Los Angeles County Employees Retirement Association

PRODUCE PROTECT AND PROVIDE THE PROMISED BENEFITS

A Pension Trust Fund of the County of Los Angeles, California

Words to Work by

Comprehensive Annual Financial Report
for the year ended June 30, 2009

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A Pension Trust Fund of the County of Los Angeles, California
Comprehensive Annual Financial Report for the Year Ended

June 30, 2009

ISSUED BY:

Gregg Rademacher
Chief Executive Officer

Robert R. Hill
Assistant Executive Officer

Janice Golden
Assistant Executive Officer

Introductory Section

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PROVIDE

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PROMISED BENEFITS

We employ **solid investment** and business strategies designed to serve **the best interests of our** current and future members and their beneficiaries.

Gregg Rademacher
Chief Executive Officer

LACERA Los Angeles County Employees Retirement Association
300 N. Lake Ave., Pasadena, CA 91101 / PO Box 7060, Pasadena, CA 91109-7060 / www.lacera.com / 626/564-6132 • 800/786-6464

December 1, 2009

Los Angeles County Employees Retirement Association
Board of Retirement
Board of Investments
Gateway Plaza
300 N. Lake Avenue, Suite 820
Pasadena, CA 91101

I am pleased to present the Los Angeles County Employees Retirement Association (LACERA) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. This report is intended to provide a detailed review of the association's financial, actuarial, and investment status.

LACERA has the duty and authority to administer defined retirement plan benefits for the employees of Los Angeles County and outside Districts. It is our mission to produce, protect, and provide the promised benefits to our members and their beneficiaries. In the course of fulfilling that mission, we provide comprehensive customer services to 157,000 members, including more than 53,000 benefit recipients.

The keystones of our mission can be summarized by two elements: investments and customer service. We are mandated to grow the retirement fund and to provide eligible recipients with benefits as prescribed by law.

Investment of the Fund is guided by a prudent Investment Policy established by our Board of Investments. The Policy calls for a diversified portfolio, carefully balanced to minimize risk and maximize the Fund's long-term health and stability. The Fund is managed with the ultimate objective of achieving and maintaining a fully funded status. Although LACERA has not been immune to the impact of recent market volatility and the unfavorable economic climate, we continue to employ solid investment and business strategies designed to serve the best interests of our members and their beneficiaries. We remain confident about our future and soundness of the Fund.

Customer service is a cornerstone of efficient benefit disbursement and is integral to our business operation. Our all-encompassing services begin the moment a new hire becomes a LACERA member and receives a New Member Guide and continue throughout the member's career to retirement… and beyond. After the member is gone, our service continues through benefits we provide to the member's eligible beneficiary. The services we offer take many forms, from printed materials to workshops, to services available by phone and on lacera.com. Although technology plays an important role in the scope and format of service options we provide (and we are proud of the online service enhancements we added this year), it is the men and women who comprise our highly trained staff who make the greatest impact on customer service. From one-on-one counseling at our public counter, to regularly scheduled educational workshops, to the more than 120,000 questions personally answered each year by our Call Center, to the seamless processing of our monthly retiree payroll, our staff is dedicated to providing our members with attentive, responsive, and personalized service.

LACERA and Its Services

On January 1, 1938, LACERA was established to provide retirement allowances and other benefits to the safety and general members employed by Los Angeles County. Subsequently, LACERA expanded its membership program to include four other outside Districts:

- Little Lake Cemetery District
- Local Agency Formation Commission
- Los Angeles County Office of Education
- South Coast Air Quality Management District

LACERA is governed by the California Constitution, the County Employees Retirement Law of 1937 (CERL), and the bylaws, procedures, and policies adopted by LACERA's Boards of Retirement and Investments. The Los Angeles County Board of Supervisors may also adopt resolutions, as permitted by the CERL, which may affect benefits of LACERA members.

The Board of Retirement is responsible for the general management of LACERA. The Board of Investments is responsible for determining LACERA's investment objectives, strategies, and policies. Both Boards appoint a Chief Executive Officer, to whom is delegated the responsibility of overseeing the day-to-day management of LACERA and adopting its annual administrative budget.

Financial Information

Internal Control

The financial attest audit performed by Brown Armstrong CPAs states that LACERA's financial statements are presented in conformity with Generally Accepted Accounting Principles (GAAP) and are free of material misstatement. Maintaining appropriate internal controls and the financial statement presentation are the responsibility of management, with oversight by LACERA's Internal Audit Services staff and LACERA's Audit Committee, which is comprised of members of the Boards of Retirement and Investments.

Analysis

An overview of LACERA's fiscal operations is presented in the Management's Discussion and Analysis (MD&A) preceding the financial statements. This transmittal letter, when taken into consideration with the MD&A, provides an enhanced picture of the activities of the organization.

Investment Activities

The Board of Investments adopted an Investment Policy Statement that provides a framework for the management of LACERA's investments. This Statement established LACERA's investment policies and objectives and defines the principal duties of the Board, the investment staff, investment managers, master custodian, and consultants.

A pension fund's strategic asset allocation policy, implemented in a consistent and disciplined manner, is generally recognized to have the most impact on a fund's investment performance. The asset allocation process determines a fund's optimal long-term asset class mix (target allocation), which is expected to achieve a specific set of investment objectives. LACERA's strategic asset allocation targets are long-term by design because of the Fund's long-term investment horizon, and the illiquidity of certain asset classes such as Private Equity and Real Estate.

Returns this fiscal year were significantly impacted by extraordinary market volatility and the deepening of the international financial crisis. The total Fund returned a negative 18.3 percent (net of fees). It is pertinent to note in four of the five fiscal years prior to this year, LACERA's Fund generated positive double digit returns. Over the five-year period ending June 30, 2009, the total Fund's annualized return was 3.6 percent (net of fees).

Actuarial Funding Status

Pursuant to provisions in the CERL, LACERA engages an independent actuarial firm to perform annual actuarial valuations. A system actuarial valuation is performed every three years (triennial valuation). The economic and non-economic assumptions are updated at the time each triennial valuation is performed. Triennial valuations serve as the basis for changes in member contribution rates necessary to properly fund the system. LACERA also hires an independent actuarial firm to audit the results of each triennial valuation. A triennial valuation was conducted as of June 30, 2007.

LACERA is funded by member and employer contributions, and investment earnings on those contributions. Normal member contributions are those required to fund a specific annuity at a specified age. Member contribution rates vary according to the member's plan and age at first membership. The CERL also requires members to pay half the contributions required to fund the cost-of-living benefit, which is affected by changes in both economic and non-economic assumptions.

Liabilities not funded through member contributions are the responsibility of the employer. Changes in any of the economic and non-economic assumptions impact employer contribution rates. The employer is responsible for contributing to cover the cost of benefits expected to be accrued in the future and half of the cost-of-living benefit. These are called normal cost contributions. The employer is also responsible for making additional contributions to eliminate any shortfalls in funding covering liabilities that have accrued in the past, which is known as the Unfunded Actuarial Accrued Liability (UAAL).

On June 4, 2002, LACERA and the County entered into a Retirement Benefits Enhancement Agreement (Agreement) that enhanced retirement benefits and implemented an interim, short-term funding policy that is in effect through the June 30, 2008 valuation. Under the Agreement, employer contribution rates are adjusted annually following completion of an actuarial valuation.

The June 30, 2008 valuation, determining the funding ratio to be 94.5 percent, recognized an Unfunded Actuarial Accrued Liability (UAAL) of $2.31 billion. The County contribution rate was therefore set equal to 1.99 percent of payroll for the amortization of the UAAL over an open 30-year period, plus the normal cost rate of 10.09 percent, for a total contribution rate of 12.08 percent of payroll.

Produce, Protect, and Provide the Promised Benefit

LACERA was created by the County Employees Retirement Law of 1937 (CERL) to administer the retirement plan benefits for the employees of Los Angeles County and outside Districts. Our purpose is two-fold: to achieve long-term growth and security for the retirement fund and to assure our members receive the lifetime benefits promised by their LACERA defined benefit retirement plans.

Our mission is weighty, its ramifications great. The benefits we diligently provide carry more than just monetary value; they represent security and a promised fulfilled. We never lose sight of that. LACERA is dedicated to serving our members and their beneficiaries with expertise and efficiency.

As a
forward-thinking
association, we are
constantly integrating
new technologies
into our business procedures and
enhancing
the scope and quality
of services we offer
our members.

Robert Hill
Assistant Executive Officer

Division Activities

Administrative Services Division

Our Administrative Services Division remained focused on providing vital daily support services to our organization, including procurement, budget administration, facilities management, document processing, and mail distribution. The division also oversees special programs, such as Health & Safety, Risk Management, Records Management, and Business Continuity.

Fiscal Year Achievements:

- Administrative Services' Document Processing Center (DPC) scanned, indexed, and provided same-day processing on approximately 200,000 documents, which amounted to over 600,000 pages of member information.
- DPC processed approximately 335,000 mail pieces, including more than 130,000 responses to member inquiries.
- The Budget Unit worked with management to develop a spending plan to support a ten percent association-wide expenditure reduction over the previous year.
- Our Facilities Management team completed renovation of new work areas for the Disability Retirement Services and Retiree Health Care divisions. The renovation meets additional workspace requirements and provides enhanced security for sensitive information.

Claims Processing Division

LACERA's Claims Processing Division serves active and retired members and their survivors by efficiently processing retirement plan benefits and providing exceptional member service.

Fiscal Year Achievements:

- Processed 90 percent of active member requests within 21 days.
- Maintained a 97.71 percent accuracy level on overall benefit processing.
- Processed 2,399 new retirees and survivors; 98.67 percent were paid within one payroll cycle.

Communications Division

The Communications Division provides timely retirement, policy, and service information to members and staff. In the course of operations, the division creates web sites, newsletters, brochures, annual reports, special mailings, videos, and presentations.

Fiscal Year Achievements:

- Created new Summary Plan Description Books for all LACERA retirement plans and developed a plan book section on lacera.com that will be updated regularly.
- Expanded My LACERA, the member section of lacera.com to a 20+ web page section with enhanced capability to allow retirees and survivors to adjust and submit tax withholding elections online.
- Produced the fifth annual Countywide LACERA Resource Conference for Human Resource Professionals, featuring presentations from Claims Processing, Disability, Member Services, and Human Resources.
- Partnered with the Financial & Accounting Services Division to create LACERA's 2007-2008 annual report,

which earned an award from the Government Finance Officers Association.

- Expanded and updated the association's web sites: lacera.com, employee intranet, board web site, HR Professionals site, and KBase internal online knowledge source.
- Produced quarterly newsletters: *Spotlight on Retirement* and *PostScript*.
- Developed web and *Spotlight* content for Staying Healthy Together: Focus on Wellness.

Disability Retirement Services Division

Disability Retirement Services continued to investigate and process disability retirement applications in a timely and efficient manner. Other fiscal year activities included the relocation of the division to a more secure area and a recruitment program for disability retirement hearing officers that attracted 180 applicants.

Fiscal Year Achievements:

- Processed and presented 383 disability applications and referee recommendations to the Board of Retirement (BOR).
- Assisted County departments in placing disability retirement applicants in permanently modified assignments and presented 15 Salary Supplement Allowance disability retirement applications to the BOR.
- Participated in 62 interactive meetings between County return-to-work coordinators and their disabled employees.
- Presented disability retirement material at 18 County educational and training seminars.
- Served as presenters at LACERA's Resource Conference for County HR professionals.
- Provided disability retirement information to 319 members at LACERA's Public Counter.

Human Resources

Human Resources staff continued to recruit new employees and provide support and training to all LACERA employees.

Fiscal Year Accomplishments:

- Researched, coordinated, and managed enrollment for offsite skill-building workshops for over 100 staff members; contracted and managed enrollment of onsite training for more than 251 staff members.
- Developed first LACERA Management Academy in which 25 members of LACERA management participated.
- Conducted 23 recruitments, yielding 19 new hires and 10 promotions.
- Orchestrated Mentoring Program — a series of voluntary one-on-one sessions whereby seasoned LACERA professionals coach less experienced staff on professional development; 57 staff members participated.
- Implemented an Employee Commute Reduction Plan in compliance with South Coast Air Quality Management District (AQMD) Rule 2202.
- Enhanced organization's RideShare Program, added two new vanpool groups, bringing the total to eight. Earned Metro RideShare Diamond Award from L.A. County Metropolitan Transportation Authority for the third year running.
- Promoted LACERA as a premier employer at local college recruitment fairs. Provided one-on-one career coaching services to college students.

Internal Audit
Internal Audit continued to partner with LACERA management, staff, and boards to ensure the association's network of risk management, controls, and governance processes were adequate and functioning.

Fiscal Year Achievements:

- Completed an organization-wide risk and control assessment.
- Completed 95 percent of the audit projects included in the FY 08-09 Annual Audit Plan.
- Completed 76 audit projects, resulting in the enhancement of LACERA's risk-control processes.

Legal Office
In accordance with the Board of Investments' (BOI) 2001 Securities Litigation Policy, our Legal Office maintained its commitment to monitor securities fraud class actions and aggressively pursue recovery of losses suffered by LACERA as a result of incidents involving corporate corruption and fraud.

Fiscal Year Achievements:

- Welcomed Robert Van Der Volgen as LACERA's new Chief Counsel.
- Joined other public pension systems as a named plaintiff in a class action securities fraud lawsuit against Merrill Lynch and other defendants. The case is pending in U.S. District Court, Southern District of New York.
- Joined other institutional investors in an amicus curiae (friend of the court) brief in Merck & Co., Inc., v. Reynolds, a case pending before the U.S. Supreme Court. The case involves the statute of limitations in a suit claiming federal securities fraud.

Member Services Division
The Member Services Division served LACERA members with increased accuracy, efficiency, and professionalism. The division continues to focus on improving the high level of service we offer our members.

Fiscal Year Achievements:

- Answered over 124,500 telephone inquiries from members.
- Provided one-on-one counseling to 13,799 members at our Public Counter.
- Presented 431 workshops serving 9,773 people at 197 County locations.
- Processed and/or replied to 1,823 emails and 1,982 letters.
- Introduced a new staff evaluation program as part of our continuing focus on quality assurance.
- Initiated a veteran staff retraining program. Our Correspondence Unit is the first to successfully complete this extensive refresher course on LACERA processes and procedures.
- Collaborated with other divisions in the implementation of a Call Center recording system. The recordings become a permanent part of a member's records. The system also enhances quality control.

Quality Assurance & Metrics Division
The Quality Assurance & Metrics Division (QA) continued to create strategies and policies to promote accuracy, productivity, and compliance.

Service with a

personal touch

is never out of style at LACERA.

We provide

one-on-one

service through our

Call Center,

Public Counter,

and the educational

workshops we offer.

Janice Golden

Assistant Executive Officer

Fiscal Year Achievements:

- Audited 9,670 Claims Processing and Members Services Divisions transactions to monitor accuracy, timeliness, and volume of services provided to members.
- Continued to update the business process procedures available to LACERA staff on the organization's intranet.
- Completed a special project requiring resolution of 1,200 cases.
- Delivered 956 hours of training to staff on business processes and changes in the retirement law.

Retiree Health Care Division

Under an agreement with the County of Los Angeles, LACERA administers a Health Care Benefits Program that provides medical and dental/vision benefits for more than 40,000 retirees/survivors and their eligible dependents. Additionally, LACERA sponsors a Long-Term Care Program for that population.

Fiscal Year Achievements:

- Implemented premium rate changes for 2009 plan year, mailed the annual letter and insurance rate booklet, along with Notice of Creditable Coverage to more than 40,000 members.
- Continued facilitation of the Medicare Part D Retiree Drug Subsidy (RDS) for the LACERA-administered Health Care Benefits Program, including the completion of applications and reconciliation with the Centers for Medicare & Medicaid Services.
- Maintained LACERA's retiree wellness program, Staying Healthy Together: Focus on Wellness, by providing a series of health-related print and web campaigns, along with half-day workshops.
- Implemented 2009 plan year premium rate changes for the Local 1014 medical plan.
- Continued actuarial reporting of post-employment benefits within the LACERA-administered Health Care Benefits Program, in accordance with the Governmental Accounting Standard Boards (GASB) Statements No. 43 and 45.

Systems Division

The Systems Division remained focused on implementing program updates to increase the security of sensitive member information, enhance procedural efficiency, and augment member services.

Fiscal Year Achievements:

- Built and implemented a new application to generate Additional Retirement Credit (ARC) cost estimates based on member data on file.
- Expanded the capabilities of My LACERA on lacera.com to:
  - Allow members to access a broader scope of their LACERA account data.
  - Expand access to include survivors and deferred members, in addition to retirees and active members.
  - Provide retiree and survivor access to images of their Direct Deposit Automatic Deposit Receipts and Form 1099-Rs.
  - Include a new self-service feature on My LACERA to allow retirees and survivors to adjust and submit their federal and California State tax withholding elections online.
- Designed new program to identify compensation adjustments not included in scheduled earnings, recalculate final compensation, compute back deductions owed, and generate written notice to the member.

Awards and Recognition

For the 19th consecutive year, the Government Finance Officers Association (GFOA) awarded LACERA its Certificate of Achievement for Excellence in Financial Reporting. This award is in recognition of our Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2008.

LACERA is also a recipient of the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting, for the 11th year running. We received this honor for our Popular Annual Financial Report (PAFR) for fiscal year ending June 30, 2008.

These awards recognize contributions to the practice of government finance exemplifying outstanding financial management. In doing so they stress practical, documented work that offers leadership to the profession.

The Public Pension Coordinating Council (PPCC) presented its Public Pension Standards Award to LACERA in recognition of compliance with professional standards for plan design and administration for the fiscal year ending June 30, 2008. LACERA is a six-time recipient of this honor, which is judged on a retirement system's Comprehensive Benefit Program, Funding Adequacy, Actuarial Valuation, Independent Audit, Investments, and Communications.

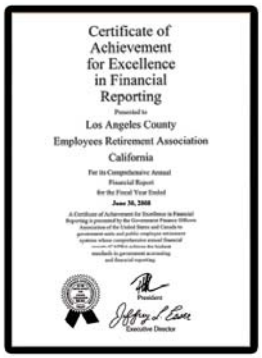
Acknowledgements

The preparation of this Comprehensive Annual Financial Report in a timely manner is made possible by the dedicated teamwork of LACERA staff under the leadership, dedication, and support of the LACERA Boards. I am sincerely grateful to the LACERA Boards and staff, as well as to all of our professional service providers, who perform so diligently to ensure the successful operation and financial soundness of LACERA.

Respectfully submitted,

Gregg Rademacher

Gregg Rademacher
Chief Executive Officer



Certificate of Achievement

Each year, a Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada (GFOA) to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and reporting. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements. For the 19th consecutive year, LACERA has earned this prestigious award for the 2008 comprehensive annual financial report. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we will submit it to the GFOA to determine its eligibility for another certificate.

PPCC Award

LACERA received the Public Pension Coordinating Council's (PPCC)* Public Pension Standards 2008 Award, in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards. The Public Pension Standards are intended to reflect minimum expectations for public retirement systems management and administration, and serve as a benchmark by which all defined benefit public plans should be measured. LACERA is a six-time recipient of this important award.

**A confederation of NASRA, NCPERS, and NCTR.*

LACERA Board Members

Los Angeles County Employees Retirement Association

LACERA has two boards —
Board of Retirement (BOR) and Board of Investments (BOI)

Not Pictured: **Paul C. Hudson (BOI),** Appointed by the Board of Supervisors, Term expires 12-31-09; **William de la Garza, Chair (BOR),** Elected by Retired Members, Term expires 12-31-11; **Sadonya Antebi (BOR),** Appointed by the Board of Supervisors,Term expires 12-31-09; **Simon Frumkin** (BOR),** Appointed by the Board of Supervisors.

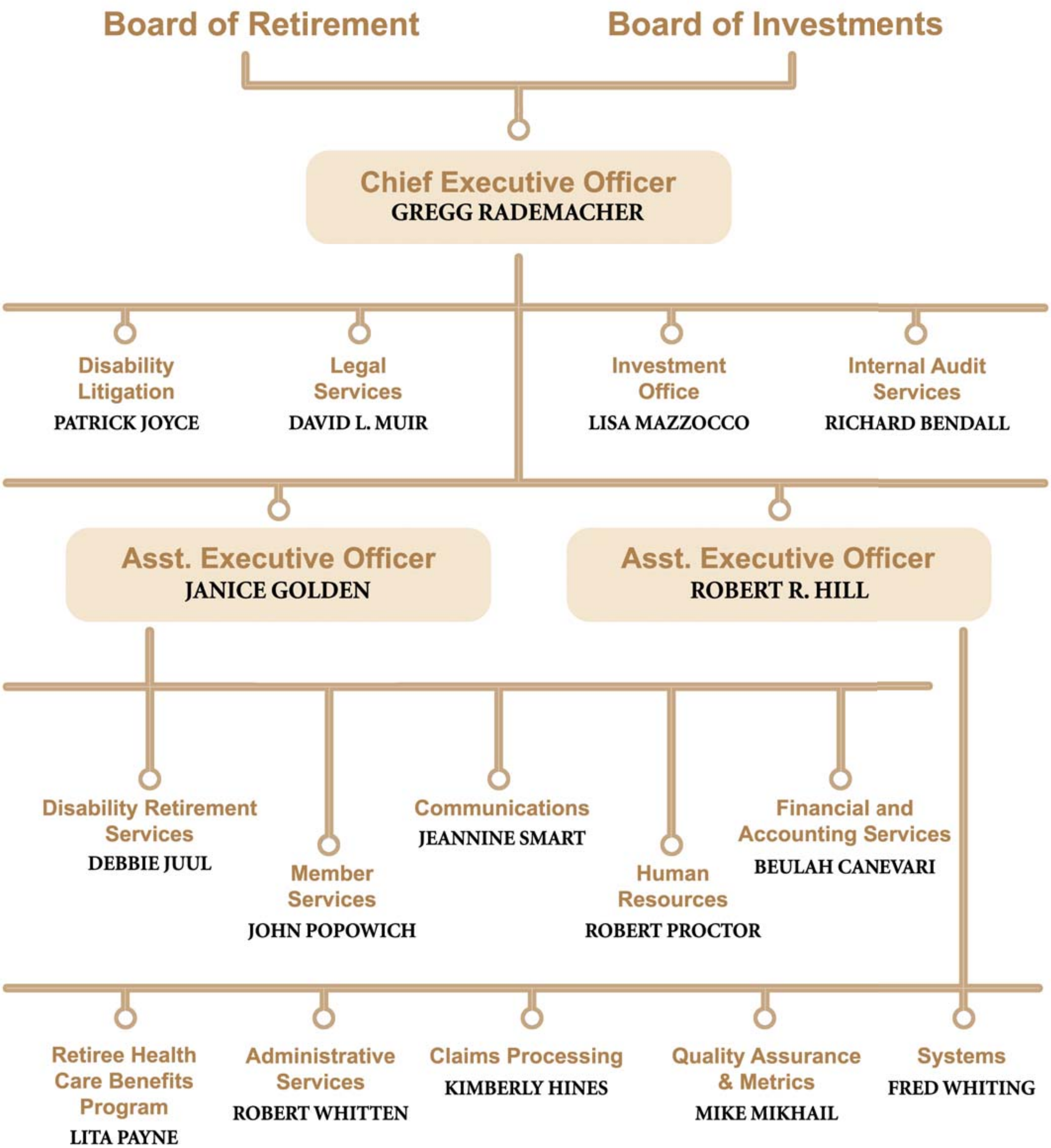
**Mr. Robbins continues to serve on the Board until the Board of Supervisors makes an appointment.*

***Mr. Frumkin died in May 2009 during his term.*

Mr. Pryor also serves on the BOR, Elected by Safety Members, Term expires 12-31-10, and **Mr. Russin** also serves on the BOI, Elected by General Members, Term expires 12-31-11.

Los Angeles County Employees Retirement Association

Organizational Chart



This organizational chart shows LACERA's management structure. See page 19 for a list of Professional Consultants, and page 77 for a list of Investment Managers.

Actuary
Milliman, Inc.

Auditors
Brown Armstrong CPAs
The Segal Company

Commercial Banking
The Bank of New York Mellon Treasury Services

Custodian
The Bank of New York Mellon Trust Company, N.A.

Data Processing
Los Angeles County Internal Services Department

Governance Consultant
Glass Lewis & Company
RiskMetrics

Investment Consultants
Credit Suisse Customized Fund Investment Group
The Townsend Group
Wilshire Associates Incorporated

Mortgage Loan Custodians
Bankers Trust Company
JP Morgan Chase, N.A.

Legal Consultant
Andrews Kurth, LLP
Bannan, Green, Frank & Terzian, LLP
Cox, Castle & Nicholson, LLP
DLA Piper (U.S.), LLP
Glaser, Weil, Fink, Jacobs, Howard & Shapiro, LLP
Graves, Roberson & Bourassa
Jones Day, LLP
Kauff, McClain & McGuire, LLP
Kessel & Associates
Liebert Cassidy Whitmore
Locke, Lord Bissell & Liddell, LLP
Manatt, Phelps & Phillips, LLP
Morrison & Foerster, LLP
Ogier
Orrick, Herrington & Sutcliffe, LLP
Paul, Hastings, Janofsky & Walker, LLP
Pillsbury Winthrop Shaw Pittman, LLP
Pircher, Nichols & Meeks, LLP
Seyfarth Shaw, LLP
Sidley Austin, LLP
Steptoe & Johnson, LLP

The keystones of
our mission can be
summarized by two elements:
investments and
customer service.

PRODUCE

INVESTMENTS

It All Begins with the Retirement Fund

The Fund finances the benefits we produce. To promote the long-term growth and stability of the Fund, our Board of Investments has established an Investment Policy Statement which guides the management of the Fund's assets. In accordance with this Statement, investments of the Fund are strategically diversified and carefully managed to preserve capital, minimize risk of loss, and maximize returns.

CUSTOMER SERVICE

We Create Educational Materials to Demystify Plan Complexities

Understanding the provisions of one's Plan is essential to making choices that will ultimately maximize the individual's retirement. However, retirement plans are by their nature complex and often daunting. To ensure our members have the information they need to make wise choices throughout their careers, we produce an array of educational materials and services designed to demystify Plan language and concepts.

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

BROWN ARMSTRONG PAULDEN
MCCOWN STARBUCK THORNBURGH & KEETER

CERTIFIED PUBLIC ACCOUNTANTS

■ **Main Office**
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Fax 661-324-4997
Email: info@bacpas.com

■ **Shafter Office**
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Tel 661-746-2145
Fax 661-746-1218

Independent Auditor's Report

Boards of Retirement and Investments
Los Angeles County Employees Retirement Association
Pasadena, California

We have audited the accompanying Statement of Plan Net Assets of the Los Angeles County Employees Retirement Association (LACERA) as of June 30, 2009 and 2008 and the related Statement of Changes in Plan Net Assets for the years then ended. These financial statements are the responsibility of LACERA management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides 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 LACERA as of June 30, 2009 and 2008 and its changes in fiduciary net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) as listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Required Supplementary Information as listed in the table of contents is presented for purposes of additional analysis, as required by GASB, and is not a required part of the basic financial statements. This information is the responsibility of LACERA's management. Such information has been subjected to the auditing procedures applied by us in the audit of the Fiscal Year 2009 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the Fiscal Year 2009 basic financial statements taken as a whole. The Other Supplementary Information as listed in the table of contents, and the Investment, Actuarial, and Statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of LACERA. The Other Supplementary Information as listed in the table of contents 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. We did not audit the information contained in the Investment, Actuarial, and Statistical sections and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated October 7, 2009, on our consideration of LACERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, 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.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

Andrew J. Paulden

Bakersfield, California
October 7, 2009

Management's Discussion and Analysis as of June 30, 2009

This Management's Discussion and Analysis (MD&A) of the financial activities of LACERA is an overview of its fiscal operations for the year ended June 30, 2009. Readers are encouraged to consider the information presented in conjunction with the Financial Statements and the Notes to the Financial Statements.

Financial Highlights

- Net Assets Held in Trust for Pension Benefits, as reported in the Statement of Plan Net Assets, total $30.5 billion, a decrease of $8.23 billion or 21.2 percent from the prior year.
- Total Additions as reflected in the Statement of Changes in Pension Plan Net Assets was a decline of $6.16 billion, primarily as a result of the Net Depreciation in the Fair Value of Investments. This represents an increased decline from the prior year of $5.94 billion or a change of 2,687 percent.
- Total Deductions as reflected in the Statement of Changes in Pension Plan Net Assets total $2.07 billion, an increase of $104 million or 5.3 percent from prior year. The increase was primarily attributable to the increase in Retiree Payroll.
- The latest actuarial valuation completed by Milliman, Inc., LACERA's independent actuary, was as of June 30, 2008 and determined the funding status (the ratio of pension assets to pension liabilities) to be 94.5 percent.

HIGHLIGHTS

Beulah S. Canevari
Manager, Financial & Accounting
Services Division

Overview of Financial Statements

This MD&A serves as an introduction to the basic financial statements. LACERA has two basic financial statements, the notes to the financial statements and four required supplementary schedules of historical trend information. The basic financial statements and the required disclosures are in compliance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB), utilizing the accrual basis of accounting.

The Statement of Plan Net Assets is the first basic financial report. This is a snapshot of account balances at fiscal year-end. This statement reflects assets available for future payments to retirees and their beneficiaries and any current liabilities owed as of fiscal year-end. The Net Assets Held in Trust for Pension Benefits, which are the assets less the liabilities, reflect the funds available for future use. The Other Post-Employment Benefit (OPEB) Plan is presented as the OPEB Agency Fund. The Total Assets and Total Liabilities are reported for the Agency Fund.

The Statement of Changes in Pension Plan Net Assets is the second financial report. This report reflects all the activities that occurred during the fiscal year, and shows the impact of those activities as Additions or Deductions to the plan. The trend of Additions versus Deductions to the plan will indicate the condition of LACERA's financial position over time. The Statement of Changes in Assets and Liabilities for the OPEB Agency Fund is presented in the Other Supplementary Information section.

The Notes to the Financial Statements (Notes) are an integral part of the financial reports. The Notes provide detailed discussion of key policies, programs, and activities that occurred during the year.

The *Schedule of Funding Progress–Pension Plan and Schedule of Funding Progress–OPEB Plan*, which are required supplementary schedules, include historical trend information about the actuarially funded status of the Pension Plan and OPEB Plan respectively, and the progress made in accumulating sufficient assets to pay benefits when due. The other required supplementary schedules, the *Schedule of Employer Contributions–Pension Plan,* and *Schedule of Employer Contributions–OPEB Plan*, present historical trend information about the annual required contributions of the employer and the actual contributions made. These schedules provide information to help promote understanding of the changes in the funded status of the Pension and OPEB Plans over time.

Financial Analysis

Assets and Funding Ratio

As of June 30, 2009, LACERA has $30.5 billion in Plan Net Assets, which means Total Assets of $33.2 billion exceed Total Liabilities of $2.70 billion. As of June 30, 2008, LACERA had $38.7 billion in Plan Net Assets, as a result of Total Assets of $42.9 billion exceeding Total Liabilities of $4.18 billion. The Total Plan Net Assets represent funds available for future payments. However, of importance is the fact that unlike private pension funds, public pension funds are not required to report the future liability of obligations owed to retirees. Only current liabilities are reported in the Statement of Plan Net Assets.

Plan Net Assets

As of June 30, 2009, 2008, and 2007

(Dollars in Millions)

	2009	2008	2007	2009 - 2008 % Change	2008 - 2007 % Change
Investments	**$30,918**	$39,473	$41,329	-21.7%	-4.5%
Other Assets	**2,282**	3,435	3,761	-33.6%	-8.7%
Total Assets	**33,200**	42,908	45,090	-22.6%	-4.8%
Total Liabilities	**(2,701)**	(4,183)	(4,182)	-35.4%	0.0%
Total Plan Net Assets	**$30,499**	**$38,725**	**$40,908**	**-21.2%**	**-5.3%**

In order to determine whether Plan Net Assets will be sufficient to meet future obligations, the actuarial funding status needs to be calculated. 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 represent the actuarial present value of all future benefits expected to be paid for each member. The purpose of the valuation is to determine what future contributions by the members and the County of Los Angeles are needed to pay all expected future benefits.

LACERA's independent actuary, Milliman, Inc., performed an actuarial valuation as of June 30, 2008 and determined the Funded Ratio of the actuarial assets to the actuarial accrued liability is 94.5 percent. The actuarial valuation as of June 30, 2007 determined the Funded Ratio to be 93.8 percent. LACERA's investment returns were significantly less than the assumed rate of 7.75 percent. These investment losses for 2008 were offset by deferred gains from 2006 and 2007, which resulted in a relatively small net gain on actuarial assets. Additional investment losses that occurred in the second half of 2008, but are not included in the 2008 actuarial valuation, are likely to have a significant effect on future valuations.

Additions and Deductions to Plan Net Assets

The primary sources which finance the retirement benefits LACERA provides are investment income and the collection of member (employee) and employer retirement contributions. For fiscal year 2009, Total Additions amounted to a decline of $6.16 billion, due to negative investment performance with a total fund loss of 18.3 percent, net of fees. For fiscal year 2008, Total Additions amounted to a decline of $221 million, due primarily to negative investment performance with a total fund loss of 1.5 percent, net of fees.

To finance its contributions due LACERA, the County makes monthly cash payments and/or directs LACERA to transfer funds from its County Contribution Credit Reserve (CCCR). Employer contributions as reported reflect only cash payments received from the County. In 2009, the County funded approximately twelve months of contributions in cash. A small portion of the contributions due were paid from interest earnings. In 2008, the County funded approximately eleven and one-half months of contributions in cash. The County's contributions for the remaining one-half month were made through transfers from funds available in the CCCR for fiscal year 2008. The CCCR was established in 1994 pursuant to an agreement with the County under which the County issued pension obligation bonds and transferred the proceeds to LACERA to fully fund the pension plan.

The net investment loss for fiscal year 2009 was $7.41 billion, an increased loss of $5.98 billion or 419.5 percent from the prior year. LACERA's annualized total fund performance was a negative 18.3 percent, net of fees. Net investment loss for fiscal year 2008 was $1.43 billion, a decrease of $7.91 billion over prior year, or a change of 122 percent. Total fund performance was -1.5 percent, net of fees for the 2008 fiscal year. For further discussion, see the section titled Economic Factors and Interest Crediting.

The primary uses of LACERA's assets include the payment of benefits to members and their beneficiaries, the refund of contributions to terminated employees, and the cost of administering the plan. These deductions total $2.07 billion for fiscal year 2009, an increase of $104 million, or 5.3 percent from the prior year. For fiscal year 2008, these deductions total $1.96 billion, an increase of $125 million, or 6.8 percent from the prior year.

No pension assets were transferred to the Other Post-Employment Benefit (OPEB) Agency Fund in fiscal years 2009 and 2008.

The Boards of Retirement and Investments jointly approve the annual budget, which controls administrative expenses and represents approximately 0.16% of total Plan Net Assets. Traditionally, the County Employees Retirement Law of 1937 (CERL) has limited the annual administrative expense to eighteen-hundreds of one percent (0.18%)[1] of the total assets of the retirement system, plus an additional one-hundredth of one percent (0.01%) for the cost of legal representation. It is the intent of the Boards to remain within the appropriation limit established in the CERL, which the Boards have historically done.

[1]As of January 1, 2007, Section 31580.3 of the CERL, increased the amount from eighteen-hundredths of one percent (0.18%) to twenty-three hundredths of one percent (0.23%). The additional administrative expenses allowed include expenditures for software, hardware, and computer technology consulting services in support of that software or hardware. This increase shall remain in effect only until January 1, 2013, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2013, deletes or extends that date. LACERA's budget for fiscal year end June 30, 2009, was prepared and approved by the Boards based upon eighteen-hundredths of one percent (0.18%) under Section 31580.2 of the CERL.

Additions and Deductions to Plan Net Assets

For the Years Ended June 30, 2009, 2008, and 2007
(Dollars in Millions)

	2009	2008	2007	2009 - 2008 % Change	2008 - 2007 % Change
Contributions and Misc.	**$ 1,248**	$ 1,205	$ 1,101	3.6%	9.4%
Net Investment Income	**(7,408)**	(1,426)	6,487	419.5%	-122.0%
Total Additions/(Declines)	**(6,160)**	**(221)**	**7,588**	**2,687.3%**	**-102.9%**
Benefits and Refunds	**(2,016)**	(1,914)	(1,793)	5.3%	6.7%
Administrative Expense and Misc.	**(50)**	(48)	(44)	4.2%	9.1%
Total Deductions	**(2,066)**	**(1,962)**	**(1,837)**	**5.3%**	**6.8%**
Transfer to OPEB Agency Fund	—	—	(29)	0.0%	-100.0%
Net Increase/(Decrease)	**(8,226)**	(2,183)	5,722	276.8%	-138.2%
Net Assets at Beginning of Year	**38,725**	40,908	35,186	-5.3%	16.3%
Ending Plan Net Assets	**$30,499**	**$38,725**	**$40,908**	**-21.2%**	**-5.3%**

Economic Factors and Interest Crediting

The most important economic factor impacting LACERA is the investment return earned in the financial markets. On average over the past fifteen years, investment returns made up approximately 70 percent of the annual additions to the fund.

This fiscal year witnessed the culmination of the lack of investor confidence as the credit crisis deepened. Large financial institutions such as investment banks and insurance companies failed due to a "run on the bank." Unprecedented government intervention was required to prevent the entire financial system from collapsing. The total financial impact so far has been dramatic and widespread. LACERA was not immune. For the fiscal year, LACERA's total fund returned a negative 18.2 percent gross of fees, and a negative 18.3 percent net of fees, on an annualized basis.

LACERA credits interest semiannually on December 31 and June 30 to all contributions in the retirement plan which have been on deposit six months prior to such date. The Board's policy is to credit annual interest equal to the actuarial assumed earnings rate of 7.75 percent, equivalent to 3.875 percent semiannually, provided there is sufficient realized investment income to support that interest rate. The total fund's reported negative return is based on unrealized investment losses. There was sufficient realized investment income to credit the full interest for the period ending December 31, 2008, only.

Overall Analysis

As of June 30, 2009, LACERA's market value is $30.5 billion. This fiscal year's investment returns did not meet the actuarial assumed investment earnings rate of 7.75 percent. The loss will be recognized as a reduction to the actuarial funding ratio in the future during the actuarial asset-smoothing process.

Requests for Information

This financial report is designed to provide the Boards of Retirement and Investments, our membership, and other third parties with a general overview of LACERA's finances and to show accountability for the money it receives.

Address questions regarding this report, and/or requests for additional financial information, or for a copy of LACERA's Summary of Plan Provisions to:

Beulah S. Canevari, Manager
Financial & Accounting Services Division
LACERA
300 N. Lake Ave., Suite 720
Pasadena, CA 91101

Respectfully submitted,

Beulah S. Canevari

Beulah S. Canevari, CPA, CGFM
Manager, Financial & Accounting Services Division

Statement of Plan Net Assets

As of June 30, 2009 and June 30, 2008
(Dollars in Thousands)

	2009		2008	
	Pension Plan	OPEB Agency Fund	Pension Plan	OPEB Agency Fund
Assets				
Cash	$ 33,700	$ 387	$ 47,965	$ 278
Cash Collateral on Loaned Securities	1,219,067		2,322,698	
Receivables				
Contributions Receivable	112,479		82,562	
Accounts Receivable - Sale of Investments	765,240		792,047	
Accrued Interest and Dividends	103,110		132,306	
Accounts Receivable - Other	48,562	32,781	57,566	31,504
Total Receivables	1,029,391	32,781	1,064,481	31,504
Investments at Fair Value				
Domestic and International Equities	14,854,082		19,241,860	
Fixed Income	9,800,435	143,717	12,299,188	119,596
Private Equity	2,815,826		3,296,714	
Real Estate	3,057,774		3,996,568	
Commodities	389,940		638,575	
Total Investments	30,918,057	143,717	39,472,905	119,596
Total Assets	$33,200,215	$176,885	$42,908,049	$151,378
Liabilities				
Accounts Payable - Purchase of Investments	1,433,312		1,799,138	
Retiree Payroll and Other Payables	185	4	267	7
Accrued Expenses	26,113	321	36,302	118
Tax Withholding Payable	20,021		20,365	
Obligations under Securities Lending Program	1,219,067		2,322,698	
Accounts Payable - Other	2,536	32,843	4,608	33,267
Due to Employers		143,717		117,986
Total Liabilities	$ 2,701,234	$176,885	$ 4,183,378	$151,378
Net Assets Held in Trust for Pension Benefits	$30,498,981		$38,724,671	

(Schedules of Funding Progress are presented in the Required Supplementary Information in this Financial Section.)

The accompanying Notes are an integral part of these financial statements.

Statement of Changes in Pension Plan Net Assets

For the Years Ended June 30, 2009 and 2008
(Dollars in Thousands)

	2009	2008
Additions		
Contributions		
Employer	$ 831,671	$ 788,029
Member	415,545	414,752
Total Contributions	1,247,216	1,202,781
Investment Income		
From Investing Activities:		
Net Appreciation/(Depreciation) in Fair Value of Investments	(8,393,120)	(6,258,819)
Investment Income	1,073,730	4,929,295
Total Investing Activity Income/(Loss)	(7,319,390)	(1,329,524)
Less Expenses From Investing Activities	(104,603)	(114,183)
Net Investing Activity Income/(Loss)	(7,423,993)	(1,443,707)
From Securities Lending Activities:		
Securities Lending Income	38,753	122,531
Less Expenses From Securities Lending Activities:		
Borrower Rebates	(21,212)	(103,297)
Management Fees	(1,338)	(1,644)
Total Expenses from Securities Lending Activities	(22,550)	(104,941)
Net Securities Lending Income	16,203	17,590
Total Net Investment Income/(Loss)	(7,407,790)	(1,426,117)
Miscellaneous	1,221	1,767
Total Additions/(Declines)	(6,159,353)	(221,569)
Deductions		
Retiree Payroll	1,994,620	1,885,970
Administrative Expense	49,730	48,223
Refunds	20,356	25,588
Lump-Sum Death Benefits	1,388	1,714
Miscellaneous	243	371
Total Deductions	2,066,337	1,961,866
Net Increase/(Decrease)	(8,225,690)	(2,183,435)
Net Assets Held in Trust for Pension Benefits Beginning of Year	38,724,671	40,908,106
End of Year	$30,498,981	$38,724,671

The accompanying Notes are an integral part of these financial statements.

Note A — Plan Description

On January 1, 1938, the Los Angeles County Employees Retirement Association (LACERA) was established. It is governed by the California Constitution, the County Employees Retirement Law of 1937 (CERL), and the bylaws, procedures, and policies adopted by LACERA's Boards of Retirement and Investments. The Los Angeles County Board of Supervisors may also adopt resolutions, as permitted by the CERL, which may affect the benefits of LACERA members. LACERA operates as a cost-sharing multi-employer defined benefit plan for Los Angeles County and its affiliated Superior Court, plus four outside Districts: Little Lake Cemetery District, Local Agency Formation Commission, Los Angeles County Office of Education, and South Coast Air Quality Management District.

Membership

LACERA provides retirement, disability, and death benefits to its active safety and general members, and administers the plan sponsor's retiree health benefit program. (See Note N – Other Post-Employment Benefits.) Safety membership includes law enforcement (Sheriff and District Attorney Investigators), firefighting, forester, and lifeguard classifications. General membership is applicable to all other occupational classifications. The retirement benefits within the plan are tiered based on the service entry date. General members may elect membership in a non-contributory plan tier upon entry into service. Additional information regarding the benefit structure is included in the Summary of Plan Provisions which can be obtained by contacting LACERA's Financial & Accounting Services Division.

LACERA Membership

As of June 30, 2009 and 2008

	2009	2008
Active Members:		
Vested	64,490	63,760
Non-Vested	31,298	30,732
Total Active Members	**95,788**	**94,492**
Retired Members	53,069	52,350
Terminated Vested (Deferred)	8,051	11,834
Total Membership	**156,908**	**158,676**

Benefit Provisions

Vesting occurs when a member accumulates five years creditable service under contributory plans or accumulates ten years of creditable service under the general service non-contributory plan. Benefits are based upon 12 or 36 months average compensation, depending on the plan, age at retirement, and length of service as of the retirement date, according to applicable statutory formula. Service-connected disability benefits may be granted regardless of length of service consideration. Five years of service is required for nonservice-connected disability eligibility, according to applicable statutory formula. Members of the non-contributory plan who are covered under separate long-term disability provisions not administered by LACERA are not eligible for disability benefits provided by LACERA.

Cost-of-Living Adjustment (COLA)
Under provisions in the CERL, the Board of Retirement (BOR) shall, before April 1 each year, determine whether there has been an increase or decrease in the cost of living, as shown by the Bureau of Labor Statistics, Consumer Price Index (CPI) for All Urban Consumers for the area in which the county seat is situated, as of the preceding January 1. Effective April 1 of each year, the BOR must increase or decrease retirement and survivor allowances by a percentage of the total allowance to approximate to the nearest one-half of one percent, the percentage of annual increase or decrease in the cost of living as of the preceding January 1 for members and survivors who were retired prior to April 1. Plan A members may receive a 3.0 percent maximum increase; Plan B, C, and D members may receive a 2.0 percent maximum increase. Plan E members receive cost-of-living increases for service credit earned subsequent to June 4, 2002. Any CPI cost-of-living increase or decrease in any year, which is not met by the maximum annual change of 3.0 percent or 2.0 percent in allowances, will be accumulated to be met by increases or decreases in allowances for future years. The accumulated percentage carryover is known as COLA Accumulation.

STAR Program
In addition to cost-of-living increases, the CERL also provides the BOR authority to grant supplemental cost-of-living increases. Under this program, known as the Supplemental Targeted Adjustment for Retirees (STAR), excess earnings have been used to restore retirement allowances to 80 percent of the purchasing power held by retirees at the time of retirement. Except for Program Year 2005, the BOR made permanent the 2001 through 2009 STAR Programs at an 80 percent level as authorized in the CERL. There were no new retirees or beneficiaries entitled to additional STAR benefits for Program Year 2005 due to the modest CPI percentage increase and all eligible members had COLA Accumulation accounts below the 20 percent threshold for providing STAR benefits.

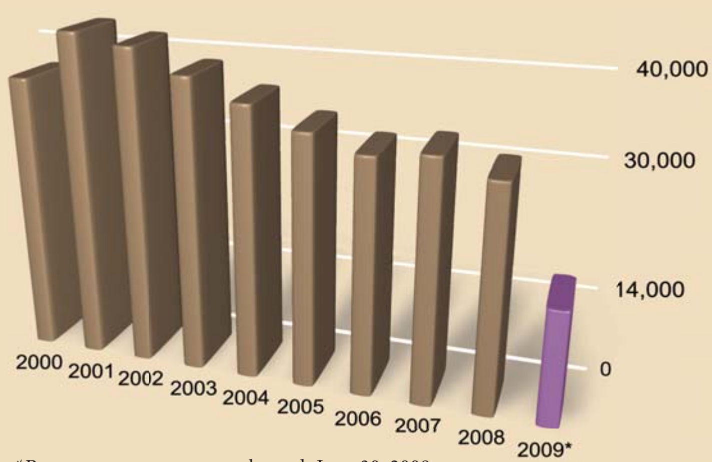
A permanent STAR benefit becomes part of the member's retirement allowance and is payable for life. Future ad hoc supplemental cost-of-living increases based on future increases in the CPI will be subject to approval by the BOR on an annual basis, as long as sufficient excess earnings are available as determined by the Board of Investments (BOI). Ad hoc STAR payments are only payable for the year approved.

Since the inception of the STAR Program in 1990 to present, the Program received $1.52 billion in funding (except for Program Year 2005). The STAR Program funded approximately $353 million when the BOR made permanent the 2001-2009 STAR Program benefits. As of June 30, 2009, there is $614

LACERA STAR COLA Program Cost as of June 2009

(Dollars in Thousands)

The STAR Program is administered on a calendar year basis. The following represents the STAR Program cost for the last ten years through June 30, 2009.



*Represents program year through June 30, 2009.

million available in the STAR Program Reserve to fund future benefits. Total STAR Program costs since inception equaled $824 million.

NOTE B — Summary of Significant Accounting Policies

Reporting Entity

LACERA, with its own governing boards, is an independent governmental entity separate and distinct from the County of Los Angeles (County). LACERA's Annual Financial Statements are included in the County's Annual Financial Report as a pension trust fund. Maintaining appropriate controls and preparing the financial statements are the responsibility of LACERA management, with oversight by LACERA's Internal Audit staff.

LACERA wholly owns numerous Title Holding Corporations (THCs) and Limited Liability Companies (LLCs). The THCs are nonprofit corporations under Section 501(c)(25) of the Internal Revenue Code (IRC). The LLCs do not have tax-exempt status, but their income is excludable from taxation under IRC, Section 115. The THCs invest in commercial properties located throughout the United States and the LLCs invest in hotels and office buildings. The financial activities of the THCs and LLCs are included in the accompanying financial statements as investments at fair value.

Method of Reporting

LACERA follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB). The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of LACERA. Member and employer contributions are recognized in the period in which the contributions are due, and benefits and refunds are recognized when payable in accordance with the terms of each benefit plan.

Capital Assets

In Fiscal Year 1999-2000, LACERA changed its policy on capital assets whereby new capital asset acquisitions are expensed instead of capitalized. Capital assets acquired prior to Fiscal Year 1999-2000 are carried at cost less accumulated depreciation. These assets are depreciated over their remaining useful lives. Depreciation is calculated using the straight-line method with five-year useful lives for equipment and ten years for furniture, structures, and leasehold improvements. As of June 30, 2005, all capital assets have been fully depreciated.

Accrued Vacation and Sick Leave

Employees who resign or retire from active employment are entitled to full compensation for all unused vacation and a percentage of their unused sick leave. The accrued vacation and sick leave balances for LACERA employees as of June 30, 2009 and 2008 were $2.52 million and $1.89 million, respectively.

Cash

Cash includes deposits with various financial institutions, the County trust fund, and international currency holdings, which have original maturities of less than 90 days, translated to U.S. dollars using the exchange rates in effect at June 30, 2009 and 2008.

Investments

Investments are carried at fair value. Fair values for investments are derived by various methods as indicated in the following table:

Investments	Source
Publicly traded securities and issues of the U.S. Government and its agencies	Most recent sales price as of the fiscal year-end. International securities reflect currency exchange rates in effect at June 30, 2009 and 2008.
Mortgages	Equivalent pricing comparable to GMAC's Wholesale Mortgage Lending Correspondent Rate Sheet.
Real estate equity funds	Fair value as provided by the real estate fund manager, based on review of cash flow, exit cap rates, and market trends; subject to independent third-party appraisal every two or three years. Investments under development are carried at cumulative cost until developed.
Real estate title holding corporations and limited liability companies	Fair value of the investment as provided by investment managers, subject to independent appraisals once every three years.
Private equity	Fair value as provided by the investment manager as follows: Private investments – valued by the General Partner giving consideration to financial condition and operating results of the portfolio companies, nature of investment, marketability, and other factors deemed relevant. Public investments – valued based on quoted market prices, less a discount, if appropriate, for restricted securities. Fair values are reviewed by LACERA's private equity consultant.
Private placement bonds	Face value of the security, subject to designated conditions such as sales restrictions or limited marketability.

There are certain market risks, credit risks, foreign currency exchange risks, liquidity risks, or event risks which may subject LACERA to economic changes occurring in certain industries, sectors, or geographies.

Dividend income is recorded on the ex-dividend date. Other investment income is recorded as earned on the accrual basis.

Use of Estimates

The preparation of the Plan's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Reclassifications

Comparative data for the prior year have been presented in the selected sections of the accompanying Statements of Plan Net Assets and Changes in Pension Plan Net Assets. Also, certain accounts presented in the prior year's data may have been reclassified to be consistent with the current year's presentation.

NOTE C — Contributions

The members and employers contribute to LACERA based on unisex rates recommended by an independent actuary and adopted by the Board of Investments (BOI) and the Los Angeles County Board of Supervisors. Contributory plan members are required to contribute between approximately 5 percent and 15 percent of their annual covered salary. Member and employer contributions received from the outside Districts are considered part of LACERA's Plan as a whole.

Participating employers are required to contribute the remaining amounts necessary to finance the coverage of their employees (members) through monthly or annual prefunded contributions at actuarially determined rates. Member rates for the contributory plan tiers are based upon age at entry to the system and plan enrollment. As a result of collective bargaining, member contribution rates for various plans have been reduced through additional employer contributions, known as a surcharge rate.

For fiscal year ending June 30, 2009, the County paid its employer contributions due to LACERA in the form of cash payments to cover approximately twelve months. A small portion of the contributions due was paid from interest earnings. For fiscal year ending June 30, 2008, the County paid its employer contributions due to LACERA in the form of cash payments to cover approximately eleven and one-half months. The County's contribution for the approximate remaining one-half month of the fiscal year was made from the County Contribution Credit Reserve (CCCR) and from interest earnings.

NOTE D — Reserves

The reserves represent the components of LACERA's net assets. Reserves are established from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses. The reserves do not represent the present value of assets needed, as determined by actuarial valuation, to satisfy retirements and other benefits as they become due. LACERA's major classes of reserves are as follows:

Member Reserves represent the balance of member contributions. Additions include member contributions and related earnings. Deductions include annuity payments to retirees, refunds to members, and related expenses.

Employer Reserves represent the balance of employer contributions for future retirement payments to current active members. Additions include contributions from employers and related earnings. Deductions include annuity payments to retired members, lump-sum death benefit payments to members' survivors, and supplemental disability payments.

For fiscal year 2008-2009, the County paid its employer contributions using a combination of cash payments and interest earnings. For fiscal year 2007-2008, the County paid its employer contributions using a combination of cash payments and transfers from the CCCR.

County Contribution Credit Reserve was created pursuant to the 1994 Retirement System Funding Agreement between LACERA and the County. Seventy-five percent (75%) of excess earnings in fiscal years 1995-1999 was deposited into the reserve. Deductions include payments, as the County authorizes, for current and future employer contributions due to LACERA.

STAR Reserve represents the balance of transfers from Contingency Reserve for future supplemental cost-of-living increases. Additions include transfers from the Contingency Reserve. Deductions include COLA payments to retirees and funding for permanent benefits. Except for Program Year 2005, the Board of Retirement (BOR) made permanent the 2001 through 2009 STAR Programs at an 80 percent level as authorized in the County Employees Retirement Law of 1937 (CERL). There were no new retirees or beneficiaries entitled to additional STAR benefits for Program Year 2005 due to the modest CPI percentage increase and all eligible members had COLA Accumulation accounts below the 20 percent threshold for providing STAR benefits.

Future ad hoc increases in the current STAR program will be subject to approval by the BOR on an annual basis, as long as sufficient excess earnings are available as determined by the BOI. Permanent STAR benefits become part of the member's retirement allowance and are payable for life. Ad hoc STAR benefits are payable only for the year approved.

Contingency Reserve represents reserves accumulated for future earning deficiencies, investment losses, and other contingencies. Additions include investment income and other revenues; deductions include investment expenses, administrative expenses, interest allocated to other reserves, and funding of the STAR Reserve when excess earnings are available and authorized by LACERA's Boards. The Contingency Reserve is used to satisfy the CERL requirement for LACERA to reserve against deficiencies in interest earnings in other years, losses on investments, and other contingencies. The CERL and the BOI's Actuarial Funding Policy provide the ideal reserve be set at 1.0 percent of assets. The balance of the Contingency Reserve of $15.3 million and $395 million represent 0.05 percent and 1.0 percent of the Fair Value of Total Investments for fiscal years ended June 30, 2009 and 2008, respectively.

Reserves

As of June 30, 2009 and 2008
(Dollars in Thousands)

	2009	2008
Member Reserves	**$13,168,255**	$12,827,695
Employer Reserves	**20,954,314**	20,732,940
County Contribution Credit Reserve	**470,710**	470,710
STAR Reserve	**614,011**	629,127
Contingency Reserve	**15,333**	394,721
Total Reserves at Book Value	**35,222,623**	**35,055,193**
Unrealized Investment Portfolio Appreciation/(Depreciation)	**(4,723,642)**	3,669,478
Total Reserves at Fair Value	**$30,498,981**	**$38,724,671**

NOTE E — Pension Actuarial Valuations

Pursuant to provisions in the County Employees Retirement Law of 1937 (CERL), LACERA engages an independent actuarial firm to perform an annual pension actuarial valuation. A pension system actuarial valuation is performed every three (3) years (i.e., triennial valuation). The economic and non-economic assumptions are updated at the time each triennial valuation is performed. Triennial valuations serve as the basis for changes in member contribution rates necessary to properly fund the pension plan. LACERA also hires an independent actuarial firm to audit the results of each triennial valuation. New assumptions were adopted by the Board of Investments (BOI) for the June 30, 2007 actuarial valuation based on the results of the 2007 triennial Investigation of Experience.

The information displayed below presents the funded status as of the most recent actuarial valuation. The Schedule of Funding Progress – Pension Plan in the Required Supplementary Information section immediately following the Notes to the Financial Statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability of benefits.

Funded Status as of the Most Recent Actuarial Valuation Date

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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)
June 30, 2008	$39,662,361	$41,975,631	$2,313,270	94.5%	$6,123,888	37.8%

Actuarial Methods and Significant Assumptions — Pension Plan

Actuarial Cost Method	Entry Age Normal Cost Funding Method
Actuarial Asset Valuation Method	Three-year smoothed method based on the difference between expected market value and actual market value of assets as of the valuation date. The expected market value, with three-year smoothing valuation basis for all assets, was adopted for the June 30, 2000 valuation.
Inflation Rate — Consumer Price Index (CPI)	3.50 percent This rate was adopted for the June 30, 2004 valuation.
Investment Return	7.75 percent Compounded annually, net of both investment and administrative expenses. This rate was adopted for the June 30, 2004 valuation.
Projected Salary Increases	4.26 percent to 10.24 percent The total expected increase in salary includes both merit and the general wage increase assumption of 4.0 percent per annum. The total result is compounded rather than additive. No increase in the number of members is assumed. These rates were adopted for the June 30, 2007 valuation.
Post-retirement Benefit Increases	Increase varies by plan. Regular Plan COLA is not greater than the CPI assumption. A supplemental COLA may be provided to certain members to limit the loss of purchasing power to no more than 20 percent. Post-retirement benefit increases of either 3.0 percent or 2.0 percent per year are assumed for the valuation in accordance with the benefits provided. These adjustments, which are based on the CPI, are assumed payable each year in the future as they are less than the expected increase in the CPI of 3.5 percent per year. This rate was adopted for the June 30, 2004 valuation. Plan E members receive a prorated post-retirement benefit increase of 2.0 percent for service credit earned after June 4, 2002. The portion payable is based on the member’s years of service earned after June 4, 2002 to the member’s total years of service. The portion of the full 2.0 percent increase not provided for may be purchased by the member.
Amortization Method and Period	Level percentage of projected payroll over a rolling (open) 30-year amortization period.

The latest actuarial valuation decreased the County normal cost rate from 10.16 percent to 10.09 percent primarily due to the asset gain, although this was somewhat offset by the higher than assumed salary increases. The County's required contribution rate to finance the UAAL over 30 years decreased from 2.24 percent to 1.99 percent. The result is a decrease in the required total contribution rate from the prior valuation of 0.32 percent, from 12.40 percent to 12.08 percent of payroll.

The current interim funding policy, in effect through the June 30, 2008 valuation only, provides that funds in the Contingency Reserve in excess of 1.0 percent of the actuarial value of assets shall be considered valuation assets. In any year in which the Funded Ratio is less than 100 percent prior to its inclusion, a portion of the STAR Reserve (to fund supplemental COLAs in the future) shall also be considered valuation assets. The portion of the STAR Reserve that is not available for treatment as valuation assets is the amount determined to be sufficient to guarantee the STAR benefits expected to become payable through July 1, 2009. Note that if the entire STAR reserve of $629 million were excluded from the Valuation Assets, the UAAL would increase by $614 million. Under this hypothetical scenario, the required County contribution rate would increase by 0.56 percent to 12.64 percent and the Funded Ratio would decrease by 1.5 percent to 93.0 percent. This interim funding approach is expected to be replaced with a long-term funding policy that will apply in performing the June 30, 2009 actuarial valuation of the pension plan.

NOTE F — Partial Annuitization of Benefit Payments

In January 1987, LACERA purchased two annuity contracts from insurance carriers to provide benefit payments to a portion of the retired members. Under the terms of the annuity contracts, LACERA continues to administer benefit payments to affected members and is reimbursed monthly by the carriers for the gross amount of benefits disbursed. LACERA received $33.0 million and $34.7 million in related reimbursements during each of the years ended June 30, 2009 and 2008, respectively. Such amounts are netted in the pension and annuity payments in the financial statements. There is no effect on covered members. Covered members retain all benefits accorded other LACERA members, including rights to continuance of benefits to survivors, insurance subsidies, and cost-of-living increases.

NOTE G — Deposit and Investment Risk Disclosure

The County Employees Retirement Law of 1937 (CERL) vests the Board of Investments (BOI) with exclusive control over LACERA's investment portfolio. The BOI established an Investment Policy Statement in accordance with applicable local, state, and federal laws. BOI members exercise authority and control over the management of LACERA's assets (the Pension Plan) by setting policy which the Investment Staff executes either internally or through the use of external prudent experts. The BOI oversees and guides the Pension Plan subject to the following basic fiduciary responsibilities:

- Solely in the interest of and for the exclusive purpose of providing economic benefits to participants and their beneficiaries.
- With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like objectives.
- Diversify the investments of the Pension Plan to minimize the risk of loss and to maximize the rate of return, unless under the circumstances, it is clearly prudent not to do so. Diversification is applicable to the deployment of the assets as a whole.

The Investment Policy Statement encompasses the following:

- U.S. Equity Investment Policy
- Non-U.S. Equity Investment Policy
- Private Equity Investment Policy
- Fixed Income Investment Policy
- Cash and Cash Equivalents Investment Policy
- Real Estate Investment Policy
- Commodities Investment Policy
- Corporate Governance Principles
- Derivatives Investment Policy
- Emerging Manager Policy
- Manager Monitoring and Review Policy
- Securities Lending Policy

Credit Risk
Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. LACERA seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class. To control Credit Risk, credit quality guidelines have been established.

The **Domestic Fixed Income Core Portfolios** must meet the following credit guidelines:

Credit Quality
A minimum of 90 percent of the portfolio must be invested in securities rated investment grade by the major credit rating agencies (Moody's, S&P, and Fitch).[1] In addition:

- Money market instruments must be rated at least A-1/P-1 or equivalent by at least one major credit rating agency.
- All rated securities, including Rule 144A securities, must be rated at least B- by Standard & Poor's or equivalent by at least one major credit rating agency at the time of purchase.
- Unrated issues may be purchased provided in the judgment of Manager, they would not violate LACERA's minimum credit quality criteria.
- In the event a portfolio holding is downgraded and no longer meets the aforementioned credit quality criteria, the manager will be required to immediately notify LACERA of the downgrade in writing. Manager shall make every effort to liquidate the security within **six** months. An update of the condition of the credit, as well as a hold/sell recommendation, shall be sent to LACERA on a monthly basis. On a case-by-case basis, LACERA may extend the holding period of a non-credit quality compliant security.
- Unrated issues and securities rated BBB+, BBB or BBB- (S&P) or equivalent, in combination, may represent up to 30 percent of the portfolio.

The **Domestic Fixed Income Core Plus Portfolios** must meet the following credit guidelines:

Credit Quality
A minimum of 80 percent of the portfolio must be invested in securities rated investment grade by the major credit rating agencies (Moody's, S&P, and Fitch).[1] In addition:

- Money market instruments must be rated at least A-1/P-1 or equivalent by at least one major credit rating agency.
- All rated securities, including Rule 144A securities, must be rated at least B- by Standard & Poor's or equivalent by at least one major credit rating agency at the time of purchase.
- Unrated issues may be purchased provided, in the judgment of Manager, they would not violate LACERA's minimum credit quality criteria.

[1] In cases where the credit ratings of the rating agencies differ, the methodology used to determine whether an issuer is investment grade will be based upon Barclays Capital index rules.

- In the event a portfolio holding is downgraded and no longer meets the aforementioned credit quality criteria, the manager will be required to immediately notify LACERA of the downgrade in writing. Manager shall make every effort to liquidate the security within **six** months. An update of the condition of the credit, as well as a hold/sell recommendation shall be sent to LACERA on a monthly basis. On a case-by-case basis, LACERA may extend the holding period of a non-credit quality compliant security.
- Unrated issues and securities rated BBB+, BBB or BBB- (S&P) or equivalent, in combination, may represent up to 30 percent of the portfolio.

The **Domestic High Yield Bond Portfolio** must meet the following credit guidelines:

Credit Quality
The Benchmark index consists exclusively of below investment-grade securities, so the overwhelming majority of investments held must be rated below investment grade by the major credit rating agencies (Moody's, S&P, and Fitch).[1] In addition, the following credit-related guidelines will apply:

- Money market instruments must be rated at least A-1/P-1 or equivalent by at least one major credit rating agency.
- At least 95 percent of all rated securities, including Rule 144A securities, must be rated at least B- by Standard & Poor's or equivalent by at least one major credit rating agency at the time of purchase.
- Consistent with the preceding requirement, a maximum of 5 percent of the portfolio may be invested in issues rated below B- by Standard & Poor's (or equivalent); however, these issues must be rated at least CCC by Standard & Poor's or Caa by Moody's.
- Unrated issues may be purchased provided in the judgment of the Manager, they would not violate LACERA's minimum credit criteria.
- In the event a portfolio holding is downgraded and no longer meets the aforementioned credit quality criteria, the Manager will be required to immediately notify LACERA of the downgrade in writing. The Manager shall make every effort to liquidate the security within **six** months. An update of the condition of the credit, as well as a hold/sell recommendation shall be sent to LACERA on a monthly basis. On a case-by-case basis, LACERA may extend the holding period of a non-credit quality compliant security.

[1] In cases where the credit ratings of the rating agencies differ, the methodology used to determine whether an issuer is investment grade will be based upon Barclays Capital index rules.

The following is a schedule of the credit quality ratings of investments in fixed income securities by a nationally recognized statistical rating organization.

Credit Quality Ratings of Investments in Fixed Income Securities

As of June 30, 2009
(Dollars in Thousands)

Quality Ratings	Fair Value
U.S. Treasuries, GNMA, SBA (Explicit Guarantee)	$ 864,043
AAA	701,791
AA	368,544
A	862,771
BAA	1,088,826
BA	506,603
B	481,009
CAA	193,434
CA	50,000
C	2,626
Not Rated	397,206
Total Credit Risk Fixed Income Securities	**$5,516,853**
U.S. Government Agencies (Implicit Guarantee)* (FNMA, FHLB, FHLMC, FFCB, SLMA, Other)	2,352,236
Pooled Funds (Not Rated)	907,614
Total Investments in Fixed Income Securities**	**$8,776,703**

*Credit ratings generally not available by Moody's and S&P's.

**Short-term Investments and Mortgages are excluded from this presentation.

Custodial Credit Risk

LACERA's contract with its primary custodian (Bank) provides the Bank may hold securities of LACERA registered in the Bank's or its Agent's nominee name, in bearer form, book entry form, a clearing house corporation, or a depository, so long as the Bank's records clearly indicate the securities are held in custody for LACERA's account. The Bank may also hold securities in custody in LACERA's name when required by LACERA. When held in custody by the Bank, the securities are not at risk of loss in the event of the Bank's financial failure, because the securities are not property (assets) of the Bank. Cash invested overnight in the Bank's depository accounts is subject to the risk that in the event of the Bank's failure, LACERA might not recover all or some of its deposits. This risk is mitigated when the overnight deposits are insured or collateralized. LACERA's policy as incorporated in its current contract with the Bank requires the Bank to certify it has taken all steps to assure all LACERA monies on deposit with the Bank are eligible for and covered by "pass-through insurance," in accordance with applicable law and FDIC rules and regulations. The steps taken by the Bank include paying deposit insurance premiums when due, maintaining a "prompt corrective action" (PCA) capital category of "well capitalized," and identifying on the Bank's records that it acts as a fiduciary for LACERA with respect to the monies on deposit. In addition, the Bank is required to provide evidence of insurance and to maintain a Financial Institution Bond which will cover the loss of money and securities with respect to any and all property which the Bank or its agents hold in or for LACERA's account, up to the amount of the bond. To implement certain investment strategies in a cost-effective manner, some of LACERA's assets are invested in investment managers' pooled vehicles. The securities in these vehicles may be held by a different custodian.

Counterparty Risk
Counterparty Risk for investments is the risk that in the event of the failure of the counterparty to complete a transaction, LACERA would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk
As of June 30, 2009, LACERA did not hold any investments in any one issuer that would represent five percent (5%) or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

Interest Rate Risk
Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

To manage Interest Rate Risk, the modified adjusted duration of the Domestic Fixed Income Core, Core Plus, and High Yield Portfolios are restricted to +/- 25% of their respective portfolio's benchmark's duration. Deviations from any of the stated guidelines require prior written authorization from LACERA.

The following is a schedule of fixed income securities and duration by investment type.

Fixed Income Securities — Duration

As of June 30, 2009
(Dollars in Thousands)

Investment Type	Fair Value	Modified Duration
U.S. Government and Agency Instruments:		
U.S. Treasury	$ 938,786	6.06
U.S. Government Mortgages	2,242,366	3.22
Municipal/Revenue Bonds	35,126	11.81
Subtotal U.S. Government and Agency Instruments	**$ 3,216,278**	
Corporate Securities:		
Asset-Backed Securities	$ 199,179	2.01
Commercial Mortgage-Backed Securities	650,608	2.95
Corporate and Other Credit	3,047,123	5.16
Fixed Income Swaps	60,788	6.87
Pooled Investments	907,614	N/A
Other Fixed Income	83,722	N/A
Subtotal Corporate Securities	**$ 4,949,034**	
International Fixed Income	$ 46,288	8.08
Private Placement Fixed Income	565,103	4.28
Total Fixed Income Securities*	**$ 8,776,703**	

*Short-term Investments and Mortgages are excluded from this presentation.

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. LACERA's authorized managers are permitted to invest in approved countries or regions, as stated in their respective investment guidelines.

The following schedule represents LACERA's exposure to Foreign Currency Risk in U.S. dollars.

International Investment Securities at Fair Value

As of June 30, 2009
(Dollars in Thousands)

Currency	Equity*	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Total
Argentine Peso	$ 1,173				$ 1,173
Australian Dollar	293,929	$ 11,175	$ 10,611	$ 2,386	318,101
Brazilian Real	144,177	11,155	129		155,461
British Pound Sterling	890,554	3,274	673	19,441	913,942
Canadian Dollar	449,389	8,897	557		458,843
CFA Franc (W. African)	1,173				1,173
Chilean Peso	15,493				15,493
Chinese RNB	18,717				18,717
Columbian Peso	22,872				22,872
Czech Republic Koruna	4,958				4,958
Danish Krone	40,814		214		41,028
Egyptian Pound	13,333				13,333
Euro	1,428,068	3,431	696	39,035	1,471,230
Ghanaian Cedi	216				216
Hong Kong Dollar	342,705		1,258	25,169	369,132
Hungarian Forint	6,100				6,100
Iceland Krona		1,425	153		1,578
Indian Rupee	87,969				87,969
Indonesian Rupiah	31,646				31,646
Israeli Shekel	19,630				19,630
Japanese Yen	1,064,615		2,503	16,126	1,083,244
Kazakhstan Tenge	404				404
Kenyan Shilling	1,106				1,106
Malaysian Ringgit	29,071		193		29,264
Mexican Peso	75,932	6,931	11		82,874
Morocco Dirham	1,371				1,371
New Turkish Lira	32,366		188		32,554

*LACERA is invested in several international equity commingled funds. This means LACERA owns units of a commingled fund and the fund holds the actual securities and/or currencies. The values shown are based on LACERA's pro rata portion of commingled fund holdings.

International Investment Securities at Fair Value — continued

As of June 30, 2009
(Dollars in Thousands)

Currency	Equity*	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Total
New Zealand Dollar	$ 4,427		$ 26		$ 4,453
Nigerian Naira	4,020				4,020
Norwegian Krone	37,541		449		37,990
Pakastani Rupee	979				979
Peruvian Nuevo Sol	2,806				2,806
Philippine Peso	9,242				9,242
Polish Zloty	9,780		435		10,215
Russian Ruble	77,483				77,483
Singapore Dollar	111,920		5,835	$ 7,887	125,642
South African Rand	91,361		136		91,497
South Korean Won	118,996		216		119,212
Sri Lankan Rupee	2,200				2,200
Swedish Krona	101,916		358	245	102,519
Swiss Franc	313,557		631		314,188
Taiwan Dollar	81,384				81,384
Thailand Baht	16,918		5	1,755	18,678
UAE Dirham	1,005				1,005
Zambian Kwacha	201				201
Total Securities Subject to Foreign Currency Risk	**$6,003,517**	**$46,288**	**$25,277**	**$112,044**	**$6,187,126**
U.S. Dollar (Securities held by International Managers)	90,158				90,158
Total International Investment Securities	**$6,093,675**	**$46,288**	**$25,277**	**$112,044**	**$6,277,284**

*LACERA is invested in several international equity commingled funds. This means LACERA owns units of a commingled fund and the fund holds the actual securities and/or currencies. The values shown are based on LACERA's pro rata portion of commingled fund holdings.

NOTE H — Securities Lending Program

The Board of Investment's (BOI) policies authorize LACERA to participate in a securities lending program. Securities lending is an investment management activity that mirrors the fundamentals of a loan transaction. Securities are lent to brokers and dealers (borrower) and in turn, LACERA receives cash as collateral. LACERA pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower. Earnings generated above and beyond the interest paid to the borrower represent the net income to LACERA from the transaction.

LACERA's securities lending program is managed by one principal borrower, Goldman Sachs (Goldman) and two agent lenders, BNY Mellon Global Securities Lending (BNY Mellon) and Wachovia Global Securities Lending (Wachovia). Goldman has exclusive rights to borrow LACERA's domestic equities and corporate bonds. In exchange for these rights, Goldman pays LACERA an annual guarantee fee. Under this exclusive borrowing arrangement, Goldman's loans are secured by collateral with a market value of at least 102 percent of the borrowed securities. BNY Mellon Cash Investment Strategies (formerly known as Standish Mellon) invests collateral received from Goldman in short-term debt and money market instruments. Wachovia lends LACERA's domestic treasury, agency, and mortgage-backed securities which are initially collateralized at 102 percent of the loan market value. The market value of the collateral is marked-to-market daily, and additional collateral is required if the market value falls below the maintenance margin. Wachovia invests the collateral it receives on loans in short-term highly liquid instruments. BNY Mellon lends LACERA's international equities. International loans are 105 percent collateralized and are marked-to-market on a daily basis. BNY Mellon collateral is reinvested in its commingled fund. The income earned from investments made by Wachovia and BNY Mellon is split between LACERA and the lending agent, based on contractual agreements.

At year-end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2009, there were no violations of legal or contractual provisions. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the years ended June 30, 2009 and 2008.

Under the terms of their lending agreements, BNY Mellon and Wachovia have agreed to hold LACERA harmless for borrower default from the loss of securities or income or from any litigation arising from these loans. The terms of Goldman's lending agreement entitle LACERA to terminate all loans upon the occurrence of default and purchase a like amount of "replacement securities." In the event the purchase price of replacement securities exceeds the amount of collateral, Goldman shall be liable to LACERA for the amount of such excess, with interest. Either LACERA or the borrower can terminate all loans on securities on demand.

As of June 30, 2009, the fair value of securities on loan was $1.17 billion with the value of cash collateral received for the securities on loan of $1.22 billion and no non-cash collateral. As of June 30, 2008, the fair value of securities on loan was $2.25 billion with the value of cash collateral received for the securities on loan of $2.32 billion and no non-cash collateral. LACERA's income net of expenses from securities lending was $16.2 million and $17.6 million for the years ended June 30, 2009 and 2008, respectively.

The following securities were on loan and cash collateral received.

Securities Lending

As of June 30, 2009
(Dollars in Thousands)

Securities on Loan	Market Value of Securities on Loan	Cash Collateral Received
U.S. Government and Agencies, and Mortgage-Backed Securities	$ 716,431	$ 727,929
Domestic Equities	282,509	290,718
Domestic Corporate Fixed Income	98,413	119,878
International Equities	76,130	80,542
Total	**$1,173,483**	**$1,219,067**

NOTE I — Derivative Financial Instruments

The Board of Investment's (BOI) Investment Policy Statement and Manager Guidelines allow the use of derivatives by certain investment managers. Derivatives are financial instruments that derive their value, usefulness, and marketability from an underlying instrument which represents direct ownership of an asset or an obligation of an issuer. Managers are required to mark-to-market derivative positions daily and may only trade with counterparties with a credit rating of A3/A- as defined by Moody's and Standard & Poor's, respectively. Substitution, risk control, and arbitrage are the only derivative strategies permitted; speculation is prohibited. The following types of derivatives are permitted: futures contracts, currency forward contracts, options, and swaps. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Gains and losses from derivatives are included in net investment income. LACERA requires managers to 100 percent collateralize all derivative positions with cash and/or cash equivalents so the positions are not leveraged.

Futures Contracts

A futures contract represents an agreement to buy (long position) or sell (short position) an underlying asset at a specified future date for a specified price. Payment for the transaction is delayed until a future date, which is referred to as the settlement or expiration date. Futures contracts are standardized contracts traded on organized exchanges.

LACERA held the following futures contracts.

Futures Contracts

As of June 30, 2009
(Dollars in Thousands)

Description	Exposure
Long — Cash and Cash Equivalents	$772,955
Long — Commodities	146,538
Long — Fixed Income	135,947
Short — Cash and Cash Equivalents	(234,391)
Total	**$821,049**

Forward Contracts

A forward contract represents an agreement to buy or sell an underlying asset at a specified date in the future at a specified price. Payment for the transaction is delayed until the settlement or expiration date. A forward contract is a non-standardized contract that is tailored to each specific transaction. Forward contracts are privately negotiated and are intended to be held until the settlement date. Currency forward contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions.

LACERA held the following forward contracts.

Forward Contracts

As of June 30, 2009
(Dollars in Thousands)

Description	Amount
Foreign Exchange Contracts Receivable	$ 96,571
Foreign Exchange Contracts Payable	$(97,991)

Option Contracts

An option contract is a type of derivative security in which a buyer (purchaser) has the right, but not the obligation, to buy or sell a specified amount of an underlying security at a fixed price by exercising the option before its expiration date. The seller (writer) has an obligation to buy or sell the underlying security if the buyer decides to exercise the option.

LACERA held the following option contracts.

Option Contracts

As of June 30, 2009
(Dollars in Thousands)

Option Type	Asset Type	Fair Value
Purchased Call Options	Fixed Income	$2,534
Purchased Call Options	Commodities	143
Written Call Options	Cash and Cash Equivalents	(14)
Written Call Options	Equity	(151)
Written Call Options	Commodities	(3)
Written Put Options	Cash and Cash Equivalents	(6)
Written Put Options	Fixed Income	(386)
Written Put Options	Commodities	(18)
Total		**$2,099**

Swap Agreements

A swap is an agreement between two or more parties to exchange a sequence of cash flows over a period of time in the future. No principal is exchanged at the beginning of the swap. The cash flows the counterparties exchange are tied to a "notional" amount. A swap agreement specifies the time period over which the periodic payments will be exchanged. The Fair Value represents the gains or losses as of the prior marking-to-market.

LACERA held the following swap agreements.

Swap Agreements

As of June 30, 2009
(Dollars in Thousands)

Description	Number of Agreements	Notional Amount	Fair Value
Interest Rate Swap	35	$ 818,607	$ 14,605
Credit Default Swaps	53	205,759	(12,341)
Commodities Swaps	21	223,128	(2,479)

NOTE J — Title Holding Corporations and Limited Liability Companies

The LACERA real estate portfolio includes 81 Title Holding Corporations (THCs) and 18 Limited Liability Companies (LLCs) and 80 THCs and 15 LLCs as of June 30, 2009 and 2008, respectively.

The following is a summary of the THCs' and LLCs' financial position.

Title Holding Corporations' and Limited Liability Companies' Financial Position

As of June 30, 2009 and 2008
(Dollars in Thousands)

	2009	2008
Assets	**$3,609,802**	$4,550,991
Less: Liabilities	**876,005**	838,301
Net Assets	**$2,733,797**	**$3,712,690**
Net Income	**$ 173,725**	**$ 195,655**

NOTE K — Related Party Transactions

Office Lease

LACERA, as the sole shareholder, formed a Title Holding Corporation (THC) to acquire Gateway Plaza. In January 1991, LACERA entered into its original lease agreement with the THC to occupy approximately 85,000 square feet. Under the terms of the agreement, LACERA's base rent is abated via a "base rent credit." However, LACERA is required to pay its proportionate share of the building's taxes and operating costs as defined in the lease.

Subsequent to the original lease agreement, several amendments have been entered into that adjusted the rentable square footage and lease expiration dates. The latest is the Tenth Amendment to the Office Lease dated September 2, 2008, leasing a total of approximately 96,000 rentable square feet of space, and maintaining the lease's existing expiration date of December 31, 2015. LACERA has two five-year options to further extend the terms of the lease. A new Tenant Improvement Allowance of $543,000 was provided for the construction of permanently affixed improvements to the premises.

Total operating expenses charged to LACERA was approximately $1.13 million for the years ended June 30, 2009 and 2008.

Notes Receivable

LACERA has notes receivable of approximately $43.0 million from three of its THCs as of fiscal year-end June 30, 2009. LACERA had notes receivables of approximately $52.2 million from two of its THCs as of June 30, 2008. These amounts are reflected in the Accounts Receivable-Other balance for both years.

Guaranty of Unsecured Line of Credit

LACERA invests in a housing program called TriPacific Residential Investors-One, LLC (TRIO) which provides mezzanine financing to builders of single-family housing. TRIO is the successor to Lowe Enterprises Residential Investors (LERI). LACERA is a 99.0 percent investor in TRIO, and the 1.0 percent managing member is TriPacific Capital Advisors. TRIO/LERI has an unsecured line of credit with various lenders. The aggregate principal balance of the unsecured line of credit outstanding as of June 2009 was $200 million. The interest rate for the outstanding balance is LIBOR plus a spread. The line of credit is payable on May 30, 2010. LACERA has agreed to guarantee payment of this unsecured line of credit. The guaranty is not reflected on LACERA's financial statements. The Board of Investments has authorized LACERA to guarantee up to $300 million of TRIO/LERI's unsecured line of credit debt. Subsequent to June 30, 2009, TRIO/LERI obtained an additional $40 million line of credit, which LACERA also agreed to guarantee.

NOTE L — Administrative Expenses

The LACERA Boards of Retirement and Investments annually adopt the operating budget for the administration of LACERA. The administrative expenses are charged against the earnings of the retirement fund and are limited to eighteen-hundredths of one percent (0.18%)[1] of total system assets, as set forth Section 31580.2 of the County Employees Retirement Law of 1937 (CERL). In addition, the cost of legal representation shall not exceed one-hundredth of one percent (0.01%) of system assets in any budget year, pursuant to Section 31529.1.

[1]As of January 1, 2007, Section 31580.3 of the CERL, increased the amount from eighteen-hundredths of one percent (0.18%) to twenty-three hundredths of one percent (0.23%). The additional administrative expenses allowed include expenditures for software, hardware, and computer technology consulting services in support of that software or hardware. This increase shall remain in effect only until January 1, 2013, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2013, deletes or extends that date. LACERA's budget for fiscal year end June 30, 2009, was prepared and approved by the Boards based upon eighteen-hundredths of one percent (0.18%) under Section 31580.2 of the CERL.

The following budget-to-actual analysis of administrative expenses is based upon the budget, as approved by the governing boards, and reflects actual administrative expenses.

Budget-to-Actual Analysis of Administrative Expenses

As of June 30, 2009 and 2008
(Dollars in Thousands)

	2009	2008
Total Projected Asset Base at Fair Value	**$43,909,015**	$40,409,684
Maximum Allowable for Administrative Expense (0.18%)	**79,036**	72,737
Maximum Legal Representation Appropriation (0.01%)	**4,391**	4,041
Total Statutory Budget Appropriation	**$ 83,427**	**$ 76,778**
Operating Budget Request	**53,747**	53,046
Actual Administrative Expenses	**49,730**	48,223
Underexpended Operating Budget	**$ 4,017**	**$ 4,823**

NOTE M — Commitments and Contingencies

Litigation

LACERA is a defendant in various lawsuits and other claims arising in the ordinary course of its operations. LACERA's management and legal counsel estimate the ultimate outcome of such litigation will not have a material effect on LACERA's financial statements.

Local 1014 Case - This matter involves a dispute over the classification of approximately 500 former Fire Control Laborers who were classified by the County as temporary employees for a period of time, and thus not eligible for membership in LACERA.

Most Fire Control Laborers were reclassified as permanent County firefighters by 1994, which made most of them eligible for membership in LACERA Safety Plan B. They have argued they should have been reclassified as of their temporary hire dates, which would have given them more favorable retirement benefits. LACERA filed a declaratory relief action on February 9, 2001 to resolve the dispute. Shortly thereafter, a group of approximately 150 former Fire Control Laborers intervened on their own behalf and filed a class action cross-complaint raising related issues. A class was subsequently certified. The class action alleges, among other things, a breach of fiduciary duty against LACERA.

A judgment incorporating a settlement of class member claims was entered on March 1, 2006, and is now final. Under the judgment, the Fire Control Laborers will receive permanent service credit for their temporary time, provided they deposit with LACERA the applicable employee contributions plus interest. The employer's portion of the contributions will constitute an unfunded actuarial accrued liability (UAAL), which will be recovered by assessing additional employer contributions.

On September 13, 2006, the Court awarded plaintiffs' counsel attorneys' fees and costs in the amount of $4,923,526, which LACERA was ordered to pay to class counsel within 30 days of the September 13th hearing. Additionally, LACERA was ordered to set aside attorneys' fees in an amount subject to proof, but not to exceed $762,500, covering attorneys' fees incurred after September 13, 2006 in connection with implementation of the judgment. Fees and costs were awarded on a common fund basis, which provides such fees and costs will be allocated against each participating class member's recovery.

On February 21, 2007, the court entered judgment on class counsel's motion for attorneys' fees and costs, which class counsel subsequently appealed. Following a court-ordered mediation on June 18, 2007, the parties reached a tentative settlement agreement that provides for LACERA to assume a portion of the attorneys' fees and costs paid to (and set aside for) class counsel in exchange for dismissal of the appeal. Under the terms of the settlement, which was approved by the Board of Retirement (BOR) on September 13, 2007, LACERA will recover approximately $3.6 million of the nearly $5.7 million it has already paid out and set aside for class counsel. Thus, LACERA will assume as much as $2.1 million of the attorneys' fees award. This portion assumed by LACERA will be handled through inclusion in the UAAL.

The terms of the settlement also call for class counsel to obtain releases from each of the class members. The settlement became final in November 2007 after class counsel obtained a sufficient number of releases (slightly less than 100 percent of all class members), and LACERA agreed to waive this contingency. On November 15, 2007, class counsel filed a formal request for dismissal of the appeal, which was approved. Staff continues to work on implementing the settlement for all eligible class members.

Securities Litigation - In 2001, the Board of Investments (BOI) adopted a Securities Litigation Policy in response to growing incidents of corporate corruption and fraud. The policy requires LACERA's Legal Office to monitor securities fraud class actions and to actively pursue recovery of LACERA's losses.

Compliance with the Securities Litigation Policy assures the BOI, with the assistance of the LACERA Legal Office, will continue to aggressively protect the financial interests of LACERA members.

Emergency Line of Credit

The County Employees Retirement Law of 1937 (CERL) allows the BOI to obtain a loan, and pledge assets as collateral, for the purpose of delivering benefits when due in the event of an emergency. In order to make a draw on the loan, the BOI would need to find all of the following circumstances:

(a) An emergency exists affecting the national banking system or financial markets;
(b) The emergency prevents the association from readily accessing its funds;
(c) The loan is necessary to promptly deliver benefits when due.

Currently LACERA has a Revolving Credit Agreement with Bank of New York (BNY) Mellon for a Commitment Amount of $182 million that would be available if the BOI found the circumstances described above. LACERA is required to maintain eligible assets as collateral in a pledged account valued at 115 percent of the Commitment Amount. The current agreement expires on November 6, 2009.

Guaranty of Unsecured Line of Credit

LACERA invests in a housing program called TriPacific Residential Investors-One, LLC (TRIO) which provides mezzanine financing to builders of single-family housing. TRIO is the successor to Lowe Enterprises Residential Investors (LERI). LACERA is a 99.0 percent investor in TRIO; the 1.0 percent managing member is TriPacific Capital Advisors. TRIO/LERI has an unsecured line of credit with various lenders. The aggregate principal balance of the unsecured line of credit outstanding as of June 2009 was $200 million. The interest rate for the outstanding balance is LIBOR plus a spread. The line of credit is payable on May 30, 2010. LACERA has agreed to guarantee payment of this unsecured line of credit. The guaranty is not reflected on LACERA's financial statements. The BOI has authorized LACERA to guarantee up to $300 million of TRIO/LERI's unsecured line of credit debt. Subsequent to June 30, 2009, TRIO/LERI obtained an additional $40 million line of credit, which LACERA also agreed to guarantee.

Leases

LACERA leases equipment under lease agreements that expire over the next five years. The annual commitments under such equipment leases were approximately $277,000 and $308,000 in fiscal years 2009 and 2008, respectively. The building space lease agreement entered in January 1991, and subsequently amended to include additional rentable square footage and termed to expire on December 31, 2015, requires LACERA to pay a portion of the building's operating expenses based on square footage occupied as discussed in Note K – Related Party Transactions.

Total rent expense for all leases was $1.40 million and $1.44 million in fiscal years 2009 and 2008, respectively.

Capital Commitments

LACERA real estate, private equity, and activist investment managers identify and acquire investments on a discretionary basis. Each manager's investment activity is controlled by the Manager Investment Plan, which identifies the limitations on each manager's discretion. Such investment activities are further restricted by the amount of capital allocated or committed to each manager. Both the Manager Investment Plan and capital commitments are subject to approval by the BOI and may be updated as often as necessary to reflect LACERA investment preferences, as well as changes in market conditions.

As of June 30, 2009, outstanding capital commitments to the various investment managers, as approved by the BOI, totaled $2.58 billion. Subsequent to June 30, 2009, LACERA funded $129 million of these capital commitments.

Note N — Other Post-Employment Benefits (OPEB)

Plan Description

In April 1982, the County of Los Angeles (County) adopted an ordinance pursuant to the County Employees Retirement Law of 1937 (CERL) which provided for a health insurance program and death benefits for retired employees and their dependents. In 1994, the County amended the agreement to continue to support LACERA's retiree insurance benefits program, regardless of the status of active member insurance.

LACERA administers a cost-sharing multiple-employer defined benefit Other Post-Employment Benefit (OPEB) Plan on behalf of the County, including its outside Districts, and the Superior Court. The County's outside Districts include Little Lake Cemetery District, Local Agency Formation Commission, Los Angeles County Office of Education, and the South Coast Air Quality Management District. This OPEB Plan is presented in the Statement of Plan Net Assets as the OPEB Agency Fund.

Membership

Employees are eligible for the OPEB Plan if they are a member of LACERA and retire from the County, outside Districts, or the Superior Court. Health care benefits are also offered to qualifying survivors of: (a) deceased retired members and (b) deceased active employees, who are eligible to retire at the time of death. Receipt of a pension benefit is a prerequisite for retiree health care and death benefits; therefore, all eligibility and qualifications applicable to pension benefits also apply to retiree health care and death benefits.

Summary of Participating Retired Members, Spouses, and Dependents

OPEB Actuarial Valuation —July 1, 2008

Plan Type	Retirees and Survivors	Spouses and Dependents	Total
Medical	40,444	21,082	61,526
Dental/Vision	40,628	21,801	62,429
Death Benefit	45,023	N/A	45,023

Benefit Provisions

The OPEB Plan offers members an extensive choice of medical plans, as well as two dental/vision plans. The medical plans are either HMOs or indemnity plans, and some are designed to work with Medicare benefits, such as the Medicare supplement or Medicare HMO plans.

Medical/Dental/Vision - The participant's cost for medical, dental/vision insurance varies according to the years of retirement service credit with LACERA, the plan selected, and number of persons covered. The County contribution subsidizing the participant's cost starts from 40 percent of the benchmark plan rate (Blue Cross Plans I and II) for ten years of service credit. For each year of retirement service credit beyond ten years, the County contributes an additional 4.0 percent per year, up to a maximum of 100 percent for a member with 25 years of service credit. The County contribution can never exceed the premium of the benchmark plan.

Medicare Part B - The member's base rate premiums paid to Social Security for Part B coverage are reimbursed by the County, subject to annual approval by the County Board of Supervisors. Eligible members must be enrolled in both Medicare Part A and Medicare Part B, plus be enrolled in a LACERA-administered Medicare Advantage plan or Medicare supplement plan.

Disability - If a member is granted a service-connected disability retirement and has less than 13 years of service, the County contributes 50 percent of the lesser of the benchmark plan rate or the premium of the plan in which the retiree is enrolled. A member with 13 years of service credit receives a 52 percent subsidy; this percentage increases 4.0 percent for each additional completed year of service credit.

Death Benefit - There is a one-time lump-sum $5,000 death benefit payable to the designated beneficiary upon the death of a retiree. Active and vested terminated (deferred) members are eligible for this benefit once they retire. Spouses and dependents are not eligible for this death benefit upon their death.

Summary of Significant Accounting Policies

Basis of Presentation - The OPEB Agency Fund is presented according to the principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB). This Agency Fund accounts for assets held as an agent on behalf of others. This fund is custodial in nature and does not measure the results of operations. Assets and liabilities are recorded using the accrual basis of accounting. Receivables include contributions due as of the reporting date. Payables include premium payments and refunds due to members and accrued investment and administrative expenses.

Investment Valuation - Investments are carried at fair value. Fair values for investments are derived from quoted market prices. For publicly traded stocks and bonds and issues of the U.S. government and its agencies, the most recent sales price as of fiscal year-end is used.

Contributions

Authority - Pursuant to the 1982 and 1994 Agreements between the County and LACERA, the parties agreed to the continuation of the health benefits then in existence. The County agreed to subsidize a portion of the insurance premiums of retired members and their dependents based on the member's length of service. The County further agreed not to decrease or eliminate benefits provided under such insurance programs. LACERA agreed not to lower retired members' contributions toward insurance premiums or increase medical benefit levels without the consent of the County.

Funding Policy and Contributions - In fiscal year 1997, the County and LACERA entered into an agreement establishing a health care funding account pursuant to Section 401(h) of the Internal Revenue Code. Section 401(h) permits the establishment of a separate account (a "401(h) account") to fund retiree health care benefits, and limits contributions to the 401(h) account to 25 percent of aggregate contributions to LACERA.

Plan net assets are not held in trust for OPEB. For fiscal year 2008-09, the health care premiums were billed to the County and members on a monthly basis. The County has historically discharged its premium subsidy obligations on a pay-as-you-go basis. Participants are charged a monthly administrative fee of $3.00 to cover the costs of administering the OPEB Plan. Internal cost allocations among the County agencies, including the Superior Court, have historically been based on the number of active employees.

During fiscal year ending June 30, 2009, $379 million in premium payments were made to insurance carriers. These payments were funded by employer subsidy payments of $343 million and $35.6 million by the participants. In addition, the County paid $31.6 million in Medicare Part B reimbursements and $7.0 million in death benefits.

Employer Disclosures

Participating employers, upon their implementation of the related GASB Statement No. 45, are required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used to prepare the valuation.

OPEB Actuarial Valuation

The Los Angeles County OPEB Program actuarial valuation was conducted by Milliman, Inc. as of July 1, 2008. The valuation was performed in accordance with GASB Statement Nos. 43 and 45 requirements at the request of the County to satisfy financial statement reporting guidelines that apply to the sponsoring employers and organizations that administer the benefits program. The reporting guidelines are intended to improve cost disclosures and do not require any funding arrangements. The valuations are conducted at least every two years. The next actuarial valuation will be conducted as of July 1, 2010.

Funded Status as of the Most Recent Actuarial Valuation Date

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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)
July 1, 2008	—	$21,863,600	$21,863,600	0%	$6,123,888	357.0%

*Using the Projected Unit Credit method of valuation.

Disclosure of Information about Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The required Schedule of Funding Progress immediately following the Notes to the Financial Statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Actuarial Methods and Assumptions — OPEB Plan

Where applicable, the same actuarial assumptions used for the LACERA Pension Plan are used for the Los Angeles County OPEB Plan, which is administered by LACERA. The following table summarizes the primary OPEB-related assumptions.

Actuarial Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Not applicable
Inflation Rate	3.5 percent per annum

Actuarial Methods and Assumptions — OPEB Plan continued

Investment Return

5.0 percent

Projected Salary Increases

4.0 percent
The general wage increase assumption is 4.0 percent per annum, which is used for projecting the total future payroll. The amortization of the UAAL is determined as a level percentage of payroll. General wage increases and individual salary increases due to promotion and longevity do not affect the amount of the OPEB Program's benefits.

Health Care Cost Trend Rates*

	FY 6/30/2010	FY 6/30/2011	Ultimate**
LACERA Medical Under 65	6.92%	6.75%	5.00%
LACERA Medical Over 65	3.93%	11.00%	5.00%
Firefighters Local 1014 (all)	4.83%	6.75%	5.00%
Part B Premiums	3.50%	6.25%	5.00%
Dental (all)	1.66%	4.50%	4.50%
Weighted Average Trend	4.69%	8.59%	4.99%

Amortization Method

Level percentage of projected payroll over a rolling (open) 30-year amortization period.

Probability of Initial Enrollment Upon Retirement

Years of Service	Medical	Dental/Vision
<10	14%	18%
10-14	51%	53%
15-19	72%	74%
20-24	86%	84%
25+, Disabled	100%	100%

Medical Spouse/Dependent Enrollment Probability

Non-Firefighter 1014				Firefighter 1014
<65 Male	<65 Female	65+ Male	65+ Female	All
77%	46%	67%	27%	87%

Dental/Vision Spouse/Dependent Enrollment Probability

Male	Female
74%	41%

*The first year trend rates for LACERA medical and dental plans were adjusted to reflect actual premium increases effective July 1, 2009. These are different from the 2008 OPEB Investigation of Experience Study rates due to refinements in the premium information that occurred between the Experience Study and the 2008 OPEB Valuation Report.

**The grading period is from 6/30/2009 to 6/30/2078 or 69 years.

Schedule of Funding Progress - Pension Plan

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
June 30, 2003	$26,564,328	$30,474,025	$3,909,697	87.2%	$4,933,615	79.2%
June 30, 2004	27,089,440	32,700,505	5,611,065	82.8%	4,919,531	114.1%
June 30, 2005	29,497,485	34,375,949	4,878,464	85.8%	4,982,084	97.9%
June 30, 2006	32,819,725	36,258,929	3,439,204	90.5%	5,205,802	66.1%
June 30, 2007	37,041,832	39,502,456	2,460,624	93.8%	5,615,736	43.8%
June 30, 2008	39,662,361	41,975,631	2,313,270	94.5%	6,123,888	37.8%

Schedule of Employer Contributions - Pension Plan

(Dollars in Thousands)

Year Ended June 30	Annual Required Contribution (ARC)	Actual Employer Contributions			Percentage of ARC Contributed
		Cash Payment	Transfer from Reserve Account	Total	
2004	$521,978	$395,062	$126,916	$521,978	100%
2005	750,352	527,810	222,542	750,352	100%
2006	855,531	676,667	179,368	856,035	100%
2007	863,626	751,851	111,775	863,626	100%
2008	827,911	788,029	40,601	828,630	100%
2009	847,172	831,672	15,500	847,172	100%

Schedule of Funding Progress - Other Post-Employment Benefits Plan

(Dollars in Thousands)

Los Angeles County and Outside Districts

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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)
July 1, 2006	—	$21,215,800	$21,215,800	0%	$5,205,804	407.5%
July 1, 2008	—	21,863,600	21,863,600	0%	6,123,888	357.0%

*Using the Projected Unit Credit method of valuation.

The first OPEB actuarial valuation was conducted as of July 1, 2006. There is no data available prior to the first valuation. The next scheduled OPEB Actuarial Valuation will be as of July 1, 2010.

Schedule of Employer Contributions - Other Post-Employment Benefits Plan

(Dollars in Thousands)

Year Ended June 30	Annual Required Contribution (ARC)	Actual Employer Contributions			Percentage of ARC Contributed
		Cash Payment	Transfer from Reserve Account	Total	
2008	$1,630,700	$357,751	$9,000	$366,751	22%
2009	1,630,700	381,612	—	381,612	23%

Los Angeles County implemented GASB Statement No. 45 for its fiscal year-end June 30, 2008. The amounts in the table are not reduced by federal government payments under Medicare Part D.

Administrative Expenses

For the Years Ended June 30, 2009 and 2008
(Dollars in Thousands)

	2009	2008
Personnel Services		
Salaries and Wages	**$24,608**	$23,150
Employee Benefits	**11,235**	10,476
Total Personnel Services	**35,843**	**33,626**
Professional Services		
Computer Software Services and Support	**2,505**	2,273
External Audit Fees	**180**	95
Disability Medical Fees	**888**	734
Disability Hearing Officer Fees	**273**	218
Disability Stenographic Fees	**60**	74
Temporary Personnel Services	**1,078**	884
Legislative and Other Legal Services	**477**	253
Other Professional Services	**1,021**	1,560
Total Professional Services	**6,482**	**6,091**
Communication		
Forms and Brochures	**550**	565
Postage	**783**	681
Telecommunications	**320**	357
Transportation and Travel	**339**	494
Total Communications	**1,992**	**2,097**
Rentals		
Rents and Leases	**1,405**	1,436
Total Rentals	**1,405**	**1,436**
Miscellaneous		
Computer Equipment & Supplies	**268**	1,355
Office Furniture	**24**	21
Other Office Expenses	**122**	220
Maintenance	**1,397**	1,167
Educational Expenses	**689**	786
Parking Fees	**332**	344
Other County Department Charges	**202**	230
Insurance	**476**	459
Administrative Support	**111**	105
Other Service Charges	**387**	286
Total Miscellaneous	**4,008**	**4,973**
Total Administrative Expenses	**$49,730**	**$48,223**

Schedule of Investment Expenses

For the Years Ended June 30, 2009 and 2008
(Dollars in Thousands)

	2009	2008
Investment Management Fees		
Equity Managers		
Domestic	**$ 11,770**	$ 18,570
International	**9,476**	13,303
Fixed Income Managers	**14,674**	15,846
Cash and Short-Term Managers	**500**	627
Mortgage Loan Servicers	**579**	676
Private Equity Managers	**4,589**	4,409
Real Estate Managers	**56,073**	52,917
Commodity Managers	**1,256**	1,096
Total Investment Management Fees	**98,917**	107,444
Other Investment Expenses		
Consultants	**821**	793
Custodian	**1,512**	1,922
Legal Counsel	**550**	449
Other	**2,803**	3,575
Total Other Investment Expenses	**5,686**	6,739
Total Management Fees & Other Investment Expenses	**$104,603**	**$114,183**

Schedule of Payments to Consultants

For the Years Ended June 30, 2009 and 2008
(Dollars in Thousands)

	2009	2008
Audit		
External Audit Services	**$ 180**	$ 95
Contract Audits	**0**	515
Total	**180**	**610**
Legal		
Investment Legal Counsel	**550**	449
Other Legal Services	**427**	197
Total	**977**	**646**
Actuarial		
Actuarial Valuations and Consulting Fees	**255**	397
Total	**255**	**397**
Management		
Legislative Consulting	**50**	56
Management and Human Resources Consulting	**46**	141
System and Software Consulting	**153**	85
Total	**249**	**282**
Total Payments to Consultants	**$1,661**	**$1,935**

For fees paid to Investment Professionals, refer to Schedule of Investment Management Fees in the Investment Section.

Statement of Changes in Assets and Liabilities - OPEB Agency Fund

For the Year Ended June 30, 2009

(Dollars in Thousands)

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Assets				
Cash	$ 278	$ 30,308	$ 30,199	$ 387
Accounts Receivable-Other	31,504	438,590	437,313	32,781
Fixed Income	119,596	1,601,750	1,577,629	143,717
Total Assets	**$151,378**	**$2,070,648**	**$2,045,141**	**$176,885**
Liabilities				
Retiree Payroll and Other Payables	7	45,837	45,840	4
Accrued Expenses	118	395	192	321
Accounts Payable-Other	33,267	448,686	449,110	32,843
Due to Employers	117,986	1,603,360	1,577,629	143,717
Total Liabilities	**$151,378**	**$2,098,278**	**$2,072,771**	**$176,885**

We continue to employ **solid investment** and business strategies designed to serve the **best interests** of our members and their beneficiaries.

PROTECT

PROTECT

INVESTMENTS

Standards of "Care, Skill, Prudence, and Diligence" Guide Fund Management

Pursuant to strict guidelines set forth by our Board of Investments (BOI), Fund assets are invested in conformity with recognized standards of care, skill, prudence, and diligence. Under the BOI policy of Corporate Governance, external investment managers are subject to ongoing scrutiny and regular review by LACERA's Investment Staff, as well as the BOI.

CUSTOMER SERVICE

We Are the Guardians of Our Members' Futures

The lifetime benefits provided by LACERA retirement plans deliver more than financial security; they afford our retirees and their beneficiaries the emotional security created by knowing their benefits will never run out. To ensure accurate administration of those benefits, we maintain an expert staff of internal auditors and quality assurance specialists.

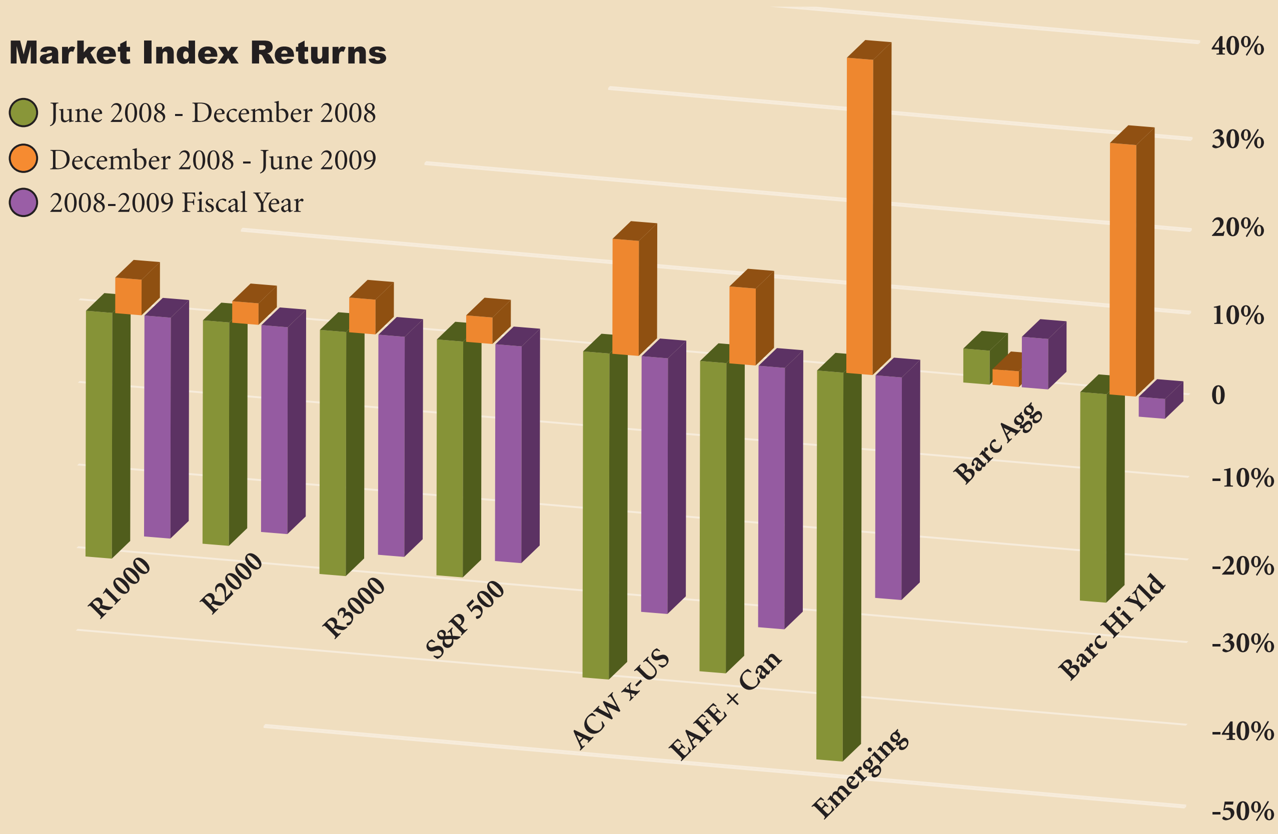
September 11, 2009

Board of Investments
Los Angeles County Employees Retirement Association
Gateway Plaza
300 North Lake Avenue, Suite 850
Pasadena, CA 91101

Dear Board Members:

Wilshire Associates Incorporated (Wilshire), investment consultant to the Los Angeles County Employees Retirement Association (LACERA), is pleased to present this review of LACERA's investment performance over the past year. The fiscal year ending June 30, 2009 may be characterized as an extraordinary period of volatility in the capital markets. Public equity market returns in the second half of 2008 experienced one of the worst periods of performance since the 1930's. Additionally, fixed income markets experienced a credit crisis followed by a liquidity crisis that severely impacted returns of bonds with credit exposure. Both equity and fixed income markets improved considerably in the second quarter of 2009.

The graph below highlights capital market conditions for various periods during the fiscal year ending June 30, 2009.



Annual Consultant Review

LACERA's 2009 fiscal year total fund performance trailed the total fund policy benchmark by 379 basis points (3.79 percent). The total fund return of -18.2 percent (gross of fees) ranked in the 73rd percentile of the Wilshire Public Funds Plan Sponsor Universe, while the -14.4 percent return of the policy benchmark ranked in the 40th percentile. The Universe, comprised of 133 public funds, had a one-year median return of -15.1 percent. For the three-year period ending June 30, 2009, the total fund return of -1.3 percent lagged the -0.3 percent return of the policy benchmark by 107 basis points (1.07 percent). The total fund return ranked in the 38th percentile of the Wilshire Public Funds Plan Sponsor Universe, while the policy ranked in the 24th percentile. The three-year median fund return was -2.2 percent. Over the five-year period ending June 30, 2009, the total fund return of 3.9 percent ranked in the 5th percentile of the Wilshire Public Funds Plan Sponsor Universe and trailed the 4.2 percent policy return by 36 basis points (0.36 percent); the policy return ranked in the 2nd percentile of the Public Funds Plan Sponsor Universe. The five-year median fund return was 1.8 percent.

During fiscal year 2009, the LACERA Investment Staff and Wilshire have worked cooperatively to address goals and implement ideas designed to improve the investment program. Among the projects completed or currently underway are:

- Implementation of Performance Reporting
- Asset/Liability Analysis
- Fixed Income Investment Structure Analysis
- Iran-Free Index Analysis
- Review of Investment Policy Statement

We look forward to the successful accomplishment of the ongoing implementation plans of LACERA.

Sincerely,

William G. Bensur, Jr., CFA
Managing Director

WILSHIRE ASSOCIATES INCORPORATED
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Chief Investment Officer's Report

As of June 30, 2009

Investment Policy

LACERA's investment program objective is to provide retirement benefits as required by the County Employees Retirement Law of 1937 (CERL). The Board of Investments (BOI) has exclusive control of all retirement system investments. There are a total of nine BOI members: two are elected by the active members, two are elected by retired members, four are appointed by the Los Angeles County Board of Supervisors. The County Treasurer-Tax Collector serves as an ex-officio member.

The BOI has adopted an Investment Policy Statement, which provides a framework for the management of LACERA's investments. This Statement establishes LACERA's investment policies and objective and defines the principal duties of the BOI, investment staff, investment managers, master custodian, and consultants.

The assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the pension fund. LACERA employs Modern Portfolio Theory principles that recognize higher levels of investment risk are expected to be rewarded with higher returns in the long run. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification to meet this objective. These activities are executed in a manner that serves the best interests of LACERA members.

Asset Allocation

A pension fund's strategic asset allocation policy is generally recognized to have the most impact on investment performance. The asset allocation policy determines a fund's optimal long-term asset class mix (target allocation). This Policy is expected to achieve a specific set of investment goals such as risk and return objectives. The Policy also establishes ranges around the optimal target asset class mix which act as a trigger for reallocating assets to ensure adherence to target weights.

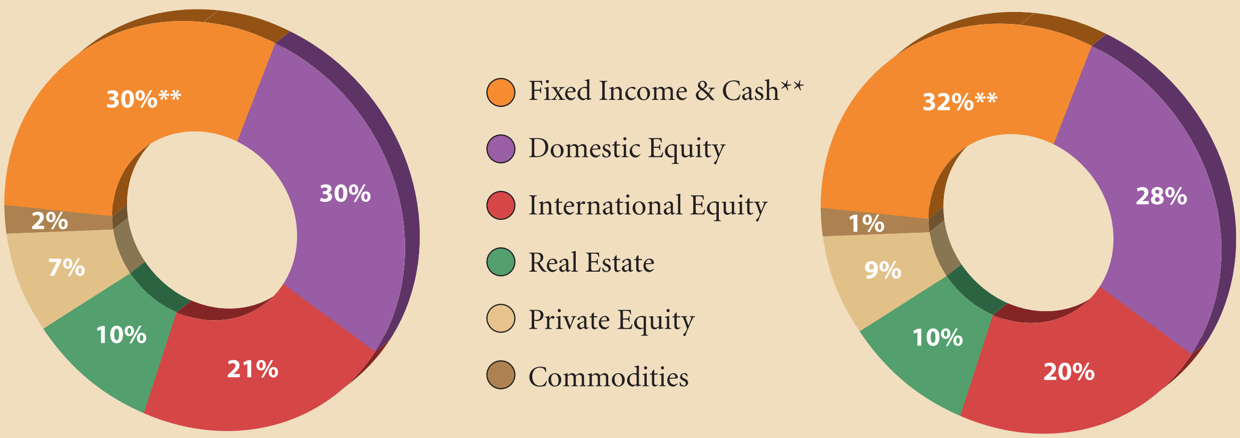
The BOI last reviewed the Fund's Asset Allocation Policy in fiscal year 2008/2009. The following factors were considered in establishing this Policy:

- Projected actuarial assets, liabilities, benefit payments, and contributions
- Expected long-term capital market risk and return targets
- Expected future economic conditions, including inflation and interest rate levels
- LACERA's current and projected funding status

Lisa Mazzocco
Chief Investment Officer

The following graphs display LACERA's actual and target asset allocations as of fiscal year-end June 30, 2009. As shown, the allocations are within BOI-approved Policy ranges.

2009 Target Asset Allocation **2009 Actual Asset Allocation***



*The 2009 Actual Asset Allocation is based upon the Investment Summary in this Section.

**Cash may include Corporate and Government Bonds, Certificates of Deposit, and Overnight Deposits.

The BOI implements the asset allocation plan by hiring investment managers to invest assets on LACERA's behalf, subject to investment guidelines. LACERA's investment staff closely monitors manager activities and assists the BOI with the implementation of investment policies and long-term investment strategies.

Economic and Market Review

The credit crisis, which began with turmoil in the housing market, was considered a year old in the summer of 2008. The events that subsequently transpired, however, were unlike those witnessed by anyone in a generation. In a matter of one short month last autumn, the country's financial markets and institutions were dramatically altered. The fallen included financial stalwarts such as: Merrill Lynch, Fannie Mae, Freddie Mac, Lehman Brothers, and insurance giant American International Group.

To avert another Great Depression, the Federal Reserve (Fed) took unprecedented action. It lowered the Federal Funds interest rate to a range of 0 to 25 basis points for the first time in history. It also instituted numerous rescue programs such as the Term Asset-Backed Securities Loan Facility (TALF) and the Commercial Paper Funding Facility to revive the seriously ailing credit markets. These programs were in addition to the legislative action initiated by the U.S. Treasury to create the Troubled Asset Relief Program (TARP).

During this historical period, credit markets seized up, curtailing new financial lending and essentially halting all commercial activity. Business investment contracted sharply and executives responded by laying off employees and subsequently cutting back production. Falling home prices, plunging stock values, and increasing unemployment resulted in plummeting consumer confidence.

When investors realized how seriously the financial crisis would impact future economic growth and corporate earnings, stock markets around the world dropped precipitously. For the fiscal year ended June 2009, the Russell 3000 Index, a broad-based measure of the U.S. stock market, returned -26.6 percent. While this return is terrible, in the broader context of volatility experienced during this period, it could have been worse. For example, the Russell 3000 Index declined almost 18 percent in October 2008 alone. Moreover, the calendar year 2008 return (-37.3 percent) was one of the worst returns in stock market history.

Although the credit crisis started in the United States, it quickly engulfed world markets. The broad-based world equity benchmark, the Morgan Stanley Capital International-All Country World Investable Market Index excluding the United States (MSCI ACWI), tumbled 30.5 percent for the fiscal year ended June 2009. Contrasted with prior crises, emerging markets fared slightly better, as the MSCI Emerging Markets Index Investable Market Index fell 26.9 percent. Prospects of stronger economic growth and limited exposure to the credit crisis were the primary reasons for this better relative performance.

Fixed income securities, which are typically considered low risk relative to equities, experienced unprecedented volatility. Investors flocked to the safe haven of Treasuries and sold bonds with any perceived credit risk. For example, during calendar year 2008, Treasuries returned 13.7 percent while high quality corporate bonds returned -4.9 percent, an astounding 18.6 percent return difference. For the fiscal year ended June 2009, the Barclays Capital Aggregate Bond Index (BC Bond Index) returned 1.90 percent.

In early March 2009, as Fed actions started to take effect and investors realized the financial world was not coming to an end, investors' aversion to risk began subsiding. Both stock and bond markets rallied strongly. From March 9, 2009, through July 31, 2009, the Russell 3000 was up almost 50 percent.

In the bond market from March 9, 2009 to July 31, 2009, the BC Bond Index returned 4.8 percent. In contrast with calendar year 2008, however, high quality corporate bonds generated a 16.3 percent return while Treasuries are down 1.2 percent. Another sign of investors' increased appetite for risk was shown by the CCC high yield bonds which earned 71.1 percent compared with losing almost 45 percent last year.

Subtle signs of economic growth coupled with Fed Policies have begun to reestablish investors' confidence. The challenge is determining the sustainability of any economic recovery: will it be a sharp rebound, a double dip, or tepid growth? Prior history is not the best guide; more recent recessions were not preceded by a severe credit crisis. Until clear signs of economic recovery and earnings growth appear, guarded optimism is appropriate with the expectation of volatile markets in the interim.

In the end, it was a year for the record book.

Summary of Performance

As the credit crisis deepened, there were few safe havens for institutional investors. Furthermore, traditional Modern Portfolio Theory, which advocates the benefits of diversification by employing multiple asset classes, did not work in this systemic crisis.

As a result, LACERA was significantly impacted, as the Fund's return dropped 18.2 percent for the fiscal year ended June 2009. The Fund also lagged its Policy benchmark, which returned -14.4 percent. While this one-year return is disappointing, in four of the last five fiscal years prior to this year, LACERA's Fund generated positive double digits returns.

LACERA's fixed income portfolio was the best performing asset class for the fiscal year, earning 4.1 percent. This return, while respectable from an absolute perspective, trailed both the Fund's custom benchmark and BC Bond Index, which returned 5.8 percent and 6.0 percent, respectively. The Fund's limited exposure to U.S. Treasuries was the primary reason for this underperformance.

The domestic and non-U.S. stock portfolio returns closely tracked their assigned benchmarks, although both sustained large absolute losses. LACERA's domestic equity portfolio declined 26.3 percent, but exceeded its Russell 3000 benchmark by 30 basis points. The non-U.S. equity portfolio lagged its MSCI ACWI benchmark by 30 basis points. Both portfolios are structured to minimize risk relative to their respective benchmarks.

Last fiscal year, commodities were the Fund's best performing asset class. This year, commodities were the poorest performing asset class, returning -47.7 percent. This return also underperformed the Policy benchmark, the Dow Jones-UBS Commodity Index, by 60 basis points. Investor concern about global economic growth resulting from the credit crisis caused a sharp sell-off of all commodities.

Private market valuations lag public markets by one quarter. These asset classes (real estate and private equity) were not immune to the crisis despite their illiquid, long-term characteristics. LACERA's real estate and private equity portfolios returned -19.1 percent and -23.5 percent, respectively. At this juncture, it is anticipated the majority of the markdowns have been reflected in the current valuations.

LACERA's custodian, BNY Mellon, calculated the Fund's public market and total fund returns. LACERA's consultant for real estate (The Townsend Group) and private equity (Credit Suisse Customized Fund Investment Group) calculated their respective private market returns. The asset class performance figures are time-weighted rates of return. Total Fund performance is based on the weighted average returns of the asset classes.

Consistent with its fiduciary duty, the BOI continues to evaluate and adopt new investment opportunities, when appropriate. Key items accomplished during the year included:

- Adoption of a new asset allocation policy which created a global equity allocation rather than separate allocations for domestic and non-U.S. equity portfolios.
- Adoption of a new fixed income benchmark, the Barclays U.S. Universal Index.
- Adoption of a new real estate benchmark, NCREIF Property Index.
- Review and update of the Fund's Investment Policy Statement.
- Implementation of the third part of the new Private Equity program structure resulting in the selection of a new fund manager to invest in middle market private equity firms.

Conclusion

LACERA's BOI and Investment Staff will remain diligent when evaluating new investment opportunities while carefully considering the potential risks associated with these strategies. On behalf of LACERA's Investment Staff, I welcome this opportunity to serve the BOI and the Plan's participants by prudently investing the Fund's assets to ensure long-term success.

Respectfully submitted,

Lisa Mazzocco

Lisa Mazzocco
Chief Investment Officer

Investment Summary

For the Year Ended June 30, 2009
(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Domestic Equity and Convertibles	$ 8,760,407	28.3%
International Equity	6,093,675	19.7%
Total Equities and Convertibles	14,854,082	48.0%
Short-Term Investments	786,691	2.5%
Mortgages	237,041	0.8%
Subtotal Short-Term and Mortgages	1,023,732	3.3%
U.S. Government and Agency Instruments	3,216,278	10.4%
Domestic Corporate Fixed Income	4,949,034	16.0%
International Fixed Income	46,288	0.2%
Private Placement Fixed Income	565,103	1.8%
Subtotal U.S. Instruments and Fixed Income	8,776,703	28.4%
Total Fixed Income	9,800,435	31.7%
Private Equity	2,815,826	9.1%
Real Estate and Title Holdings	3,057,774	9.9%
Commodities	389,940	1.3%
Total Investments	**$ 30,918,057**	**100.0%**

Investment Results Based on Fair Value*

As of June 30, 2009

		Annualized	
	Current Year	**3-year**	**5-year**
Domestic Equity	-26.3%	-8.6%	-2.1%
Benchmark: Russell 3000	-26.6	-8.3	-1.8
International Equity	-30.8	-5.5	4.7
Benchmark: MSCI ACWI X U.S. IMI	-30.5	-5.6	4.6
Fixed Income	4.1	5.3	4.8
Benchmark: Fixed Income Custom Index[1]	5.8	6.3	5.2
Benchmark: Barclays U.S. Universal Index[1]	4.9	5.9	5.0
Real Estate[2]	-19.1	2.1	8.3
Benchmark: NPI minus 25 bps[3]	-14.9	3.9	9.2
Private Equity[2]	-23.5	7.4	14.2
Benchmark: Private Equity Target Return	2.7	2.7	2.7
Commodities	-47.7		
Benchmark: DJ-UBS Commodity Index	-47.1		
Total Fund (Gross of Fees)	**-18.2**	**-1.3**	**3.9**
Total Fund (Net of Fees)	**-18.3**	**-1.5**	**3.6**
Total Fund Policy Benchmark[4]	**-14.4**	**-0.3**	**4.2**

*Asset class returns are calculated based on time-weighted rates of return; Total Fund performance is calculated based on the weighted average returns of the asset classes.

[1]Inception to 3/31/09: A combination of the Barclays U.S. Aggregate Bond Index and the Barclays U.S. High Yield Ba/B Index. The weights have varied over time, but as of 9/30/06, the mix was 93% Aggregate and 7% High Yield. 3/31/09 to Present: 100% Barclays U.S. Universal.

[2]One Quarter in arrears.

[3]The Real Estate benchmark was changed to the NCREIF Property Index (NPI) minus 25 bps beginning with the 06/30/09 performance results.

[4]The Total Fund Policy Benchmark has been revised historically for the new Real Estate benchmark returns.

Largest Equity Holdings (by Fair Value)

As of June 30, 2009
(Dollars in Thousands)

Shares	Description	Fair Value
607,416	Exxon Mobil Corporation	$ 42,464
1,052,760	Microsoft Corporation	25,024
921,642	AT&T, Inc.	22,894
396,094	Johnson & Johnson	22,498
2,606,738	DBS Hldgs Sgd1	21,252
413,883	Proctor & Gamble Company	21,149
393,020	Wal-Mart Stores, Inc.	19,038
743,939	Royal Dutch Shell	18,574
532,580	JPMorgan Chase & Company	18,166
169,144	IBM Corporation	17,662

Largest Fixed Income Holdings (by Fair Value)

As of June 30, 2009
(Dollars in Thousands)

Par	Description*			Fair Value
65,000,000	Commit to Pur FNMA SF Mtg	5.500%	08/01/2039	$65,306
61,300,000	Commit to Pur FNMA SF Mtg	6.000%	07/01/2039	64,059
63,483,000	U.S. Treasury Note	3.125%	05/15/2019	61,420
54,600,000	Commit to Pur FHLMC Gold SFM	5.500%	08/01/2039	56,153
46,344,000	U.S. Treasury Note	2.625%	06/30/2014	46,504
40,339,000	U.S. Treasury Note	2.250%	05/31/2014	39,810
36,760,000	U.S. Treasury Note	4.000%	08/31/2009	36,998
35,506,164	Small Business GTD 08-910B 1	5.944%	08/10/2018	36,738
34,621,342	U.S. Treas-CPI Inflation Index	1.875%	07/15/2013	35,552
61,100,000	U.S. Treas BD Strip Prin Pmt		11/15/2021	35,436

*A complete list of portfolio holdings is available upon request.

Schedule of Investment Management Fees

For the Years Ended June 30, 2009 and 2008
(Dollars in Thousands)

	2009	2008
Investment Activity:		
Equity Managers		
Domestic	**$ 11,770**	$ 18,570
International	**9,476**	13,303
Subtotal	**21,246**	31,873
Fixed Income Managers	**14,674**	15,846
Cash and Short-Term Managers	**500**	627
Mortgage Loan Servicers	**579**	676
Private Equity Managers	**4,589**	4,409
Real Estate Managers	**56,073**	52,917
Commodity Managers	**1,256**	1,096
Total Fees from Investment Activity	**98,917**	107,444
Securities Lending Activity:		
Management Fee	**1,338**	1,644
Total Investment Management Fees	**$100,255**	**$109,088**

Cash & Short-Term
Western Asset Management Company

Equities – Domestic
American Century Investment Management, Inc.
Barclays Global Investors, N.A.
Delta Asset Management
Eagle Asset Management, Inc.
FIS Group, Inc.
Frontier Capital Management, LLC
Goldman Sachs Asset Management, LP
INTECH Investment Management, LLC
Northern Trust Global Advisors, Inc.
Relational Investors, LLC
Shamrock Capital Advisors, Inc.
Stinson Capital Partners, LLP
Twin Capital Management, Inc.
Western Asset Management Company
Westwood Management Corporation

Equities – International
Acadian Asset Management, LLC
Barclays Global Investors, N.A.
Batterymarch Financial Management, Inc.
Capital Guardian Trust Company
GAM International Management, Ltd.
Genesis Investment Management, LLP

Fixed Income
Barclays Global Investors, N.A.
BlackRock Financial Management, Inc.
Dodge & Cox
Dolan McEniry Capital Management, LLC
Goldman Sachs Asset Management, LP
GW Capital, Inc.
LM Capital Group, LLC
Loomis, Sayles & Company, LP
Oaktree Capital Management, LP
Pacific Investment Management Company (PIMCO)
PENN Capital Management Company, Inc.
Post Advisory Group, LLC
Principal Global Investors, LLC
Pugh Capital Management, Inc.
Wells Capital Management
Western Asset Management Company

Private Equity
Adams Street Partners
Credit Suisse CFIG
GTB Capital Partners, LP
HarbourVest International Private Equity Partners
Invesco Private Capital, Inc.
Knightsbridge Advisers, Inc.

Real Estate
AIG Global Real Estate
Capmark Investments, LP
Capri Capital Advisors, LLC
CB Richard Ellis
CityView
Cornerstone Real Estate Advisers, LLC
Emmes Asset Management Company, LLC
Europa Capital
European Investors
Invesco Institutional NA, Inc.
LaSalle Investment Management, Inc.
Phoenix Realty Group, LLC
RREEF America, LLC
TA Associates Realty
The Carlyle Group
TriPacific Capital Advisors, LLC
Urban America, LP

Mortgage Loan Servicer
Chase Home Finance, LLC
CitiMortgage, Inc.
GMAC Mortgage Corporation

Commodities
NB Alternative Fund Management, LLC
Pacific Investment Management Company (PIMCO)

Securities Lending Program
The Bank of New York Mellon Cash Investment Strategies
The Bank of New York Mellon Global Securities Lending
Goldman Sachs & Company
Wachovia Global Securities Lending

Our services **begin** the moment a new hire becomes a LACERA member and continue **throughout** the member's career to retirement... and **beyond**.

PROVIDE

INVESTMENTS

Our Long-Term Investment Program Provides for Current and Future Recipients

As a long-term investor, we have structured our investment portfolio to experience the outstanding returns generated by bull markets and withstand the negative returns resulting from bear markets. Our carefully planned and executed investment strategy is designed to maximize the continuing strength of the Fund. In so doing, it positions the Fund to finance prescribed benefits to current, as well as future recipients.

CUSTOMER SERVICE

We Serve Our Members in a Multiplicity of Ways

We provide exceptional service to our members and their beneficiaries. From paying new retirees within one payroll cycle of their retirement date, to making sure benefits are seamlessly processed and paid to eligible new survivors, to assisting active members with Plan transfers and purchases of prior government service, we are committed to excellent customer service. We offer members a choice of service options — phone, online, mail, or personal consultation.

September 24, 2009

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Board of Investments
Los Angeles County Employees Retirement Association
300 North Lake Avenue, Suite 820
Pasadena, CA 91101-4199

Dear Members of the Board:

The basic financial goal of LACERA is to establish contributions which fully fund the System's liabilities and which, as a percentage of payroll, remain level for each generation of active members.[1] Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

LACERA measures its funding status as the Funded Ratio of the actuarial value of valuation assets over the actuarial accrued liabilities. The funding status based on the past three actuarial valuations is shown below:

Valuation Date:	June 30, 2006	**Funded Ratio:**	90.5%
Valuation Date:	June 30, 2007	**Funded Ratio:**	93.8%
Valuation Date:	June 30, 2008	**Funded Ratio:**	94.5%

It is our opinion that LACERA continues in sound financial condition as of June 30, 2008. However, it should be noted that the 2008 valuation results do not reflect the significant market loss on assets that occurred in the fiscal year ending June 30, 2009. Thus, the Funded Ratio is expected to be significantly lower once that market loss is reflected in the 2009 and later valuations. The Board of Investments (BOI) is developing a new long-term funding policy in 2008-2009 that will apply beginning with the actuarial valuation as of June 30, 2009.

LACERA's current funding policy is based on the Retirement Benefits Enhancement Agreement (the Agreement). It provides for a short-term funding policy, applicable only through the actuarial valuation as of June 30, 2008. Under this funding policy, the County's contributions are set equal to the normal cost rate, net of member contributions, plus the amortization payment of any Unfunded Actuarial Accrued Liability (UAAL) or minus the amortization of any Surplus Funding. A UAAL occurs if the Funded Ratio is less than 100 percent. Surplus Funding occurs when the Funded Ratio is greater than 100 percent. The amortization of either is funded over an open 30-year period.

In addition, the funding policy requires LACERA to consider all the funds in the Contingency Reserve in excess of 1.0 percent of the actuarial value of assets as part of the valuation assets. In any year in which the Funded Ratio is less than 100 percent prior to its inclusion, a portion of the STAR Reserve is also to be considered as part of the valuation assets. The portion of the STAR Reserve not available for treatment as valuation assets is the amount determined to be sufficient to guarantee the STAR benefits expected to become payable through July 1, 2009. Note that if all of the STAR Reserve funds were excluded from the valuation assets for funding purposes, the Funded Ratio on June 30, 2008 would decrease to 93.0 percent. This interim funding approach under the Agreement is not expected to be a permanent, long-term funding policy.

The June 30, 2008 valuation results are based on the membership data and the asset information provided by LACERA. In our examination of these data, we have found them to be reasonably consistent and comparable

[1]A further goal is to minimize employer contributions, consistent with the requirements of Article XVI, Section 17 of the California Constitution and Section 31595 of the California Government Code.

with data used for other purposes, although we have not audited the data at the source. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is found to be materially inaccurate or incomplete, our calculations will need to be revised.

The valuation is also based on our understanding of LACERA's current benefit provisions and the actuarial assumptions which were last reviewed and adopted by the BOI on December 12, 2007. The assumptions were based on the triennial Investigation of Experience Study report as of June 30, 2007. Assumptions will be reviewed again in 2010.

The actuarial computations presented in the valuation report are for purposes of determining the recommended funding amounts for LACERA consistent with our understanding of its funding requirements and goals. The liabilities are determined by using the entry age normal funding method. The actuarial assets are determined by using a three-year smoothed recognition method of asset gains and losses, determined as the difference of the actual market value to the expected market value. We believe the actuarial assumptions and methods are internally consistent, reasonable, and meet the parameters of Governmental Accounting Standards Board (GASB) Statement No. 25 for fulfilling financial accounting requirements. Nevertheless, the emerging costs will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions. Future actuarial measurements may differ significantly from the current measurements as presented in the valuation report due to many factors. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

LACERA staff prepared the supporting schedules in this section and the trend tables in the financial section, based on information supplied in prior actuarial reports, as well as our June 30, 2008 actuarial valuation report.

We certify the June 30, 2008 valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. We are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Sincerely,

Karen I. Steffen, FSA, EA, MAAA
Consulting Actuary

Nick J. Collier, ASA, EA, MAAA
Consulting Actuary

KIS/NJC/nlo

September 23, 2009

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Board of Retirement
Los Angeles County Employees Retirement Association
300 North Lake Avenue, Suite 820
Pasadena, CA 91101-4199

Dear Members of the Board:

Los Angeles County provides Other Post-Employment Benefits (OPEB): retiree medical, dental/vision, and life insurance benefits to the retired Los Angeles County (County) workers who also participate in the Los Angeles County Employees Retirement Association (LACERA) retirement benefit program. These benefits are called the Los Angeles County OPEB Benefits Program (the Program). The Program provides these benefits on a "pay-as-you-go" basis. Biennial actuarial valuations provide the required financial disclosures for the Program.

A summary of the results of the first two actuarial valuations is shown below:

Valuation Date	Actuarial Accrued Liability ($ billions)	Annual Required Contribution (ARC) as a Percentage of Payroll
July 1, 2006	$21.22	30.73%
July 1, 2008	$21.86	27.75%

There is no current plan to begin a prefunding program for these OPEB benefits. Biennial actuarial valuations are expected. The first valuation was as of July 1, 2006 and the next valuation is expected as of July 1, 2010.

The July 1, 2008 valuation results are based on the membership data and OPEB financial information provided by Los Angeles County, LACERA, and Mercer Health & Benefits. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is found to be materially inaccurate or incomplete, our calculations will need to be revised.

The valuation is also based on our understanding of the Program's current benefit provisions and the actuarial assumptions which were last reviewed and adopted by the County in May 2009. The retirement benefit-related assumptions were based on LACERA's retirement benefit triennial Investigation of Experience Study report as of June 30, 2007. The OPEB specific assumptions were based on the 2008 OPEB Investigation of Experience Study report as of June 30, 2008. Both the retirement and OPEB assumptions will be reviewed again in 2010.

The actuarial computations presented in the valuation report are for purposes of fulfilling financial accounting requirements for LACERA. The liabilities are determined by using the projected unit credit actuarial cost method. We believe the actuarial assumptions and methods are internally consistent, represent a long-term perspective, and are reasonable. We believe they also meet the parameters of Governmental Accounting Standards Board (GASB) Statement No. 43 for fulfilling financial accounting requirements. Nevertheless, the emerging costs will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions. Future actuarial measurements may differ significantly from the current measurements as presented in the valuation report due to many factors. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

LACERA staff prepared the supporting schedules in this section and the financial section, based on information supplied in our July 1, 2006 and July 1, 2008 actuarial valuation reports.

We certify the July 1, 2008 valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. We are members of the American Academy of Actuaries and have experience in performing valuations for public OPEB programs.

Sincerely,

Robert L. Schmidt, FSA, EA, MAAA	Karen I. Steffen, FSA, EA, MAAA
Consulting Actuary	Consulting Actuary

KIS/RLS/nlo

Actuarial Methods and Assumptions	Recommended by the Actuary and adopted by the Board of Investments (BOI). The actuarial assumptions used to determine the liabilities are based on the results of the 2007 triennial Investigation of Experience Study. New assumptions were adopted by the BOI for the June 30, 2007 valuation.
Actuarial Cost Method	Entry Age Normal Cost Funding Method.
Actuarial Asset Valuation Method	Three-year smoothed method based on the difference between expected and actual market value of assets as of the valuation date. The expected market value, with three-year smoothing valuation basis for all assets, was adopted for the June 30, 2000 valuation. Under the interim, short-term funding policy, in effect through the June 30, 2008 valuation only (see Note E—Pension Actuarial Valuations), funds in the Contingency Reserve in excess of 1.0 percent of the actuarial value of assets are included as valuation assets for funding purposes. In any year in which the funding ratio is otherwise less than 100 percent, a portion of the STAR Reserve may be considered as part of the valuation assets to bring the funding ratio up to 100 percent. The portion of the STAR Reserve that is not available for treatment as valuation assets is the amount determined to be sufficient to fund the permanent STAR benefits expected to become payable through July 1, 2009.
Amortization of Unfunded Actuarial Accrued Liability (UAAL) or Funding Surplus	Under the interim, short-term funding policy in effect through the June 30, 2008 valuation only (see Note E—Pension Actuarial Valuations), the County's contributions are set equal to the normal cost rate, net of expected member contributions for the next year, plus amortization of any UAAL or Surplus Funding. A UAAL occurs if the Funded Ratio is less than 100 percent. Surplus Funding occurs if the Funded Ratio is greater than 100 percent. The amortization of either is funded over an open 30-year period, commonly referred to as a "rolling 30-year amortization method." (See GASB Statement No. 25, glossary section.)
Amortization of Gains and Losses	Actuarial gains and losses are reflected in the UAAL and amortized over the same period.
Investment Rate of Return	Future investment earnings are assumed to accrue at an annual rate of 7.75 percent compounded annually, net of both investment and administrative expenses. This rate was adopted for the June 30, 2004 valuation.
Projected Salary Increases	Rates of annual salary increases assumed for the purpose of the valuation range from 4.26 percent to 10.24 percent. In addition to increases in salary due to promotions and longevity, the increases include an assumed 4.0 percent per annum rate of increase in the general wage level of membership. These rates were adopted for the June 30, 2007 valuation.
Post-Retirement Benefit Increases	Post-retirement benefit increases of either 3.0 percent or 2.0 percent per year are assumed for the valuation in accordance with the benefits provided. These adjustments, which are based on the Consumer Price Index, are assumed payable each year in the future as they are less than the expected increase in the Consumer Price Index of 3.5 percent per year. This rate was adopted for the June 30, 2004 valuation. Plan E members

	receive a prorated post-retirement benefit increase of 2.0 percent for service credit earned after June 4, 2002. The portion payable is based on a ratio of the member's years of service earned after June 4, 2002 to his/her total years of service. The portion of the full 2.0 percent increase not provided for may be purchased by the member.
Consumer Price Index	Increase of 3.5 percent per annum. This rate was adopted for the June 30, 2004 valuation.
Rates of Separation From Employment	Various rates dependent upon member's age, sex, and retirement plan. All terminating members are assumed to not be rehired. These rates were adopted for the June 30, 2007 valuation.
Expectation of Life After Retirement	The same post-retirement mortality rates are used in the valuation for active members, members retired for service, and beneficiaries. Current beneficiary mortality is assumed to be the same as healthy members of the same sex. Future beneficiaries are assumed to be of the opposite sex and have the same mortality as General members. **Males** General members: RP-2000 Combined Mortality Table for Males, with ages set back two years. Safety members: RP-2000 Combined Mortality Table for Males, with ages set back three years. **Females** General members: RP-2000 Combined Mortality Table for Females, with ages set back two years. Safety members: RP-2000 Combined Mortality Table for Females, with ages set back two years. These rates were adopted for the June 30, 2004 valuation.
Expectation of Life After Disability	**Males** General members: RP-2000 Combined Mortality Table for Males, with ages set forward one year. Safety members: RP-2000 Combined Mortality Table for Males, with ages set back two years. **Females** General members: RP-2000 Combined Table for Females, with no age adjustment. Safety members: RP-2000 Combined Mortality Table for Females, with ages set back two years. These rates were adopted for the June 30, 2007 valuation.
Recent Changes and Their Financial Impact	The assumptions were reviewed and changed for the June 30, 2007 valuation as a result of the 2007 triennial Investigation of Experience Study. The Funded Ratio increased from 93.8 percent to 94.5 percent since the 2007 valuation. The 2008 investment gain resulted in a 1.0 percent increase in the Funded Ratio. However, this was somewhat offset by the actuarial loss due to the actual salary increases for continuing active members that exceeded those assumed.

See Note N – Other Post-Employment Benefits in the Financial Section for a Summary of Actuarial Methods and Assumptions for the OPEB Plan.

Active Member Valuation Data

Valuation Date	Plan Type	Member Count	Annual Salary[1]	Average Annual Salary	% Increase in Average Salary
June 30, 2003	General	75,995	$3,954,516,792	$52,037	4.62%
	Safety	11,765	899,307,576	76,439	4.16%
	Total	**87,760**	**$4,853,824,368**	**$55,308**	**4.41%**
June 30, 2004	General	74,826	$3,967,337,892	$53,021	1.89%
	Safety	11,409	885,426,444	77,608	1.53%
	Total	**86,235**	**$4,852,764,336**	**$56,274**	**1.75%**
June 30, 2005	General	75,167	$4,046,526,732	$53,834	1.53%
	Safety	11,217	904,864,212	80,669	3.94%
	Total	**86,384**	**$4,951,390,944**	**$57,318**	**1.86%**
June 30, 2006	General	77,167	$4,267,148,748	$55,298	2.72%
	Safety	11,464	969,379,404	84,559	4.82%
	Total	**88,631**	**$5,236,528,152**	**$59,082**	**3.08%**
June 30, 2007	General	79,829	$4,673,126,964	$58,539	5.86%
	Safety	12,267	1,103,924,952	89,991	6.42%
	Total	**92,096**	**$5,777,051,916**	**$62,729**	**6.17%**
June 30, 2008	General	81,664	$5,016,720,948	$61,431	4.94%
	Safety	12,828	1,187,406,768	92,564	2.86%
	Total	**94,492**	**$6,204,127,716**	**$65,658**	**4.67%**

[1]Active Member Valuation Annual Salary is an annualized compensation of only those members who were active on the actuarial valuation date. Covered Payroll includes compensation paid to all active employees on which contributions are calculated.

Retirants and Beneficiaries Added To and Removed From Retiree Payroll

	Added to Rolls		Removed from Rolls		Rolls at End of Year			
Fiscal Year	Member Count	Annual Allowance (in 000s)	Member Count	Annual Allowance (in 000s)	Member Count	Annual Allowance[1] (in 000s)	% Increase in Retiree Allowance	Average Annual Allowance
2003	2,654	$ 96,921	(1,664)	$(15,508)	47,232	$1,383,150	8.00%	$29,284
2004	2,824	110,106	(1,724)	(17,387)	48,332	1,536,803	11.11%	31,797
2005	2,855	102,903	(1,418)	(17,465)	49,769	1,645,490	7.07%	33,063
2006	3,007	104,405	(1,784)	(33,101)	50,992	1,768,706	7.49%	34,686
2007	2,015	79,955	(1,615)	(35,054)	51,392	1,858,225	5.06%	36,158
2008	2,759	$167,753[2]	(1,801)	$(47,103)	52,350	$1,978,875	6.49%	$37,801

[1]Annual allowance is the monthly benefit allowance annualized for those members counted as of June 30.
[2]Includes Cost-of-Living (COLA) amounts not included in the previous years' Annual Allowance totals.

Actuary Solvency Test

(Dollars in Millions)

	Actuarial Accrued Liability (AAL)				Percentage of AAL Covered by Assets		
Valuation Date	(1) Active Member Contributions	(2) Retired/ Vested Members	(3) Employer Financed Portion	Actuarial Value of Valuation Assets	(1) Active	(2) Retired	(3) Employer
June 30, 2003	$3,790	$16,844	$9,840	$26,564	100%	100%	60%
June 30, 2004	4,042	18,857	9,802	27,089	100%	100%	43%
June 30, 2005	4,308	20,238	9,829	29,497	100%	100%	50%
June 30, 2006	4,628	21,377	10,254	32,820	100%	100%	66%
June 30, 2007	4,852	22,398	12,253	37,042	100%	100%	80%
June 30, 2008	$5,279	$23,730	$12,966	$39,662	100%	100%	82%

Actuarial Analysis of Financial Experience

(Dollars in Millions)

	Valuation as of June 30					
	2003	2004	2005	2006	2007	2008
Prior Valuation Unfunded Actuarial Accrued Liability	$ 175	$3,910	$5,611	$4,878	$3,439	$2,461
Expected Increase/(Decrease) from Prior Valuation	162	312	128	(31)	(109)	(68)
Salary Increases Greater/(Less) than Expected	(66)	(270)	(115)	156	673	298
CPI Less than Expected		(31)				
Change in Assumptions		697			515	
Asset Return Less/(Greater) than Expected	3,351	871	(790)	(1,642)	(2,187)	(429)
All Other Experience	248	122	44	28	130	36
Change in Actuarial Asset Method	40					
Change in Application of Actuarial Asset Method						
Recognition of Liabilities Due to Court Cases				50		15
Ending Unfunded Actuarial Accrued Liability/(Surplus)	**$3,910**	**$5,611**	**$4,878**	**$3,439**	**$2,461**	**$2,313**

Plan A, B, and C General Members

Age	Service Retirement	Other Terminations	Service Disability	Ordinary Disability	Service Death	Ordinary Death
Male						
20	0.0000	0.0050	0.0002	0.0001	N/A	0.0003
30	0.0000	0.0050	0.0002	0.0001	N/A	0.0004
40	0.0300	0.0050	0.0006	0.0002	N/A	0.0011
50	0.0300	0.0050	0.0017	0.0006	N/A	0.0021
60	0.2200	0.0050	0.0044	0.0016	N/A	0.0049
70	0.3000	0.0050	0.0052	0.0059	N/A	0.0099
75	1.0000	0.0000	0.0000	0.0084	N/A	0.0151
Female						
20	0.0000	0.0050	0.0002	0.0001	N/A	0.0002
30	0.0000	0.0050	0.0002	0.0001	N/A	0.0002
40	0.0300	0.0050	0.0006	0.0002	N/A	0.0006
50	0.0300	0.0050	0.0016	0.0006	N/A	0.0016
60	0.2200	0.0050	0.0034	0.0017	N/A	0.0036
70	0.3000	0.0050	0.0072	0.0036	N/A	0.0073
75	1.0000	0.0000	0.0000	0.0046	N/A	0.0103

Plan D General Members

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
Male							
20	0.0000	0.0002	0.0001	N/A	0.0003	5	0.0283
30	0.0000	0.0002	0.0001	N/A	0.0004	10	0.0208
40	0.0200	0.0006	0.0002	N/A	0.0011	15	0.0144
50	0.0200	0.0017	0.0006	N/A	0.0021	20	0.0096
60	0.0600	0.0044	0.0016	N/A	0.0049	25	0.0068
70	0.2500	0.0052	0.0059	N/A	0.0099	30 & up	0.0000
75	1.0000	0.0000	0.0084	N/A	0.0151		
Female							
20	0.0000	0.0002	0.0001	N/A	0.0002	5	0.0283
30	0.0000	0.0002	0.0001	N/A	0.0002	10	0.0208
40	0.0200	0.0006	0.0002	N/A	0.0006	15	0.0144
50	0.0200	0.0016	0.0006	N/A	0.0016	20	0.0096
60	0.0600	0.0034	0.0017	N/A	0.0036	25	0.0068
70	0.2500	0.0072	0.0036	N/A	0.0073	30 & up	0.0000
75	1.0000	0.0000	0.0046	N/A	0.0103		

Plan E General Members

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
Male							
20	0.0000	N/A	N/A	N/A	0.0003	5	0.0407
30	0.0000	N/A	N/A	N/A	0.0004	10	0.0272
40	0.0000	N/A	N/A	N/A	0.0011	15	0.0204
50	0.0000	N/A	N/A	N/A	0.0021	20	0.0162
60	0.0500	N/A	N/A	N/A	0.0049	25	0.0132
70	0.2500	N/A	N/A	N/A	0.0099	30 & up	0.0120
75	1.0000	N/A	N/A	N/A	0.0151		
Female							
20	0.0000	N/A	N/A	N/A	0.0002	5	0.0407
30	0.0000	N/A	N/A	N/A	0.0002	10	0.0272
40	0.0000	N/A	N/A	N/A	0.0006	15	0.0204
50	0.0000	N/A	N/A	N/A	0.0016	20	0.0162
60	0.0500	N/A	N/A	N/A	0.0036	25	0.0132
70	0.2500	N/A	N/A	N/A	0.0073	30 & up	0.0120
75	1.0000	N/A	N/A	N/A	0.0103		

Plan A and B Safety Members

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
Male							
20	0.0000	0.0050	0.0003	0.0001	0.0002	5	0.0217
30	0.0000	0.0050	0.0003	0.0001	0.0004	10	0.0096
40	0.0100	0.0072	0.0004	0.0001	0.0005	15	0.0048
50	0.0100	0.0168	0.0007	0.0001	0.0011	20 & up	0.0000
60	1.0000	0.0000	0.0000	0.0000	0.0000		
Female							
20	0.0000	0.0050	0.0006	0.0001	0.0002	5	0.0217
30	0.0000	0.0060	0.0006	0.0001	0.0002	10	0.0096
40	0.0100	0.0140	0.0010	0.0001	0.0006	15	0.0048
50	0.0100	0.0190	0.0022	0.0001	0.0016	20 & up	0.0000
60	1.0000	0.0000	0.0000	0.0000	0.0000		

In 1937, a **promise** was made to County employees; we **exist** to **uphold** that promise.

PROMISED BENEFITS

PROMISED BENEFITS

INVESTMENTS

Benefits Pursuant to the County Employees Retirement Law of 1937

The law promises Los Angeles County employees certain benefits and mandates LACERA to pay them. While it's obvious the lifetime benefits financed by the Fund have a life-altering effect on their recipients, what may be less obvious is the powerful ripple effect LACERA benefits have on the County economy. "Upholding the promise" to County retirees and their beneficiaries also generates numerous secondary benefits; recipients annually feed hundreds of millions of dollars into the local economy. The ripple effect from this infusion of funds creates jobs and bolsters the community.

CUSTOMER SERVICE

Our Defined Benefit Plans Promise Lifetime Benefits

All LACERA retirement plans are defined benefit plans that promise to pay a specified benefit at retirement based on length of service, age at retirement, and final compensation. This monthly allowance is payable for life. The Plans also provide cost-of-living adjustments to retirees. Our mission is to uphold the promise to the men and women who work tirelessly on behalf of Los Angeles County. It is through the diligence and dedication of our Boards, management, and staff that the promise remains unbroken.

Statistical Information Overview

The objective of the Statistical Section is to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the Financial Statements, Notes to Financial Statements, and Required Supplementary Information to understand and assess LACERA's economic condition. The information is presented in two main categories: Financial Trends Information and Operating Information.

Financial Trends Information is intended to assist users in understanding how LACERA's financial position has changed over time. The Changes in Pension Plan Net Assets for the Last Ten Fiscal Years presents additions by source, deductions by type, and the total change in pension plan net assets for each year. The Pension Benefit Expenses by Type for the Last Ten Fiscal Years presents benefit and refund deductions by type of benefit, such as Service Retiree and Disability Retiree, as well as by General and Safety benefits.

Operating Information is intended to provide contextual information about LACERA's operations and membership, to assist readers in using financial statement information to comprehend and evaluate LACERA's fiscal condition. The Active and Deferred Member Accounts for the Last Ten Years provides membership statistics for active vested and non-vested members, as well as for deferred members. Retired Members by Type of Pension Benefit and Retired Members by Type of OPEB Benefit present benefit information for the current year, by benefit type and dollar levels. The Schedule of Average Pension Benefit Payments for the Last Ten Fiscal Years presents the average monthly benefit, average final salary, and number of retired members, organized by five-year increments of credited service. Participating Pension Employers and Active Members for the Last Ten Fiscal Years presents the employers and their corresponding covered employees. Participating OPEB Employers and Retired Members for the Last Ten Fiscal Years presents the covered members by medical or dental/vision benefit. Only three years' worth of data is currently available. Employer Contribution Rates to the pension plans is also provided as additional information.

Changes in Pension Plan Net Assets

Last Ten Fiscal Years

(Dollars in Thousands)

	2000	2001	2002	2003	2004
Additions					
Employer Contributions	$ 130,319	$ 193,650	$ 297,928	$ 325,524	$ 395,109
Member Contributions	198,618	216,297	265,573	233,192	262,699
Net Investment Income/(Loss)	4,335,941	(2,382,548)	(1,533,625)	924,991	4,118,500
Miscellaneous	2,536	2,972	133	151,215	2,605
Total Additions/(Declines)	**4,667,414**	**(1,969,629)**	**(969,991)**	**1,634,922**	**4,778,913**
Deductions					
Total Benefit Expenses (see Pension Benefit Expenses by Type)	1,065,265	1,155,670	1,240,371	1,339,202	1,447,511
Administrative Expense	29,401	33,417	37,402	41,523	38,684
Retiree Health Care Program	48,611	52,717	57,654	53,407	59,054
Miscellaneous	2,096	653	604	224	287
Total Deductions	**1,145,373**	**1,242,457**	**1,336,031**	**1,434,356**	**1,545,536**
Transfer to OPEB Agency Fund	—	—	—	—	—
Change in Pension Plan Net Assets	**$3,522,041**	**$(3,212,086)**	**$(2,306,022)**	**$ 200,566**	**$3,233,377**

	2005	2006*	2007*	2008	2009
Additions					
Employer Contributions	$ 527,810	$ 676,667	$ 751,928	$ 788,029	**$ 831,671**
Member Contributions	286,096	296,176	347,701	414,752	**415,545**
Net Investment Income/(Loss)	3,396,193	4,092,410	6,487,184	(1,426,117)	**(7,407,790)**
Miscellaneous	3,222	1,582	1,803	1,767	**1,221**
Total Additions/(Declines)	**4,213,321**	**5,066,835**	**7,588,616**	**(221,569)**	**(6,159,353)**
Deductions					
Total Benefit Expenses (see Pension Benefit Expenses by Type)	1,562,363	1,798,463	1,792,654	1,913,272	**2,016,364**
Administrative Expense	43,182	42,469	43,880	48,223	**49,730**
Retiree Health Care Program	62,318				
Miscellaneous	536	75	197	371	**243**
Total Deductions	**1,668,399**	**1,841,007**	**1,836,731**	**1,961,866**	**2,066,337**
Transfer to OPEB Agency Fund	—	66,344	29,368	—	—
Change in Pension Plan Net Assets	**$2,544,922**	**$3,159,484**	**$5,722,517**	**$(2,183,435)**	**$(8,225,690)**

*Reclassified to reflect GASB Statement No. 43 implementation.

Pension Benefit Expenses by Type

Last Ten Fiscal Years

(Dollars in Thousands)

	2000	2001	2002	2003	2004
Service Retiree Payroll					
General	$ 650,584	$ 702,400	$ 751,892	$ 802,308	$ 867,715
Safety	115,813	128,635	141,541	161,269	178,829
Total	**766,397**	**831,035**	**893,433**	**963,577**	**1,046,544**
Disability Retiree Payroll					
General	106,416	111,707	116,791	115,090	117,964
Safety	173,989	193,554	212,433	242,108	262,436
Total	**280,405**	**305,261**	**329,224**	**357,198**	**380,400**
Total Retiree Payroll					
General	757,000	814,107	868,683	917,398	985,679
Safety	289,802	322,189	353,974	403,377	441,265
Total	**1,046,802**	**1,136,296**	**1,222,657**	**1,320,775**	**1,426,944**
Refunds*					
General	—	—	—	—	—
Safety	—	—	—	—	—
Total	**17,250**	**17,640**	**16,259**	**16,756**	**18,088**
Lump-Sum Death Benefits	**1,213**	**1,734**	**1,455**	**1,671**	**2,479**
Total Benefit Expenses	**$1,065,265**	**$1,155,670**	**$1,240,371**	**$1,339,202**	**$1,447,511**

	2005	2006	2007	2008	2009
Service Retiree Payroll					
General	$ 942,997	$1,072,193	$1,087,908	$1,162,474	$1,221,671
Safety	192,093	234,565	228,779	242,948	269,893
Total	**1,135,090**	**1,306,758**	**1,316,687**	**1,405,422**	**1,491,564**
Disability Retiree Payroll					
General	123,297	135,397	133,361	139,390	141,821
Safety	283,700	335,226	322,979	341,158	361,235
Total	**406,997**	**470,623**	**456,340**	**480,548**	**503,056**
Total Retiree Payroll					
General	1,066,294	1,207,590	1,221,269	1,301,864	1,363,492
Safety	475,793	569,791	551,758	584,106	631,128
Total	**1,542,087**	**1,777,381**	**1,773,027**	**1,885,970**	**1,994,620**
Refunds*					
General	—	16,889	15,682	20,894	16,743
Safety	—	2,842	2,356	4,694	3,613
Total	**18,630**	**19,731**	**18,038**	**25,588**	**20,356**
Lump-Sum Death Benefits	**1,646**	**1,351**	**1,589**	**1,714**	**1,388**
Total Benefit Expenses	**$1,562,363**	**$1,798,463**	**$1,792,654**	**$1,913,272**	**$2,016,364**

*Detail of Refunds available beginning in FY 2006.

Active and Deferred Member Accounts

Last Ten Fiscal Years

	2000	2001	2002	2003	2004
Active Vested					
General	46,366	46,886	47,763	48,513	50,235
Safety	8,789	9,037	9,400	9,221	9,295
Subtotal	55,155	55,923	57,163	57,734	59,530
Active Non-Vested					
General	25,574	28,162	29,299	27,482	24,591
Safety	2,475	2,984	2,790	2,544	2,114
Subtotal	28,049	31,146	32,089	30,026	26,705
Total Active Members					
General	71,940	75,048	77,062	75,995	74,826
Safety	11,264	12,021	12,190	11,765	11,409
Total	**83,204**	**87,069**	**89,252**	**87,760**	**86,235**
Deferred Members					
General	5,076	5,325	5,799	6,129	6,260
Safety	162	179	209	265	299
Total	**5,238**	**5,504**	**6,008**	**6,394**	**6,559**

	2005	2006	2007	2008	2009
Active Vested					
General	52,113	53,280	53,918	53,884	**54,729**
Safety	9,269	9,860	10,061	9,876	**9,761**
Subtotal	61,382	63,140	63,979	63,760	**64,490**
Active Non-Vested					
General	23,054	23,887	25,911	27,780	**28,149**
Safety	1,948	1,604	2,206	2,952	**3,149**
Subtotal	25,002	25,491	28,117	30,732	**31,298**
Total Active Members					
General	75,167	77,167	79,829	81,664	**82,878**
Safety	11,217	11,464	12,267	12,828	**12,910**
Total	**86,384**	**88,631**	**92,096**	**94,492**	**95,788**
Deferred Members					
General	6,591	7,021	7,441	11,149	**7,589**
Safety	389	438	470	685	**462**
Total	**6,980**	**7,459**	**7,911**	**11,834**	**8,051**

Source: Data from Universal Statistical File created from LACERA's IRIS 2 Database (Integrated Retirement Information System, Second Generation).

Retired Members by Type of Pension Benefit

As of June 30, 2009

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement*		
		1	2	3
$ 1 - $1,000	17,682	10,832	2,087	4,763
$1,001 - $2,000	13,296	9,204	2,287	1,805
$2,001 - $3,000	7,826	5,569	1,680	577
$3,001 - $4,000	4,731	3,561	929	241
$4,001 - $5,000	3,146	2,468	556	122
$5,001 - $6,000	2,236	1,706	469	61
$6,001 - $7,000	1,484	1,089	364	31
Greater than $7,000	2,668	2,008	624	36
	53,069	**36,437**	**8,996**	**7,636**

Amount of Monthly Benefit	Retirement Option Selected**					
	Unmodified	Unmodified+Plus	Option 1	Option 2	Option 3	Option 4
$ 1 - $1,000	16,642	228	278	446	61	27
$1,001 - $2,000	12,490	251	190	278	54	33
$2,001 - $3,000	7,320	213	103	146	25	19
$3,001 - $4,000	4,408	156	61	70	19	17
$4,001 - $5,000	2,880	136	49	48	16	17
$5,001 - $6,000	2,023	144	25	28	2	14
$6,001 - $7,000	1,307	123	12	20	5	17
Greater than $7,000	2,211	372	19	22	10	34
	49,281	**1,623**	**737**	**1,058**	**192**	**178**

*Type of Retirement:
1 - Service Retiree
2 - Disability Retiree
3 - Beneficiary/Continuant/Survivor

**Retirement Option Selected:
Unmodified - For Plans A-D, beneficiary receives 65% of the member's allowance (60% if the member retired before June 4, 2002); for Plan E, beneficiary receives 55% of member's allowance (50% if the member retired before June 4, 2002).
The following Options reduce the member's monthly benefit:

Unmodified+Plus - For all Plans (A-E), member's allowance is reduced to pay an increased continuing allowance to an eligible surviving spouse/domestic partner.
Option 1 - Beneficiary receives lump sum of member's unused contributions (not available under Plan E).
Option 2 - Beneficiary receives 100% of member's reduced monthly benefit.
Option 3 - Beneficiary receives 50% of member's reduced monthly benefit.
Option 4 - Beneficiary receives percentage of member's reduced monthly benefit or a customized dollar amount as designated by member.

Source: Data from Universal Statistical File created from LACERA's IRIS 2 Database (Integrated Retirement Information System, Second Generation).

Retired Members by Type of OPEB Benefit

As of June 30, 2009

	Medical Benefit/Premium Amounts					Total
	$1- $500	$501- $1,000	$1,001- $1,500	$1,501- $2,000	> $2,000	Member Count
Medical Plans by Plan Type						
Blue Cross I	1	1,536	28	840	—	2,405
Blue Cross II	7	1,981	84	2,514	—	4,586
Blue Cross III	4,813	3,899	59	—	—	8,771
Blue Cross Prudent Buyer Plan	2	1,141	917	—	—	2,060
CIGNA HealthCare for Seniors	24	7	—	—	—	31
CIGNA Network Model Plan	4	724	42	678	—	1,448
Kaiser - California	—	3,304	2,959	292	36	6,591
Kaiser - Senior Advantage	9,201	1,335	95	—	—	10,631
Kaiser - Colorado	17	22	2	6	—	47
Kaiser - Georgia	32	31	33	—	—	96
Kaiser - Hawaii	38	23	1	—	—	62
Kaiser - Oregon-Washington	64	45	35	—	—	144
Firefighters Local 1014	—	365	924	105	—	1,394
PacifiCare	—	381	—	375	—	756
Scan/Smart Care Health Plan	346	—	—	—	—	346
Secure Horizons - PacifiCare	852	426	222	—	—	1,500
Total Medical by Plan Type	**15,401**	**15,220**	**5,401**	**4,810**	**36**	**40,868**
Medical Plans by Retirement Type						
Service Retirees	11,282	10,645	3,477	3,618	28	29,050
Disability Retirees	1,561	2,447	1,763	1,141	8	6,920
Survivors	2,558	2,128	161	51	—	4,898
Total by Retirement Type	**15,401**	**15,220**	**5,401**	**4,810**	**36**	**40,868**

	Dental/Vision Benefit/Premium Amount $1 - $500
Dental/Vision Plans by Plan Type	
CIGNA Indemnity Dental/Vision (Provident)	36,786
CIGNA HMO Dental/Vision	4,389
Total Dental/Vision by Plan Type	**41,175**
Dental/Vision Plans by Retirement Type	
Service Retirees	29,250
Disability Retirees	7,010
Survivors	4,915
Total by Retirement Type	**41,175**

Source: Data from Universal Statistical File created from LACERA's IRIS 2 Database (Integrated Retirement Information System, Second Generation).

Schedule of Average Pension Benefit Payments

Last Ten Fiscal Years

Retirement Effective Dates	Years of Credited Service					
	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/99 to 6/30/00						
Retirants						
General Members						
Average Monthly Benefit	$ 739	$ 802	$1,127	$1,837	$2,317	$3,377
Average Final Compensation	$3,524	$3,480	$3,685	$4,001	$4,154	$4,596
Number of Active Retirants	27	72	62	65	153	164
Safety Members						
Average Monthly Benefit	$2,279	$2,264	$2,956	$3,547	$4,521	$6,102
Average Final Compensation	$4,883	$4,973	$5,637	$6,410	$6,729	$7,256
Number of Active Retirants	33	51	27	18	37	70
Survivors						
General Members						
Average Monthly Benefit	$ 522	$ 508	$ 894	$ 928	$ 934	$2,448
Average Final Compensation	$2,942	$2,664	$2,142	$3,242	$2,908	$3,077
Number of Active Survivors	6	13	4	7	9	13
Safety Members						
Average Monthly Benefit				$3,802	$2,965	$3,965
Average Final Compensation				$7,290	$7,865	$5,566
Number of Active Survivors				2	2	2
7/1/00 to 6/30/01						
Retirants						
General Members						
Average Monthly Benefit	$ 883	$ 983	$1,225	$1,978	$2,514	$4,176
Average Final Compensation	$3,963	$4,142	$3,801	$4,574	$4,352	$5,485
Number of Active Retirants	58	181	111	163	316	531
Safety Members						
Average Monthly Benefit	$3,459	$2,845	$2,909	$3,650	$4,775	$6,860
Average Final Compensation	$5,439	$5,599	$5,909	$6,687	$6,966	$8,088
Number of Active Retirants	14	30	14	14	79	203
Survivors						
General Members						
Average Monthly Benefit	$ 712	$ 404	$ 568	$ 814	$1,524	$2,227
Average Final Compensation	$2,438	$1,661	$1,186	$1,633	$2,583	$3,655
Number of Active Survivors	17	19	17	25	26	33
Safety Members						
Average Monthly Benefit	$1,059	$1,962	$2,532	$1,529	$2,279	$3,369
Average Final Compensation	$5,134	$1,822	$4,893	$3,658	$3,023	$3,905
Number of Active Survivors	2	3	3	6	7	10

Schedule of Average Pension Benefit Payments — continued

Last Ten Fiscal Years

Retirement Effective Dates	Years of Credited Service 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/01 to 6/30/02						
Retirants						
General Members						
Average Monthly Benefit	$ 770	$ 915	$1,421	$1,932	$2,753	$4,368
Average Final Compensation	$4,072	$3,815	$4,468	$4,531	$4,734	$5,748
Number of Active Retirants	65	214	147	163	283	631
Safety Members						
Average Monthly Benefit	$4,052	$2,961	$3,454	$3,318	$5,092	$7,066
Average Final Compensation	$6,733	$5,899	$6,394	$6,701	$7,216	$8,122
Number of Active Retirants	19	29	26	23	48	221
Survivors						
General Members						
Average Monthly Benefit	$ 399	$ 555	$ 748	$1,227	$1,567	$2,669
Average Final Compensation	$2,385	$3,764	$1,965	$3,648	$3,610	$4,587
Number of Active Survivors	15	20	25	24	38	35
Safety Members						
Average Monthly Benefit	$1,917	$1,129	$1,414	$1,662	$2,569	$3,981
Average Final Compensation	$3,421	$5,643	$6,527	$4,153	$5,156	$4,619
Number of Active Survivors	3	1	1	6	9	10
7/1/02 to 6/30/03						
Retirants						
General Members						
Average Monthly Benefit	$ 914	$ 739	$1,059	$1,283	$2,336	$3,015
Average Final Compensation	$4,664	$3,656	$4,106	$4,201	$4,568	$5,047
Number of Active Retirants	33	138	103	124	134	268
Safety Members						
Average Monthly Benefit	$3,202	$3,007	$3,480	$3,302	$5,063	$7,177
Average Final Compensation	$6,435	$6,147	$6,783	$6,221	$7,255	$8,230
Number of Active Retirants	9	17	12	12	28	85
Survivors						
General Members						
Average Monthly Benefit	$ 578	$ 518	$ 720	$ 858	$1,713	$2,211
Average Final Compensation	$4,043	$3,042	$2,049	$2,450	$3,564	$3,916
Number of Active Survivors	11	28	14	18	25	30
Safety Members						
Average Monthly Benefit			$2,887		$1,775	$4,116
Average Final Compensation			$6,510		$5,138	$5,242
Number of Active Survivors			3		4	3

Schedule of Average Pension Benefit Payments — continued

Last Ten Fiscal Years

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/03 to 6/30/04						
Retirants						
General Members						
Average Monthly Benefit	$ 944	$ 951	$1,403	$ 1,974	$2,718	$4,459
Average Final Compensation	$4,159	$3,976	$4,274	$ 4,546	$4,814	$5,851
Number of Active Retirants	64	217	234	151	358	856
Safety Members						
Average Monthly Benefit	$3,451	$3,298	$3,459	$ 3,274	$5,341	$7,452
Average Final Compensation	$6,015	$5,825	$7,011	$ 6,572	$7,805	$8,569
Number of Active Retirants	35	25	12	29	80	181
Survivors						
General Members						
Average Monthly Benefit	$ 653	$ 839	$ 639	$ 1,068	$1,364	$2,306
Average Final Compensation	$2,938	$4,014	$1,778	$ 3,006	$3,254	$4,327
Number of Active Survivors	20	29	20	28	25	40
Safety Members						
Average Monthly Benefit	$ 695	$2,707	$1,819	$ 1,402	$4,020	$3,702
Average Final Compensation	$6,264	$5,413	$6,146	$ 4,093	$6,249	$3,563
Number of Active Survivors	3	2	3	4	8	15
7/1/04 to 6/30/05						
Retirants						
General Members						
Average Monthly Benefit	$ 788	$ 964	$1,301	$ 1,843	$2,543	$4,210
Average Final Compensation	$4,079	$4,049	$4,024	$ 4,481	$4,737	$5,490
Number of Active Retirants	68	250	249	172	310	890
Safety Members						
Average Monthly Benefit	$3,784	$2,538	$3,144	$ 3,755	$5,168	$7,387
Average Final Compensation	$6,543	$5,494	$6,614	$ 6,798	$7,362	$8,486
Number of Active Retirants	32	24	18	33	61	162
Survivors						
General Members						
Average Monthly Benefit	$ 510	$ 623	$ 788	$ 1,349	$1,463	$2,287
Average Final Compensation	$3,112	$2,669	$3,525	$ 4,219	$3,265	$4,481
Number of Active Survivors	11	27	27	20	37	51
Safety Members						
Average Monthly Benefit		$2,851	$2,816	$ 2,511	$3,125	$3,887
Average Final Compensation		$5,701	$5,619	$ 5,006	$4,229	$4,913
Number of Active Survivors		1	1	6	6	19

Schedule of Average Pension Benefit Payments — continued

Last Ten Fiscal Years

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/05 to 6/30/06						
Retirants						
General Members						
Average Monthly Benefit	$ 754	$1,001	$1,491	$2,351	$3,652	$4,207
Average Final Compensation	$4,402	$4,291	$4,521	$5,550	$7,178	$5,771
Number of Active Retirants	75	268	277	180	235	908
Safety Members						
Average Monthly Benefit	$4,625	$3,843	$3,408	$3,612	$5,977	$7,646
Average Final Compensation	$6,858	$6,458	$6,994	$7,454	$8,461	$9,032
Number of Active Retirants	29	19	13	29	58	110
Survivors						
General Members						
Average Monthly Benefit	$ 611	$ 635	$ 726	$1,132	$1,793	$2,434
Average Final Compensation	$2,962	$3,500	$3,397	$3,707	$4,519	$4,518
Number of Active Survivors	19	52	31	30	37	71
Safety Members						
Average Monthly Benefit	$ 487	$1,608	$2,449	$2,693	$3,358	$5,707
Average Final Compensation	$5,061	$5,254	$6,059	$4,501	$5,950	$7,384
Number of Active Survivors	1	4	3	6	6	21
7/1/06 to 6/30/07						
Retirants						
General Members						
Average Monthly Benefit	$1,011	$ 955	$1,445	$1,927	$2,325	$4,068
Average Final Compensation	$4,398	$4,201	$4,775	$5,224	$5,070	$5,749
Number of Active Retirants	74	219	246	177	266	624
Safety Members						
Average Monthly Benefit	$2,714	$3,414	$3,433	$3,837	$5,903	$8,093
Average Final Compensation	$6,093	$7,083	$6,906	$7,498	$8,622	$10,050
Number of Active Retirants	25	19	20	14	62	88
Survivors						
General Members						
Average Monthly Benefit	$ 600	$ 480	$ 917	$ 951	$1,565	$2,210
Average Final Compensation	$2,436	$3,462	$4,165	$3,246	$4,171	$4,832
Number of Active Survivors	15	31	31	34	27	61
Safety Members						
Average Monthly Benefit	$3,432	$2,960	$2,549	$2,138	$2,939	$4,493
Average Final Compensation	$6,863	$3,735	$6,591	$4,149	$5,347	$6,656
Number of Active Survivors	2	1	4	3	8	15

Schedule of Average Pension Benefit Payments — continued

Last Ten Fiscal Years

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/07 to 6/30/08						
Retirants						
General Members						
Average Monthly Benefit	$1,247	$ 894	$1,681	$2,198	$ 2,575	$ 4,603
Average Final Compensation	$5,160	$4,425	$5,095	$5,394	$ 5,352	$ 6,151
Number of Active Retirants	109	206	256	195	264	778
Safety Members						
Average Monthly Benefit	$4,264	$3,995	$3,534	$4,785	$ 6,170	$ 9,478
Average Final Compensation	$7,234	$7,344	$8,061	$8,923	$ 9,252	$11,067
Number of Active Retirants	25	17	13	20	92	188
Survivors						
General Members						
Average Monthly Benefit	$1,026	$ 738	$ 906	$1,101	$ 1,690	$ 2,506
Average Final Compensation	$5,729	$4,095	$4,409	$3,937	$ 4,441	$ 5,113
Number of Active Survivors	18	37	28	29	37	56
Safety Members						
Average Monthly Benefit	$1,574	$3,661	$1,555	$2,964	$ 3,638	$ 4,723
Average Final Compensation	$5,295	$4,838	$4,379	$5,534	$ 6,619	$ 7,088
Number of Active Survivors	2	1	5	5	10	9
7/1/08 to 6/30/09						
Retirants						
General Members						
Average Monthly Benefit	$1,462	$1,018	$1,793	$2,284	$ 2,916	$ 4,917
Average Final Compensation	$5,224	$4,233	$5,054	$5,478	$ 5,711	$ 6,387
Number of Active Retirants	116	232	195	172	182	669
Safety Members						
Average Monthly Benefit	$4,959	$4,185	$4,593	$4,719	$ 7,000	$10,042
Average Final Compensation	$8,344	$7,798	$8,425	$9,120	$10,131	$11,838
Number of Active Retirants	22	13	17	22	76	127
Survivors						
General Members						
Average Monthly Benefit	$ 755	$ 688	$ 999	$1,204	$ 1,819	$ 2,363
Average Final Compensation	$4,243	$3,810	$4,450	$3,939	$ 4,563	$ 4,987
Number of Active Survivors	14	31	39	43	52	67
Safety Members						
Average Monthly Benefit	$3,045	$3,267	$2,136	$2,535	$ 3,272	$ 4,931
Average Final Compensation	$5,765	$5,497	$4,271	$5,996	$ 6,153	$ 7,238
Number of Active Survivors	4	2	2	5	14	22

Participating Pension Employers and Active Members

Last Ten Fiscal Years

	2000	2001	2002	2003	2004
County of Los Angeles					
General Members	71,940	75,034	77,048	75,980	74,811
Safety Members	11,264	12,021	12,190	11,765	11,409
Total	**83,204**	**87,055**	**89,238**	**87,745**	**86,220**
Outside Districts (General Membership)					
South Coast Air Quality Mgmt. District	8	3	3	2	2
Los Angeles County Office of Education	8	5	5	4	3
Little Lake Cemetery District	2	2	2	2	2
Local Agency Formation Commission	5	4	4	7	8
Total	**23**	**14**	**14**	**15**	**15**
Total Active Membership					
General Members	71,963	75,048	77,062	75,995	74,826
Safety Members	11,264	12,021	12,190	11,765	11,409
Total	**83,227**	**87,069**	**89,252**	**87,760**	**86,235**

	2005	2006	2007	2008	2009
County of Los Angeles					
General Members	75,154	77,153	79,816	81,650	**82,865**
Safety Members	11,217	11,464	12,267	12,828	**12,910**
Total	**86,371**	**88,617**	**92,083**	**94,478**	**95,775**
Outside Districts (General Membership)					
South Coast Air Quality Mgmt. District	2	2	2	2	**2**
Los Angeles County Office of Education	3	3	3	3	**3**
Little Lake Cemetery District		1	1	1	**1**
Local Agency Formation Commission	8	8	7	8	**7**
Total	**13**	**14**	**13**	**14**	**13**
Total Active Membership					
General Members	75,167	77,167	79,829	81,664	**82,878**
Safety Members	11,217	11,464	12,267	12,828	**12,910**
Total	**86,384**	**88,631**	**92,096**	**94,492**	**95,788**

Source: Data from Universal Statistical File created from LACERA's IRIS 2 Database (Integrated Retirement Information System, Second Generation).

Participating OPEB Employers and Retired Members

Last Ten Fiscal Years*

	2007	2008	2009
Los Angeles County and Outside Districts:			
Medical	40,807	40,444	**40,868**
Dental/Vision	40,172	40,628	**41,175**

*This schedule was implemented effective with GASB Statement No. 43 reporting in FYE 6/30/07 and contains only three years of data.
Source: Data from Universal Statistical File created from LACERA's IRIS 2 Database (Integrated Retirement Information System, Second Generation).

Employer Contribution Rates: County of Los Angeles

Last Ten Fiscal Years

	General					Safety	
Effective Date	**Plan A**	**Plan B**	**Plan C**	**Plan D**	**Plan E**	**Plan A**	**Plan B**
7/1/1999 to 6/30/2002*	11.69%	7.01%	6.47%	6.95%	6.00%	22.27%	14.38%
7/1/2002 to 6/30/2003	14.85%	8.22%	7.88%	7.94%	7.64%	21.86%	18.79%
7/1/2003 to 6/30/2004	15.31%	8.59%	8.21%	8.31%	7.70%	22.32%	18.75%
7/1/2004 to 6/30/2005	20.02%	13.07%	12.67%	12.72%	12.38%	26.84%	23.20%
7/1/2005 to 6/30/2006	21.42%	14.53%	14.16%	14.25%	14.33%	28.21%	23.65%
7/1/2006 to 6/30/2007	20.17%	13.31%	13.02%	13.16%	13.32%	28.05%	22.70%
7/1/2007 to 6/30/2008	18.14%	11.44%	11.14%	11.33%	11.29%	26.89%	20.93%
7/1/2008 to 6/30/2009	17.64%	10.79%	10.22%	10.79%	10.67%	28.16%	20.54%

*Contribution rates remained the same for three fiscal years.

Employer Contribution Rates: Little Lake Cemetery District, Local Agency Formation Commission, and Los Angeles County Office of Education

Last Ten Fiscal Years

Effective Date			General			
			Plan A	Plan B	Plan D	Plan E
7/1/1999	to	6/30/2002*	10.96%		6.95%	6.00%
7/1/2002	to	6/30/2003	14.14%		7.94%	7.64%
7/1/2003	to	6/30/2004	14.60%		8.31%	7.70%
7/1/2004	to	6/30/2005	19.31%		12.72%	12.38%
7/1/2005	to	6/30/2006	20.80%		14.25%	14.33%
7/1/2006	to	6/30/2007	20.17%		13.16%	13.32%
7/1/2007	to	6/30/2008	18.14%		11.33%	11.29%
7/1/2008	to	6/30/2009	17.64%		10.79%	10.67%

*Contribution rates remained the same for three fiscal years.

Effective July 1, 1999, there were no active members in Plan B.
Rates applicable to the Los Angeles County Office of Education are limited to Plan A.
Rates applicable to Little Lake Cemetery District are limited to Plan D.
Rates applicable to the Local Agency Formation Commission are limited to Plans D and E.

Employer Contribution Rates: South Coast Air Quality Management District

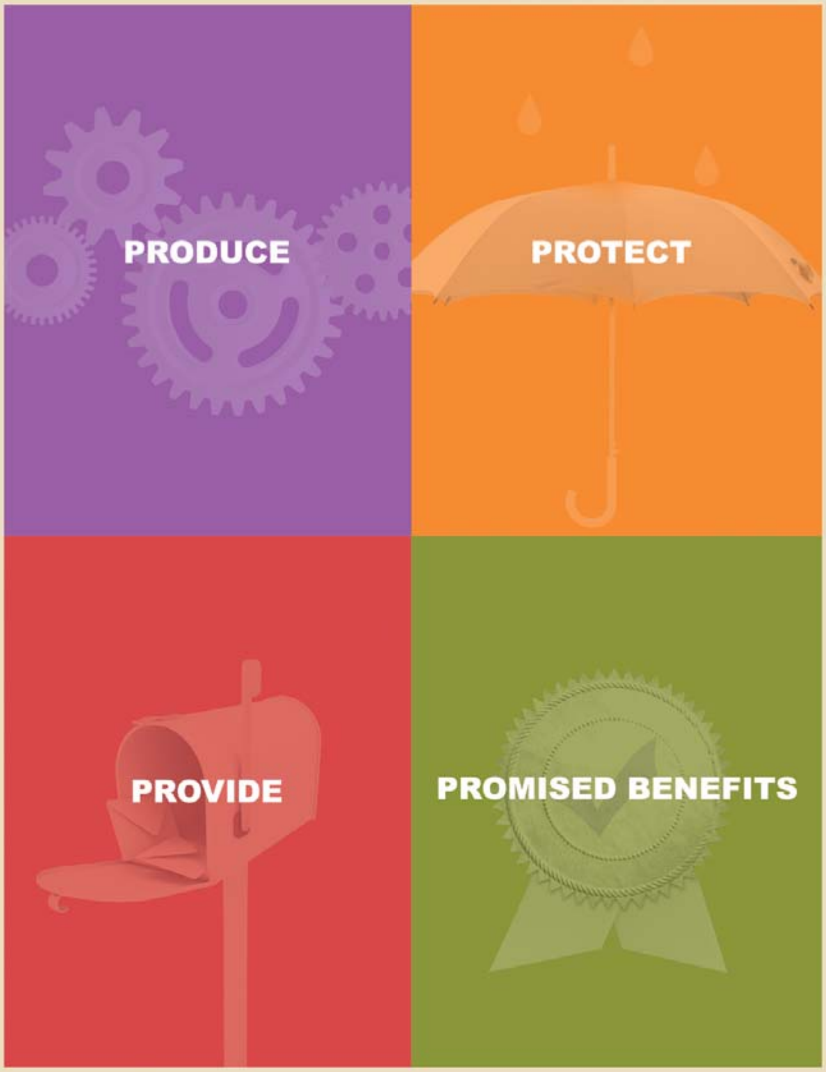
Last Ten Fiscal Years

Effective Date			General		
			Plan A	Plan B	Plan C
7/1/1999	to	6/30/2002*	16.86%	15.61%	15.04%
7/1/2002	to	6/30/2003	15.69%	11.06%	10.75%
7/1/2003	to	6/30/2004		11.44%	11.09%
7/1/2004	to	6/30/2005		15.93%	15.56%
7/1/2005	to	6/30/2006		20.39%	18.80%
7/1/2006	to	6/30/2007		19.18%	18.91%
7/1/2007	to	6/30/2008**	24.04%	17.31%	17.04%
7/1/2008	to	6/30/2009**	22.38%	16.67%	

*Contribution rates remained the same for three fiscal years.

**Member changed from Plan C to Plan A effective November 2007, leaving no active members in Plan C.

There were no active members in Plan A from July 2003 to October 2007.
SCAQMD recalculates its employer contribution rates to pick up a portion of its employee rates, in accordance with its labor contract.


PRODUCE
PROTECT
PROVIDE
PROMISED BENEFITS

Words to Work by

To produce, protect, and provide the promised benefits.

These eight simple words fully explain why we exist and what we do. They are the words we work by. So succinct, yet so comprehensive. That's why we've highlighted them throughout this annual report and applied them as graphic treatments. The words and the concepts they represent are displayed here to underscore their significance and the significance of the services LACERA provides..

PRODUCE

The keystones of our mission can be summarized by two elements: investments and customer service.

PROTECT

We continue to employ solid investment and business strategies designed to serve the best interests of our members and their beneficiaries.

PROVIDE

Our services begin the moment a new hire becomes a LACERA member and continue throughout the member's career to retirement… and beyond.

PROMISED BENEFITS

In 1937, a promise was made to County employees; we exist to uphold that promise.

IN MEMORIAM

Simon Frumkin
1930-2009

We Remember Simon Frumkin

We honor the memory of Simon "Si" Frumkin, who was an esteemed member of the LACERA Board of Retirement (BOR) from 2003 to his death in May 2009. Mr. Frumkin was committed to ensuring fairness and justice for County retirees. The insight, humanity, and unique life experience he contributed to the BOR will be remembered for many years to come.

The 2009 Annual Report was designed by LACERA’s Communications Division.

09
Annual Report

LACERA

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