



A Pension Trust Fund of the County of Los Angeles, California
Popular Annual Financial Report
 for the year ended June 30, 2011

The Fund Remains Strong; Your Promised Benefits Remain Secure

This fiscal year, amid continued market volatility, the total retirement fund (Fund) returned 20.4 percent (gross of fees). As of June 30, 2011, the fiscal year-end, Fund assets totaled \$39.5 billion. This represents an increase of \$6.1 billion or 18 percent over the prior fiscal year. **Current as well as future LACERA retirees can enjoy the peace of mind that comes with knowing their promised benefits are secure.**

New Member-Friendly Design

Our members requested a financial report that's uncomplicated and inviting to read. That's why this PAFR presents our fiscal year 2010-2011 financial and operational information in a member-friendly, newsletter-style format. Read on for details of Fund stability and fiscal year service highlights.

This Popular Annual Financial report (PAFR) summarizes the Comprehensive Annual Financial Report (CAFR) for the

fiscal year ended June 30, 2011; it does not replace the CAFR. Financial data presented herein is derived from the CAFR and is consistent with generally accepted accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board. The CAFR will be available on lacera.com in January.

Financial Highlight

Total Assets \$39.5 billion*

Net Assets Held in Trust for Pension Benefits, as reported in the Statement of Plan Net Assets.

*As of June 30, 2011



2011

The LACERA PENSION DOLLAR

10¢ Employee Contributions

75¢ LACERA Investment Earnings

15¢ Employer (County) Contributions

LACERA Pensions are Funded Through Three Sources

Investment Income Funds 75 Percent of Each Pension Dollar

As public pensions come under increasing public criticism, it's important to know that over the past 15 years, 75 cents of each LACERA pension dollar has been funded by returns on investments. Employee contributions have funded 10 cents of each dollar, while employer (County) contributions have funded the remaining 15 cents.

Investments

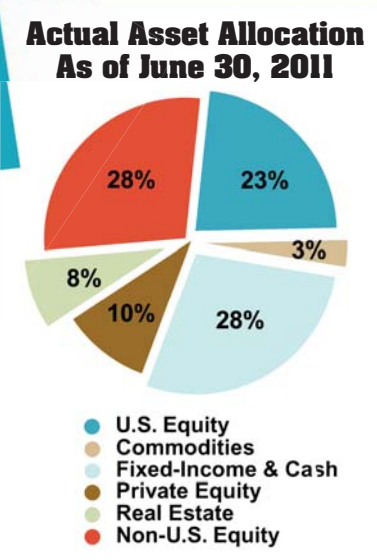
LACERA's investment program objective is to provide LACERA participants with retirement benefits, as required by the County Employees Retirement Law of 1937.

The LACERA Board of Investments (Board) has exclusive control of all retirement system investments. There are a total of nine Board members: four are elected by the active and retired members, and four are appointed by the Los Angeles County Board of Supervisors. The County Treasurer and Tax Collector serves as an ex-officio member.

The LACERA Board 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 Board, investment staff, investment managers, master custodian, and consultants.

A pension fund's strategic asset allocation policy is generally recognized to have the most impact on a fund's investment performance. The Board implements the asset allocation plan by hiring investment managers to invest assets on LACERA's behalf, subject to investment guidelines incorporated into each manager's investment management contract.



Additions and Deductions to Plan Net Assets

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

The primary uses of LACERA's assets include the payment of benefits to members and their beneficiaries, the refund of contributions to terminated employees, and the cost of administering the Plan. These deductions for fiscal year 2011 totaled \$2.3 billion.

The LACERA Boards of Retirement and Investments jointly approve the annual budget, which controls administrative expenses and represents approximately 0.13 percent of total Plan Net Assets.

As of June 30, 2011, Net Assets Held in Trust for Pension Benefits totaled \$39.5 billion and represented the assets available for future payments to retirees and their beneficiaries. This amount represents an increase of \$6.1 billion, or 18.0 percent from the prior year.

Total fund return 20.4%*

*Gross of fees

This fiscal year witnessed continued slow economic growth as unemployment remains high, job creation indicators remain flat, construction and housing markets continue to struggle, and the Federal Reserve's monetary policy remains relaxed. The total fund returned 20.4 percent (gross of fees) for this fiscal year. LACERA's five-year and seven-year annualized returns are 5.3 percent and 7.2 percent, respectively, gross of fees.

Growth of Investments Ten Years Ended June 30 (Dollars in Billions)

Fiscal Year	Fair Value
2002	\$26.7
2003	27.1
2004	29.9
2005	32.0
2006	35.2
2007	41.3
2008	39.5
2009	30.9
2010	33.8
2011	39.8

LACERA Benefits Bring Added Value to the Community

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

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

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

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

We're Dedicated to Assisting Members: Customer Service Highlights

Basically, our mission is to invest the Fund and administer retirement benefits promised to our members under the law. Providing those benefits to 156,000+ members requires the dedication and expertise of a diversified team of LACERA specialists. The graphic below depicts the substantial volume of paperwork and member transactions we processed and performed during the fiscal year ended June 30, 2011. These transactions reflect a broad variety of services covering all member segments from new hires to those in mid-career, those preparing to retire, and existing retirees.

LACERA Customer Service Fiscal Year Ended June 30, 2011

Member Services

500 Workshops & Benefit Fairs

Member Services

25,000 1-to-1 Retirement Counseling Sessions

Member Services

117,000 Call Center Phone Calls

Administrative Services

305,000 Pieces of Mail Processed

Administrative Services

600,000 Pages of Member Documents Scanned & Indexed

Communications

575,000 Visits to lacera.com

Communications

633,000 Downloads from lacera.com

Systems

69,000 Visits to My LACERA

Retiree Healthcare

47,000 Retiree Healthcare Call Center Phone Calls

Retiree Healthcare

13,500 Retiree Medical & Dental/Vision Forms Processed

Claims Processing

56,650 Monthly Retirement Allowances Paid

Claims Processing

3,033 New Retirees

Claims Processing

42,705 Active Member Transactions

LACERA Membership

For the Last Five Fiscal Years Ended June 30

	2011	2010	2009	2008	2007
Service Retirement	38,449	37,398	36,437	35,868	34,965
Disability Retirement	8,947	8,990	8,996	9,018	9,045
Survivors	7,975	7,783	7,636	7,464	7,382
Total Retired Members	55,371	54,171	53,069	52,350	51,392
Active Members	92,786	94,410	95,788	94,492	92,096
Terminated Vested / Deferred	7,888	7,938	8,051	11,834	7,911
Total Membership	156,045	156,519	156,908	158,676	151,399

Marvin Adams

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

Alan Bernstein

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

Shawn R. Kehoe

Alternate Member, Board
of Retirement
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

Herman Santos

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

Mark J. Saladino

Treasurer and Tax
Collector
Ex-officio Member

Sadonya Antebi

Board of Retirement
Appointed by the
Board of Supervisors
Term expires 12-31-13

Yves Chery

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

Edward "Ed" C. Morris

Alternate Member, Board
of Retirement
Elected by Retired Members
Term expires 12-31-11

Simon S. Russin

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

Leonard Unger

Board of Investments
Elected by Retired Members
Term expires 12-31-10*

John M. Barger

Chair, Board of
Investments
Appointed by the
Board of Supervisors
Term expires 12-31-11

William de la Garza

Board of Retirement
Elected by Retired Members
Term expires 12-31-11

William R. Pryor

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

Board of Investments

Elected by Safety Members
Term expires 12-31-13

Diane A. Sandoval

Board of Investments
Elected by Retired Members
Term expires 12-31-11

Michael S. Schneider

Board of Investments
Appointed by the
Board of Supervisors
Term expires 12-31-11

Estevan R. Valenzuela

Board of Investments
Appointed by the
Board of Supervisors
Term expires 12-31-12

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. Its duties also include the review and processing of disability retirement applications.

BOARD OF INVESTMENTS

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

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

Financial Report Issued by:

Gregg Rademacher

Chief Executive Officer

Janice Golden

Assistant Executive Officer

Robert R. Hill

Assistant Executive Officer

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

Funded Status

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 are the actuarial present value of all future benefits expected to be paid for each member. The purpose of the valuation is to determine what future contributions by the members and the County of Los Angeles are needed to pay all expected future benefits. LACERA's independent actuary, Milliman, performed an actuarial valuation as of June 30, 2010. It is Milliman's opinion that LACERA continues in sound financial condition as of the June 30, 2010 actuarial valuation.

Valuation Date

Funded Ratio

June 30, 2006	90.5%
June 30, 2007	93.8%
June 30, 2008	94.5%
June 30, 2009	88.9%
June 30, 2010	83.3%

Award for Outstanding Achievement in Popular Annual Financial Reporting

The Government Finance Officers Association (GFOA) of the United States and Canada has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to LACERA for its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2010. This prestigious international award recognizes conformance with the highest standards for preparation of state and local government popular reports and is valid for one year. LACERA's PAFR has received a GFOA Award for the last 13 consecutive years. To receive this award, a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA for consideration.

All figures presented herein apply to the 2010-2011 fiscal year, which ended June 30, 2011.

LACERA

300 N. Lake Avenue Paasadena, CA 91101

1-800-786-6464 lacera.com