L//CERA

Los Angeles County Employees Retirement Association

The Table of Contents page contains direct links to each topic.

annual report

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

Comprehensive Annual Financial Report for the year ended June 30, 2011

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

June 30, 2011

ISSUED BY:

Gregg Rademacher
Chief Executive Officer

Robert R. Hill
Assistant Executive Officer

Janice Golden
Assistant Executive Officer

LACERA
Los Angeles County Employees Retirement Association
300 N. Lake Avenue, Pasadena, CA 91101
626-564-6000 lacera.com

Mutual Benefit:
Security

introductory section

The County Employees Retirement Law of 1937 recognizes a public obligation to provide retirement and death benefits to Los Angeles County employees who retire after a career serving the public interest. In recognition of that service, the law promises them defined retirement benefits. Those hard-earned benefits help to secure the future of County retirees and their survivors. ***The benefit is mutual.***

AWARDS

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 21st consecutive year, LACERA has earned this prestigious award for the 2010 CAFR. 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 2010 Award, in recognition of meeting professional standards for plan funding 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 an eight-time recipient of this important award.

*A confederation of NASRA, NCPERS, and NCTR.

TABLE OF CONTENTS

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, 2011

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 (CAFR) for the fiscal year ended June 30, 2011. 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 service to more than 156,000 members, including more than 55,000 benefit recipients.

Mutual Benefit

More than 70 years ago, lawmakers created the County Employees Retirement Law of 1937 (CERL) and established LACERA to administer retirement benefits to Los Angeles County (County) employees and their beneficiaries as delineated under the law. CERL recognizes a public obligation to provide retirement and death benefits to County employees who retire after a career serving the public interest. Permanent County employees who work three-quarter time or more are LACERA members.

The scope and critical nature of the services provided by our members cannot be understated. They are the folks who put themselves in harm's way to protect public health and safety and make the justice system work. Their efforts maintain the County coastline, operate the bus and rail services, conduct earthquake recovery projects, register voters, and conduct elections. LACERA members operate the libraries, museums, and parks and recreation facilities; they also administer domestic violence shelters, senior service programs, and provide social services to at-risk children.

Gregg Rademacher
Chief Executive Officer

In recognition of their service to the health, welfare, and recreation of County residents, the law promises them defined retirement benefits. The services performed by LACERA members benefit the people of Los Angeles County; the retirement and death benefits lawfully disbursed by LACERA provide retirement security to our retirees and their families. *The benefit is mutual.*

LACERA and Its Services

On January 1, 1938, LACERA was established to provide retirement allowances and other benefits to the general and safety 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 developing its annual administrative budget. Adoption of the budget is subject to approval by both Boards.

Financial Information

Internal Control

The financial attest audit performed by Brown Armstrong CPAs states that LACERA's financial statements which are prepared by management, are presented in conformity with Generally Accepted Accounting Principles (GAAP), and are free of material misstatement. In the course of sustaining a rigorous and comprehensive control environment throughout its operations, LACERA practices stringent risk management activities and annually performs a detailed, organization-wide risk assessment in which control objectives and their related processes are reviewed.

Maintaining appropriate internal controls is 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. Although no combination of controls can entirely free an organization from all error or misstatement, the combined efforts of LACERA's Audit Committee, Internal Audit Services, and Quality Assurance Division continually assure management the established level of control prevents or detects significant events.

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 establishes LACERA's investment policies and objectives and defines the principal duties of the Board, 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.

This year, amid continued market volatility, the total Fund returned 20.4 percent (gross of fees) and exceeded its Policy Benchmark, which returned 18.6 percent. Over the five-year period ended June 30, 2011, the total Fund's annualized return was 5.3 percent (gross 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. The latest triennial valuation was conducted as of June 30, 2010.

Robert R. Hill
Assistant Executive Officer

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 responsible also 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).

The June 30, 2010 valuation, determining the funded ratio to be 83.3 percent, recognized an Unfunded Actuarial Accrued Liability (UAAL) of $7.81 billion. The County contribution rate was therefore set equal to 6.47 percent of payroll for the amortization of the UAAL over a 30-year period, plus the normal cost rate of 9.84 percent, for a total contribution rate of 16.31 percent of payroll.

Summary of Fiscal Year Accomplishments

The comprehensive customer services we provide our members and their beneficiaries require the dedication and expertise of approximately 350 LACERA personnel representing a variety of professional disciplines. During the fiscal year ended June 30, 2011, our Retirement Benefits Specialists provided one-on-one counseling to 25,000 members, meeting with 16,000 of those members at our Public Counter, and held 500 retirement workshops and benefits fairs. Through our Retirement Call Center and Retiree Healthcare Call Center, experts collectively answered 164,000 member inquiries.

In the course of implementing responsive, accurate, and expansive services during the 2010/2011 fiscal year, our Administrative Services staff scanned and indexed some 600,000 pages of member documents and processed 305,000 pieces of mail, while Claims Processing disbursed 56,650 monthly retirement allowances and placed 3,033 new retirees and survivors on the retiree payroll, paying 98.25 percent within one payroll cycle. All this was accomplished while maintaining a 98 percent accuracy level on overall benefit processing.

This fiscal year also marked completion of the ambitious microfiche conversion project we began in November 2009. The massive undertaking included the review, processing, and conversion of more than 50 years of microfiche records (dating back to our inception in 1938) to electronic image files. By the conclusion of the project, nearly 19.5 million frames of member data had been converted to a digital format with an average accuracy rate of 99.9 percent. This update to our system will streamline our operational efficiency and promote enhanced service to our members.

The 2010-2011 Los Angeles County Civil Grand Jury (CGJ) conducted an investigation of public pensions in Los Angeles County, the results of which were released in a June 30, 2011 report titled *Whoa! The State of Public Pensions in Los Angeles County*. In that report, the CGJ found LACERA to be a well-run organization and the Fund in no threat of defaulting on its obligations. The CGJ also praised the County for being proactive over the past 30 years by taking deliberate steps to control and lower pension costs. (The full report is available on lacera.com.) As public pension systems continue to come under increased public scrutiny and criticism, it was particularly gratifying to see the CGJ confirmed that LACERA is well-funded and prudently and openly administered in strict compliance with applicable law.

Awards and Recognition

For the 21st 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 CAFR for the fiscal year ended June 30, 2010.

Janice Golden
Assistant Executive Officer

LACERA is a recipient also of the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting, for the 13th year running. We received this honor for our Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2010.

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 ended June 30, 2010. LACERA is an eight-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
Chief Executive Officer















Marvin Adams
Board of Retirement
Appointed by the
Board of Supervisors
Term expires 12-31-11

John M. Barger
Chair, Board of Investments
Appointed by the
Board of Supervisors
Term expires 12-31-11

Alan Bernstein
Board of Retirement
Appointed by the
Board of Supervisors
Term expires 12-31-11

Yves Chery
Secretary, Board of Retirement
Elected by General Members
Term expires 12-31-11

William de la Garza
Board of Retirement
Elected by Retired Members
Term expires 12-31-11

Shawn R. Kehoe
Alternate Member, Board of Retirement
Elected by Safety Members
Term expires 12-31-13

Edward "Ed" C. Morris
Alternate Member, Board of Retirement
Elected by Retired Members
Term expires 12-31-11

William R. Pryor
Board of Retirement
Elected by Safety Members
Term expires 12-31-13

Board of Investments
Elected by Safety Members
Term expires 12-31-13

Les Robbins
Chair, Board of Retirement
Appointed by the Board of Supervisors
Term expires 12-31-12

Simon S. Russin
Vice Chair, Board of Retirement
Elected by General Members
Term expires 12-31-12

Vice Chair, Board of Investments
Elected by General Members
Term expires 12-31-11

Mark J. Saladino
Treasurer and Tax Collector
Ex-officio Member

Diane A. Sandoval
Board of Investments
Elected by Retired Members
Term expires 12-31-11

Herman Santos
Secretary, Board of Investments
Elected by General Members
Term expires 12-31-12

Michael S. Schneider
Board of Investments
Appointed by the
Board of Supervisors
Term expires 12-31-11

Leonard Unger
Board of Investments
Appointed by the Board of Supervisors
Term expires 12-31-10*

Sadonya Antebi
Board of Retirement
Appointed by the
Board of Supervisors
Term expires 12-31-13
(Not pictured)

Estevan R. Valenzuela
Board of Investments
Appointed by the
Board of Supervisors
Term expires 12-31-12
(Not pictured)

BOARD OF RETIREMENT

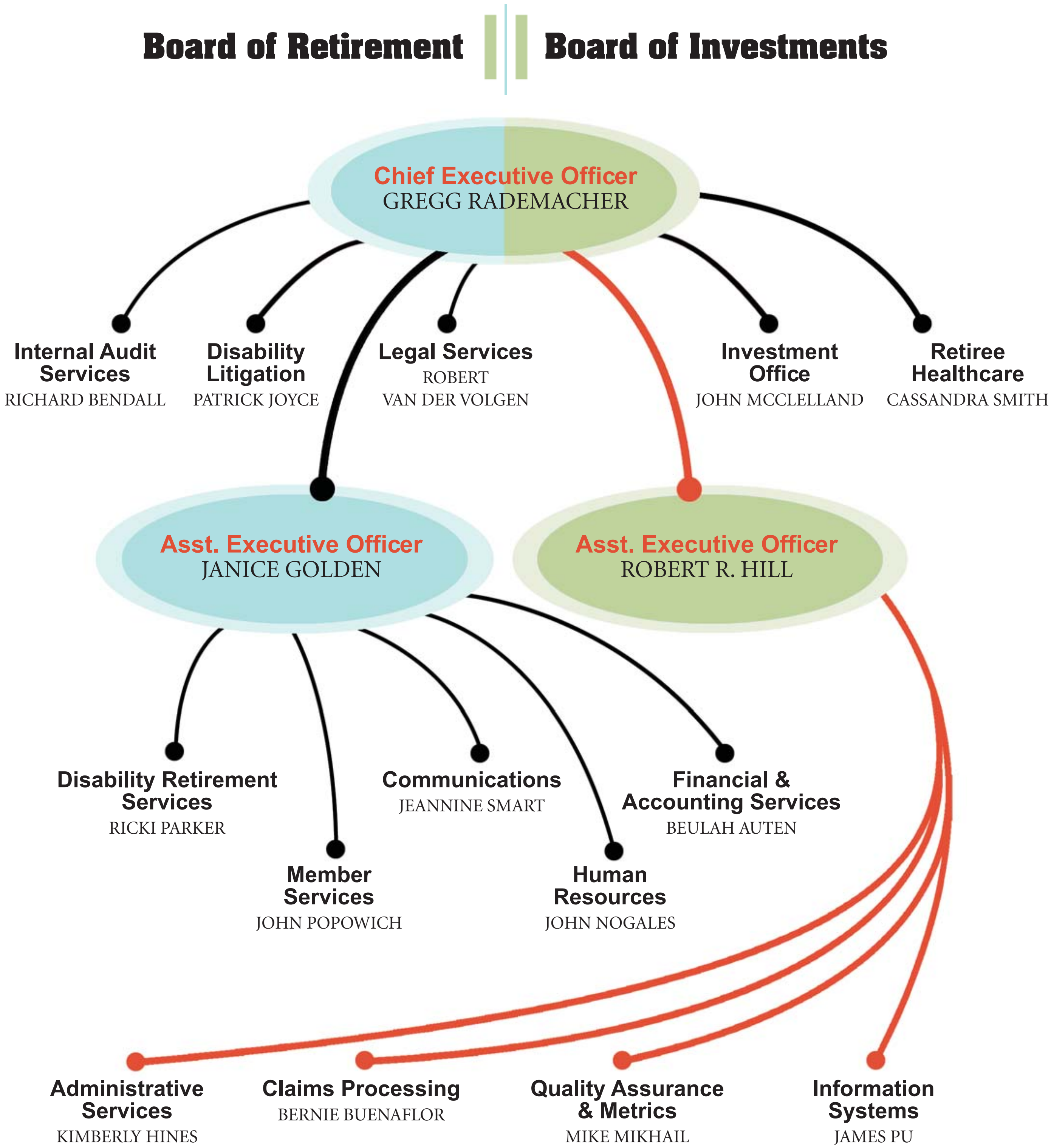
Overall management of LACERA is vested in its Board of Retirement. The Board of Retirement is responsible for the administration of the retirement system and the retiree healthcare program (OPEB Program). Its duties also include the review and processing of disability retirement applications.

BOARD OF INVESTMENTS

The Board of Investments is responsible for establishing LACERA's investment policy and objectives, as well as exercising authority and control over the investment of the fund.

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

2011 Organizational Chart



Consulting Actuary
Milliman

Auditing Actuary
The Segal Company

Auditors
Brown Armstrong, CPAs

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 Consultants
Glass, Lewis & Company, LLC
Institutional Shareholder Services, Inc.

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

Mortgage Loan Custodians
Deutsche Bank National Trust Company
JP Morgan Chase, N.A.

Legal Consultants
Andrews Kurth, LLP
Bryan Cave, LLP
Cox, Castle & Nicholson, LLP
DLA Piper (U.S.), LLP
Glaser, Weil, Fink, Jacobs, Howard & Shapiro, LLP
Hanson Bridgett
Jones Day, LLP
Kauff, McClain & McGuire, LLP
Kessel & Associates
Klausner & Kaufman
Liebert Cassidy Whitmore
Locke, Lord Bissell & Liddell, LLP
Manatt, Phelps & Phillips, LLP
Morrison & Foerster, LLP
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

Mutual Benefit:
Public Service

financial section

LACERA members can be first responders, or those who make the justice system function, or physicians, nurses, or ambulance drivers. Some are voter registrars, or social workers, librarians, or lifeguards. Or countless other occupations. Regardless of job title, our members spend their careers contributing to the welfare of Los Angeles County. For that service, the County contributes to their promised benefits. ***The benefit is mutual.***

BROWN ARMSTRONG
Certified Public Accountants

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, 2011 and 2010 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of LACERA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note B to the financial statements, LACERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 59, *Financial Instruments Omnibus*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of LACERA as of June 30, 2011 and 2010 and its changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of funding progress and employer contributions be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the GASB, who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Required Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis 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 2011 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the Fiscal Year 2011 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 20, 2011, 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, 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, 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
ACCOUNTANCY CORPORATION

Andrew J. Paulden

Bakersfield, California
October 20, 2011

This Management's Discussion and Analysis (MD&A) of the financial activities of the Los Angeles County Employees Retirement Association (LACERA) is an overview of its fiscal operations for the year ended June 30, 2011. Readers are encouraged to consider the information presented here in conjunction with the Financial Statements and the Notes to the Basic Financial Statements. Amounts contained in this discussion have been rounded to facilitate readability.

Financial Highlights

- Net Assets Held in Trust for Pension Benefits, as reported in the Statement of Plan Net Assets, total $39.5 billion, an increase of $6.1 billion or 18.0 percent from the prior year.
- Total Additions, as given in the Statement of Changes in Plan Net Assets, reflect an increase of $8.3 billion. This was primarily due to the Net Appreciation in the Fair Value of Investments because of continuing stability in economic markets and investors' willingness to increase their risk tolerance over the prior year. Additions increased by $3.2 billion over the amounts realized for 2010.
- Total Deductions, as reflected in the Statement of Changes in Plan Net Assets, total $2.3 billion, an increase of $141 million or 6.5 percent from the prior year. The increase was primarily attributable to the increase in the retiree payroll.
- The latest actuarial valuation completed by Milliman, LACERA's independent consulting actuary, was as of June 30, 2010 and determined the funded status (the ratio of actuarial value of assets to actuarial accrued liabilities) to be 83.3 percent.

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 Basic 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.

Beulah Auten
Chief Financial Officer

The Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets are the Basic Financial Statements of LACERA. The Statement of Plan Net Assets 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 at the end of the year. 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) Program is presented as the OPEB Agency Fund. The assets and liabilities related to OPEB activities are reported as an Agency Fund, because the fund is not an irrevocable trust. LACERA is acting as a custodian for these funds on behalf of the plan sponsors and participants. The OPEB Program is administered on a pay-as-you-go basis; therefore, only assets and liabilities are reported.

The Statement of Changes in Plan Net Assets reflects all the activities that occurred during the fiscal year and the impact of those addition or deduction activities on the plan net assets. The trend of Additions versus Deductions to the Pension 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 Basic Financial Statements (Notes) are an integral part of the financial statements. 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 Program, which are Required Supplementary Schedules, include historical trend information about the actuarially funded status of the Pension Plan and OPEB Program 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 Program, present historical trend information about the annual required contributions of the employers or plan sponsors (i.e., County of Los Angeles and outside Districts) 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 Programs over time.

Financial Analysis

As of June 30, 2011, LACERA's financial position improved 18.0 percent from the prior year primarily due to positive investment returns. The Plan Net Assets balance has increased over the last several years and now exceeds the reported balance from two years ago, fiscal year ended 2009, by $9.0 billion dollars. As of June 30, 2011, LACERA had $39.5 billion in Plan Net Assets, which means Total Assets of $42.7 billion exceeded Total Liabilities of $3.3 billion. As of June 30, 2010, LACERA had $33.4 billion in Plan Net Assets as a result of Total Assets of $36.1 billion exceeding Total Liabilities of $2.6 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, 2011, 2010, and 2009
(Dollars in Millions)

	2011	2010	2009	2011 - 2010 % Change	2010 - 2009 % Change
Investments	**$39,770**	$33,761	$30,918	17.8%	9.2%
Other Assets	**2,959**	2,290	2,282	29.2%	0.4%
Total Assets	**42,729**	36,051	33,200	18.5%	8.6%
Total Liabilities	**(3,277)**	(2,617)	(2,701)	25.2%	–3.1%
Total Plan Net Assets	**$39,452**	**$33,434**	**$30,499**	**18.0%**	**9.6%**

Actuarial Valuations

In order to determine whether Plan Net Assets will be sufficient to meet future obligations, the actuarial funded 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 employees (members) and the plan sponsors are needed to pay all expected future benefits.

In December 2009, the LACERA Board of Investments adopted a new Retirement Benefit Funding Policy (Funding Policy). The changes in the Funding Policy continued to impact the valuation for 2010 including the implementation of five-year smoothing on asset gains and losses. The significant positive investment return for fiscal year ended 2010 was more than offset by large deferred asset losses from prior years, namely fiscal year ended 2009, that were partially recognized under the new smoothing method. The 2009 Funding Policy utilized what is referred to as a "layered" amortization method. Under this method, the 2009 Unfunded Actuarial Accrued Liability (UAAL) amount is amortized over a closed 30-year period. Future gains and losses on the UAAL are amortized over new closed 30-year periods. The June 30, 2010 actuarial valuation represents the first valuation for which multiple "layers" exist, since there has now been a year of gain/loss on the original 2009 UAAL amount. The Supplemental Targeted Adjustment for Retirees (STAR) Reserve balance was included as valuation assets for the June 30, 2010 valuation (subject to periodic review by the Board).

LACERA's independent consulting actuary, Milliman, performed the actuarial valuation as of June 30, 2010 and determined the Funded Ratio of the actuarial assets to the actuarial accrued liabilities is 83.3 percent. The actuarial valuation as of June 30, 2009 determined the Funded Ratio to be 88.9 percent. The strong investment return for the current year was offset by recognition of significant investment losses resulting in a 5.6 percent decrease in the Funded Ratio under the five-year actuarial asset smoothing method. For the fiscal year ended in 2010, the Fund returned 11.8 percent (gross of fees) on a market basis, which is greater than the assumed rate of 7.75 percent. The large recognized loss on actuarial assets has the largest impact of any factors affecting the 2010 valuation results.

LACERA Membership

The table below provides comparative LACERA membership data for the last two fiscal years. Vested members increased 4.6 percent from fiscal years ended 2010 to 2011, which suggests employees increased their service history to vest in the retirement system, thereby securing future benefits. Retired members increased 2.2 percent between the two fiscal years ended, possibly indicating employees decided to maintain employment in these unstable economic times rather than retire.

LACERA Membership

As of June 30, 2011 and 2010

	2011	2010
Active Members:		
Vested	**69,109**	66,078
Non-Vested	**23,677**	28,332
Total Active Members	**92,786**	**94,410**
Retired Members	**55,371**	54,171
Terminated Vested (Deferred)	**7,888**	7,938
Total Membership	**156,045**	**156,519**

Rates of Return

The table below provides a three-year history of investment and actuarial returns and the actuarial funded ratio. An expanded version of this table, which provides 10 years of information, can be found in the Investment Section, located immediately following the Basic Financial Statements.

The investment returns have turned from significantly negative to positive over the last three years. The Board has maintained a steady assumed rate of return, while the funded ratio has decreased slightly from fiscal years ended 2009 to 2010. Even though investment returns were positive, the actuarial smoothing of losses has recognized only part of the very large asset loss from fiscal year ended 2009.

Fair Value, Rates of Return and Funded Ratio

For the Last Three Fiscal Years Ended June 30
(Dollars in Thousands)

Fiscal Year End	Total Investment Portfolio Fair Value	Total Fund Return	Return on Smoothed Valuation Assets	Actuarial Assumed Rate of Return	Funded Ratio
2009	$30,918,057	–18.2%	1.5%	7.75%	88.9%
2010	33,760,695	11.8	0.5	7.75	83.3
2011	**$39,770,032**	**20.4**	—	**7.75**	—

Additions and Deductions to Plan Net Assets

The primary sources that finance the retirement benefits LACERA provides are investment income and the collection of member and plan sponsor retirement contributions. For fiscal year 2011, Total Additions amounted to $8.3 billion, achieved primarily due to positive investment performance with a total fund return of 20.4 percent, gross of fees. For fiscal year 2010, Total Additions amounted to an increase of $5.1 billion, due to positive investment performance with a total fund return of 11.8 percent, gross of fees.

As of June 30, 2011, LACERA's market value was $39.5 billion. This fiscal year's investment returns significantly exceeded the actuarial assumed investment earnings rate of 7.75 percent. The gains experienced will continue to result in an improved actuarial funded ratio over time as the gains are recognized in the future during the actuarial asset-smoothing process. To finance its contributions due to LACERA, the County makes monthly cash payments and/or directs LACERA to transfer funds from the County Contribution Credit Reserve (CCCR). In 2011 and 2010, the County funded its employer contributions using cash payments.

Net investment income for fiscal year 2011 was $6.9 billion, an increase of $3.1 billion from fiscal year 2010's investment income. LACERA's annualized total fund performance was 20.4 percent, gross of fees. This is in comparison to 2010's investment gain of $3.8 billion, with a total fund performance annualized at 11.8 percent, gross of fees.

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 $2.3 billion for fiscal year 2011, an increase of $141 million or 6.5 percent from the prior year. For fiscal year 2010, these deductions total $2.2 billion, an increase of $114 million or 5.5 percent from the prior year.

Additions and Deductions to Plan Net Assets

For the Years Ended June 30, 2011, 2010, and 2009
(Dollars in Millions)

	2011	2010	2009	2011 - 2010 % Change	2010 - 2009 % Change
Contributions and Misc.	**$ 1,409**	$ 1,275	$ 1,248	10.5%	2.2%
Net Investment Income/Loss	**6,930**	3,840	(7,408)	80.5%	151.8%
Total Additions/(Declines)	**8,339**	**5,115**	**(6,160)**	**63.0%**	**183.0%**
Benefits and Refunds	**(2,270)**	(2,131)	(2,016)	6.5%	5.7%
Administrative Expenses and Misc.	**(51)**	(49)	(50)	4.1%	–2.0%
Total Deductions	**(2,321)**	**(2,180)**	**(2,066)**	**6.5%**	**5.5%**
Net Increase/(Decrease)	**6,018**	2,935	(8,226)	105.0%	135.7%
Net Assets at Beginning of Year	**33,434**	30,499	38,725	9.6%	–21.2%
Ending Plan Net Assets	**$39,452**	**$33,434**	**$30,499**	**18.0%**	**9.6%**

Administrative Expenses

The Board of Retirement (BOR) and Board of Investments (BOI) jointly approve the annual budget, which controls administrative expenses and represents approximately 0.13 percent of total Plan Net Assets. Traditionally, the County Employees Retirement Law (CERL) of 1937 limited the annual administrative expense to eighteen-hundredths of one percent (0.18 percent) of the total assets of the retirement system, plus an additional one-hundredth of one percent (0.01 percent) for the cost of legal representation. In January 2007, the CERL was amended, increasing the administrative expense amount to twenty-three hundredths of one percent (0.23 percent). LACERA's budgets for the fiscal years ended June 30, 2011 and 2010 were prepared and approved by both Boards based upon twenty-three hundredths of one percent (0.23 percent). It is the intent of the Boards to remain within the appropriation limit established in the CERL, which the Boards have historically done.

The table below provides a comparison of the actual administrative expenses for the fiscal years ended 2011 and 2010, to the projected asset base used to calculate the statutory budget amount. LACERA's administrative expenditures are well below the limit imposed by law for both years.

Budget-to-Actual Analysis of Administrative Expenses

As of June 30, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Actual Administrative Expenses	**$ 50,605**	$ 48,892
Projected Asset Base at Fair Value	**$36,687,715**	$32,330,815
Administrative Expenses as a Percentage of Projected Asset Base at Fair Value	**0.14%**	**0.15%**
Limit per CERL	**0.23%**	0.23%

Economic Factors

The U.S. economy continues to stagnate as a result of multiple factors including: persistent high levels of unemployment throughout the country; relatively flat new job creation indicators; construction and housing markets that continue to struggle despite historically low interest rates; and limited ability for government intervention as monetary policy remains relaxed. In this environment of continued economic recession, U.S. inflation remains subdued, and stock market volatility, which attracted media and investor attention shortly after fiscal year-end, seems to becoming ordinary instead of extraordinary. Overall market performance was surprisingly positive, as LACERA's investment portfolio produced the highest returns in 25 years. Little focus, meanwhile, was placed on the global macro environment, which faced a resurgence of the Eurozone debt crisis, the prospect of a slowing global economy, and political brinkmanship in Washington, D.C. In August, Standard and Poor's announced a formal downgrade of U.S. Treasury bonds from their AAA status, arguably creating even more uncertainty in a market already struggling to reprice risk.

The most important economic factor impacting LACERA is the investment return earned in the financial markets. On average over the past 15 years, investment returns made up approximately 75 percent of the annual additions to the Fund. For the fiscal year ended June 30, 2011, LACERA's total fund return was 20.4 percent gross of fees, on an annualized basis. The Fund's return performance exceeded its Policy benchmark, which returned 18.6 percent. Despite this positive return, markets remain volatile and susceptible to further downside risk pending any negative capital market conditions. For the fiscal year ended June 30, 2010, LACERA's total fund return was 11.8 percent, gross of fees. The Fund's return exceeded its Policy benchmark, which returned 9.5 percent.

Interest Credits for Reserve Accounts

Pursuant to the CERL, LACERA credits interest semiannually on December 31 and June 30 to all contributions in the retirement plan that have been on deposit six months prior to such dates. The Board of Investments' policy is to credit annual interest equal to the current actuarial assumed earnings rate of 7.75 percent, equivalent to 3.875 percent semiannually, in the same priorities as listed for the allocation of actuarial assets, provided there are sufficient realized earnings for the six-month period to support that interest rate. To the extent there were sufficient realized earnings available, LACERA credited the full interest for the period ending December 31, 2010 and June 30, 2011 to the reserve accounts according to the CERL provisions.

Potentially Changing Standards

The Governmental Accounting Standards Board (GASB), which sets Generally Accepted Accounting Principles (GAAP) for governments, including LACERA, is discussing potentially major changes to the pension accounting and reporting framework. The Exposure Drafts (EDs) were released in July 2011, proposing the most significant fundamental changes in financial reporting requirements for pension plans and plan sponsors in over a decade. The EDs contain a substantial departure from current reporting measures, most significantly: the delinking of accounting and traditional funding measurements; allocating the net pension liability to plan sponsors; and requiring the plan sponsors to recognize the allocated net pension liability on their balance sheets. LACERA responded to the GASB's commentary invitation to the EDs, highlighting concerns regarding the proposed standards. The LACERA Boards, through our professional organizations and management, will continue to monitor these developments very closely and remain active in the GASB's due process.

Requests for Information

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

Address questions regarding this report and/or requests for additional financial information to:

Chief Financial Officer
LACERA
300 N. Lake Avenue, Suite 650
Pasadena, CA 91101

Respectfully submitted,

Beulah S. Auten

Beulah S. Auten, CPA, CGFM
Chief Financial Officer

Statement of Plan Net Assets

As of June 30, 2011 and June 30, 2010
(Dollars in Thousands)

	2011		2010	
	Pension Plan	OPEB Agency Fund	Pension Plan	OPEB Agency Fund
Assets				
Cash	**$ 161,985**	**$ 213**	$ 117,360	$ 806
Cash Collateral on Loaned Securities	**1,693,349**	—	1,158,925	—
Receivables				
Contributions Receivable	**55,260**	—	49,841	—
Accounts Receivable - Sale of Investments	**866,787**	—	820,109	—
Accrued Interest and Dividends	**134,088**	—	97,083	—
Accounts Receivable - Other	**47,559**	**37,343**	47,359	35,637
Total Receivables	**1,103,694**	**37,343**	**1,014,392**	**35,637**
Investments at Fair Value				
U.S. Domestic and Non-U.S. Equities	**20,294,326**	—	16,693,082	—
Fixed-Income	**11,179,207**	**144,611**	10,142,133	155,033
Private Equity	**3,975,579**	—	3,417,212	—
Real Estate	**3,316,258**	—	2,843,804	—
Commodities	**1,004,662**	—	664,464	—
Total Investments	**39,770,032**	**144,611**	**33,760,695**	**155,033**
Total Assets	**42,729,060**	**182,167**	**36,051,372**	**191,476**
Liabilities				
Accounts Payable - Purchase of Investments	**1,523,681**	—	1,403,918	—
Retiree Payroll and Other Payables	**350**	**93**	233	24
Accrued Expenses	**26,866**	**234**	26,886	115
Tax Withholding Payable	**24,948**	—	23,406	—
Obligations under Securities Lending Program	**1,693,349**	—	1,158,925	—
Accounts Payable - Other	**7,855**	**37,229**	4,116	36,304
Due to Employers	—	**144,611**	—	155,033
Total Liabilities	**3,277,049**	**182,167**	**2,617,484**	**191,476**
Net Assets Held in Trust for Pension Benefits[1]	**$39,452,011**	**$ —**	**$33,433,888**	**$ —**

[1]See Schedule of Funding Progress-Pension Plan included in this Section for the Actuarial Valuation of Assets as of the most recent valuation date.

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

Statement of Changes in Plan Net Assets

For the Years Ended June 30, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Additions		
Contributions		
Employer	$ 944,174	$ 843,704
Member	463,743	429,612
Total Contributions	1,407,917	1,273,316
Investment Income		
From Investing Activities:		
Net Appreciation in Fair Value of Investments	5,426,883	2,102,581
Investment Income	1,579,009	1,848,215
Total Investing Activity Income	7,005,892	3,950,796
Less Expenses from Investing Activities	(79,642)	(113,885)
Net Investing Activity Income	6,926,250	3,836,911
From Securities Lending Activities:		
Securities Lending Income	6,468	5,867
Less Expenses from Securities Lending Activities:		
Borrower Rebates	(1,550)	(1,899)
Management Fees	(810)	(478)
Total Expenses from Securities Lending Activities	(2,360)	(2,377)
Net Securities Lending Income	4,108	3,490
Total Net Investment Income	6,930,358	3,840,401
Miscellaneous	591	868
Total Additions	8,338,866	5,114,585
Deductions		
Retiree Payroll	2,245,005	2,109,660
Administrative Expenses	50,605	48,892
Refunds	22,718	18,904
Lump-Sum Death Benefits	2,068	2,174
Miscellaneous	347	48
Total Deductions	2,320,743	2,179,678
Net Increase	6,018,123	2,934,907
Net Assets Held in Trust for Pension Benefits Beginning of Year	33,433,888	30,498,981
Net Assets Held in Trust for Pension Benefits End of Year	$39,452,011	$33,433,888

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

Note A — Plan Description

The Los Angeles County Employees Retirement Association (LACERA) was established on January 1, 1938. 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 CERL, which may affect the benefits of LACERA members. LACERA operates as a cost-sharing multiple-employer defined benefit plan for Los Angeles County (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 sponsors' retiree health benefit program. (See Note N — Other Post-Employment Benefits Plan.) 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 date of LACERA membership. General members may elect membership in a non-contributory plan tier upon entry into service. Additional information regarding the benefit structure is available by contacting LACERA.

LACERA Membership

As of June 30, 2011 and 2010

	2011	2010
Active Members:		
Vested	**69,109**	66,078
Non-Vested	**23,677**	28,332
Total Active Members	**92,786**	**94,410**
Retired Members	**55,371**	54,171
Terminated Vested (Deferred)	**7,888**	7,938
Total Membership	**156,045**	**156,519**

Investments

Pension Fund: Assets in the Pension Fund are derived from three sources: (i) employer contributions; (ii) employee contributions (made by the employer on behalf of employees pursuant to Section 414(h)(2) of the Internal Revenue Code); and (iii) investment earnings. Assets of the Pension Fund are held separate from any other assets and are invested pursuant to policies and procedures adopted by LACERA's Board of Investments.

Other Post-Employment Benefits (OPEB) Fund: The County provides a health insurance program and death benefits for retired employees and their dependents, which LACERA administers on the County's behalf. Pursuant to an agreement between the County and LACERA, the County subsidizes, either in whole or in part, insurance premiums covering program participants.

LACERA maintains two investment accounts under the OPEB Fund: the OPEB Operating Account and OPEB Reserve Account. Funds in these two accounts are reported and invested separately from Pension Fund assets. External managers invest funds in both accounts pursuant to policies and procedures approved by LACERA's Board of Investments. In addition, tax counsel advises that investment income realized in these types of accounts maintained by government entities generally is exempt from federal income taxation under Section 115 of the Internal Revenue Code.

OPEB Operating Account: This account is primarily used to fund the OPEB Program's operations. Additions include the monthly insurance subsidy collected from the County, payments from program participants, and interest income. Deductions include premium payments to insurance carriers and program administrative expenses.

OPEB Reserve Account: This account was established to help stabilize premium rates over time. Annual surpluses and deficits for the various insurance plans result from the difference between premiums received and the healthcare costs incurred. The accumulated surplus is held in this account to address deficits and/or emergency premiums. Additions include rebates from insurance carriers, realized income, interest, and miscellaneous income. Deductions include management fees and County-authorized payments to offset waived premium costs for both the County and affected participants (i.e., insurance premium holidays).

Benefit Provisions

Vesting occurs when a member accumulates five years' creditable service under contributory plans or accumulates 10 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, as well as age at retirement and length of service as of the retirement date, according to applicable statutory formula. Vested members who terminate employment before retirement age are considered terminated vested (deferred) members. 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 the 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 LACERA 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, while Plan B, C, and D members may receive a 2.0 percent maximum increase. Plan E members receive cost-of-living increases up to 2.0 percent 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 the COLA Accumulation.

STAR Program

In addition to cost-of-living increases, the CERL also provides the BOR the authority to grant supplemental cost-of-living (COLA) 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 Years 2005, 2010, and 2011, the BOR made permanent the 2001 through 2009 STAR Program, at an 80 percent level as authorized in the CERL Section 31874.3. There were no new retirees or beneficiaries entitled to additional STAR benefits for Program Years 2005, 2010, and 2011 due to the modest CPI percentage increase. Thus, 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 LACERA Board of Investments (BOI). Ad hoc STAR payments are payable only for the year approved.

Since the inception of the STAR Program in 1990 to the present, the Program received $1.5 billion in funding. Except for Program Years 2005, 2010, and 2011, the STAR Program funded approximately $353 million when the BOR made permanent the 2001-2009 STAR Program benefits. As of June 30, 2011, there was $614 million available in the STAR Program Reserve to fund future benefits. Total STAR Program costs since inception equaled $877 million.

The STAR Program is administered on a calendar year basis. The Statistical Section contains a 10-year trend schedule of costs for the STAR Program.

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). Because of the nature of the close relationship between LACERA as a blended component unit to the County, LACERA's basic financial statements are reflected as a Pension Trust Fund of the County's basic financial statements. LACERA's operations are heavily dependent upon County funding, and the operations almost exclusively benefit the County. 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 set forth by the Governmental Accounting Standards Board (GASB). The financial statements are prepared using the accrual basis of accounting to 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.

Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2011, LACERA implemented GASB Statement Number 59, *Financial Instruments Omnibus*. GASB 59 updates and improves existing standards regarding financial report and disclosure requirements of certain financial instruments. Changes in practice that affect LACERA include the amendment of certain financial guarantees. The effect of this change is that allocated insurance contracts and annuities are excluded from fair value, as they have named beneficiaries. Also, the current practice on deposit and investment risk disclosures is amended to indicate that interest rate risk information should be disclosed only for debt investment pools.

The overall effect on the implementation of GASB 59 for LACERA was to provide additional information in the disclosure of allocated insurance contracts and annuities. Note F – Partial Annuitization of Benefit Payments includes updated disclosure requirements for LACERA's annuity contracts.

During the fiscal year, GASB released a mid-year supplement to the *Comprehensive Implementation Guide* that clarifies a number of reporting and accounting issues with regard to financial instruments and investments. The effect of these changes on LACERA include segregation of disclosure of different types of U.S. Treasury and Agency investments. Investments that have an explicit federal guarantee contain different disclosure than those that have an implicit guarantee. Note G – Deposit and Investment Risks includes these updated disclosure requirements for LACERA's investments.

Capital Assets (Including Intangible Assets)

Capital Assets are items that benefit more than one fiscal year. LACERA's potential capital assets are largely in information technology. Due to the continual upgrading of information technology systems by LACERA, these items are expensed as they are immaterial to the plan net asset position. Management reviewed and considered all expenses that could be capitalized as intangible assets and determined these items to be appropriately classified as expenses for fiscal year-end June 30, 2011.

Accrued Vacation and Sick Leave
Employees who terminate 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, 2011 and 2010 were $2.6 million and $2.8 million, respectively.

Cash
Cash includes deposits with various financial institutions, the County trust fund, and non-U.S. 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, 2011 and 2010.

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 such as stocks and bonds. Bonds include obligations of the U.S. Treasury, U.S. Agencies, non-U.S. governments, and both U.S. and non-U.S. corporations. Also included are mortgage-backed securities and asset-backed securities.	Valuations are provided by LACERA's custodian based on end-of-day prices from external pricing vendors. Non-U.S. securities reflect currency exchange rates in effect at June 30, 2011 and 2010.
Whole loan mortgages	Prices are provided by the mortgage servicer.
Real estate equity funds	Fair value as provided by real estate fund manager, based on review of cash flow, exit capitalization rates, and market trends; each property is subject to independent third-party appraisal every 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; each property is subject to independent third-party appraisals 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.

There are certain market risks, credit risks, foreign currency exchange risks, liquidity risks, or event risks that 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 LACERA's financial statements in conformity with accounting principles generally accepted in the United States of America (i.e., GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes to the financial statements. 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 consulting actuary and adopted by the Board of Investments 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 pension 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 pension plan and plan-type enrollment. As a result of collective bargaining, member contribution rates for various plans have been reduced through additional employer contributions, known as the surcharge amount, which is subject to change each year.

For fiscal years ended June 30, 2011 and June 30, 2010, the County paid its employer contributions due to LACERA in the form of monthly cash payments.

NOTE D — Reserves

LACERA carries accounts within Net Assets Held in Trust for Pension Benefits as reserve accounts for various operating purposes stipulated in various agreements. Reserves are neither required nor recognized under GAAP. These are not shown separately on the Statement of Plan Net Assets, as the sum of these reserves equal the Net Assets Held in Trust for Pension Benefits. 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.

County Contribution Credit Reserve (CCCR) was created pursuant to the 1994 Retirement System Funding Agreement between LACERA and Los Angeles County (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 the Contingency Reserve for future supplemental cost-of-living (COLA) increases. Additions include transfers from the Contingency Reserve. Deductions include COLA payments to retirees and funding for permanent benefits. Except for Program Years 2005, 2010, and 2011, 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 Years 2005, 2010, and 2011 due to the modest Consumer Price Index percentage increase. Thus, 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, provided sufficient excess earnings are available as determined by the Board of Investments (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 calendar year approved.

Contingency Reserve represents reserves accumulated for future earning deficiencies, investment losses, and other contingencies. Additions include realized investment income and other revenues. Deductions include investment expenses, administrative expenses, interest allocated to other reserves to the extent that realized earnings are available for the six-month period, and funding of the STAR Reserve when excess earnings are available and authorized by the BOR. 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 Funding Policy provide the ideal reserve be set at 1.0 percent of assets.

For fiscal years ended June 30, 2011 and June 30, 2010, the modest net investment earnings realized were applied to credit interest to some of the reserves in accordance with the Funding Policy, leaving no balance in the Contingency Reserve for these years.

Reserves

As of June 30, 2011 and 2010

(Dollars in Thousands)

	2011	2010
Member Reserves	**$14,940,500**	$14,027,924
Employer Reserves	**20,996,422**	21,317,758
County Contribution Credit Reserve	**470,710**	470,710
STAR Reserve	**614,011**	614,011
Contingency Reserve	**—**	—
Total Reserves at Book Value	**37,021,643**	**36,430,403**
Unrealized Investment Portfolio Appreciation/(Depreciation)	**2,430,368**	(2,996,515)
Total Reserves at Fair Value	**$39,452,011**	**$33,433,888**

NOTE E — Pension Actuarial Valuations

The County Employees Retirement Law of 1937 (CERL) requires an actuarial valuation to be performed at least every three years for the purpose of measuring the plan's funding progress and setting contribution rates. LACERA exceeds this requirement by engaging an independent actuarial consulting firm to perform an actuarial valuation for the pension plan annually. Employer contribution rates may be updated annually as a result of the valuation.

Actuarial standards guide the frequency to which an investigation of experience (experience study) is performed. LACERA engages an independent actuarial consulting firm to perform the experience study at least every three years (on a triennial basis). The economic and demographic assumptions are reviewed and updated as necessary each time an experience study is performed. The experience study and corresponding annual valuation serve as the basis for changes in member contribution rates necessary to properly fund the pension plan. New assumptions were adopted by the Board of Investments (BOI) for the June 30, 2010 actuarial valuation based on the results of the 2010 experience study.

The information displayed below presents the funded status as of the June 30, 2010 actuarial valuation. The Schedule of Funding Progress — Pension Plan in the Required Supplementary Information section immediately following the Notes to the Basic 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 Liabilities (AAL) (b)	Unfunded Actuarial Accrued Liabilities (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
June 30, 2010	$38,839,392	$46,646,838	$7,807,446	83.3%	$6,695,439	116.6%

Actuarial Methods and Significant Assumptions

Actuarial Cost Method	Entry Age Normal.
Actuarial Asset Valuation Method	Five-year smoothed method based on the difference between the expected market value and the actual market value of the assets as of the valuation date. The expected market value, with five-year smoothing valuation basis for all assets, was adopted beginning with the June 30, 2009 valuation.
Inflation Rate — Consumer Price Index (CPI)	3.50 percent. This rate was adopted beginning with the June 30, 2004 valuation.

Actuarial Methods and Significant Assumptions continued

Investment Return	7.75 percent. Compounded annually, net of both investment and administrative expenses. This rate was adopted beginning with 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 beginning with the June 30, 2007 valuation.
Post-Retirement Benefit Increases	Increase varies by plan. Regular Plan Cost-of-Living Adjustment (COLA) is not greater than the Consumer Price Index (CPI) assumption. A supplemental COLA may be provided to certain members to limit the loss of purchasing power to no more than 20.0 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 beginning with 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.
Amortization Method and Period	In accordance with LACERA's 2009 Funding Policy, 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 Unfunded Actuarial Accrued Liability (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 the UAAL as of June 30, 2009 is funded over a closed 30-year period. Any future unanticipated changes in the UAAL, such as assumption changes or actuarial gains and losses, are amortized over new closed 30-year periods. This approach is often referred to as a "layered amortization method." The June 30, 2010 actuarial valuation represents the first valuation for which multiple "layers" exist, since there has been a year of gain/loss on the original 2009 UAAL amount. If the Funded Ratio is greater than 100 percent, the amortization of any Surplus Funding is funded over an open or "rolling" 30-year period.

In December 2009, the BOI adopted a new Retirement Benefit Funding Policy (Funding Policy). For the June 30, 2010 valuation, the BOI approved inclusion of the STAR Reserve as part of 2010 Valuation Assets; the liability for STAR benefits that may be granted in the future is not included in the valuation.

The latest actuarial valuation as of June 30, 2010 decreased the County normal cost rate from 10.10 percent to 9.84 percent. This change was due mainly to the adoption of new demographic assumptions with the 2010 experience study. The County's required contribution rate to finance the UAAL over a layered 30-year period increased from 4.12 percent to 6.47 percent. Additionally, new member contribution rates were adopted based on the new demographic assumptions recommended with the 2010 experience study.

The combined result is an increase in the total required County contribution rate from the prior valuation of 2.09 percent (from 14.22 percent to 16.31 percent of payroll). The most significant factor causing the increase was the recognition of investment losses under the smoothing method, which resulted in a 2.29 percent increase. All other factors had a relatively minor impact, causing a 0.20 percent decrease in total.

NOTE F — Partial Annuitization of Benefit Payments

In January 1987, LACERA entered into agreements to purchase single life annuities from two insurance carriers to provide benefit payments to a portion of the retired members. Under the terms of the agreements, LACERA continues to administer all benefit payments to covered members. There is no effect on covered members since they retain all benefits accorded other LACERA members, including rights to continuance of benefits to survivors, health insurance subsidies, and cost-of-living (COLA) adjustments. The values of the annuities are entirely allocated to covered members.

The monthly annuity reimbursement from the carriers is limited to the straight life annuity payments and statutory COLA increases. LACERA is responsible for any differences in benefit payments payable to covered members that are unreimbursed by the insurance carriers. The reimbursements received are netted with the pension and annuity payments in the financial statements. During fiscal year ended June 30, 2011, LACERA paid $34.6 million to covered members and received $27.9 million in related reimbursements. During fiscal year ended June 30, 2010, LACERA paid $38.0 million to covered members and received $30.8 million in related reimbursements. As the monthly annuity reimbursement from carriers is allocated to covered members, the fair value of contracts has been excluded from pension plan assets and actuarially determined information.

NOTE G — Deposit and Investment Risks

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 Net Assets Held in Trust for Pension Benefits by setting policy that the Investment staff executes either internally or through the use of prudent external experts.

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
- Placement Agent Policy
- Hedge Fund 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 Pension Fund at an acceptable level of risk within this asset class. To control Credit Risk, credit quality guidelines have been established.

The majority of the portfolios meet the following guidelines in terms of credit quality. 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.

Domestic Fixed-Income Core Portfolios

A minimum of 90 percent of the portfolio must be invested in securities rated investment grade by the major credit rating agencies: Moody's, Standard & Poor's (S&P), and Fitch.

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 S&P 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 the Manager, they would not violate LACERA's minimum credit quality criteria.
- Unrated issues and securities rated BBB+, BBB, or BBB- by S&P or equivalent, in combination, may represent up to 30 percent of the portfolio.

Domestic Fixed-Income Core Plus Portfolios

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.

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 S&P 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 the Manager, they would not violate LACERA's minimum credit quality criteria.

- Unrated issues and securities rated BBB+, BBB, or BBB- by S&P or equivalent, in combination, may represent up to 30 percent of the portfolio.

Domestic Opportunistic Fixed-Income Portfolios

Investment-Grade Securities

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.

In addition:

- 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 S&P or equivalent by at least one major credit rating agency at the time of purchase.
- Consistent with the preceding requirement, a maximum of 5.0 percent of the portfolio may be invested in issues rated below B- by S&P or equivalent; however, these issues must be rated at least CCC by S&P 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.

Non-Traditional Securities

Such sectors may include, but are not limited to: convertible bonds, bank loans, distressed debt, private placements, and non-U.S. high-yield securities. These specialized sectors are generally considered "high return," and the following credit-rating guidelines will apply.

- Up to 35 percent of the managed assets may be invested long in securities rated below B- or equivalent by at least one major credit rating agency. For split-related issues, the lower credit rating shall apply.
- No more than 10 percent of the managed assets shall be invested in non-rated securities.

The following is a schedule of the credit quality ratings of investments in fixed-income securities by Moody's, a nationally recognized statistical rating organization. Short-term investments and whole loan mortgages of $1.5 billion are excluded from this presentation.

Credit Quality Ratings of Investments in Fixed-Income Securities

As of June 30, 2011
(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Municipals	Corporate Debt/Credit Securities	Pooled Funds	Total	% of Portfolio
AAA	$829,323	$2,266,609	$ 2,677	$ 535,398	$ —	$3,634,007	38%
AA	—	17,459	23,544	402,245	—	443,248	5%
A	—	3,416	89,840	559,929	—	653,185	7%
BAA	—	—	4,160	1,012,785	—	1,016,945	11%
BA	—	—	—	590,623	—	590,623	6%
B	—	—	—	802,875	—	802,875	8%
CAA	—	—	—	149,081	—	149,081	2%
CA	—	—	—	7,824	—	7,824	0%
C	—	—	—	4,371	—	4,371	0%
Not Rated	—	10,696	1,906	399,741	1,934,457	2,346,800	23%
Total Investments in Fixed-Income Securities	**$829,323**	**$2,298,180**	**$122,127**	**$4,464,872**	**$1,934,457**	**$9,648,959**	**100%**

Custodial Credit Risk

LACERA's contract with its primary custodian (Bank) provides that 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, 2011, 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 the 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 is restricted to +/- 25.0 percent of the duration of the portfolios' respective benchmarks. Deviations from any of the stated guidelines require prior written authorization from LACERA.

The Fixed-Income Securities — Duration schedule presents the duration by investment type. Short-Term investments and whole loan mortgages of $1.5 billion are excluded from this presentation.

Fixed-Income Securities — Duration

As of June 30, 2011
(Dollars in Thousands)

Investment Type	Fair Value	Modified Duration
U.S. Government and Agency Instruments:		
U.S. Treasury	$ 829,323	6.15
U.S. Government Agency	2,298,180	4.21
Municipal/Revenue Bonds	122,127	11.64
Subtotal U.S. Government and Agency Instruments	**3,249,630**	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	171,947	2.39
Commercial Mortgage-Backed Securities	477,572	3.63
Corporate and Other Credit	2,686,724	5.64
Fixed-Income Swaps	(1,117)	(6.11)
Pooled Investments	1,934,457	N/A
Other Fixed-Income	96,165	N/A
Subtotal Corporate Securities	**5,365,748**	
Non-U.S. Fixed-Income	101,486	5.69
Private Placement Fixed-Income	932,095	5.45
Total Fixed-Income Securities	**$ 9,648,959**	

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. To mitigate foreign currency risk, LACERA has in place a passive currency hedging program, which hedges into U.S. Dollars (USD) approximately 50 percent of LACERA's foreign currency exposure for developed markets equities.

The following schedule represents LACERA's exposure to Foreign Currency Risk in U.S. dollars. LACERA is invested in several non-U.S. commingled funds. This means LACERA owns units of a commingled fund, and the fund holds the actual securities and/or currencies. The values shown include LACERA's prorata portion of non-U.S. commingled fund holdings.

Non-U.S. Investment Securities at Fair Value

As of June 30, 2011
(Dollars in Thousands)

Currency	Equity	Fixed-Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Total
AMERICAS						
Argentine Peso	$ 13,689	$ —	$ —	$ —	$ —	$ 13,689
Brazilian Real	306,264	14,780	—	—	—	321,044
Canadian Dollar	882,311	23,738	246	—	—	906,295
Chilean Peso	20,607	—	—	—	—	20,607
Columbian Peso	15,826	—	—	—	—	15,826
Mexican Peso	117,178	—	123	—	—	117,301
Peruvian New Sol	2,747	—	—	—	—	2,747
EUROPE						
Euro	2,468,762	29,928	11,932	54,000	561,836	3,126,458
British Pound Sterling	1,625,758	12,768	306	28,904	74,643	1,742,379
Czech Republic Koruna	9,732	—	—	—	—	9,732
Danish Krone	81,875	—	—	—	—	81,875
Hungarian Forint	16,864	—	—	—	—	16,864
Kazakhstan Tenge	326	—	—	—	—	326
Norwegian Krone	86,871	7,189	—	—	—	94,060
Polish Zloty	36,258	—	—	—	—	36,258
Russian Ruble	213,771	—	—	—	—	213,771
Swedish Krona	235,959	—	346	1,897	—	238,202
Swiss Franc	580,756	—	359	—	—	581,115
PACIFIC						
Australian Dollar	588,920	13,083	7,725	6,947	—	616,675
Chinese RNB	14,878	—	—	—	—	14,878
Japanese Yen	1,501,205	—	4,312	19,635	—	1,525,152
New Zealand Dollar	9,313	—	—	—	—	9,313
South Korean Won	355,896	—	173	—	—	356,069
MIDDLE EAST						
Bahrain Dinar	2,035	—	—	—	—	2,035
Egyptian Pound	12,358	—	—	—	—	12,358
Israeli Shekel	48,560	—	124	—	—	48,684
Lebanese Pound	559	—	—	—	—	559
Morocco Dirham	1,767	—	4	—	—	1,771
New Turkish Lira	34,163	—	111	—	—	34,274
Oman Rial	81	—	—	—	—	81
Saudi Arabian Riyal	3,372	—	—	—	—	3,372
UAE Dirham	280	—	—	—	—	280

Non-U.S. Investment Securities at Fair Value continued

As of June 30, 2011
(Dollars in Thousands)

Currency	Equity	Fixed-Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Total
AFRICA						
CFA Franc (W. Africa)	$ 1,230	$ —	$ —	$ —	$ —	$ 1,230
Ghana New Cedi	168	—	—	—	—	168
Kenya Shilling	895	—	—	—	—	895
Nigerian Naira	5,367	—	—	—	—	5,367
South African Rand	191,044	—	4	—	—	191,048
SOUTHEAST ASIA						
Hong Kong Dollar	706,058	—	2,663	38,153	—	746,874
Indonesian Rupiah	83,098	—	—	—	—	83,098
Malaysian Ringgit	75,882	—	223	—	—	76,105
Philippine Peso	16,477	—	—	—	—	16,477
Singapore Dollar	212,411	—	12,918	10,481	—	235,810
Taiwan Dollar	193,664	—	—	—	—	193,664
Thailand Baht	46,221	—	43	2,761	—	49,025
Vietnamese Dong	889	—	—	—	—	889
SOUTH ASIA						
Indian Rupee	208,397	—	—	—	—	208,397
Sri Lankan Rupee	2,796	—	—	—	—	2,796
Pakistani Rupee	4,411	—	—	—	—	4,411
Total Securities Subject to Foreign Currency Risk	**11,037,949**	**$101,486**	**$41,612**	**162,778**	**636,479**	**11,980,304**
U.S. Dollar (Securities held by Non-U.S. Managers)	180,371	—	—	—	—	180,371
Total Non-U.S. Investment Securities	**$11,218,320**	**$101,486**	**$41,612**	**$162,778**	**$ 636,479**	**$ 12,160,675**

NOTE H — Securities Lending Program

The Board of Investments' (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 three lending agents: 1) Goldman Sachs Agency Lending (GSAL) lends LACERA's U.S. equities and corporate bonds. GSAL's loans are secured by collateral with a market value of at least 102 percent of the borrowed securities. Bank of New York (BNY) Mellon Cash Investment Strategies (CIS) invests collateral received from GSAL in short-term debt and money market instruments. 2) ClearLend Securities (ClearLend) lends LACERA's U.S. Treasury, agency, and mortgage-backed securities, which are initially collateralized at 102 percent of the loan market value. ClearLend invests the collateral it receives on loans in short-term highly liquid instruments. 3) BNY Mellon Global Securities Lending (BNY Mellon) lends LACERA's non-U.S. equities. The non-U.S. loans are collateralized at 105 percent.

The collateral under all three relationships is marked-to-market daily and if the market value of the securities rises, LACERA receives additional collateral. The income earned from the investments made by CIS, ClearLend, and BNY Mellon is split between LACERA and the lending agent, based on contractual agreements.

Under the terms of their lending agreements, all of LACERA's lending agents provide borrower default indemnification in the event a borrower does not return securities on loan. The terms of the lending agreements 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, the lending agent shall be liable to LACERA for the amount of such excess, with interest. Either LACERA or the borrower of the security can terminate a loan on demand.

At year-end, LACERA had no credit risk exposure to borrowers, because the amount of collateral received exceeded the value of securities on loan. As of June 30, 2011, 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, 2011 and 2010. As of June 30, 2011, the fair value of securities on loan was $1.66 billion with the value of cash collateral received of $1.69 billion and non-cash collateral of $3.27 million. As of June 30, 2010, the fair value of securities on loan was $1.13 billion with the value of cash collateral received of $1.16 billion and non-cash collateral of $0.2 million. LACERA's income, net of expenses from securities lending, was $4.1 million and $3.5 million for the years ended June 30, 2011 and 2010, respectively.

The following table shows the market value of securities on loan and cash collateral received.

Securities Lending

As of June 30, 2011
(Dollars in Thousands)

Securities on Loan	Market Value of Securities on Loan	Cash Collateral Received
U.S. Government, Agencies, and Mortgage-Backed Securities	$ 954,559	$ 972,887
U.S. Equities	601,184	616,104
U.S. Corporate Fixed-Income	31,971	32,667
Non-U.S. Equities	71,209	71,691
Total	**$1,658,923**	**$1,693,349**

NOTE I — Derivative Financial Instruments

LACERA's 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 that represents direct ownership of an asset or an obligation of an issuer whose payments are based on or "derived" from the performance of some agreed-upon benchmark. Managers are required to mark-to-market derivative positions daily and may trade only with counterparties with a credit rating of A3/A- as defined by Moody's Investors Service (Moody's) and Standard & Poor's (S&P), respectively. Substitution, risk control, and arbitrage are the only derivative strategies permitted. Speculation is prohibited. 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. For financial reporting purposes, all LACERA derivatives are classified as investment derivatives. The following types of derivatives are permitted: futures contracts, currency forward contracts, options, and swaps.

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.

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 manage currency exposure and facilitate the settlement of international security purchase and sale transactions.

Option Contracts

An option contract is a type of derivative 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.

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.

The Investment Derivatives schedule listed below reports the fair value balances, changes in fair value, and notional amounts of derivatives outstanding as of and for the years ended June 30, 2011 and 2010, classified by type.

Investment Derivatives

As of June 30, 2011
(Dollars in Thousands)

	2011		2010	2011-2010
Derivative Type	Notional Amount	Fair Value	Fair Value	Change in Fair Value
Futures Contracts	**$ 950,082**	**($17,885)**	($3,537)	($14,348)
Forward Contracts	**(4,445,466)**	**(52,538)**	(170)	(52,368)
Options Contracts	**(913,570)**	**(1,998)**	166	(2,164)
Swap Agreements	**866,514**	**(329)**	(4,986)	4,657
Total	**($3,542,440)**	**($72,750)**	**($8,527)**	**($64,223)**

All investment derivative positions are included as part of Investments at Fair Value on the Statement of Plan Net Assets. All changes in fair value are reported as part of Net Appreciation in Fair Value of Investments in the Statement of Changes in Plan Net Assets.

Investment information was provided either by investment managers or LACERA's investment custodian.

Custodial Credit Risk

LACERA's investments include collateral associated with derivatives activity. As of June 30, 2011, collateral for derivatives was $110.9 million. The collateral margins are maintained in margin accounts at financial services firms that provide brokerage services. Each account is uninsured and is subject to custodial credit risk.

Counterparty Credit Risk

LACERA is exposed to counterparty credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to counterparty credit risk include currency forward contracts and swap agreements. To minimize counterparty credit risk exposure, LACERA's investment managers continuously monitor credit ratings of counterparties. Should there be a counterparty failure, LACERA would be exposed to the loss of the fair value of derivatives that are in asset positions and any collateral provided to the counterparty, net of the effect of applicable netting arrangements. LACERA requires investment managers to have Master Agreements in place that permit netting in order to minimize credit risk. Netting arrangements provide LACERA with a legal right of setoff in the event of bankruptcy or default by the counterparty. LACERA would be exposed to loss of collateral provided to the counterparty. Collateral provided by the counterparty reduces LACERA's counterparty credit risk exposure.

The following Credit Risk-Derivatives schedule discloses the counterparty credit ratings of LACERA's investment derivatives in asset positions by type, as of June 30, 2011. The schedule displays the fair value of investments by counterparty credit rating in increasing magnitude of risk. Investments are classified by Moody's credit rating. If the investment does not have a Moody's rating but has an S&P rating, the Moody's rating that corresponds to the S&P rating is used. As of June 30, 2011, the total fair value of LACERA's derivatives with counterparty credit exposure was $52.9 million.

Counterparty Credit Risk Analysis

As of June 30, 2011
(Dollars in Thousands)

	Adjusted Moody's Credit Rating			
Derivative Type	**AAA**	**AA**	**A**	**Total Fair Value**
Forward Contracts	($4,279)	($41,717)	($6,542)	($52,538)
Swap Agreements	(262)	614	(681)	(329)
Total	**($4,541)**	**($41,103)**	**($7,223)**	**($52,867)**

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest Rate Swaps are an example of an investment that has a fair value that is highly sensitive to interest rate changes. LIBOR refers to the London Interbank Offered Rate. These investments are disclosed in the following table.

Interest Rate Risk Analysis

As of June 30, 2011
(Dollars in Thousands)

Derivative Type	**Reference Rate**	**Notional Amount**	**Total Fair Value**
Interest Rate Swaps	LIBOR - 3 months	$ 81,337	($4,133)
Interest Rate Swaps[1]	3.50 to 14.765%	39,600	139
Total		**$120,937**	**($3,994)**

[1]LACERA's payment to or receipt from counterparty based on daily interest rates for EURIBOR (Euro-denominated interbank offered rate) and a Brazilian reference rate.

Foreign Currency Risk

For futures contracts and swap agreements that are not dollar-denominated, there is exposure to foreign currency risk. Currency forward contracts represent foreign exchange contracts that are used to control currency exposure and facilitate the settlement of non-U.S. security purchase and sale transactions.

The Net Exposure column of the schedule below indicates LACERA's net foreign currency risk related to derivatives. A negative value indicates a reduction in foreign currency exposure.

Foreign Currency Risk Analysis

As of June 30, 2011
(Dollars in Thousands)

Currency	Futures Contracts	Forward Contracts	Swap Agreements	Net Exposure
Australian Dollar	$(14)	$ (327,511)	$ —	$ (327,525)
Brazilian Real	—	(11,470)	75	(11,395)
British Pound Sterling	—	(820,253)	—	(820,253)
Canadian Dollar	—	(489,081)	—	(489,081)
Chinese Yuan Renminbi	—	1,489	—	1,489
Danish Krone	—	(42,081)	—	(42,081)
Euro Currency Unit	46	(1,266,259)	64	(1,266,149)
Hong Kong Dollar	—	(107,031)	—	(107,031)
Indian Rupee	—	4,137	—	4,137
Indonesian Rupian	—	1,078	—	1,078
Israeli Shekel	—	(29,099)	—	(29,099)
Japanese Yen	—	(831,867)	—	(831,867)
Malaysian Ringgit	—	744	—	744
New Zealand Dollar	—	(6,916)	—	(6,916)
Norwegian Krone	—	(40,603)	—	(40,603)
Philippines Peso	—	3,438	—	3,438
Singapore Dollar	—	(66,819)	—	(66,819)
South Korean Won	—	3,604	—	3,604
Swedish Krona	—	(120,613)	—	(120,613)
Swiss Franc	—	(300,353)	—	(300,353)
Total	**$32**	**$(4,445,466)**	**$139**	**$(4,445,295)**

The values shown are for positions that LACERA holds directly. LACERA may also have indirect exposure to derivatives via its investments in commingled funds. LACERA owns units of the commingled fund, and the fund holds the actual positions. Indirect exposures via these types of investments are not shown here.

NOTE J — Title Holding Corporations and Limited Liability Companies

As of June 30, 2011, the LACERA real estate portfolio included 76 Title Holding Corporations (THCs) and 16 Limited Liability Companies (LLCs). As of June 30, 2010, the portfolio included 82 THCs and 18 LLCs.

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, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Assets	**$3,612,574**	$3,558,289
Less: Liabilities	**791,068**	878,422
Net Assets	**2,821,506**	**2,679,867**
Net Income	**$ 159,956**	**$ 177,360**

On May 3, 2010, a foreclosure sale occurred for the Ocean Ranch property. This project was a joint venture of Gateway Oceanside, LLC, a THC formed with LACERA and Windstar Partners. As of the foreclosure date, LACERA had contributed $7.5 million to the venture, which was lost with the foreclosure sale. However, as part of the joint venture agreement, Windstar Partners is obligated to pay LACERA 50 percent of the loss. During the fiscal year ended June 30, 2011, based on an evaluation of Windstar's financial position and settlement negotiations, LACERA's claim was written down by half to $1.6 million. Because LACERA did not guarantee the debt, this investment is not expected to lead to any contingent or future liabilities.

The Gateway Lewis, LLC (Company) properties were purchased with a mortgage loan in the amount of $52.8 million. The Company also had a construction loan agreement to borrow up to $23.7 million. As of December 18, 2010, $2.6 million had been drawn. The total principal balance outstanding was therefore $55.4 million. As of that date, the Company and Troy Portfolio Holdings, LLC, agent for the lender, entered into an agreement for the reconveyance of the Gateway Lewis properties in return for the release of the Company's obligations, liabilities, and the notes payable. As of June 1, 2011, a Deed in Lieu of Foreclosure was conveyed to Troy Portfolio Holdings, LLC. This deed extinguished all rights, title, and interest of the Company related to the Gateway Lewis properties. The investment in Gateway Lewis has been completely written off.

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 were approximately $1.1 million for the year ended June 30, 2011 and $1.1 million for the year ended June 30, 2010.

Notes Receivable

LACERA had notes receivable of approximately $43.0 million from one of its THCs for the years ended June 30, 2011 and 2010. 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; the 1.0 percent managing member is TriPacific Capital Advisors. TRIO/LERI has unsecured lines of credit with various lenders. LACERA guaranteed up to $300 million of TRIO/LERI's unsecured line of credit debt. The guaranty is not reflected on LACERA's financial statements.

The aggregate principal balance of the unsecured line of credit outstanding was $300 million as follows:

Unsecured Line of Credit

As of June 30, 2011
(Dollars in Thousands)

Line of Credit	Date of Maturity	Interest Rate
$200,000	May 28, 2012	LIBOR plus a spread
60,000	August 2, 2012	LIBOR plus a spread
40,000	August 28, 2012	LIBOR plus a spread
$300,000		

NOTE L — Administrative Expenses

The 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. As of January 1, 2007, Section 31580.3 of the County Employees Retirement Law of 1937 (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 remains in effect only until January 1, 2013, and as of that date is repealed, unless a statute deleting or extending that date is enacted before January 1, 2013. In addition, the cost of legal representation is not to exceed one-hundredth of one percent (0.01%) of system assets in any budget year, pursuant to Section 31529.1 of the CERL.

LACERA's operating budgets for fiscal year-end June 30, 2011 and June 30, 2010 were prepared and approved by the Boards based upon twenty-three hundredths of one percent (0.23%) under Section 31580.3 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, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Total Projected Asset Base at Fair Value	**$36,687,715**	**$32,330,815**
Maximum Allowable for Administrative Expense (0.23%)	**84,382**	74,361
Maximum Legal Representation Appropriation (0.01%)	**3,669**	3,233
Total Statutory Budget Appropriation	**88,051**	**77,594**
Operating Budget Request	**53,391**	50,812
Actual Administrative Expenses	**50,605**	48,892
Underexpended Operating Budget	**2,786**	**1,920**
Actual Administrative Expenses	**50,605**	48,892
Projected Asset Base at Fair Value	**36,687,715**	32,330,815
Administrative Expenses as a Percentage of Projected Asset Base at Fair Value	**0.14%**	**0.15%**
Limit per CERL	**0.23%**	0.23%
Actual Administrative Expenses	**50,605**	48,892
Actual Plan Net Assets	**$39,452,011**	$33,433,888
Administrative Expenses as a Percentage of Actual Plan Net Assets	**0.13%**	**0.15%**
Limit per CERL	**0.23%**	0.23%

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.

Petition filed on behalf of Superior Court Interpreters — On May 12, 2008, petitioners California Federation of Interpreters/Northern California Media Workers Guild and six Los Angeles Superior Court interpreters served LACERA with a petition in support of their applications to purchase prior service credit with LACERA. The Petition is brought on behalf of petitioners and those similarly situated, namely Los Angeles Superior Court (LASC)-employed court interpreters. The California Federation of Interpreters is the Collective Bargaining representative for court interpreters employed by LASC. The Petition was denied by LACERA on May 25, 2010. On November 23, 2010, LACERA received a Government Code claim for "damages (attorney's fees) in any future appeal or filing of a writ of mandate" in response to LACERA's May 25th, 2010 denial. On January 6, 2011, LACERA served the claimants with LACERA's Notice of Rejection of the Government Tort Claim received on November 23, 2010. As of the date of this letter, the Petitioners have not filed an action in Court. The Petitioners and those they represent are seeking to purchase service credit for the time they worked as independent contractors for LASC, which is from as early as 1977 to 2002. These court interpreters, who became members of LACERA in 2005 by virtue of their appointment to full-time, permanent employment positions, claim they were in fact "employees" of the Court during their prior service. If the court interpreters were to prevail and obtain a judgment declaring they were appointed employees of the Court for the period of time in question, they would be entitled to purchase retirement service credit (upon deposit of all required member contributions plus interest) for such time. An unfunded actuarial accrued liability (UAAL) resulting from the increased service credit and the failure to collect employer contributions for the period in question would be recovered by assessing additional employer contributions. At this time, it is not possible to estimate the financial impact of any judgment in favor of the court interpreters.

Claims of former CETA Employees — Claims have been asserted against the County and LACERA by employees who were not enrolled in LACERA during the period they participated in the Comprehensive Employment Training Act of 1973 (CETA). They allege they were not informed of their right to enroll in LACERA as optional members and seek retirement credit for the time period in question. If their claims to membership are granted, they will also be entitled to transfer from their current plan to Plan A, which generally has lower contribution rates and higher benefits. The financial impact of a ruling in favor of the claimants has not been quantified. Only 24 individuals have filed claims, but LACERA is informed there are from 2,500 to 4,000 employees who have not received retirement credit for time worked as former CETA employees.

Securities Litigation — In 2001 the Board of Investments (BOI) adopted a Securities Litigation Policy in response to increasing 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 in accordance with the policy.

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

Emergency Line of Credit (ELOC)

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

In 2005 LACERA established a Revolving Credit Agreement with Bank of New York (BNY) Mellon for a Commitment Amount of $190 million that would be available if the BOI found the circumstances described herein. LACERA was required to maintain eligible assets as collateral in a pledged account valued at 115 percent of the Commitment Amount. In June 2011, the BOI determined it would not renew the ELOC agreement, which expired on June 10, 2011.

Guaranty of Unsecured Line of Credit

As the BOI authorized, LACERA guaranteed up to $300 million of a real estate investment manager's unsecured line of credit. The guaranty is not reflected in LACERA's financial statements. Note K – Related Party Transactions discusses this guaranty.

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 $301,000 in fiscal years 2011 and 2010, 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 $1.38 million and $1.39 million in fiscal years 2011 and 2010, 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, 2011, outstanding capital commitments to the various investment managers, as approved by the BOI, totaled $2.67 billion. Subsequent to June 30, 2011, LACERA funded $432 million of these capital commitments.

Note N — Other Post-Employment Benefits (OPEB) Plan

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 Other Post-Employment Benefit (OPEB) Plan on behalf of the County, its affiliated Superior Court, and four outside Districts. The 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 Program is presented in the Statement of Plan Net Assets as the OPEB Agency Fund.

Membership

Employees are eligible for the OPEB Program if they are members of LACERA and retire from the County of Los Angeles, the Superior Court, or an outside District. Healthcare 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 healthcare and death benefits; therefore, eligibility and qualifications applicable to retiree healthcare and death benefits are substantially similar to pension benefits.

Summary of Participating Retired Members, Spouses, and Dependents

OPEB Actuarial Valuation — July 1, 2010

Plan Type	Retirees and Survivors	Spouses and Dependents	Total
Medical	41,786	21,249	63,035
Dental/Vision	42,163	22,229	64,392
Death Benefit	46,108	N/A	46,108

Benefit Provisions

The OPEB Program offers members an extensive choice of medical plans as well as two dental/vision plans. The medical plans are either HMOs or indemnity plans. Some are designed to work with Medicare benefits, such as the Medicare supplement or Medicare HMO plans. Coverage is available regardless of pre-existing medical conditions.

Medical/Dental/Vision — The participant's cost for medical, dental/vision insurance varies according to years of retirement service credit with LACERA, plan selected, and number of persons covered. The County contribution subsidizing the participant's cost starts at 40.0 percent of the benchmark plan rate (Anthem Blue Cross Plans I and II) for 10 years of service credit. For each year of retirement service credit beyond 10 years, the County contributes an additional 4.0 percent per year, up to a maximum of 100.0 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 and 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 50.0 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 52.0 percent subsidy. This percentage increases 4.0 percent for each additional completed year of service.

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.

2010 Healthcare Reform

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act (Healthcare Reform). The 2010 Healthcare Reform is anticipated to have some impact on the County's future healthcare liabilities. However, as a "retiree only" plan, LACERA is exempt from many of the provisions implemented in 2011, including the significant provisions identified below:

- Dependent coverage for adult children up to age 26
- Elimination of lifetime limits
- No cost-sharing for approved preventive services

Early Retiree Reinsurance Program

This is a temporary program that partially reimburses participating plans for the costs of health benefits provided to Medicare-ineligible retirees age 55-64, surviving spouses, and dependents. LACERA applied and was approved to participate in this program. The program ends in 2014 or until allocated funds are fully exhausted. To date, LACERA has received approximately $2.6 million in reimbursements, which will be used to offset healthcare premium increases.

The federal Department of Health and Human Services has yet to release additional guidance for many of the program provisions. LACERA will continue to monitor and implement applicable provisions as additional guidance becomes available and the effective dates approach.

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 United States 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 insurance benefits then in existence. The County agreed to subsidize a portion of the insurance premiums of the retired members and their dependents based on the member's length of service. The County further agreed to maintain the status quo of existing benefits provided to participants. LACERA agreed not to lower retired members' contributions toward insurance premiums or modify medical benefit levels only with the County's prior consent.

Funding Policy and Contributions — During fiscal year ended June 30, 1997, the County and LACERA entered into an agreement establishing a healthcare 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 healthcare benefits and limits contributions to the 401(h) Account to 25.0 percent of aggregate contributions to LACERA.

The County has historically discharged its premium subsidy obligations on a pay-as-you-go basis. LACERA bills the healthcare premiums to the County and members on a monthly basis. An administrative fee to cover the costs of administering the OPEB Program is added to the monthly premium. Internal cost allocations among the outside Districts, including the Superior Court, have historically been based on the number of active employees.

Premium Holiday
A Premium Holiday is a temporary period in which the monthly premium costs for both the Plan Sponsor (County) and affected members are waived. Affected members are those retirees enrolled in certain medical benefit plans that are also paying their share of the monthly premiums.

During the fiscal year, the County directed LACERA to implement two Premium Holiday months affecting three insurance plans: Anthem Blue Cross I, II, III; Prudent Buyer Plans; and CIGNA Indemnity Dental/Vision Plan. The funding for the Premium Holiday was drawn from the accumulated surplus, which results from the difference between premiums received and the healthcare costs incurred. The total cost of the Premium Holiday was $34.7 million.

During fiscal year ended June 30, 2011, premium payments of $418.9 million were made to insurance carriers. These payments were funded by employer subsidy payments of $349.3 million, $34.9 million by the participants, and the difference attributed to the Premium Holiday. In addition, the County paid $35.5 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 Number 45, are required to disclose additional information in their financial statements with regard to funding policy; the employer's annual OPEB Program costs and contributions made; the funded status and funding progress of the employer's individual plan; and actuarial assumptions and methods used to prepare the actuarial valuation.

OPEB Actuarial Valuation

The Los Angeles County OPEB actuarial valuation was conducted by Milliman as of July 1, 2010. The valuation was performed in accordance with GASB Statements Numbers 43 and 45 requirements at the County's request to satisfy financial statement reporting guidelines that apply to the sponsoring employers and the pension plans 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 using the projected unit credit actuarial cost method. The next OPEB actuarial valuation will be conducted as of July 1, 2012.

Funded Status — OPEB Program as of the Most Recent Actuarial Valuation Date

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (AAL) (b)	Unfunded Actuarial Accrued Liabilities (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll* (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2010	$ —	$24,031,000	$24,031,000	0%	$6,695,439	358.9%

*Covered Payroll is consistent with the pension plan's covered payroll.

Disclosure of Information about Actuarial Assumptions and Methods

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 Basic 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 cost-sharing pattern 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 cost-sharing pattern between the employer and plan members that may be adopted in the future.

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

Actuarial Assumptions and Methods

Where applicable, the same actuarial assumptions used for the LACERA Pension Plan are used for the LACERA-administered Los Angeles County OPEB Program. The table below 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
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 Program's OPEB benefits.

Healthcare Cost Trend Rates[1]

	FY 6/30/2011	FY 6/30/2012	Ultimate[2]
LACERA Medical Under 65	8.09%	6.55%	5.05%
LACERA Medical Over 65	6.81%	9.05%	5.05%
Firefighters Local 1014 (all)	6.55%	6.55%	5.05%
Part B Premiums	8.25%	11.40%	4.95%
Dental (all)	2.43%	4.50%	4.50%
Weighted Average Trend	6.97%	8.08%	5.03%

Amortization Method	Level percentage of projected salaries of the active members, both present and future, over a rolling (open) 30-year amortization period.

Probability of Initial Enrollment Upon Retirement

Years of Service	Medical	Dental/Vision
<10	11%	13%
10-14	46%	50%
15-19	70%	70%
20-24	84%	83%
25+, Disabled	100%	100%

Medical Spouse/Dependent Enrollment Probability

Non-Firefighter 1014				Firefighter 1014
<65 Male	<65 Female	65+ Male	65+ Female	All
75%	44%	60%	29%	90%

Dental/Vision Spouse/Dependent Enrollment Probability

Male	Female
73%	42%

[1]The first-year trend rates for LACERA's medical non-firefighter Local 1014 and dental plans have been adjusted based on results of the 2010 OPEB Investigation of Experience Study. On February 1, 2011, Mercer (LACERA's Healthcare consultant) provided a rate adjustment reflecting preliminary premium increases, effective July 1, 2011.

[2]For the Healthcare Cost Trend Ultimate Rates, the grading period used ranges from June 30, 2011 to June 30, 2083 or 72 years.

Schedule of Funding Progress — Pension Plan

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
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%	5,205,804	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%
June 30, 2009	39,541,865	44,468,636	4,926,771	88.9%	6,547,616	75.2%
June 30, 2010	**$38,839,392**	**$46,646,838**	**$7,807,446**	**83.3%**	**$6,695,439**	**116.6%**

*Using the Entry Age Normal actuarial cost method.

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	Transfers from Reserve	Total	
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%
2010	843,704	843,704	—	843,704	100%
2011	**$944,174**	**$944,174**	**$ —**	**$944,174**	**100%**

Schedule of Funding Progress — Other Post-Employment Benefits Program

(Dollars in Thousands)

Los Angeles County and Outside Districts

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded Actuarial Accrued Liability (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%	$5,205,804	407.5%
July 1, 2008	—	21,863,600	21,863,600	0%	6,123,888	357.0%
July 1, 2010	**$ —**	**$24,031,000**	**$24,031,000**	**0%**	**$6,695,439**	**358.9%**

*Using the Projected Unit Credit method of valuation.

NOTE: The first OPEB Actuarial Valuation was conducted as of July 1, 2006. There is no data available prior to the first valuation.

Schedule of Employer Contributions — Other Post-Employment Benefits Program

(Dollars in Thousands)

Year Ended June 30	Annual Required Contribution (ARC)	Actual Employer Contributions	Percentage of ARC Contributed
2009	$1,630,700	$381,612	23%
2010	1,737,000	400,686	23%
2011	**$1,938,400**	**$423,032**	**22%**

NOTE: Los Angeles County implemented GASB Statement No. 45 for its fiscal year ended June 30, 2008.

Administrative Expenses

For the Years Ended June 30, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Personnel Services		
Salaries and Wages	**$25,077**	$25,299
Employee Benefits	**12,096**	11,736
Total Personnel Services	**37,173**	**37,035**
Professional Services		
Computer Software Services and Support	**3,344**	2,072
External Audit Fees	**265**	165
Disability Medical Fees	**1,106**	894
Disability Hearing Officer Fees	**224**	336
Disability Stenographic Fees	**43**	46
Temporary Personnel Services	**592**	809
Legislative and Other Legal Services	**209**	287
Other Professional Services	**867**	1,138
Total Professional Services	**6,650**	**5,747**
Communication		
Forms and Brochures	**436**	497
Postage	**641**	648
Telecommunications	**354**	315
Transportation and Travel	**385**	262
Total Communications	**1,816**	**1,722**
Rentals		
Rents and Leases	**1,384**	1,390
Total Rentals	**1,384**	**1,390**
Miscellaneous		
Computer Equipment and Supplies	**283**	387
Office Furniture	**89**	17
Other Office Expenses	**123**	48
Maintenance	**969**	643
Educational Expenses	**783**	677
Parking Fees	**320**	318
Other County Department Charges	**201**	202
Insurance	**429**	414
Administrative Support	**126**	121
Other Service Charges	**259**	171
Total Miscellaneous	**3,582**	**2,998**
Total Administrative Expenses	**$50,605**	**$48,892**

Schedule of Investment Expenses

For the Years Ended June 30, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Investment Management Fees		
Equity Managers		
U.S. Equity	**$13,540**	$ 13,066
Non-U.S. Equity	**17,849**	12,910
Fixed-Income Managers	**16,279**	15,023
Cash and Short-Term Managers	**661**	516
Mortgage Loan Servicers	**436**	557
Private Equity Managers	**3,773**	3,636
Real Estate Managers	**16,061**	55,931
Commodity Managers	**5,867**	6,653
Total Investment Management Fees	**74,466**	**108,292**
Other Investment Expenses		
Consultants	**959**	917
Custodian	**1,595**	1,522
Legal Counsel	**151**	291
Other	**2,471**	2,863
Total Other Investment Expenses	**5,176**	**5,593**
Total Management Fees & Other Investment Expenses	**$79,642**	**$113,885**

Schedule of Payments to Consultants

For the Years Ended June 30, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Audit		
External Audit Services	**$ 266**	$ 165
Total	**266**	**165**
Legal		
Investment Legal Counsel	**151**	291
Other Legal Services	**164**	169
Total	**315**	**460**
Actuarial		
Actuarial Valuations and Consulting Fees	**347**	197
Total	**347**	**197**
Management		
Legislative Consulting	**46**	118
Management and Human Resources	**3**	39
System and Software Consulting	**97**	104
Total	**146**	**261**
Total Payments to Consultants	**$1,074**	**$1,083**

NOTE: 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, 2011
(Dollars in Thousands)

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Assets				
Cash	$ 806	$ 397,752	$ 398,345	$ 213
Accounts Receivable-Other	35,637	397,220	395,514	37,343
Fixed-Income	155,033	1,961,415	1,971,837	144,611
Total Assets	**191,476**	**2,756,387**	**2,765,696**	**182,167**
Liabilities				
Retiree Payroll and Other Payables	24	37,168	37,099	93
Accrued Expenses	115	235	115	235
Accounts Payable-Other	36,304	390,266	389,342	37,228
Due to Employers	155,033	1,961,415	1,971,837	144,611
Total Liabilities	**$191,476**	**$2,389,084**	**$2,398,393**	**$182,167**

Mutual Benefit:
Stability

investment section

Guided by an Investment Policy Statement adopted by our Board of Investments, the Fund is prudently invested on a strategic long-term investment horizon and structured to experience bull markets and withstand bear markets. Over the past 15 years, 75 cents of each LACERA pension dollar has been funded by returns on investments. Employee contributions have funded 10 cents of each dollar, while employer (County) contributions have funded the remaining 15 cents. ***The benefit is mutual.***

August 19, 2011

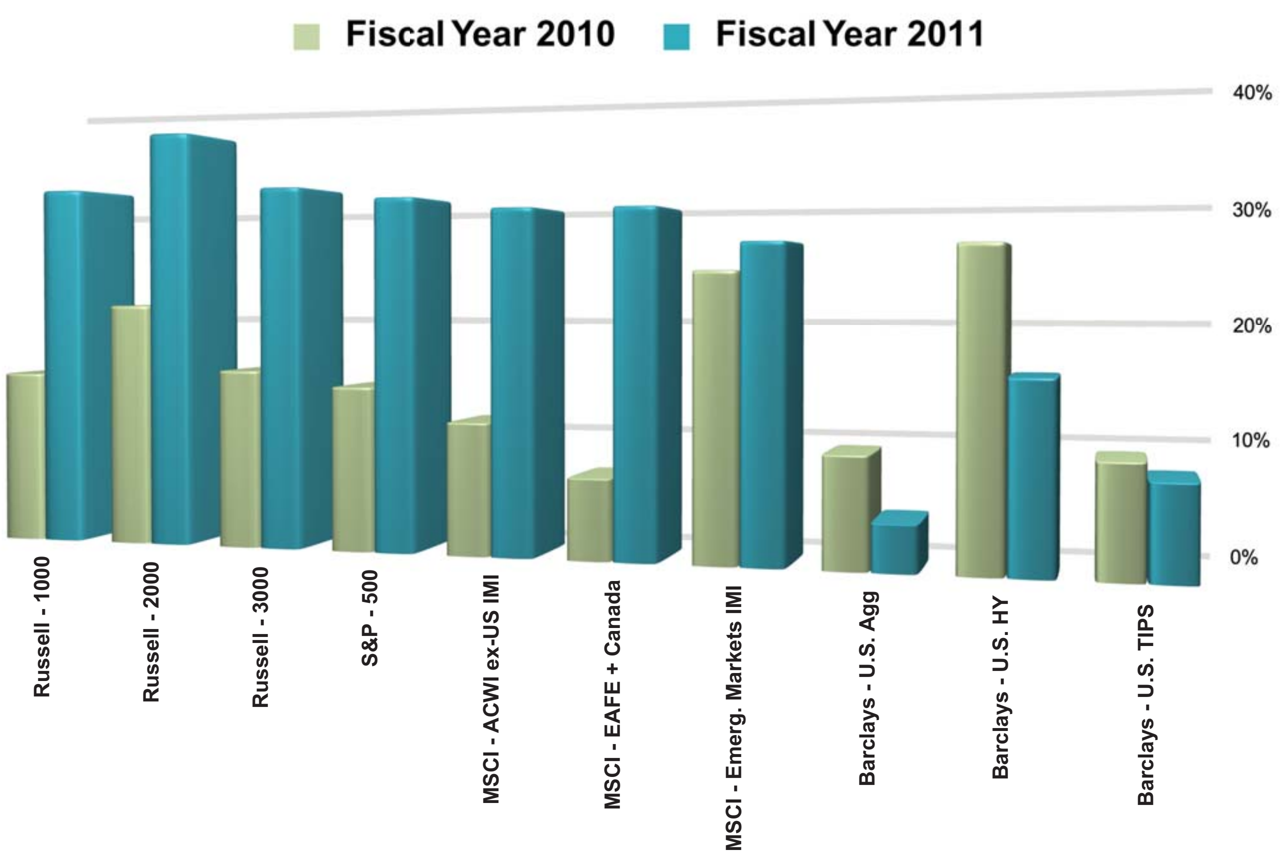
Wilshire

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 ended June 30, 2011 marked the second consecutive year with double digit gains in the U.S. equity market. The global equity markets contributed positive returns despite economic and socio-economic concerns in several European countries. Credits in the fixed income market continued their favored status, as high yield issuers produced strong results. Performance in fiscal year ended June 30, 2011 extended the recovery from fiscal year 2010. The graph below illustrates the capital market results for these two time periods.

Market Index Return



Annual Consultant Review

LACERA's 2011 fiscal year total return performance exceeded the total fund policy benchmark by 156 basis points (1.56%), net of fees. The annual total fund return of 20.44% (gross of fees) ranked in the 53rd percentile of Wilshire's Total Public Funds Plan Sponsor Universe, while the 18.63% return of the policy benchmark ranked in the 67th percentile. The Universe, comprised of 101 funds, had a one-year median return of 20.59%. For the three-year period ended June 30, 2011, the total fund return of 3.31% ranked in the 80th percentile of the Wilshire Public Funds Plan Sponsor Universe and lagged the policy benchmark return of 3.61% by 30 basis points (0.30%). The policy benchmark ranked in the 75th percentile, and the three-year median fund return was 4.76%. Over the five-year period ended June 30, 2011, the total fund return of 5.29% ranked in the 31st percentile of the Wilshire Public Funds Plan Sponsor Universe and exceeded the 5.21% policy return by eight basis points (0.08%); the policy return ranked in the 33rd percentile of the Public Funds Plan Sponsor Universe. The five-year median fund return was 4.88%.

During fiscal year 2011, 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:

- Risk Budgeting Analysis
- Non-US Equity Investment Structure Review
- Fixed Income Investment Structure Review
- Commodities Search/Recommendation
- Hedge Fund-of-Funds Search/Recommendation
- Non-US Equity Small Cap Equity Search/Recommendation

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

Sincerely,

William G. Bensur, Jr., CFA
Managing Director

Marlin D. Pease, CFA
Managing Director

WILSHIRE ASSOCIATES INCORPORATED
210 Sixth Avenue, Suite 3720, Pittsburgh, PA 15222
TEL 412.434.1580 FAX 412.434.1584 www.wilshire.com

Investment Policy

LACERA's investment program objective is to provide Association participants with retirement benefits as required by the County Employees Retirement Law of 1937. The Board of Investments (BOI) has exclusive control of all retirement system investments. There are nine BOI members; four are elected by the active and retired members, and 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 that provides a framework for the management of LACERA's investments. This Statement establishes LACERA's investment policies and objectives 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 that 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's members.

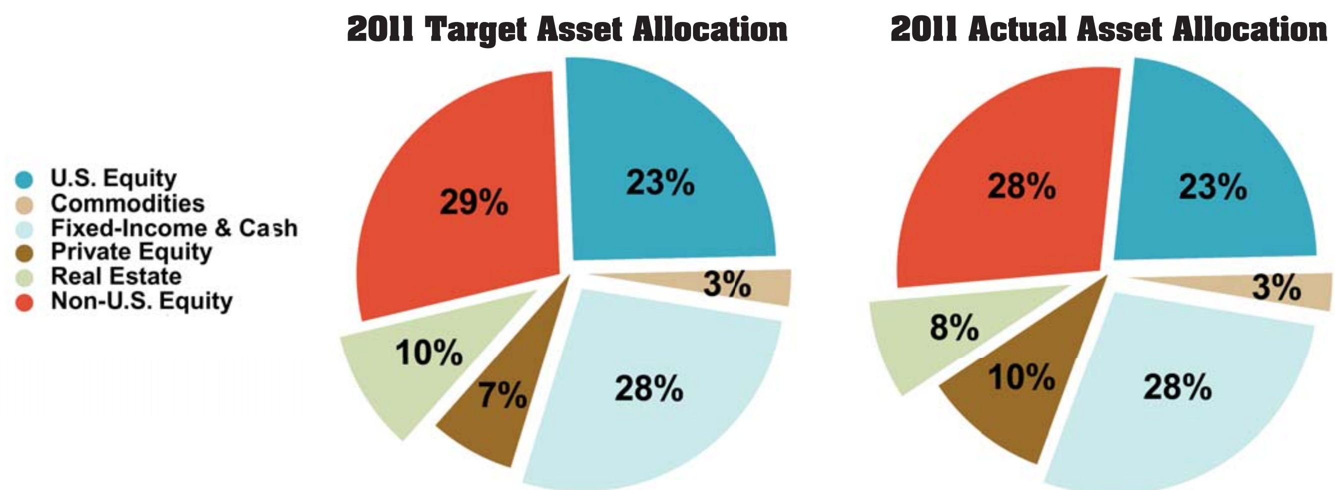
Asset Allocation

A pension fund's strategic asset allocation policy is generally recognized as having the most impact on a fund's 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 that act as a trigger for reallocating assets to ensure adherence to target weights.

The BOI reviews LACERA's Asset Allocation Policy (the Policy) every three to five years. The BOI last reviewed this Policy in the 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 funded status

The following graphs display LACERA's target and actual asset allocations as of June 30, 2011.



The BOI implements the Asset Allocation Policy 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

During much of the 2011 fiscal year, investors continued to increase their appetite for risk. This was the second straight year of increased risk-taking that began at the end of the credit crisis in March 2009. The year was marked by strong equity returns and narrowing of credit spreads, which benefited performance in the credit sectors of the fixed-income markets. However, investor sentiment reversed sharply at the end of the year.

John McClelland
Interim Chief Investment Officer

The Russell 3000 Index, a broad-based measure of the U.S. stock market, returned 32.4 percent for the year ended June 30, 2011. This was the best fiscal year performance for this benchmark in 25 years and followed good performance the prior fiscal year (up 15.7 percent in the year ended June 30, 2010). Increased risk appetite was reflected in the strong performance of small market capitalization stocks, as represented by the Russell 2000 Index, which returned 37.4 percent for the year.

The Morgan Stanley Capital International (MSCI) All Country World Investable Market Index excluding the United States, a broad-based world equity benchmark, returned 30.3 percent. Among developed market regions, performance was strongest in Europe, with a return of 36.0 percent for the MSCI Europe Index during the fiscal year. Though still strong on an absolute basis, the performance of the Pacific region, as measured by the 20.9 percent return of the MSCI Pacific Index, had the lowest performance among developed markets regions. Problems in Japan associated with the March disasters weighed on the index's performance.

Emerging markets equities had a second consecutive year of strong performance, returning 27.8 percent for the one-year period ended June 30, 2011, as measured by the MSCI Emerging Markets Index. These markets benefited from rising commodity prices and consumer-led growth within emerging economies.

Investors' increase in risk appetite was apparent also in the performance of the Barclays Capital U.S. Corporate High Yield Index, a broad-based measure of higher risk corporate bonds, which returned 15.6 percent during the fiscal year ended June 30, 2011. This was the second straight year of strong returns from credit. High yield returns contrasted sharply with the low 2.2 percent return of the Barclays Capital U.S. Treasury Index, which represents a traditional safe haven investment.

Commodities saw excellent returns during the fiscal year due to higher expectations for global growth. The Dow Jones-UBS Commodities Index returned 25.9 percent during the fiscal year ended June 30, 2011.

Some U.S. economic measures had been moving in a positive direction at the start of the fiscal year but weakened over the course of the year. The improvements in economic fundamentals that investors had anticipated never materialized. Real economic growth at year-end was only 1.0 percent annualized for the quarter ending June 30, 2011, much lower than the 3.8 percent growth rate one year earlier. Consumer confidence had improved in the middle of the fiscal year but has dropped sharply thereafter. Unemployment, which remained high during the year, had improved slightly but again rose above 9 percent by year-end.

The Federal Reserve's Federal Open Market Committee, faced with this low-growth environment, has not shown any signs of coming off its most accommodative position possible. Since December 2008, the federal funds rate target range has been 0.0 to 0.25 percent. Inflation crept up during the fiscal year as commodity prices rose, in part due to the Federal Reserve's (Fed) accommodative policies. The 3.6 percent increase in the Consumer Price Index over the fiscal year presents an inflation level not experienced since the start of the credit crisis in late 2008.

Global equity markets peaked in May, when caution about worsening economic data shifted investors' attitudes strongly back to risk aversion. Other events also caused confidence to wane. The federal government demonstrated an unwillingness to bring forth a cohesive policy solution to address economic issues. Concerns about Europe's currency, banking, and sovereign debt problems spread from Greece to all of southern Europe. The Fed, constrained with already low discount rates, saw the end of its second round of quantitative easing in June and considered other untested ways to use monetary policy to avoid another recessionary dip.

Future expectations of global growth are being moderated, and uncertainty surrounds how growth will return to the market. The economy faces considerable headwinds to return to normal growth as deleveraging continues, consumer confidence stays low, unemployment remains high, and the housing market lacks any sign of recovery after four years.

Summary of Performance

LACERA's Fund returned 20.4 percent for the fiscal year ended June 30, 2011. This performance is noteworthy as the best fiscal year performance in 25 years. LACERA's performance for the fiscal year was strong not only on an absolute basis but also relative to the 18.6 percent return of its Policy benchmark. Outperformance relative to policy benchmarks was evident in nearly all asset classes. Despite strong absolute performance in the past two fiscal years, high levels of market volatility have returned and expose LACERA to downside risks.

U.S. and non-U.S. stock market portfolios had strong returns for the second straight year. LACERA's U.S. equity portfolio returned 33.6 percent, exceeding its Russell 3000 benchmark by 120 basis points, as the majority of active managers outperformed. LACERA's non-U.S. equity portfolio ended the year up 26.6 percent, exceeding by 70 basis points its customized hedged benchmark, which hedges 50 percent of the currency exposure from developed markets countries. Both of these equity portfolios are structured to have a low level of risk relative to their respective benchmarks.

LACERA's fixed income portfolio returned 7.3 percent for the fiscal year ending June 30, 2011. The portfolio performance exceeded its benchmark, the Barclays U.S. Universal Index which returned 4.8 percent, by 250 basis points as a result of the portfolio's higher weight to credit sectors.

LACERA's two other public markets portfolios, commodities and cash, both exceeded their benchmarks. Commodities, with strong absolute performance of 30.9 percent, exceeded the 25.9 percent return of the Dow Jones-UBS Commodity Index by 500 basis points. Cash, used to fund benefit payments and other obligations, had low absolute performance of 1.4 percent but good relative performance versus the 0.2 percent return of the Citigroup 6-month Treasury Bill Index.

LACERA's private market asset classes, real estate and private equity, focus on longer term, less liquid investments. Private market valuations lag public market results by one quarter. Both asset classes experienced positive performance during the fiscal year. Though these returns are indicative of overall market direction, final returns can be known with certainty only when assets are sold.

The real estate portfolio had its first positive fiscal year performance since 2008, ending the fiscal year up 9.1 percent. Some confidence returned to the most stable parts of the real estate market despite high unemployment rates and an uncertain economy. Private equity had a strong fiscal year, up 22.0 percent, as improving public equity markets helped private valuations.

LACERA's custodian, Bank of New York Mellon Trust Company, N.A., calculated LACERA's public markets and Total Fund returns. LACERA's consultants 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 strategies when appropriate. Key items completed during the year included:

- Review and update of LACERA's Investment Policy Statement
- Review and update of LACERA's non-U.S. equity composite structure, which led to a search for active small capitalization investment managers
- Review of hedge fund program structures, a search for customized hedge fund of funds program managers, and selection of a manager
- Review of the private equity investment plan and investment in a number of private equity partnerships
- Selection of two managers to begin investment in commercial real estate debt
- Revision to Proxy Voting Guidelines
- Review and update to LACERA's fixed-income composite structure
- Selection of a third commodities manager
- Review and update of cash investment management guidelines

Conclusion

LACERA's investment staff remains diligent when evaluating new investment opportunities and carefully considers the potential risks associated with these strategies. On behalf of the investment staff, I appreciate the opportunity to continue serving the BOI and LACERA's members by prudently investing LACERA's assets to ensure the Program's long-term success.

Respectfully submitted,

John McClelland

John McClelland
Interim Chief Investment Officer

Investment Summary - Pension Plan

For the Year Ended June 30, 2011
(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
U.S. Equity and Convertibles	$ 9,076,006	22.8%
Non-U.S. Equity	11,218,320	28.2%
Total Equities and Convertibles	**20,294,326**	**51.0%**
Short-Term Investments	1,355,772	3.4%
Mortgages	174,476	0.5%
Subtotal Short-Term and Mortgages	1,530,248	3.9%
U.S. Government and Agency Instruments	3,249,630	8.2%
U.S. Corporate Fixed-Income	5,365,748	13.5%
Non-U.S. Fixed-Income	101,486	0.3%
Private Placement Fixed-Income	932,095	2.3%
Subtotal U.S. Instruments and Fixed-Income	9,648,959	24.3%
Total Fixed-Income	**11,179,207**	**28.2%**
Private Equity	3,975,579	10.0%
Real Estate and Title Holdings	3,316,258	8.3%
Commodities	1,004,662	2.5%
Total Investments - Pension Plan	**$39,770,032**	**100.0%**

Investment Summary - OPEB Agency Fund

For the Year Ended June 30, 2011
(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Short-Term Investments	$ 28,696	19.8%
U.S. Government and Agency Instruments	71,003	49.1%
U.S. Corporate Fixed-Income	44,912	31.1%
Subtotal U.S. Instruments and Fixed-Income	115,915	80.2%
Total Investments - OPEB Agency Fund	**$144,611**	**100.0%**

Investment Results Based on Fair Value*

As of June 30, 2011

	Annualized		
	Current Year	3-year	5-year
U.S. Equity	33.6%	4.5%	3.4%
Benchmark: Russell 3000 Index	32.4	4.0	3.4
Non-U.S. Equity, 50% Developing Markets Hedge	26.6	–0.6	3.7
Benchmark: Non-U.S. Equity Custom Hedged Index[1]	25.9	–0.8	3.4
Fixed-Income	7.3	8.7	7.6
Benchmark: Fixed-Income Custom Index[2]	4.8	7.0	6.8
Benchmark: Barclays U.S. Universal Index[2]	4.8	6.7	6.6
Real Estate[3]	9.1	–8.9	–0.1
Benchmark: NPI minus 25 bps[4]	15.7	–3.9	3.2
Private Equity[3]	22.0	5.7	13.9
Benchmark: Private Equity Target Return[5]	9.1	9.1	9.1
Commodities	30.9	–9.8	—
Benchmark: DJ-UBS Commodity Index	25.9	–11.9	—
Cash	1.4	1.1	2.5
Citigroup 6-Month T-Bill Index	0.2	0.6	2.1
Total Fund (Gross of Fees)	**20.4**	**3.3**	**5.3**
Total Fund (Net of Fees)	**20.2**	**3.1**	**5.1**
Total Fund Policy Benchmark	**18.6**	**3.6**	**5.2**

NOTE: Prior year returns have been restated to enhance comparability to the current year.

*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 8/31/08: MSCI ACWI X U.S. (Net); 8/31/08 to 7/31/10: MSCI ACWI X U.S. IMI (Net); 7/31/10 to present: MSCI ACWI X U.S. IMI (Net) with 50% hedged Developed Markets.

[2]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.

[3]One Quarter in arrears.

[4]The Real Estate Benchmark was changed to the NCREIF Property Index (NPI) minus 25 bps beginning with the 6/30/09 performance results.

[5]Rolling 10-year return of the Russell 3000 Index plus 500 bps.

Total Pension Investment Rates of Return

For the Last Ten Fiscal Years Ended June 30, 2011
(Dollars in Thousands)

Fiscal Year-End	Total Investment Portfolio Fair Value	Total Fund Return[1]	Return on Smoothed Valuation Assets[2]	Actuarial Assumed Rate of Return[3]	Funded Ratio[4]
2002	$26,743,379	–5.6%	9.6%	8.00%	99.4%
2003	27,058,125	3.3	–3.1	8.00	87.2
2004	29,887,087	16.4	5.3	7.75	82.8
2005	31,974,324	11.0	12.1	7.75	85.8
2006	35,190,995	13.4	14.5	7.75	90.5
2007	41,329,424	19.1	14.5	7.75	93.8
2008	39,472,905	–1.4	9.0	7.75	94.5
2009	30,918,057	–18.2	1.5	7.75	88.9
2010	33,760,695	11.8	0.5	7.75	83.3
2011*	**$39,770,032**	**20.4**	—	**7.75**	—

[1]Total Fund Return is the aggregate increase or decrease in the value of the portfolio resulting from the net appreciation or depreciation of the principal of the fund, plus or minus the net income or loss experienced by the fund during the period. The returns are presented gross of investment management fees.

[2]Return on Smoothed Valuation Assets consists of annual investment income in excess or shortfall of the expected 7.75% (8.00% used June 30, 2003 and earlier) on a valuation (actuarial) basis smoothed over a five-year period with 20% of a year's asset gains or losses being recognized each year beginning with the current year (three-year recognition used June 30, 2008 and earlier).

[3]Actuarial Assumed Rate of Return is the future investment earnings of the assets that are assumed to accrue at an annual rate of 7.75% compounded annually, net of both investment and administrative expenses.

[4]Funded Ratio is a measurement of the funded status of the fund, calculated by dividing the valuation assets by the actuarial accrued liability.

*Actuarial Valuation report for June 30, 2011 not available at publication.

Largest Equity Holdings (by Fair Value)

As of June 30, 2011
(Dollars in Thousands)

Shares	Description	Fair Value
487,245	Exxon Mobil Corporation	$39,652
405,638	Rio Tinto Limited Npv	36,041
93,365	Apple, Inc.	31,340
2,397,164	DBS Hldgs Sgd1	28,627
2,970,000	Keppel Corp Npv	26,806
873,452	Jardine Strategic Holdings Ord	26,728
139,800	Fanuc Corporation	23,162
129,774	IBM Corporation	22,263
206,220	Chevron Corporation	21,208
809,450	Microsoft Corporation	$21,046

NOTE: A complete list of portfolio holdings is available upon request.

Largest Fixed-Income Holdings (by Fair Value)

As of June 30, 2011
(Dollars in Thousands)

Par	Description			Fair Value
69,000,000	Commit to Purchase FNMA SF MTG	4.500%	07/01/2026	$73,140
65,715,000	U.S. Treasury Note	0.875%	02/29/2012	66,033
45,619,000	U.S. Treasury Note	1.500%	06/30/2016	45,063
42,700,000	U.S. Treasury Note	3.625%	02/15/2021	44,525
41,400,000	Commit to Purchase FNMA SF MTG	4.500%	07/01/2041	42,830
38,800,000	Commit to Purchase FHLMC Gold SFM	4.500%	07/01/2041	40,079
39,500,000	Commit to Purchase FNMA SF MTG	3.500%	09/01/2026	39,987
38,036,000	U.S. Treasury Bonds	4.375%	05/15/2040	38,012
34,223,384	FNMA Pool #0725229	6.000%	03/01/2034	37,963
37,434,000	U.S. Treasury Note	0.500%	05/31/2013	37,473

NOTE: A complete list of portfolio holdings is available upon request.

Schedule of Investment Management Fees

For the Years Ended June 30, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Investment Activity		
Equity Managers		
U.S. Equity	**$13,540**	$13,066
Non-U.S. Equity	**17,849**	12,910
Subtotal	**31,389**	**25,976**
Fixed-Income Managers	**16,279**	15,023
Cash and Short-Term Managers	**661**	516
Mortgage Loan Servicers	**436**	557
Private Equity Managers	**3,773**	3,636
Real Estate Managers[1]	**16,061**	17,090
Commodity Managers	**5,867**	6,653
Total Fees from Investment Activity	**74,466**	**69,451**
Securities Lending Activity		
Management Fee	**810**	478
Total Investment Management Fees	**$75,276**	**$69,929**

[1]The amount for Real Estate Managers for Fiscal Year 2010 was restated for comparative purposes due to the reclassification of some fees from expense to cost for Fiscal Year 2011.

Cash & Short-Term
Western Asset Management Company

Equities — U.S.
BlackRock Institutional Trust Company, N.A.
Cramer Rosenthal & McGlynn, LLC
Delta Asset Management
Eagle Asset Management, Inc.
FIS Group, Inc.
Frontier Capital Management Company, LLC
INTECH Investment Management, LLC
Northern Trust Global Advisors, Inc.
Relational Investors, LLC
Stinson Capital Partners, LLP
Twin Capital Management, Inc.
Westwood Management Corporation

Equities — Non-U.S.
Acadian Asset Management, Inc.
Batterymarch Financial Management, Inc.
BlackRock Institutional Trust Company, N.A.
Capital Guardian Trust Company
GAM International Management, Ltd.
Genesis Investment Management, LLP

Fixed-Income
BlackRock Financial Management, Inc.
BlackRock Institutional Trust Company, N.A.
BNY Mellon Cash Investment Strategies
Brigade Capital Management, LLC
Dodge & Cox
Dolan McEniry Capital Management, LLC
GW Capital, Inc.
Harch Capital Management, LLC
LM Capital Group, LLC
Loomis, Sayles & Company, LP
Oaktree Capital Management, LLC
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, Inc.
Western Asset Management Company

Private Equity
Gateway Private Equity Fund
GTB Capital Partners, LP
JP Morgan EMP

Real Estate
Capri Capital Advisors, LLC
CB Richard Ellis
CityView
Cornerstone Real Estate Advisers, LLC
Emmes Asset Management Company, LLC
Europa Capital
European Investors
ING Real Estate Investment Management
Invesco Institutional (N.A.), Inc.
LaSalle Investment Management, Inc.
Phoenix Realty Group, LLC
Quadrant Real Estate Advisors, LLC
Realty Associates Advisors, LLC (TA)
RREEF America, LLC
Starwood Capital Group
The Carlyle Group
TRECAP Partners
TriPacific Enterprises Residential Advisors (LOWE)
Urban America

Mortgage Loan Servicer
Chase Home Finance, LLC
GMAC Mortgage, LLC

Commodities
Credit Suisse Asset Management, LLC
Neuberger Berman Alternative Fund Management, LLC
Pacific Investment Management Company (PIMCO)

Passive Currency Hedge
BlackRock Institutional Trust Company, N.A.

Securities Lending Program
BNY Mellon Cash Investment Strategies
BNY Mellon Global Securities Lending
Clearland Securities
Goldman Sachs Agency Lending (GSAL)

Mutual Benefit:

Transparency

actuarial section

Administered pursuant to the County Employees Retirement Law of 1937, we are openly operated and guided by strict corporate governance policies. This was confirmed in a 2010-2011 Los Angeles County Civil Grand Jury investigation of public retirement systems. The watchdog agency found LACERA to be “well run” and in “stronger than average financial condition.” It also noted, “the County has done a good job at moderating pension costs.” We remain committed to our high standard of operation. ***The benefit is mutual.***

September 29, 2011

Milliman
1301 Fifth Avenue, Suite 3800
Seattle, WA 98101-2605 USA
Tel +1 206 624 7940
Fax +1 206 623 3485
milliman.com

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 that 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 and 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, 2008	**Funded Ratio:** 94.5%
Valuation Date: June 30, 2009	**Funded Ratio:** 88.9%
Valuation Date: June 30, 2010	**Funded Ratio:** 83.3%

It is our opinion that LACERA continues in sound financial condition as of June 30, 2010. However, it should be noted that the 2010 valuation results do not fully reflect the significant market loss on assets that occurred in the fiscal year ended June 30, 2009. Thus, the Funded Ratio is expected to be lower once that market loss is fully reflected in the next three valuations. Almost all of this year's decrease in the Funded Ratio is due to the recognition of a portion of these losses. Using the market value of assets on June 30, 2010, the Funded Ratio would be 69.9 percent.

LACERA's funding policy provides that 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 the UAAL uses a layered 30-year approach. Under this approach, the UAAL, as of June 30, 2009, is amortized over a closed 30-year period. Each year thereafter, any increase or decrease in the UAAL is also amortized over a new 30-year closed period. If the Funded Ratio exceeds 100 percent, then any Surplus is amortized over an open 30-year period.

The current funding policy requires LACERA to consider all of the funds in the Contingency Reserve in excess of 1 percent of the market value of assets as part of the valuation assets. For the plan year beginning July 1, 2010, the STAR Reserve was also considered part of the valuation assets. The Board's policy does not include any corresponding liability for future STAR benefits in the valuation. Note that if all of the STAR Reserve funds were excluded from the valuation assets for funding purposes, the Funded Ratio on June 30, 2010 would decrease to 81.9 percent.

The June 30, 2010 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 with data used for other purposes, although we have not audited the data at the source. Since the valuation

[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.

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 based also on our understanding of LACERA's current benefit provisions and the actuarial assumptions, which were last reviewed and adopted by the Board on December 8, 2010. The assumptions were based on the triennial investigation of experience study report as of June 30, 2010. Assumptions will be reviewed again in the fall of 2013.

The actuarial computations presented in the valuation report are for purposes of determining the recommended funding amounts for LACERA consistent with our understanding of their funding requirements and goals. The liabilities are determined by using the entry age normal funding method. The actuarial assets are determined by using a five-year smoothed recognition method of asset gains and losses, determined as the difference of the actual market value to the expected market value. We consider the actuarial assumptions and methods to be internally consistent, reasonable, and to meet the parameters of Governmental Accounting Standards Board 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 such factors as the following: experience differing from that anticipated by the economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in the program provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Our valuation report and this letter have been prepared exclusively for LACERA for a specific and limited purpose. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. It is a complex, technical analysis that assumes a high level of knowledge concerning LACERA's operations and uses LACERA's data, which Milliman has not audited. Any third-party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product but should engage qualified professionals for advice appropriate to its own specific needs.

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, 2010 actuarial valuation report.

I certify that the June 30, 2010 valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. I am a member of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Sincerely,

Nick Collier

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

NJC/nlo

September 29, 2011

Milliman
1301 Fifth Avenue, Suite 3800
Seattle, WA 98101-2605 USA
Tel +1 206 624 7940
Fax +1 206 623 3485
milliman.com

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 Postemployment 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, or 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 past three 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%
July 1, 2010	$24.03	28.79%

The County has undertaken extensive measures to establish a tax-exempt trust to pre-fund its OPEB liabilities. The County's Board of Supervisors affirmed their support for pre-funding once a trust fund has been established. However, specific appropriations have not yet been approved for this purpose.

Biennial actuarial valuations are expected. The first three valuations were as of July 1, 2006, July 1, 2008, and July 1, 2010. The next valuation is expected as of July 1, 2012.

In preparing the July 1, 2010 OPEB valuation report, we relied, without audit, on information (some oral and some in writing) supplied by Los Angeles County, LACERA, and Mercer Health & Benefits. This information includes, but is not limited to, benefit descriptions, membership data, and financial information. We found this information to be reasonably consistent and comparable with data used for other purposes. The valuation results depend on the integrity of this information. In some cases, where the data was incomplete, we made assumptions as noted in Table C-11 of our valuation report. If any of this information is inaccurate or incomplete, our results may be different and our calculations may need to be revised.

The valuation is based also on our understanding of the Program's current benefit provisions and the actuarial assumptions that were last reviewed and adopted by the County in January 2011. The retirement benefit-related assumptions were based on LACERA's retirement benefit triennial investigation of experience study report as of June 30, 2010. The OPEB specific assumptions were based on the 2010 OPEB investigation of experience study report as of June 30, 2010. Both the retirement and OPEB assumptions will be reviewed again in the fall of 2013.

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 consider the actuarial assumptions and methods to be internally consistent, to represent a long-term perspective, and to be reasonable. We believe they also meet the parameters of Governmental Accounting Standards Board 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 presented in the valuation report due to such factors as the following: OPEB program experience differing from that anticipated by the economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in OPEB program provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Our valuation report and this letter have been prepared exclusively for LACERA for a specific and limited purpose. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. It is a complex, technical analysis that assumes a high level of knowledge concerning LACERA's operations and uses LACERA's data, which Milliman has not audited. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product but should engage qualified professionals for advice appropriate to its own specific needs.

LACERA staff prepared the supporting schedules in this section and the financial section based on information supplied in our prior OPEB valuation reports as well as our July 1, 2010 actuarial valuation report.

I certify that the July 1, 2010 valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. I am a member of the American Academy of Actuaries and have experience in performing valuations for public OPEB programs.

Sincerely,

Robert L. Schmidt, FSA, EA, MAAA
Consulting Actuary

RLS/nlo

Actuarial Assumptions and Methods	Recommended by the Consulting Actuary and adopted by the Board of Investments (BOI). The actuarial assumptions used to determine the liabilities are based on the results of the 2010 triennial Investigation of Experience Study (Experience Study). New demographic assumptions were adopted by the BOI for the June 30, 2010 actuarial valuation with no changes made to economic assumptions. In 2009 the BOI adopted a new Retirement Benefit Funding Policy (2009 Funding Policy). Under the 2009 Funding Policy (see Note E – Pension Actuarial Valuations for more information), modifications to the asset valuation and amortization methods were adopted beginning with the June 30, 2009 actuarial valuation.
Actuarial Cost Method	Entry Age Normal.
Actuarial Asset Valuation Method	Five-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 five-year smoothing valuation basis for all assets, was adopted for the June 30, 2009 valuation. For the June 30, 2010 valuation, the BOI approved the inclusion of the STAR Reserve as part of the 2010 Valuation Assets; the liability for STAR benefits that may be granted in the future is not included in the valuation.
Amortization of Unfunded Actuarial Accrued Liability (UAAL) or Funding Surplus	In accordance with LACERA's 2009 Funding Policy, 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 the UAAL as of June 30, 2009 is funded over a closed 30-year period. Any future unanticipated changes in the UAAL, such as assumption changes or actuarial gains and losses, are amortized over new closed 30-year periods. This approach is often referred to as a "layered amortization method." The June 30, 2010 actuarial valuation represents the first valuation for which multiple "layers" exist, since there has been a year of gain/loss on the original 2009 UAAL amount. If the Funded Ratio is greater than 100 percent, the amortization of any Surplus Funding is funded over an open or "rolling" 30-year period.
Amortization of Gains and Losses	Actuarial gains and losses are reflected in the UAAL or Surplus Funding. The original UAAL as of June 30, 2009 is amortized over a closed 30-year period. Future gains and losses are amortized over new closed 30-year periods, which are referred to as "layered" amortization, as described above.

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 beginning with 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 beginning with 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 (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 beginning with 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 beginning with 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 not to be rehired. These retirement probabilities were adopted for the June 30, 2010 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, projected to 2020 using Projection Scale AA, with ages set back one year. **Safety members:** RP-2000 Combined Mortality Table for Males, projected to 2020 using Projection Scale AA, with ages set back two years. **Females** **General members:** RP-2000 Combined Mortality Table for Females, projected to 2020 using Projection Scale AA, with ages set back one year. **Safety members:** RP-2000 Combined Mortality Table for Females, projected to 2020 using Projection Scale AA, with ages set back one year. These rates were adopted for the June 30, 2010 valuation.

Expectation of Life After Disability	**Males** **General members:** Average of RP-2000 Combined and Disabled Mortality Tables for Males, projected to 2020 using Projection Scale AA, with ages set back one year. **Safety members:** RP-2000 Combined Mortality Table for Males, projected to 2020 using Projection Scale AA, with no age adjustment. **Females** **General members:** Average of RP-2000 Combined Mortality Table for Females, projected to 2020 using Projection Scale AA, with ages set back one year. **Safety members:** RP-2000 Combined Mortality Table for Females, projected to 2020 using Projection Scale AA, with no age adjustment. These rates were adopted for the June 30, 2010 valuation.
Recent Changes and Their Financial Impact	An Experience Study was performed by the Actuary for the three-year period ended June 30, 2010. The BOI adopted the demographic assumptions as recommended in that report. No changes were made to economic assumptions. The June 30, 2010 actuarial valuation is the first to reflect these new assumptions. These changes resulted in a 0.27 percent decrease in the Employer contribution rate. The June 30, 2010 valuation incorporated the following methods and assumptions derived from the 2009 Funding Policy: • **Asset Smoothing Period:** Asset gains and losses are smoothed over a five-year period (previously three years). • **Amortization of UAAL:** A 30-year layered approach was adopted to amortize the UAAL. Future gains and losses on the UAAL are amortized over new closed 30-year periods. The prior method used an open 30-year period. • **STAR Reserve:** The STAR Reserve was included in the 2010 valuation assets and is subject to periodic review for future valuations. There is no corresponding liability for future STAR benefits included in the valuation. Recognition of significant deferred investment losses for 2009-2010 caused a 6.1 percent decrease in the Funded Ratio as reflected in the June 30, 2010 actuarial valuation. This was somewhat offset by other factors, which caused a 0.5 percent increase in the Funded Ratio. In total, the Funded Ratio decreased from 88.9 percent in the June 30, 2009 valuation to 83.3 percent in the June 30, 2010 valuation due to these changes along with other smaller experience gains and losses.

See Note N — Other Post-Employment Benefits (OPEB) Program in the Financial Section for a Summary of Actuarial Assumptions and Methods for the OPEB Program.

Active Member Valuation Data

Valuation Date	Plan Type	Member Count	Annual Salary[1]	Average Annual Salary	% Increase in Average Salary
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%**
June 30, 2009	General	82,878	$5,347,558,596	$64,523	5.03%
	Safety	12,910	1,239,655,092	96,023	3.74%
	Total	**95,788**	**$6,587,213,688**	**$68,769**	**4.74%**
June 30, 2010	General	81,413	$5,318,137,692	$65,323	1.24%
	Safety	12,997	1,257,305,532	96,738	0.75%
	Total	**94,410**	**$6,575,443,224**	**$69,648**	**1.28 %**

[1]Active Member Valuation Annual Salary is 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
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
2009	2,505	157,469[2]	(1,786)	(50,619)	53,069	2,085,725	5.40%	39,302
2010	**2,947**	**$295,574**[2]	**(1,820)**	**$(54,105)**	**54,196**[3]	**$2,220,344**	**6.45%**	**$40,969**

[1]Annual allowance is the monthly benefit allowance annualized for those members counted as of June 30.

[2]Includes COLA amounts excluded in the previous years' Annual Allowance totals.

[3]For the June 30, 2010 actuarial valuation, Member Count includes 25 beneficiaries of recently deceased retirees, who, due to timing at year-end, were not yet included in the 2010 Retired Members count disclosed in Note A - Plan Description.

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, 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%
June 30, 2009	5,795	24,692	13,982	39,542	100%	100%	65%
June 30, 2010	**$6,278**	**$26,220**	**$14,148**	**$38,839**	**100%**	**100%**	**45%**

Actuarial Analysis of Financial Experience

(Dollars in Millions)

	Valuation as of June 30					
	2005	2006	2007	2008	2009	**2010**
Prior Valuation Unfunded Actuarial Accrued Liability	$5,611	$4,878	$3,439	$2,461	$2,313	**$4,927**
Expected Increase/(Decrease) from Prior Valuation	128	(31)	(109)	(68)	(78)	**333**
Salary Increases Greater/(Less) than Expected	(115)	156	673	298	380	**(353)**
CPI Less than Expected	—	—	—	—	—	—
Change in Assumptions	—	—	515	—	—	—
Asset Return Less/(Greater) than Expected	(790)	(1,642)	(2,187)	(429)	2,465	**2,879**
All Other Experience	44	28	130	36	(153)	**21**
Change in Actuarial Asset Method	—	—	—	—	—	—
Change in Application of Actuarial Asset Method	—	—	—	—	—	—
Recognition of Liabilities Due to Court Cases	—	50	—	15	—	—
Ending Unfunded Actuarial Accrued Liability	**$4,878**	**$3,439**	**$2,461**	**$2,313**	**$4,927**	**$7,807**

Probability of Occurrence — 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	0.0006
40	0.0300	0.0050	0.0006	0.0002	N/A	0.0010
50	0.0300	0.0050	0.0016	0.0004	N/A	0.0017
60	0.2200	0.0050	0.0040	0.0010	N/A	0.0049
70	0.2400	0.0050	0.0047	0.0025	N/A	0.0091
75	1.0000	0.0000	0.0047	0.0000	N/A	0.0164
Female						
20	0.0000	0.0050	0.0002	0.0001	N/A	0.0001
30	0.0000	0.0050	0.0002	0.0001	N/A	0.0002
40	0.0300	0.0050	0.0005	0.0002	N/A	0.0005
50	0.0300	0.0050	0.0013	0.0004	N/A	0.0011
60	0.2200	0.0050	0.0027	0.0010	N/A	0.0033
70	0.2400	0.0050	0.0058	0.0025	N/A	0.0066
75	1.0000	0.0000	0.0000	0.0000	N/A	0.0089

Probability of Occurrence — 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	0.0233
30	0.0000	0.0002	0.0001	N/A	0.0006	10	0.0170
40	0.0200	0.0006	0.0002	N/A	0.0010	15	0.0120
50	0.0200	0.0016	0.0004	N/A	0.0017	20	0.0076
60	0.0600	0.0040	0.0010	N/A	0.0049	25	0.0048
70	0.2000	0.0047	0.0025	N/A	0.0091	30 & up	0.0000
75	1.0000	0.0047	0.0000	N/A	0.0164	—	—
Female							
20	0.0000	0.0002	0.0001	N/A	0.0001	5	0.0233
30	0.0000	0.0002	0.0001	N/A	0.0002	10	0.0170
40	0.0200	0.0005	0.0002	N/A	0.0005	15	0.0120
50	0.0200	0.0013	0.0004	N/A	0.0011	20	0.0076
60	0.0600	0.0027	0.0010	N/A	0.0033	25	0.0048
70	0.2000	0.0058	0.0025	N/A	0.0066	30 & up	0.0000
75	1.0000	0.0000	0.0000	N/A	0.0089	—	—

Probability of Occurrence — 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	0.0325
30	0.0000	N/A	N/A	N/A	0.0006	10	0.0236
40	0.0000	N/A	N/A	N/A	0.0010	15	0.0180
50	0.0000	N/A	N/A	N/A	0.0017	20	0.0148
60	0.0450	N/A	N/A	N/A	0.0049	25	0.0128
70	0.2000	N/A	N/A	N/A	0.0091	30 & up	0.0120
75	1.0000	N/A	N/A	N/A	0.0164	—	—
Female							
20	0.0000	N/A	N/A	N/A	0.0001	5	0.0325
30	0.0000	N/A	N/A	N/A	0.0002	10	0.0236
40	0.0000	N/A	N/A	N/A	0.0005	15	0.0180
50	0.0000	N/A	N/A	N/A	0.0011	20	0.0148
60	0.0450	N/A	N/A	N/A	0.0033	25	0.0128
70	0.2000	N/A	N/A	N/A	0.0066	30 & up	0.0120
75	1.0000	N/A	N/A	N/A	0.0089	—	—

Probability of Occurrence — 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	0.0030	0.0002	0.0001	0.0002	5	0.0133
30	0.0000	0.0030	0.0002	0.0001	0.0003	10	0.0076
40	0.0100	0.0046	0.0003	0.0001	0.0008	15	0.0042
50	0.0100	0.0100	0.0005	0.0001	0.0012	20 & up	0.0000
60	1.0000	0.0000	0.0000	0.0000	0.0023	—	—
Female							
20	0.0000	0.0037	0.0005	0.0001	0.0001	5	0.0133
30	0.0000	0.0051	0.0005	0.0001	0.0002	10	0.0076
40	0.0100	0.0105	0.0007	0.0001	0.0005	15	0.0042
50	0.0100	0.0225	0.0018	0.0001	0.0011	20 & up	0.0000
60	1.0000	0.0000	0.0000	0.0000	0.0033	—	—

Mutual Benefit:
Community

statistical section

LACERA retirement benefits provide retirees and their families the peace of mind that comes with knowing their promised benefits are secure and dignified. These benefits also have a value-added effect on local and state economies. In addition to infusing billions of dollars into the economy through retiree expenditures, LACERA's lifetime benefits also protect our retirees and survivors from the need of public assistance, particularly in difficult economic cycles. ***The benefit is mutual.***

The objective of the Statistical Section is to provide historical perspective, context, and detail to assist in utilizing the Basic Financial Statements, Notes to the Basic 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 readers 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 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 Fiscal 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* presents 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 five years' worth of data is currently available. *Employer Contribution Rates* to the pension plans are also provided as additional information. Finally, the *Supplemental Targeted Adjustment for Retirees Cost-of-Living Adjustment (STAR COLA) Program Costs* schedule trends the Program's cost for the last 10 fiscal years through June 30, 2011.

Changes in Plan Net Assets

Last Ten Fiscal Years

(Dollars in Thousands)

	2002	2003	2004	2005	2006*
Additions					
Employer Contributions	$ 297,928	$ 325,524	$ 395,109	$ 527,810	$ 676,667
Member Contributions	265,573	233,192	262,699	286,096	296,176
Net Investment Income/(Loss)	(1,533,625)	924,991	4,118,500	3,396,193	4,092,410
Miscellaneous	133	151,215	2,605	3,222	1,582
Total Additions/(Declines)	**(969,991)**	**1,634,922**	**4,778,913**	**4,213,321**	**5,066,835**
Deductions					
Total Benefit Expenses (see Pension Benefit Expenses by Type)	1,240,371	1,339,202	1,447,511	1,562,363	1,798,463
Administrative Expense	37,402	41,523	38,684	43,182	42,469
Retiree Healthcare Program	57,654	53,407	59,054	62,318	—
Miscellaneous	604	224	287	536	75
Total Deductions	**1,336,031**	**1,434,356**	**1,545,536**	**1,668,399**	**1,841,007**
Transfer to OPEB Agency Fund	—	—	—	—	66,344
Change in Plan Net Assets	**$(2,306,022)**	**$ 200,566**	**$3,233,377**	**$2,544,922**	**$3,159,484**

	2007*	2008	2009	2010	2011
Additions					
Employer Contributions	$ 751,928	$ 788,029	$ 831,671	$ 843,704	**$ 944,174**
Member Contributions	347,701	414,752	415,545	429,612	**463,743**
Net Investment Income/(Loss)	6,487,184	(1,426,117)	(7,407,790)	3,840,401	**6,930,358**
Miscellaneous	1,803	1,767	1,221	868	**591**
Total Additions/(Declines)	**7,588,616**	**(221,569)**	**(6,159,353)**	**5,114,585**	**8,338,866**
Deductions					
Total Benefit Expenses (see Pension Benefit Expenses by Type)	1,792,654	1,913,272	2,016,364	2,130,738	**2,269,791**
Administrative Expense	43,880	48,223	49,730	48,892	**50,605**
Retiree Healthcare Program	—	—	—	—	—
Miscellaneous	197	371	243	48	**347**
Total Deductions	**1,836,731**	**1,961,866**	**2,066,337**	**2,179,678**	**2,320,743**
Transfer to OPEB Agency Fund	29,368	—	—	—	—
Change in Plan Net Assets	**$5,722,517**	**$(2,183,435)**	**$(8,225,690)**	**$2,934,907**	**$6,018,123**

*Reclassified to reflect GASB Statement No. 43 implementation.

Pension Benefit Expenses by Type

Last Ten Fiscal Years
(Dollars in Thousands)

	2002	2003	2004	2005	2006
Service Retiree Payroll					
General	$ 751,892	$ 802,308	$ 867,715	$ 942,997	$1,072,193
Safety	141,541	161,269	178,829	192,093	234,565
Total	**893,433**	**963,577**	**1,046,544**	**1,135,090**	**1,306,758**
Disability Retiree Payroll					
General	116,791	115,090	117,964	123,297	135,397
Safety	212,433	242,108	262,436	283,700	335,226
Total	**329,224**	**357,198**	**380,400**	**406,997**	**470,623**
Total Retiree Payroll					
General	868,683	917,398	985,679	1,066,294	1,207,590
Safety	353,974	403,377	441,265	475,793	569,791
Total	**1,222,657**	**1,320,775**	**1,426,944**	**1,542,087**	**1,777,381**
Refunds*					
General	—	—	—	—	16,889
Safety	—	—	—	—	2,842
Total	**16,259**	**16,756**	**18,088**	**18,630**	**19,731**
Lump-Sum Death Benefits	**1,455**	**1,671**	**2,479**	**1,646**	**1,351**
Total Benefit Expenses	**$1,240,371**	**$1,339,202**	**$1,447,511**	**$1,562,363**	**$1,798,463**

	2007	2008	2009	2010	2011
Service Retiree Payroll					
General	$1,087,908	$1,162,474	$1,221,671	$1,295,574	**$1,383,478**
Safety	228,779	242,948	269,893	291,796	**315,745**
Total	**1,316,687**	**1,405,422**	**1,491,564**	**1,587,370**	**1,699,223**
Disability Retiree Payroll					
General	133,361	139,390	141,821	144,861	**150,585**
Safety	322,979	341,158	361,235	377,429	**395,197**
Total	**456,340**	**480,548**	**503,056**	**522,290**	**545,782**
Total Retiree Payroll					
General	1,221,269	1,301,864	1,363,492	1,440,435	**1,534,063**
Safety	551,758	584,106	631,128	669,225	**710,942**
Total	**1,773,027**	**1,885,970**	**1,994,620**	**2,109,660**	**2,245,005**
Refunds*					
General	15,682	20,894	16,743	13,041	**17,498**
Safety	2,356	4,694	3,613	5,863	**5,220**
Total	**18,038**	**25,588**	**20,356**	**18,904**	**22,718**
Lump-Sum Death Benefits	**1,589**	**1,714**	**1,388**	**2,174**	**2,068**
Total Benefit Expenses	**$1,792,654**	**$1,913,272**	**$2,016,364**	**$2,130,738**	**$2,269,791**

*Detail of Refunds available beginning in Fiscal Year 2006.

Active and Deferred Member Accounts

Last Ten Fiscal Years

	2002	2003	2004	2005	2006
Active Vested					
General	47,763	48,513	50,235	52,113	53,280
Safety	9,400	9,221	9,295	9,269	9,860
Subtotal	57,163	57,734	59,530	61,382	63,140
Active Non-Vested					
General	29,299	27,482	24,591	23,054	23,887
Safety	2,790	2,544	2,114	1,948	1,604
Subtotal	32,089	30,026	26,705	25,002	25,491
Total Active Members					
General	77,062	75,995	74,826	75,167	77,167
Safety	12,190	11,765	11,409	11,217	11,464
Total	**89,252**	**87,760**	**86,235**	**86,384**	**88,631**
Deferred Members					
General	5,799	6,129	6,260	6,591	7,021
Safety	209	265	299	389	438
Total	**6,008**	**6,394**	**6,559**	**6,980**	**7,459**

	2007	2008	2009	2010	2011
Active Vested					
General	53,918	53,884	54,729	56,162	**59,055**
Safety	10,061	9,876	9,761	9,916	**10,054**
Subtotal	63,979	63,760	64,490	66,078	**69,109**
Active Non-Vested					
General	25,911	27,780	28,149	25,251	**21,090**
Safety	2,206	2,952	3,149	3,081	**2,587**
Subtotal	28,117	30,732	31,298	28,332	**23,677**
Total Active Members					
General	79,829	81,664	82,878	81,413	**80,145**
Safety	12,267	12,828	12,910	12,997	**12,641**
Total	**92,096**	**94,492**	**95,788**	**94,410**	**92,786**
Deferred Members					
General	7,441	11,149	7,589	7,478	**7,423**
Safety	470	685	462	460	**465**
Total	**7,911**	**11,834**	**8,051**	**7,938**	**7,888**

Retired Members by Type of Pension Benefit

As of June 30, 2011

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement*		
		1	2	3
$ 1 — $1,000	16,914	10,379	1,872	4,663
$1,001 — $2,000	13,575	9,345	2,216	2,014
$2,001 — $3,000	8,333	5,985	1,686	662
$3,001 — $4,000	5,236	3,958	973	305
$4,001 — $5,000	3,535	2,808	569	158
$5,001 — $6,000	2,530	1,965	486	79
$6,001 — $7,000	1,753	1,326	386	41
Greater than $7,000	3,495	2,683	759	53
	55,371	**38,449**	**8,947**	**7,975**

Amount of Monthly Benefit	Retirement Option Selected**					
	Unmodified	Unmodified+Plus	Option 1	Option 2	Option 3	Option 4
$ 1 — $1,000	15,779	329	227	452	72	55
$1,001 — $2,000	12,570	409	175	290	72	59
$2,001 — $3,000	7,681	324	99	155	38	36
$3,001 — $4,000	4,794	250	60	74	22	36
$4,001 — $5,000	3,180	216	45	49	19	26
$5,001 — $6,000	2,245	204	25	29	3	24
$6,001 — $7,000	1,492	191	12	21	5	32
Greater than $7,000	2,767	609	21	22	14	62
	50,508	**2,532**	**664**	**1,092**	**245**	**330**

*Type of Retirement:
1 - Service Retirees
2 - Disability Retirees
3 - Beneficiary/Continuant/Survivors

**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(ies) receives percentage of member's reduced monthly benefit as designated by member.

Retired Members by Type of OPEB Benefit

As of June 30, 2011

	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	1,367	20	699	—	2,087
Blue Cross II	4	2,022	85	2,522	—	4,633
Blue Cross III	5,226	3,095	1,117	—	—	9,438
Blue Cross Prudent Buyer Plan	2	1,046	786	—	—	1,834
CIGNA Healthcare for Seniors	21	11	7	—	—	39
CIGNA Network Model Plan	4	—	637	423	65	1,129
Kaiser - California	—	3,382	2,473	618	200	6,673
Kaiser - Senior Advantage	10,353	1,450	158	—	—	11,961
Kaiser - Colorado	19	22	3	1	3	48
Kaiser - Georgia	37	38	14	17	—	106
Kaiser - Hawaii	28	28	8	1	—	65
Kaiser - Oregon-Washington	67	47	19	7	1	141
Firefighters Local 1014	—	393	—	1,080	—	1,473
PacifiCare	—	426	—	471	—	897
Scan/Smart Care Health Plan	272	93	—	—	—	365
Secure Horizons - PacifiCare	955	505	278	—	—	1,738
Total Medical by Plan Type	**16,989**	**13,925**	**5,605**	**5,839**	**269**	**42,627**
Medical Plans by Retirement Type						
Service Retirees	12,567	9,882	4,046	4,027	205	30,727
Disability Retirees	1,596	2,113	1,257	1,757	60	6,783
Survivors	2,826	1,930	302	55	4	5,117
Total by Retirement Type	**16,989**	**13,925**	**5,605**	**5,839**	**269**	**42,627**

	Dental/Vision Benefit/Premium Amount $1 - $500
Dental/Vision Plans by Plan Type	
CIGNA Indemnity Dental/Vision (Provident)	38,404
CIGNA HMO Dental/Vision	4,710
Total Dental/Vision by Plan Type	**43,114**
Dental/Vision Plans by Retirement Type	
Service Retirees	30,930
Disability Retirees	7,023
Survivors	5,161
Total by Retirement Type	**43,114**

Schedule of Average Pension Benefit Payments

Last Ten Fiscal Years

Retirement Effective Dates	Years of Service Credit					
	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 Service Credit					
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 Service Credit					
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

Retirement Effective Dates	Years of Service Credit 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

Schedule of Average Pension Benefit Payments continued

Last Ten Fiscal Years

	Years of Service Credit					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/09 to 6/30/10						
Retirants						
General Members						
Average Monthly Benefit	$1,242	$1,204	$1,782	$2,559	$ 3,418	$ 5,319
Average Final Compensation	$4,984	$4,790	$5,072	$5,888	$ 6,525	$ 6,923
Number of Active Retirants	116	242	251	210	258	888
Safety Members						
Average Monthly Benefit	$4,656	$3,461	$3,008	$4,840	$ 7,055	$10,450
Average Final Compensation	$8,092	$7,848	$8,377	$8,519	$10,104	$12,206
Number of Active Retirants	14	22	10	11	85	157
Survivors						
General Members						
Average Monthly Benefit	$ 737	$ 825	$1,077	$1,201	$ 1,336	$ 2,528
Average Final Compensation	$4,738	$4,069	$4,592	$3,875	$ 3,732	$ 4,926
Number of Active Survivors	19	31	33	40	59	89
Safety Members						
Average Monthly Benefit	$5,467	$1,895	$3,210	$3,413	$ 3,884	$ 5,653
Average Final Compensation	$8,746	$7,268	$8,850	$7,809	$ 7,374	$ 7,554
Number of Active Survivors	1	3	6	7	11	10
7/1/10 to 6/30/11						
Retirants						
General Members						
Average Monthly Benefit	$1,721	$1,249	$1,810	$2,784	$ 3,418	$ 5,082
Average Final Compensation	$5,702	$5,064	$5,296	$6,286	$ 6,576	$ 6,820
Number of Active Retirants	127	238	269	284	258	922
Safety Members						
Average Monthly Benefit	$2,336	$4,135	$5,198	$5,308	$ 7,347	$ 9,667
Average Final Compensation	$6,862	$9,057	$9,158	$9,679	$10,365	$11,617
Number of Active Retirants	10	28	21	30	91	152
Survivors						
General Members						
Average Monthly Benefit	$ 629	$ 786	$ 871	$1,654	$ 1,325	$ 2,485
Average Final Compensation	$3,677	$3,698	$3,359	$5,351	$ 3,678	$ 5,238
Number of Active Survivors	24	36	43	44	60	93
Safety Members						
Average Monthly Benefit	$3,187	$1,715	$2,386	$3,499	$ 3,788	$ 5,461
Average Final Compensation	$6,572	$5,766	$5,589	$6,862	$ 6,768	$ 6,929
Number of Active Survivors	3	2	8	4	10	25

Participating Pension Employers and Active Members

Last Ten Fiscal Years

	2002	2003	2004	2005	2006
County of Los Angeles					
General Members	77,048	75,980	74,811	75,154	77,153
Safety Members	12,190	11,765	11,409	11,217	11,464
Total	**89,238**	**87,745**	**86,220**	**86,371**	**88,617**
Outside Districts (General Membership)					
South Coast Air Quality Mgmt. District	3	2	2	2	2
Los Angeles County Office of Education	5	4	3	3	3
Little Lake Cemetery District	2	2	2	—	1
Local Agency Formation Commission	4	7	8	8	8
Total	**14**	**15**	**15**	**13**	**14**
Total Active Membership					
General Members	77,062	75,995	74,826	75,167	77,167
Safety Members	12,190	11,765	11,409	11,217	11,464
Total	**89,252**	**87,760**	**86,235**	**86,384**	**88,631**

	2007	2008	2009	2010	2011
County of Los Angeles					
General Members	79,816	81,650	82,865	81,400	**80,133**
Safety Members	12,267	12,828	12,910	12,997	**12,641**
Total	**92,083**	**94,478**	**95,775**	**94,397**	**92,774**
Outside Districts (General Membership)					
South Coast Air Quality Mgmt. District	2	2	2	2	**1**
Los Angeles County Office of Education	3	3	3	3	**3**
Little Lake Cemetery District	1	1	1	1	**1**
Local Agency Formation Commission	7	8	7	7	**7**
Total	**13**	**14**	**13**	**13**	**12**
Total Active Membership					
General Members	79,829	81,664	82,878	81,413	**80,145**
Safety Members	12,267	12,828	12,910	12,997	**12,641**
Total	**92,096**	**94,492**	**95,788**	**94,410**	**92,786**

Participating OPEB Employers and Retired Members

Last Ten Fiscal Years[1]

	2007	2008	2009	2010[2]	2011
Los Angeles County and Outside Districts					
Medical	40,807	40,444	40,868	41,676	**42,627**
Dental/Vision	40,172	40,628	41,175	42,045	**43,114**

[1]This schedule was implemented effective with GASB Statement No. 43 reporting in FYE 6/30/07 and contains only five years of data.

[2] The OPEB counts in this schedule are different from the counts in Note N - Other Post-Employment Benefits (OPEB) Program in the Financial Section. The differences are due to data edits conducted for the actuarial valuation by the consulting actuary. Data in Note N also includes members who retired on or before July 1, 2010 but did not enroll for insurance coverage until after July 1, 2010.

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
7/1/2000	to	6/30/2002[1]	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%
7/1/2009	to	9/30/2010	17.28%	10.62%	9.88%	10.48%	10.45%	27.83%	20.35%
10/1/2010	**to**	**9/30/2011**	**19.40%**	**12.74%**	**12.23%**	**12.65%**	**12.67%**	**29.46%**	**22.69%**

[1]Contribution rates remained the same for two fiscal years.

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

Last Ten Fiscal Years

			General		
Effective Date			Plan A	Plan D	Plan E
7/1/2000	to	6/30/2002[1]	11.69%[2]	6.95%	6.00%
7/1/2002	to	6/30/2003	14.85%[2]	7.94%	7.64%
7/1/2003	to	6/30/2004	15.31%[2]	8.31%	7.70%
7/1/2004	to	6/30/2005	20.02%[2]	12.72%	12.38%
7/1/2005	to	6/30/2006	21.42%[2]	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%
7/1/2009	to	9/30/2010	17.28%	10.48%	10.45%
10/1/2010	**to**	**9/30/2011**	**19.40%**	**12.65%**	**12.67%**

[1]Contribution rates remained the same for two fiscal years.

[2]Updated figures correct previously misreported rates.

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 (SCAQMD)

Last Ten Fiscal Years

	General		
Effective Date	Plan A	Plan B	Plan C
7/1/2000 to 6/30/2002[1]	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[2]	—	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[3]	22.38%	16.67%	—
7/1/2009 to 6/30/2010	22.02%	16.51%	—
7/1/2010 to 6/30/2011	**24.14%**	**18.64%**	—

[1]Contribution rates remained the same for two fiscal years.

[2]There were no active members in Plan A from July 2003 to October 2007.

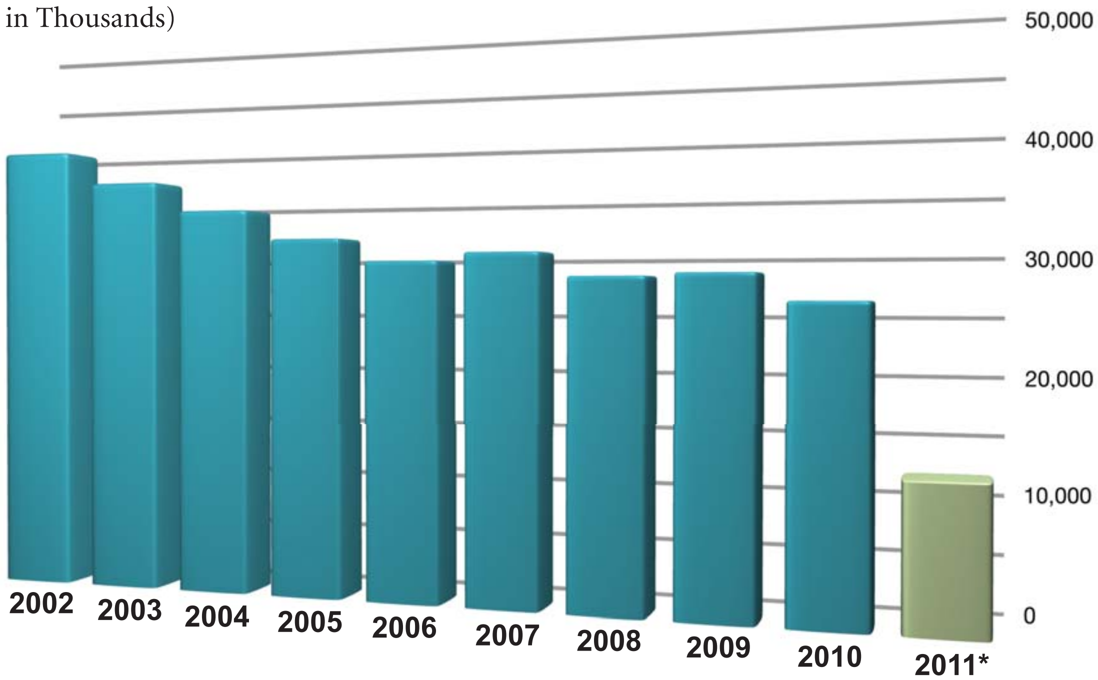
[3]Member changed from Plan C to Plan A effective November 2007, leaving no active members in Plan C.

NOTE: SCAQMD recalculates its employer contribution rates to pick up a portion of its employee rates, in accordance with its labor contract.

Supplemental Targeted Adjustment for Retirees Cost-of-Living Adjustment (STAR COLA)

LACERA STAR COLA Program Cost as of June 2011

(Dollars in Thousands)



The STAR COLA Program is administered on a calendar year basis. The above represents the STAR COLA Program cost for the last 10 years through June 30, 2011.

*Represents Program year through June 30, 2011.

LACERA Benefits Bring Added Value to the Community

In addition to providing financial security to County retirees and their beneficiaries, the $2.2 billion in retirement and survivor benefits LACERA disburses each year also has a substantial impact on each recipient's local community. In 2010 the benefits we paid to more than 45,000 recipients residing in Los Angeles County totaled $1.8 billion. This money was infused back into the community through the everyday expenditures of our retirees and their survivors.

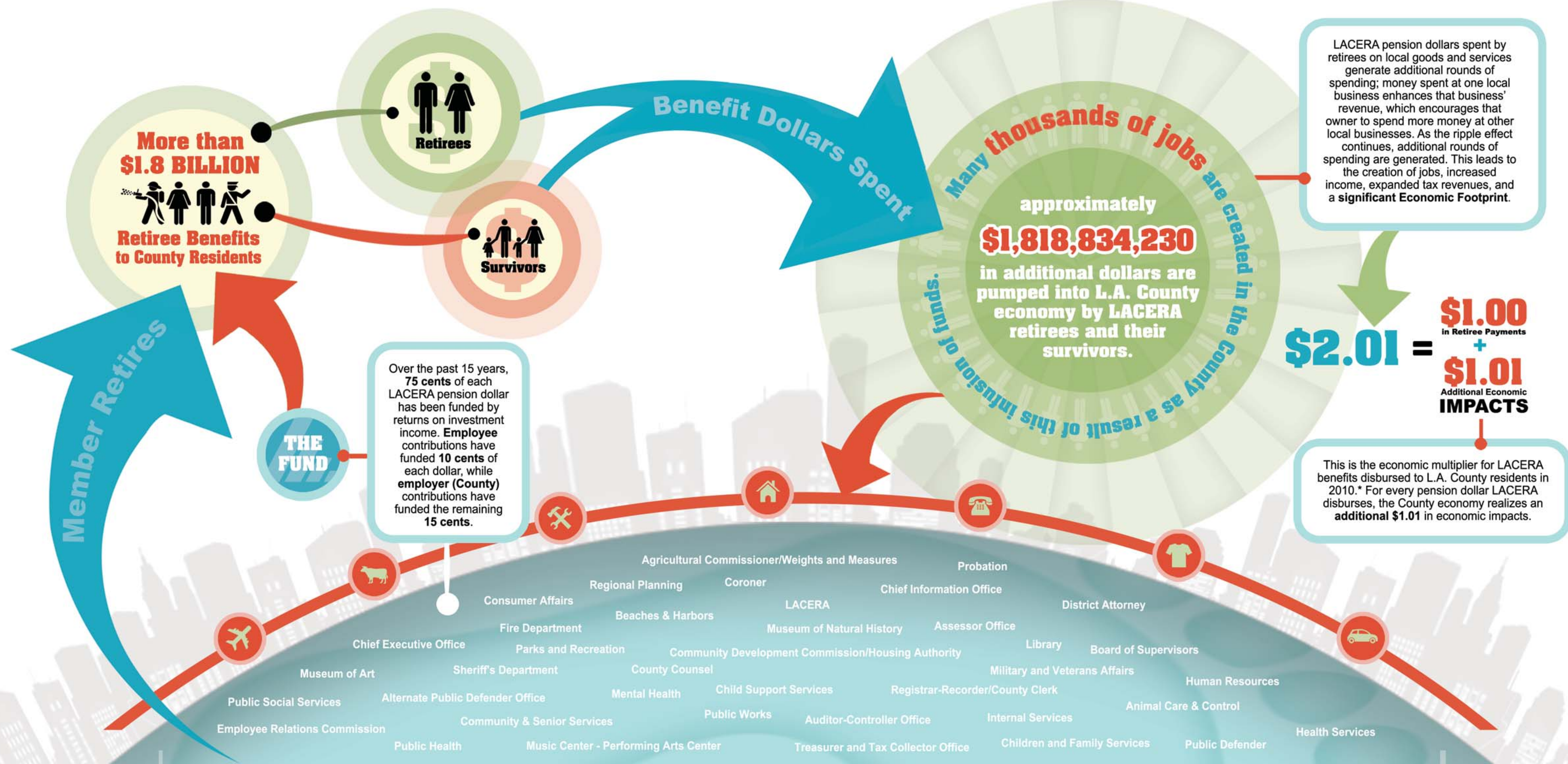
Research shows that for every dollar LACERA paid last year in retirement benefits, the Los Angeles County economy realized an additional $1.01 in economic impacts.* This means LACERA *retirees and survivors generated more than $1.8 billion in additional dollars into the County economy* through the money they spent on such items as food, medical services, transportation, and entertainment. Their expenditures have a ripple effect; money spent at one local business enhances that business' revenue, which, in turn, encourages that owner to spend more money at other local businesses. As the ripple effect continues, additional rounds of spending are generated. This ultimately leads to the creation of jobs, increased income, and expanded tax revenues.

LACERA members spend their careers contributing to the greater welfare of Los Angeles County. For those efforts, the County contributes to their promised benefits. ***The benefit is mutual.***

*Computation based on research compiled by Dr. Robert Fountain of Regional Economics Consultants and methodology utilized in that group's July 2011 study for CalPERS, titled *The Economic Impacts of CalPERS Pension Payments in 2010*.

The 2011 Annual Report was designed by LACERA's Communications Division.

LACERA's Economic Footprint in L.A. County



Every benefit dollar we disburse annually to retirees and survivors in Los Angeles County pumps an additional $1.01 into the economy. This $1.8+ billion in additional funds bolsters the economy and promotes the creation of thousands of jobs.*

**Computation based on research compiled by Dr. Robert Fountain of Regional Economics Consultants and methodology utilized in that group's July 2011 study for CalPERS, titled The Economic Impacts of CalPERS Pension Payments in 2010.*

**We Produce,
Protect,
and Provide
the Promised Benefits**

— LACERA's Mission Statement

211 annual report

LACERA
300 N. Lake Avenue, Pasadena, CA 91101
626-564-6000 lacera.com