members-Summary.....	99
Schedule of Principal Participating Employers and Active Members-Detail	100
Schedule of Employer Contribution Rates.....	101
Growth of System Membership.....	102
Schedule of Distribution of Retired Members and Beneficiaries by Type and by Monthly Amount.....	103
Schedule of Administrative Expenses	104





INTRODUCTORY SECTION



LETTER OF TRANSMITTAL



Executive Staff
Richard Stensrud
Chief Executive Officer
Jeffrey W. States
Chief Investment Officer
James G. Line
General Counsel
Kathryn T. Regalia
Chief Operations Officer
John W. Gobel Sr.
Chief Benefits Officer

November 30, 2007

Board of Retirement
Sacramento County Employees' Retirement System
980 9th Street, Suite 1800
Sacramento, CA 95814

Dear Board Members:

As Chief Executive Officer of the Sacramento County Employees' Retirement System ("SCERS" or the "System"), I am pleased to present this Comprehensive Annual Financial Report ("CAFR" or the "Report") for the fiscal years ended June 30, 2007 and 2006.

The System

SCERS is a multi-employer public employee retirement system, enacted and administered in accordance with the provisions of the County Employees Retirement Law of 1937 (California Government Code Section 31450, et seq.) ("1937 Act"). Since its creation by the Sacramento County Board of Supervisors in 1941, SCERS has provided retirement, disability, and survivors' benefits to eligible participants of the System. Under Article XVI, Section 17 of the Constitution of the State of California, the SCERS Board of Retirement is vested with plenary authority and fiduciary responsibility for the investment of monies and the administration of the System. Together, the provisions of the State Constitution and the 1937 Act establish SCERS as a separate and independent governmental entity from the public employers that participate in SCERS. At June 30, 2007, the County of Sacramento; Superior Court of California, County of Sacramento; and eleven Special Districts participated in SCERS.

The Comprehensive Annual Financial Report

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation in this CAFR rests with the management of the System. To the best of management's knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the System.

I trust that readers of this Report and participants of the System will find this information helpful in understanding SCERS and its commitment to financial integrity and participant service.

SCERS Mission Statement and Core Values

SCERS is dedicated to providing quality services and managing system assets in a prudent manner. In carrying out the mission SCERS will:

- ◇ Act as fiduciaries for the members, retirees, and beneficiaries.
- ◇ Take responsibility for cost effective operations and minimize employer contributions.
- ◇ Display competency, courtesy, and respect.
- ◇ Continue our professional growth through education and training.
- ◇ Plan strategically for the future.

Accounting System and Reports

Management of SCERS is responsible for establishing and maintaining internal controls designed to ensure that the System's assets are protected from loss, theft, or misuse. Responsibility for the accuracy, completeness, and fair presentation of information, and all disclosures in this CAFR and in the System's records, rests with SCERS' management. Macias Gini & O'Connell, LLP, a certified public accounting firm, has audited the financial statements and related disclosures. The financial audit provides assurance that SCERS' financial statements are presented in conformity with accounting principles generally accepted in the United States and are free from material misstatement. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) The cost of a control should not exceed the benefits likely to be derived; and (2) The assessment of costs and benefits requires estimates and judgments by management.

This report has been prepared in accordance with generally accepted accounting principles ("GAAP") as promulgated by the Governmental Accounting Standards Board ("GASB"). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The System's MD&A can be found immediately following the independent auditor's report.

Investments – General Authority and SCERS

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

SCERS maintains an overall investment policy designed to achieve a diversified investment portfolio. An integral part of the investment policy is the strategic asset allocation, which is designed to provide an optimal mix of asset classes with return expectations that correspond to expected liabilities. The strategic asset allocation also emphasizes maximum diversification of the portfolio to protect the System from the possibility that a particular asset class may experience poor investment performance in a given period.

For the year ended June 30, 2007, SCERS' investments provided a 18.0% rate of return (gross of fees), compared to the investment policy benchmark return of 17.5%.

LETTER OF TRANSMITTAL (CONTINUED)

More detailed information regarding SCERS' strategic asset allocation, professional investment advisors, and investment performance can be found in the Investment Section of this Report.

Actuarial Funding Status

SCERS' overall funding objective is to meet long-term benefit promises by maintaining a well-funded plan status through a combination of superior investment returns and employer and employee contributions which are both minimized and maintained as level as possible for each generation of active members. The greater the level of overall plan funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the investment potential. 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. To help reduce year-to-year volatility in employer contribution rates due to fluctuations in investment performance, SCERS smooths the calculation of actuarial assets over a rolling five-year period. This not only stabilizes contribution rates but also improves the ability of the employer to plan for possible future increases or decreases in the rates.

SCERS engaged an independent actuarial consulting firm, The Segal Company, to conduct its annual actuarial valuation as of June 30, 2007. Triennially, the System requests that its actuary perform an analysis of the appropriateness of all economic and non-economic assumptions. The most recent triennial analysis was performed as of June 30, 2007, and as a result of that analysis and information provided by the County of Sacramento, the Board of Retirement approved certain changes to the actuarial assumptions, which were incorporated in the actuarial valuation as of June 30, 2007.

At June 30, 2007, SCERS' funding ratio was 93.4%, with the actuarial value of assets totaling \$5,406.5 million and the actuarial accrued liability totaling \$5,788.3 million. The increase in the funding ratio (up from 93.0% as of June 30, 2006) was due primarily to strong investment performance over the past five years. Deferred gains under the smoothing methodology exceed the deferred losses by \$569.4 million as of June 30, 2007, and these deferred gains can be utilized to offset possible investment shortfalls in the future or to lower future costs.

Budget

The Board of Retirement approves SCERS' annual budget. The 1937 Act limits SCERS' annual administrative expenses to eighteen hundredths of one percent (0.18%) of the System's total assets, and SCERS' administrative expenses have historically been below that limitation. For the years ended June 30, 2007 and 2006, administrative expenses were within the budget established by the Board of Retirement and were 0.09% of each of the prior year's total assets.

Significant Events

Following are significant events which occurred during the fiscal year:

- ◇ Enhanced SCERS' web calculator to provide additional estimated benefit payment options.
- ◇ Provided significant support to the Superior Court, County of Sacramento (Court) with respect to the Court's new payroll system.
- ◇ Implemented a new Interest Crediting and Unallocated Earnings Policy. A significant change is that member reserves will generally be credited with one-half of the five-year Treasury Note rate. Unallocated earnings will be applied equally to address earnings deficiencies from past periods and to establish target contingency reserve levels.
- ◇ Adopted measures designed to implement the federal Pension Protection Act of 2006, including

distribution rules allowing direct rollover by non-spouse beneficiaries, implementation of the \$3,000 tax exclusion for qualified public safety officers, and the adoption of age 50 for safety members and age 55 ½ for miscellaneous members as the respective normal retirement ages for the safety and miscellaneous member plans.

- ◇ Successfully managed a surge in retirements as a result of a change by Sacramento County which limited the eligibility of retiree health care subsidies to individuals retiring before June 2007.
- ◇ Expanded the Statistical Section of the Comprehensive Annual Financial Report (CAFR) as of June 30, 2006 and 2005 to comply with new Governmental Accounting Standards Board (GASB) requirements. Enhanced the look of the CAFR with a professional design.
- ◇ Conducted elections for the unexpired term of a Miscellaneous Member and for new three-year terms for a Miscellaneous Member, the Safety Member, and the Alternate Safety Member. Alice Jarboe was elected as Miscellaneous Member. William Johnson was re-elected as Safety Member. John Conneally was elected as Alternate Safety Member.
- ◇ Commenced an Asset and Liability Modeling Study with investment consultant, Mercer Investment Consulting, with the goal of developing a new strategic asset allocation model.
- ◇ Worked with custodian, State Street Bank, to establish an alternative methodology to make retirement benefit payments in the event of a disaster affecting SCERS and the County.
- ◇ Diversified the real estate portfolio to include value-added funds.
- ◇ Developed and implemented a systematic Board investment education process. Conducted several educational sessions for trustees, including new developments in investment management strategies, overlay strategies, 130/30 strategies, private equity investment classes, commodity futures indices, and investment risks and opportunities related to environmental change.
- ◇ Adopted a Securities Litigation Policy and Procedures.
- ◇ Revised the Disability Retirement Procedures and Bylaws.
- ◇ Participated as co-lead plaintiff in a securities class action (In re Brooks Automation, Inc.) alleging failure to disclose the back-dating of executive stock options.
- ◇ Reviewed and revised the Investment Policy to reflect changes in investment strategies.
- ◇ Worked with CPS Human Resource Services and the County Employment Office to analyze and reallocate positions and compensation to better meet SCERS' business needs.

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 SCERS for its comprehensive annual financial report for the fiscal years ended June 30, 2006 and 2005. In order to be granted this national award, a governmental entity must publish an easily readable and efficiently organized CAFR that meets the highest standards of governmental financial reporting. This was the eighth consecutive year that the System has achieved this prestigious award.

A Certificate of Achievement is valid for a period of one year. Management believes that this current comprehensive annual financial report continues to meet the requirements for earning a Certificate of Achievement, and it will be submitted to the GFOA for consideration for the award.

Acknowledgements

This Report is intended to provide complete and reliable information with respect to the responsible stewardship of SCERS. The compilation of this Report is a product of the combined and dedicated

LETTER OF TRANSMITTAL (CONTINUED)

effort of the System's staff. This Report is also a reflection of the leadership of the SCERS Board in assuring the prudent fiduciary oversight of SCERS. I would like to take this opportunity to express my thanks to the SCERS Board, staff, and advisors for their commitment to SCERS and for working so diligently to ensure the successful operation of the System.

Respectfully submitted,

A handwritten signature in black ink that reads "Richard Stensrud". The signature is written in a cursive, flowing style.

Richard Stensrud
Chief Executive Officer

CERTIFICATE OF ACHIEVEMENT

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Sacramento County
Employees' Retirement System
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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.



A handwritten signature in black ink, appearing to read "Romeo Placer".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

Executive Director

BOARD OF RETIREMENT



President

James A. Diepenbrock
Appointed by Board of Supervisors
Present term expires June 30, 2009



1st Vice President

Keith DeVore
Elected by Miscellaneous Members
Present term expires December 31, 2007



2nd Vice President

John B. Kelly
Appointed by Board of Supervisors
Present term expires December 31, 2009



Ex-Officio

Dave Irish
Sacramento County Director of Finance
Member mandated by law



Trustee

Winston H. Hickox
Appointed by Board of Supervisors
Present term expires June 30, 2009



Trustee

Alice Jarboe
Elected by Miscellaneous Members
Present term expires December 31, 2009



Trustee

William D. Johnson
Elected by Safety Members
Present term expires December 31, 2009



Trustee

Nancy Wolford-Landers
Elected by Retired Members
Present term expires December 31, 2007



Trustee

Robert Woods
Appointed by Board of Supervisors
Present term expires June 30, 2010



Alternate Safety Trustee

John Conneally
Elected by Safety Members
Present term expires December 31, 2009



Alternate Retiree Trustee

William Cox
Elected by Retired Members
Present term expires December 31, 2007

ORGANIZATION CHART

BOARD OF RETIREMENT



Richard Stensrud
Chief Executive Officer



Jeffrey W. States
Chief Investment Officer

- Investment policy and objectives
- Investment compliance and performance reporting
- Asset allocation rebalancing
- Conduct manager searches
- Manager due diligence
- Proxy voting and corporate governance
- Board education on investment issues



James G. Line
General Counsel

- Legal representation and counsel to SCERS Board and staff
- Coordinate and oversee the selection and work of outside legal counsel
- Evaluation of securities litigation
- Analysis of state and federal legislation
- Legislative proposals, contracts, resolutions, opinions
- Legal education programs
- Legal service planning and budgeting



John W. Gobel, Sr.
Chief Benefits Officer



Suzanne Likarich
Retirement Services Manager

- Service, disability, deferred, and reciprocal retirements
- Pension payroll administration
- Seminar presentations and member retirement counseling
- Retirement publications and communications
- Death benefits, service credit purchases
- Community property interest resolution



Kathryn T. Regalia
Chief Operations Officer

- Accounting and financial reporting
- Budgeting and cash flow analysis
- Human resources
- Facilities and safety
- Information technology and telecommunications
- Administration and records

PARTICIPATING EMPLOYERS

<u>Employer</u>	<u>Date Entered System</u>
County of Sacramento	July 1, 1941
Elected Officials: Board of Supervisors Sheriff Assessor District Attorney	July 1, 1941
U.C. Davis Medical Center	July 1, 1941
Sacramento Metropolitan Fire District*	March 1, 1957
Sunrise Recreation and Park District	August 1, 1961
Fair Oaks Cemetery District	March 1, 1962
Carmichael Recreation and Park District	January 1, 1967
Florin Fire District*	July 1, 1974
Mission Oaks Recreation and Park District	February 1, 1976
Sacramento Employment Training Agency (SETA)	June 1, 1979
Orangevale Recreation and Park District	March 3, 1987
Elk Grove Cosumnes Cemetery District	April 28, 1987
Galt-Arno Cemetery District	July 1, 1987
Superior Court of California, County of Sacramento	June 25, 2006**

* Florin Fire District terminated its membership on June 30, 1996. Members are currently part of Sacramento Metropolitan Fire District.

** Prior to June 25, 2006, Superior Court member information was included in the totals for the County of Sacramento.

PROFESSIONAL CONSULTANTS

Actuary

The Segal Company
120 Montgomery Street, Suite 500
San Francisco, CA 94104

Auditor

Macias Gini & O'Connell, LLP
Certified Public Accountants
3000 S Street, Suite 300
Sacramento, CA 95816

Custodian

State Street California, Inc.
1001 Marina Village Parkway, 3rd Floor
Alameda, CA 94501

Legal Counsel

County of Sacramento
Office of the County Counsel
700 H Street, Suite 2650
Sacramento, CA 95814

Nossaman, Guthner, Knox & Elliot, LLP
50 California Street, 34th Floor
San Francisco, CA 94111-4712

Investment Consultant

Mercer Investment Consulting, Inc.
777 South Figuero Street, Suite 2000
Los Angeles, CA 90017

Investment Managers

AEW Capital Management
World Trade Center East, Two Seaport Lane
Boston, MA 02210-2021

Alliance Bernstein Institutional Investments
555 California Street, 46th Floor
San Francisco, CA 94104

AXA Rosenberg Investment Management, LLC
4 Orinda Way, Bldg E
Orinda, CA 94563

Bear Stearns Asset Management
383 Madison Avenue, 28th Floor
New York, NY 10179

BlackRock Realty Advisors, Inc.
300 Campus Drive, Suite 300
Florham Park, NJ 07932

The Blackstone Group, L.P.
345 Park Avenue, 28th Floor
New York, NY 10154

Bradford & Marzec Global Fixed Income
Management
333 South Hope Street, Suite 4050
Los Angeles, CA 90071

Capital Guardian Trust Company
135 S. State College Boulevard
Brea, CA 92821-5804

Capital International, Inc.
11100 Santa Monica Boulevard, 16th Floor
Los Angeles, CA 90025

Cornerstone Real Estate Advisers, LLC
One Financial Plaza, Suite 1700
Hartford, CT 06103-2604

Dalton, Greiner, Hartman, Maher & Co., LLC
3001 Tamiami Trail North, Suite 206
Naples, FL 34103

Enhanced Investment Technologies, LLC
2401 PGA Boulevard, Suite 100
Palm Beach Gardens, FL 33410

Continued

PROFESSIONAL CONSULTANTS (CONTINUED)

Investment Managers - continued

Grosvenor Capital Management, L.P.
900 North Michigan Avenue, Suite 1100
Chicago, IL 60611

Heitman Capital Management Corporation
191 North Wacker Drive
Chicago, IL 60606

Hines U.S. Office Value Added Fund II, LLC
2800 Post Oak Boulevard, Suite 5000
Houston, TX 77056-6118

Independence Investments, LLC
160 Federal Street, 9th Floor
Boston, MA 02110-1700

INVESCO Global Asset Management (N.A.), Inc.
101 California Street, Suite 1900
San Francisco, CA 94111

Lehman Brothers Asset Management, LLC
190 South LaSalle Street, Suite 2400
Chicago, IL 60603

LSV Asset Management
One North Wacker Drive, Suite 4000
Chicago, IL 60606

M.A. Weatherbie & Co., Inc.
265 Franklin Street, 16th Floor
Boston, MA 02110

Metropolitan West Asset Management
11766 Wilshire Boulevard, Suite 1580
Los Angeles, CA 90025

OFI Institutional Asset Management
301 North Spring Street
Bellefonte, PA 16823

Principal Global Investors, LLC
801 Grand Avenue, 25th Floor
Des Moines, IA 50392-0490

Pzena Investment Management, LLC
120 West 45th Street, 20th Floor
New York, NY 10036

State Street Global Advisors
One Lincoln Street
Boston, MA 02111-2900

TCW Asset Management
500 Grant Street, 9th Floor
Pittsburgh, PA 15258

UBS Realty Investors, LLC
242 Trumbull Street
Hartford, CT 06103-1212

Urdang Securities Management, Inc.
630 West Germantown Pike, Suite 300
Plymouth Meeting, PA 19462

A schedule of manager fees is located on pages 66 and 67 in the Investment Section.



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT



MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

2175 N. California Boulevard, Suite 645
Walnut Creek, CA 94596
925.274.0190

515 S. Figueroa Street, Suite 325
Los Angeles, CA 90071
213.286.6400

402 West Broadway, Suite 400
San Diego, CA 92101
619.573.1112

INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement of the
Sacramento County Employees' Retirement System
Sacramento, California

We have audited the accompanying statements of fiduciary net assets of the Sacramento County Employees' Retirement System (the System), as of June 30, 2007 and 2006, and the related statements of changes in fiduciary net assets for the years then ended. These financial statements are the responsibility of the System's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 fiduciary net assets of the Sacramento County Employees' Retirement System as of June 30, 2007 and 2006, and the changes in fiduciary net assets for the years then ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated November 30, 2007, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 20 through 27, the Schedule of Funding Progress and the Schedule of Employer Contributions on page 50 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The introductory section, other supplemental information in the financial section and the investments, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information in the financial section has been subjected to the auditing procedures applied in the 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 introductory, investments, actuarial and statistical sections have not been subjected to auditing procedures applied in the audit of the basic financials statements and, accordingly, we express no opinion on them.

Maclean Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
November 30, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents SCERS management's discussion and analysis (MD&A) of the financial activities of the Sacramento County Employees' Retirement System (SCERS) for the years ended June 30, 2007 and 2006. Readers are encouraged to consider the narrative overview and information presented in the MD&A in conjunction with the Letter of Transmittal beginning on page 6 of this Report and the Financial Statements, Notes to the Financial Statements, Required Supplementary Information, and Other Supplemental Information that follows.

FINANCIAL HIGHLIGHTS

As of June 30, 2007, the net assets of SCERS held in trust for pension benefits (Net Assets) totaled \$5,975.9 million. This represents an increase of \$885.0 million (or 17.4%) from the \$5,090.9 million in SCERS Net Assets as of June 30, 2006, which, in turn, represented an increase of \$514.5 million (or 11.2%) over the \$4,576.4 million in Net Assets as of June 30, 2005.

Additions to Net Assets were \$1,091.2 million and \$702.5 million for the years ended June 30, 2007 and 2006, respectively. Investment gains were a significant portion of total additions in both years, with net investment gains of \$891.5 million in the year ended June 30, 2007 and \$527.8 million in the year ended June 30, 2006. Although total additions increased in the year ended June 30, 2007 primarily due to strong net investment income, total additions decreased in the year ended June 30, 2006 compared to the prior year because of the receipt of \$420.0 million in proceeds from pension obligation bonds (POB) issued by the County of Sacramento in the year ended June 30, 2005.

Deductions in Net Assets were \$206.2 million and \$188.0 million for the years ended June 30, 2007 and 2006, respectively. The total deductions in the year ended June 30, 2007 increased \$18.2 million (or 9.7%) over the year ended June 30, 2006, which, in turn, had increased in total deductions of \$16.7 million (or 9.7%) over the year ended June 30, 2005. Increased monthly benefit payments was the primary reason for the increase in total deductions for both years.

SCERS' funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2007, the funded ratio of SCERS (i.e., the ratio of the actuarial value of assets to actuarial accrued liability) was 93.4%, up from the funded ratio of 93.0% as of June 30, 2006.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A serves as an introduction to the basic financial statements, which are comprised of the following components:

- ◇ Statements of Fiduciary Net Assets - Pension Trust Fund
- ◇ Statements of Changes in Fiduciary Net Assets - Pension Trust Fund
- ◇ Statements of Fiduciary Net Assets - Agency Fund
- ◇ Notes to the Basic Financial Statements
- ◇ Required Supplementary Information
- ◇ Other Supplemental Information

In addition, please note that this Report also contains three required supplementary schedules of historical trend information and actuarial assumptions and three schedules of other supplemental information.

The [Statements of Fiduciary Net Assets - Pension Trust Fund](#) are snapshots of account balances at fiscal year end. These statements reflect assets available for future payments to retirees and their beneficiaries, and liabilities owed as of fiscal year end.

The [Statements of Changes in Fiduciary Net Assets - Pension Trust Fund](#) reflect all the activities that occurred during the year and show the impact of those activities as additions or deductions to the plan. The trend of additions versus deductions to the plan will indicate whether SCERS' financial position is improving or deteriorating over time.

The basic financial statements and the required disclosures are in accordance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB) utilizing the accrual basis of accounting, which is the accounting method practiced by most private-sector companies. Under this method, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses are recorded at trade date, not settlement date. Both realized and unrealized gains and losses are included in investments.

The fiduciary fund statements report SCERS' net assets held in trust for pension benefits (net assets) – i.e., the difference between assets and liabilities – as one way to measure the System's financial position. Over time, increases or decreases in net assets serve as one indicator of whether SCERS' financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the System's overall health.

The [Statements of Fiduciary Net Assets - Agency Fund](#) reflect assets held by SCERS in a trustee capacity or as an agent on behalf of others and do not measure the results of operations.

The [Notes to the Basic Financial Statements](#) are an integral part of the financial reports and provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the financial statements and accompanying notes, this Report presents certain [Required Supplementary Information](#) concerning SCERS' progress in funding its obligations to provide benefits to System members. The schedule of funding progress includes historical trend information about the actuarially-funded status of the plan and the progress made in accumulating sufficient assets to pay benefits when due. The schedule of employer contributions presents historical trend information about the annual required contribution of the employers and the actual contributions made. The significant actuarial assumptions include the actuarial cost, amortization, and asset valuation methods, remaining amortization period, and assumptions regarding the investment rate of return, projected salary increases, wage inflation, and postretirement benefit increases. These schedules provide information to help promote understanding of the changes in the funded status of the plan over time.

Schedules of administrative expenses, investment management expenses, payments to consultants, and statements of change in assets and liabilities for agency fund are presented as [Other Supplemental Information](#) following the Required Supplementary Information.

FINANCIAL ANALYSIS

[Assets and Funded Ratio](#)

SCERS net assets held in trust for pension benefits as of June 30, 2007 totaled \$5,975.9 million, an increase of \$885.0 million (17.4%) from the \$5,090.9 million in net assets as of June 30, 2006, which, in turn, represented an increase of \$514.5 million (11.2%) over the \$4,576.4 million in net assets as of June 30, 2005. The increase in net assets over the two-year period was primarily due to investment

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

gains and receipt of the proceeds of pension obligation bonds. All of the net assets are available to meet SCERS' obligations to plan participants and beneficiaries.

NET ASSETS

As of June 30

(Amounts Expressed in Millions)

Assets	2007	2006	Increase/ (Decrease)	% Change
Cash and short-term investments	\$ 282.7	\$ 331.0	\$ (48.3)	(14.6)%
Receivables	89.2	68.7	20.5	29.8
Investments, at fair value	5,968.8	5,121.7	847.1	16.5
Securities lending collateral	864.2	638.4	225.8	35.4
Other assets	8.4	9.5	(1.1)	(11.6)
Total assets	7,213.3	6,169.3	1,044.0	16.9
Liabilities				
Investment trades payable	137.1	255.2	(118.1)	(46.3)
Mortgages payable	199.1	153.7	45.4	29.5
Securities lending liability	864.2	638.4	225.8	35.4
Other liabilities	37.0	31.1	5.9	19.0
Total liabilities	1,237.4	1,078.4	159.0	14.7
Net assets held in trust for pension benefits	\$ 5,975.9	\$ 5,090.9	\$ 885.0	17.4%

NET ASSETS

As of June 30

(Amounts Expressed in Millions)

Assets	2006	2005	Increase/ (Decrease)	% Change
Cash and short-term investments	\$ 331.0	\$ 248.3	\$ 82.7	33.3%
Receivables	68.7	85.3	(16.6)	(19.5)
Investments, at fair value	5,121.7	4,531.0	590.7	13.0
Securities lending collateral	638.4	569.5	68.9	12.1
Other assets	9.5	4.4	5.1	115.9
Total assets	6,169.3	5,438.5	730.8	13.4
Liabilities				
Investment trades payable	255.2	156.4	98.8	63.2
Mortgages payable	153.7	112.6	41.1	36.5
Securities lending liability	638.4	569.5	68.9	12.1
Other liabilities	31.1	23.6	7.5	31.8
Total liabilities	1,078.4	862.1	216.3	25.1
Net assets held in trust for pension benefits	\$ 5,090.9	\$ 4,576.4	\$ 514.5	11.2%

SCERS retains an independent actuarial firm, The Segal Company, to perform annual actuarial valuations to monitor the funding status of the System. An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the actuarial liabilities, which are the actuarial present value of all future benefits expected to be paid with respect to each member. The purpose of the valuation is to determine what future contributions will be needed by the members and participating employers to pay all expected future benefits.

As of June 30, 2007, the funded ratio of SCERS (i.e., the ratio of the actuarial value of assets to actuarial accrued liability) was 93.4%, up from the funded ratio of 93.0% as of June 30, 2006. In general terms, this ratio means that as of June 30, 2007, SCERS had approximately 93 cents available for each dollar of anticipated future liability.

The Required Supplementary Information and Actuarial Section of this Report provide additional actuarial information.

Reserves

SCERS' reserves are established in accordance with the requirements of the 1937 Act, utilizing contributions and the accumulation of investment income, after satisfying administrative and investment expenses. Under GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, investments are stated at fair value instead of cost and include the recognition of unrealized gains and losses. In addition, for actuarial purposes, SCERS utilizes a five-year smoothing methodology under which a portion of the market gains and losses is recognized and allocated to the reserves through interest crediting. The difference between the market value of assets (equivalent to the net assets held in trust for pension benefits) and the smoothed actuarial value of assets is tracked in the Market Stabilization Reserve.

As a result of strong investment performance over the past four years, SCERS maintained strong balances in its Market Stabilization Reserve. As of June 30, 2007 and 2006, the Market Stabilization Reserve was \$569.4 million and \$242.0 million, respectively.

NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE AS OF JUNE 30
(Amounts Expressed in Thousands)

	2007	2006	2005
Employee reserves	\$ 595,078	\$ 573,498	\$ 537,994
Employer reserves	2,123,725	1,974,407	1,887,086
Retiree reserves	2,580,318	2,286,217	2,091,019
Retiree death benefit reserves	14,128	13,264	12,912
Retiree health care benefits designations	1,567	1,568	1,571
Contingency reserve	91,645	-	-
Total reserves and designations	5,406,461	4,848,954	4,530,582
Unallocated earnings – undesignated	-	-	-
Smoothed actuarial value of assets	5,406,461	4,848,954	4,530,582
Market stabilization reserve	569,401	241,975	45,862
Net assets available for benefits, at fair value	\$ 5,975,862	\$ 5,090,929	\$ 4,576,444

Changes in Fiduciary Net Assets - Pension Trust Fund

The following tables present the changes in net assets for the fiscal years ended June 30, 2007, 2006, and 2005, respectively.

CHANGE IN FIDUCIARY NET ASSETS

For the Fiscal Years Ended June 30

(Amounts Expressed in Millions)

	<u>2007</u>	<u>2006</u>	<u>Increase/ (Decrease)</u>	<u>% Change</u>
Additions				
Employee contributions	\$ 42.9	\$ 42.0	\$ 0.9	2.1%
Employer contributions	156.8	132.7	24.1	18.2
Net income from investment activities	922.7	553.0	369.7	66.9
Net income from securities lending	1.9	1.7	0.2	11.8
Other income	(4.1)	1.8	(5.9)	(327.8)
Investment fees and expenses	(29.0)	(28.7)	(0.3)	1.0
Total additions	<u>1,091.2</u>	<u>702.5</u>	<u>388.7</u>	<u>55.3</u>
Deductions				
Benefits paid	196.0	178.4	17.6	9.9
Withdrawal of contributions	4.4	4.6	(0.2)	(4.3)
Administrative and other expenses	5.8	5.0	0.8	16.0
Total deductions	<u>206.2</u>	<u>188.0</u>	<u>18.2</u>	<u>9.7</u>
Increase in net assets	<u>885.0</u>	<u>514.5</u>	<u>370.5</u>	<u>72.0</u>
Net assets held in trust for pension benefits, beginning	<u>5,090.9</u>	<u>4,576.4</u>	<u>514.5</u>	<u>11.2</u>
Net assets held in trust for pension benefits, ending	<u>\$ 5,975.9</u>	<u>\$ 5,090.9</u>	<u>\$ 885.0</u>	<u>17.4%</u>

CHANGE IN FIDUCIARY NET ASSETS

For the Years Ended June 30

(Amounts Expressed in Millions)

	2006	2005	Increase/ (Decrease)	% Change
Additions				
Employee contributions	\$ 42.0	\$ 36.9	\$ 5.1	13.8%
Employer contributions	132.7	529.6	(396.9)	(74.9)
Net income from investment activities	553.0	435.4	117.6	27.0
Net income from securities lending	1.7	0.9	0.8	88.9
Other income	1.8	0.5	1.3	260.0
Investment fees and expenses	(28.7)	(17.3)	(11.4)	(65.9)
Total additions	702.5	986.0	(283.5)	(28.8)
Deductions				
Benefits paid	178.4	162.5	15.9	9.8
Withdrawal of contributions	4.6	3.5	1.1	31.4
Administrative and other expenses	5.0	5.3	(0.3)	(5.7)
Total deductions	188.0	171.3	16.7	9.7
Increase in net assets	514.5	814.7	(300.2)	(36.8)
Net assets held in trust for pension benefits, beginning	4,576.4	3,761.7	814.7	21.7
Net assets held in trust for pension benefits, ending	\$ 5,090.9	\$ 4,576.4	\$ 514.5	11.2%

Additions to Net Assets

Financing for the benefits SCERS provides to its members comes primarily from income on investments and through the collection of employer and member (employee) retirement contributions. For the years ended June 30, 2007 and 2006, total additions were \$1,091.2 million and \$702.5 million, respectively.

For the years ended June 30, 2007 and 2006, combined employer and employee contributions were \$199.7 million and \$174.7 million, respectively. The increase in employer contributions in fiscal year 2007 was primarily due to the increase in contribution rates. The overall reduction in employer contributions in fiscal year 2006 was primarily due to the receipt of \$420.0 million in proceeds from the issuance of pension obligation bonds (POB) by the County of Sacramento and the receipt of \$10.5 million from the issuance of POB by the Sacramento Metropolitan Fire District in fiscal year 2005 compared to \$0 in fiscal year 2006.

Net investment gains were \$891.5 million and \$527.8 million for the fiscal years ended June 30, 2007 and 2006, respectively. The Investment Section of this Report provides a detailed discussion of the investment markets and investment performance.

Deductions from Net Assets

SCERS' assets are primarily used for the payment of benefits to members and their beneficiaries, the refunding of contributions to terminated employees, and the cost of administering the System. For the years ended June 30, 2007 and 2006, total deductions were \$206.2 million and \$188.0 million, respectively.

Deductions increased \$18.2 million or 9.7% in the year ended June 30, 2007 and \$16.7 million or 9.7% in the year ended June 30, 2006. The primary cause of the increase in deductions in both years was increased monthly benefit payments.

The Board of Retirement approves SCERS' annual budget. The 1937 Act limits SCERS' annual administrative expenses to eighteen hundredths of one percent (0.18%) of the System's total assets, and SCERS' administrative expenses have historically been below that limitation. For the years ended June 30, 2007 and June 30, 2006, administrative expenses were within the budget established by the Board of Retirement and were 0.09% of each of the prior year's total assets.

OVERALL ANALYSIS

For the years ended June 30, 2007 and 2006, SCERS' financial position and results of operations have improved over each prior year. For the year ended June 30, 2007 net assets increased \$885.0 million or 17.4% over the prior year. For the year ended June 30, 2006, net assets increased \$514.5 million or 11.2% over the prior year. This improvement was due primarily to increased investment returns resulting from the recovery of the domestic and international equity markets.

SCERS' FIDUCIARY RESPONSIBILITIES

SCERS Board of Retirement and management staff are fiduciaries of the pension trust fund. Under the California Constitution and California state law, the net assets must be used exclusively for the benefit of plan participants and their beneficiaries.

REQUESTS FOR INFORMATION

This financial report is designed to provide the Board of Retirement, SCERS membership, participating employers, taxpayers, and other stakeholders and interested parties with a general overview of SCERS' finances and to show accountability for the money SCERS receives.

Questions about this report or requests for additional financial information may be addressed to:

Sacramento County Employees' Retirement System
980 9th Street, Suite 1800
Sacramento, CA 95814

Copies of this report are available at the above address and on the System's web site at www.scers.org.

STATEMENTS OF FIDUCIARY NET ASSETS

PENSION TRUST FUND
AS OF JUNE 30, 2007 AND 2006
(Amounts Expressed In Thousands)

Assets	<u>2007</u>	<u>2006</u>
Cash and short-term investments		
Cash invested with Sacramento County Treasurer	\$5,706	\$6,078
Other cash and cash equivalents	17,953	23,349
Short-term investments with fiscal agents	258,982	301,611
Cash and short-term investments	<u>282,641</u>	<u>331,038</u>
Receivables		
Securities sold	55,680	48,441
Accrued investment income	27,178	14,654
Employee and employer contributions	6,384	5,560
Total receivables	<u>89,242</u>	<u>68,655</u>
Investments, at fair value		
United States government and agency securities	706,018	693,343
Domestic corporate bonds	524,898	451,219
International bonds	102,414	86,666
Common and preferred stock - domestic	2,499,794	2,126,687
Common and preferred stock - international	1,295,586	1,054,841
Real estate	840,074	708,896
Securities lending collateral	864,165	638,437
Total investments	<u>6,832,949</u>	<u>5,760,090</u>
Other Assets	<u>8,398</u>	<u>9,509</u>
Total assets	<u>7,213,230</u>	<u>6,169,292</u>
Liabilities		
Accounts payable and other accrued liabilities	33,952	27,793
Investment trades payable	137,062	255,160
Mortgages payable	199,150	153,706
Warrants payable	3,039	3,267
Securities lending liability	864,165	638,437
Total liabilities	<u>1,237,368</u>	<u>1,078,363</u>
Net assets held in trust for pension benefits	<u>\$5,975,862</u>	<u>\$5,090,929</u>

(A schedule of funding progress for the system is presented on page 50)

The notes to the basic financial statements are an integral part of this statement.

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS

PENSION TRUST FUND

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

(Amounts Expressed In Thousands)

Additions	2007	2006
Contributions		
Employee	\$42,871	\$41,959
Employer	156,805	132,708
Total contributions	199,676	174,667
Investment income		
From investment activities		
Net appreciation in fair value		
of investments - securities	677,218	323,197
Net appreciation in fair value		
of investments - real estate	67,864	73,256
Interest	77,680	64,879
Dividends	72,595	61,483
Real estate	27,319	30,221
Net gain from investment activities	922,676	553,036
From securities lending activities		
Securities lending income	41,773	25,473
Securities lending expense		
Borrower rebate expense	(38,961)	(23,093)
Securities lending management fees	(844)	(694)
Net income from securities lending	1,968	1,686
Other income/(expenses)	(4,147)	1,888
Investment fees and expenses	(28,991)	(28,747)
Net investment income	891,506	527,863
Total additions	1,091,182	702,530
Deductions		
Benefits paid	195,997	178,362
Withdrawal of contributions	4,434	4,622
Administrative and other expenses	5,818	5,061
Total deductions	206,249	188,045
Net increase	884,933	514,485
Net assets held in trust for pension benefits, beginning	5,090,929	4,576,444
Net assets held in trust for pension benefits, ending	\$5,975,862	\$5,090,929

The notes to the basic financial statements are an integral part of this statement.

STATEMENTS OF FIDUCIARY NET ASSETS

AGENCY FUND

AS OF JUNE 30, 2007 AND 2006

(Amounts Expressed in Thousands)

	<u>2007</u>	<u>2006</u>
Assets		
Receivables	\$ 43	\$ 9
Total assets	<u>43</u>	<u>9</u>
Liabilities		
Accounts payable	<u>43</u>	<u>9</u>
Total liabilities	<u>43</u>	<u>9</u>
Net assets	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The notes to the basic financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - PLAN DESCRIPTION

The Sacramento County Employees' Retirement System ("SCERS" or the "System") is a multiple-employer, cost-sharing public employee retirement system which operates under the County Employees Retirement Law of 1937 (Section 31450 et seq. of the California Government Code). The System was created by resolution of the Sacramento County (the "County") Board of Supervisors on July 1, 1941, to provide retirement, disability, and death benefits for qualified employees of Sacramento County and participating Special Districts ("Special Districts" or "Member Districts"). SCERS is governed by a nine member Board of Retirement, four are appointed by the County Board of Supervisors, four are elected by the members of the System (two by the Miscellaneous members, one by the Safety members and one by the Retiree members), and the County Director of Finance serves as an Ex-Officio member. An alternate Safety member and an alternate Retiree member are also elected by those respective member groups. The System is legally and fiscally independent of the County.

At June 30, 2007, participating local government employers consisted of the County of Sacramento; Superior Court of California, County of Sacramento ("Superior Court"); and eleven Special Districts.

The System's membership consists of the following categories:

- ◆ Safety Tier One - Includes employees whose principal duties consist of law enforcement or fire suppression work or who occupy positions designated by law as safety positions and who have a membership start-date prior to June 25, 1995.
- ◆ Safety Tier Two - Includes employees whose principal duties consist of law enforcement or fire suppression work or who occupy positions designated by law as safety positions and who have a membership start-date on or after June 25, 1995.
- ◆ Miscellaneous Tier One - Includes all members other than Safety who have a membership start-date prior to September 27, 1981.
- ◆ Miscellaneous Tier Two - Includes all members other than Safety who have a membership start-date on or after September 27, 1981 and prior to June 27, 1993 and who elected not to become members of Miscellaneous Tier Three.
- ◆ Miscellaneous Tier Three - Includes all members other than Safety who have a membership start-date on or after June 27, 1993, and those Miscellaneous Tier Two members who elected to become members of this class.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

At June 30, 2007 and 2006, the System's membership consisted of:

Retirees and beneficiaries currently receiving benefits:	2007	2006
Miscellaneous - Service	4,682	4,432
Miscellaneous - Beneficiary	895	885
Miscellaneous - Nonservice-Connected Disability	313	300
Miscellaneous - Service-Connected Disability	173	185
Safety - Service	959	885
Safety - Beneficiary	221	207
Safety - Nonservice-Connected Disability	26	25
Safety - Service-Connected Disability	195	189
Total Retirees and Beneficiaries	7,464	7,108

Terminated employees entitled to benefits but not yet receiving them:

Miscellaneous Tier 1	193	234
Miscellaneous Tier 2	305	317
Miscellaneous Tier 3	1,599	1,348
Safety Tier 1	169	176
Safety Tier 2	171	117
Total Terminated	2,437	2,192

Current Members:

Vested		
Miscellaneous Tier 1	579	703
Miscellaneous Tier 2	332	352
Miscellaneous Tier 3	7,262	6716
Safety Tier 1	697	766
Safety Tier 2	1,070	933
Subtotal	9,940	9470
Non-Vested		
Miscellaneous Tier 1	2	1
Miscellaneous Tier 3	4,152	4280
Safety Tier 1	1	1
Safety Tier 2	621	660
Subtotal	4,776	4942
Total Current Members	14,716	14,412

Pension Benefits

The System's benefits are established by the provisions of the County Employees Retirement Law of 1937 and provide for retirement, death, and disability benefits. All permanent full-time and part-time employees of the County or Member Districts are eligible to participate in the System. Upon reaching five years of service, participants have earned the right to receive a retirement benefit, subject to certain restrictions if retirement is prior to attaining age 50 or if less than 10 years service has been achieved. Retirement benefits under each tier are as follows:

- ◆ Members covered under Safety Tier 1 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 4 percent annually. Final-average salary is the member's average salary for the highest twelve consecutive months of credited service.
- ◆ Members covered under Safety Tier 2 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 2 percent annually. Final-average salary is the member's average salary for the highest thirty-six consecutive months of credited service.
- ◆ Members covered under Miscellaneous Tier 1 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, which is equal to 1.474 percent of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 4 percent annually. Final-average salary is the member's average salary for the highest twelve consecutive months of credited service.
- ◆ Members covered under Miscellaneous Tier 2 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 1.474 percent of their final-average salary for each year of credited service. There is no cost-of-living adjustment. Final-average salary is the member's average salary for the highest thirty-six consecutive months of credited service.
- ◆ Members covered under Miscellaneous Tier 3 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 1.474 percent of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 2 percent annually. Final-average salary is the member's average salary for the highest thirty-six consecutive months of credited service.

The retirement benefits of Miscellaneous Tier 1, 2, and 3 members who retire after age 50 are increased by an age factor for each quarter year of age up to a maximum of 2.611 percent of final-average salary for each year of credited service at age 62.

Effective June 29, 2003 the County Board of Supervisors applied these formulas for all SCERS members, including the employees of Member Districts, prospectively from June 29, 2003 and for County employees retroactively to service credits which precede that date. In accordance with applicable retirement law, each SCERS Member District's governing body determined whether or not to apply these formulas retroactively for service credits earned prior to June 29, 2003 by their employees.

Members whose employers determined not to retroactively apply the formulas to service credits earned prior to June 29, 2003 will continue to have their retirement benefits for that service calculated

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

pursuant to the formulas in effect at the time the service was earned (i.e., Safety and Miscellaneous members who retire at age 50 earn 2 percent and 1.1 percent, respectively, of their final-average salary for each year of credited service).

Member Termination

Upon separation from employment with a participating employer, members' accumulated contributions are refundable with interest accrued through the prior six-month period ended June 30 or December 31. Interest on member accounts is credited semiannually on June 30 and December 31. Withdrawal of such accumulated contributions results in forfeiture of the related benefits.

Financing

Benefits payable by the System are financed through member contributions, employer contributions, and earnings from investments. Member contributions are required by law. Contribution rates, which are actuarially determined, are based on age at entry into the System (a single rate is used for members entering the System after January 1, 1975). County and Member Districts' contributions are actuarially determined to provide for the balance of contributions needed. This rate includes an additional amount required to partially fund the annual cost-of-living increases for retired members of the Miscellaneous Tier 1 and Tier 3 and Safety Tiers. All contribution rates are reviewed and revised annually. The authority for both benefit provisions and contribution obligations is derived from the County Employees Retirement Law of 1937.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. SCERS has fiduciary funds at June 30, 2007 and 2006 which include pension trust and agency funds. The pension trust fund is used to report resources that are required to be held in trust for the members and the beneficiaries of the defined benefit pension plan, and agency fund accounts for assets held by SCERS in a trustee capacity or as an agent on behalf of the others. The pension trust fund is accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. The agency fund is custodial in nature and does not measure the results of operations. Assets and liabilities are recorded using the accrual basis of accounting.

The System has adopted Governmental Accounting Standards Board Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as its source of accounting and reporting principles. Investments are valued at their fair value, which results in the recognition of fair value gains and losses. Member and employer contributions are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Investment purchases and sales are recorded on the trade date.

Valuation of Investments

Investments other than real estate are reported based on quoted market prices. The fair value of the real estate trust holdings has been determined using industry standard appraisal techniques and assumptions. The real estate trust managers use appraisals, which are updated annually, to determine the fair value of these trusts. Cash deposited in the Sacramento County Treasurer's pool is stated at fair value. The value of the System's pool shares is determined on an amortized cost basis, which approximates fair value.

Short-Term Investments

Short-term investments, which include highly-liquid investments expected to be utilized by the System within 30-90 days, are reported at fair value. These investments may include securities, which have a maturity in excess of 90 days but are readily marketable.

Other Assets

Other assets consist of accounts receivable, prepaid expenses, net capital assets, and security deposits.

Administrative Expenses

Administrative costs are financed with earnings from investments and employer and employee contributions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Reclassification

Certain reclassifications have been made to June 30, 2006 balances to conform to the presentation as of June 30, 2007.

NOTE 3 - RETIREE MEDICAL AND DENTAL INSURANCE PROGRAM

Plan Description

The Sacramento County Retiree Medical and Dental Insurance Program (the "Program") is an agent multiple-employer defined benefit medical and dental plan sponsored, financed, and administered by nine participating employers. SCERS' role in regard to the Program is limited to collecting monies from Sacramento County and calculating and initiating payment of premiums when due.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

(Amounts Expressed in Thousands)

The table below lists the participating employers as of June 30, 2007:

<u>Name</u>	<u>Medical Subsidy</u>	<u>Dental Subsidy</u>
Carmichael Recreation and Park District	Yes	Yes
County of Sacramento	Yes	Yes
Elected Officials	Yes	Yes
Mission Oaks Recreation and Park District	Yes	Yes
Orangevale Recreation and Park District	Yes	Yes
Sacramento Metropolitan Fire District	Yes	No
Sacramento Employment Training Agency	Yes	Yes
Sunrise Recreation and Park District	Yes	Yes
Superior Court	Yes	Yes

The Program provides medical and/or dental subsidy/offset payments to eligible retirees. According to the Program's Administrative Policy, only safety and miscellaneous members who retired on or before May 31, 2007 are eligible for the subsidy. As of June 30, 2007, there are 6,730 retired members and beneficiaries currently receiving subsidy payments.

The Sacramento County Board of Supervisors, at its own discretion, sets the amount of subsidy/offset payment available to eligible retirees on a year-to-year basis. For calendar year 2008, the monthly dental subsidy is \$25, and the monthly medical subsidy amounts range from \$122 to \$244 depending on years of the member's earned service credit. There are no vested benefits associated with the Program. The Program does not create any contractual, regulatory, or other vested entitlement to present or future retirees, their spouses, or dependents for medical and/or dental benefits, or subsidy/offset payments at any particular level, or at all. Sacramento County and other participating employers may, in their sole discretion, amend or terminate, in whole or in part, the Program by Resolution of the Board of Supervisors.

Contributions and Reserves

The System does not have any authority to establish or amend the obligations of the plan members and employers to contribute to the Program. SCERS does not determine the contribution rate or collect the required contributions from employers. SCERS' role in regards to the Program is limited to collecting monies from Sacramento County and paying the premiums when due. Monies received by the System in excess of liabilities to pay premiums are recognized as liabilities to the Sacramento County. There are no net assets or legally required reserve accounts for the Program.

In accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, each participating employer is required to disclose the Program information with regard to funding policy, the employer's annual OPEB cost and contributions made, the funded status and funding progress, and actuarial methods and assumptions used.

Request for Information

Requests for additional financial information regarding the Program may be addressed to:

County of Sacramento, Department of Finance
Auditor-Controller Division
700 H Street, Room 3650
Sacramento, CA 95814
(916) 874-7422

NOTE 4 - CASH AND INVESTMENTS

The investment authority for the System rests primarily through the “prudent person rule”, as set forth in Section 31595 of the County Employees Retirement Law of 1937, which establishes a standard for all fiduciaries, including anyone with investment authority on behalf of the System.

Cash Invested with Sacramento County Treasurer

The System invests cash held for benefit payments and general operations in the County Treasurer’s pool. The County Treasury Oversight Committee is responsible for regulatory oversight of the pool. The System’s share of the County Treasurer’s pool is separately accounted for, and interest earned, net of related expenses, is apportioned quarterly based on the relationship of the System’s average daily cash balance to the total of the pooled cash and investments. The fair value of the System’s cash invested with the County Treasurer totaled \$5,706 and \$6,078 at June 30, 2007 and 2006, respectively. The pool is not rated, and the weighted average maturity of the pool were 197 days and 185 days at June 30, 2007 and 2006, respectively.

Interest earned but not received from the County Treasurer at year end is reported as a component of accrued investment income on the statement of changes in fiduciary net assets. Cash and investments included within the County Treasurer’s pool are described in the County’s Comprehensive Annual Financial Report.

Other Cash and Cash Equivalents

At June 30, 2007 and 2006, other cash and cash equivalents constitute balances in bank demand deposit accounts of \$17,953 and \$23,349, respectively, of which \$10,470 and \$16,586 were not held in the System’s name. The System is exposed to custodial credit risk with respect to these deposits.

Short-Term Investments with Fiscal Agents

At June 30, 2007 and 2006, the fair value of the System’s short-term investments with fiscal agents was \$258,982 and \$301,611, respectively. The total consisted of investments in the State Street Short-Term Investment Fund (STIF). The STIF is designed to provide qualified benefit plans with a readily accessible investment vehicle that may be accessed on a daily basis. The STIF is limited to investing in securities that are rated A-1 by Moody’s Investors Services and P-1 by Standard & Poor’s Corporation at the time of issuance. The STIF is not rated by credit rating agencies. Most investments range in maturity from overnight to 90 days with up to 20% of the STIF’s value eligible for investment between 90 days and 13 months. The weighted average maturities were 27 days at June 30, 2007 and 2006. Net assets invested in the STIF from all participating custodial clients of State Street were \$40.1 billion and \$39.7 billion on June 30, 2007 and 2006, respectively.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

(Amounts Expressed in Thousands)

Securities Lending

State statutes permit the System to participate in securities lending transactions and, pursuant to a Securities Lending Authorization Agreement, the System has authorized State Street Bank and Trust Company (State Street) to act as its agent in lending the System's securities to broker-dealers and banks pursuant to an approved loan agreement.

During the years ended June 30, 2007 and 2006, on behalf of the System, State Street loaned securities held by State Street as custodian, including U.S. government and agency obligations, domestic corporate bonds, and domestic and international equities and received, as collateral, U.S. and foreign currency, securities issued or guaranteed by the U.S. government, sovereign debt of foreign countries, and irrevocable bank letters of credit. State Street does not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers are required to deliver collateral for each loan equal to a minimum of 100% of the market value of the loaned security.

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, securities lending collateral reported in the statement of fiduciary net assets represented only cash collateral invested in the lending agent's cash collateral investment pool. SCERS did not impose any restrictions during the fiscal years on the amount of the loans that State Street made on its behalf. There were no failures to return loaned securities or pay distributions thereon by any borrowers during the fiscal years. Moreover, there were no losses during the fiscal years resulting from a default of the borrowers or State Street.

During the fiscal years ended June 30, 2007 and 2006, SCERS and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. Since the System held collateral from the borrowers greater than the amounts borrowed, on June 30, 2007 and 2006 the System had no credit risk exposure to the borrowers. Furthermore, the lending agreement with the custodian requires the custodian to indemnify the System if the borrower fails to return the securities. The cash collateral held and the market value of securities on loan as of June 30, 2007 were \$864,165 and \$881,470, respectively. The cash collateral held and the market value of securities on loan as of June 30, 2006 were \$638,437 and \$625,890, respectively.

Additional information regarding the cash collateral investment pool (collateral pool) follows:

Method for Determining Fair Value. The fair value of investments held by the collateral pool is based upon valuations provided by a recognized pricing service.

Policy for Utilizing Amortized Cost Method. Because the collateral pool does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, State Street has valued the collateral pool investments at fair value for reporting purposes.

Regulatory Oversight. The collateral pool is not registered with the Securities and Exchange Commission. State Street, and consequently the investment vehicles it sponsors (including the collateral pool), are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the System's position in the collateral pool is the same as the value of the collateral pool shares.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

(Amounts Expressed in Thousands)

Collateral and related securities on loan at June 30, 2007 and 2006 were as follows:

Security Description	2007		
	Cash Collateral Value	Other Collateral Value	Fair Value of Securities on Loan
U.S. government and agency obligations	\$ 302,109	\$ 10,555	\$ 306,341
Domestic corporate bonds	25,616	(3)	25,085
Common and preferred stock – domestic	421,641	27,770	438,685
Common and preferred stock – international	114,799	2,314	111,359
Totals	\$ 864,165	\$ 40,636	\$ 881,470

Security Description	2006		
	Cash Collateral Value	Other Collateral Value	Fair Value of Securities on Loan
U.S. government and agency obligations	\$ 241,928	\$ 363	\$ 237,445
Domestic corporate bonds	28,352	245	28,005
Common and preferred stock – domestic	236,624	1,647	232,325
Common and preferred stock – international	131,533	3,162	128,115
Totals	\$ 638,437	\$ 5,417	\$ 625,890

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. This is measured by the assignment of ratings by nationally-recognized statistical rating organizations.

SCERS utilizes external investment managers to manage its portfolios. SCERS' Investment Policy specifies that fixed income investments will include both actively and passively managed investments in U.S. treasury and agency securities, corporate bonds, mortgage-backed and asset-backed securities and non-dollar denominated sovereign and corporate debt. The actively-managed investments will have a minimum average credit quality rating of AA-2 by Moody's Investor Services or AA by Standard and Poor's Corporation. The System's policy is that the passively-managed investments will have a credit quality rating equal to the Lehman Brothers Aggregate Index. Portfolio diversification is constrained by the following parameters in order to minimize overall market and credit risk:

- ◇ No more than 10% of the portfolio will be concentrated in any one issuer except U.S. government and agency securities.
- ◇ No more than 20% of the portfolio will be invested in high yield or below investment grade straight securities.
- ◇ No more than 15% of the portfolio will be invested in convertible securities, which includes bonds and preferred issues.
- ◇ No more than 20% of the portfolio will be invested in non-U.S. dollar bonds.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

(Amounts Expressed in Thousands)

The following tables depict the fixed income assets by credit rating as of June 30, 2007 and 2006:

Fixed Income

As of June 30, 2007

S&P Quality Rating	Total	Securitized Obligations	Credit Obligations	U.S. Government & Agency Obligations	International Government	Collateralized Mortgage Obligations	Mortgage Pass-Through		
							FHLMC	FNMA	GNMA
AAA	\$ 627,607	\$138,560	\$ 10,041	\$ 44,045	\$30,590	\$ 94,272	\$ 87,422	\$222,677	\$ -
AA+	1,033	-	1,033	-	-	-	-	-	-
AA	21,470	-	20,268	-	-	1,202	-	-	-
A+	36,083	-	36,083	-	-	-	-	-	-
A	52,130	-	52,130	-	-	-	-	-	-
BBB+	28,240	-	28,240	-	-	-	-	-	-
BBB	73,762	-	73,762	-	-	-	-	-	-
BB+	7,417	-	7,417	-	-	-	-	-	-
BB	17,996	8,050	9,946	-	-	-	-	-	-
B+	3,548	-	3,548	-	-	-	-	-	-
B	7,178	-	7,178	-	-	-	-	-	-
CCC	389	389	-	-	-	-	-	-	-
D	201	201	-	-	-	-	-	-	-
NA	286,916	-	-	276,943	-	-	-	-	9,973
NR	169,360	30,882	38,515	-	3,198	31,808	26,600	38,357	-
Total	\$1,333,330	\$178,082	\$288,161	\$320,988	\$33,788	\$127,282	\$114,022	\$261,034	\$9,973

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

(Amounts Expressed in Thousands)

Fixed Income

As of June 30, 2006

S&P Quality Rating	Total	Securitized Obligations	Credit Obligations	U.S. Government & Agency Obligations	International Government	Collateralized Mortgage Obligations	Mortgage Pass-Through		
							FHLMC	FNMA	GNMA
AAA	\$ 605,184	\$135,456	\$ 7,911	\$ 49,215	\$28,848	\$ 83,997	\$40,325	\$259,432	\$ -
AA+	300	-	300	-	-	-	-	-	-
AA	3,311	-	3,311	-	-	-	-	-	-
AA-	11,210	-	11,210	-	-	-	-	-	-
A+	22,845	-	22,845	-	-	-	-	-	-
A	26,312	-	26,312	-	-	-	-	-	-
A-	33,267	-	33,267	-	-	-	-	-	-
BBB+	28,095	-	28,095	-	-	-	-	-	-
BBB	33,904	-	33,904	-	-	-	-	-	-
BBB-	28,476	-	28,476	-	-	-	-	-	-
BB+	3,714	-	3,714	-	-	-	-	-	-
BB	9,980	-	9,980	-	-	-	-	-	-
BB-	11,548	7,769	3,779	-	-	-	-	-	-
B+	9,360	-	9,360	-	-	-	-	-	-
B	1,406	-	1,406	-	-	-	-	-	-
B-	2,516	-	2,258	-	-	-	258	-	-
CCC-	594	594	-	-	-	-	-	-	-
D	370	370	-	-	-	-	-	-	-
NA	295,451	-	-	283,909	-	-	-	-	11,542
NR	103,386	17,791	11,422	9,500	4,823	20,688	29,550	9,612	-
Total	\$1,231,229	\$161,980	\$237,550	\$342,624	\$33,671	\$104,685	\$70,133	\$269,044	\$11,542

Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. NA represents those securities that are not applicable to the rating disclosure requirements, and NR represents those securities that are not rated.

Securities Lending Collateral Credit Risk

All of the cash collateral received for securities lending is invested in the Quality D Short-Term Investment Fund managed by State Street, which is not rated by credit rating agencies. At the time of purchase, all securities with maturities of 13 months or less must qualify as first-tier securities and all securities with maturities in excess of 13 months will be rated A or better by at least two nationally-recognized statistical rating organizations or, if unrated, be of comparable quality. The fund may invest in other State Street managed vehicles provided they conform to the guidelines.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment guidelines negotiated with the actively-managed external portfolio

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

(Amounts Expressed in Thousands)

managers give the managers the discretion to deviate within +/- 20% from the effective duration of the relevant Lehman Brothers benchmark based on the portfolio total.

Below are tables depicting the duration in years of the long-term fixed income portfolio vs. the benchmark in years:

Long-Term Fixed Income Investments

Duration

As of June 30, 2007

Type of Securities	Market Value	Effective Duration	Benchmark Duration	Difference
Securitized Obligations				
Asset Backed Securities	\$63,366	1.33	2.79	(1.46)
Collateralized Mortgage-Backed Securities	114,716	4.70	4.96	(0.26)
Credit Obligations				
Corporate Bonds	238,007	5.98	6.12	(0.14)
Commingled Fund	20,963	3.44	NA	NA
Municipal	155	0.09	NA	NA
Private Placement	3,832	3.79	NA	NA
Yankees	25,204	5.59	5.59	-
U.S. Government & Agency Obligations				
Agency Securities	44,045	4.38	3.61	0.77
U.S. Treasury	276,943	5.59	4.88	0.71
International Government	33,788	2.44	NA	NA
Collateralized Mortgage Obligations	127,282	4.99	6.68	(1.69)
Mortgage Pass-Through				
FHLMC	114,022	4.87	4.45	0.42
FNMA	261,034	5.78	4.48	1.30
GNMA	9,973	4.22	4.68	(0.46)
Total Market Value with Weighted Average Duration	\$1,333,330	5.17	4.85	0.32

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

(Amounts Expressed in Thousands)

Long-Term Fixed Income Investments

Duration

As of June 30, 2006

Type of Securities	Market Value	Effective Duration	Benchmark Duration	Difference
Securitized Obligations				
Asset Backed Securities	\$115,405	0.84	2.73	(1.89)
Collateralized Mortgage-Backed Securities	46,575	5.32	4.77	0.55
Credit Obligations				
Corporate Bonds	211,466	6.23	5.84	0.39
Municipal	1,420	1.24	NA	NA
Private Placement	1,460	6.98	NA	NA
Yankees	23,204	5.07	5.24	(0.17)
U.S. Government & Agency Obligations				
Agency Securities	58,715	3.17	3.70	(0.53)
U.S. Treasury	283,909	4.89	4.89	-
International Government	33,671	6.37	NA	NA
Collateralized Mortgage Obligations	104,685	2.98	5.84	(2.86)
Mortgage Pass-Through				
FHLMC	70,133	4.02	4.36	(0.34)
FNMA	269,044	4.36	4.34	0.02
GNMA	11,542	4.37	4.77	(0.40)
Total Market Value with Weighted Average Duration	\$1,231,229	4.40	4.76	(0.36)

The investment objective for the short-term fixed income portfolio is to seek the preservation of capital and liquidity. Secondly, the objective is to provide a competitive short-term yield, in a low cost, liquid portfolio, while minimizing both interest rate and credit risk. No more than 20% of the portfolio may be invested in U.S. corporate debt. Permitted investments are U.S. Treasury and Agency securities and AA or better U.S. corporate debt. As of June 30, 2007, SCERS did not have the short-term fixed income portfolio.

Securities Lending Collateral Interest Rate Risk

Cash collateral from loans of securities is invested in the State Street Quality D Short-Term Investment Fund. Its average effective duration is restricted to 120 days or less. As of June 30, 2007 and 2006, the actual effective duration was 68 days and 58 days, respectively. The maximum option adjusted duration of any variable rate security is five years or less. All fixed-rate instruments must have an option-adjusted duration not to exceed 30 months.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

(Amounts Expressed in Thousands)

in a single issuer. As of June 30, 2007 and 2006, the System had no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded. There are no general policies addressing the concentration of credit risk, however, as noted on the previous page in the discussion of credit risk, manager investment guidelines place limitations on the maximum holdings in any one issuer.

Custodial Credit Risk

Custodial credit risk is the risk that in the event a financial institution or counterparty fails, the System would not be able to recover the value of its deposits, investments, or securities. As of June 30, 2007 and 2006, 100% of the System's investments were held in the System's name, and the System is not exposed to custodial credit risk related to these investments. The System is exposed to custodial credit risk for uncollateralized cash and cash equivalents that are not covered by federal depository insurance. There are no general policies relating to the custodial credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The following tables represent securities held in a foreign currency as of June 30, 2007 and 2006.

As of June 30, 2007

<u>Local Currency Name</u>	<u>Cash</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Total</u>
Australian Dollar	\$ 30	\$ 22,874	\$ 9,658	\$ 32,562
British Pound	1,127	171,580	9,019	181,726
Canadian Dollar	30	31,596	-	31,626
Danish Krone	15	8,586	-	8,601
Euro	1,510	290,773	11,913	304,196
Hong Kong Dollar	319	21,702	-	22,021
Japanese Yen	1,281	199,980	-	201,261
New Zealand Dollar	20	1,848	3,198	5,066
Norwegian Krone	250	7,218	-	7,468
Singapore Dollar	189	6,970	-	7,159
South African Rand	-	1,402	-	1,402
South Korean Won	4	4,629	-	4,633
Swedish Krona	97	20,899	-	20,996
Swiss Franc	(58)	73,476	-	73,418
Total	\$ 4,814	\$ 863,533	\$ 33,788	\$ 902,135

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

(Amounts Expressed in Thousands)

As of June 30, 2006

Local Currency Name	Cash	Equity	Fixed Income	Total
Australian Dollar	\$ 56	\$ 25,509	\$ 6,733	\$ 32,298
British Pound	2,386	176,163	-	178,549
Canadian Dollar	280	21,940	10,834	33,054
Danish Krone	76	8,788	-	8,864
Euro	1,314	271,476	11,282	284,072
Hong Kong Dollar	220	17,146	-	17,366
Japanese Yen	1,637	217,925	-	219,562
New Zealand Dollar	1	1,120	4,823	5,944
Norwegian Krone	12	4,992	-	5,004
Singapore Dollar	21	4,770	-	4,791
South African Rand	-	3,698	-	3,698
South Korean Won	5	4,562	-	4,567
Swedish Krona	71	16,011	-	16,082
Swiss Franc	561	72,490	-	73,051
Total	\$ 6,640	\$ 846,590	\$ 33,672	\$ 886,902

Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. Foreign currency is not held as a form of investment. Foreign currency is held temporarily in foreign accounts until it is able to be repatriated or expended. The System does not have a foreign currency risk policy.

Highly-Sensitive Investments

As of June 30, 2007 and 2006, SCERS' investments included mortgage-backed securities totaling \$512,311 and \$455,404, respectively. These securities are highly-sensitive to interest rate fluctuations in that they are subject to early payment in a period of declining interest rates. The resulting reduction in expected total cash flows affects the fair value of these securities and makes the fair value of these securities highly sensitive to changes in interest rates.

Derivatives

The System's investment policy allows investment managers to use derivative instruments for certain purposes and within certain parameters. Such instruments include currency forward contracts, currency futures, floater/inverse floater debt instruments, interest-only and principal-only notes, and exchange traded financial futures and options. The System permits the use of derivatives to minimize the exposure of certain investments to adverse fluctuations in financial and currency markets. The System does not permit the use of derivatives for speculative use or to create leverage. In addition, the System invests in mortgage-backed securities, including collateralized mortgage obligations (CMOs), to increase the yield and return on its investment portfolio relative to the available alternative investment opportunities. The value of mortgage-backed securities is generally based on the cash flow from principal and interest receipts on the underlying mortgage pools. In a CMO, the cash flow from principal and interest payments from one or more mortgage pass-through securities or a pool of mortgages may be reallocated to multiple security classes with different priority claims and payment streams (commonly referred to as tranches). A holder of the CMO security thus chooses the class

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

(Amounts Expressed in Thousands)

of security that best meets its risk and return objectives. CMOs are subject to significant market risk related to fluctuations in interest rates, prepayment rates, and various liquidity factors tied to their specific markets. As of June 30, 2007 and 2006, total CMO investments were \$512,311 and \$455,404, respectively, of which \$51,153 and \$24,361 were considered derivatives because of the priority claim and payment terms assigned to the specific security class (tranche) in which the System was invested.

A summary of the various derivative instruments as of June 30, 2007 and 2006 is as follows:

	2007	2006
Currency forward contracts	\$ 259,044	\$ 118,029
Futures contracts	9,845	5,230
Floating-rate notes	98,533	59,190
Interest-only notes	475	1,051
Collateralized mortgage obligations	51,153	24,361
Total derivative instruments	\$ 419,050	\$ 207,861

The System could be exposed to risk if the counterparties to derivative contracts are unable to meet the terms of the contracts. The System's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. The System anticipates that the counterparties will be able to satisfy their obligations under the contracts.

Real Estate

During fiscal year 2005-2006, SCERS adopted a new structure for its real estate investments. The new allocation broadens SCERS real estate investments from being mostly in core properties through direct investment to include investments in commingled core real estate funds, value added real estate investment funds, and publicly-traded real estate investment trust (REIT) stock investments. Direct investments include offices, apartments, retail, and industrial. During fiscal year 2006-2007, SCERS selected three new value added real estate funds in which SCERS has committed to invest \$25 million each. Of the \$75 million commitment, SCERS only funded \$6 million. As of June 30, 2007 and 2006, real estate investments were \$840,074 and \$708,896, respectively.

NOTE 5 - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Contributions to the plan are made pursuant to Section 31584 of the County Employees Retirement Law of 1937. The System's funding policy provides for periodic contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when due. Members of the System are required to contribute, and such contributions range from 1.79% to 11.58% of annual covered salary depending on the member's tier, employer, and bargaining unit. Each employer of the System is obligated by state law to make all required contributions to the plan, and depending on the participating employer and their employees' tiers, such contribution rates range from 13.10% to 48.30% of covered payroll. The required contributions include current service cost and amortization of any unfunded prior service cost over a 30-year closed amortization period, with 26 years remaining as of June 30, 2007.

Employer contribution rates are determined using the entry age normal cost method based on a level percentage of payroll. The System also uses this actuarial method to amortize the unfunded liability, if applicable.

Contributions for the years ended June 30, 2007 and 2006 totaled \$199,676 and \$174,667. Included in this total are employer contributions of \$156,805 and \$132,708, respectively, of which \$143,497 and \$127,846 were made by the County of Sacramento. Member contributions were \$42,871 and \$41,959 in fiscal years 2007 and 2006, respectively. All contributions were made in accordance with actuarially-determined contribution requirements based on the actuarial valuations performed at June 30, 2005 and 2004, respectively.

NOTE 6 – RESERVES

Member and employer contributions are allocated to various legally required reserve accounts based on actuarial determinations. Descriptions of the purpose for the reserve and designated accounts are provided below.

Employee reserves represent the balance of member contributions. Additions include member contributions and interest earnings. Deductions include refunds of member contributions and transfers to retiree reserves.

Employer reserves represent the balance of employer contributions for future retirement payments to current active members. Additions include contributions from the employer and interest earnings. Deductions include transfers to retiree reserves, lump sum death benefits, and payments under California Government Code Sections 31725.5 and 31725.6 related to alternative employment for members otherwise entitled to disability retirement benefits.

Retiree reserves represent the balance of transfers from employee reserves, employer reserves, and interest earnings, less payments to retired members.

Retiree death benefit reserves represent the balance of funds for lump sum death benefits for retirees. Additions include interest earnings and, if necessary, employer contributions. Deductions include payments to beneficiaries of retired members who are deceased.

Retiree health care benefit designations include transfers made by the System from unallocated earnings in prior years to provide funding for a non-vested health and dental insurance premium offset for retirees. Funding of and payments for the retiree health care premium offsets are made in accordance with section 401(h) of the Internal Revenue Code. Effective July 1, 2004, funding for health care premium offsets for retirees has been provided by those employers who have elected to continue the payments for their retired members and have not been funded by the System.

Contingency reserve was created to serve as a reserve against deficiencies in future earnings and unexpected expenses.

Smoothed actuarial value of assets. Investment gains and losses for the year are recognized (smoothed) over a five-year period. As of June 30, 2007 and 2006, total allocated reserves were \$5,406,461 and \$4,848,953, respectively.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

(Amounts Expressed in Thousands)

Market stabilization reserve represents the difference between the smoothed actuarial value of assets and the net assets available for benefits at fair value.

A summary of the various reserve accounts, which comprise net assets available for pension benefits at June 30, 2007 and 2006 (under the five-year smoothed market asset valuation method for actuarial valuation purposes), is as follows:

NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE

As of June 30

	2007	2006
Employee reserves	\$ 595,078	\$ 573,497
Employer reserves	2,123,725	1,974,407
Retiree reserves	2,580,318	2,286,217
Retiree death benefit reserves	14,128	13,264
Retiree health care benefits designations	1,567	1,568
Contingency reserve	91,645	-
Total allocated reserves and designations	5,406,461	4,848,953
Unallocated earnings	-	-
Smoothed actuarial value of assets	5,406,461	4,848,953
Market stabilization reserve	569,401	241,976
Net assets available for benefits, at fair value	\$ 5,975,862	\$ 5,090,929

NOTE 7 - PLAN TERMINATION

California Government Code Section 31483 allows the governing body of the County or Special District, through the adoption of an ordinance or resolution, to terminate the applicability of the plan to employees of the County, Superior Court, or Special District whose services commence after a given future date.

NOTE 8 – MORTGAGES PAYABLE

The System has real estate investments secured by long-term mortgage obligations. Activities related to such mortgages were as follows for the years ended June 30:

	2007	2006
Beginning Balance	\$ 153,706	\$ 112,649
Additions	55,120	73,453
Deductions	(9,676)	(32,396)
Ending Balance	\$ 199,150	\$ 153,706

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

(Amounts Expressed in Thousands)

Future debt service requirements for outstanding mortgages are as follows:

Year Ending June 30:	Interest	Principal	Total
2008	\$ 11,556	\$ 293	\$ 11,849
2009	10,242	57,140	67,382
2010	7,460	14,595	22,055
2011	4,587	85,878	90,465
2012	2,246	738	2,984
2013 - 2017	9,076	14,802	23,878
2018 - 2022	6,347	4,587	10,934
2023 - 2027	4,932	6,002	10,934
2028 - 2032	3,080	7,854	10,934
2033 - 2036	757	7,261	8,018
Total	\$ 60,283	\$ 199,150	\$ 259,433

NOTE 9 – LEASE OBLIGATIONS

SCERS has commitments under operating lease agreements for office facilities and equipment. Minimum future rental payments as of June 30, 2007 were as follows:

Year Ending June 30:	
2008	\$ 586
2009	589
2010	599
2011	298
Total	\$ 2,072

Rental costs during the year ended June 30, 2007 and 2006 were \$647 and \$612, respectively.

NOTE 10 - SUBSEQUENT EVENTS

The recent events regarding sub-prime residential mortgage-backed securities and the real estate markets have not materially affected the fair value of investments as of the date of the independent auditor's report. SCERS' real estate investments are primarily comprised of commercial real estate and SCERS' asset-backed securities are invested in the higher tranches which have lower risk exposure and almost no exposure to sub-prime related mortgages or mortgage-backed securities.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule I - Schedule of funding progress (Amounts expressed in thousands):

A six-year schedule of the funding progress of the System is presented herewith as required supplementary information. This information is intended to help users assess the System's funding status on a going basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded/ (Over funded) AAL	Funded Ratio	Annual Covered Payroll	Unfunded/ (Over funded) AAL as a Percentage of Covered Payroll
June 30	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2002	\$3,839,081	\$3,586,250	\$(252,831)	107.1%	\$695,259	(36.4) %
2003	3,864,400	4,108,294	243,894	94.1	733,296	33.3
2004	4,379,514	4,694,009	314,495	93.3	714,069	44.0
2005	4,530,583	4,860,882	330,299	93.2	722,015	45.7
2006	4,848,953	5,214,915	365,962	93.0	782,572	46.8
2007	5,406,461	5,788,336	381,875	93.4	832,484	45.9

Effective June 29, 2003, the Sacramento County Board of Supervisors adopted an enhanced benefit formula for Miscellaneous and Safety members. The County and certain Member Districts adopted these improvements for both past and prospective service, while the remaining Member Districts adopted these improvements for future service only. The adoption of enhanced benefits significantly increased the actuarial accrued liability as of June 30, 2003 and significantly increased employer contributions for the year ended June 30, 2004 and subsequent years.

On July 1, 2004, the County issued \$420,000 of Pension Obligation Bonds (POB). On October 20, 2004, Sacramento Metropolitan Fire District (SMFD) issued Pension Obligation Bonds. SCERS received proceeds of \$10,538 from the SMFD POB's of which \$874 was attributable to SMFD's active SCERS members. The receivable contributions from the County POB and the SMFD POB for its active members were included in the value of assets for the actuarial valuation date as of June 30, 2004.

Schedule II - Schedule of employer contributions (Amounts expressed in thousands):

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2002	\$44,547	100.0%
2003	52,841	100.0
2004	119,114	100.0
2005	529,618*	100.0
2006	154,052	86.1**
2007	156,805	100.0

* Includes proceeds from Pension Obligation Bonds

**Caused by the phase-in of the employer rates adopted by the Board in the June 30, 2004 actuarial valuation.

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Schedule III – Significant actuarial assumptions:

The following significant actuarial assumptions underlying the required supplementary schedules were utilized as part of the actuarial valuation dated June 30, 2007:

Actuarial cost method:	Entry age normal cost method
Amortization method:	Level percent of payroll for total unfunded liability
Remaining amortization period:	30-year closed amortization period with 26 years remaining as of June 30, 2007
Asset valuation method:	5-year smoothed fair value*

*The market value of assets plus or minus unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between actual and expected returns on a market value basis and is recognized over a five-year period. The actuarial value is further adjusted, if necessary, to be within 20% of the market value.

Actuarial assumptions:

Investment rate of return:	7.875%
Inflation rate:	3.50%
Real across-the-board salary increase:	0.25%
Miscellaneous projected salary increases**:	5.14% to 11.55%
Safety projected salary increases**:	3.75% to 9.76%

**Includes inflation at 3.50% plus real across-the-board salary increase of 0.25% plus merit and longevity increases.

Assumed postretirement benefit increase:

Miscellaneous Tier 1	3.40%
Miscellaneous Tier 2	0.00%
Miscellaneous Tier 3	2.00%
Safety Tier 1	3.40%
Safety Tier 2	2.00%

OTHER SUPPLEMENTAL INFORMATION

For the Years Ended June 30
(Amounts Expressed in Thousands)

Schedule I - Schedule of administrative and other expenses:

Type of expense:	2007	2006
Salaries and benefits	\$3,352	\$2,718
Professional fees	629	808
Equipment purchases and maintenance	85	70
Rent and lease expense	648	612
Depreciation expense	5	3
Other administrative expenses	1,099	850
Total administrative and other expenses	\$5,818	\$5,061

Schedule II - Schedule of investment fees and expenses:

Type of investment expense:	2007	2006
Domestic equity managers	\$3,959	\$4,056
International equity managers	7,151	5,859
Bond managers	1,917	1,838
Hedge fund managers	2,742	2,633
Real estate managers	12,179	13,353
Strategic cash overlay managers	210	128
Custodian fees	370	343
Investment consulting fees	200	244
Other professional fees	263	293
Total investment fees and expenses	\$28,991	\$28,747

Schedule III - Schedule of payments to consultants:

Type of Service:	2007	2006
Legal services	\$815	\$736
Actuarial services	50	257
Medical consulting services	139	156
Audit and consulting services	43	45
Total payments to consultants	\$1,047	\$1,194

STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES

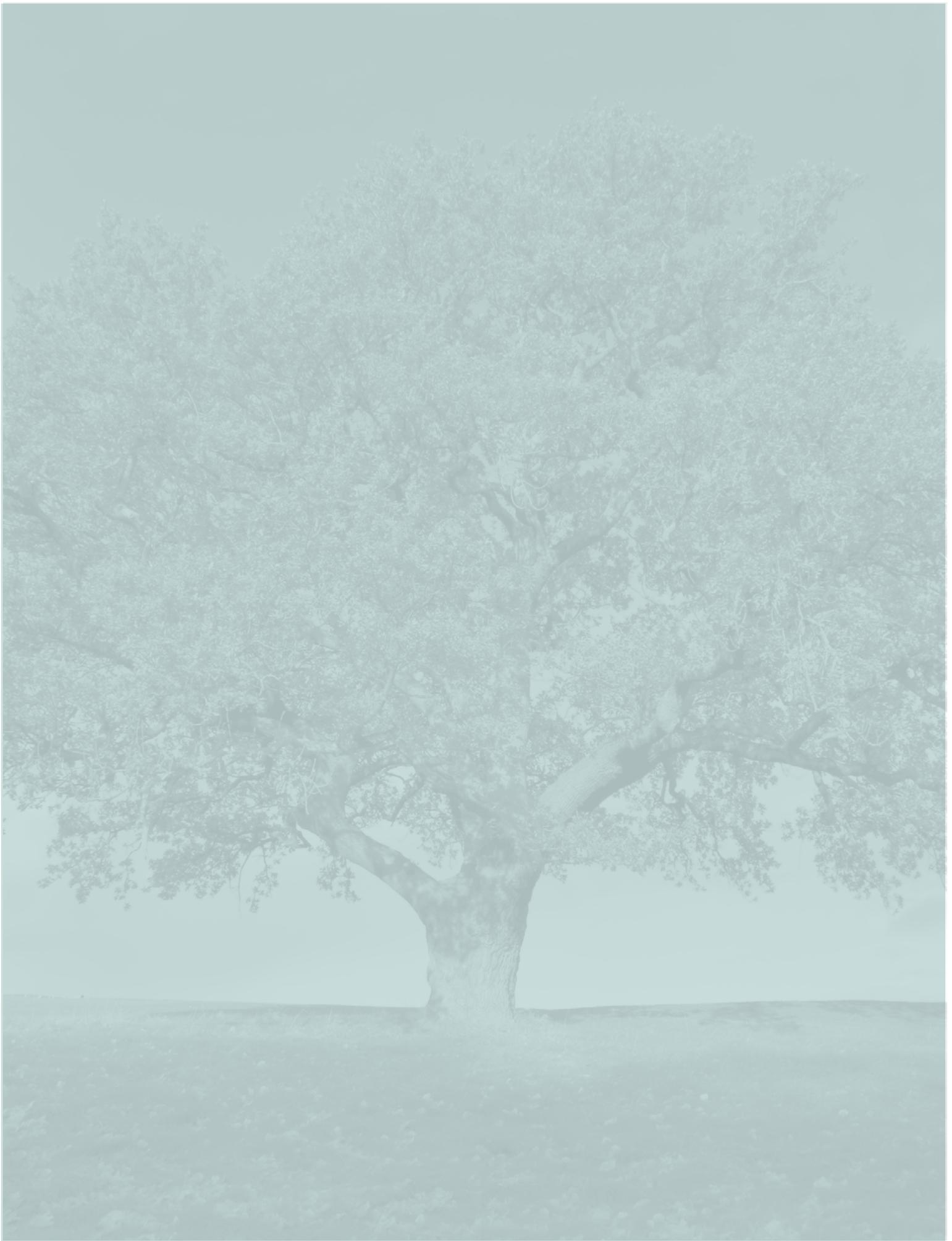
AGENCY FUND

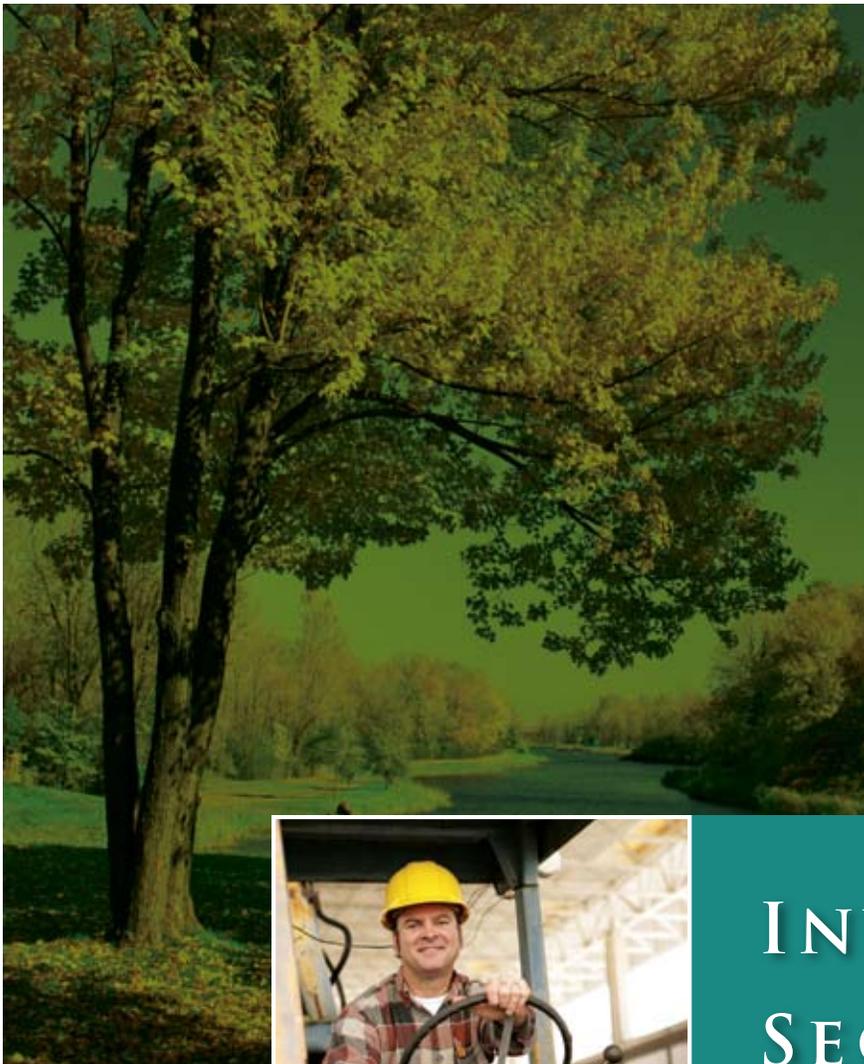
As of June 30

(Amounts Expressed in Thousands)

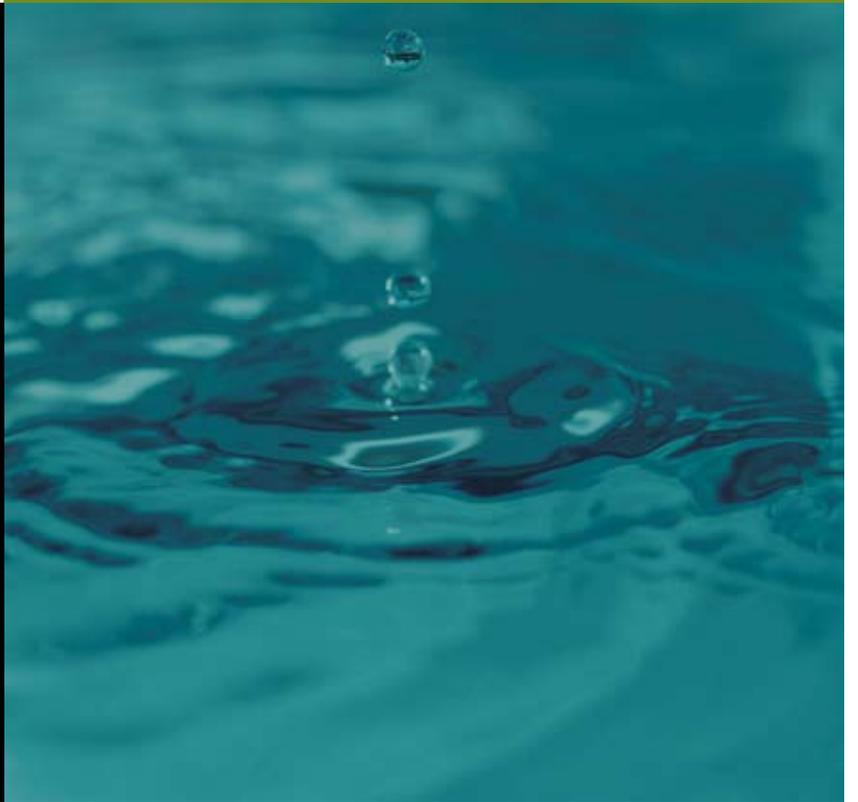
Assets	2007	2006
Beginning Balance	\$ 9	\$ 10
Additions	26,849	25,530
Deductions	(26,815)	(25,531)
Ending Balance	<u>\$ 43</u>	<u>\$ 9</u>

Liabilities	2007	2006
Beginning Balance	\$ 9	\$ 10
Additions	26,849	25,530
Deductions	(26,815)	(25,531)
Ending Balance	<u>\$ 43</u>	<u>\$ 9</u>





INVESTMENT SECTION



CHIEF INVESTMENT OFFICER'S REPORT



Executive Staff
Richard Stensrud
Chief Executive Officer
Jeffrey W. States
Chief Investment Officer
James G. Line
General Counsel
Kathryn T. Regalia
Chief Operations Officer
John W. Gobel Sr.
Chief Benefits Officer

November 30, 2007

Dear Members of the Board,

Introduction

SCERS finished the 2007 fiscal year with a gross investment return of 18.0% and a return net of investment management fees of 17.7%. This is the fourth consecutive fiscal year of double digit investment results. The good performance results are due to the strong performance of SCERS' domestic equity and international equity investments. International equity had a return of 31.4%, net of fees for one year and domestic equity investments returned 19.3%, net of fees. These returns reflect the continued moderate growth of the U.S. and global economies in spite of record high oil prices and a slowdown in U.S. home construction. The fiscal year return, net of manager fees, is 0.2% above SCERS' policy weighted benchmark return of 17.5%.

On a peer comparison, SCERS' performance ranks in the 52nd percentile of the Russell/Mellon Trust Universe for public funds of a billion dollars or more for the twelve-month period. Over the trailing five- year period, SCERS' annualized investment return is 13.4%, gross of manager fees and exceeds the actuarial return objective of 7.75%. Mercer Investment Consulting, Inc. (Mercer) prepares the investment returns using information it receives from SCERS' custodian bank and investment managers.

General Information

SCERS uses external investment managers chosen by the Board to invest the System's assets. As of June 30, 2007, there were twenty one separate account portfolios. In addition, SCERS has investments in a commingled equity emerging markets growth fund, two equity long/short commingled hedge fund-of-funds, and five real estate funds. The managers, the emerging markets fund, and the commingled funds are identified on the following page. The Board uses the services of Mercer as a general investment consultant to assist in developing the investment policy, prepare asset/liability studies, provide advice on the asset allocation, conduct investment manager searches, and help monitor investment manager performance. SCERS' primary legal services are provided by in-house General Counsel and were supplemented by contract legal counsel for real estate investments.

In July 2006, SCERS completed the process of selecting a new domestic equity small cap growth manager to replace one terminated in the first quarter of 2006. As SCERS' total assets have grown, a decision was made to divide the assets invested in the domestic equity large cap growth style to diversify the investment management process and reduce investment manager risk. In September, a second domestic equity large cap growth manager was selected and the portfolio was funded at the beginning of October.

Progress continues to be made in the implementation of the real estate investment strategy adopted in 2005. In September 2006, commitments of \$25 million each were made to three new value-added real estate funds. SCERS' real estate portfolio strategy calls for twenty percent (20%) of the fifteen percent (15%) real asset allocation to be invested in value-added funds. Additional commitments will be made over the next twelve to twenty-four months to create a portfolio of value-added fund investments that will provide diversification by property type, geographic location and vintage year.

During the fiscal year, the Board and staff conducted an assessment of the investment program as part of the systematic review set out in the Investment Policy. The assessment began with a comparison of SCERS' investment performance and asset allocation to other public funds to identify differences in investment strategies used by others that also appeared to result in better risk adjusted investment performance. Upon completion of the comparison, an Asset and Liability Modeling Study was carried out by Mercer. The study analyzed various asset allocation alternatives. The addition of new asset classes including private equity, commodities and several other investment alternatives was considered. In July 2007, SCERS Board adopted a new strategic asset allocation which reduced the asset allocation to domestic equity by five percent and the allocation to fixed income by five percent, and added new five percent asset class allocations to private equity and an opportunities portfolio.

During the fiscal year, several educational sessions were provided by SCERS' staff, SCERS' investment consultant and various investment managers to assist the Board in making decisions about including new asset classes and investment strategies in the investment program. The education sessions included the topics of commodities investing, private equity, portable alpha investment strategies and domestic equity portfolio extension strategies commonly referred to as 130/30.

SCERS' custodial bank is State Street California, Inc. State Street California provides securities lending services to SCERS and, through State Street Global Markets, administers a commission recapture program. In fiscal year 2007, SCERS earned net income of \$1,968,000 from securities lending and received recapture income of \$185,000. SCERS does not use directed brokerage or soft-dollar commissions to purchase any services.

SCERS Investment Objectives

SCERS' investment objectives are set forth in the Board's Investment Policy and Objectives. SCERS' investment objectives are:

1. Provide for Present and Future Benefit Payments - The overall objective of SCERS is to invest pension assets solely in the interest of providing benefits to the participants and their beneficiaries, while attempting to minimize the employer contributions and defraying the administrative costs. The investment of contributions and other fund assets in accordance with the investment policy described herein will accomplish this and maintain adequate funding of SCERS' liabilities over time. The goal of the Board is to design an investment portfolio that will achieve and exceed the annualized actuarial assumed rate of 7.75% over a market cycle. The Board strives to achieve this

CHIEF INVESTMENT OFFICER'S REPORT (CONTINUED)

level of return with a high level of certainty and with an acceptable level of risk.

2. Make Prudent Investments - With care, skill, prudence and diligence the Board will strive to produce an investment return based on levels of liquidity and investment risk that are prudent and reasonable under present circumstances. Such circumstances may change over time.
3. Diversify the Assets - The Board will diversify the investments of the Fund to maximize the investment return with acceptable investment risk.
4. Create Reasonable Pension Investments Relative to Other Pension Funds - The pension investment program must operate in compliance with all applicable State and Federal laws and regulations concerning the investment of pension assets. SCERS judges its selection of investment vehicles and policies against other private and public pension funds, with special emphasis on comparisons with public funds.
5. Establish Policy and Objective Review Process - Annually, SCERS will conduct a formal review of its Investment Policy and Objectives and will develop an updated financial projection at least every five years.

Summary of Proxy Voting Guidelines and Procedures

As a fiduciary, the Board has an obligation to manage the retirement system's assets in the best interest of the plan participants. The Board has established a Proxy Voting & Corporate Governance Policy. This policy provides guidance to the Chief Investment Officer for voting proxies and acting on corporate action issues, such as mergers and acquisitions. For the fiscal year ended June 30, 2007, all proxies that were received were voted through an electronic voting platform provided by Institutional Shareholder Services. The Chief Investment Officer, in accordance with the Board's policy, votes proxies with the assistance of research and analysis provided by Institutional Shareholder Services.

Summary of Asset Allocation

The Board develops the strategic asset allocation with the assistance of Mercer Investment Consulting, Inc. The intent of the asset allocation policy is to ensure that investments are diversified in a manner that achieves the desired rate of investment return with an acceptable investment risk. The actual and policy allocation for each asset class is shown in the pie chart in the materials that follow. The capital market assumptions adopted along with the asset allocation give SCERS an expected 8.0% annualized total rate of return over the next ten years with a standard deviation of returns of 11.6%. SCERS utilizes active investment management to achieve the target earnings rate. The asset allocation is broadly diversified between asset classes as well as within each class in a manner that ensures consistent long-term performance in line with the policy objectives.

Summary of Investment Results

SCERS monitors capital market investment returns through reference to recognized and easily obtainable market indices which are used as asset class benchmarks. The benchmark index and index performance by asset class for one, three and five years is shown on page 63 of this report. The asset class benchmark returns are weighted by the asset allocation to provide a policy-weighted return based on SCERS' asset allocation model. SCERS' total investment return for the fiscal year ended June 30, 2007, net of manager fees, was 17.7%. SCERS' policy-weighted benchmark return for the fiscal year was 17.5%. SCERS also compares its performance against the performance of other public funds utilizing a series of universe comparisons provided by Mercer. For the fiscal year, the median public fund in the Mellon Analytical Solutions Trust Universe ("MASTU") of thirty-nine (39)

public funds with assets of greater than one billion dollars had a return of 18.0%. SCERS' ranked at the 52nd percentile.

U.S. Domestic equity is SCERS' largest investment asset class. For the fiscal year, SCERS' total domestic equity return was 19.3%, net of fees. The return was below the benchmark Russell 3000 index return by 0.8%. In the MASTU U.S. Equity Billion Dollar Segment SCERS' return ranks in the 67th percentile for the one-year period. For the three-year period, SCERS' domestic equity return is 11.6%, net of fees, compared to the benchmark Russell 3000 Index return of 12.4%. Underperformance in the U.S. equity investments relative to the benchmark was primarily due to the failure of SCERS' small cap U.S. equity investment managers to add value.

Domestic equity investments are divided into two sub-asset classes based on stock capitalization. Large cap domestic equity is 85% of the domestic equity allocation. The large cap domestic equity investments had a 20.4% return, net of fees, for one-year, which equaled the return of the Russell 1000 Index. The investment return for large cap equity for three years was 12.2%, 0.1% less than the Russell 1000 Index. The one-year return for small cap equity investments was 13.8%, net of fees. This return was 2.6% below the benchmark Russell 2000 Index return of 16.4%. For the three-year period, the small cap equity return was 8.6%, net of fees, 4.8% below the Russell 2000 Index return of 13.4%.

International equity was SCERS' best performing asset class for the fiscal year. The total international equity return was 31.4%, net of fees. This was 4.4% above the benchmark MSCI EAFE Net Dividend Index equity return of 27.0%. Performance for three years of 26.1% was 3.9% better than the benchmark return of 22.2%. In the MASTU Non-U.S. Equity Billion Dollar Segment, SCERS ranked at the 30th percentile for one year and at the 24th percentile for three years.

SCERS' international equity investments are in two categories, established markets and emerging markets based on country location. SCERS' established market investments returned 26.8%, net of fees, 0.2% below the benchmark MSCI EAFE Net Dividend Index. Over the trailing three-year period the established market return was 22.4%, net of fees, compared to a MSCI EAFE Net Dividend Index return of 22.2%. The international emerging markets outperformed the established markets. The MSCI Emerging Markets Free Index return for the fiscal year was 45.5%. SCERS' investment in the emerging markets growth fund outperformed the benchmark by 6.6% returning 52.1%, net of fees. For the three-year period, SCERS' return of 41.2% net of fees exceeded the MSCI Emerging Markets Index return of 38.7%.

After a period of steadily increasing short-term interest rates, the Federal Reserve held the Federal Funds rate steady at 5.5% for the fiscal year. While the short end of the Treasury yield curve remained steady, longer rates from five to thirty years fell, and credit spread for lower quality bonds (BB and below) narrowed to lower-than-normal levels producing stronger-than-expected returns for fixed income for the fiscal year. The U.S. core fixed income investments had a return of 6.3% compared to the return of the Lehman Aggregate Bond Index of 6.1%. Over the three-year period ended June 30, 2007, SCERS' fixed income investments returned 4.3%, net of fees compared to the benchmark Lehman Aggregate Bond Index return of 4.0%. SCERS has one-third of the fixed income assets in a passive Lehman Aggregate indexed portfolio and two core plus portfolios. SCERS' fixed income performance ranked at the 58th percentile for one year in the MASTU U.S. Fixed Income Billion Dollar segment.

The real estate asset class had good double-digit returns, although they were below the return of the NCREIF Property Index. For one-year, the investment return was 15.4%. This was 2.8% below the NCREIF Property Index. Over three years, the real estate portfolio return was 19.3% compared to the

CHIEF INVESTMENT OFFICER'S REPORT (CONTINUED)

NCREIF Property Index return of 18.0%. The real estate assets class return for one year ranked at the 6th percentile for the MASTU Real Estate Billion Dollar Segment.

The Equity Long/Short Hedge Fund-of-Funds investments implemented in 2004 provided portfolio diversification and downside protection for the U.S. equity investments. For one-year, the two hedge fund-of-funds investment portfolios had a return of 17.8%. The performance objective for the hedge fund-of-funds investments of the T-Bill plus five percent (5%) was 9.9%.

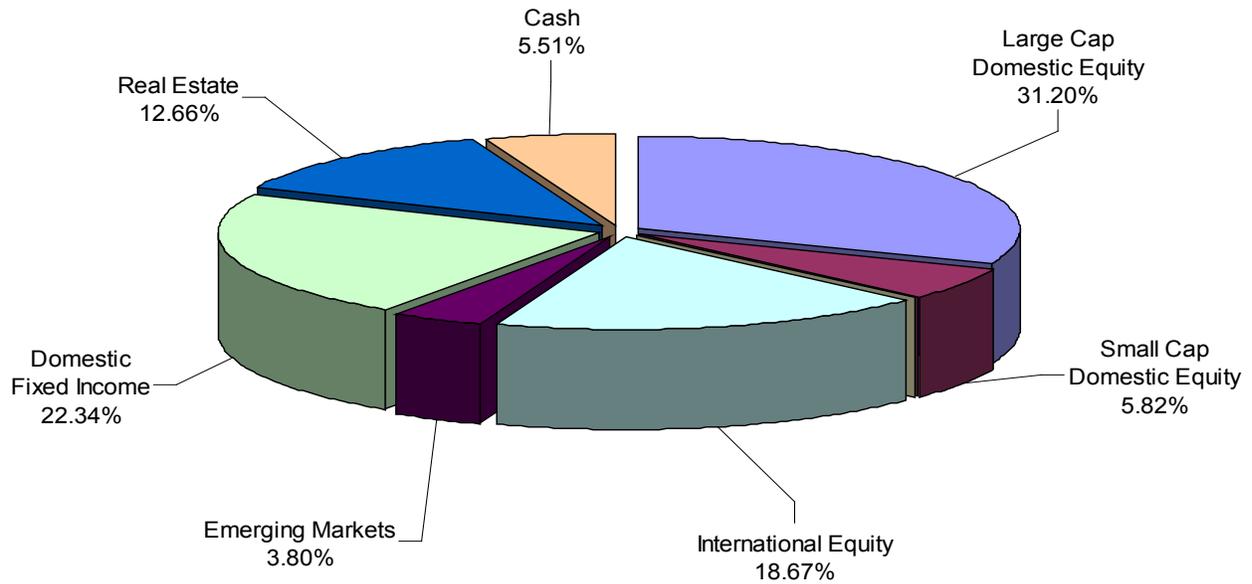
Respectfully submitted,

A handwritten signature in black ink that reads "Jeffrey W. States". The signature is written in a cursive, flowing style.

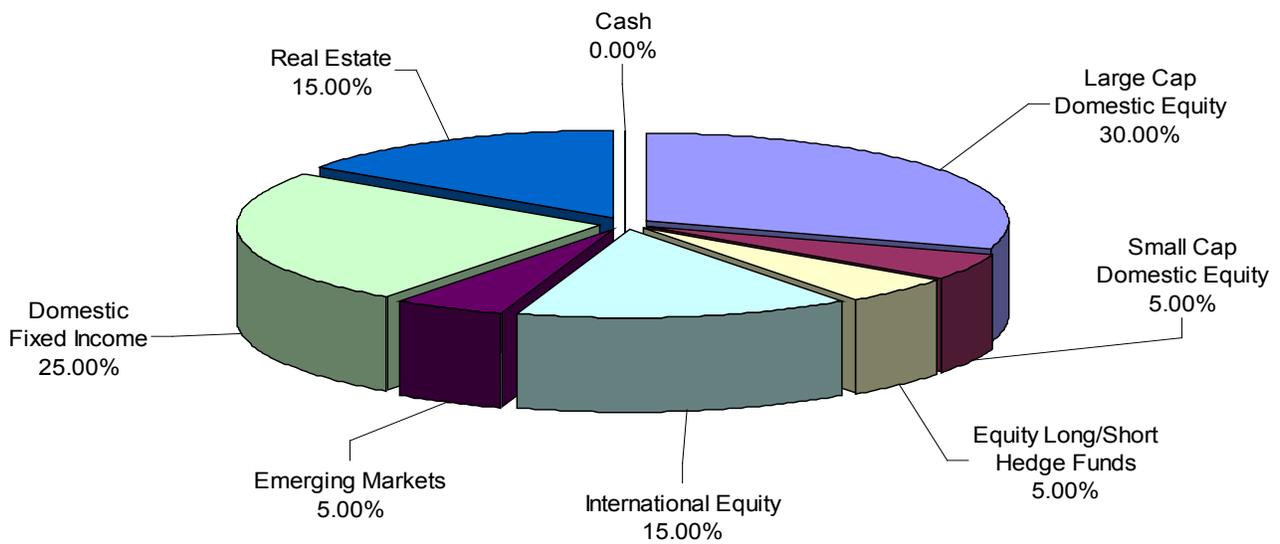
Jeffrey W. States
Chief Investment Officer

ASSET ALLOCATION

SCERS' Asset Allocation as of June 30, 2007



Target Asset Allocation



The 2007 Actual Asset Allocation is based upon the Investment Summary adjusted to net out \$199.2 million in leverage.

INVESTMENT PROFESSIONALS

Investment Managers

Equity - Domestic

Alliance Bernstein Institutional Investments
Bear Stearns Asset Management
Dalton, Greiner, Hartman, Maher & Co., LLC
Enhanced Investment Technologies, LLC
Independence Investments, LLC
LSV Asset Management
M.A. Weatherbie & Co., Inc.
OFI Institutional Asset Management
Pzena Investment Management, LLC
TCW Asset Management

Equity - Long/Short Hedge Fund-of-Funds

Grosvenor Capital Management, L.P.
The Blackstone Group, L.P.

Equity - International

AXA Rosenberg Investment Management, LLC
Capital Guardian Trust Company
Capital International, Inc.
INVESCO Global Asset Management (N.A.), Inc.
LSV Asset Management

Fixed Income

Lehman Brothers Asset Management, LLC
Bradford & Marzec Global Fixed Income Management
Metropolitan West Asset Management

Real Estate

AEW Capital Management
BlackRock Realty Advisors, Inc.
Cornerstone Real Estate Advisers, LLC
Heitman Capital Management Corporation
Hines U.S. Office Value Added Fund II, LLC
Principal Global Investors, LLC
UBS Realty Investors, LLC
Urdang Securities Management, Inc.

Strategic Cash Overlay

State Street Global Advisors

Real Estate Legal Counsel

Nossaman, Guthner, Knox & Elliot, LLP

Investment Consultant

Mercer Investment Consulting

Proxy Advisor

Institutional Shareholder Service
Glass Lewis & Co.

INVESTMENT RESULTS

For the Period Ended June 30, 2007

	1 Year	Annualized 3 Years	5 Years
Domestic Equity			
Total Domestic Equity	19.5%	11.8%	11.2%
Mercer Equity Universe Median	19.9%	12.9%	12.3%
Benchmark: Russell 3000 Index	20.1%	12.4%	11.5%
International Equity			
Total International Equity	32.0%	26.7%	20.4%
Mercer International Equity Universe Median	30.6%	24.7%	20.1%
Benchmark: MSCI EAFE Index	27.0%	22.2%	17.7%
Fixed Income			
Total Fixed Income	6.4%	4.5%	5.4%
Mercer Fixed Income Universe Median	6.5%	4.6%	5.4%
Benchmark: Lehman Brothers Aggregate	6.1%	4.0%	4.5%
Equity Hedge Fund of Funds			
Total Hedge Funds	17.8%	N/A	N/A
Real Estate			
Total Real Estate	15.4%	19.3%	16.4%
Mercer Real Estate Universe Median	16.1%	20.7%	15.3%
Benchmark: NCREIF Classic Property Index	17.2%	18.0%	14.4%
Total Fund			
Scaramento Total Fund	18.0%	13.4%	12.0%
Russell/Mellon Public Funds Billion \$ Universe	18.0%	13.7%	12.4%
Benchmark: Asset Allocation Weightings*	17.5%	13.6%	12.0%

Notes: Returns were prepared by Mercer Investment Consulting, Inc., and shown on a gross of fee basis. Return calculations were prepared using a time-weighted rate of return.

*The Benchmark consisted of 30% Russell 1000, 5% Russell 2000, 25% Lehman Brothers Aggregate Bond Index, 15% MSCI EAFE index, 5% MSCI Emerging Markets Free Index, 12% NCREIF Property Index, 3% NAREIT Index, and 5% T-Bill Plus 5%. From 9/1/04 to 1/31/06, the Benchmark consisted of 30% Russell 1000 Index, 5% Russell 2000 Index, 25% Lehman Brothers Aggregate Bond Index, 15% MSCI EAFE Index, 5% MSCI Emerging Markets Free Index, 15% NCREIF Property Index and 5% T-Bill plus 5%. From 1/1/00 to 8/31/04, the Benchmark consisted of 35% Russell 1000 Index, 5% Russell 2000 Index, 30% Lehman Aggregate Bond Index, 15% MSCI EAFE index, 5% MSCI Emerging Markets Free Index, and 10% NCREIF Property Index.

SUMMARY OF INVESTMENT ASSETS

As of June 30, 2007

	Fair Value (Amounts Expressed in Thousands)	Percentage of Total Cash & Investments
Equities		
Domestic		
Alliance Capital Russell 1000 Index	\$1,232,693	19.72%
Dalton, Greiner - Active Small Cap Value	81,623	1.31
Independence - Growth	144,047	2.30
M.A. Weatherbie - Small Growth	89,678	1.43
LSV Asset Management - Value	112,041	1.79
Pzena Investment Management - Value	104,263	1.67
OFI Institutional Asset Management - Value	100,982	1.62
TCW Asset Management - Active Small Cap Value	81,515	1.30
BearStearns Asset Management - Small growth	64,553	1.03
InTech - Large Cap	135,930	2.17
Total Domestic Equity	2,147,325	
International		
AXA Rosenberg - MSCI EAFE Small Cap	60,481	0.97
Capital Guardian Trust - MSCI EAFE	305,325	4.88
INVESCO - MSCI EAFE Core	275,409	4.41
LSV - MSCI EAFE Value	291,361	4.66
Capital International - Emerging Markets	336,042	5.38
Total International Equity	1,268,618	
Hedge Fund of Funds		
Blackstone Equity Long/Short	153,461	2.45
Grosvenor	155,212	2.48
Total Hedge Fund of Funds	308,673	
Total Equities	3,724,616	
Fixed Income		
Domestic		
Lincoln Capital - Lehman Aggregate Index	466,051	7.46
Bradford & Marzec - Lehman Aggregate Core Plus	379,618	6.07
Metropolitan West Asset Management	422,576	6.76
Total Domestic Fixed	1,268,245	
International		
Lincoln Capital - Lehman Aggregate Index	13,964	0.22
Bradford & Marzec - Lehman Aggregate Core Plus	79,055	1.26
Metropolitan West Asset Management	9,396	0.15
Total International Fixed	102,415	
Total Fixed Income	1,370,660	

SUMMARY OF INVESTMENT ASSETS (CONTINUED)

	Fair Value (Amounts Expressed in Thousands)	Percentage of Total Cash & Investments
Real Estate		
BlackRock Realty Advisors- Separate Account	467,823	7.48
Cornerstone Realty Advisers - Separate Account	216,725	3.47
Cornerstone Patriot Fund	79,079	1.26
Granite Property Fund	69,439	1.11
Principal Global Investors	53,789	0.86
Urdang Securities Management	55,273	0.88
Allegis Value Trust	4,120	0.07
AEW Value Investors	2,853	0.05
Other Commingled Trusts	35	0.00
Total Real Estate	949,136	
Future Overlay		
State Street Global Advisors	21,431	0.34
Total Future Overlay	21,431	
Total Investments at Fair Value	\$6,065,843	
Cash		
Cash (Unallocated)	169,406	2.71
Other Cash and Cash Equivalents	16,176	0.26
Total Cash and Investments	6,251,425	100.00%
Other Assets		
Receivables	89,242	
Other Assets	8,398	
Securities Lending Collateral	864,165	
Total Assets	7,213,230	
Liabilities		
Accounts Payable	33,952	
Investment Trades Payable	137,062	
Mortgages Payable	199,150	
Other Liabilities	3,039	
Securities Lending Liability	864,165	
Total Liabilities	1,237,368	
Net Assets held in Trust for Pension Benefits	\$5,975,862	

Note: Allocated assets include cash and cash equivalents and short-term investment with fiscal agents.

SCHEDULE OF MANAGER FEES

(Amounts Expressed in Thousands)

Manager

Domestic Equity

Alliance Bernstein Institutional Investments	\$ 258
Bear Stearns Asset Management	203
Dalton, Greiner, Hartman, Maher & Co., LLC	418
Enhanced Investment Technologies, LLC	475
Independence Investments, LLC	200
LSV Asset Management	875
M.A. Weatherbie & Co., Inc.	715
OFI Institutional Asset Management	98
Pzena Investment Management, LLC	302
TCW Asset Management	415
Total Domestic Equity	3,959

International Equity

AXA Rosenberg Investment Management, LLC	379
Capital Guardian Trust Company	1,841
Capital International, Inc.	1,632
INVESCO Global Asset Management (N.A.), Inc.	1,259
LSV Asset Management	2,040
Total International Equity	7,151

Hedge Fund of Funds

Grosvenor Capital Management, L.P.	1,126
The Blackstone Group, L.P.	1,616
Total Hedge Fund of Funds	2,742

Fixed Income

Lehman Brothers Asset Management, LLC	198
Bradford & Marzec Global Fixed Income Management	1,037
Metropolitan West Asset Management	682
Total Fixed Income	1,917

SCHEDULE OF MANAGER FEES (CONTINUED)

(Amounts Expressed in Thousands)

Real Estate

BlackRock Realty Advisors, Inc.	9,520
Cornerstone Real Estate Advisors, LLC	1,893
Hines U.S. Office Value Added Fund II, LLC	255
Principal Global Investors, LLC	181
Urdang Securities Management, Inc.	330
Total Real Estate	12,179

Strategic Cash Overlay

State Street Global Advisors	210
Total Future Overlay	210

Other Professional Fees

Glass, Lewis & Co., LLC	37
Institutional Shareholder Services	48
Investor Responsibility Support Services, Inc.	25
Mercer Investment Consulting	200
State Street Bank	370
The Segal Company	50
Zephyr Associates	15
Other Professional Services	88
Total Other Professional Fees	833

Total Investment Fees	\$ 28,991
------------------------------	------------------

TEN LARGEST STOCK HOLDINGS (BY FAIR VALUE)

As of June 30, 2007

Rank	Shares	Security Name	Fair Value (in thousands)
1	571,963	Exxon Mobile Corp.	\$ 47,976
2	978,435	General Electric Company	37,454
3	601,821	Citigroup Inc.	30,867
4	1,013,360	Microsoft Corp.	29,864
5	655,179	AT&T Inc.	27,190
6	526,697	Bank of America Corp.	25,750
7	937,312	Pfizer, Inc.	23,967
8	510,640	Royal Dutch Shell	21,024
9	423,573	JPMorgan Chase & Company	20,522
10	240,985	Chevron Corp.	20,301

Total of Ten Largest Stock Holdings

\$284,916

TEN LARGEST BOND HOLDINGS (BY FAIR VALUE)

As of June 30, 2007

Rank	Par	Security Name	Interest Rate	Maturity	Fair Value (in thousands)
1	29,807,000	United States Treasury Notes	4.88%	02/15/2012	\$ 29,772
2	29,852,000	United States Treasury Notes	4.25%	11/15/2014	28,488
3	27,586,000	United States Treasury Notes	4.50%	03/31/2012	27,080
4	26,027,000	United States Treasury Notes	5.13%	05/15/2016	26,169
5	22,375,162	FNMA Pool 831811	6.00%	09/01/2036	22,148
6	19,912,000	FNMA TBA Aug 30	6.00%	12/01/2099	19,677
7	17,967,000	FNMA TBA Jul 30	6.00%	12/01/2099	17,769
8	16,210,000	United States Treasury Notes	4.75%	01/31/2012	16,090
9	15,921,000	United States Treasury Notes	4.63%	02/15/2017	15,420
10	14,990,000	United States Treasury Notes	4.88%	05/31/2009	14,986

Total of Ten Largest Bond Holdings

\$217,599

SCHEDULE OF EQUITY BROKERAGE FEES

<u>Broker Name</u>	<u>Commission Per Share</u>	<u>Shares/ Par Value</u>	<u>Total Commissions</u>
ABG Securities	0.0671	10,700	\$ 718
ABG Securities AS (Stockholm)	0.0201	4,100	82
ABN Amro Asia Limited	0.0002	657,600	104
ABN Amro Bank NV Hong Kong	0.0049	400,700	1,956
ABN Amro Bank NV	0.0070	1,079,382	7,573
ABN Amro Bank NV Hong Kong Branch	0.0006	601,284	375
ABN Amro Securities (USA) Inc.	0.0060	15,000	90
Alpha Brokerage AE	0.0263	28,900	759
American Technology Research Inc	0.0500	19,700	985
Assent LLC	0.0060	27,900	167
Automated Trading Desk Financial Service	0.0112	115,933	1,302
Avian Securities	0.0400	113,300	4,532
Avondale Partners LLC	0.0426	35,009	1,490
B. Riley and Co. Inc	0.0400	1,200	48
Baird, Robert W., & Company Incorporated	0.0420	291,497	12,252
Banc/America Sec. LLC, Montgomery Division	0.0390	857,694	33,444
Banco Bilbao Vizcaya Argentari	0.0113	218,600	2,479
Banco Espirito Santo De Invest	0.0032	72,929	234
Banco Espirito Santo De Investiment	0.0187	43,620	815
Banco Espirito Santo Investimento Sucursa	0.0174	17,233	299
Bank AM Bellevue	0.0794	26,800	2,127
Bank Julius Baer and Company Ltd.	0.1538	460	71
Bayerische Hypo-Und Vereinsbank Munich	0.0106	1,187	13
Bear Stearns & Co., Inc.	0.0406	928,233	37,685
Bear Stearns Asia Ltd.	0.0012	618,500	748
Bear Stearns International Ltd.	0.0036	120,000	436
Bear Stearns Securities Corp.	0.0228	5,963,823	135,804
Bear Stearns Securities Corp.	0.0162	167,657	2,718
BMO Capital Markets Corp.	0.0400	34,163	1,367
BNP Paribas Securities Services	16.2510	10	163
BNY Brokerage	0.0400	14,500	580
BNY Brokerage Inc.	0.0499	79,270	3,960
BNY Brokerage.	0.0400	265,761	10,630
Broadcortcapital (Through ML)	0.0378	290,578	10,979
B-Trade Services LLC	0.0180	229,937	4,139
Buckingham Research Group	0.0437	62,720	2,738
C. L. Glazer & Company, Inc.	0.0400	1,700	68
Canaccordadams Inc.	0.0398	260,948	10,385
Cantor Fitz Eur 2	0.0027	2,385,330	6,431

SCHEDULE OF EQUITY BROKERAGE FEES (CONTINUED)

<u>Broker Name</u>	<u>Commission Per Share</u>	<u>Shares/ Par Value</u>	<u>Total Commissions</u>
Cantor Fitzgerald & Co	0.0362	234,198	8,481
Capital Institutional Services Inc., Equities	0.0210	1,078,700	22,705
Caris & Company Inc.	0.0500	11,900	595
Carnegie International Lnd	0.0666	23,500	1,565
Cazenove & Co.	0.0120	300,581	3,596
Cedel Bank	0.0030	10,667	32
CIBC World Markets Corp.	0.0400	207,947	8,309
CIBC World markets Inc.	0.0402	47,100	1,893
Citation Group	0.0335	599,545	20,067
Citibank Canada	0.0171	8,800	150
Citigroup Global Markets Asia Limited	0.0001	34,000	3
Citigroup Global Markets Australia Ptr.	0.0108	137,206	1,481
Citigroup Global Markets Inc.	0.0353	1,532,679	54,087
Citigroup Global Markets Inc.	0.0293	818,852	24,006
Citigroup Global Markets Limited	0.0078	2,062,200	16,030
Citigroup Global Markets UK Equity Ltd.	0.0056	61,700	345
CJS Securities	0.0500	44,300	2,215
Cochran, Caronia Securities LLC	0.0415	76,100	3,155
Cowen & Co., LLC	0.0400	28,788	1,152
Cowen & Company, LLC	0.0411	60,372	2,480
Cowen and Company, LLC	0.0400	54,416	2,177
Craig - Hallum	0.0400	54,072	2,163
Credit Agricole Indosuez	0.0231	13,150	304
Credit Agricole Indosuez Cheuvreux	0.0101	1,021,475	10,275
Credit Lyonnais Securities	0.0079	479,027	3,806
Credit Lyonnais Securities (USA) Inc.	0.0025	918,000	2,298
Credit Research & Trading, LLC	0.0400	8,600	344
Credit Suisse First Boston (Europe) Ltd	0.0266	234,604	6,252
Credit Suisse Securities (Europe) Ltd	0.0384	37,190	1,427
Credit Suisse Securities (USA) LLC	0.0098	6,765,159	66,463
CS First Boston (Hong Kong) Limited	0.0119	277,944	3,318
CSFB Australia Equities Ltd	0.0071	120,093	854
Daewoo Securities Co. Ltd., Seoul Korea	0.0105	48,074	504
DAIWA SBCM Europe	0.0252	67,499	1,698
DAIWA Securities America Inc	0.0033	1,013,983	3,316
Davenport & Co. of Virginia, Inc.	0.0312	85,825	2,679
Davidson DA & Co., Inc	0.0463	32,340	1,498
Davis, Mendel & Regenstein	0.0500	7,570	379
Davy (J & E)	0.0410	8,100	332

SCHEDULE OF EQUITY BROKERAGE FEES (CONTINUED)

<u>Broker Name</u>	<u>Commission Per Share</u>	<u>Shares/ Par Value</u>	<u>Total Commissions</u>
DBS Vickers Securities (Singapore)	0.0003	593,000	206
Den Danske Bank	0.0608	8,600	523
Deutsche Bank AG London	0.0156	737,219	11,474
Deutsche Bank Securities Inc.	0.0247	1,343,910	33,226
Deutsche Morgan Grenfell Inc	0.0006	436,711	247
Deutsche Securities Asia Limited	0.0022	998,600	2,236
Deutsche Securities Asia Ltd	1.2806	747	957
Dowling and Partners	0.0445	44,000	1,958
Dresdner Kleinworth Wasserstein Securities LLC	0.0173	242,275	4,199
E Trade Securities, Inc	0.0285	13,500	385
Edwards AG Sons, Inc	0.0398	52,769	2,098
Emp Research Partners	0.0400	18,425	737
Exane S.A.	0.0672	11,500	773
Ferris Baker Watts, Inc	0.0434	14,735	639
Fidentis	0.0743	21,613	1,605
First Albany Capital, Inc	0.0400	13,200	528
First Clearing, LLC	0.0485	38,150	1,850
Fox Pitt Kelton, Inc	0.0397	137,654	5,469
Fox Pitt Kelton, Ltd	0.0621	55,495	3,445
Frank Russell SEC/Broadcort Capital Clearing	0.0400	6,200	248
Friedman Billings & Ramsey	0.0410	212,964	8,721
FSA Investment (CLS Through 443)	0.0400	22,100	884
Garp Stearns & Securities Co	0.0400	4,600	184
Gerson Lehrman Group Brokerage Service, LLC	0.0400	201,500	8,060
Global Equities	0.0124	3,992	50
Goldman Sachs & Co.	0.0301	4,837,864	145,690
Goldman Sachs Execution & Clearing	0.0230	2,002,644	45,989
Goldman Sachs International	0.0065	1,869,664	12,173
Goldsmith & Harris (Thru Bear Stearns)	0.0400	5,000	200
Goodbody Stockbrokers	0.0303	109,100	3,302
Green Street Advisors	0.0432	96,191	4,159
Guzman & Co	0.0220	345,202	7,609
Harris Nesbitt Corp	0.0463	27,565	1,278
Hibernia Southcoast Capital Inc	0.0407	30,400	1,237
Hongkong and Shanghai Banking Corp	0.0205	106,922	2,191
HSBC Bankplc	0.0397	52,200	2,074
ING Bank N V	0.0249	9,324	232
Ingalls Snyder	0.0400	1,100	44
Instinet	0.0246	2,082,055	51,253

SCHEDULE OF EQUITY BROKERAGE FEES (CONTINUED)

<u>Broker Name</u>	<u>Commission Per Share</u>	<u>Shares/ Par Value</u>	<u>Total Commissions</u>
Instinet France S.A.	0.0286	83,686	2,392
Instinet Pacific Limited	0.0357	25,250	902
Instinet U.K. Ltd	0.0030	2,144,223	6,373
Instinet,LLC	0.0400	5,100	204
Investec Securities	0.0722	1,700	123
Investment Technology Group Inc.	0.0185	3,415,549	63,192
Investment Technology Group Ltd	0.0030	2,566,773	7,796
ISI Groupequities	0.0400	34,699	1,388
ISI Groupinc	0.0374	82,025	3,066
ITG Australia Ltd.	0.0011	355,710	399
ITG Inc.	0.0200	930	19
ITG Securities (Hk) Ltd	0.0003	829,785	220
IXIS Securities	0.0040	367,068	1,454
J B Were And Son	0.0075	122,080	914
JP Morgan Securities Inc.	0.0290	572,224	16,619
JP Morgan Securities Limited	0.0679	17,992	1,222
Janney Montgomery, Scott Inc	0.0448	56,127	2,515
Jefferies & Company Inc	0.0284	1,418,658	40,228
JMP Securities	0.0435	52,792	2,297
JOH Berenberg Gossler & Co	0.0216	132,398	2,854
Jones & Associates Inc	0.0319	237,186	7,559
Jonestrading Institutional Services LLC	0.0354	94,739	3,355
JP Morgansecurities Limited	0.0384	282,278	10,849
JP Morgan Sec (Far East) Ltd Seoul	0.0776	23,465	1,820
JP Morgan Securities (Asia Pacific) Ltd	0.0015	1,293,474	1,937
KAS-Associatie N.V.	0.0072	1,780	13
KBC Financial Products UK Ltd	0.0147	182,345	2,676
Keefe Bruyette & Woods Inc	0.0427	240,467	10,276
Kepler Equities Paris	0.0498	2,000	100
Kevin Dann Partners, Llc	0.0500	6,200	310
Keybanc Capital Markets Inc	0.0500	14,000	700
King, CL, & Associates, Inc	0.0491	93,535	4,594
Kleinwortbenson Securities Limited	0.0253	550,008	13,929
Knight Securities	0.0328	278,957	9,146
Leerink Swann and Company	0.0400	13,700	548
Legent Clearing Llc	0.0431	5,500	237
Lehman Brothers Inc	0.0159	2,732,311	43,541
Lehman Brothers International (Europe)	0.0094	2,616,436	24,610
Lehman Brothers Intl (Europe) Seoul Br	0.1381	6,820	942

SCHEDULE OF EQUITY BROKERAGE FEES (CONTINUED)

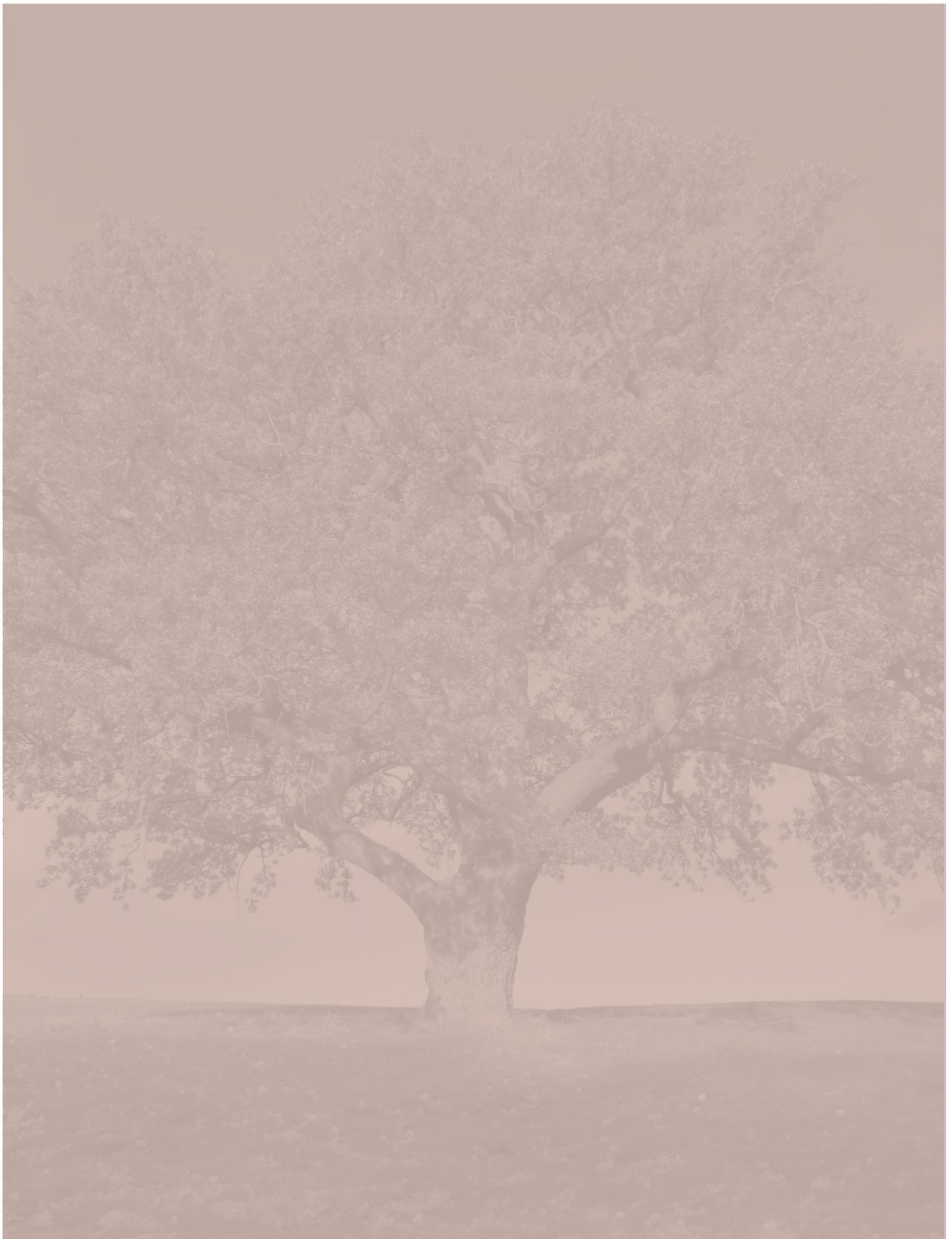
<u>Broker Name</u>	<u>Commission Per Share</u>	<u>Shares/ Par Value</u>	<u>Total Commissions</u>
Lehman Brothers Secs (Asia)	0.0106	776,015	8,214
Lek Securities	0.0265	23,950	634
Lek Securities Corp	0.0200	3,900	78
Liquidneteuropa Limited	0.0091	146,500	1,327
Liquidnetinc	0.0243	2,449,064	59,559
Longbow Securities LLC	0.0435	45,750	1,990
Lynch Jones and Ryan Inc	0.0164	193,411	3,163
M M Warburg	0.1223	8,157	998
Macquarieequities Limited (Sydney)	0.0028	824,988	2,287
Macquarieequities New Zealand	0.0004	34,571	15
Macquariesecurities Limited	0.0080	306,316	2,463
Macquariesecurities Ltd Seoul	0.0312	80,064	2,499
Mainfirstbank DE	0.4578	770	353
Mcdonald and Company Securities, Inc.	0.0390	210,513	8,217
Merril Lynch & Co., Inc	0.0404	18,900	763
Merrill Lynch International	0.0089	1,771,811	15,733
Merrill Lynch Peirce Fenner And S	0.0140	1,895,270	26,626
Merrill Lynch Professional Clearing Corp	0.0382	45,119	1,721
Merrill Lynch,Pierce,Fenner & Smith, Inc	0.0234	16,379,331	382,847
Merriman Curhan Ford & Co	0.0357	50,040	1,787
Midwest Research Securities	0.0404	52,549	2,125
Miletus Trading LLC	0.0150	37,600	564
Mizuho Securities USA Inc	0.1140	50,544	5,763
MJSK Inc	0.0400	4,400	176
MKM Partners	0.0400	390	16
Moors & Cabot Inc	0.0400	30,900	1,236
Morgan Keegan & Co Inc	0.0414	17,700	732
Morgan Stanley and Co International	0.3856	2,280	879
Morgan Stanley and Co. International	0.0157	1,778,422	27,938
Morgan Stanley Co. Incorporated	0.0118	3,702,047	43,624
Morgan Stanley Securities Limited	0.0039	97,784	381
National Financial Services Corp.	0.0500	60,350	3,018
NBC Clearing Services Incorporated	0.0392	53,300	2,092
NBCN Clearing Inc.	0.0300	32,300	969
Needham & Company	0.0405	261,157	10,577
Neonet Securities AB	0.0025	201,013	503
Nesbitt Burns	0.0168	297,169	4,980
Nomura International (Hong Kong) Ltd	0.0001	489,400	52
Nomura International PLC	0.0050	674,134	3,391

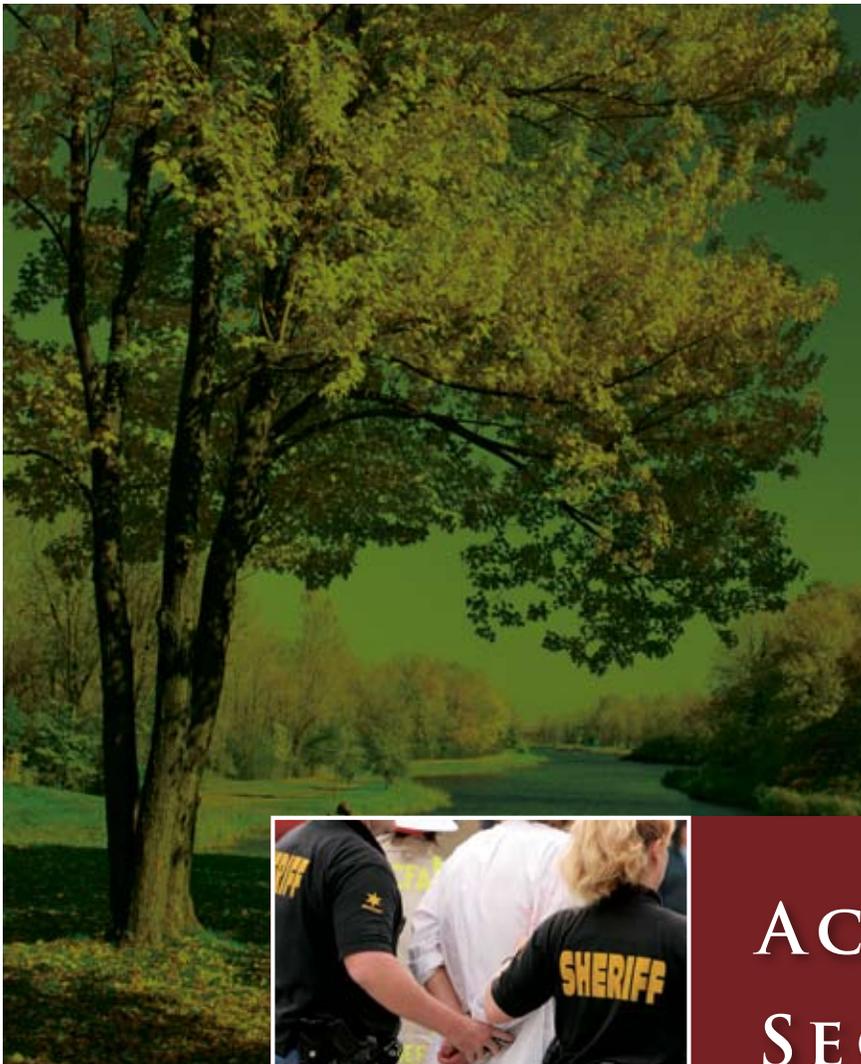
SCHEDULE OF EQUITY BROKERAGE FEES (CONTINUED)

<u>Broker Name</u>	<u>Commission Per Share</u>	<u>Shares/ Par Value</u>	<u>Total Commissions</u>
Nomura Intl (Hk) Ltd, Seoul BR	0.0062	9,470	59
Nomura Securities Co Ltd	0.0036	16,770	60
Nomura Securities International Inc	0.0160	355,753	5,696
Numis Securities Limited	0.0079	59,800	475
Nyfix Transaction Services #2	0.0200	77,275	1,546
Oppenheim, Sal., Jr Und Cie Koeln	0.0441	28,884	1,272
Oppenheimer & Co. Inc.	0.0438	75,888	3,326
Pacific American Securities, LLC	0.0300	71,832	2,155
Pacific Crest Securities	0.0397	67,000	2,663
PCS Securities Inc	0.0400	29,400	1,176
Peel Hunt & Company Limited	0.0001	33,078	4
Pershing	0.0902	19,800	1,786
Pershing DLJ S L	0.0201	2,058,447	41,293
Pershing LLC	0.0492	28,260	1,390
Pershing Securities Limited	0.0315	392,186	12,344
Pipeline Trading Systems LLC	0.0217	39,623	861
Piper Jaffray	0.0400	167,285	6,683
Pritchardcapital Partners LLC	0.0500	29,800	1,490
Prudential Equity Group	0.0410	350,040	14,347
R W Pressprich & Co Inc	0.0402	17,300	696
Rabobank Netherland	0.0894	2,600	232
Raymond James and Associates Inc	0.0438	164,816	7,223
RBC Capital Markets	0.0404	68,806	2,778
RBC Dominion Securities	0.0402	25,300	1,017
Redburn Partners LLP	0.0185	51,600	954
Rosenblatt Securities Inc	0.0206	233,200	4,810
Rosenblatt Securities LLC	0.0212	152,300	3,230
Ryan Beck & Co	0.0433	41,905	1,813
S.G. Cowen & Co., LLC	0.0400	1,373	55
Salomon Smith Barney Korea Ltd	0.1226	1,550	190
Sandler Oneill & Part LP	0.0403	104,310	4,206
Sanford C. Bernstein Ltd	0.0392	49,173	1,925
Sanford C. Bernstein Co LLC	0.0409	286,933	11,743
Scotia Capital (USA) Inc	0.0337	92,900	3,126
Scott & Stringfellow, Inc	0.0431	143,645	6,187
Shenyin Wanguo Securities (HK Ltd)	0.0002	108,000	22
Sidoti & Company LLC	0.0419	357,861	14,977
Simmons & Company International	0.0476	32,472	1,545
Societe Generale London Branch	0.0823	14,361	1,182

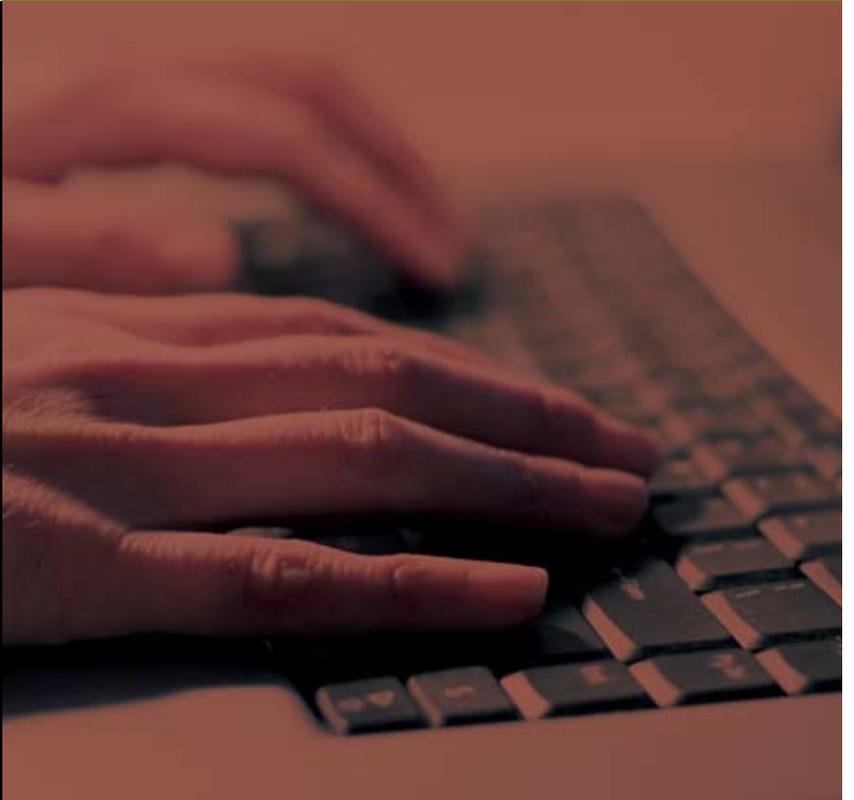
SCHEDULE OF EQUITY BROKERAGE FEES (CONTINUED)

<u>Broker Name</u>	<u>Commission Per Share</u>	<u>Shares/ Par Value</u>	<u>Total Commissions</u>
Soleil Securities	0.0439	74,758	3,282
Stanford Group Company	0.0500	12,000	600
Stanley (Charles) & Co Limited	0.0021	1,288,055	2,705
State Street Bank & Trust Co	0.0461	86,800	3,999
State Street Bank & Trust Co London	0.0001	2,377,382	178
State Street Brokerage Services	0.0279	5,716,839	159,567
Stephens, Inc.	0.0425	121,086	5,145
Sterne, Agee & Leach, Inc.	0.0427	26,105	1,115
Stifel Nicolaus & Co., Inc	0.0461	275,937	12,730
Suntrust Capital Markets, Inc.	0.0425	107,355	4,562
Svenska Handelsbanken London Branch	0.0282	1,000	28
The Benchmark Company, LLC	0.0236	23,120	545
Themis Trading LLC	0.0400	435,030	17,401
Thinkequity Partners LLC	0.0365	156,675	5,718
Thomas Weisel Partners LLC	0.0375	126,364	4,732
Toronto Dominion Securities	0.0215	363,961	7,812
UBS AG	0.0218	1,041,805	22,665
UBS AG London	0.0030	1,067,131	3,156
UBS Securities Asia Ltd	0.0051	2,626,245	13,358
UBS Securities Canada Inc	0.0418	8,600	359
UBS Securities LLC	0.0328	1,158,607	38,036
UBS Warburg (Hong Kong) Limited	0.0002	233,500	36
UOB Kay Hian (Hong Kong) Ltd.	0.0002	218,700	39
UOB Kay Hian Private limited	0.0004	479,000	198
Vandham Securities Corp	0.0500	10,300	515
Veritas Securities	0.0250	35,400	885
Wachovia Securities, LLC	0.0500	79,766	3,988
Wachoviacapital Markets, LLC	0.0440	303,286	13,333
Warburg Dillion Read (Asia) Ltd	0.0109	282,652	3,095
Warburg Dillon Read Securities Ltd	0.0061	16,676	102
Wave Securities	0.0151	266,423	4,011
Wedbush Morgan Securities Inc	0.0462	33,985	1,569
Weeden & Co.	0.0248	822,434	20,407
William Blair & Company, L.L.C	0.0400	163,775	6,549
William Smith Securities	0.0500	5,100	255
Woori Investment Securities	0.0093	71,764	667
WR Hambrecht & Co.	0.0400	10,045	402
Yamner & Co. Inc. (CIs Through 443)	0.0100	26,625	266
Total	0.0183	131,581,935	\$ 2,403,467





ACTUARIAL SECTION



ACTUARIAL CERTIFICATION LETTER



THE SEGAL COMPANY
120 Montgomery Street, Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

November 15, 2007

Board of Retirement
Sacramento County Employees' Retirement System
980 9th Street, Suite 1800
Sacramento, CA 95814-2738

Re: Actuarial Valuation for the Sacramento County Employees' Retirement System

Dear Members of the Board:

The Segal Company prepared the June 30, 2007 actuarial valuation of the Sacramento County Employees' Retirement System. We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

As part of the June 30, 2007 actuarial valuation, The Segal Company (Segal) conducted an examination of all participant data for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the System's financial statements. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return over a five-year period.

The funding objective of the Plan is to establish rates which, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed. Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL). Actuarial gains and losses are incorporated into the UAAL and are amortized over the same period.

The UAAL is amortized as a level percentage of payroll over a 26-year period. The progress being made towards meeting the funding objective through June 30, 2007 is illustrated in the Schedule of Funding Progress.

Benefits, Compensation and HR Consulting ATLANTA BOSTON CALGARY CHICAGO CLEVELAND DENVER HARTFORD HOUSTON LOS ANGELES
MINNEAPOLIS NEW ORLEANS NEW YORK PHILADELPHIA PHOENIX PRINCETON RALEIGH SAN FRANCISCO TORONTO WASHINGTON, DC



Multinational Group of Actuaries and Consultants BARCELONA BRUSSELS DUBLIN GENEVA HAMBURG JOHANNESBURG LONDON MELBOURNE
MEXICO CITY OSLO PARIS

Board of Retirement
Sacramento County Employees' Retirement System
November 15, 2007
Page 2

A listing of supporting schedules Segal prepared for inclusion in the actuarial, statistical, and financial sections of the System's CAFR is provided below:

1. Retirees and beneficiaries added to and removed from retiree payroll;
2. Solvency test; and
3. Schedule of retiree members by type of benefit.

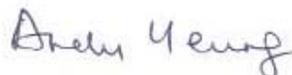
The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on the June 30, 2007 Experience Analysis or in conjunction with the June 30, 2007 actuarial valuation. It is our opinion that the assumptions used in the June 30, 2007 valuation produce results, which, in the aggregate, reflect the future experience of the Plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The next experience analysis is due to be performed as of June 30, 2010.

In the June 30, 2007 valuation, the ratio of the valuation assets to actuarial accrued liabilities increased from 93.0% to 93.4%. The employer's rate has decreased from 19.63% of payroll to 19.14% of payroll, while the employee's rate has increased from 4.77% of payroll to 4.85% of payroll.

Sincerely,



Paul Angelo, FSA, EA, MAAA, FCA
Senior Vice President and Actuary



Andy Yeung, ASA, EA, MAAA
Vice President and Associate Actuary

MYM/hy
Enclosures

SUMMARY OF ASSUMPTIONS & METHODS

The following assumptions and methods have been adopted by the Board for the June 30, 2007 valuation.

Assumption:

Valuation Interest Rate and Rate of Return on Investment:	7.875% net of administration and investment expenses
Inflation Assumption:	3.50%
Cost-of-Living Adjustment:	3.40% for Miscellaneous and Safety Tier 1 Members 0.00% for Miscellaneous Tier 2 Members 2.00% for Miscellaneous Tier 3 and Safety Tier 2 Members
Employee Contribution Crediting Rate:	5-year Treasury rate, assuming sufficient net investment earnings
Post-Retirement Mortality:	
a) Service	For Miscellaneous and Safety Members - 1994 Group Annuity Mortality Table set back one year
b) Disability	For Miscellaneous Members - 1981 Miscellaneous Disability Mortality Table set back three years For Safety Members - 1994 Group Annuity Mortality Table set back one year
c) Employee Contribution Rate	For Miscellaneous Members - 1994 Group Annuity Mortality Table set back one year weighted 40% male and 60% female For Safety Members - 1994 Group Annuity Mortality Table set back one year weighted 75% male and 25% female
Pre-Retirement Mortality:	Based upon the 6/30/2007 Experience Analysis
Withdrawal Rates:	Based upon the 6/30/2007 Experience Analysis
Disability Rates:	Based upon the 6/30/2007 Experience Analysis
Service Retirement Rates:	Based upon the 6/30/2007 Experience Analysis
Salary Increases:	Merit and longevity increases are based upon the 6/30/2007 Experience Analysis plus 3.50% inflation and across the board salary increases of 0.25% per year
Actuarial Value of Assets:	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between actual and expected returns on a market value basis and is recognized over a five-year period. The actuarial value is further adjusted, if necessary, to be within 20% of the market value.

SUMMARY OF ASSUMPTIONS & METHODS (CONTINUED)

Valuation Value of Assets:	Actuarial value of assets reduced by the value of non-valuation reserves and designations.
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method. Entry Age is the age at the members' hire date. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation. The Normal Cost is calculated on an aggregate basis by taking the Present Value of Future Normal Costs divided by the Present Value of Future Salaries to obtain a normal cost rate. This normal cost rate is then multiplied by the total current salaries. The total Unfunded Actuarial Accrued Liability is amortized over a declining 26-year period.
Percentage of Members Married at Retirement:	80% for male members and 55% for female members
Retirement Age for Deferred Vested Members:	Miscellaneous Members - 59 Safety Members - 54
Percentage Eligible for Reciprocal Benefits:	Miscellaneous Members - 55% Safety Members - 65%

SUMMARY OF PLAN PROVISIONS

Briefly summarized below are the major provisions of the County Employees' Retirement Law of 1937, as amended through June 30, 2007, that are applicable to the Sacramento County Employees' Retirement System.

Membership

Miscellaneous employees entering before September 27, 1981 are Tier 1 members. Miscellaneous employees entering after September 27, 1981 and June 27, 1993 are members of Tier 2 or Tier 3, respectively. Safety members entering before June 24, 1995 are Tier 1 members. Safety members entering after June 24, 1995 are Tier 2 members.

Final Average Salary

Final average salary ("FAS") is defined as the highest 12 consecutive months of compensation earnable for Tier 1 and highest 36 consecutive months for Tier 2 and Tier 3.

Return of Contributions

If a member should resign or die before becoming eligible for retirement, his or her contributions plus interest will be refunded. In lieu of receiving a return of contributions, a member with five or more years of service may elect to leave his or her contributions on deposit and receive a deferred vested benefit when eligible for retirement.

Service Retirement Benefit

Members with 10 years of service who have attained the age of 50 are eligible to retire. Members with 30 years of service (20 years for Safety), regardless of age, are eligible to retire.

The benefit expressed as a percentage of monthly FAS per year of service, depending on age at retirement, is illustrated below for typical ages. For members whose benefit is integrated with Social Security, the benefit is reduced by one-third of the percentage shown below times the first \$350 of monthly FAS per year of service after January 1, 1956.

Age	Miscellaneous	Safety
50	1.48%	3.00%
55	1.95%	3.00%
60	2.44%	3.00%
62	2.61%	3.00%
65 and over	2.61%	3.00%

Disability Benefit

Members with five years of service, regardless of age, are eligible for nonservice-connected disability.

For Miscellaneous Tier 1 members, the benefit is 1.5% (1.8% for Safety Tier 1 members) of FAS for

each year of service. If this benefit does not equal one-third of FAS, the benefit is increased by the same percentage of FAS for the years which would have been credited to age 65 (age 55 for Safety members), but the total benefit in this case cannot be more than one-third of FAS.

For Tier 2 and Tier 3 members, the benefit is 20% of FAS for the first five years of service plus 2% for each additional year for a maximum of 40% of FAS.

If the disability is service connected, the member may retire regardless of length of service, with a benefit of 50% of FAS.

Death Benefit (Before Retirement)

In addition to the return of contributions, a death benefit is payable to the member's beneficiary or estate equal to one month's salary for each completed year of service under the retirement system, based on the final year's average salary, but not to exceed six (6) month's salary.

If a member dies while eligible for service retirement or nonservice-connected disability, the spouse receives 60% of the allowance that the member would have received for retirement.

If a member dies in the performance of duty, the spouse receives 50% of the member's final average salary.

Death Benefit (After Retirement)

If a member dies after retirement, a \$4,000 lump burial allowance is paid to the beneficiary or estate.

If the retirement was for service-connected disability, 100% of the member's allowance as it was at death is continued to the surviving spouse for life.

If the retirement was for other than service-connected disability and the member elected the unmodified option, 60% of the member's allowance is continued to the spouse for life.

Maximum Benefit

The maximum benefit payable to a member or beneficiary is 100% of FAS.

Cost-of-living

The maximum increase in retirement allowance is 4% per year for Miscellaneous and Safety Tier 1 members, 2% for Safety Tier 2 members, and 2% for Miscellaneous Tier 3 members. Miscellaneous Tier 2 members have no cost-of-living benefit. The cost-of-living increases effective in the month of April are based on the change in the Consumer Price Index for the calendar year preceding April.

Contribution Rates

Basic member contribution rates are based on the age-nearest birthday at entry into the System (single rate for entrants after January 1, 1975). The rates are such as to provide an average annuity at age 55 equal to 1/240 of FAS for Miscellaneous members and equal to 1/100 of FAS at age 50 for Safety members. For members integrated with Social Security, the above contributions are reduced

SUMMARY OF PLAN PROVISIONS (CONTINUED)

by one-third of that portion of such contribution payable with respect to the first \$350 of monthly salary. Cost-of-living contribution rates are designed to pay for one quarter of the future cost-of-living costs. Member contributions are refundable upon termination from the system.

The employer contribution rates are actuarially determined to provide for the balance of the contributions needed to fund the benefits promised under the Retirement System.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Plan Type	Number	Annual Payroll (in thousands)	Annual Average Pay (in thousands)	% Increase in Average Pay *
6/30/2007	Miscellaneous	12,327	\$654,497	\$53.1	4.16%
	Safety	2,389	177,987	74.5	4.53
	Total	14,716	\$832,484	\$56.6	4.18%
6/30/2006	Miscellaneous	12,052	\$614,358	\$51.0	2.34%
	Safety	2,360	168,214	71.3	7.88
	Total	14,412	\$782,572	\$54.3	3.24%
6/30/2005	Miscellaneous	11,378	\$566,749	\$49.8	0.72%
	Safety	2,350	155,265	66.1	0.08
	Total	13,728	\$722,014	\$52.6	0.70%
6/30/2004	Miscellaneous	11,384	\$563,022	\$49.5	0.11%
	Safety	2,288	151,048	66.0	3.47
	Total	13,672	\$714,069	\$52.2	0.66%
6/30/2003	Miscellaneous	11,696	\$577,810	\$49.4	5.73%
	Safety	2,437	155,486	63.8	1.12
	Total	14,133	\$733,296	\$51.9	4.72%
6/30/2002	Miscellaneous	11,618	\$542,877	\$46.7	1.08%
	Safety	2,415	152,382	63.1	2.24
	Total	14,033	\$695,259	\$49.5	1.39%

* Reflects the increase in average salary for members at the beginning of the year versus those at the end of the year. It does not reflect the average salary increases received by members who worked the full year.

RETIRES AND BENEFICIARIES ADDED TO AND REMOVED FROM RETIREE PAYROLL

Plan Year End	At Beginning of Year	Added During Year	Removed During Year	At End of Year	Annual Retiree Payroll (in thousands)	Payroll added During Year (in thousands)	Payroll Removed During Year (in thousands)	% Increase In Annual Retiree Payroll	Average Annual Allowance
6/30/2007	7,108	563	207	7,464	\$206,887	\$23,837	\$3,881	10.68%	\$27,718
6/30/2006	6,784	509	185	7,108	186,931	18,698	3,212	9.03	26,299
6/30/2005	6,291	706	213	6,784	171,445	23,273	3,421	13.10	25,272
6/30/2004	5,882	786	377	6,291	151,593	39,067	3,293	30.89	24,097
6/30/2003	5,742	321	181	5,882	115,819	9,439	2,158	6.71	19,690
6/30/2002	5,526	438	222	5,742	108,538	12,623	2,685	10.08	18,762

Note: Participants are counted once for each benefit received.

SCHEDULE OF FUNDING PROGRESS (Amounts Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued of Liability (AAL)* (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2007	\$5,406,461	\$5,788,336	\$381,875	93.4%	\$832,484	45.9%
6/30/2006	4,848,953	5,214,915	365,962	93.0	782,572	46.8
6/30/2005	4,530,583	4,860,882	330,299	93.2	722,015	45.7
6/30/2004 **	4,379,514	4,694,009	314,495	93.3	714,069	44.0
6/30/2003	3,864,400	4,108,294	243,894	94.1	733,296	33.3
6/30/2002	3,839,081	3,586,250	(252,831)	107.1	695,259	(36.4)

*Includes contingency reserve, retiree health benefit reserve, retiree death benefit reserve, and amount over reserved benefits.

**Includes contributions receivable from Pension Obligation Bonds.

SOLVENCY TESTS (Amounts Expressed in Thousands)

Valuation Date	Active Member Contributions	Retired / Vested Members	Active Members (Employer Financed Portion)	Total	Actuarial Value of Assets	Active Member Contributions	Retired / Vested Members	Active Members (Employer Financed Portion)
6/30/2007	\$520,420	\$2,920,508	\$2,347,408	\$5,788,336	\$5,406,461	100%	100%	100%
6/30/2006	509,257	2,615,466	2,090,192	5,214,915	4,848,953	100	100	82
6/30/2005	474,613	2,444,406	1,941,863	4,860,882	4,530,583	100	100	83
6/30/2004	470,567	2,196,690	2,026,752	4,694,009	4,379,514	100	100	84
6/30/2003	252,998	1,599,899	2,255,397	4,108,294	3,864,400	100	100	89
6/30/2002	370,625	1,427,334	1,788,291	3,586,250	3,839,081	100	100	100

Events affecting year to year comparability:

6/30/03 - Increased enhanced benefits under Sections 31676.14 and 31664.1 and ad hoc COLA increase under Section 31681.55.

- Inflation assumption decreased from 4.25% to 3.00%.

6/30/04 - Investment assumption decreased from 8% to 7.75%; inflation assumption increased from 3.00% to 4.00%.

- Across-the-board salary increase assumption changed from 1.25% to 0.25%.

6/30/05 - Inflation assumption decreased from 4.00% to 3.50%.

6/30/06 - Employee contribution crediting rate is equal to 5-year Treasury rate, assuming sufficient net earnings.

6/30/07 - Investment return assumption increased from 7.75% to 7.875%.

- Salary increase assumption increased from 5.45% to 5.65%.

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE (Amounts Expressed in Millions)

	Plan Years Ended June 30				
	2007	2006	2005	2004	2003*
Prior Valuation Unfunded Actuarial Liability	\$366	\$330	\$314	(\$176)	(\$253)
Salary Increase Greater (Less) than Expected	68	12	(35)	53	2
Asset Return Less (Greater) than Expected	(93)	23	107	102	(13)
Plan Improvements	-	-	(2)	27	460
Other Experience	(15)	1	49	(1)	92
Economic and Non-Economic Assumption Changes	56	-	(103)	310	(44)
Receivable from Pension Obligation Bonds	-	-	-	(1)	(420)
Ending Unfunded Actuarial Accrued Liability	\$382	\$366	\$330	\$314	(\$176)
					(\$253)

*\$420 million in Pension Obligation Bonds was retroactively reflected in June 30, 2003 valuation, which impacted rates for Fiscal Year 2004-05.

NEW PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

Rate (%)				
Mortality				
Age	Miscellaneous		Safety	
	Male	Female	Male	Female
25	0.06%	0.03%	0.06%	0.03%
30	0.08	0.03	0.08	0.03
35	0.08	0.04	0.08	0.04
40	0.10	0.07	0.10	0.07
45	0.15	0.09	0.15	0.09
50	0.23	0.13	0.23	0.13
55	0.40	0.21	0.40	0.21
60	0.71	0.39	0.71	0.39
65	1.29	0.76	1.29	0.76

Note: All pre-retirement deaths are assumed to be nonservice-connected.

Rate (%)		
Disability		
Age	Miscellaneous ⁽¹⁾	Safety ⁽²⁾
20	0.00%	0.20%
25	0.01	0.20
30	0.03	0.26
35	0.06	0.42
40	0.10	0.56
45	0.17	0.72
50	0.26	0.92
55	0.42	1.90
60	0.80	0.00

(1) 20% of Miscellaneous disabilities are assumed to be service-connected disabilities. The other 80% are assumed to be nonservice-connected disabilities.

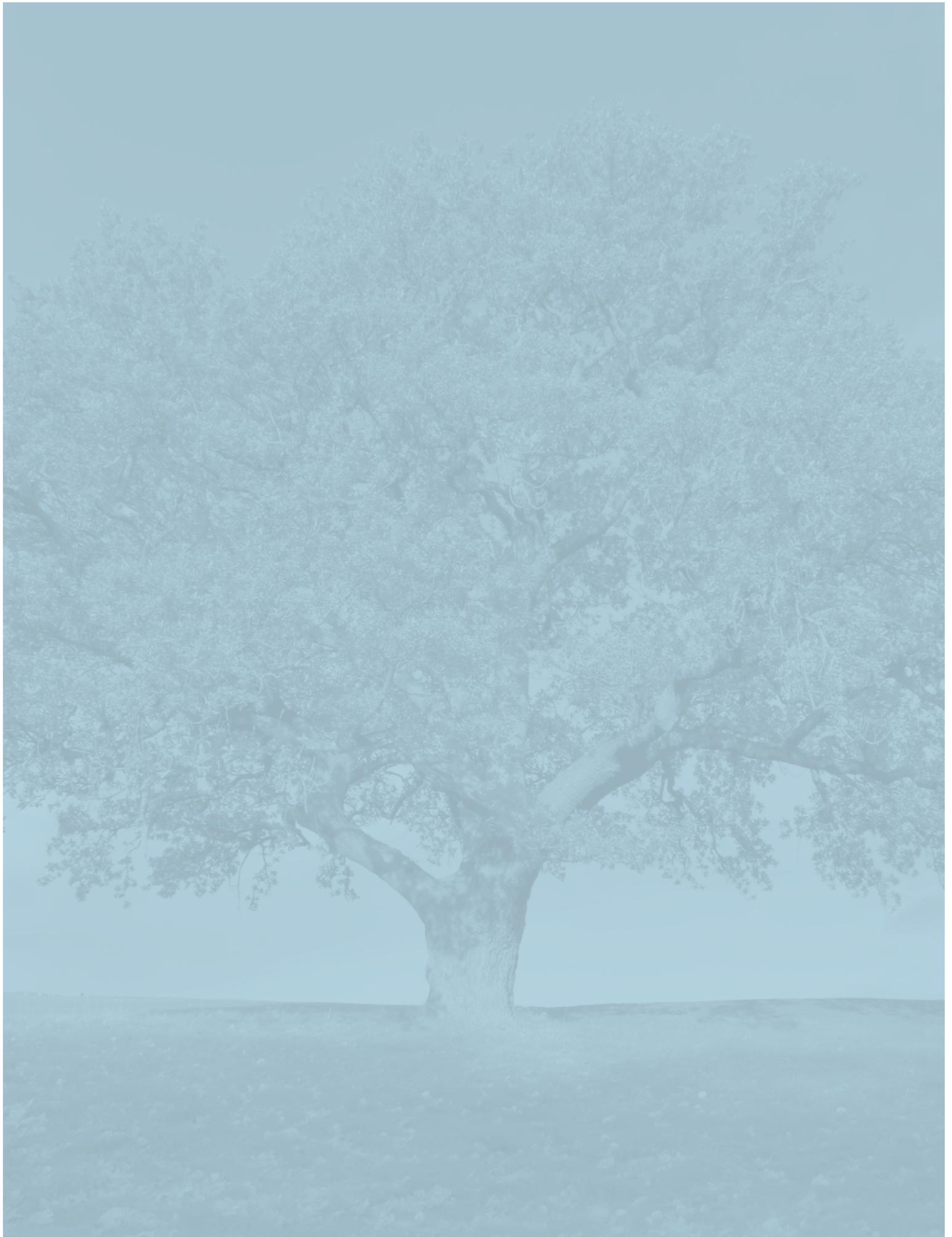
(2) 80% of Safety disabilities are assumed to be service-connected disabilities. The other 20% are assumed to be nonservice-connected disabilities.

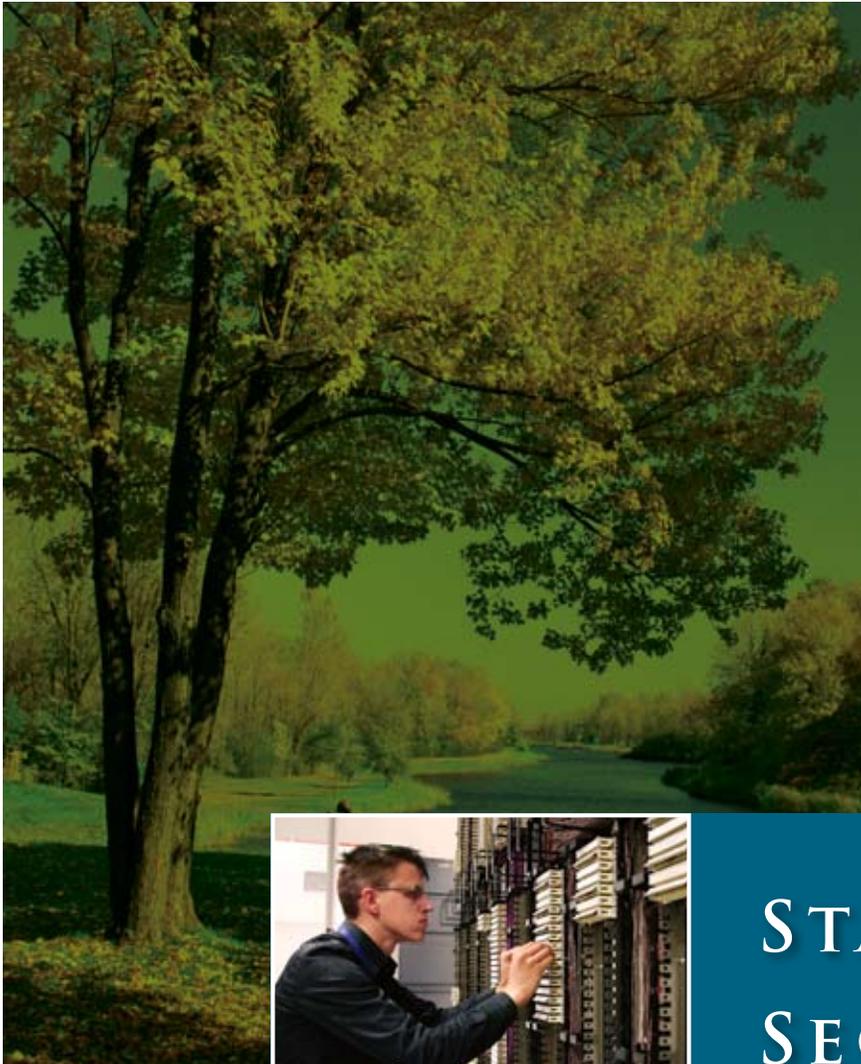
NEW PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT (CONTINUED)

Rate (%)		
Withdrawal (<5 Years of Service)		
Years of Service	Miscellaneous	Safety
0	15.00%	10.00%
1	9.00	6.00
2	8.00	5.00
3	6.00	4.00
4	5.00	3.00

Withdrawal (5+ Years of Service)*		
Age	Miscellaneous	Safety
20	5.10%	3.00%
25	4.85	3.00
30	4.60	3.00
35	4.35	2.70
40	3.80	2.20
45	2.90	1.70
50	2.02	0.00
55	1.58	0.00
60	0.00	0.00

*50% of the Miscellaneous members and 40% of the Safety members are assumed to elect a withdrawal of contributions upon separation, while the remaining 50% and 60% of Miscellaneous and Safety members, respectively, are assumed to elect a deferred retirement benefit. No withdrawal is assumed after a member is eligible to retire.





STATISTICAL SECTION



SCHEDULE OF ADDITIONS BY SOURCE

(Amounts Expressed in Thousands)

Year Ended June 30:	Member Contributions	Employer Contributions	Net Investment Income / (Loss)	Total
2007	\$42,871	\$156,805	\$891,506	\$1,091,182
2006	41,959	132,708	527,863	702,530
2005	36,916	529,618*	419,481	986,015
2004	42,864	119,144	525,239	687,247
2003	43,700	52,841	100,839	197,380
2002	38,432	44,547	(194,104)	(111,125)
2001	32,964	40,358	(207,580)	(134,258)
2000	30,018	42,024	315,790	387,832
1999	30,385	46,745	360,748	437,878
1998	29,930	43,109	464,511	537,550

Source: Audited Financial Statements from June 30, 1998 through 2007

*This total includes \$420,000 and \$10,535 in proceeds from pension obligation bonds (POB) issued by the County of Sacramento and Sacramento Metropolitan Fire District, respectively.

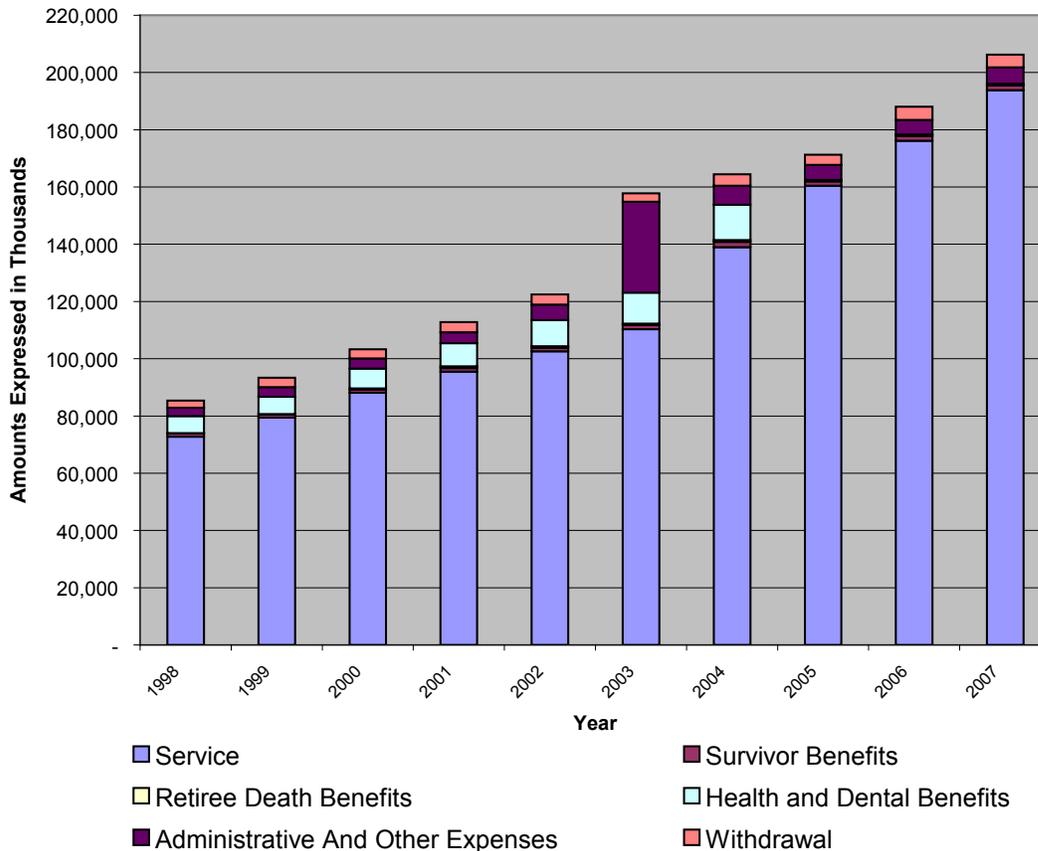
SCHEDULE OF DEDUCTIONS BY TYPE

(Amounts Expressed in Thousands)

Year Ended June 30:	Benefits Paid						Total
	Service	Survivor Benefits	Retiree Death Benefits	Health and Dental Benefits	Administrative And Other Expenses	Withdrawals	
2007	\$193,823	\$1,681	\$492	\$1	\$5,818	\$4,434	\$206,249
2006	176,199	1,608	553	2	5,061	4,622	188,045
2005	160,439	1,545	525	2	5,262	3,463	171,236
2004	139,008	1,817	629	12,311	6,653	3,990	164,408
2003	110,326	1,482	441	10,866	31,767	2,906	157,788
2002	102,555	1,274	524	9,111	5,485	3,517	122,466
2001	95,526	1,229	561	8,072	3,831	3,611	112,830
2000	88,103	1,200	293	6,946	3,602	3,181	103,325
1999	79,426	1,190	95	5,973	3,363	3,306	93,353
1998	72,748	1,166	106	5,981	2,868	2,460	85,329

Note: For the years ended June 30, 2004 and 2003, Administrative and Other Expenses include retroactive benefits of \$807 and \$25,870, respectively, related to a litigation settlement.

Source: Audited Financial Statements from June 30, 1998 through 2007



SCHEDULE OF BENEFITS PAID AND WITHDRAWALS BY TYPE

Last Ten Fiscal Years

(Amounts Expressed in Thousands)

Type of Benefit	For the Fiscal Year Ended June 30									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Service Retirement Benefits	\$193,376	\$175,745	\$160,154	\$138,907	\$110,243	\$102,301	\$95,182	\$87,826	\$79,426	\$72,748
Survivor Benefits	1,681	1,608	1,545	1,817	1,482	1,274	1,229	1,200	1,190	1,166
Death Benefits-Before Retirement	447	454	285	101	83	254	343	278	N/A	N/A
Death Benefits-After Retirement	492	553	525	629	441	524	561	293	95	106
Retiree Health and Dental Insurance	1	2	2	12,311	10,866	9,111	8,072	6,946	5,973	5,981
Total Benefits Paid	\$195,997	\$178,362	\$162,511	\$153,765	\$123,115	\$113,464	\$105,387	\$96,543	\$86,684	\$80,001
Type of Withdrawal										
Death	\$725	\$715	\$411	\$738	\$110	\$623				
Separation	3,492	3,409	2,802	2,878	2,423	2,667				
Miscellaneous	217	498	250	374	373	227				
Total Withdrawals	\$4,434	\$4,622	\$3,463	\$3,990	\$2,906	\$3,517	\$3,611*	\$3,181*	\$3,306*	\$2,460*

N/A: Detailed information not available. Payment amounts were included in Service Retirement Benefits.

* Types of withdrawal are not available.

Source: Audited Financial Statements from June 30, 1998 through 2007

SCHEDULE OF CHANGES IN NET ASSETS

Last Ten Fiscal Years

(Amounts Expressed In Thousands)

	For the Fiscal Year Ended June 30									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Employee contributions	\$42,871	\$41,959	\$36,916	\$42,864	\$43,700	\$38,432	\$32,964	\$30,018	\$46,745	\$29,930
Employer contributions	156,805	132,708	529,618	119,144	52,841	44,547	40,358	42,024	30,385	43,109
Net investment income	891,506	527,863	419,481	525,239	100,839	(194,104)	(207,580)	315,790	360,748	464,511
Total additions	1,091,182	702,530	986,015	687,247	197,380	(111,125)	(134,258)	387,832	437,878	537,550
Benefits Paid	195,997	178,362	162,511	153,765	123,115	113,464	105,387	96,543	86,684	80,001
Withdrawals	4,434	4,622	3,463	3,990	2,906	3,517	3,611	3,181	3,306	2,460
Administrative and other expenses	5,818	5,061	5,262	6,653	31,767	5,485	3,831	3,602	3,363	2,868
Total deductions	206,249	188,045	171,236	164,408	157,788	122,466	112,829	103,326	93,353	85,329
Change in net assets	884,933	514,485	814,779	522,839	39,592	(233,591)	(247,087)	284,506	344,525	452,221
Net assets, beginning	5,090,929	4,576,444	3,761,665	3,238,826	3,199,234	3,432,826	3,679,913	3,395,407	3,050,882	2,598,661
Net assets, ending	\$5,975,862	\$5,090,929	\$4,576,444	\$3,761,665	\$3,238,826	\$3,199,234	\$3,432,826	\$3,679,913	\$3,395,407	\$3,050,882

Source: Audited Financial Statements from June 30, 1998 through 2007

SCHEDULE OF RETIREE MEMBERS BY TYPE OF BENEFIT

As of June 30, 2007

Miscellaneous Members

	Monthly Allowances				
	Count	Basic	COL	Total	Average Benefit
Service Retirement					
Unmodified	4,026	\$6,803,208	\$1,816,955	\$8,620,163	\$2,141
Option 1	288	370,369	102,634	473,003	1,642
Option 2, 3, & 4	368	462,830	93,778	556,608	1,513
Total	4,682	7,636,407	2,013,367	9,649,774	2,061
Non-Service Disability					
Unmodified	276	232,476	108,535	341,011	1,236
Option 1	25	19,690	6,864	26,554	1,062
Option 2, 3, & 4	12	7,999	2,964	10,963	914
Total	313	260,165	118,363	378,528	1,209
Service Disability					
Unmodified	162	215,972	137,866	353,838	2,184
Option 1	6	8,090	3,593	11,683	1,947
Option 2, 3, & 4	5	5,567	2,542	8,109	1,622
Total	173	229,629	144,001	373,630	2,160
Beneficiary					
Total	895	536,933	451,234	988,167	1,104
Total (All Groups)	6,063	\$8,663,134	\$2,726,965	\$11,390,099	\$1,879

Safety Members

	Monthly Allowances				
	Count	Basic	COL	Total	Average Benefit
Service Retirement					
Unmodified	888	\$3,579,450	\$794,403	\$4,373,853	\$4,926
Option 1	28	98,707	21,563	120,270	4,295
Option 2, 3, & 4	43	135,011	24,601	159,612	3,712
Total	959	3,813,168	840,567	4,653,735	4,853
Non-Service Disability					
Unmodified	24	56,432	16,048	72,480	3,020
Option 1	1	4,798	439	5,237	5,237
Option 2, 3, & 4	1	1,512	644	2,156	2,156
Total	26	62,742	17,131	79,873	3,072
Service Disability					
Unmodified	182	411,696	186,691	598,387	3,288
Option 1	7	13,528	6,620	20,148	2,878
Option 2, 3, & 4	6	11,921	3,664	15,585	2,598
Total	195	437,145	196,975	634,120	3,252
Beneficiary					
Total	221	286,479	196,276	482,755	2,184
Total (All Groups)	1,401	\$4,599,534	\$1,250,949	\$5,850,483	\$4,176

Source: Actuarial Report as of June 30, 2007

Note: Refer to page 103 for a description of retirement options.

SCHEDULE OF AVERAGE BENEFIT PAYMENTS

Last Ten Years

Retirement Effective Date	Years of Credited Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
7/1/06 - 6/30/07							
Average monthly benefit	\$512	\$874	\$1,536	\$2,341	\$3,228	\$4,756	\$5,652
Average monthly final average salary	\$6,856	\$4,747	\$5,220	\$5,331	\$5,884	\$6,508	\$6,868
Number of retired members	27	55	83	71	74	69	86
7/1/05 - 6/30/06							
Average monthly benefit	\$381	\$917	\$1,409	\$2,029	\$2,838	\$4,561	\$4,858
Average monthly final average salary	\$5,824	\$5,345	\$4,933	\$5,069	\$5,415	\$6,500	\$6,150
Number of retired members	25	45	63	73	64	62	83
7/1/04 - 6/30/05							
Average monthly benefit	\$349	\$949	\$1,220	\$1,800	\$2,585	\$4,010	\$4,871
Average monthly final average salary	\$5,725	\$4,960	\$4,361	\$4,662	\$4,832	\$5,732	\$5,816
Number of retired members	36	43	90	83	96	84	123
7/1/03 - 6/30/04							
Average monthly benefit	\$437	\$993	\$1,368	\$1,992	\$2,893	\$4,136	\$5,520
Average monthly final average salary	\$5,089	\$4,719	\$4,658	\$4,686	\$5,211	\$5,834	\$6,330
Number of retired members	22	45	98	90	85	127	278
7/1/02 - 6/30/03							
Average monthly benefit	\$488	\$678	\$1,292	\$1,609	\$2,033	\$3,076	\$4,519
Average monthly final average salary	\$5,543	\$4,091	\$4,505	\$4,252	\$4,627	\$5,859	\$6,214
Number of retired members	23	25	52	47	33	19	51
7/1/01 - 6/30/02							
Average monthly benefit	\$311	\$768	\$1,148	\$1,449	\$2,227	\$3,702	\$4,101
Average monthly final average salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	17	31	61	42	38	24	54
7/1/00 - 6/30/01							
Average monthly benefit	\$402	\$680	\$1,007	\$1,487	\$2,337	\$2,939	\$3,513
Average monthly final average salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	23	28	61	31	30	30	34
7/1/99 - 6/30/00							
Average monthly benefit	\$577	\$641	\$1,026	\$1,537	\$2,115	\$3,012	\$4,022
Average monthly final average salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	12	37	64	41	45	62	56
7/1/98 - 6/30/99							
Average monthly benefit	\$342	\$839	\$970	\$1,647	\$2,009	\$2,924	\$3,785
Average monthly final average salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	11	35	58	33	43	61	74
7/1/97 - 6/30/98							
Average monthly benefit	\$568	\$954	\$978	\$1,665	\$2,217	\$2,810	\$3,594
Average monthly final average salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of retired members	6	28	42	34	35	57	57

N/A: Detail not available

Source: SCERS Retired Member Pension Payroll Data

SCHEDULE OF AVERAGE BENEFIT PAYMENTS

Effective Dates	Years Since Retirement						
	0-5	5-10	10-15	15-20	20-25	25-30	30 +
7/1/06 - 6/30/07:							
Average Monthly Benefit	\$3,041	\$2,133	\$2,237	\$1,948	\$1,636	\$1,449	\$1,120
Number of Active Retirants	2,458	1,383	1,226	930	709	495	263
7/1/05 - 6/30/06:							
Average Monthly Benefit	\$2,871	\$2,105	\$2,165	\$1,749	\$1,576	\$1,393	\$1,049
Number of Active Retirants	2,232	1,365	1,199	921	692	468	231
7/1/04 - 6/30/05:							
Average Monthly Benefit	\$2,806	\$2,095	\$2,129	\$1,736	\$1,509	\$1,281	\$1,007
Number of Active Retirants	1,927	1,402	1,181	913	675	453	233
7/1/03 - 6/30/04:							
Average Monthly Benefit	\$2,574	\$2,090	\$2,056	\$1,693	\$1,392	\$1,187	\$918
Number of Active Retirants	1,793	1,353	1,090	834	650	400	171
7/1/02 - 6/30/03:							
Average Monthly Benefit	\$1,842	\$1,854	\$1,839	\$1,463	\$1,207	\$972	\$819
Number of Active Retirants	1,447	1,312	1,117	849	664	348	145
7/1/01 - 6/30/02:							
Average Monthly Benefit	\$1,804	\$1,865	\$1,614	\$1,376	\$1,121	\$859	\$834
Number of Active Retirants	1,494	1,327	1,024	823	650	324	100
7/1/00 - 6/30/01:							
Average Monthly Benefit	\$1,758	\$1,779	\$1,439	\$1,269	\$1,047	\$776	\$770
Number of Active Retirants	1,433	1,287	1,002	815	610	308	71
7/1/99 - 6/30/00:							
Average Monthly Benefit	\$1,821	\$1,675	\$1,381	\$1,180	\$947	\$729	\$2,125
Number of Active Retirants	1,528	1,249	965	840	561	282	75
7/1/98 - 6/30/99:							
Average Monthly Benefit	\$1,639	\$1,552	\$1,313	\$1,079	\$923	\$727	\$579
Number of Active Retirants	1,667	1,262	979	744	432	179	40
7/1/97 - 6/30/98:							
Average Monthly Benefit	\$1,659	\$1,472	\$1,228	\$1,007	\$858	\$698	\$482
Number of Active Retirants	1,633	1,043	962	700	366	147	33

Source: Actuarial Report from June 30, 1998 through 2007

SCHEDULE OF PRINCIPAL PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS

Current Year and Nine Years Ago

Participating Employer	2007			1998		
	Covered Employees	Rank	Percent of Total System	Covered Employees	Rank	Percent of Total System
County of Sacramento	13,199	1	89.69%	10,354	1	95.86%
Superior Court	814	2	5.53	-	12	0.00
S.E.T.A.	598	3	4.06	345	2	3.19
Carmichael Recreation and Park District	27	4	0.18	27	3	0.25
Sunrise Recreation and Park District	24	5	0.16	20	4	0.19
Orangevale Recreation and Park District	15	6	0.10	13	5	0.12
Mission Oaks Recreation and Park District	12	7	0.08	12	6	0.11
Elected Officials*	8	8	0.05	8	8	0.07
Sacramento Metropolitan Fire District	6	9	0.04	10	7	0.09
Fair Oaks Cemetery District	5	10	0.03	1	11	0.01
Elk Grove Cosumnes Cemetery District	4	11	0.03	5	9	0.05
Galt-Arno Cemetery District	3	12	0.02	3	10	0.03
U.C. Davis Medical Center	1	13	0.01	3	10	0.03
Total	14,716		100.00%	10,801		100.00%

*Elected Officials consisted of five Board of Supervisors, one Assessor, one District Attorney, and one Sheriff.

Source: Actuarial Reports from June 30, 2007, and June 30, 1998

SCHEDULE OF PRINCIPAL PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS

SCERS Member Agency	Plan	For the Fiscal Year Ended June 30:										
		2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	
Carmichael Recreation and Park District	Misc.	27	15	17	18	20	18	20	18	18	20	
Elk Grove Cosumnes Cemetery District	Misc.	4	5	4	4	1	1	1	1	1	1	
Fair Oaks Cemetery District	Misc.	5	5	5	5	5	3	3	4	4	5	
Galt-Arno Cemetery District	Misc.	3	3	3	3	3	3	2	2	2	3	
Mission Oaks Recreation and Park District	Misc.	12	11	10	12	13	13	13	12	12	12	
Orangevale Recreation and Park District	Misc.	15	14	15	16	14	14	14	14	14	13	
Sacramento Metropolitan Fire District	Safety	6	6	7	7	7	7	7	9	9	10	
S.E.T.A.	Misc.	598	562	544	549	513	520	520	409	445	345	
Sunrise Recreation and Park District	Misc.	24	29	28	26	27	29	29	28	28	27	
U.C. Davis Medical Center	Misc.	1	1	1	1	1	1	1	2	3	3	
	Misc.	7	7	7	7	7	7	7	7	7	7	
Elected Officials*	Safety	1	1	1	1	1	1	1	1	1	1	
Total Special District Members		696	652	634	641	604	608	610	497	534	436	
		7	7	8	8	8	8	8	10	10	11	
Superior Court		814	-	-	-	-	-	-	-	-	-	
Sacramento County Members		10,817	11,400	10,744	10,743	11,092	11,010	10,171	9,720	8,816	8,430	
		2,382	2,353	2,342	2,280	2,429	2,407	2,202	2,008	1,994	1,924	
		12,327	12,052	11,378	11,384	11,696	11,618	10,781	10,217	9,350	8,866	
		2,389	2,360	2,350	2,288	2,437	2,415	2,210	2,018	2,004	1,935	
Total Members		14,716	14,412	13,728	13,672	14,133	14,033	12,991	12,235	11,354	10,801	

*Elected Officials consisted of five Board of Supervisors, one Assessor, one District Attorney, and one Sheriff.
Source: Actuarial Reports from June 30, 1998 through 2007

SCHEDULE OF EMPLOYER CONTRIBUTION RATES

Actuarial Report for Year Ended	COUNTY					SPECIAL DISTRICTS		
	Miscellaneous			Safety		Miscellaneous	Safety	
	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 1	Tier 3	Tier 1
6/30/2007	15.04	12.58	15.43	34.71	30.61	21.98	22.41	41.15
6/30/2006	15.89	12.95	15.73	36.01	31.67	22.26	22.13	41.94
6/30/2005	16.10	13.14	15.88	35.18	30.84	22.78	22.56	39.71
6/30/2004*	15.29	11.49	13.94	33.23	28.57	20.87	19.56	38.19
6/30/2003*	13.49	9.16	11.32	24.39	20.24	18.84	16.73	30.72
6/30/2002	15.84	11.47	13.85	31.69	26.31	17.89	18.20	30.89
6/30/2001	6.86	3.41	5.26	16.04	11.96	17.54	15.90	23.12
6/30/2000	5.85	2.90	4.53	14.52	10.37	16.44	14.94	21.75
6/30/1999	5.89	2.94	4.56	14.56	10.29	14.63	14.54	20.64
6/30/1998	5.85	2.91	4.55	14.57	10.30	14.58	14.91	20.45

Source: Actuarial Reports from June 30, 1998 though 2007

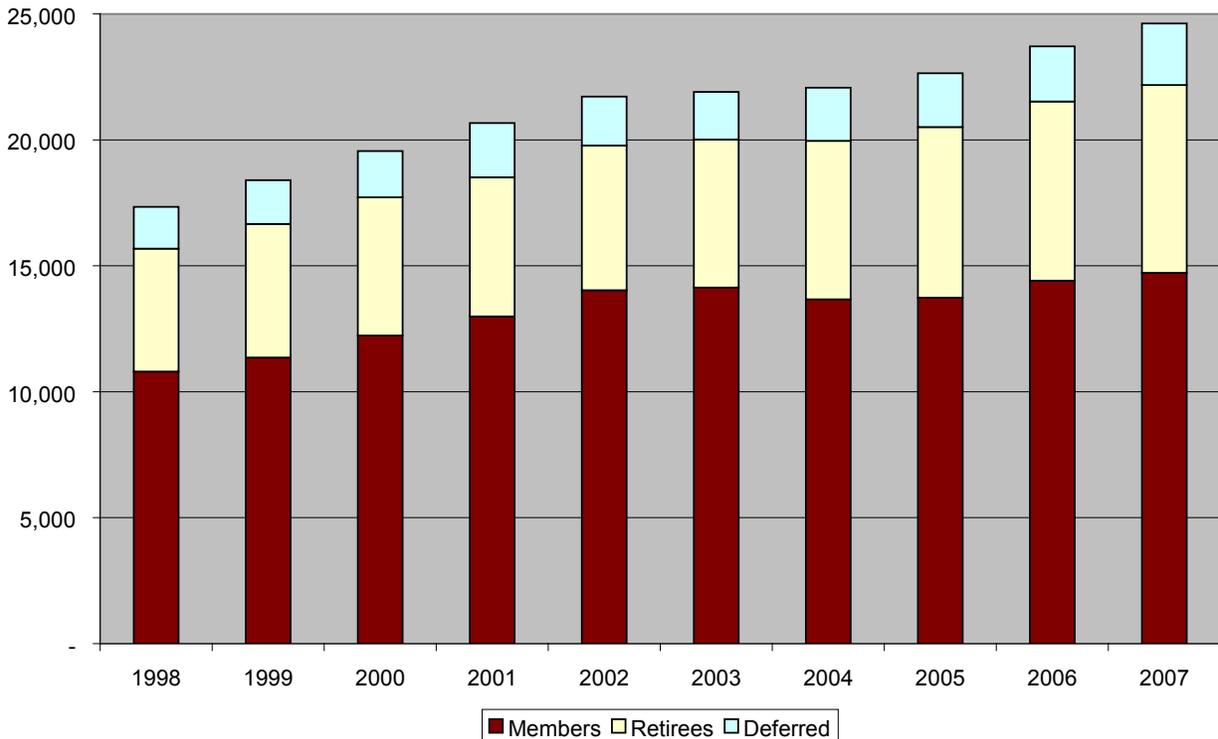
Note: Actuarial Valuation Reports are prepared subsequent to a fiscal year-end and determines rates which pertain to the following fiscal year. For example, the Actuarial Valuation as of 6/30/07 presented current rates for the fiscal year 2007-2008 and was used to determine rates for the fiscal year 2008-09.

* Rates were adjusted to reflect the proceeds from Sacramento County's pension obligation bonds that were received on July 1, 2004.

GROWTH OF SYSTEM MEMBERSHIP

Year Ended June 30:	Members	Retirees	Deferred	Total
2007	14,716	7,464	2,437	24,617
2006	14,412	7,108	2,192	23,712
2005	13,728	6,784	2,135	22,647
2004	13,672	6,291	2,110	22,073
2003	14,133	5,882	1,885	21,900
2002	14,033	5,742	1,944	21,719
2001	12,991	5,526	2,146	20,663
2000	12,235	5,488	1,828	19,551
1999	11,354	5,303	1,739	18,396
1998	10,801	4,884	1,658	17,343

System Membership at a Glance



SCHEDULE OF DISTRIBUTION OF RETIRED MEMBERS AND BENEFICIARIES BY TYPE AND BY MONTHLY AMOUNT
As of June 30, 2007

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement*												Option Selected**				
		1	2	3	4	5	6	7	8	9	10	11	12 Unmodified	1	2	3	4	
\$1 - \$499	872	622	22	5	13	1	97	27	34	-	33	-	18	679	57	115	8	13
500 - 999	1,263	818	72	15	2	154	84	74	2	22	2	17	1038	96	96	12	21	
1,000 - 1,499	1,147	787	87	24	21	7	115	36	36	6	13	3	12	1004	50	78	9	6
1,500 - 1,999	891	653	49	17	50	14	61	12	11	9	7	-	8	768	58	57	3	5
2,000 - 2,499	754	592	8	4	46	14	61	9	2	12	3	-	3	670	30	38	6	10
2,500 - 2,999	579	428	9	2	54	34	30	6	-	11	2	-	3	517	24	33	1	4
3,000 - 3,499	428	327	2	1	42	18	16	4	1	13	1	-	3	389	17	14	0	8
3,500 - 3,999	330	290	1	1	12	5	7	5	-	9	-	-	-	309	9	9	1	2
4,000 - 4,499	273	245	2	-	11	2	6	2	-	3	2	-	-	256	4	7	3	3
4,500 - 4,999	211	196	1	-	5	2	4	-	1	1	1	-	-	192	6	8	4	1
\$5,000 & over	716	683	2	5	15	4	2	-	1	4	-	-	-	673	24	9	5	5
Total	7,464	5,641	255	74	271	102	553	185	160	70	84	5	64	6,495	375	464	52	78

* Type of Retirement:

- 1 Service Retirement
- 2 Nonservice-Connected Disability, age 55 and older
- 3 Nonservice-Connected Disability, under age 55
- 4 Service-Connected Disability, age 55 and older
- 5 Service-Connected Disability, under age 55
- 6 Beneficiary of Service Retiree
- 7 Survivor Death Benefits
- 8 Beneficiary of Nonservice-Connected Disability Retiree
- 9 Beneficiary of Service-Connected Disability Retiree
- 10 Divorce-Receiving Benefits
- 11 Interim Nonservice-Connected Disability Retirement
- 12 Non-Member Receiving Benefits

** Option Selected:

- Unmodified: Qualified service retirement or nonservice-connected disability retirement beneficiary receives 60 percent continuance.
Qualified service-connected disability retirement beneficiary receives 100 percent continuance.
- The following options reduce the retired member's monthly benefit:
- Option 1 - Beneficiary receives lump sum or member's unused contributions.
 - Option 2 - Beneficiary having an insurable interest in member's life receives 100 percent of member's reduced monthly benefit.
 - Option 3 - Beneficiary having an insurable interest in member's life receives 50 percent of member's reduced monthly benefit.
 - Option 4 - Benefits paid to person having an insurable interest in member's life as nominated by member's written designation.

Source: SCERS Retired Member Pension Payroll Data

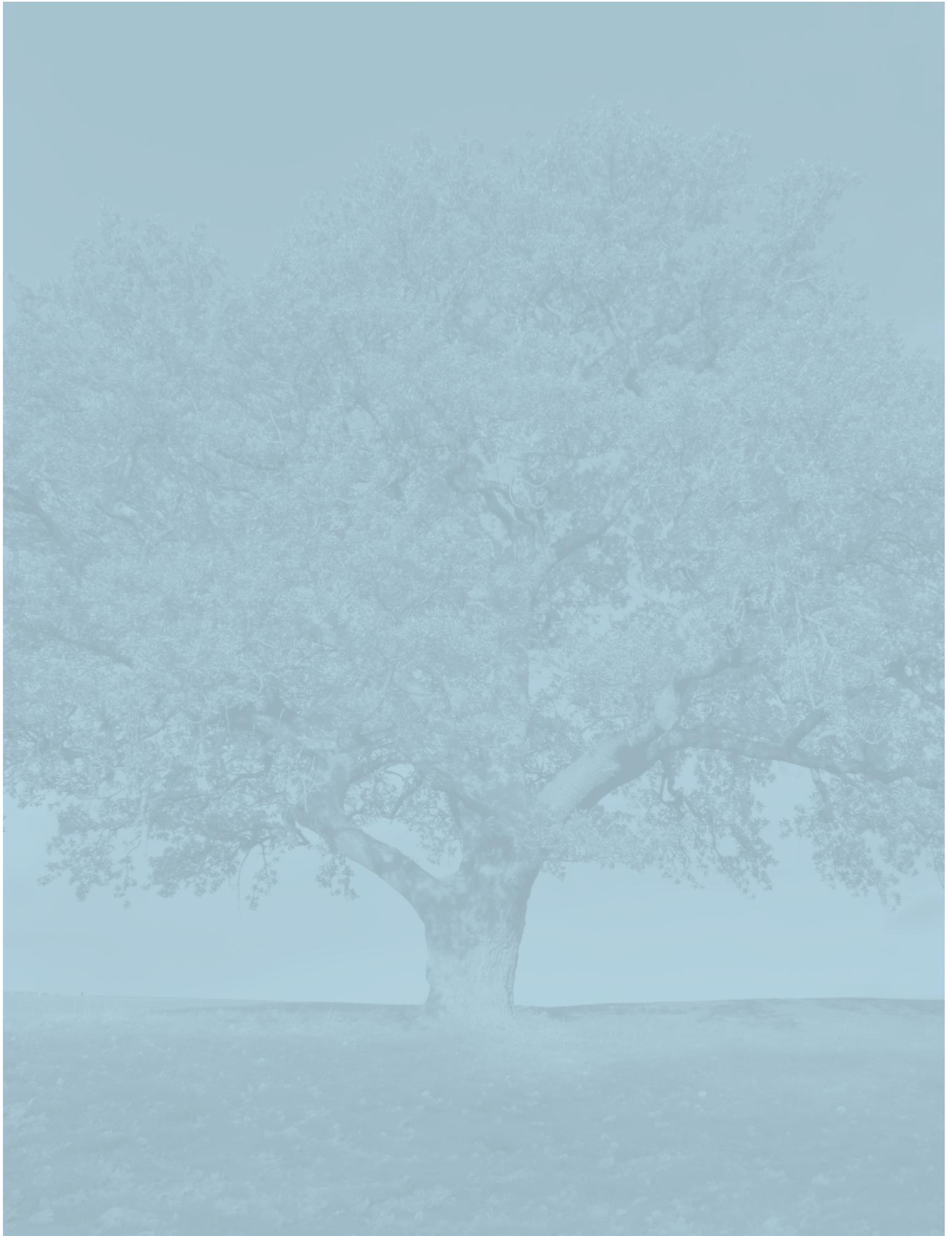
SCHEDULE OF ADMINISTRATIVE EXPENSES

For the Year Ended June 30

(Amounts Expressed in Thousands)

Type of Expenses	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Salaries and Benefits	\$3,352	\$2,718	\$2,734	\$2,663	\$2,416	\$2,077	\$1,818	\$1,464	\$1,418	\$1,300
Professional Fees	629	808	440	583	578	420	433	634	753	783
Equipment Purchases and Maintenance	85	70	73	89	198	314	242	156	111	109
Rent and Lease Expense	648	612	596	596	560	416	204	171	155	151
Depreciation Expense	5	3	27	14	18	42	42	25	-	-
Other Administrative Expenses	1,099	850	1,392	1,901	2,127	2,216	1,092	1,152	926	525
Total	\$5,818	\$5,061	\$5,262	\$5,846	\$5,897	\$5,485	\$3,831	\$3,602	\$3,363	\$2,868

Source: Audited Financial Statements from June 30, 1998 through 2007





**SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

980 9th Street, Suite 1800
Sacramento, CA 95814

www.scers.org