LACERA

Los Angeles County Employees Retirement Association

1938 2013

75 YEARS Of Planning For The Future

THE LACERA STORY

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

Comprehensive Annual Financial Report for the year ended June 30, 2012

ISSUED BY:

GREGG RADEMACHER
Chief Executive Officer

ROBERT R. HILL
Assistant Executive Officer

JJ POPOWICH
Assistant Executive Officer

LACERA

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

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 22nd consecutive year, LACERA has earned this prestigious award for the 2011 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 2011 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 a nine-time recipient of this distinguished award.

*A confederation of NASRA, NCPERS, and NCTR

Introductory Section

Financial Section

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

December 3, 2012

Los Angeles County Employees Retirement Association
Board of Retirement/Board of Investments
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, 2012. 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 close to 57,000 benefit recipients.

Gregg Rademacher
Chief Executive Officer

CONSTRUCTING THE LACERA STORY

The annual report for fiscal year ended June 30, 2012 features LACERA's timeline, the first point of which was plotted in 1937, when 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 eligible beneficiaries, as the law prescribes. CERL recognizes a public obligation to provide retirement and death benefits to County employees who retire after a career serving the public interest; it is LACERA's mission to produce, protect, and provide the promised benefits.

Unfolding over 75 years, the events highlighted in this timeline and the services provided by our members to the County over those decades constitute the LACERA story. It's a story that our employees record in every interaction with each LACERA member, in print and through the use of newly implemented technologies alike, in the course of fulfilling our mission. It's the success story of LACERA and its Board of Retirement and Board of Investments plotting the course, building a sturdy infrastructure, and investing the funds according to a prudent Investment Policy in order to pay the promised benefits to the County workers who ensure the welfare of Los Angeles County. In short, it's the men and women who comprise our highly trained staff and the dedicated County employees LACERA serves who worked together to construct and protect something that serves us all. And that's a story we're happy to keep telling, through so many milestones along the way.

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, and are free of material misstatement. Management acknowledges it is responsible for the entire contents of this CAFR. 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.

Robert R. Hill
Assistant Executive Officer

Maintaining appropriate internal controls is the responsibility of management; however, management recognizes that no control or combination of controls can entirely free an organization from all error or misstatement. At their best, controls provide reasonable assurance such failings do not occur. The concept of reasonable assurance recognizes the cost of a control should not exceed benefits likely derived; the valuation of costs and benefits requires estimates and judgments by management.

LACERA management is provided such assurance through the ongoing efforts of its Internal Audit and Quality Control Divisions and its Boards. The Executive Office is confident LACERA's established controls and the interactions of those controls detect all significant occurrences and prevent noteworthy inaccuracies.

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 0.3 percent (gross of fees). This represents an underperformance of 80 basis points below its Policy Benchmark, which returned 1.1 percent. Over the five-year period ended June 30, 2012, the total Fund's annualized return was 1.7 percent (gross of fees).

JJ Popowich
Assistant Executive Officer

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.

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, 2011 valuation, determining the funded ratio to be 80.6 percent, recognized an Unfunded Actuarial Accrued Liability (UAAL) of $9.40 billion. The County contribution rate was therefore set equal to 7.89 percent of payroll for the amortization of the UAAL over a closed 30-year layered period, plus the normal cost rate of 9.65 percent, for a total contribution rate of 17.54 percent of payroll.

In October 2011, the Board of Investments adopted a decrease in the investment return assumption, to be phased in over a period of three years. The investment return assumption in effect for the 2011 actuarial valuation was 7.70 percent. The assumptions scheduled to be in effect for the 2012 and 2013 actuarial valuations are 7.60 and 7.50 percent, respectively. For each decrease in the investment return assumption, a corresponding decrease in the price and wage inflation assumptions will be made.

SUMMARY OF ACCOMPLISHMENTS FOR FISCAL YEAR 2011 - 2012

The comprehensive customer services we provide our 156,000+ members and their beneficiaries require the dedication and expertise of approximately 350 LACERA personnel representing a variety of professional disciplines. The following illustrates some of our accomplishments and reflects the substantial volume of work performed during the fiscal year.

Fiscal year ended June 30, 2012, marked the completion of an expansion of the Call Center to twice its size in terms of both the space and personnel resources, which enabled our Retirement Benefits Specialists to answer 134,000 phone calls - a record number. Our Member Service Center specialists provided one-on-one counseling to 34,000 members and held 600 retirement workshops and benefits fairs, both at LACERA and out in the field.

In the course of implementing responsive, accurate, and expansive services during the 2011 - 2012 fiscal year, our Administrative Services staff scanned and indexed over 600,000 pages of member documents and processed nearly 400,000 pieces of mail, while Claims Processing disbursed 56,816 retirement allowances each month and placed 3,184 new retirees on the retiree payroll, all the while ensuring that benefits were efficiently processed and disbursed. Retiree Healthcare responded to 48,000 phone calls and mailed 42,000 insurance packages for 2012.

This fiscal year, LACERA members also took advantage of our online tools within the member portal section of lacera.com, My LACERA. Over the course of the fiscal year, registered members visited My LACERA 56,000 times and used the Retirement Benefit Estimates calculator to create 45,852 individual retirement estimates.

Awards and Recognition

For the 22nd 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, 2011.

LACERA is a recipient also of the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting, for the 14th year running. We received this honor for our Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2011.

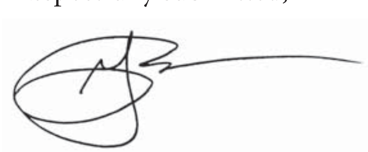
These awards recognize contributions to the practice of government finance exemplifying outstanding financial management. In doing so, they stress practical, documented work that offers leadership to the profession.

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, 2011. LACERA is a nine-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.

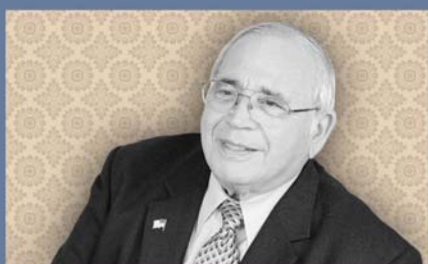
Respectfully submitted,



Gregg Rademacher
Chief Executive Officer

Board of Retirement and Board of Investments



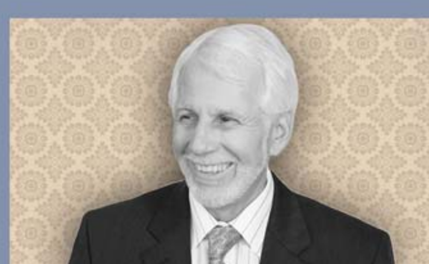
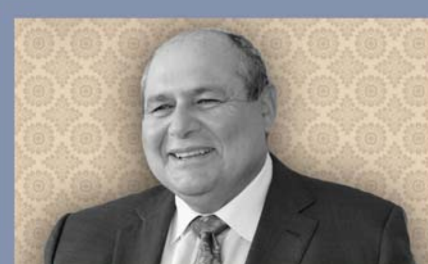











Marvin Adams
Board of Retirement
Appointed by the
Board of Supervisors
Term expires 12-31-14

John M. Barger
Board of Retirement
Appointed by the
Board of Supervisors
Term expires 12-31-14

Yves Chery
Secretary, Board of Retirement
Elected by General Members
Term expires 12-31-14

William de la Garza
Board of Retirement
Elected by Retired Members
Term expires 12-31-14

David Green
Board of Investments
Elected by General Members
Term expires 12-31-14

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 12-31-14

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

Mark J. Saladino
Board of Retirement
Board of Investments
Treasurer and Tax Collector
Ex officio Member

Diane A. Sandoval
Secretary, Board of Investments
Elected by Retired Members
Term expires 12-31-14

Herman Santos
Chair, 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 12-31-14

Leonard Unger
Vice Chair, Board of Investments
Appointed by the
Board of Supervisors
Term expires 12-31-14

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)

Carolyn Widener
Board of Investments
Appointed by the
Board of Supervisors
Term expires 12-31-13
(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.

Organizational Chart

Los Angeles County Employees Retirement Association

1938 75 2013

- **Board of Retirement**
- **Board of Investments**
  - **Chief Executive Officer** — GREGG RADEMACHER
    - Internal Audit Services — RICHARD BENDALL
    - Disability Litigation — VINCENT LIM
    - Legal — ROBERT VAN DER VOLGEN
    - Investments — DAVID KUSHNER
    - Retiree Healthcare — CASSANDRA SMITH
    - **Assisstant Executive Officer** — JJ POPOWICH
      - Disability Retirement Services — RICKI CONTRERAS
      - Member Services — VACANT
      - Communications — JEANNINE SMART
      - Human Resources — JOHN NOGALES
      - Financial & Accounting Services — BEULAH AUTEN
    - **Assisstant Executive Officer** — ROBERT R. HILL
      - Administrative Services — KIMBERLY HINES
      - Claims Processing — BERNIE BUENAFLOR
      - Quality Control & Metrics — MIKE MIKHAIL
      - Information Systems — JAMES PU

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
Olson Hagel & Fishburn, 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

PLAN

GOOD PLANNING WITHSTANDS THE TEST OF TIME.

Financial Section

Seventy-five years ago, California legislators recognized an obligation to provide retirement and benefits to the employees of Los Angeles County who retire after a dedicated career serving the public.

- 1938: Beginning of the Codified Plan
- 1938: L.A. County Population 2.2 million
- 1938: LACERA Membership 12.2 thousand
- 1938: LACERA Fund Value $5.8 million

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, 2012 and 2011, 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 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.

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, 2012 and 2011 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 Government Accounting Standards Board (GASB), who considers it to be an essential part of 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.

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 financial statements of LACERA. The Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 or provide any assurances on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2012, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Andrew J. Paulden

Bakersfield, California
October 23, 2012

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, 2012. 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 $38.3 billion, a decrease of $1.1 billion or 2.9 percent from the prior year.
- Total Additions, as reflected in the Statement of Changes in Plan Net Assets were $1.3 billion. This was primarily due to member and employer contributions. Additions totaled $7.0 billion less than the amounts realized for 2011.
- Total Deductions, as reflected in the Statement of Changes in Plan Net Assets, total $2.4 billion, an increase of $120 million or 5.2 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, 2011, and determined the funded status (the ratio of actuarial value of assets to actuarial accrued liabilities) to be 80.6 percent.

Beulah Auten
Chief Financial Officer

OVERVIEW OF THE 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.

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 year-end. The Net Assets Held in Trust for Pension Benefits, which are the assets less the liabilities, reflect the funds available for future use.

The Other Post-Employment Benefit (OPEB) 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 the 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 the 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

Plan Net Assets

As of June 30, 2012, LACERA's financial position declined $1.1 billion or 2.9 percent from the prior year, due primarily to negative investment returns. For the fiscal year ended 2012, retiree payroll and other expenses remained relatively consistent with prior years but exceeded investment income due to lackluster investment returns, thereby contributing to the decline of LACERA's financial position.

As of June 30, 2012, LACERA had $38.3 billion in Plan Net Assets, which means Total Assets of $41.2 billion exceeded Total Liabilities of $2.9 billion. As of June 30, 2011, LACERA had $39.5 billion in Plan Net Assets as a result of Total Assets of $42.7 billion exceeding Total Liabilities of $3.3 billion. The Total Plan Net Assets represent funds available for future retirement benefit payments. However, of importance is the fact that unlike private pension funds, public pension funds are not yet required to report the future liability of obligations owed to retirees. The reporting of this obligation as a liability will begin in fiscal year end 2014 under new GASB standards adopted in late June. Only current liabilities are reported in the Statement of Plan Net Assets.

Plan Net Assets

As of June 30, 2012, 2011, and 2010
(Dollars in Millions)

	2012	2011	2010	2012 - 2011 % Change	2011 - 2010 % Change
Investments	**$38,627**	$39,770	$33,761	-2.9%	17.8%
Other Assets	**2,580**	2,959	2,290	-12.8%	29.2%
Total Assets	**41,207**	42,729	36,051	-3.6%	18.5%
Total Liabilities	**(2,900)**	(3,277)	(2,617)	-11.5%	25.2%
Total Plan Net Assets	**$38,307**	**$39,452**	**$33,434**	**-2.9%**	**18.0%**

ADDITIONS AND DEDUCTIONS TO PLAN NET ASSETS

The primary sources that finance the promised benefits LACERA provides to members and their beneficiaries are investment income and the collection of member and plan sponsor retirement contributions. For fiscal year 2012, Total Additions amounted to $1.3 billion, achieved primarily due to employer and member contributions, with investment performance providing a total fund return of 0.3 percent, gross of fees. For fiscal year 2011, Total Additions amounted to an increase of $8.3 billion, due to positive investment performance with a total fund return of 20.4 percent, gross of fees.

The net investment loss for fiscal year 2012 was $0.3 billion, a decrease of $7.2 billion from fiscal year 2011's net investment income. This is in comparison to 2011's investment gain of $6.9 billion. This fiscal year's investment returns did not meet the actuarial assumed investment earnings rate. The investment gains and losses experienced will continue to impact the actuarial funded ratio over time as they are recognized in the future during the actuarial asset-smoothing process.

To finance employer contributions that are due to LACERA, the County of Los Angeles (County) makes monthly cash payments and/or directs LACERA to transfer funds from the County Contribution Credit Reserve. In 2012 and 2011, the County funded its employer contributions using cash payments.

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 $2.4 billion for fiscal year 2012, an increase of $120 million or 5.2 percent from the prior year. For fiscal year 2011, these deductions totaled $2.3 billion, an increase of $141 million or 6.5 percent from the prior year.

Additions and Deductions to Plan Net Assets

For the Years Ended June 30, 2012, 2011, and 2010

(Dollars in Millions)

	2012	2011	2010	2012 - 2011 % Change	2011 - 2010 % Change
Contributions and Misc.	**$ 1,587**	$ 1,409	$ 1,275	12.6%	10.5%
Net Investment Income/Loss	**(291)**	6,930	3,840	-104.2%	80.5%
Total Additions/(Declines)	**1,296**	**8,339**	**5,115**	**-84.5%**	**63.0%**
Benefits and Refunds	**(2,391)**	(2,270)	(2,131)	5.3%	6.5%
Administrative Expenses and Misc.	**(50)**	(51)	(49)	-2.0%	4.1%
Total Deductions	**(2,441)**	**(2,321)**	**(2,180)**	**5.2%**	**6.5%**
Net Increase/(Decrease)	**(1,145)**	6,018	2,935	-119.0%	105.0%
Net Assets at Beginning of Year	**39,452**	33,434	30,499	18.0%	9.6%
Ending Plan Net Assets	**$38,307**	**$39,452**	**$33,434**	**-2.9%**	**18.0%**

PLAN ADMINISTRATION

LACERA Membership

The table below provides comparative LACERA membership data for the last two fiscal years. Vested members increased 4.3 percent from fiscal years ended 2011 to 2012, evidencing a continuing trend of employees increasing their service history to vest in the retirement system, thereby securing future benefits. Retired members increased slightly by 2.5 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, 2012 and 2011

	2012	2011
Active Members:		
Vested	**72,096**	69,109
Non-Vested	**19,856**	23,677
Total Active Members	**91,952**	**92,786**
Retired Members	**56,752**	55,371
Terminated Vested (Deferred)	**7,859**	7,888
Total Membership	**156,563**	**156,045**

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 actual Plan Net Assets.

Beginning in fiscal year 2012, LACERA implemented a new provision of the County Employees Retirement Law of 1937 (CERL), which provided administrative budget limitation relief to LACERA by shifting from an asset-based cap to a more stable liability-based cap. This new CERL provision states that the annual budget for administrative expenses of a '37 Act retirement system may not exceed twenty-one hundredths of one percent (0.21%) of the actuarial accrued liability of the retirement system as of the prior fiscal year ended. The cost of legal representation is not to exceed one-hundredth of one percent (0.01%) of system assets in any budget year. For fiscal year 2012, LACERA's appropriation for legal representation was included in the administrative expense allocation.

For fiscal year 2011, LACERA utilized the provisions of CERL, as amended in January 2007, which stated that the annual budget for the expenses of a '37 Act retirement system was limited to twenty-three hundredths of one percent (0.23%) of the total assets of the retirement system. 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.

The table below provides a comparison of the actual administrative expenses for the fiscal years ended 2012 and 2011. For fiscal year 2012, the actuarial accrued liability was used to calculate the statutory budget amount, and for fiscal year 2011, the projected asset base at fair value was 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, 2012 and 2011
(Dollars in Thousands)

	2012	2011
	Actuarial Accrued Liability	**Projected Asset Base at Fair Value**
Administrative Expenses	**$ 50,218**	$ 50,605
Basis for Budget Calculation	**$46,646,838**	$36,687,715
Administrative Expenses as a Percentage of the Basis for Budget Calculation	**0.11%**	**0.14%**
Limit per CERL	**0.21%**	0.23%

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 (2009 Funding Policy). The changes in the 2009 Funding Policy continued to impact the valuation for 2011, including the implementation of five-year smoothing on asset gains and losses. The significant positive investment return for fiscal year ended 2011 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 actuarial gains and losses on the UAAL are amortized over new closed 30-year periods beginning with the June 30, 2010, valuation.

In October 2011, the Board of Investments adopted a decrease in the investment return assumption, to be phased in over a three-year period. The investment return assumption in effect for the June 30, 2011, actuarial valuation was 7.70 percent. The assumptions that are scheduled to be in effect for the 2012 and 2013 actuarial valuations are 7.60 percent and 7.50 percent, respectively. For each decrease in the investment return assumption, a corresponding decrease in the price and wage inflation assumptions will be made.

The Supplemental Targeted Adjustment for Retirees (STAR) reserve balance was included as valuation assets for the June 30, 2011 valuation, which is subject to periodic review by the Board of Investments.

LACERA's independent consulting actuary, Milliman, performed the actuarial valuation as of June 30, 2011, and determined the Funded Ratio of the actuarial assets to the actuarial accrued liabilities decreased to 80.6 percent, as compared to 83.3 percent as of June 30, 2010. The strong investment return for the current year was offset by recognition of significant investment losses in prior years resulting in a 2.7 percent decrease in the Funded Ratio under the five-year actuarial asset smoothing method. For the fiscal year ended in 2011, the Fund returned 20.4 percent (gross of fees) on a market basis, which is greater than the assumed rate of 7.70 percent. The large recognized loss on actuarial assets from the fiscal year ended June 30, 2009, has the largest impact of any factors affecting the 2011 valuation results.

FAIR VALUE, RATES OF RETURN, AND FUNDED RATIO

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 ten years of information, can be found in the Investment Section.

The investment returns have turned from significantly to slightly positive over the last three years. The Board of Investments has reduced the assumed rate of return (as described in the Actuarial Valuations section above), while the funded ratio has decreased slightly from fiscal years ended 2010 to 2011. Even though investment returns were positive, the actuarial smoothing of losses has recognized only part of the large deferred asset losses from prior fiscal years.

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 (gross of fees)	Return on Smoothed Valuation Assets* (net of fees)	Actuarial Assumed Rate of Return	Funded Ratio
2010	$33,760,695	11.8%	0.5%	7.75%	83.3%
2011	39,770,032	20.4	3.3	7.70	80.6
2012**	**$38,627,163**	**0.3%**	—	—	—

*Returns calculated using the money-weighted rate of return method.

**Actuarial Valuation report for June 30, 2012 not available at publication.

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 for the fiscal year ended 2011, 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.

The semi-annual interest crediting rate applied for the fiscal year ended June 30, 2012, remained at 3.875 percent (i.e., 7.75 percent annual rate). In October 2011, the Board of Investments approved to reduce the assumed actuarial earnings rate from 7.75 percent to 7.50 percent over a three-year period. The new rate of 7.70 percent was implemented with the Board of Investments' adoption of the June 30, 2011 actuarial valuation. To provide ample time for both the plan sponsor (Los Angeles County) and LACERA to prepare for the rate change implementation, the new 7.70 percent rate was effective July 1, 2012, which was also when the corresponding employee contribution rates took effect as recommended in the June 30, 2011, valuation.

The total Fund's slightly positive return provided modest realized earnings, which allowed LACERA to credit partial interest for the periods ended December 31, 2011, and June 30, 2012, to certain reserve accounts, according to the CERL provisions.

ECONOMIC FACTORS

The U.S. economy provided some positive signals favorable for long-term prospects during the year, including: the U.S. government's retention of its easy monetary policy, persistent expansion of bank credit and consumer credit, improvements in cyclical sectors such as the automotive industry, substantial improvement in the volume of residential construction with housing prices stalled at the bottom of an L-shaped pattern, and the U.S. GDP appeared to shift towards sustainable expansion.

There are factors that may have limited the U.S. economy on this growth path: the European financial crisis and recession; uncertainty about future tax and spending policy (i.e., the political "fiscal cliff"); and a pending presidential election resulting in a potential disruptive political struggle to follow.

LACERA's total fund performance was essentially near zero, as the investment portfolio produced returns reflective of a global growth recession. There were signs of slight declines or slight growth for much of Northern Europe with the exception of Southern Europe which suffered from forced fiscal tightening and tight financial conditions. China and other emerging-market countries experienced slower growth. The U.S. financial sector appears to be functioning more effectively to support economic growth than in much of Europe. Economic outlooks predict slow global growth for the coming year.

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 69 percent of the annual additions to the Fund. For the fiscal year ended June 30, 2012, LACERA's total fund return was 0.3 percent gross of fees, on an annualized basis. The Fund's return performance did not exceed its Policy benchmark, which returned 1.1 percent. Despite this slightly positive return, markets remain volatile and susceptible to further downside risk pending any negative capital market conditions. For the fiscal year ended June 30, 2011, LACERA's total fund return was 20.4 percent, gross of fees. The Fund's return exceeded its Policy benchmark, which returned 18.6 percent.

NEW PENSION ACCOUNTING AND FINANCIAL REPORTING STANDARDS

On June 25, 2012, the Governmental Accounting Standards Board (GASB) voted to approve two new standards that substantially improved the accounting and financial reporting of public employee pensions by state and local governments. Statement No. 67, *Financial Reporting for Pension Plans*, revises existing guidance for the financial reports of most pension plans. Statement No. 68, *Accounting and Financial Reporting for Pensions*, revises and establishes new financial reporting requirements for governments that provide their employees with defined benefit pensions. These accounting and financial reporting standards represent the most significant fundamental changes in reporting requirements for pension plans (LACERA) and plan sponsors (Los Angeles County and outside Districts) since 1994.

For LACERA, the new standards build upon the existing framework for financial reports, enhance the note disclosures and required supplementary information, and require the presentation of new information about annual money-weighted rates of return in the notes to the financial statements. The new financial reporting provisions for LACERA are effective for fiscal year ending June 30, 2014.

The new standards require Los Angeles County and outside Districts to recognize their proportionate share of long-term obligation for pension benefits as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. This proportionate share is based on the plan sponsors' long-term contribution effort. The new financial reporting standards also enhance accountability and transparency through revised and new note disclosures and required supplementary information. For Los Angeles County and outside Districts, the new financial reporting provisions are effective for its fiscal year ending June 30, 2015.

The LACERA Boards, through our professional organizations, management, and consultants, will evaluate and implement these new requirements as prescribed within the required time frame.

SUBSEQUENT EVENT

On September 12, 2012, Governor Jerry Brown signed Assembly Bill 340, known as the California Public Employees' Pension Reform Act of 2013 (PEPRA), into law. The new law is complex and broad-reaching and takes effect on January 1, 2013. LACERA is currently working with the County to analyze PEPRA and determine how it will apply in Los Angeles County.

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, CGMA
Chief Financial Officer

Statement of Plan Net Assets

As of June 30, 2012 and June 30, 2011
(Dollars in Thousands)

	2012		2011	
	Pension Plan	OPEB Agency Fund	Pension Plan	OPEB Agency Fund
Assets				
Cash	$ 132,387	$ 435	$ 161,985	$ 213
Cash Collateral on Loaned Securities	1,469,510	—	1,693,349	—
Receivables				
Contributions Receivable	60,835	—	55,260	—
Accounts Receivable - Sale of Investments	759,053	—	866,787	—
Accrued Interest and Dividends	110,360	—	134,088	—
Accounts Receivable - Other	47,315	38,517	47,559	37,343
Total Receivables	977,563	38,517	1,103,694	37,343
Investments at Fair Value				
U.S. and Non-U.S. Equities	19,008,993	—	20,294,326	—
Fixed Income	10,747,978	114,404	11,179,207	144,611
Private Equity	3,789,891	—	3,975,579	—
Real Estate	3,899,087	—	3,316,258	—
Commodities	929,259	—	1,004,662	—
Hedge Funds	251,955	—	—	—
Total Investments	38,627,163	114,404	39,770,032	144,611
Total Assets	41,206,623	153,356	42,729,060	182,167
Liabilities				
Accounts Payable - Purchase of Investments	1,367,869	—	1,523,681	—
Retiree Payroll and Other Payables	508	157	350	93
Accrued Expenses	24,116	126	26,866	234
Tax Withholding Payable	26,580	—	24,948	—
Obligations under Securities Lending Program	1,469,510	—	1,693,349	—
Accounts Payable - Other	11,284	38,669	7,855	37,229
Due to Employers	—	114,404	—	144,611
Total Liabilities	2,899,867	153,356	3,277,049	182,167
Net Assets Held in Trust for Pension Benefits*	$38,306,756	$ —	$39,452,011	$ —

*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 the basic financial statements.

Statement of Changes in Plan Net Assets

For the Years Ended June 30, 2012 and 2011

(Dollars in Thousands)

	2012	2011
Additions		
Contributions		
Employer	**$ 1,078,929**	$ 944,174
Member	**506,758**	463,743
Total Contributions	**1,585,687**	**1,407,917**
Investment Income		
From Investing Activities:		
Net Appreciation/(Depreciation) in Fair Value of Investments	**(1,432,805)**	5,426,883
Investment Income	**1,213,169**	1,579,009
Total Investing Activity Income/(Loss)	**(219,636)**	**7,005,892**
Less Expenses from Investing Activities	**(75,216)**	(79,642)
Net Investing Activity Income/(Loss)	**(294,852)**	**6,926,250**
From Securities Lending Activities:		
Securities Lending Income	**4,234**	6,468
Less Expenses from Securities Lending Activities:		
Borrower Rebates	**373**	(1,550)
Management Fees	**(764)**	(810)
Total Expenses from Securities Lending Activities	**(391)**	**(2,360)**
Net Securities Lending Income	**3,843**	**4,108**
Total Net Investment Income/(Loss)	**(291,009)**	6,930,358
Miscellaneous	**1,004**	591
Total Additions	**1,295,682**	**8,338,866**
Deductions		
Retiree Payroll	**2,371,393**	2,245,005
Administrative Expenses	**50,218**	50,605
Refunds	**17,621**	22,718
Lump-Sum Death Benefits	**1,584**	2,068
Miscellaneous	**121**	347
Total Deductions	**2,440,937**	**2,320,743**
Net Increase/(Decrease)	**(1,145,255)**	6,018,123
Net Assets Held in Trust for Pension Benefits Beginning of Year	**39,452,011**	**33,433,888**
Net Assets Held in Trust for Pension Benefits End of Year	**$38,306,756**	**$39,452,011**

The accompanying Notes are an integral part of the basic 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 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 Benefit 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, 2012 and 2011

	2012	2011
Active Members:		
Vested	**72,096**	69,109
Non-Vested	**19,856**	23,677
Total Active Members	**91,952**	**92,786**
Retired Members	**56,752**	55,371
Terminated Vested (Deferred)	**7,859**	7,888
Total Membership	**156,563**	**156,045**

Investments

Pension Fund: Assets in the Pension Fund are derived from three sources: employer contributions; employee contributions (made by the employer on behalf of employees pursuant to §414(h) (2) of the Internal Revenue Code); and 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 Benefit (OPEB) Agency Fund: The County of Los Angeles (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 Agency 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 §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 and other 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 ten years of creditable service under the general service non-contributory plan. Benefits are based upon 12 or 36 months' average compensation, depending on the plan, 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 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 that 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 increases. Under this program, known as the Supplemental Targeted Adjustment for Retirees (STAR), excess earnings have been used to restore retirement allowances to 80 percent of the purchasing power held by retirees at the time of retirement. Except for Program year 2005, the BOR made permanent the 2001 through 2009 STAR Programs at an 80 percent level as authorized in the CERL §31874.3. In Program years 2005 and 2010 through 2012, the increase in inflation was less than the statutory COLA granted to Plans A through D. Since none of the Program participants had a COLA accumulation account over the 20 percent threshold for providing STAR benefits, no members were eligible for a STAR benefit in those years.

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 and 2010 through 2012, the STAR Program funded approximately $353 million when the BOR made permanent the 2001-2009 STAR Program benefits. As of June 30, 2012, there is $614 million available in the STAR Program reserve to fund future benefits. Total STAR Program costs since inception equaled $900 million.

The STAR program is administered on a calendar-year basis. The Statistical Section contains a ten-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 §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 §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.

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 the current fiscal year.

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, 2012 and 2011 were $2.7 million and $2.6 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, 2012 and 2011.

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, 2012 and 2011.
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; fund managers commonly subject each property to independent third-party appraisal annually. Investments under development are carried at cumulative cost until developed.
Real estate - title holding corporations, limited liability companies, and special purpose entities	Fair value of the investment as provided by investment managers, each property is subject to independent third-party appraisals every three years.
Real estate debt investments	Fair value for real estate debt investments as provided by investment managers.
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 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, actual member contribution rates for various plans are controlled through additional employer contributions, known as the surcharge amount, which is subject to change each year.

For fiscal years ended June 30, 2012, and June 30, 2011, the County paid its employer contributions due to LACERA in the form of monthly cash payments.

NOTE D — Reserves

LACERA includes 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 accounting principles generally accepted in the United States of America. 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 were credited into the CCCR. Deductions include payments, as the County authorizes, for current and future employer contributions due to LACERA.

Supplemental Targeted Adjustment for Retirees (STAR) Reserve represents the balance of transfers from the Contingency Reserve for future supplemental cost-of-living (COLA) increases. Twenty-five percent (25%) of excess earnings in fiscal years 1995-1999 were credited to the STAR Reserve pursuant to the 1994 Retirement System Funding Agreement between LACERA and the County. Prior additions include transfers from the Contingency Reserve. Deductions include COLA payments to retirees and funding for permanent benefits. Except for Program year 2005, the Board of Retirement (BOR) made permanent the 2001 through 2009 STAR Programs at an 80 percent level as authorized in the County Employees Retirement Law of 1937 (CERL). There were no new retirees or beneficiaries entitled to additional STAR benefits for Program years 2005 and 2010 through 2012 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 in priority order as defined in the BOI 2009 Retirement Benefit Funding Policy (2009 Funding Policy); 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.

For fiscal year ended June 30, 2012, the Contingency Reserve balance of $136 million represents 0.4 percent of the Fair Value of Total Investments. For fiscal year ended June 30, 2011, the net investment earnings realized were applied to credit interest to some of the reserves in accordance with the 2009 Funding Policy, leaving no balance in the Contingency Reserve.

Reserves

As of June 30, 2012 and 2011
(Dollars in Thousands)

	2012	2011
Member Reserves	**$15,707,024**	$14,940,500
Employer Reserves	**20,381,597**	20,996,422
County Contribution Credit Reserve	**470,710**	470,710
STAR Reserve	**614,011**	614,011
Contingency Reserve	**135,850**	—
Total Reserves at Book Value	**37,309,192**	**37,021,643**
Unrealized Investment Portfolio Appreciation	**997,564**	2,430,368
Total Reserves at Fair Value	**$38,306,756**	**$39,452,011**

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) beginning with the June 30, 2010, actuarial valuation based on the results of the 2010 triennial experience study. In October 2011, the BOI adopted a decrease in the investment return and other economic assumptions, to be phased in over a period of three years. The investment return assumption in effect for the 2011 actuarial valuation was 7.70 percent. The assumptions that are scheduled to be in effect for the 2012 and 2013 actuarial valuations are 7.60 percent and 7.50 percent, respectively. For each decrease in the investment return assumption, a corresponding decrease in the price and wage inflation assumptions will be made.

The information displayed below presents the funded status as of the June 30, 2011 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, 2011	$39,193,627	$48,598,166	$9,404,539	80.6%	$6,650,674	141.4%

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)	3.45 percent. This rate was adopted beginning with the June 30, 2011 valuation.
Investment Return	7.70 percent. Compounded annually, net of both investment and administrative expenses. This rate was adopted beginning with the June 30, 2011, valuation.
Projected Salary Increases	4.21 percent to 10.19 percent. The total expected increase in salary includes both merit and the general wage increase assumption of 3.95 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, 2011, 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 3.45 percent per year. This rate was adopted beginning with the June 30, 2011, valuation. Plan E members receive a pro-rated post-retirement benefit increase of 2.0 percent for service credit earned after June 4, 2002. The portion payable is based on the member's years of service earned after June 4, 2002, to his/her total years of service. The portion of the full 2.0 percent increase not provided for may be purchased by the member.

Actuarial Methods and Significant Assumptions continued

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 beginning with the June 30, 2009, valuation 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 beginning with the June 30, 2010, valuation. This approach is often referred to as a "layered amortization method." The employer contribution rate is not allowed to be less than the rate if LACERA amortized the total UAAL over a 30-year period. If the Funded Ratio is greater than 100 percent in future valuations, 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, 2011 valuation, the BOI approved inclusion of the STAR Reserve as part of 2011 Valuation Assets, which is subject to periodic review; 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, 2011, decreased the County normal cost rate from 9.84 percent to 9.65 percent. The change in the normal cost contribution rates from year to year is generally due to a few factors. This year, the normal cost rate was impacted by new economic assumptions, normal actuarial experience, and contribution cancellation for a select group of members hired prior to 1973 with 30 years of service. The County's required contribution rate to finance the UAAL over a layered 30-year period increased from 6.47 percent to 7.89 percent. Additionally, new member contribution rates were increased slightly at all entry ages effective with the 2011 valuation, when the assumed rate of investment return was lowered to 7.70 percent (with corresponding decreases in CPI and wage inflation assumptions).

The combined result is an increase in the total required County contribution rate from the prior valuation of 1.23 percent (from 16.31 percent to 17.54 percent of payroll). The most significant factor causing the increase was the recognition of deferred investment losses under the asset smoothing method, which resulted in a 2.04 percent increase in the UAAL rate. All other factors had a relatively minor impact, causing a 0.81 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, 2012, LACERA paid $31.3 million to covered members and received $25.7 million in related reimbursements. During fiscal year ended June 30, 2011, LACERA paid $34.3 million to covered members and received $27.9 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 Investors Service (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

These portfolios are further described as follows.

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 by Moody's, a nationally recognized statistical rating organization of investments in fixed income securities. U.S. Treasuries. Short-term investments and whole loan mortgages of $2.5 billion are excluded from this presentation.

Credit Quality Ratings of Investments in Fixed Income Securities

As of June 30, 2012

(Dollars in Thousands)

Quality Ratings	U.S. Govt. Agencies	Municipals	Corporate Debt/Credit Securities	Pooled Funds	Total	% of Portfolio
AAA	$2,117,884	$ 1,808	$ 305,820	$ —	$2,425,512	29%
AA	631	37,301	208,129	—	246,061	3%
A	2,374	98,919	629,199	—	730,492	9%
BAA	426	—	1,305,370	—	1,305,796	16%
BA	—	—	500,385	—	500,385	6%
B	—	5,323	769,196	—	774,492	9%
CAA	—	1,646	138,310	—	139,956	2%
CA	—	—	5,979	—	5,979	0%
C	—	—	3,270	—	3,270	0%
Not Rated	—	2,525	321,776	1,791,112	2,115,413	26%
Total Investments in Fixed Income Securities	**$2,121,315**	**$147,522**	**$4,187,407**	**$1,791,112**	**$8,247,356**	**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 that 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, 2012, LACERA did not hold any investments in any one issuer that would represent 5 percent 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 $1.3 billion are excluded from this presentation.

Fixed Income Securities — Duration

As of June 30, 2012
(Dollars in Thousands)

Investment Type	Fair Value	Modified Duration[1]
U.S. Government and Agency Instruments:		
U.S. Treasury	$ 1,222,794	6.14
U.S. Government Agency	2,121,315	4.97
Municipal/Revenue Bonds	147,522	12.14
Subtotal U.S. Government and Agency Instruments	**$ 3,491,631**	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	116,645	2.42
Commercial Mortgage-Backed Securities	130,225	3.28
Corporate and Other Credit	3,004,704	5.65
Fixed Income Swaps	(420)	(4.65)
Pooled Investments	1,791,112	N/A
Other Fixed Income	106,453	N/A
Subtotal Corporate Securities	**$ 5,148,719**	
Non-U.S. Fixed Income	61,191	6.03
Private Placement Fixed Income	768,609	5.80
Subtotal Non-U.S. and Private Placement Securities	**$ 829,800**	
Total Fixed Income Securities	**$ 9,470,150**	

[1]Modified duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a modified duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent.

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 pro rata portion of non-U.S. commingled fund holdings.

Non-U.S. Investment Securities at Fair Value

As of June 30, 2012

(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Total
AMERICAS						
Argentine Peso	$ 1,927	$ —	$ —	$ —	$ —	$ 1,927
Brazilian Real	238,349	(260)	—	—	—	238,089
Canadian Dollar	363,339	135	448	—	—	363,922
Chilean Peso	22,628	—	—	—	—	22,628
Columbian Peso	15,836	—	—	—	—	15,836
Mexican Peso	108,012	15,839	514	—	—	124,365
Peruvian New Sol	6,769	—	—	—	—	6,769
EUROPE						
Euro	983,810	(5,194)	24,087	53,088	65,203	1,120,994
British Pound Sterling	798,623	(204)	401	25,424	454,258	1,278,502
Czech Republic Koruna	4,116	—	—	—	—	4,116
Danish Krone	46,600	—	—	—	—	46,600
Hungarian Forint	9,636	—	9	—	—	9,645
Norwegian Krone	45,077	—	45	—	—	45,122
Polish Zloty	23,384	—	966	—	—	24,350
Russian Ruble	140,813	—	—	—	—	140,813
Swedish Krona	95,711	—	108	1,528	—	97,347
Swiss Franc	285,490	—	7	—	—	285,497
PACIFIC						
Australian Dollar	249,193	—	1,540	7,716	—	258,449
Chinese RNB	14,334	—	—	—	—	14,334
Japanese Yen	709,841	(46)	4,743	21,719	—	736,257
New Zealand Dollar	(6,311)	—	—	—	—	(6,311)
South Korean Won	322,183	—	—	—	—	322,183
MIDDLE EAST						
Bahrain Dinar	1,977	—	—	—	—	1,977
Egyptian Pound	10,457	—	—	—	—	10,457
Israeli Shekel	27,595	—	—	—	—	27,595
Lebanese Pound	543	—	—	—	—	543
Morocco Dirham	1,329	—	4	—	—	1,333
New Turkish Lira	44,284	—	27	—	—	44,311
Oman Rial	128	—	—	—	—	128
Saudi Arabian Riyal	9,518	—	—	—	—	9,518
UAE Dirham	2,423	—	—	—	—	2,423

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

As of June 30, 2012

(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Total
AFRICA						
CFA Franc (W. Africa)	$ 889	$ —	$ —	$ —	$ —	$ 889
Ghana New Cedi	296	—	—	—	—	296
Kenya Shilling	1,087	—	—	—	—	1,087
Nigerian Naira	7,163	—	—	—	—	7,163
South African Rand	170,506	—	168	—	—	170,674
SOUTHEAST ASIA						
Hong Kong Dollar	558,460	—	1,314	30,742	—	590,516
Indonesian Rupiah	61,706	—	—	—	—	61,706
Malaysian Ringgit	55,609	—	71	—	—	55,680
Philippine Peso	17,620	—	—	—	—	17,620
Singapore Dollar	134,373	—	581	10,369	—	145,323
Taiwan Dollar	178,203	—	—	—	—	178,203
Thailand Baht	56,144	—	—	2,681	—	58,825
SOUTH ASIA						
Indian Rupee	171,728	—	—	—	—	171,728
Sri Lankan Rupee	3,159	—	—	—	—	3,159
Pakistani Rupee	5,351	—	—	—	—	5,351
Total Securities Subject to Foreign Currency Risk	**$5,999,908**	**$10,270**	**$35,033**	**$153,267**	**$519,461**	**$ 6,717,939**
U.S. Dollar (Securities held by Non-U.S. Managers)	3,991,217	50,921	—	—	—	4,042,138
Total Non-U.S. Investment Securities	**$9,991,125**	**$61,191**	**$35,033**	**$153,267**	**$519,461**	**$10,760,077**

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 LACERA's custodian bank, via Bank of New York Mellon Global Securities Lending (BNY Mellon GSL) and a third-party lending agent, Goldman Sachs Agency Lending (GSAL). BNY Mellon GSL lends LACERA's non-U.S. equities, U.S. Treasury, agency, and mortgage-backed securities. The non-U.S. loans are collateralized at 105 percent, while the U.S. loans are collateralized at 102 percent of the loan market value. BNY Mellon GSL invests the collateral it receives on loans in short-term, highly liquid instruments. 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 Mellon Cash Investment Strategies (BNY Mellon CIS) invests collateral received from GSAL in short-term debt and money market instruments.

The collateral under both 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 BNY Mellon GSL and BNY Mellon CIS 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, 2012, 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, 2012 and 2011. As of June 30, 2012, the fair value of securities on loan was $2.01 billion with the value of cash collateral received of $1.47 billion, and non-cash collateral of $587 million. 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. LACERA's income, net of expenses from securities lending, was $3.8 million and $4.1 million for the years ended June 30, 2012 and 2011, respectively.

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

Securities Lending

As of June 30, 2012
(Dollars in Thousands)

Securities on Loan	Fair Value of Securities on Loan	Cash/Non-Cash Collateral Received
U.S. Government, Agencies, and Mortgage-Backed Securities	$1,162,084	$1,186,078
U.S. Equities	724,654	742,703
U.S. Corporate Fixed Income	50,894	51,977
Non-U.S. Equities	71,227	75,284
Total	**$2,008,859**	**$2,056,042**

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. Trades with counterparties with a minimum credit rating of BBB/Baa2 may also be allowed with the posting of initial collateral. 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, option contracts, and swap agreements.

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.

Currency 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 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, 2012 and 2011, classified by type.

Investment Derivatives

As of June 30, 2012 and 2011
(Dollars in Thousands)

	2012		2011	2012 - 2011
Derivative Type	**Notional Amount**	**Fair Value**	**Fair Value**	**Change in Fair Value**
Futures Contracts	**$ 576,575**	**$(1,184)**	$(17,885)	$ 16,701
Currency Forward Contracts	**(3,890,598)**	**42,258**	(52,538)	94,796
Options Contracts	**(520,431)**	**(872)**	(1,998)	1,126
Swap Agreements	**803,083**	**16,215**	(329)	16,544
Total	**$(3,031,371)**	**$56,417**	$(72,750)	**$129,167**

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/(Depreciation) 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, 2012, collateral for derivatives was $64.8 million. The collateral margins are maintained in margin accounts at financial services firms that provide brokerage services. Each account is uninsured and 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 the current fiscal year-end. 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.

Counterparty Credit Risk Analysis

As of June 30, 2012
(Dollars in Thousands)

	Adjusted Moody's Credit Rating				
Derivative Type	**AAA**	**AA**	**A**	**Baa**	**Total Fair Value**
Currency Forward Contracts	$11,706	$25,779	$ 5,092	$ (318)	$42,259
Swap Agreements	(68)	5,539	5,068	5,676	16,215
Total	**$11,638**	**$31,318**	**$10,160**	**$5,358**	**$58,474**

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, 2012
(Dollars in Thousands)

Derivative Type	**Notional Amount**	**Total Fair Value**
LIBOR Interest Rate Swaps*	$ 8,000	$(423)
Non-LIBOR Interest Rate Swaps**	16,722	446
Total	**$24,722**	**$ 23**

*LACERA's payment to or receipt from counterparty based on daily interest rates for LIBOR.
**LACERA's payment to or receipt from the counterparty is based on changes in Mexican and Brazilian reference rates.

Foreign Currency Risk

For futures contracts and swap agreements that are not U.S. 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, 2012
(Dollars in Thousands)

Currency	Futures Contracts	Currency Forward Contracts	Swap Agreements	Net Exposure
Australian Dollar	$ —	$ (303,489)	$ —	$ (303,489)
Brazilian Real	—	(12,576)	16,349	3,773
British Pound Sterling	—	(801,598)	—	(801,598)
Canadian Dollar	—	(437,806)	—	(437,806)
Chinese Yuan Renminbi	—	24	—	24
Danish Krone	—	(40,269)	—	(40,269)
Euro Currency Unit	7,953	(880,998)	57,742	(815,303)
Hong Kong Dollar	—	(101,728)	—	(101,728)
Israeli Shekel	—	(22,318)	—	(22,318)
Japanese Yen	—	(801,546)	—	(801,546)
Mexican New Peso	—	(441)	372	(69)
New Zealand Dollar	—	(6,712)	—	(6,712)
Norwegian Krone	—	(36,342)	—	(36,342)
Philippines Peso	—	1	—	1
Polish Zloty	—	(991)	—	(991)
Singapore Dollar	—	(66,761)	—	(66,761)
South Korean Won	—	1	—	1
Swedish Krona	—	(150,120)	—	(105,120)
Swiss Franc	—	(271,906)	—	(271,906)
Thailand Baht	—	(24)	—	(24)
Total	**$7,953**	**$(3,890,599)**	**$74,463**	**$(3,808,183)**

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, Limited Liability Companies, and Special Purpose Entities

As of June 30, 2012, the LACERA real estate portfolio included 79 Title Holding Corporations (THCs) and 14 Limited Liability Companies (LLCs). As of June 30, 2011, the portfolio included 76 THCs and 16 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, 2012 and 2011
(Dollars in Thousands)

	2012	2011
Assets	**$3,920,403**	$3,612,574
Less: Liabilities	**807,022**	791,068
Net Assets	**$3,113,381**	**$2,821,506**
Net Income	**$ 187,827**	**$ 159,956**

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 Partners' financial position and settlement negotiations, LACERA's claim was written down by half to $1.6 million. During the fiscal year ended June 30, 2012, Windstar Partners paid $2.0 million to LACERA. With this settlement, uncertain litigation was avoided, LACERA received $400,000 more than recorded on the financial statements, and the matter was successfully closed.

As of June 30, 2011, Gateway Corbin Park had a cost value of $38 million and a market value of $1,000. This property was foreclosed and sold in November 2011. The investment in Gateway Corbin Park has been completely written off as of June 30, 2012.

In March 2011, the LACERA Board of Investments approved to allocate up to $400 million for a commercial real estate debt investment mandate. A level of managing the risk in the debt investment program is to utilize special purpose entities (SPEs) to limit the fund's exposure. SPEs limit the fund's exposure to the dollar amount capitalizing each entity, rather than all of LACERA's assets. In January 2012, a new SPE was organized under Gateway REL, LLC. Three mortgage notes were transferred to Gateway REL, LLC on May 9, 2012. The total assets and liabilities of this SPE as of June 30, 2012, were $230 million and $96 million, respectively, with a net income of $0.78 million.

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.

Total operating expenses charged to LACERA were approximately $1.1 million for the years ended June 30, 2012, and June 30, 2011.

Notes Receivable

LACERA had notes receivable of approximately $43.0 million from one of its THCs for the years ended June 30, 2012 and 2011. 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 fair market value of LACERA's real estate portfolio is adjusted to reflect this guaranty.

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

Unsecured Line of Credit

As of June 30, 2012
(Dollars in Thousands)

Line of Credit	Date of Maturity	Interest Rate
$200,000	October 31, 2013	LIBOR plus a spread
100,000	October 19, 2013	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.

Beginning in fiscal year 2012, LACERA implemented §31580.2 of the County Employees Retirement Law of 1937 (CERL), which provided administrative budget limitation relief to LACERA by shifting from an asset-based cap to a more stable liability-based cap. This new CERL provision states that the annual budget for administrative expenses of a '37 Act retirement system may not exceed twenty-one hundredths of one percent (0.21%) of the actuarial accrued liability of the retirement system. Expenses for computer software, hardware, and computer technology consulting services relating to those expenditures are not to be considered a cost of administration subject to the budget limit. 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 §31529.1 of the CERL. For fiscal year 2012, LACERA's appropriation for legal representation was included in the administrative expense allocation.

For fiscal year 2011, LACERA utilized §31580.3 of the CERL, which stated that the annual budget for the expenses of a '37 Act retirement system was limited to twenty-three hundredths of one percent (0.23%) of the total assets of the retirement system. The additional administrative expenses included expenditures for software, hardware, and computer technology consulting services in support of that software or hardware. 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 §31529.1 of the CERL.

Under applicable sections of the CERL, LACERA's operating budgets for fiscal years-ended June 30, 2012, and June 30, 2011, were prepared and approved by the boards based upon twenty-one hundredths of one percent (0.21%) and twenty-three hundredths of one percent (0.23%), respectively.

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

Budget-to-Actual Analysis of Administrative Expenses

As of June 30, 2012 and 2011

(Dollars in Thousands)

	2012	2011
Basis for Budget Calculation	**Actuarial Accrued Liability**	**Projected Asset Base at Fair Value**
	$46,646,838	**$36,687,715**
Maximum Allowable for Administrative Expense	**97,958**	84,382
Maximum Legal Representation Appropriation (0.01%)*	**—**	3,669
Total Statutory Budget Appropriation	**97,958**	**88,051**
Operating Budget Request	**52,826**	53,391
Administrative Expenses	**50,218**	50,605
Underexpended Operating Budget	**2,608**	**2,786**
Administrative Expenses	**50,218**	50,605
Basis for Budget Calculation	**46,646,838**	36,687,715
Administrative Expenses as a Percentage of Basis for Budget Calculation	**0.11%**	**0.14%**
Limit per CERL	**0.21%**	0.23%
Administrative Expenses	**50,218**	50,605
Plan Net Assets	**$38,306,756**	$39,452,011
Administrative Expenses as a Percentage of Plan Net Assets	**0.13%**	**0.13%**
Limit per CERL	**0.21%**	0.23%

*For the fiscal year ended June 30, 2012, LACERA's appropriation for legal representation was included in administrative expenses.

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.

Claim from LACERA Member — Member presented a defamation claim to LACERA in April 2012, claiming damages of $5 million for various personal injuries. The claim is directed against LACERA and the County of Los Angeles.

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.

Last year, after the U.S. Supreme Court held that certain fraud provisions of the U.S. securities laws could not be applied to securities purchased outside the U.S., the BOI adopted a global policy to ensure that LACERA continues to meet its fiduciary duty by identifying, monitoring, and evaluating securities actions in which the fund has an interest both foreign and domestic and pursuing such claims when and in a manner the BOI determines is in the best interest of the fund.

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.

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 fair market value of LACERA's real estate portfolio is adjusted to reflect this guaranty. 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 $205,000 and $277,000 in fiscal years 2012 and 2011, 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 $1.37 million and $1.38 million in fiscal years 2012 and 2011, 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, 2012, outstanding capital commitments to the various investment managers, as approved by the BOI, totaled $2.21 billion. Subsequent to June 30, 2012, LACERA funded $220 million of these capital commitments.

Note N — Other Post-Employment Benefit (OPEB) Program

Program Description

In April 1982, the County of Los Angeles (County) adopted an ordinance pursuant to the County Employees Retirement Law of 1937 (CERL) that provided for a health insurance program and death benefits for retired employees and their eligible 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) Program 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
Medical	41,786	21,249
Dental/Vision	42,163	22,229
Death Benefit	46,108	N/A

Benefit Provisions

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

Medical/Dental/Vision — The participant's cost for medical and dental/vision insurance varies according to the years of retirement service credit with LACERA, the plan selected, and number of persons covered. The County contribution subsidizing the participant's cost starts at 40.0 percent of the lesser of the benchmark plan rate (Anthem Blue Cross Plans I and II) or the premium of the plan in which the retiree is enrolled for ten years of service credit. For each year of retirement service credit beyond ten years, the County contributes an additional 4.0 percent per year, up to a maximum of 100.0 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 HMO 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 the lesser of 50.0 percent 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/burial 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.

Healthcare Reform

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act (PPACA). PPACA is anticipated to have some impact on the County's future healthcare liabilities, but this impact has not yet been included in the OPEB assumptions. As the potential impacts become clearer, they will be reflected in the OPEB assumptions. However, as a "retiree only" group plan, LACERA is exempt from many of the provisions implemented thus far, including those 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 and their eligible 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 $12.1 million in reimbursements, which will be used to offset healthcare premium increases. No adjustment has been made to the OPEB assumptions for the Early Retiree Reinsurance Program.

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 eligible 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 §401(h) of the Internal Revenue Code. §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 Program 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 three Premium Holiday months affecting the LACERA-administered Anthem Blue Cross Plans 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 $51.3 million.

During fiscal year ended June 30, 2012, premium payments of $438.3 million were made to insurance carriers. These payments were funded by employer subsidy payments of $351.0 million, $36.0 million by the participants, and the difference attributed to the Premium Holiday. In addition, the County paid $38.0 million in Medicare Part B reimbursements and $6.9 million in death benefits.

Establishment of OPEB Trust

Pursuant to the California Government Code, the County established an irrevocable Other Post-Employment Benefit (OPEB) Trust Fund for the purpose of holding and investing assets to pre-fund the Retiree Healthcare Program, which LACERA administers. On May 15, 2012, the Los Angeles County Board of Supervisors approved to enter into a trust and investment services agreement with the LACERA Board of Investments to act as trustee and investment manager.

The OPEB Trust is the County's first step to reduce its OPEB unfunded liability. It will provide a framework where the Board of Supervisors can begin making contributions to the trust and transition, over time, from pay-as-you-go to pre-funding. The OPEB Trust does not modify the participating employers' benefit programs.

The OPEB Trust will serve as a funding tool for the participating employers to hold and invest assets for paying expenses associated for OPEB benefits, such as the Retiree Healthcare Program and retiree death benefit. The participating employers will be responsible for and have full discretion over contributions to and withdrawals from the OPEB Trust. At this time, there will be only two participating employers in the trust: Los Angeles County and LACERA. Both employers have yet to determine their contributions to the OPEB Trust. The LACERA Board of Investments will be responsible for setting the investment policy and investing any contributions transferred into the trust from the participating employers.

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 Statement 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 Valuation 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 – OPEB Program 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 that were approved and used to conduct the July 1, 2010, OPEB actuarial valuation. The retirement benefit related demographic and economic assumptions are based on those developed for the June 30, 2010, valuation of the LACERA Pension Plan. The OPEB demographic and economic assumptions are based on the results of the 2010 OPEB investigation of experience, dated January 28, 2011.

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 4.00 percent per annum, which is used for projecting the total future payroll. The amortization of the Unfunded Actuarial Accrued Liability (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 benefit.

Healthcare Cost Trend Rates*

	FY 6/30/2011	FY 6/30/2012	Ultimate**
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" 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%

*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. The adjustment reflects preliminary premium increases effective July 1, 2011, from Mercer (LACERA's Healthcare consultant at the time) rates as of February 1, 2011.

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

Actuarial Assumptions and Methods continued

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%

NOTE O — Hedge Funds

In June 2011, the Board of Investments approved a hedge fund investment strategy. In October 2011, LACERA deployed capital into a diversified portfolio of hedge funds with a goal of reducing the volatility of the Fund without materially decreasing Fund returns. The hedge fund category of investments is not a separate asset class but is comprised of strategies that: 1) invest in securities within LACERA's existing asset classes or across multiple asset classes; 2) have an absolute return objective; and 3) include the ability to use specialized techniques, such as leverage and short-selling, and instruments, such as derivatives.

The general framework for the investment structure of the hedge fund program is that LACERA is the sole limited partner in the limited partnership, which was created to hold the shares in the underlying hedge funds. The fund manager serves as General Partner and owns a 0.01 percent stake in the partnership. Each underlying fund investment is in a legal entity structure designed to limit liability for each fund's investment to the capital invested with that fund. Recognizing that hedge fund investment strategies require specialized knowledge and expertise, LACERA employs a hedge fund of funds manager to construct a portfolio consistent with its Hedge Fund Investment Policy. The hedge fund of funds manager is used to identify, select, implement, and monitor these investment strategies in a well diversified portfolio.

The investment performance for this strategy is measured separately from other asset classes. As of June 30, 2012, the fair value of assets invested in hedge funds is $252 million.

NOTE P — Subsequent Event

Management has reviewed and identified, up to the date of the Independent Auditor's Report – October 23, 2012, the subsequent event described below.

California Public Employees' Pension Reform Act of 2013

After spending close to a year exploring and debating reforms to public pension systems in California, lawmakers in Sacramento passed Assembly Bill 340 (AB 340) on August 31, 2012. AB 340, known as the California Public Employees' Pension Reform Act of 2013 (PEPRA), was signed into law by Governor Brown on September 12, 2012. PEPRA takes effect January 1, 2013. LACERA and the plan sponsor are working together to thoroughly analyze the complex legislation's impact on the County of Los Angeles and its employees.

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, 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%
June 30, 2011	**$39,193,627**	**$48,598,166**	**$9,404,539**	**80.6%**	**$6,650,674**	**141.4%**

*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	
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	843,703	0	843,703	100%
2011	944,174	944,174	0	944,174	100%
2012	**$1,079,929**	**$1,078,929**	**$ 0**	**$1,078,929**	**100%**

*Total actual employer contributions differ from the Annual Required Contribution due to transfers from CalPERS.

Schedule of Funding Progress — Other Post-Employment Benefit 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 Actuarial Cost method

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 Benefit Program

(Dollars in Thousands)

Year Ended June 30	Annual Required Contribution (ARC)*	Actual Employer Contributions	Percentage of ARC Contributed
2010	$1,737,000	$400,686	23%
2011	1,938,400	423,032	22%
2012	**$1,938,400**	**$442,099**	**23%**

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

*ARC determined by most recent OPEB Actuarial Valuation conducted as of July 1, 2010

Administrative Expenses

For the Years Ended June 30, 2012 and 2011
(Dollars in Thousands)

	2012	2011
Personnel Services		
Salaries and Wages	**$25,920**	$25,077
Employee Benefits	**12,149**	12,096
Total Personnel Services	**38,069**	**37,173**
Professional Services		
Computer Software Services and Support	**2,221**	3,344
External Audit Fees	**108**	265
Disability Medical Fees	**988**	1,106
Disability Hearing Officer Fees	**173**	224
Disability Stenographic Fees	**39**	43
Temporary Personnel Services	**652**	592
Legislative and Other Legal Services	**279**	209
Other Professional Services	**966**	867
Total Professional Services	**5,426**	**6,650**
Communication		
Forms and Brochures	**430**	436
Postage	**741**	641
Telecommunications	**448**	354
Transportation and Travel	**453**	385
Total Communications	**2,072**	**1,816**
Rentals		
Rents and Leases	**1,374**	1,384
Total Rentals	**1,374**	**1,384**
Miscellaneous		
Computer Equipment and Supplies	**233**	283
Office Furniture	**39**	89
Other Office Expenses	**140**	123
Maintenance	**885**	969
Educational Expenses	**647**	783
Parking Fees	**325**	320
Other County Department Charges	**206**	201
Insurance	**456**	429
Administrative Support	**123**	126
Other Service Charges	**223**	259
Total Miscellaneous	**3,277**	**3,582**
Total Administrative Expenses	**$50,218**	**$50,605**

Schedule of Investment Expenses

For the Years Ended June 30, 2012 and 2011

(Dollars in Thousands)

	2012	2011
Investment Management Fees		
Equity Managers		
U.S. Equity	**$12,128**	$13,540
Non-U.S. Equity	**17,607**	17,849
Fixed Income Managers	**15,637**	16,279
Cash and Short-Term Managers	**649**	661
Mortgage Loan Servicers	**339**	436
Private Equity Managers	**4,081**	3,773
Real Estate Managers	**16,737**	16,061
Commodity Managers	**2,619**	5,867
Total Investment Management Fees	**69,797**	**74,466**
Other Investment Expenses		
Consultants	**981**	959
Custodian	**1,568**	1,595
Legal Counsel	**266**	151
Other	**2,604**	2,471
Total Other Investment Expenses	**5,419**	**5,176**
Total Management Fees & Other Investment Expenses	**$75,216**	**$79,642**

Schedule of Payments to Consultants

For the Years Ended June 30, 2012 and 2011

(Dollars in Thousands)

	2012	2011
Audit		
External Audit Services	**$109**	$ 266
Total	**109**	**266**
Legal		
Investment Legal Counsel	**266**	151
Other Legal Services	**233**	164
Total	**499**	**315**
Actuarial		
Actuarial Valuations and Consulting Fees	**157**	347
Total	**157**	**347**
Management		
Legislative Consulting	**46**	46
Management and Human Resources	**17**	3
System and Software Consulting	**112**	97
Total	**175**	**146**
Total Payments to Consultants	**$940**	**$1,074**

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, 2012

(Dollars in Thousands)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Assets				
Cash	$ 213	$ 402,038	$ 401,816	$ 435
Accounts Receivable-Other	37,343	402,172	400,998	38,517
Fixed Income	144,611	1,434,963	1,465,170	114,404
Total Assets	**$182,167**	**$2,239,173**	**$2,267,984**	**$153,356**
Liabilities				
Retiree Payroll and Other Payables	93	38,128	38,064	157
Accrued Expenses	235	128	237	126
Accounts Payable-Other	37,228	393,841	392,400	38,669
Due to Employers	144,611	1,434,963	1,465,170	114,404
Total Liabilities	**$182,167**	**$1,867,060**	**$1,895,871**	**$153,356**

BUILD

STRONG FUTURES ARE FOUNDED ON STRONG FOUNDATIONS.

Investment Section

As a forward-thinking association, we integrate new technologies into our business procedures, enhance the scope and quality of services we offer our members, expand our workspace, hire top professionals, and live by our values. We continue to build the solid infrastructure that makes LACERA a world-class organization.

- 1991: LACERA moves from Hall of Administration to Pasadena, Gateway Plaza
- 2008: Tourism & Hospitality, top L.A. County industry, w/458,000 workers
- 2011: Largest manufacturing center in nation, w/365,000 workers

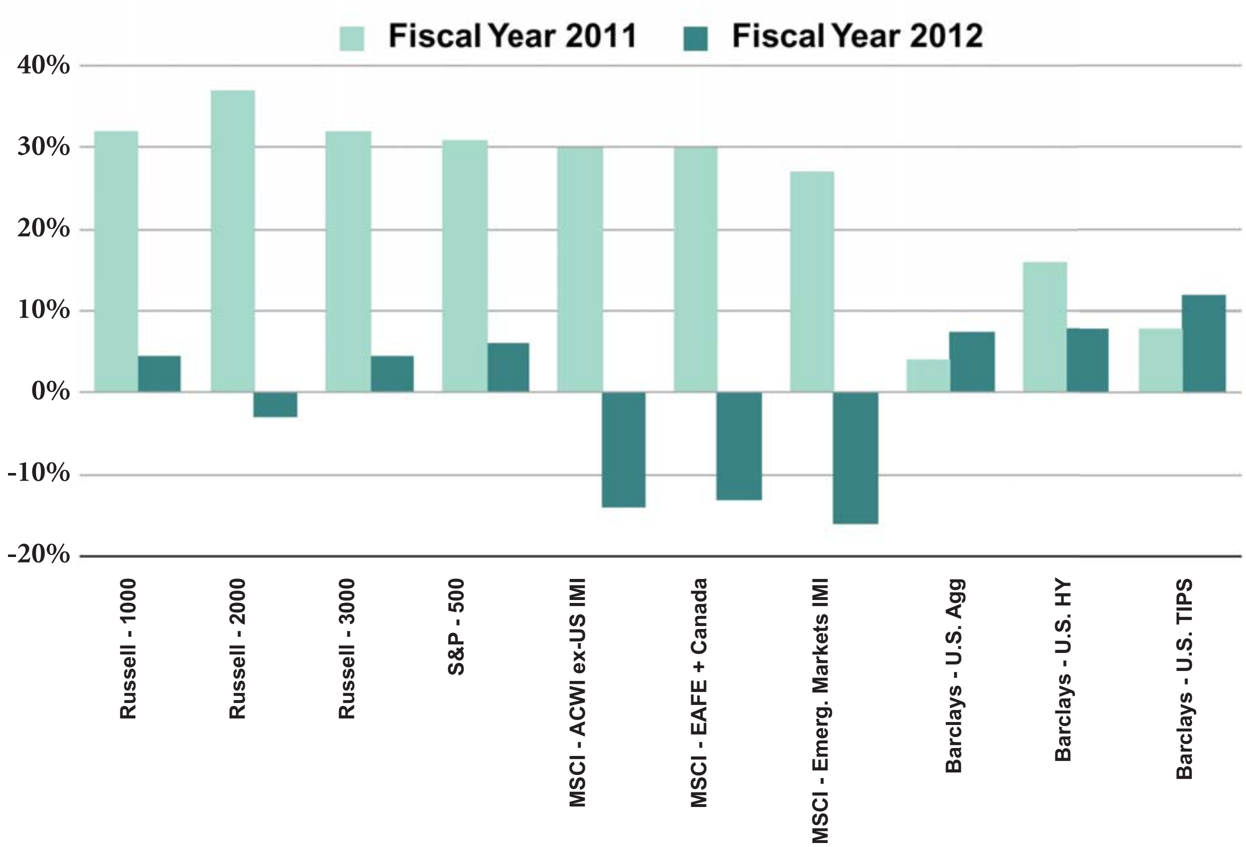
August 31, 2012

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 Board of Investments of the Los Angeles County Employees Retirement Association ("LACERA"), is pleased to present this review of LACERA's investment performance over the past year (periods ending June 30, 2012). After two consecutive years of double-digit returns, the U.S. equity markets struggled with signs of a global economic slowdown, concerns over European debt issues, and pending fiscal challenges in the U.S. Economic and socio-economic concerns in the Eurozone, combined with the aftermath of natural disasters, resulted in double-digit losses in the global equity markets. The weakness in the global economies and volatile equity markets drew investors to the safety of the bond markets producing positive returns. The graph below illustrates the capital market results for the past two fiscal years.

Market Index Returns



Annual Consultant Review

LACERA's 2012 fiscal year total fund return performance trailed the total fund policy benchmark by 91 basis points (0.91 percent), net of fees. The annual total fund return of 0.35 percent (gross of fees) ranked in the 65th percentile of Wilshire's Total Public Fund's Plan Sponsor Universe, while the 1.06 percent return of the policy benchmark ranked in the 51st percentile. The Universe, comprised of 67 funds, had a one-year median return of 1.12 percent. For the three-year period ending June 30, 2012, the total fund return of 10.58 percent ranked in the 73rd percentile of the Wilshire Public Funds Plan Sponsor Universe. This exceeded the policy benchmark return of 9.51 percent by 107 basis points (1.07 percent), which was ranked in the 91st percentile and the three-year median fund return was 10.88 percent. Over the five-year period ending June 30, 2012, the total fund return of 1.75 percent ranked in the 58th percentile of the Wilshire Public Funds Plan Sponsor Universe and lagged the 2.18 percent policy return by 43 basis points (0.43 percent). The policy return ranked in the 46th percentile of the Public Funds Plan Sponsor Universe, and the five-year median fund return was 2.07 percent.

During fiscal year 2012, 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:

- Asset/Liability Analysis
- Hedge Fund of Funds Review
- Emerging Markets Equity Search
- Cash Manager Search
- U.S. Equity Investment Structure Review
- Fixed Income Investment Structure Review

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
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, four are appointed by the Los Angeles County Board of Supervisors. The County Treasurer-Tax Collector serves as an ex officio member.

The BOI has adopted an Investment Policy Statement, which provides a framework for the management of LACERA's investments. This Statement establishes LACERA's investment policies and 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

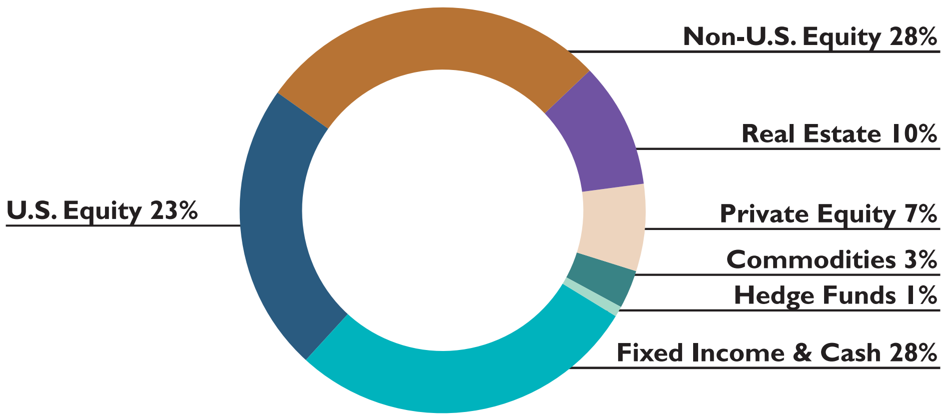
A pension fund's strategic asset allocation policy is generally recognized to have the most impact on a fund's investment performance. The asset allocation policy determines a fund's optimal long-term asset class mix (target allocation). This policy is expected to achieve a specific set of investment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

The BOI reviews the Fund's Asset Allocation Policy (the Policy) every three to five years. The policy in place during the 2012 fiscal year was last reviewed by the BOI in the fiscal year 2008-2009. The following factors were considered in establishing this policy:

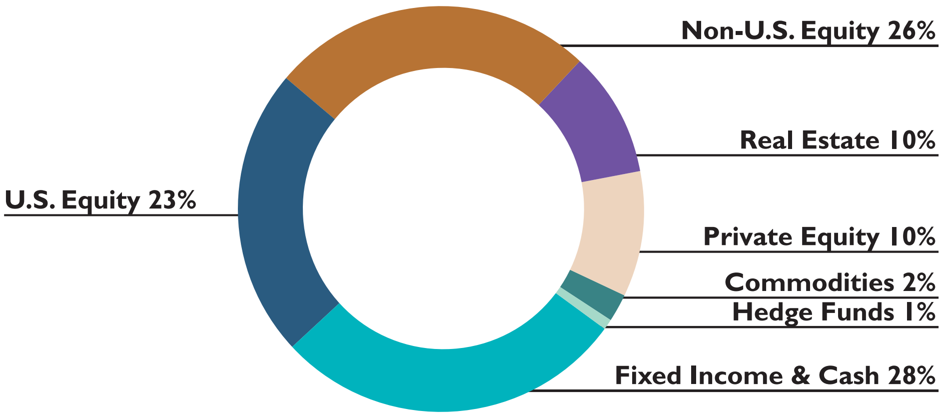
- Projected actuarial assets, liabilities, benefit payments, and contributions
- Expected long-term capital market risk and return targets
- Expected future economic conditions, including inflation and interest rate levels
- LACERA's current and projected funding status

The following graphs display LACERA's target and actual asset allocations as of June 30, 2012.

2012 Target Asset Allocation



2012 Actual Asset Allocation



In August 2012, after the end of the 2012 fiscal year, the BOI adopted a new Asset Allocation Policy, which has different target weights than shown above.

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

Economic and Market Review

The 2012 fiscal year was marked by dramatic swings in investor sentiment as optimistic and pessimistic views of the global economy took hold at various points during the year. This volatile market period followed the two relatively bullish years in all major equities markets, which occurred after the financial crisis in 2008-2009.

David Kushner
Chief Investment Officer

Within the U.S., economic news was modestly favorable. During the fiscal year, GDP growth improved and unemployment rates declined slightly. The Russell 3000 Index, a broad-based measure of the U.S. stock market, returned 3.8 percent for the year ended June 30, 2012, and a very strong 16.7 percent annualized over the past three-year period. Investor enthusiasm was tempered by concern over the downgrade of the U.S. credit rating, future slowdowns in growth, and the political uncertainty caused by lawmakers' failure to address the looming "fiscal cliff" and its triggering of automatic tax increases and spending cuts.

Outside the U.S., news was generally negative, primarily the result of a sovereign debt crisis starting in Greece and spreading to the much larger economy of Spain. The Morgan Stanley Capital International (MSCI) All Country World Investable Market Index excluding the United States, a broad-based world equity benchmark, was down 14.8 percent for the year. Returns overseas were hurt in part by a generally stronger U.S. dollar against most currencies. LACERA's 50 percent passive currency hedge program helped to mitigate these losses.

At times the market rallied, as in late 2011 and early 2012, on the resolution to the Greek debt crisis and the European Central Bank's flood of liquidity via the Long-Term Refinancing Operation. At other times, market sentiment was dominated by concerns over the willingness of stronger European economies to fund increasingly larger bailouts and of the weaker countries to accept stringent austerity measures. The MSCI Europe Index declined 16.5 percent during the fiscal year. The developed markets of the Pacific basin did not decline as much as Europe, mainly due to currencies that did not weaken against the dollar. The MSCI Pacific Index declined 8.3 percent during the year.

These concerns about the strength of developed markets' economies negatively affected the emerging markets in the fiscal year. Additionally, slower growth in China, the so-called "soft landing" and its ripple effects on commodities and developed market economies, was a source of concern. Emerging markets also faced significant weakening of their currencies relative to the U.S. dollar. Emerging markets, as measured by the MSCI Emerging Markets Index, were down 16.0 percent for the year, although three-year performance was still strong at 9.8 percent annualized.

U.S. bond markets fared well during the year, due mainly to significant downward shifts in medium- and longer-term interest rates fueled by the Federal Reserve's second and now third round of economic stimulus via quantitative easing. All major bond market segments performed well; and the broadest benchmark, the Barclays Capital U.S. Universal Index, gained 7.5 percent in the year. The Barclays Long-Term Treasury Bond Index earned an incredible 32.3 percent in the year.

Commodities markets responded to the anticipated slowdown in global growth by giving back much of the gains accrued since the 2008 financial crisis. The Dow Jones-UBS Commodities Index was down 14.3 percent during the fiscal year but was still up 3.5 percent annualized over the past three-year period.

While current U.S. equity markets are near their all-time highs, there remains much to be cautious about. The fiscal imbalances of the U.S. economy are not sustainable, yet no political consensus on how to address the issues has emerged. Whatever the solution, higher interest rates in the future will crimp returns expected from fixed income securities. Even though GDP growth and unemployment rates moved in a positive direction over the year, the near-term outlook is not as rosy. Europe's problems could get much worse if the current consensus starts to unravel. Geopolitical risk, especially in the Middle East, could flare up at any time.

As we look forward to the current fiscal year, a bottoming out of the U.S. housing sector begins to emerge and may provide a real basis for economic growth to return from both the consumer and financial sectors.

Summary of Performance

LACERA's Fund returned 0.3 percent for the fiscal year ended June 30, 2012. LACERA's performance for the year was 80 basis points below the 1.1 percent return of its Policy benchmark. Global equities and real estate lagged behind their respective benchmarks. Outperformance relative to policy benchmarks was evident in a number of asset classes, including fixed income, private equity, cash, and commodities. The year was marked by an increase in volatility and exposure to downside risks after two straight fiscal years of strong absolute performance.

Sharp swings in markets led to weaker performance in U.S. and non-U.S. stock market portfolios, after both portfolios experienced solid performance in the two prior fiscal years. LACERA's U.S. equity portfolio returned 2.8 percent, 100 basis points below its Russell 3000 benchmark, as most active managers underperformed. The non-U.S. equity portfolio ended the year down 13.0 percent, 40 basis points below its customized hedged benchmark. This benchmark 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 7.5 percent for the fiscal year ending June 30, 2012. The portfolio performance slightly exceeded its benchmark, the Barclays U.S. Universal Index, by 10 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 had weak absolute performance, down 13.1 percent, though this exceeded the -14.3 percent return of the Dow Jones-UBS Commodity Index by 120 basis points. Cash, used to fund benefit payments and other obligations, had low absolute performance of 0.7 percent but good relative performance versus the 0.1 percent return of the Citigroup 6-month Treasury Bill Index. LACERA's hedge fund program began during the fiscal year but did not have a full fiscal year of performance. For the eight-month period, hedge funds returned 0.8 percent, with a one-month lag in reported performance. This was 250 basis points below the 3.3 percent absolute return benchmark.

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 continued its second consecutive year of positive performance, ending the fiscal year up 9.6 percent. The absence of yield in the bond markets led investors to increase prices of stable core properties. Their ability to generate income caused this segment to be the best-performing part of the real estate market. Private equity was also strong, up 11.3 percent, as an improving environment for new issues and strength in the technology, consumer, and industrials sectors helped private valuations.

LACERA's custodian, Bank of New York Mellon Trust Company, N.A., calculated the Fund's public market 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 of asset allocation policy, including exploration of alternatives to current asset allocation process, setting of investment assumptions, and selection of policy alternatives
- Implementation of new hedge fund of funds program
- Implementation of non-U.S. active small capitalization equity strategy
- Successful collaboration with Harvard Law School Shareholders Rights Project, which encouraged companies to adopt annual elections of boards of directors
- Revision to non-U.S. equity proxy voting guidelines
- Selection of J.P. Morgan to manage cash portfolio
- Review of commodities program and change to risk structure
- Revision of manager structure for securities lending program
- Review of fixed income emerging manager program
- Comprehensive review of single-family housing program in real estate
- Adoption of revised real estate investment policies and plan to increase international investments, to expand real estate debt program and to include co-investments

- Adoption of private equity investment policies and plan to include specific target allocations to venture capital and special situations investments and the creation of a secondary investment program

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 the Plan's participants by prudently investing the Fund's assets to ensure the Program's long-term success.

Respectfully submitted,

David Kushner

David Kushner, CFA
Chief Investment Officer

Investment Summary - Pension Plan

For the Year Ended June 30, 2012
(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
U.S. Equity and Convertibles	$ 9,017,868	23.3%
Non-U.S. Equity	9,991,125	25.9%
Total Equities and Convertibles	**19,008,993**	**49.2%**
Short-Term Investments	1,133,643	2.9%
Mortgages	144,185	0.4%
Subtotal Short-Term and Mortgages	1,277,828	3.3%
U.S. Government and Agency Instruments	3,491,631	9.0%
U.S. Corporate Fixed Income	5,148,720	13.3%
Non-U.S. Fixed Income	61,191	0.2%
Private Placement Fixed Income	768,608	2.0%
Subtotal U.S. Instruments and Fixed Income	9,470,150	24.5%
Total Fixed Income	**10,747,978**	**27.8%**
Private Equity	3,789,891	9.8%
Real Estate	3,899,087	10.1%
Commodities	929,259	2.4%
Hedge Funds	251,955	0.7%
Total Investments - Pension Plan	**$38,627,163**	**100.0%**

Investment Summary - OPEB Agency Fund

For the Year Ended June 30, 2012
(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Short-Term Investments	$ 15,973	14.0%
U.S. Government and Agency Instruments	69,179	60.4%
U.S. Corporate Fixed Income	29,252	25.6%
Subtotal U.S. Instruments and Fixed Income	98,431	86.0%
Total Investments - OPEB Agency Fund	**$114,404**	**100.0%**

Investment Results Based on Fair Value*

As of June 30, 2012

	Annualized		
	Current Year	Three-year	Five-year
U.S. Equity	2.8%	16.7%	0.2%
Benchmark: Russell 3000 Index	3.8	16.7	0.4
Non-U.S. Equity, 50% Developing Markets Hedge[1]	–13.0	7.3	–4.4
Benchmark: Non-U.S. Equity Custom Hedged Index[2]	–12.6	7.0	–4.4
Fixed Income	7.5	9.9	7.8
Benchmark: Fixed Income Custom Index[3]	7.4	7.6	7.0
Benchmark: Barclays U.S. Universal Index[3]	7.4	7.6	6.8
Real Estate[4]	9.6	0.8	–1.6
Benchmark: NPI minus 25 bps[5]	13.1	5.7	2.6
Private Equity[4]	11.3	19.8	10.2
Benchmark: Private Equity Target Return[6]	9.7	9.7	9.7
Commodities	–13.1	6.8	–1.9
Benchmark: DJ-UBS Commodity Index	–14.3	3.5	–3.7
Hedge Funds[7]	0.8	—	—
Benchmark: Hedge Fund Custom Index	3.3	—	—
Cash	0.7	2.0	1.5
Benchmark: Citigroup 6-Month T-Bill Index	0.1	0.2	1.1
Total Fund (Gross of Fees)	**0.3**	**10.5**	**1.7**
Total Fund (Net of Fees)	**0.1**	**10.3**	**1.5**
Total Fund Policy Benchmark	**1.1**	**9.5**	**2.2**

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

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

[1]Passive 50% developed markets hedge implemented 7/30/10.

[2]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.

[3]From 3/31/09 to the present, the Fixed Income Custom Index is the Barclays U.S. Universal Index. For the period from 9/30/06 through 3/31/09, the benchmark was a combination of 93% Barclays U.S. Aggregate Bond Index and 7% Barclays U.S. High Yield Ba/B index.

[4]One quarter in arrears. Preliminary returns.

[5]From 6/30/09 to the present, the Real Estate Benchmark is the NCREIF Property Index (NPI) minus 25 basis points (bps). For the period in this table prior to 6/30/09, the Benchmark was the rolling five-year return of the Consumer Price Index plus 500 bps.

[6]Rolling ten-year return of the Russell 3000 Index plus 500 bps.

[7]Portfolio and benchmark are one month in arrears. Performance included in Total Fund beginning 10/31/11.

Total Pension Investment Rates of Return

For the Last Ten Fiscal Years Ended June 30

(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]
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	3.3	7.70	80.6
2012*	**$38,627,163**	**0.3%**	—	—	—

[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 rate of return on a valuation (actuarial) basis smoothed over a specified period with a portion of the year's asset gains or losses being recognized each year beginning with the current year. The money-weighted rate of return is presented, net of investment management fees.
In October 2011, the Board of Investments adopted a decrease in the investment return assumption, to be phased in over a three-year period. The investment return assumption in effect for the June 30, 2011, actuarial valuation was 7.70 percent. The assumptions that are scheduled to be in effect for the 2012 and 2013 actuarial valuations are 7.60 percent and 7.50 percent, respectively.

[3]**Actuarial Assumed Rate of Return** is the future investment earnings of the assets which are assumed to accrue at an annual rate, compounded annually, net of both investment and administrative expenses. The Actuarial Assumed Rate of Return is implemented effective on July 1 following the Board of Investments approval of the Actuarial Valuation. For Fiscal Year 2011-2012, interest crediting and operating tables applied the 7.75 percent Actuarial Assumed Rate of Return.

[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 the fiscal year ended June 30, 2012, not available at publication.

Largest Equity Holdings (by Fair Value)

As of June 30, 2012

(Dollars in Thousands)

Shares	Description	Fair Value
81,482	Apple, Inc.	$47,585
417,225	Exxon Mobil Corporation	35,702
2,557,586	DBS Hldgs Sgd1	28,003
2,970,000	Keppel Corp Npv	24,101
772,952	Jardine Strategic Hldgs Ord	23,575
768,062	Microsoft Corporation	23,495
220,092	Chevron Corporation	23,220
117,675	International Business Machine	23,015
222,800	Daito Trust Construction Y50	21,082
354,312	Rio Tinto Limited Npv	20,520

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

Largest Fixed Income Holdings (by Fair Value)

As of June 30, 2012

(Dollars in Thousands)

Par	Description			Fair Value
141,200,000	Commit to Purchase FNMA SF MTG	3.500%	08/01/2042	$148,017
89,290,000	U.S. Treasury Note	1.000%	03/31/2017	90,518
75,900,000	Federal Home LN BK CONS BD	0.150%	02/06/2013	75,851
51,500,000	U.S. Treasury Note	0.625%	04/30/2013	51,667
42,000,000	Commit to Purchase FNMA SF MTG	4.500%	07/01/2027	45,012
41,770,000	U.S. Treasury Note	0.125%	09/30/2013	41,690
35,555,000	U.S. Treasury Note	3.500%	05/15/2020	41,544
38,800,000	U.S. Treasury Note	0.250%	01/31/2014	38,765
33,884,000	U.S. Treasury Bond	3.125%	11/15/2041	36,425
35,100,000	U.S. Treasury Note	0.750%	06/30/2017	35,136

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

Schedule of Investment Management Fees

For the Years Ended June 30, 2012 and 2011

(Dollars in Thousands)

	2012	2011
Equity Managers		
U.S. Equity	**$12,128**	$13,540
Non-U.S. Equity	**17,607**	17,849
Fixed Income Managers	**15,637**	16,279
Cash and Short-Term Managers	**649**	661
Mortgage Loan Servicers	**339**	436
Private Equity Managers	**4,081**	3,773
Real Estate Managers	**16,737**	16,061
Commodity Managers	**2,619**	5,867
Total Investment Management Fees	**$69,797**	**$74,466**

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, LLC
Batterymarch Financial Management, Inc.
BlackRock Institutional Trust Company, N.A.
Capital Guardian Trust Company
GAM International Management, Ltd.
Genesis Investment Management, LLP
Putnam Advisory Company, LLC

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

Hedge Funds
Grosvenor Capital Management, LP

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

Real Estate
Capri Capital Advisors, LLC
CBRE Global Investors
CityView
Cornerstone Real Estate Advisers, LLC
Emmes Asset Management Company, LLC
Europa Capital
European Investors
Hunt Investment Management
Invesco Institutional (N.A.), Inc.
John Burns Real Estate Consulting
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
TriPacific Enterprises Residential Advisors (LOWE)
Urban America

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

Commodities
Credit Suisse Asset Management, LLC
Gresham Investment 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)

PROTECT

A PLANNED INVESTMENT, SAFELY GUARDED, IS SECURITY FOR THE FUTURE.

Actuarial Section

In fulfilling our mission, LACERA proactively implements diverse, long-term investment strategies designed to serve the best interests of our current and future members, and their beneficiaries for decades to come.

- 2002: Mission statement – Produce, Protect, and Provide the Promised Benefits
- 1975: Southern CA Air Quality Management District formed
- 1980: BOS authorizes Department of Health Services as EMS Agency

September 15, 2012

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, 2009	**Funded Ratio:** 88.9%
Valuation Date: June 30, 2010	**Funded Ratio:** 83.3%
Valuation Date: June 30, 2011	**Funded Ratio:** 80.6%

It is our opinion that LACERA continues in sound financial condition as of June 30, 2011. However, it should be noted that the 2011 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 two 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, 2011, the Funded Ratio would be 79.4 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, 2011, 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, 2011, would decrease to 79.4 percent.

The June 30, 2011, 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 with and comparable to data used for other purposes, although we have not audited the data at the source. Since the valuation results

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

Offices in Principal Cities Worldwide

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 reviewed and adopted by the Board of Investments. It does not reflect any potential change in benefit provisions due to recent pension legislation. The demographic assumptions were based on the triennial investigation of experience study report as of June 30, 2010, and adopted at the December 8, 2010, Board of Investments meeting. The economic assumptions were adopted at the October 12, 2011, Board of Investments meeting. 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 believe the actuarial assumptions and methods are internally consistent, reasonable, and 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, 2011, actuarial valuation report.

We certify that the June 30, 2011, valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. We are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Sincerely,

Mark C Olleman

Mark C. Olleman, FSA, EA, MAAA
Consulting Actuary

Nick Collier

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

MCO/NJC/nlo

September 15, 2012

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 Post-Employment Benefit (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 Benefit 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 by signing an agreement to establish an irrevocable trust to pre-fund its OPEB liabilities. The County's Board of Supervisors affirmed their support for pre-funding by establishing the OPEB Trust Fund. 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 written) 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 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.

Offices in Principal Cities Worldwide

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 solely for the internal business use of LACERA. 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). In October 2011, the BOI adopted a decrease in the investment return and other economic assumptions, to be phased in over a period of three years. In 2009, the BOI adopted a new Retirement Benefit Funding Policy (2009 Funding Policy). Under the 2009 Funding Policy, 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 beginning with the June 30, 2009, valuation. For the June 30, 2011, valuation, the BOI approved including the STAR Reserve as part of the 2011 Valuation Assets, which is subject to periodic review; 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 beginning with the June 30, 2009, valuation 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 beginning with the June 30, 2010, valuation. This approach is often referred to as a "layered amortization method." The employer contribution rate is not allowed to be less than the rate if LACERA amortized the total UAAL over a 30-year period. If the Funded Ratio is greater than 100 percent in future valuations, 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 beginning with the June 30, 2009, valuation 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 7.70 percent, compounded annually, net of both investment and administrative expenses. This rate was adopted beginning with the June 30, 2011, valuation.
Projected Salary Increases	Rates of annual salary increases assumed for the purpose of the valuation range from 4.21 percent to 10.19 percent. In addition to increases in salary due to promotions and longevity, the increases include an assumed 3.95 percent per annum rate of increase in the general wage level of membership. These rates were adopted beginning with the June 30, 2011, 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 3.45 percent per year. This rate was adopted beginning with the June 30, 2011, 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 3.45 percent per annum. This rate was adopted beginning with the June 30, 2011, 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 beginning with 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 beginning with 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 Consulting Actuary for the three-year period ended June 30, 2010. The BOI adopted the demographic assumptions as recommended in that report. **2011 Assumption Changes:** At the October 2011 Board of Investments meeting, the Board adopted a decrease in the investment return assumption, to be phased in over a period of three years. The investment return assumption in effect for the 2011 actuarial valuation is 7.70 percent. The assumptions that are scheduled to be in effect for the 2012 and 2013 actuarial valuations are 7.60 percent and 7.50 percent, respectively. For each decrease in the investment return assumption, a corresponding decrease in the price and wage inflation assumptions will be made. **STAR Reserve:** The STAR Reserve of $614 million was included in the 2011 valuation assets and is subject to periodic review in future valuations. There is no corresponding liability for future STAR benefits included in the valuation. **Employer Contributions:** The total required employer contribution rate increased from the 2011 valuation by 1.23 percent. The most significant factor causing this increase was the recognition of prior investment losses, which resulted in a 2.04 percent increase. This was somewhat offset by the investment gain for the fiscal year ended 2011, which caused a 0.65 percent decrease, and all other factors, which resulted in an additional 0.16 percent decrease.

Recent Changes and Their Financial Impact continued

Member Contributions: New member contribution rates were implemented based on the new investment return assumption of 7.70 percent and the new wage growth assumption of 3.95 percent, included for the 2011 actuarial valuation. The average contribution rate for members of contributory plans increased from 7.96 percent to 8.00 percent effective for July 1, 2012.

Recognition of significant deferred investment losses for prior years caused a 5.3 percent decrease in the Funded Ratio, as reflected in the June 30, 2011, actuarial valuation. This was somewhat offset by investment gains for the fiscal year ended 2011, which caused a 1.7 percent increase in the Funded Ratio. In total, the Funded Ratio decreased from 83.3 percent in the June 30, 2010, valuation to 80.6 percent in the June 30, 2011, valuation due to these changes and other smaller experience gains and losses.

See Note N — Other Post-Employment Benefit (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, 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%**
June 30, 2011	General	80,145	$5,295,354,528	$66,072	1.15%
	Safety	12,641	1,239,553,116	98,058	1.36%
	Total	**92,786**	**$6,534,907,644**	**$70,430**	**1.12%**

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

Retirants and Beneficiaries Added to and Removed from Retiree Payroll

	Added to Rolls		Removed from Rolls		Rolls at End of Year			
Fiscal Year	Member Count	Annual Allowance (in 000s)	Member Count	Annual Allowance (in 000s)	Member Count	Annual Allowance[1] (in 000s)	% Increase in Retiree Allowance	Average Annual Allowance
2006	3,007	$104,405	(1,784)	$(33,101)	50,992	$1,768,706[1]	7.49%	$34,686
2007	2,015	79,955	(1,615)	(35,054)	51,392	1,858,225[1]	5.06%	36,158
2008	2,759	167,753[2]	(1,801)	(47,103)	52,350	1,978,875[1]	6.49%	37,801
2009	2,505	157,469[2]	(1,786)	(50,619)	53,069	2,085,725[1]	5.40%	39,302
2010	2,947	188,724[2]	(1,820)	(54,105)	54,196[3]	2,220,344[1]	6.45%	40,969
2011	**3,134**	**$185,204**[2]	**(1,959)**	**$(62,923)**	**55,371**	**$2,342,625**[1]	**5.51%**	**$42,308**

[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, are not 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, 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%
June 30, 2011	**$6,529**	**$27,559**	**$14,511**	**$39,194**	**100%**	**100%**	**35%**

Actuarial Analysis of Financial Experience

(Dollars in Millions)

	Valuation as of June 30					
	2006	**2007**	**2008**	**2009**	**2010**	**2011**
Prior Valuation Unfunded Actuarial Accrued Liability	$4,878	$3,439	$2,461	$2,313	$4,927	**$7,807**
Expected Increase/(Decrease) from Prior Valuation	(31)	(109)	(68)	(78)	333	**565**
Salary Increases Greater/(Less) than Expected	156	673	298	380	(353)	**(579)**
CPI Less than Expected	—	—	—	(4)	(29)	(215)
Change in Assumptions	—	515	—	—	—	—
Asset Return Less/(Greater) than Expected	(1,642)	(2,187)	(429)	2,465	2,879	1,761
All Other Experience	28	130	36	(149)	50	66
Recognition of Liabilities Due to Court Cases	50	—	15	—	—	—
Ending Unfunded Actuarial Accrued Liability/(Surplus)	**$3,439**	**$2,461**	**$2,313**	**$4,927**	**$7,807**	**$9,405**

Plans A, B, and C, General Members

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Other Terminations
Male						
20	0.0000	0.0002	0.0001	N/A	0.0003	0.0050
30	0.0000	0.0002	0.0001	N/A	0.0006	0.0050
40	0.0300	0.0006	0.0002	N/A	0.0010	0.0050
50	0.0300	0.0016	0.0004	N/A	0.0017	0.0050
60	0.2200	0.0040	0.0010	N/A	0.0049	0.0050
70	0.2400	0.0047	0.0025	N/A	0.0091	0.0050
75	1.0000	0.0047	0.0000	N/A	0.0164	0.0050
Female						
20	0.0000	0.0002	0.0001	N/A	0.0001	0.0050
30	0.0000	0.0002	0.0001	N/A	0.0002	0.0050
40	0.0300	0.0005	0.0002	N/A	0.0005	0.0050
50	0.0300	0.0013	0.0004	N/A	0.0011	0.0050
60	0.2200	0.0027	0.0010	N/A	0.0033	0.0050
70	0.2400	0.0058	0.0025	N/A	0.0066	0.0050
75	1.0000	0.0000	0.0000	N/A	0.0089	0.0050

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	—	—

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	—	—

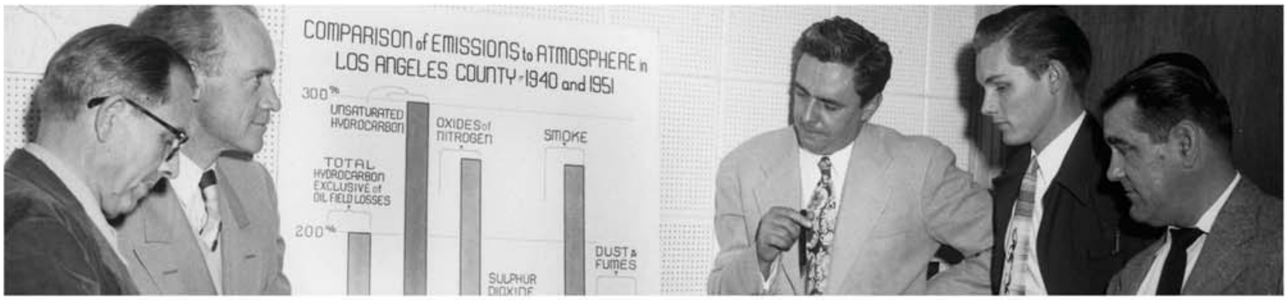
Plans A and B, Safety Members

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	—	—

SERVE

GOOD CUSTOMER SERVICE IS TIME WELL SPENT.

Statistical Section



We take the time to provide thorough and attentive customer service through one-on-one retirement counseling, conversations in which Retirement Benefits Specialists address members' inquiries at our on-site call centers, and pre-retirement workshops provided at LACERA and job sites throughout the County.

- 1991: Outreach and Call Center created
- 1951: L.A. Metropolitan Transit Authority formed
- 2012: L.A. County Public Library centennial celebration

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 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. The *Retired Members by Type of Pension Benefit* and the *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. The *Participating Pension Employers and Active Members for the Last Ten Fiscal Years* presents the employers and their corresponding covered employees. The *Participating OPEB Employers and Retired Members for the Last Ten Fiscal Years* presents the covered members by medical or dental/vision benefit. Only six years' worth of data is currently available. The *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 Cost* schedule trends the Program's cost for the last ten years through June 30, 2012.

Changes in Plan Net Assets

Last Ten Fiscal Years

(Dollars in Thousands)

	2003	2004	2005	2006*	2007*
Additions					
Employer Contributions	$ 325,524	$ 395,109	$ 527,810	$ 676,667	$ 751,928
Member Contributions	233,192	262,699	286,096	296,176	347,701
Net Investment Income/(Loss)	924,991	4,118,500	3,396,193	4,092,410	6,487,184
Miscellaneous	151,215	2,605	3,222	1,582	1,803
Total Additions/(Declines)	**1,634,922**	**4,778,913**	**4,213,321**	**5,066,835**	**7,588,616**
Deductions					
Total Benefit Expenses (see Pension Benefit Expenses by Type)	1,339,202	1,447,511	1,562,363	1,798,463	1,792,654
Administrative Expense	41,523	38,684	43,182	42,469	43,880
Retiree Healthcare Program	53,407	59,054	62,318	—	—
Miscellaneous	224	287	536	75	197
Total Deductions	**1,434,356**	**1,545,536**	**1,668,399**	**1,841,007**	**1,836,731**
Transfer to OPEB Agency Fund	—	—	—	66,344	29,368
Change in Plan Net Assets	**$ 200,566**	**$3,233,377**	**$2,544,922**	**$3,159,484**	**$5,722,517**

	2008	2009	2010	2011	2012
Additions					
Employer Contributions	$ 788,029	$ 831,671	$ 843,704	$ 944,174	**$ 1,078,929**
Member Contributions	414,752	415,545	429,612	463,743	**506,758**
Net Investment Income/(Loss)	(1,426,117)	(7,407,790)	3,840,401	6,930,358	**(291,009)**
Miscellaneous	1,767	1,221	868	591	**1,004**
Total Additions/(Declines)	**(221,569)**	**(6,159,353)**	**5,114,585**	**8,338,866**	**1,295,682**
Deductions					
Total Benefit Expenses (see Pension Benefit Expenses by Type)	1,913,272	2,016,364	2,130,738	2,269,791	**2,390,598**
Administrative Expense	48,223	49,730	48,892	50,605	**50,218**
Retiree Healthcare Program	—	—	—	—	—
Miscellaneous	371	243	48	347	**121**
Total Deductions	**1,961,866**	**2,066,337**	**2,179,678**	**2,320,743**	**2,440,937**
Transfer to OPEB Agency Fund	—	—	—	—	—
Change in Plan Net Assets	**$(2,183,435)**	**$(8,225,690)**	**$2,934,907**	**$6,018,123**	**$(1,145,255)**

*Reclassified to reflect GASB Statement No. 43 implementation.

Pension Benefit Expenses by Type

Last Ten Fiscal Years

(Dollars in Thousands)

	2003	2004	2005	2006	2007
Service Retiree Payroll					
General	$ 802,308	$ 867,715	$ 942,997	$1,072,193	$1,087,908
Safety	161,269	178,829	192,093	234,565	228,779
Total	**963,577**	**1,046,544**	**1,135,090**	**1,306,758**	**1,316,687**
Disability Retiree Payroll					
General	115,090	117,964	123,297	135,397	133,361
Safety	242,108	262,436	283,700	335,226	322,979
Total	**357,198**	**380,400**	**406,997**	**470,623**	**456,340**
Total Retiree Payroll					
General	917,398	985,679	1,066,294	1,207,590	1,221,269
Safety	403,377	441,265	475,793	569,791	551,758
Total	**1,320,775**	**1,426,944**	**1,542,087**	**1,777,381**	**1,773,027**
Refunds*					
General	—	—	—	16,889	15,682
Safety	—	—	—	2,842	2,356
Total	**16,756**	**18,088**	**18,630**	**19,731**	**18,038**
Lump-Sum Death Benefits	**1,671**	**2,479**	**1,646**	**1,351**	**1,589**
Total Benefit Expenses	**$1,339,202**	**$1,447,511**	**$1,562,363**	**$1,798,463**	**$1,792,654**

	2008	2009	2010	2011	2012
Service Retiree Payroll					
General	$1,162,474	$1,221,671	$1,295,574	$1,383,478	**$1,465,218**
Safety	242,948	269,893	291,796	315,745	**340,177**
Total	**1,405,422**	**1,491,564**	**1,587,370**	**1,699,223**	**1,805,395**
Disability Retiree Payroll					
General	139,390	141,821	144,861	150,585	**152,698**
Safety	341,158	361,235	377,429	395,197	**413,300**
Total	**480,548**	**503,056**	**522,290**	**545,782**	**565,998**
Total Retiree Payroll					
General	1,301,864	1,363,492	1,440,435	1,534,063	**1,617,916**
Safety	584,106	631,128	669,225	710,942	**753,477**
Total	**1,885,970**	**1,994,620**	**2,109,660**	**2,245,005**	**2,371,393**
Refunds*					
General	20,894	16,743	13,041	17,498	**14,523**
Safety	4,694	3,613	5,863	5,220	**3,098**
Total	**25,588**	**20,356**	**18,904**	**22,718**	**17,621**
Lump-Sum Death Benefits	**1,714**	**1,388**	**2,174**	**2,068**	**1,584**
Total Benefit Expenses	**$1,913,272**	**$2,016,364**	**$2,130,738**	**$2,269,791**	**$2,390,598**

*Detail of Refunds available beginning in fiscal year ended June 30, 2006.

Active and Deferred Member Accounts

Last Ten Fiscal Years

	2003	2004	2005	2006	2007
Active Vested					
General	48,513	50,235	52,113	53,280	53,918
Safety	9,221	9,295	9,269	9,860	10,061
Subtotal	57,734	59,530	61,382	63,140	63,979
Active Non-Vested					
General	27,482	24,591	23,054	23,887	25,911
Safety	2,544	2,114	1,948	1,604	2,206
Subtotal	30,026	26,705	25,002	25,491	28,117
Total Active Members					
General	75,995	74,826	75,167	77,167	79,829
Safety	11,765	11,409	11,217	11,464	12,267
Total	**87,760**	**86,235**	**86,384**	**88,631**	**92,096**
Deferred Members					
General	6,129	6,260	6,591	7,021	7,441
Safety	265	299	389	438	470
Total	**6,394**	**6,559**	**6,980**	**7,459**	**7,911**

	2008	2009	2010	2011	2012
Active Vested					
General	53,884	54,729	56,162	59,055	**61,433**
Safety	9,876	9,761	9,916	10,054	**10,663**
Subtotal	63,760	64,490	66,078	69,109	**72,096**
Active Non-Vested					
General	27,780	28,149	25,251	21,090	**18,034**
Safety	2,952	3,149	3,081	2,587	**1,822**
Subtotal	30,732	31,298	28,332	23,677	**19,856**
Total Active Members					
General	81,664	82,878	81,413	80,145	**79,467**
Safety	12,828	12,910	12,997	12,641	**12,485**
Total	**94,492**	**95,788**	**94,410**	**92,786**	**91,952**
Deferred Members					
General	11,149	7,589	7,478	7,423	**7,379**
Safety	685	462	460	465	**480**
Total	**11,834**	**8,051**	**7,938**	**7,888**	**7,859**

Retired Members by Type of Pension Benefit

As of June 30, 2012

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement* 1	2	3
$ 1 — $1,000	16,586	10,234	1,772	4,580
$1,001 — $2,000	13,759	9,483	2,192	2,084
$2,001 — $3,000	8,629	6,238	1,688	703
$3,001 — $4,000	5,524	4,198	989	337
$4,001 — $5,000	3,754	2,998	578	178
$5,001 — $6,000	2,688	2,102	496	90
$6,001 — $7,000	1,884	1,450	391	43
Greater than $7,000	3,928	3,035	825	68
	56,752	**39,738**	**8,931**	**8,083**

Amount of Monthly Benefit	Retirement Option Selected** Unmodified	Unmodified+Plus	Option 1	Option 2	Option 3	Option 4
$ 1 — $1,000	15,379	394	214	459	75	65
$1,001 — $2,000	12,650	495	173	296	75	70
$2,001 — $3,000	7,901	392	94	158	38	46
$3,001 — $4,000	5,014	303	58	79	27	43
$4,001 — $5,000	3,338	268	47	48	19	34
$5,001 — $6,000	2,365	233	25	29	5	31
$6,001 — $7,000	1,581	229	11	23	5	35
Greater than $7,000	3,046	740	22	24	15	81
	51,274	**3,054**	**644**	**1,116**	**259**	**405**

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

**Retirement Option Selected:
Unmodified - For Plans A-D, beneficiary receives 65 percent of the member's allowance (60 percent if the member retired before June 4, 2002); for Plan E, beneficiary receives 55 percent of member's allowance (50 percent 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 percent of member's reduced monthly benefit.
Option 3 - Beneficiary receives 50 percent 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, 2012

	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	4	1,267	19	631	—	1,921
Blue Cross II	5	2,049	88	2,485	—	4,627
Blue Cross III	5,469	3,201	1,245	—	—	9,915
Blue Cross Prudent Buyer Plan	2	994	729	—	—	1,725
CIGNA Healthcare for Seniors	21	11	7	—	—	39
CIGNA Network Model Plan	3	—	577	331	54	965
Kaiser - California	—	3,259	261	2,888	101	6,509
Kaiser - Senior Advantage	11,189	1,624	185	—	—	12,998
Kaiser - Colorado	22	20	3	1	2	48
Kaiser - Georgia	40	36	17	12	—	105
Kaiser - Hawaii	26	23	15	—	—	64
Kaiser - Oregon-Washington	69	52	12	6	1	140
Firefighters Local 1014	—	404	—	1,125	—	1,529
PacifiCare	—	420	—	433	—	853
Scan/Smart Care Health Plan	268	99	—	—	—	367
Secure Horizons - PacifiCare	1,063	574	304	—	—	1,941
Total Medical by Plan Type	**18,181**	**14,033**	**3,462**	**7,912**	**158**	**43,746**
Medical Plans by Retirement Type						
Service Retirees	13,526	10,004	2,430	5,690	119	31,769
Disability Retirees	1,668	2,136	813	2,107	35	6,759
Survivors	2,987	1,893	219	115	4	5,218
Total by Retirement Type	**18,181**	**14,033**	**3,462**	**7,912**	**158**	**43,746**

	Dental/Vision Benefit/Premium Amount $1 - $500
Dental/Vision Plans by Plan Type	
CIGNA (Provident) Indemnity Dental/Vision	39,454
CIGNA HMO Dental/Vision	4,890
Total Dental/Vision by Plan Type	**44,344**
Dental/Vision Plans by Retirement Type	
Service Retirees	32,038
Disability Retirees	7,026
Survivors	5,280
Total by Retirement Type	**44,344**

Schedule of Average Pension Benefit Payments

Last Ten Fiscal Years

Retirement Effective Dates	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
	Years of Service Credit					
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
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

Last Ten Fiscal Years

Retirement Effective Dates	Years of Service Credit 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
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
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

Schedule of Average Pension Benefit Payments continued

Last Ten Fiscal Years

Retirement Effective Dates	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
	Years of Service Credit					
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
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

Last Ten Fiscal Years

Retirement Effective Dates	Years of Service Credit 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
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
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

Last Ten Fiscal Years

Retirement Effective Dates	Years of Service Credit 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
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
7/1/11 to 6/30/12						
Retirants						
General Members						
Average Monthly Benefit	$1,793	$1,362	$2,082	$2,567	$ 3,525	$ 4,956
Average Final Compensation	$5,624	$5,141	$5,683	$5,686	$ 6,711	$ 6,830
Number of Active Retirants	141	291	234	278	297	918
Safety Members						
Average Monthly Benefit	$2,203	$4,924	$6,474	$4,417	$ 7,372	$ 9,750
Average Final Compensation	$6,307	$8,948	$9,929	$9,108	$10,380	$11,587
Number of Active Retirants	8	29	13	33	103	183
Survivors						
General Members						
Average Monthly Benefit	$1,055	$ 691	$ 965	$1,770	$ 1,643	$ 2,736
Average Final Compensation	$4,661	$3,821	$3,766	$5,244	$ 4,301	$ 5,662
Number of Active Survivors	21	46	26	43	57	94
Safety Members						
Average Monthly Benefit	$2,786	$2,352	$2,789	$3,271	$ 3,221	$ 5,580
Average Final Compensation	$5,771	$6,466	$7,785	$7,019	$ 6,127	$ 7,824
Number of Active Survivors	5	5	5	7	8	23

Participating Pension Employers and Active Members

Last Ten Fiscal Years

	2003	2004	2005	2006	2007
County of Los Angeles					
General Members	75,980	74,811	75,154	77,153	79,816
Safety Members	11,765	11,409	11,217	11,464	12,267
Total	**87,745**	**86,220**	**86,371**	**88,617**	**92,083**
Participating Agencies (General Membership)					
South Coast Air Quality Mgmt. District	2	2	2	2	2
Los Angeles County Office of Education	4	3	3	3	3
Little Lake Cemetery District	2	2	—	1	1
Local Agency Formation Commission	7	8	8	8	7
Total	**15**	**15**	**13**	**14**	**13**
Total Active Membership					
General Members	75,995	74,826	75,167	77,167	79,829
Safety Members	11,765	11,409	11,217	11,464	12,267
Total	**87,760**	**86,235**	**86,384**	**88,631**	**92,096**

	2008	2009	2010	2011	2012
County of Los Angeles					
General Members	81,650	82,865	81,400	80,133	**79,459**
Safety Members	12,828	12,910	12,997	12,641	**12,485**
Total	**94,478**	**95,775**	**94,397**	**92,774**	**91,944**
Participating Agencies (General Membership)					
South Coast Air Quality Mgmt. District	2	2	2	1	**1**
Los Angeles County Office of Education	3	3	3	3	**—**
Little Lake Cemetery District	1	1	1	1	**1**
Local Agency Formation Commission	8	7	7	7	**6**
Total	**14**	**13**	**13**	**12**	**8**
Total Active Membership					
General Members	81,664	82,878	81,413	80,145	**79,467**
Safety Members	12,828	12,910	12,997	12,641	**12,485**
Total	**94,492**	**95,788**	**94,410**	**92,786**	**91,952**

Participating OPEB Employers and Retired Members

Last Ten Fiscal Years[1]

	2007	2008	2009	2010[2]	2011	2012
Los Angeles County and Participating Agencies						
Medical	40,807	40,444	40,868	41,676	42,627	**43,746**
Dental/Vision	40,172	40,628	41,175	42,045	43,114	**44,344**

[1]This schedule was implemented effective with GASB Statement No. 43 reporting in fiscal year ended June 30, 2007, and contains only six years of data.

[2] The OPEB counts in this schedule are different from the counts in Note N - Other Post-Employment Benefit (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

Effective Date			General Members					Safety Members	
			Plan A	Plan B	Plan C	Plan D	Plan E	Plan A	Plan B
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%
10/1/2011	**to**	**9/30/2012**	**21.59%**	**15.00%**	**14.51%**	**14.80%**	**15.30%**	**30.38%**	**24.10%**

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

Last Ten Fiscal Years

Effective Date			General Members		
			Plan A	Plan D	Plan E
7/1/2002	to	6/30/2003	14.85%	7.94%	7.64%
7/1/2003	to	6/30/2004	15.31%	8.31%	7.70%
7/1/2004	to	6/30/2005	20.02%	12.72%	12.38%
7/1/2005	to	6/30/2006	21.42%	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%
10/1/2011	**to**	**9/30/2012**	**21.59%**	**14.80%**	**15.30%**

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)

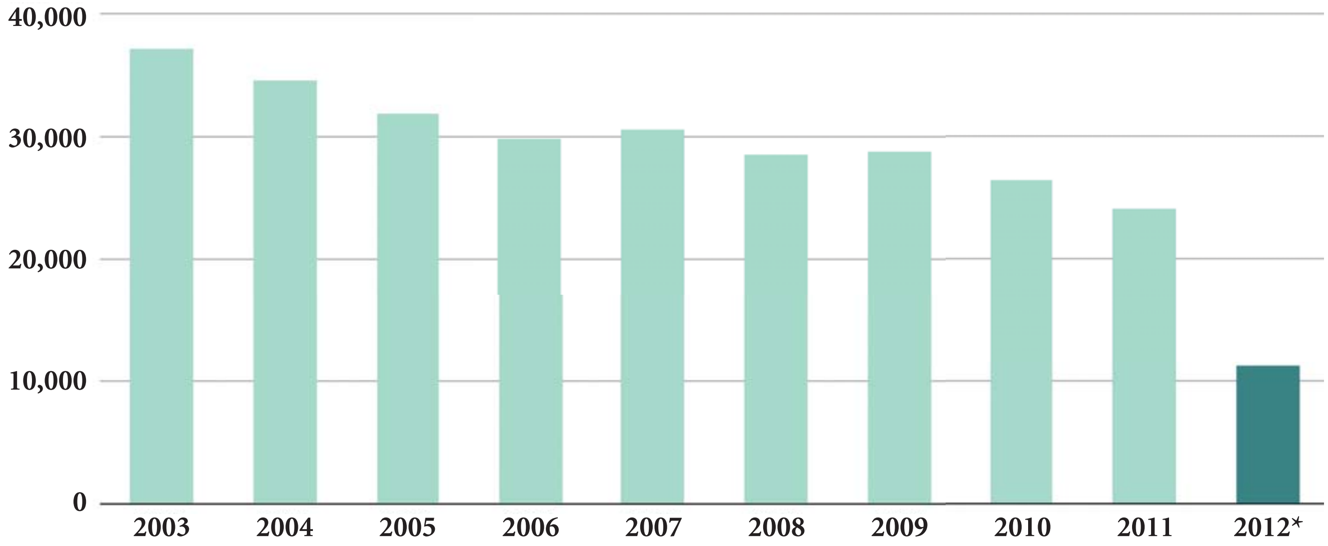
Last Ten Fiscal Years

Effective Date			General Members Plan A	Plan B	Plan C
7/1/2002	to	6/30/2003	15.69%	11.06%	10.75%
7/1/2003	to	6/30/2004[1]	—	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[2]	22.38%	16.67%	—
7/1/2009	to	6/30/2010	22.02%	16.51%	—
10/1/2010	to	6/30/2011	24.14%	18.64%	—
10/1/2011	**to**	**6/30/2012**	**—**	**20.90%**	**—**

[1]There were no active members in Plan A from July 2003 to October 2007.
[2]Member changed from Plan C to Plan A, effective November 2007, leaving no active members in Plan C.
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 2012
(Dollars in Thousands)

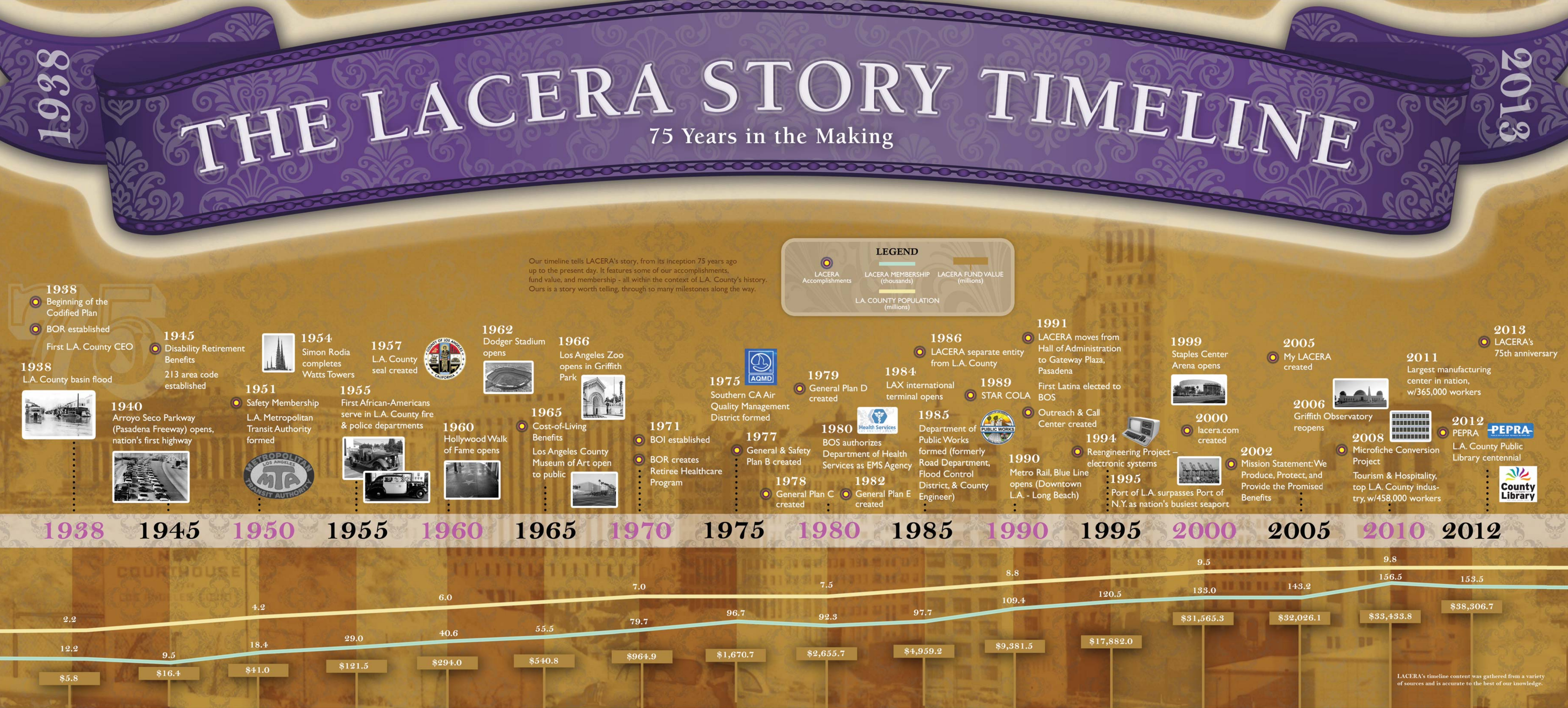


The STAR COLA Program is administered on a calendar-year basis. The above represents the STAR COLA Program cost for the last ten years through June 30, 2012.

*Represents Program year through June 30, 2012.

Photos courtesy of: The County of Los Angeles Department of Public Works, Survey and Mapping and Property Management Divisions; Los Angeles County Board of Supervisors Archive Office; and the County of Los Angeles Fire Museum.

The 2012 Annual Report was designed by LACERA's Communications Division.



1938
THE LACERA STORY TIMELINE
2013
75 Years in the Making
Our timeline tells LACERA's story, from its inception 75 years ago up to the present day. It features some of our accomplishments, fund value, and membership - all within the context of L.A. County's history. Ours is a story worth telling, through so many milestones along the way.
LEGEND
LACERA Accomplishments
LACERA MEMBERSHIP (thousands)
LACERA FUND VALUE (millions)
L.A. COUNTY POPULATION (millions)
1938 Beginning of the Codified Plan
BOR established
First L.A. County CEO
1938 L.A. County basin flood
1940 Arroyo Seco Parkway (Pasadena Freeway) opens, nation's first highway
1945 Disability Retirement Benefits
213 area code established
1951 Safety Membership
L.A. Metropolitan Transit Authority formed
METROPOLITAN LOS ANGELES MTA TRANSIT AUTHORITY
1954 Simon Rodia completes Watts Towers
1955 First African-Americans serve in L.A. County fire & police departments
1957 L.A. County seal created
1962 Dodger Stadium opens
1960 Hollywood Walk of Fame opens
1966 Los Angeles Zoo opens in Griffith Park
1965 Cost-of-Living Benefits
Los Angeles County Museum of Art open to public
1971 BOI established
BOR creates Retiree Healthcare Program
1975 Southern CA Air Quality Management District formed
AQMD
1977 General & Safety Plan B created
1978 General Plan C created
1979 General Plan D created
1980 BOS authorizes Department of Health Services as EMS Agency
Health Services
1982 General Plan E created
1984 LAX international terminal opens
1985 Department of Public Works formed (formerly Road Department, Flood Control District, & County Engineer)
PUBLIC WORKS
1986 LACERA separate entity from L.A. County
1989 STAR COLA
1990 Metro Rail, Blue Line opens (Downtown L.A. - Long Beach)
1991 LACERA moves from Hall of Administration to Gateway Plaza, Pasadena
First Latina elected to BOS
Outreach & Call Center created
1994 Reengineering Project – electronic systems
1995 Port of L.A. surpasses Port of N.Y. as nation's busiest seaport
1999 Staples Center Arena opens
2000 lacera.com created
2002 Mission Statement: We Produce, Protect, and Provide the Promised Benefits
2005 My LACERA created
2006 Griffith Observatory reopens
2008 Microfiche Conversion Project
Tourism & Hospitality, top L.A. County industry, w/458,000 workers
2011 Largest manufacturing center in nation, w/365,000 workers
2012 PEPRA
PEPRA
L.A. County Public Library centennial
County Library
2013 LACERA's 75th anniversary
1938 1945 1950 1955 1960 1965 1970 1975 1980 1985 1990 1995 2000 2005 2010 2012
2.2 4.2 6.0 7.0 7.5 8.8 9.5 9.8
12.2 9.5 18.4 29.0 40.6 55.5 79.7 96.7 92.3 97.7 109.4 120.5 133.0 143.2 156.5 153.5
$5.8 $16.4 $41.0 $121.5 $294.0 $540.8 $964.9 $1,670.7 $2,655.7 $4,959.2 $9,381.5 $17,882.0 $31,565.3 $32,026.1 $33,433.8 $38,306.7
COURTHOUSE
LACERA's timeline content was gathered from a variety of sources and is accurate to the best of our knowledge.

75

YEARS

1938-2013

Seventy-five years of planning, building, protecting, and serving ensures that LACERA members have the secure retirements they deserve. Their retirements are milestones in the stories of their lives and milestones in the LACERA story.

75

LACERA

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