

Los Angeles City Employees' Retirement System

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2009



A Department of the City of Los Angeles, CA



Los Angeles City Employees' Retirement System
(A Department of the City of Los Angeles, CA)

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009



360 E. Second Street, 2nd Floor
Los Angeles, CA 90012-4207
www.LACERS.org

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INTRODUCTORY SECTION

Letter of Transmittal

December 10, 2009

Board of Administration
Los Angeles City Employees' Retirement System
360 E. Second Street, 2nd Floor
Los Angeles, CA 90012-4207



Dear Members of the Board:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the Los Angeles City Employees' Retirement System (LACERS) for the fiscal year ending June 30, 2009.

Since 1937, LACERS has provided the civilian employees of the City of Los Angeles, a defined benefit retirement plan, and later began administering retiree health plans. Today 30,000 Active and 15,000 Retired Members count on LACERS to provide a lifetime of retirement benefits.

We recognize that our mission to establish a trustworthy lifelong relationship with our Members can only happen if we are ever-cognizant of our fiduciary duty to put no other interest above our commitment to our Members. Particularly during this year of economic downturn, we have responded to our Members' needs to feel secure about their retirement readiness by increasing our educational seminar offerings about LACERS benefits and services, and retirement planning. Additionally, in these economic conditions, the focus on the financial burden of the public retirement benefits results in the need for greater transparency to the public, to Members, and all other stakeholders. As such, a major focus of this year has been the development of an invigorated strategic plan committed to enhancing accountability throughout the organization, in every aspect of our business.

In this CAFR, we present a comprehensive view of our financial condition including the System's financial statements, investment performance, and actuarial valuations for the retirement benefits and health benefits.

Accounting System and Reports

This CAFR was prepared in conformance with accounting principles generally accepted in the United States and reporting guidelines set forth by the Government Accounting Standards Board (GASB) in Statement No. 34: *Basic Financial Statements - and Management's Discussion and Analysis** - for State, Local Governments, Statement No. 40: *Deposit and Investment Risk Disclosures*, Statement No. 43: *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Statement No. 44: *Economic Condition Reporting: The Statistical Section*, and Statement No. 50: *Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27*, and the Los Angeles City Charter.

The accompanying financial statements were prepared using the accrual basis of accounting. Contributions from

employer and Members were recognized in the period in which Members provided services. Investment income was recognized as revenue when earned. Expenses were recorded when corresponding liabilities were incurred, regardless of when payment was due.

It is the responsibility of LACERS management to prepare the System’s financial statements, notes, and supplementary disclosures, and to establish and maintain internal control to ensure the System assets are protected. However, there are inherent limitations associated with internal control, such as the risk of circumventions as a result of cost considerations, collusion, or improper management override which may exist in any systems. Management believes that the System’s internal control is adequate and that the accompanying statements, schedules, and tables are fairly presented**. LACERS management assumes full responsibility for the contents of this report.

* The Management’s Discussion and Analysis is located in the Financial Section starting on page 14, which contains financial highlight and an overview of the financial statements and financial analysis in a narrative format. Readers of this CAFR are encouraged to review this supplementary information to gain insight to LACERS financial activities.

** Brown Armstrong, the independent auditor, has audited and expressed an unqualified opinion regarding LACERS basic financial statements.

Additions to Plan Net Assets

The additions to plan net assets consist of contributions, net depreciation in fair value of investments, and investment income net of investment management fees. The total amount of additions for the fiscal year ending June 30, 2009 was a negative \$1,608,010,000, including member and employer contributions of \$502,230,000, net depreciation in fair value of investments of (negative) \$2,362,887,000, and investment income net of investment management fees of \$252,647,000. The net investment loss for the current fiscal year was \$2,110,240,000, an increase by \$1,463,847,000 as compared to the prior fiscal year’s net investment loss of \$646,393,000. The loss reflects the enormous impact on the System’s portfolio of assets by the global financial and economic crisis started nearly two years ago. Details of the components of the additions to plan net assets are included in the Statement of Changes in Plan Net Assets on page 23

of the financial statements in the Financial Section of this CAFR.

Deductions from Plan Net Assets

Deductions for the fiscal year ended June 30, 2009, excluding investment management and security lending fees, were \$621,196,000, which represented an increase of \$30,828,000 over the prior fiscal year. This increase was mainly the result of higher average monthly benefit pay and an increase in the number of retirees. The components of the total deductions include payments of retirement benefits of \$584,473,000 (\$510,634,000 for the Retirement Plan and \$73,839,000 for the Postemployment Healthcare Plan), refunds of contributions and interest to terminated members of \$21,325,000, and administrative expenses of \$15,398,000.

Changes in System Membership

LACERS membership changes for the fiscal year ended June 30, 2009 were as follows:

	2009	2008	In(De)crease	Change
Active				
Members	30,065	30,236	(171)	(0.6)%
Retired				
Members	14,991	14,975	16	0.1%

Major Initiatives

The LACERS Strategic Plan was a major initiative this year. While LACERS has engaged in strategic planning since 2004, this plan incorporates the concepts of performance management which focuses on meeting measurable desired outcomes through data-driven evaluation by management and staff teams. Monthly and quarterly focus on the end goals by management, in collaboration with each initiative team, is the key to this plan’s successful implementation.

Work has begun on a comprehensive review and revision of the Board Governance Policies. Starting with a review of education and travel policies, and the ethics and conflict of interest policies, these policies have the greatest impact on ensuring accountability and transparency of our system.

In the area of Investments, we are improving how we manage our investment risks through the development and implementation of a stronger due diligence program to ensure maximum performance of our investment managers and consultants. Additionally, as we consider hiring new consultants

or managers, we require full disclosure of placement agents or third party marketers used by the firms. This disclosure is a deterrent to the utilization of placement agents by firms, resulting in a reduction in the potential for conflicts-of-interests involving our Board members and staff.

Lastly, a major initiative of this year included reaching a significant milestone in the development of various emergency management plans. In the event of any business interruption such as a major natural disaster or man-made event causing significant disruption to our ability to deliver services to our Members, our Business Continuity Plan prioritizes the mission essential functions and initiates specific plans to get them operating. Included in this plan is the establishment of a “warm site” to host our critical information systems in servers at an alternate location and be able to house up to 25 employees at this location to perform the most critical functions. Through a memorandum of agreement with the San Francisco Employees’ Retirement System, we will work in cooperation with each other in the event that either needs emergency assistance with continuing operations in the event of an emergency.

Funded Ratio

The funded ratio is a snapshot of the relative status of LACERS assets and liabilities. It varies annually, reflecting changes in liabilities, investment returns, demographics, actuarial assumptions and other factors during the reporting year. Based on the June 30, 2009 actuarial valuation, the average funded ratio for both the Retirement Plan and the Postemployment Healthcare Plan, in terms of actuarial value of assets, decreased from 82.2% to 79.4%. Individually, for the Retirement Plan, the funded ratio decreased from 84.4% to 81.6%; and for the Postemployment Healthcare Plan, the funded ratio decreased from 69.7% to and 67.0%. The decrease is attributable to the depressed actuarial value of assets which is determined under the System’s revised asset smoothing policy. In view of the unprecedented global financial and economic crisis, which caused significant loss of the System’s assets in terms of market value, the Board revised the asset smoothing policy to expand the market corridor, within which the smoothed value of assets should fall, from 80% - 120% to 50% - 150% of the market value of assets, and maintained the smoothing period at 5 years. In terms of market value of assets (without asset smoothing), the average funded ratio for both the Retirement Plan and the Postemployment Healthcare Plan was 59.1% (or 60.7% for the

Retirement Plan, and 49.8% for the Postemployment Healthcare Plan, respectively) at the end of the reporting period.

Investment Summary

The System established the investment policies in accordance with Section 1106 of the Charter of the City of Los Angeles for the systematic administration of the LACERS. The policies are designed to maximize the investment return while taking prudent risks. The System’s assets are managed on a total return basis in compliance with the investment policies to produce a total portfolio, long-term, real (above inflation) return of 5.0%. Consequently, prudent risk-taking is warranted within the context of the overall portfolio diversification, while allowing sufficient flexibility in the management oversight process to capture investment opportunities as they occur.

The portfolio consists of investments in U.S. and non-U.S. stocks and bonds, short-term financial instruments, real estate and private equity. In addition to maximizing the investment return, this asset mix also serves to diversify the portfolio in order to minimize portfolio volatility to the extent possible.

The System’s total net assets were valued at \$8.1 billion as of June 30, 2009, a decrease of \$2.2 billion (or 21.5%) as compared with prior fiscal year. The portfolio posted a -19.6% total market rate of return during the current fiscal year as a result of the unprecedented global financial and economic crisis, which is significantly lower than the actuarial assumption rate of 8%.

The annualized investment returns in detail are presented in the Investment Results on page 49 of the Investment Section. The detail of investment income and loss can be found on pages 18 - 19 of the Financial Section. Other investment related information is summarized in the Investment Section of this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LACERS for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently

organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year only. We believe that our report for the current fiscal year continues to meet the requirements of the Certificate of Achievement Program and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

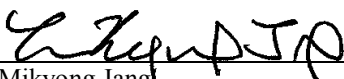
I would like to express my appreciation to the entire Board for effectively working together to set investment policies which will enable the Fund to meet its long-term goals. I would like to thank staff for continually providing quality customer service to the Members and various City departments while conducting related business.

In addition, I would like to acknowledge the Investments, Systems, Communications, and Fiscal Management Section for their efficient and dedicated efforts in preparing this report. I would also like to thank our external auditor, Brown Armstrong, and our consulting actuary, The Segal Company, for their professional assistance in the preparation of this report.

Respectfully Submitted,



Sally Choi
General Manager



Mikyong Jang
Chief Accounting Employee

Board of Administration

As of June 30, 2009



Eric L. Holoman
President
Appointed by the Mayor



Shelley I. Smith
Vice President
Elected by Active Members



Roberta Conroy*
Member
Appointed by the Mayor



Moctesuma Esparza
Member
Appointed by the Mayor



Richard M. Rogers
Member
Elected by Active Members



Ken Spiker
Member
Elected by Retired Members

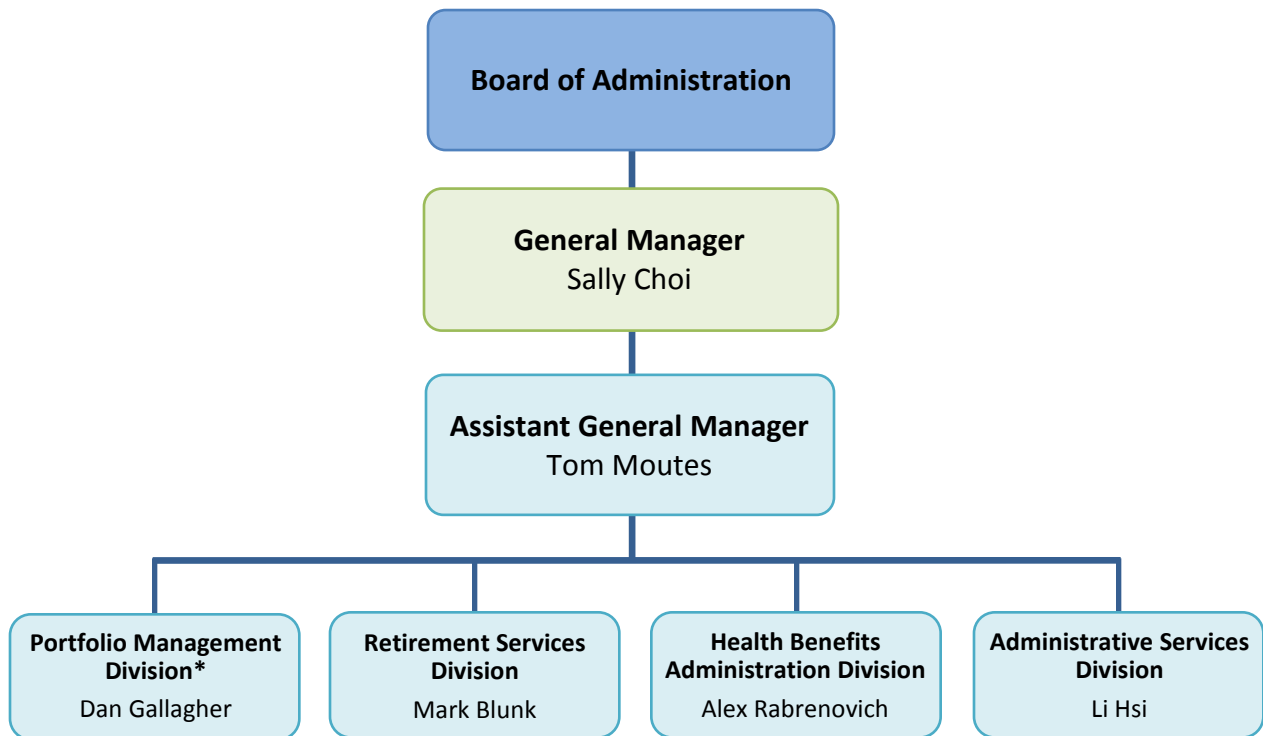


Steven Uranga
Member
Appointed by the Mayor

* Effective on July 15, 2009

Organizational Chart

As of June 30, 2009



* A list of firms managing the investment portfolio can be found in the Investment Section, pages 57 and 58.

Professional Consultants

Actuary

The Segal Company

Health & Welfare Consultant

Watson Wyatt & Company

Independent Auditor

Brown Armstrong

Investment Consultants

Courtland Partners, Ltd.

Hamilton Lane

Pension Consulting Alliance Inc.

Beneficiary Verification

Berwyn Group

Small World Solutions

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles City
Employees' Retirement System
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

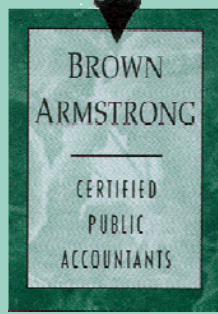
Executive Director

ALSO AWARDED IN 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006 & 2007

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FINANCIAL SECTION

Peter C. Brown, CPA
Burton H. Armstrong, CPA, MST
Andrew J. Paulden, CPA
Steven R. Starbuck, CPA
Chris M. Thornburgh, CPA
Eric H. Xin, CPA, MBA
Richard L. Halle, CPA, MST
Aileen K. Keeter, CPA



■ **Main Office**
4200 Truxtun Ave., Suite 300
Bakersfield, California 93309
Tel 661.324.4971 Fax 661.324.4997
e-mail: info@bacpas.com

■ 560 Central Avenue
Shafter, California 93263
Tel 661.746.2145 Fax 661.746.1218

■ 8365 N. Fresno Street, Suite 440
Fresno, California 93720
Tel 559.476.3592 Fax 559.476.3593

INDEPENDENT AUDITOR'S REPORT

Board of Administration
Los Angeles City Employees' Retirement System
Los Angeles, California

We have audited the accompanying Retirement Plan and Postemployment Healthcare Plan Statement of Plan Net Assets of the Los Angeles City Employees' Retirement System (the System), a department of the City of Los Angeles, California, as of June 30, 2009, and the related Retirement Plan and Postemployment Healthcare Plan Statement of Changes in Plan Net Assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the System's 2008 financial statements and, in our report dated November 25, 2008 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Net Assets of the Retirement Plan and Postemployment Healthcare Plan of the Los Angeles City Employees' Retirement System as of June 30, 2009, and the Changes in its Net Assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) and Required Supplementary Information (RSI) as listed in the Table of Contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A. However, we did not audit the MD&A and express no opinion on it. The RSI has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Schedules as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the System. The Supplemental Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bakersfield, California
November 19, 2009

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Management's Discussion and Analysis

As management of the Los Angeles City Employees' Retirement System (LACERS), we are pleased to provide this overview and analysis of the financial activities of LACERS for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal in the Introductory Section of LACERS Comprehensive Annual Financial Report.

Financial Highlights

- The plan net assets of LACERS as of June 30, 2009 were \$8,142,988,000.
- Due to the unprecedented global financial and economic crisis, the plan net assets of LACERS as of June 30, 2009 decreased significantly by \$2,229,206,000, or 21.5%, during the reporting period.
- The plan assets under the Retirement Plan and Postemployment Healthcare Plan are pooled for investment purposes. Investment loss for the year was \$2,110,240,000, as compared with an investment loss of \$646,393,000 for the previous reporting period.
- Employer contributions made by the City of Los Angeles (the City) to both the Retirement Plan and the Postemployment Healthcare Plan were \$383,638,000. This amount included annual contribution of \$369,677,000, which was 20.17% of the City's estimated covered payroll of \$1,832,796,000, Member contribution defrayal of \$13,760,000, and City's matching contribution for Family Death Benefit Insurance Plan in the amount of \$201,000.
- The employer contributions to the Retirement Plan represented 100% of the Annual Required Contribution as defined by GASB Statements No. 25 and No. 27. The employer contributions to the Postemployment Healthcare Plan represented 100% of the Annual Required Contribution as defined by GASB Statements No. 43 and No. 45.
- Deductions from net assets of LACERS included benefit payments, refunds of Member contributions, and administrative expenses. The total deductions from net assets were \$621,196,000, a 5.2% increase from the prior fiscal year.
- As of June 30, 2009, the date of our last actuarial valuation, the funded ratio for the Retirement Plan was 81.6% and the funded ratio for the Postemployment Healthcare Plan was 67.0%. The total funded ratio for LACERS was 79.4%. The funded ratio compares the actuarial value of assets to the actuarial accrued liabilities of a pension plan. The ratios change every valuation year, reflecting investment performance, demographic changes, actuarial assumption/method changes, benefit structure changes, or a variety of other actuarial gains and losses.

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to LACERS financial statements and the accompanying notes thereto. The required supplementary information and supplemental schedules provide additional financial data of LACERS operations.

Financial Statements

There are two financial statements presented by LACERS. The Statement of Plan Net Assets indicates the net assets, being the difference between the assets and liabilities, available to pay future benefits and gives a snapshot of the account balances at year-end. Over time, increases or decreases in net assets may serve as a useful indicator of whether the net assets of LACERS are improving or deteriorating. The Statement of Changes in Plan Net Assets provides a view of current year additions to and deductions from the plan net assets during the most recent fiscal year. The two statements can be found on pages 22 and 23 of this report.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 24 - 36 of this report.

Required Supplementary Information

In addition to this Management's Discussion and Analysis, the other required supplementary information consists of a Schedule of Funding Progress, a Schedule of Employer Contributions, and the Notes to Required Supplementary Information for both the Retirement Plan and the Postemployment Healthcare Plan. They primarily present the actuarially-determined information in a multiyear format as required by the applicable financial reporting standards. This required supplementary information can be found on pages 38 - 41 of this report.

Supplemental Schedules

The supplemental schedules, including a Schedule of Administrative Expenses and a Schedule of Investment Expenses, are presented to provide additional financial information on LACERS operations for the current year. They can be found on pages 43 and 44 of this report.

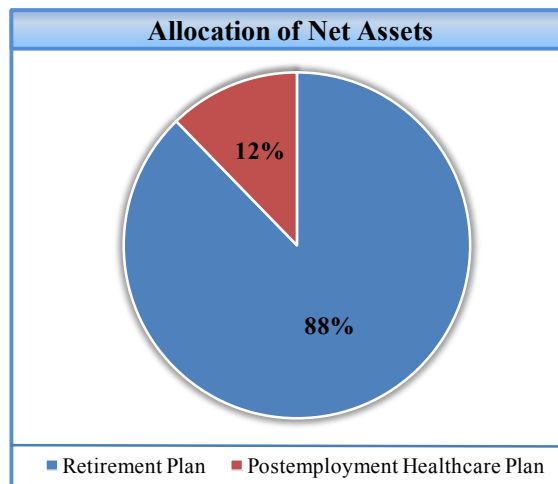
Management's Discussion and Analysis

Financial Analysis

Allocation of Net Assets

The following information provides a brief description of the asset allocation between the Retirement Plan and the Postemployment Healthcare Plan as of June 30, 2009 (dollars in thousands):

	Net Assets	Percent
Retirement Plan	\$ 7,144,582	87.7%
Postemployment Healthcare Plan	998,406	12.3
Net Assets	<u>\$ 8,142,988</u>	<u>100.0%</u>



Net assets may serve over time as a useful indicator of a plan's financial position. In the case of LACERS, net assets were \$8,142,988,000 at the close of the most recent fiscal year. The total plan net assets are allocated between the Retirement Plan and Postemployment Healthcare Plan, as required by the existing reporting standards. Net assets for the Retirement Plan and Postemployment Healthcare Plan are \$7,144,582,000 and \$998,406,000, respectively.

Net Assets

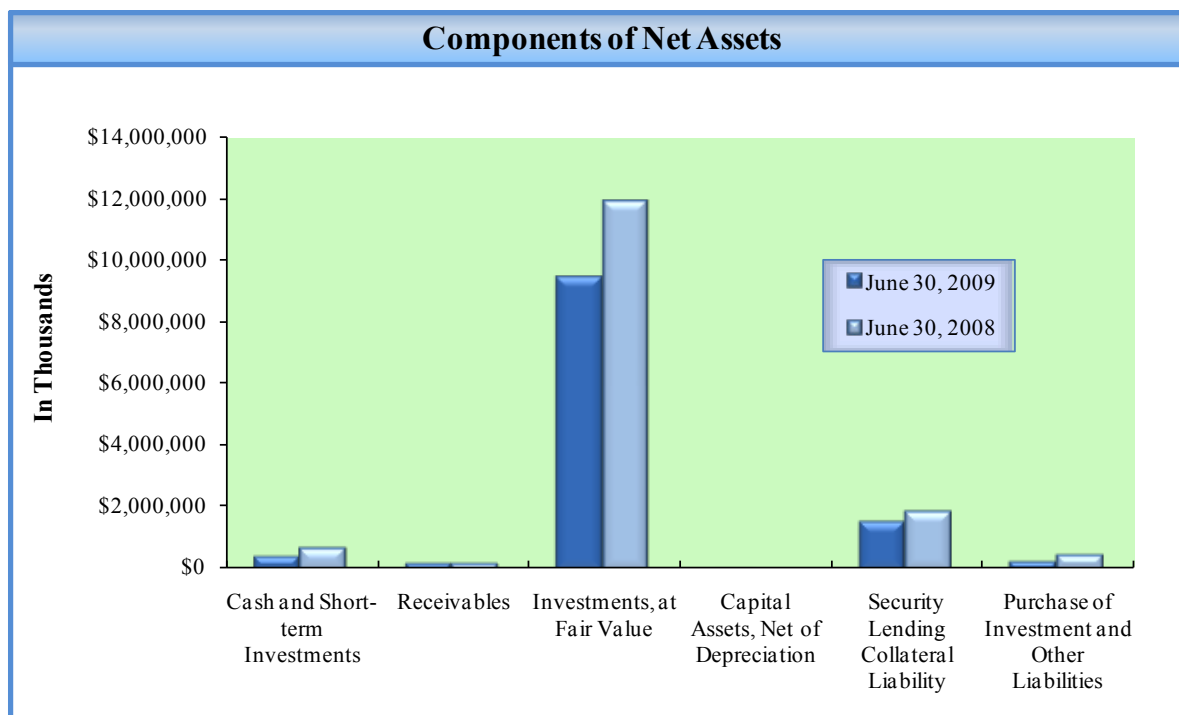
The following table and graph represent the detailed information regarding the components of the net assets of LACERS as of June 30, 2009 and 2008 (dollars in thousands):

	June 30, 2009	June 30, 2008	Change	
Cash and Short-term Investments	\$ 317,385	\$ 647,797	\$ (330,412)	(51.0) %
Receivables	105,864	99,851	6,013	6.0
Investments, at Fair Value	9,354,516	11,826,510	(2,471,994)	(20.9)
Capital Assets, Net of Depreciation	349	386	(37)	(9.6)
Total Assets	9,778,114	12,574,544	(2,796,430)	(22.2)
Security Lending Collateral Liability	(1,447,412)	(1,814,923)	(367,511)	(20.2)
Purchase of Investment and Other Liabilities	(187,714)	(387,427)	(199,713)	(51.5)
Total Liabilities	(1,635,126)	(2,202,350)	(567,224)	(25.8)
Net Assets	<u>\$ 8,142,988</u>	<u>\$ 10,372,194</u>	<u>\$ (2,229,206)</u>	(21.5) %

Management's Discussion and Analysis

Financial Analysis (Continued)

Net Assets (Continued)



The majority of LACERS net assets lies in its investment portfolio, which consists of cash and short-term investments, receivables, fixed income, equities, and other asset classes. Net assets decreased by \$2,229,206,000, or 21.5%, during the report year. The decrease is primarily caused by the investment loss, including \$2,362,887,000 of net depreciation in fair value of investments.

Change in Net Assets

The decrease in net assets during the reporting period was a result of a combination of factors that either add to or deduct from the plan assets. The following table summarizes the change in net assets during the report year, as compared with the prior year (dollars in thousands):

	June 30, 2009	June 30, 2008	Change	
Additions	\$ (1,608,010)	\$ (109,057)	\$ (1,498,953)	1,374.5 %
Deductions	(621,196)	(590,368)	(30,828)	5.2
Net Decrease	(2,229,206)	(699,425)	(1,529,781)	218.7
Net Assets, Beginning of Year	10,372,194	11,071,619	(699,425)	(6.3)
Net Assets, End of Year	<u>\$ 8,142,988</u>	<u>\$ 10,372,194</u>	<u>\$ (2,229,206)</u>	(21.5) %

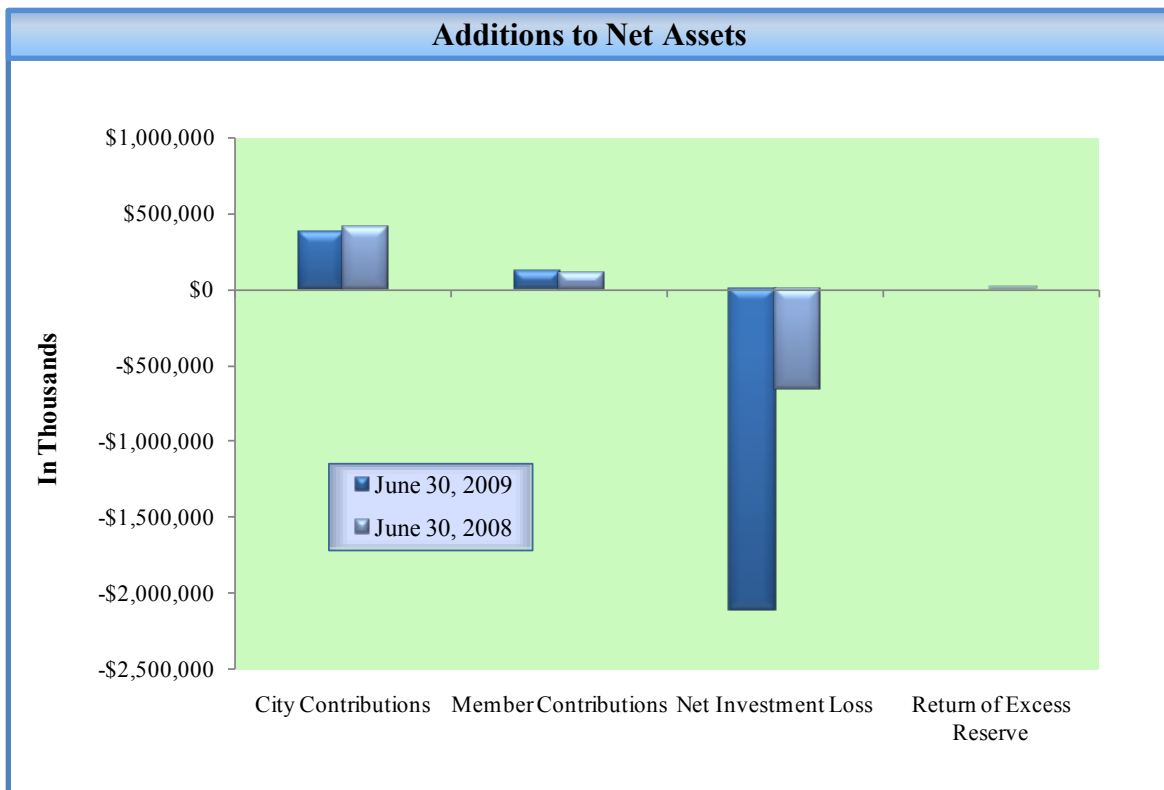
Management's Discussion and Analysis

Financial Analysis (Continued)

Change in Net Assets – Additions to Net Assets

The following table and graph represent the components that make up the additions to net assets for LACERS for the years ended June 30, 2009 and 2008 (dollars in thousands):

	June 30, 2009	June 30, 2008	Change
City Contributions	\$ 383,638	\$ 411,658	(6.8) %
Member Contributions	118,592	114,678	3.4
Net Investment Income (Loss)	(2,110,240)	(646,393)	226.5
Return of Excess Reserve	-	11,000	N/A
Additions to Net Assets	<u>\$ (1,608,010)</u>	<u>\$ (109,057)</u>	1,374.5 %



Management's Discussion and Analysis

Financial Analysis (Continued)

Change in Net Assets – Additions to Net Assets (Continued)

The “additions” to LACERS net assets include three main items that constitute the funding sources of LACERS benefits: City Contributions, Member Contributions, and Net Investment Income (Loss).

City Contributions to the Retirement Plan, the Postemployment Healthcare Plan and the Family Death Benefit Insurance Plan were \$383,638,000 during the year, or \$28,020,000 less than the prior fiscal year, due to the decreased contribution rate recommended by the actuary. The City contribution rate was 14.98% for Retirement Plan and 5.19% for the Postemployment Healthcare Plan, or 20.17% in total, of the City payroll for the fiscal year 2008-09, which was \$1,832,796,000. The actual contribution to the Retirement Plan was equal to 100% of the Annual Required Contribution (ARC) of \$274,555,000 as defined by GASB Statements No.

25 and No. 27. The actual contribution to the Postemployment Healthcare Plan was equal to 100% of the Annual Required Contribution (ARC) of \$95,122,000 as defined by GASB Statements No. 43 and No. 45.

Factors that may affect the amount of Member Contributions include the change in number and composition of Members and the change in Member salaries. During the year, Members contributed \$118,592,000, which was \$3,914,000 (3.4%) more than the prior year. The change was mainly due to the increased average salaries (by 1.7%) and the fact that more Members are contributing at 6% as the age-rated members who contribute at lower rate as a result of City defrayal are phasing out of the workforce.

The net investment loss of \$2,110,240,000 caused the Total Additions of the Net Plan Assets in this fiscal year to be a negative \$1,608,010,000. It is discussed in the next section with detailed information.

Investment Income and Loss

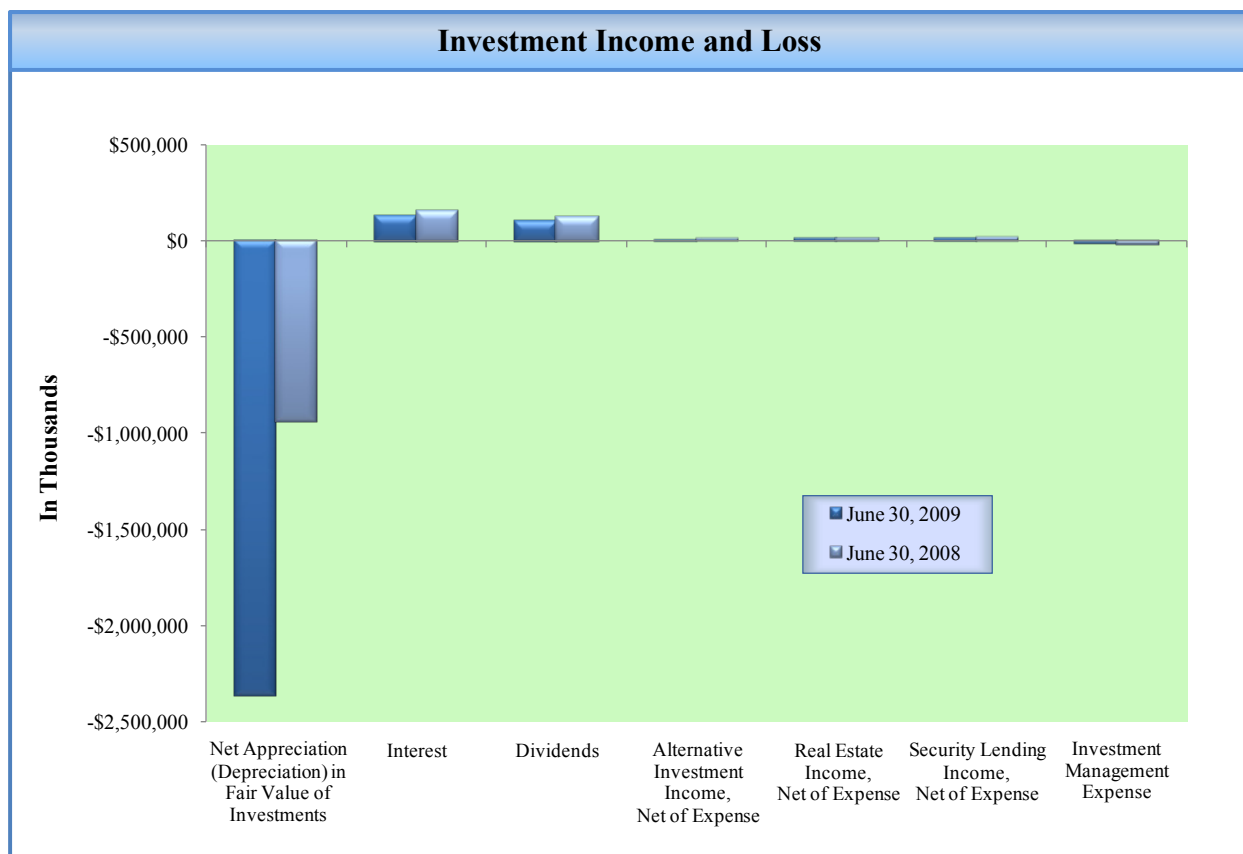
The following table and graph present the detail of investment income and loss, net of investment management expenses for the years ended June 30, 2009 and 2008 (dollars in thousands):

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Change</u>
Net Appreciation (Depreciation)			
in Fair Value of Investments	\$ (2,362,887)	\$ (939,839)	151.4 %
Interest	131,394	153,068	(14.2)
Dividends	100,512	120,917	(16.9)
Alternative Investment Income, Net of Expense	8,421	11,642	(27.7)
Real Estate Income, Net of Expense	13,663	14,894	(8.3)
Security Lending Income, Net of Expense	15,660	16,057	(2.5)
Investment Management Expense	<u>(17,003)</u>	<u>(23,132)</u>	(26.5)
Total Investment Income (Loss)	<u>\$ (2,110,240)</u>	<u>\$ (646,393)</u>	226.5 %

Management's Discussion and Analysis

Financial Analysis (Continued)

Investment Income and Loss (Continued)



The net investment loss for the current fiscal year was \$2,110,240,000, as compared with the loss of \$646,393,000 for the previous fiscal year. This large loss, including both realized and unrealized capital gain and loss, reflects the tremendous impact of the unprecedented global financial and economic crisis, which began with the collapse of the sub-prime mortgage market and then rapidly expanded to the entire financial sector, the entire U.S. economy, and the global economy, during the current fiscal year.

The negative financial market conditions also adversely affected the investment income in the Alternative Investment and Real Estate portfolios; income from these two categories decreased by \$3,221,000 (-27.7%) and \$1,231,000 (-8.3%), respectively, from the prior fiscal year.

Two major components of LACERS asset allocation are bonds and stocks. Interest and dividend income derived from these two investment classes decreased by \$21,674,000 (-14.2%), attributable to the Federal Reserve's adoption of the zero interest rate policy in

December by continuously lowering the federal funds rate to "near zero", which effectively suppress the level of general interest rates. Dividend income derived from stocks also decreased by \$20,405,000 (-16.9%) due to the lower distributions from the companies as a result of the economic environment.

LACERS earns additional investment income by its custodian bank lending LACERS securities to borrowers. The borrowers provide cash or non-cash collateral to the System's custodial bank, which then invests the cash collateral in short and intermediate term fixed income securities. LACERS security lending income, net of expense, dropped 2.5%, or \$397,000 less than it received a year ago, due to depressed level of interest rates and the depreciated value of securities available for lending.

Investment management expense for the current reporting year decreased by \$6,129,000 (-26.5%) from the previous year, because of the depreciated market value of assets on which the fees payable to the investment managers were based.

Management's Discussion and Analysis

Financial Analysis (Continued)

Change in Net Assets – Deductions from Net Assets

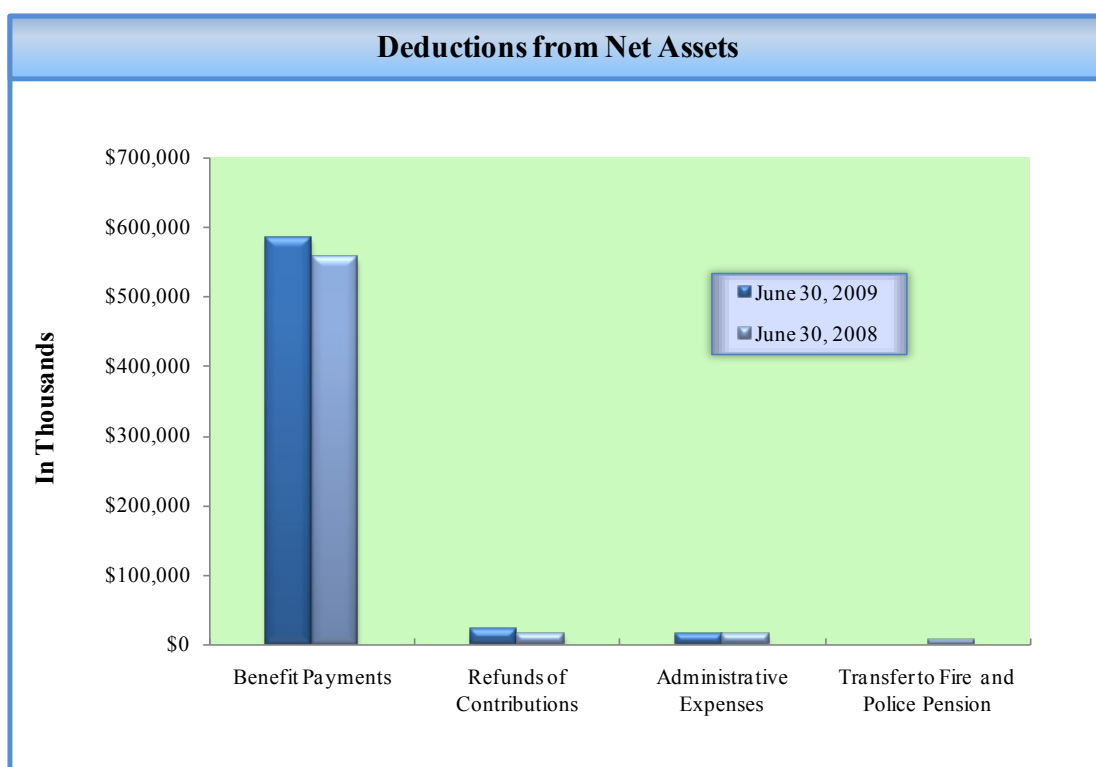
The following table and graphs provide information related to the deductions from net assets for the years ended June 30, 2009 and 2008 (dollars in thousands):

	June 30, 2009	June 30, 2008	Change
Benefit Payments	\$ 584,473	\$ 554,645	5.4 %
Refunds of Contributions	21,325	15,149	40.8
Administrative Expenses	15,398	14,354	7.3
Transfer to Fire and Police Pension	-	6,220	N/A
Deductions from Net Assets	<u>\$ 621,196</u>	<u>\$ 590,368</u>	5.2 %

LACERS “deductions” from net assets in the reporting period can be summarized as Benefit Payments, Refunds of Contributions, and Administrative Expenses. They represent the types of benefit delivery operations undertaken by LACERS and the costs associated with them. Total deductions increased by \$30,828,000 or 5.2%. The benefit payments increased by \$29,828,000 or 5.4% compared to the prior year. This increase is due to the increase in number of retirees by 0.1% and increase in the average monthly benefit amount by 3.8%, which includes the annual cost of living adjustment of approximately 3%. The refunds of contributions increased by \$6,176,000 or 40.8%. The sharp

increase was mainly the result of increased transfer of funds to the Department of Water and Power (DWP) Employees’ Retirement Plan, which has a reciprocity program with LACERS. Such transfers, in the amount of \$13,050,000, represent 61.1% of total refunds paid during the current reporting year.

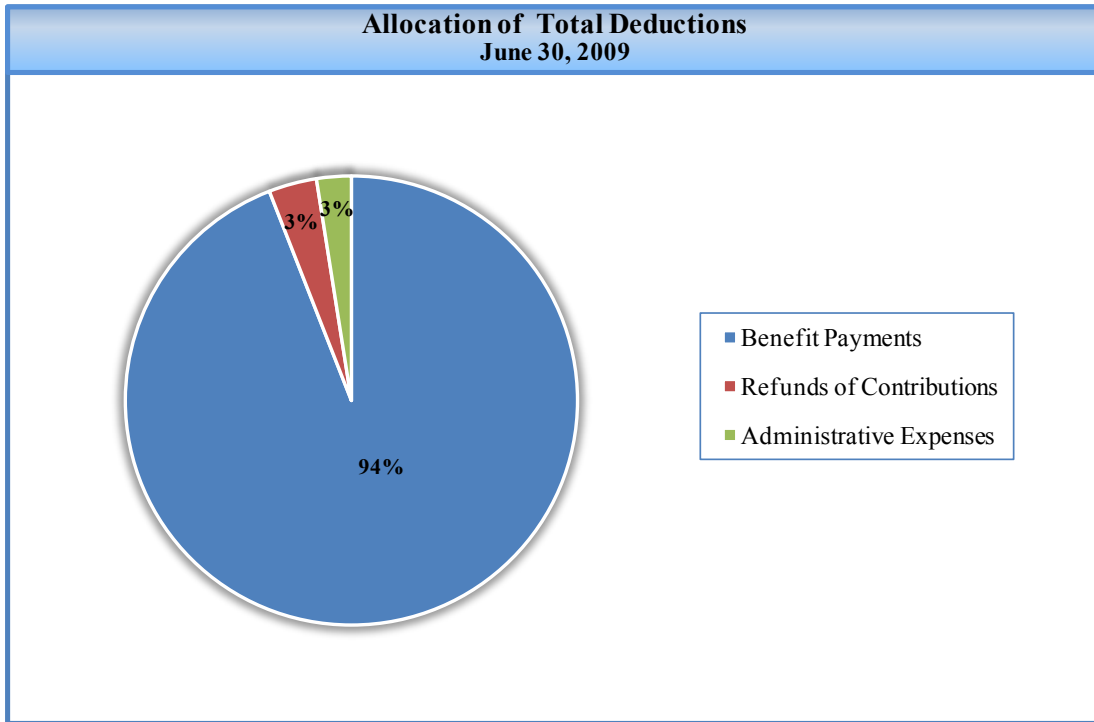
Administrative expense increased by \$1,044,000 or 7.3% over the prior year. This increase was primarily attributable to the mandated 3% cost of living adjustment granted to most employees, increased spending on legal fees on tax compliance issues, and additional investment in the network infrastructure and computer hardware.



Management's Discussion and Analysis

Financial Analysis (Continued)

Change in Net Assets – Deductions from Net Assets (Continued)



Requests for Information

This financial report is designed to provide a general overview of LACERS finances for all those with an interest in LACERS finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

LACERS
Fiscal Management Section
360 E. Second Street, 2nd Floor
Los Angeles, CA 90012-4207

Statement of Plan Net Assets
Retirement Plan and Postemployment Healthcare Plan
As of June 30, 2009, with Comparative Totals
(In Thousands)

	<u>Retirement Plan</u>	<u>Postemployment Healthcare Plan</u>	<u>2009 Total</u>	<u>2008 Total</u>
Assets				
Cash and Short-Term Investments	\$ 278,471	\$ 38,914	\$ 317,385	\$ 647,797
Receivables				
Accrued Investment Income	32,658	4,563	37,221	37,666
Proceeds from Sales of Investments	52,214	7,297	59,511	52,698
Other	8,012	1,120	9,132	9,487
Total Receivables	<u>92,884</u>	<u>12,980</u>	<u>105,864</u>	<u>99,851</u>
Investments, at Fair Value				
U.S. Government Obligations	197,658	27,621	225,279	239,507
Municipal Bonds	3,449	482	3,931	1,192
Domestic Corporate Bonds	850,982	118,919	969,901	956,621
International Bonds	162,851	22,757	185,608	186,842
Opportunistic Debt	90,575	12,657	103,232	103,207
Domestic Stocks	2,672,041	373,400	3,045,441	3,894,200
International Stocks	1,292,456	180,612	1,473,068	2,189,167
Mortgages	488,595	68,278	556,873	837,061
Government Agencies	56,339	7,873	64,212	97,083
Real Estate	457,196	63,890	521,086	634,985
Venture Capital and Alternative Investments	665,477	92,996	758,473	871,722
Security Lending Collateral	1,269,946	177,466	1,447,412	1,814,923
Total Investments	<u>8,207,565</u>	<u>1,146,951</u>	<u>9,354,516</u>	<u>11,826,510</u>
Capital Assets				
Furniture, Fixtures and Equipment (Net of Depreciation)	<u>306</u>	<u>43</u>	<u>349</u>	<u>386</u>
Total Assets	<u>8,579,226</u>	<u>1,198,888</u>	<u>9,778,114</u>	<u>12,574,544</u>
Liabilities				
Accounts Payable and Accrued Expenses	(23,658)	(3,306)	(26,964)	(25,367)
Purchases of Investments	(141,040)	(19,710)	(160,750)	(362,060)
Security Lending Collateral	(1,269,946)	(177,466)	(1,447,412)	(1,814,923)
Total Liabilities	<u>(1,434,644)</u>	<u>(200,482)</u>	<u>(1,635,126)</u>	<u>(2,202,350)</u>
Net Assets Held in Trust for Pension Benefits and Post- employment Healthcare Benefits				
	<u>\$ 7,144,582</u>	<u>\$ 998,406</u>	<u>\$ 8,142,988</u>	<u>\$ 10,372,194</u>

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

Statement of Changes in Plan Net Assets
Retirement Plan and Postemployment Healthcare Plan
For the Year Ended June 30, 2009, with Comparative Totals
(In Thousands)

	<u>Retirement Plan</u>	<u>Postemployment Healthcare Plan</u>	<u>2009 Total</u>	<u>2008 Total</u>
Additions				
Contributions				
City Contributions	\$ 288,516	\$ 95,122	\$ 383,638	\$ 411,658
Member Contributions	<u>118,592</u>	<u>-</u>	<u>118,592</u>	<u>114,678</u>
Total Contributions	<u>407,108</u>	<u>95,122</u>	<u>502,230</u>	<u>526,336</u>
Investment Income (Loss)				
Net Depreciation in Fair Value of				
Investments Including Gain and Loss on Sales	(2,022,395)	(340,492)	(2,362,887)	(939,839)
Interest	114,745	16,649	131,394	153,068
Dividends	87,776	12,736	100,512	120,917
Alternative Investment Income, Net of Expense	7,679	742	8,421	11,642
Real Estate Operating Income, Net of Expense	12,127	1,536	13,663	14,894
Security Lending Income	15,662	2,273	17,935	19,301
Less: Security Lending Expense	<u>(1,947)</u>	<u>(328)</u>	<u>(2,275)</u>	<u>(3,244)</u>
Sub-Total	(1,786,353)	(306,884)	(2,093,237)	(623,261)
Less: Investment Management Expense	<u>(14,553)</u>	<u>(2,450)</u>	<u>(17,003)</u>	<u>(23,132)</u>
Net Investment Income (Loss)	<u>(1,800,906)</u>	<u>(309,334)</u>	<u>(2,110,240)</u>	<u>(646,393)</u>
Return of Excess Reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,000</u>
Total Additions	<u>(1,393,798)</u>	<u>(214,212)</u>	<u>(1,608,010)</u>	<u>(109,057)</u>
Deductions				
Benefits Payments	(510,634)	(73,839)	(584,473)	(554,645)
Refunds of Contributions	(21,325)	-	(21,325)	(15,149)
Administrative Expenses	(12,829)	(2,569)	(15,398)	(14,354)
Transfer to Fire and Police Pension	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,220)</u>
Total Deductions	<u>(544,788)</u>	<u>(76,408)</u>	<u>(621,196)</u>	<u>(590,368)</u>
Net Decrease	(1,938,586)	(290,620)	(2,229,206)	(699,425)
Net Assets Held in Trust for Pension Benefits and Postemployment Healthcare Benefits				
Beginning of Year	<u>9,083,168</u>	<u>1,289,026</u>	<u>10,372,194</u>	<u>11,071,619</u>
End of Year	<u>\$ 7,144,582</u>	<u>\$ 998,406</u>	<u>\$ 8,142,988</u>	<u>\$ 10,372,194</u>

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

Notes to Financial Statements

Note 1 – Description of the System and Significant Accounting Policies

General Description

The Los Angeles City Employees' Retirement System (the System) is under the exclusive management and control of its Board of Administration (the Board), whose authority is granted by the Los Angeles City Charter (Article XI). The System is a department of the City of Los Angeles (the City). The System's financial statements are included in the City of Los Angeles' Annual Financial Report as a pension trust fund.

The System operates a single-employer defined benefit plan (the Retirement Plan) and Postemployment Healthcare Plan. A description of each plan is located in Note 2 and Note 3. All Notes to the Financial Statements apply to both plans unless indicated otherwise.

Basis of Accounting

The financial statements are maintained on the accrual basis of accounting. Member contributions are recognized as revenues in the period in which compensation is paid to the Member by the employer. Because the employer has made a formal commitment to provide the contributions, employer contributions are recognized when due. Benefits and refunds are recognized when due and payable.

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as outlined by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States.

Fair Value of Investments

Funds are invested pursuant to the Los Angeles City Charter and the System's investment policy established by the Board under Article XI Section 1106(d) of the City Charter. The System's investment portfolios are primarily composed of domestic and international equities, domestic and international bonds, real estate and alternative investment, and short-term investments that include obligations of the U.S. Treasury, agencies, commercial paper rated A-1,

bankers' acceptances, repurchase agreements and the short-term investment fund managed in-house by staff.

Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rates. Short-term investments, bonds, stocks, and alternative investments are reported at fair value. The fair values of real estate investment funds are provided by the individual real estate fund managers based on periodic appraisals, in the form of either annual in-house appraisals or longer-term appraisals by outside professionals, in accordance with the industry practice. The fair value determined as such is also evaluated by the Board's real estate consultant. The fair value of alternative investment funds is provided by the individual General Partners at a liquidating event or other significant events during the reporting period. The fair value of futures and forward contracts are determined using available market information. Debt rewrites are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Management's investment strategy, as it relates to the debt portfolio, is mainly to achieve market appreciation and not to hold bonds to their maturities.

Investment transactions are accounted for on the date the securities are purchased or sold (trade date). Unsettled investment trades as of fiscal year-end are reported in the financial statements on an accrual basis. The corresponding proceeds due from sales are reported on the Statement of Plan Net Assets under Receivables and labeled as Proceeds from Sales of Investments, and amounts payable for purchases are reported under (current) Liabilities and labeled as Purchases of Investments. Dividend income is recorded on ex-dividend date, and interest income is accrued as earned.

Concentrations of Market and Credit Risk

The System's exposure to credit loss in the event of nonperformance of its investments is limited to the carrying value of such instruments. The System's concentrations of credit risk and market risk are dictated by the System's investment guidelines. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of these investments, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets.

Notes to Financial Statements

Note 1 – Description of the System and Significant Accounting Policies (Continued)

Capital Assets

Effective July 1, 2001, purchases of capital assets, consisting primarily of office furniture and computer equipment are capitalized upon acquisition and depreciated over five years. Prior to July 1, 2001, these purchases were recorded and expensed in the year acquired. Depreciation is calculated using the straight-line method.

Administrative Expenses

All administrative expenses are funded from the System's plan net assets, which include the investment earnings and the contributions from the City and the Members.

Reserves

As provided in the Los Angeles City Charter, the System is maintained on a reserve basis, determined in accordance with accepted actuarial methods. The Los Angeles City Charter establishes reserves for the following:

Member Contributions – Active Member contributions to the Retirement Plan and interest credited to Members' accounts, less refunds of Member contributions and transfers to the annuity reserve.

Employer Contributions – Consists of the following components:

Basic Pensions – City contributions and investment earnings (losses), accumulated to provide for the City's guaranteed portion of retirement benefits, less payments to retired Members.

Annuity – Member contributions transferred to the City and used to provide for the Members' share of retirement benefits and investment earnings (losses) excluding net appreciation (depreciation) in fair value of investments, less payments to retired Members.

Larger Annuity – Member's larger annuity account balances at retirement including IRS Section 457 deferred compensation and other rollovers, investment earnings (losses) including net appreciation (depreciation) in fair value of investments, less payments to retired participating Members.

Family Death Benefits – Member contributions, matching City contributions, and investment earnings (losses) excluding net appreciation

(depreciation) in fair value of investments reserved to pay benefits under the family death benefits insurance plan established by the System, less payments to beneficiaries.

Postemployment Health Benefits – City contributions and investment earnings (losses) accumulated to provide healthcare benefits for retirees, less payments to insurance providers and/or reimbursements to retired Members.

Reserve balances as of June 30, 2009, are as follows (in thousands):

Member Contributions	\$	1,522,438
Basic Pensions		5,171,860
Annuity		428,613
Larger Annuity		9,853
Family Death Benefits		11,818
Postemployment Health Benefits		998,406
Total Reserves	\$	8,142,988

Use of Estimates in Preparation of the Financial Statements

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates.

Recently Issued Accounting Standard

The GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, requires that Intangible Assets that lack physical substance and have an initial useful life extending beyond a single reporting period, be classified as Capital Assets. The System has no assets that fall into this category.

Note 2 – Retirement Plan Description

Plan Description

The Retirement Plan covers all full-time personnel and department-certified part-time employees of the City of Los Angeles, except for sworn employees of the Fire and Police departments, Department of Water and Power employees, elected officials who

Notes to Financial Statements

Note 2 – Retirement Plan Description (Continued)

Plan Description (Continued)

elected to participate in an alternative Defined Contribution Plan, and certain Port Police officers of the Harbor Department including those who elected to opt out of LACERS Plan.

Eligible employees contribute based on rates delineated in the City's Administrative Code. The City contributes to the Retirement Plan based on rates recommended by an independent actuary and adopted by the Board annually. Contributions are invested and applied to benefit payments along with accumulated investment earnings. The Retirement Plan provides for service and disability retirement benefits, as well as death benefits. Changes to the benefits require approval by the City Council.

At June 30, 2009, the components of the System's membership were as follows:

Active:	
Vested	20,975
Nonvested	9,090
	<u>30,065</u>
Inactive:	
Nonvested	3,263
Terminated Entitled to Benefits, Not Yet Receiving Benefits	1,291
Retired	14,991
	<u>19,545</u>
Total	<u>49,610</u>

Funding Policies and Funded Status and Progress

The Plan's funding policy under Article XI Sections 1158 and 1160 of the Los Angeles City Charter provides for periodic employer contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. For the year ended June 30, 2009, the annual required contribution to the Retirement Plan by the City was determined at 14.98% of covered payroll, determined by the June 30, 2007 actuarial valuation. The actual contribution made by the City for fiscal year 2008-09 was equal to the recommended rate as adopted by the Board of Administration, which is the recommended

contribution rate set equal to the greater of the current funding policy or the minimum Annual Required Contribution (ARC) as determined under GASB Statements 25 and 27. Members who entered the System prior to February 1983 contribute from 8.22% to 13.33% of their salaries based upon their age when they entered the System; however, these contributions are subsidized by the City under a collective bargaining agreement (see Note 6). Members entering subsequent to January 1983 contribute a flat rate of 6%. Members of the System have a vested right to their own contribution and accumulated interest posted to their accounts. Generally after five years of employment, Members are eligible for future retirement benefits, which increase with length of service. If a Member is at least age 70 or with five or more years of service terminates employment, the Member has the option of receiving retirement benefits when eligible or withdrawing from the System, and having his or her contributions and accumulated interest refunded. Benefits are based upon age, length of service and compensation.

As of June 30, 2009, the most recent actuarial valuation date, the Plan was 81.6% funded. The actuarial accrued liability for benefits was \$11,741,759,000 and the actuarial value of assets was \$9,577,747,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,164,012,000. The covered payroll as of June 30, 2009 valuation was \$1,999,862,000. The ratio of UAAL to the covered payroll was 108.2%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, inflation, and investment returns. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 38 following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Notes to Financial Statements

Note 2 – Retirement Plan Description (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan Members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan Members to that point. The actuarial methods and assumptions used include techniques that are

designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial methods and significant assumptions used in the valuation year of June 30, 2009 are summarized in this note to conform to the disclosure requirements for GASB No. 50.

Valuation Date	June 30, 2009
Actuarial-Cost Method	Projected Unit Credit Cost Method – assuming a closed group.
Amortization Method	Level Percent of Payroll – assuming a 4.25% increase in total covered payroll.
Remaining Amortization Period	Multiple layers. Actuarial gains/losses are amortized over 15 years. Plan and assumption changes are amortized over 30 years. The existing layers on June 30, 2005, except those arising from the phase-in of contribution rates for the May 30, 2002 experience study, were combined and amortized over 30 years. The amortization period may be adjusted to comply with GASB requirements on maximum amortization period for all layers combined.
Asset Valuation Method	Market value of assets less unrecognized returns in each of the last 5 years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period. The result of such smoothing process shall fall between 50% - 150% of Market Value.
Actuarial Assumptions:	
Investment Rate of Return	8.00%
Includes Inflation at	3.75%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases	Ranges from 12.25% to 6.75% for Members with less than 5 years of service. Ranges from 6.50% to 4.75% for Members with 5 or more years of service.
Cost of Living Adjustments	3.00%
Mortality Table for Retirees and Beneficiaries	RP-2000 Combined Healthy Mortality Table, set back 1 year
Mortality Table for Disabled Retirees	RP-2000 Combined Healthy Mortality Table, set forward 7 years
Percent Married / Domestic Partner	76% of male participants; 50% of female participants are assumed to be married.
Spouse Age Difference	Male retirees are assumed to be 4 years older than their female spouses. Female retirees are assumed to be 2 years younger than their male spouses.

Notes to Financial Statements

Note 3 – Postemployment Healthcare Plan Description

Plan Description

The System provides Postemployment Healthcare benefits to eligible retirees of the Retirement Plan and their spouses/domestic partners. Generally the benefits of this single employer Postemployment Healthcare Plan are available to all employees who 1) participate in the Retirement Plan; 2) have at least 10 years of service with the System; and 3) enrolled in a System-sponsored medical or dental plan or are a participant in the Medical Premium Reimbursement Program (MPRP). The retiree or surviving spouse/domestic partner can choose from the health plans that are available, which include medical, vision, caregiver, and dental benefits, or participate in the MPRP if he/she resides in an area not covered by the available medical plans. The retiree or surviving spouse/domestic partner receives medical or dental subsidies based on years of service and the maximum subsidies are set annually by the Board.

Funding Policies and Funded Status and Progress

The Plan's funding policy under Article XI Sections 1158 and 1160 of the Los Angeles City Charter provides for periodic employer contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. The required contribution rate for the Postemployment Healthcare Plan for the fiscal year ended June 30, 2009, was 5.19% of covered payroll, determined by the June 30, 2007 actuarial valuation. As of June 30, 2009, the most recent actuarial valuation date, the Plan was 67.0% funded. The actuarial accrued liability for benefits was \$2,003,441,000 and the actuarial value of assets was \$1,342,497,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$660,944,000. The covered payroll as of

June 30, 2009 valuation was \$1,999,862,000. The ratio of UAAL to the covered payroll was 33.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment returns, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 40 following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, funded ratios for years prior to June 30, 2005 were not calculated using the parameters required for GASB No. 43 because the Plan's funding policy excluded active employees with less than 10 years of service.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan Members) and include the types of benefits provided at the time each valuation and historical pattern of sharing of benefit costs between the employer and plan Members to that point. The actuarial methods and assumptions used include techniques such as 5-year smoothing of assets and amortization of UAAL over 15 or 30 years, that are designed to reduce the effects of short-term volatility in funding, consistent with the long-term perspective of the calculations.

Notes to Financial Statements

Note 3 – Postemployment Healthcare Plan Description (Continued)

Actuarial Methods and Assumptions (Continued)

Valuation Date	June 30, 2009
Actuarial-Cost Method	Projected Unit Credit Cost Method – assuming a closed group.
Amortization Method	Level Percent of Payroll – assuming a 4.25% increase in total covered payroll.
Remaining Amortization Period	Multiple layers. Actuarial gains/losses are amortized over 15 years. Plan and assumption changes are amortized over 30 years. The unfunded layers on June 30, 2005 were combined and amortized over 30 years. The amortization period may be adjusted to comply with GASB requirements on maximum amortization period for all layers combined.
Asset Valuation Method	Market value of assets less unrecognized returns in each of the last 5 years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period. The result of such smoothing process shall fall between 50% - 150% of Market Value.
Actuarial Assumptions:	
Investment Rate of Return	8.00%
Mortality Table for Retirees and Beneficiaries	RP-2000 Combined Healthy Mortality Table, set back 1 year
Mortality Table for Disabled Retirees	RP-2000 Combined Healthy Mortality Table, set forward 7 years
Marital Status	60% of male and 30% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.
Spouse Age Difference	Male retirees are assumed to be 4 years older than their female spouses. Female retirees are assumed to be 2 years younger than their male spouses.
Surviving Spouse Coverage	With regard to Members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member's death.
Participation	50% of inactive Members are assumed to receive a subsidy for a City approved health carrier. 100% of retirees becoming eligible for Medicare is assumed to be covered by both Parts A and B.

Notes to Financial Statements

Note 3 – Postemployment Healthcare Plan Description (Continued)

Actuarial Methods and Assumptions (Continued)

Health Care Cost Trend Rates

Trend Rates to be applied in the following fiscal years, to all health plans. Trend Rate is to be applied to premium for shown fiscal year to calculate next fiscal year's projected premium.

Medical Premium Trend Rates to be applied to Fiscal Year 2009-2010 and later years are:

First Fiscal Year (July 1, 2009 through June 30, 2010)		
Carrier	Under Age 65	Age 65 & Over
Kaiser HMO	4.65%	8.82%
Blue Cross HMO	10.23%	N/A
Blue Cross PPO	7.18%	5.18%
Secure Horizons	N/A	10.06%

Fiscal Year 2010 - 2011 and later	
Fiscal Year	Trend (Approx)
2010 - 2011	8.75%
2011 - 2012	8.25%
2012 - 2013	7.75%
2013 - 2014	7.25%
2014 - 2015	6.75%
2015 - 2016	6.25%
2016 - 2017	5.75%
2017 - 2018	5.25%
2018 & later	5.00%

Dental Premium Trend to be applied is 5.00% for all years.

Medicare Part B Premium Trend for the 2009-2010 fiscal year is 0% based on actual increase from 2009 to 2010 calendar year. 5.00% assumed for the calendar years following 2010 calendar year.

Notes to Financial Statements

Note 4 – Contributions Required and Contributions Made

The System currently uses the projected unit credit cost method to determine the required annual contribution amount for the Retirement Plan and the Postemployment Healthcare Plan. The required annual contribution amount is composed of two components, (1) normal cost, which is the cost of the portion of the benefit that is allocated to a given year, and (2) the payment to amortize the unfunded actuarial accrued liability (UAAL) which is the difference between LACERS actuarial liabilities and actuarial assets.

For the valuation as of June 30, 2009, the components of the UAAL are amortized as a level percent of pay. Based on the System's amortization policy, increases or decreases in the UAAL due to plan or assumption changes are amortized over 30 years. Experience gains and losses are amortized over 15 years, subject to adjustments to comply with GASB requirements on maximum amortization period for all layers combined. The amortization periods are "closed" as the amounts calculated annually are amortized over either a 15- or 30-year period.

The contributions to the System for the year ended June 30, 2009, of approximately \$502,230,000 (\$407,108,000 for the Retirement Plan and \$95,122,000 for the Postemployment Healthcare Plan), were made in accordance with actuarially-determined requirements computed through the actuarial valuation dated June 30, 2007.

Contributions to the System consisted of the following for the year ended June 30, 2009 (in thousands):

	<u>Retirement Plan</u>	<u>Postemployment Healthcare Plan</u>
City Contributions:		
Required Contribution	\$ 274,555	\$ 95,122
Defrayal Portion of Member Contributions	13,760	-
Family Death Benefits Insurance Plan	<u>201</u>	<u>-</u>
Total City Contributions	288,516	95,122
Member Contributions	<u>118,592</u>	<u>-</u>
Total Contributions	<u>\$ 407,108</u>	<u>\$ 95,122</u>

The amount of the contributions made for the Retirement Plan under the Required Contribution category (\$274,555,000) were equal to 100% of the Annual Required Contributions (ARC) of the employer as defined by GASB Statements No. 25 and No. 27. The contributions made for the Postemployment Healthcare Plan, in the amount of \$95,122,000, represents 100% of the ARC as defined by GASB No. 43 and No. 45.

Note 5 – Historical Trend Information

Historical trend information designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due is presented on page 38 for the Retirement Plan and page 40 for the Postemployment Healthcare Plan.

Note 6 – Defrayal Portion of Member Contributions-Retirement Plan

For Members who entered the System prior to February 1983, the City subsidizes a portion of Member contributions. Payments made by the City based on the subsidy are not refundable to Members upon their withdrawal from the System prior to retirement.

The subsidized amount paid by the City for the current fiscal year was \$13,760,000, which is approximately 4.8% of total City contributions paid for the Retirement Plan for the year ended June 30, 2009.

Note 7 – Cash and Short-Term Investments and Investments

The Board has the responsibility for the investment of the System's funds with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims, as prescribed by Article XI Section 1106(c) of the City Charter.

The System considers investments purchased with maturity of 12 months or less to be short-term investments. The carrying value of cash and short-term investments at June 30, 2009, on the Retirement Plan and Postemployment Healthcare Plan Statement of Plan Net Assets includes approximately

Notes to Financial Statements

Note 7 – Cash and Short-Term Investments and Investments (Continued)

\$1,033,000 held in the System's general operating accounts with the City Treasurer and short-term investments funds (STIF) of \$316,352,000 for a total of \$317,385,000. The amounts held by the City Treasurer are pooled with the monies of other City agencies and invested by the City Treasurer's office. These assets are not individually identifiable. At June 30, 2009, short-term investments included collective STIF of \$106,642,000, international STIF of \$165,426,000 and future initial margin of \$44,284,000.

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class. The credit quality ratings of investments in fixed income securities by a nationally recognized statistical rating organization as of June 30, 2009 are as follows (dollars in thousands):

Quality Ratings	Fair Value	Percentage
AAA	\$ 626,612	33.75 %
AA	57,555	3.10
A	282,904	15.24
BBB	459,176	24.74
BB	121,736	6.56
B	94,186	5.07
CCC	29,278	1.58
CC	1,384	0.07
C	988	0.05
Not Rated	182,584	9.84
	1,856,403	100.00 %
U.S. Government		
Guaranteed Securities *	252,633	
Total Fixed Income		
Securities	\$ 2,109,036	

* Consists of U.S. Government Bonds and GNMA Mortgage-Backed Securities which had the AAA rating.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a financial institution's failure of depository financial institution, the System would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. As of June 30, 2009, the System has exposure to such risk in the amount of \$8,228,000, or 0.46% of the fair value of total international investments. The amount represents non-invested cash denominated in foreign currencies, managed by 13 different investment managers, and held outside of the System's custodial bank. The System's policy requires each individual publicly traded equities investment managers to hold no more than 10% of their portfolios in the form of cash. The plan is in compliance with the policy.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not insured, or are not registered in the System's name, and held by the counterparty. The System's investments are not exposed to custodial credit risk if they are insured or registered in the System's name. The System's investments were not exposed to custodial credit risk because all securities were held by the System's custodial bank in the System's name.

Concentration of Credit Risk

The investment portfolio as of June 30, 2009 contained no concentration of investments in any one entity that represented 5 percent or more of the total investment portfolio.

Notes to Financial Statements

Note 7 – Cash and Short-Term Investments and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. One of the ways the System manages its exposure to interest rate risk is by requiring the fixed income investment managers to maintain their portfolio effective duration within a specified range of the Lehman U.S. Universal Bond Index, the Lehman Intermediate Government Credit Index, or the Lehman Aggregate Bond Index, depending on the Board's mandates. The effective duration is a measure, in years, of interest-rate sensitivity in debt investments. The longer the effective duration, the greater the sensitivity to interest rate changes. Information about the sensitivity of the fair values of the System's investments to market interest rate fluctuations is provided by the following table that shows the weighted average effective duration of the System's fixed income securities by investment type (dollars in thousands):

Investment Type	Amount	Weighted Average Duration (in Years)
Asset Backed Securities	\$ 42,021	1.29
Commercial Mortgage-Backed Securities	86,767	4.66
Corporate Bonds	1,025,664	6.41
Government Agencies	69,525	4.53
Government Bonds	161,631	6.08
Government Mortgage-Backed Securities	470,106	3.29
Guaranteed Fixed Income	4,071	2.78
Index Linked Government Bonds	89,090	4.86
Municipal/Provincial Bonds	8,040	6.31
Non-Government Backed C.M.O.s	48,889	2.06
Opportunistic Debt*	103,232	2.15
Total Fixed Income Securities	<u>\$ 2,109,036</u>	

* Data for several securities in this category was not available to report the effective duration. The modified duration and average duration were used instead.

Highly Sensitive Investments

Highly Sensitive Investments are certain debt investments whose terms may cause their fair value to be highly sensitive to market interest rate changes. Terms include such information as embedded options, coupon multipliers, benchmark indexes, and reset dates. The System's asset-backed investments have embedded prepayment options that will typically cause prepayments by the obligees of the underlying investments when interest rates fall. Prepayments eliminate the stream of future interest payments and, therefore, diminish the fair value of the asset-backed investment. The following table shows the fair value of the System's asset-backed investments by investment type (in thousands):

Investment Type	Amount
Asset Backed Securities	\$ 42,021
Commercial Mortgage-Backed Securities	86,767
Government Agencies	69,525
Government Mortgage-Backed Securities	470,106
Non-Government Backed C.M.O.s	<u>48,889</u>
Total Asset-Backed Investments	<u>\$ 717,308</u>

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. The System's Asset Allocation policy sets a target of 20% of the total portfolio for non-U.S. investments in equities. In addition, fixed income, real estate, and alternative investment managers may hold non-U.S. investments depending on their individual mandates. Forward currency contracts and currency futures are permitted primarily to reduce the foreign currency risk (refer to Note 9 - Futures and Forwards Contracts).

Notes to Financial Statements

Note 7 – Cash and Short-Term Investments and Investments (Continued)

Foreign Currency Risk (Continued)

The System's non-U.S. currency investment holdings as of June 30, 2009, which represents 16.4% of fair value of total investments, are as follows (in thousands):

Foreign Currency Type	Cash and Adjustments to Cash	Equity	Fixed Income	Other Investments	Total Fair Value (in US \$)
Argentine peso	\$ 70	\$ -	\$ -	\$ -	\$ 70
Australian dollar	3,020	73,021	4,109	-	80,150
Brazilian real	(205)	14,363	1	-	14,159
British pound sterling	(5,288)	179,647	-	31,233	205,592
Canadian dollar	324	31,154	6,932	-	38,410
Czech koruna	10	-	-	-	10
Danish krone	80	9,324	-	-	9,404
Egyptian pound	10	715	-	-	725
Euro	34,771	320,830	-	67,093	422,694
Hong Kong dollar	1,367	109,823	-	-	111,190
Hungarian forint	15	1,382	-	-	1,397
Indian rupee	(41)	16,792	-	-	16,751
Indonesian rupiah	235	6,978	-	-	7,213
Japanese yen	2,448	252,815	-	35,839	291,102
Malaysian ringgit	154	10,325	-	-	10,479
Mexican peso	425	4,154	10,237	-	14,816
New Israeli shekel	13	1,778	-	-	1,791
New Taiwan dollar	2,090	39,945	-	-	42,035
New Zealand dollar	108	497	-	-	605
Norwegian krone	(63)	10,713	-	-	10,650
Philippine peso	211	10,399	-	-	10,610
Polish zloty	14	1,044	-	-	1,058
Singapore dollar	(14,907)	31,050	17,388	-	33,531
South African rand	166	20,385	-	-	20,551
South Korean won	222	53,239	-	-	53,461
Swedish krona	1,808	11,165	-	-	12,973
Swiss franc	(3,087)	90,966	-	-	87,879
Thai baht	255	25,944	-	-	26,199
Turkish lira	15	5,564	-	-	5,579
Total Investments Held in Foreign Currency	\$ 24,240	\$ 1,334,012	\$ 38,667	\$ 134,165	\$ 1,531,084

Note 8 – Securities Lending Agreement

The System has entered into various short-term arrangements with its custodian under Article XXXIV Section 504 of the City Charter, whereby securities are lent to various brokers. The custodian determines which lenders' accounts to lend securities from by using an impartial sequential system that

matches loan requests with various lenders' accounts. All lenders are deemed to have relatively equal opportunity to profit from the lending of securities. Therefore, should a collateral deficiency occur beyond the custodian's responsibilities, the deficiency is allocated pro rata among all lenders.

Notes to Financial Statements

Note 8 – Securities Lending Agreement (Continued)

Minimum collateralization is 102% of fair value of the borrowed U.S. securities and 105% for international securities. Collateral consists of cash, government securities, and irrevocable bank letters of credit. Cash collateral may be invested separately or pooled in a separate fund for investing in money market or cash equivalent investments.

The borrower has all incidents of ownership with respect to borrowed securities and collateral, including the right to vote and transfer or loan borrowed securities to others. The System is entitled to receive all distributions, which are made by the issuer of the borrowed securities, directly from the borrower. Under the agreement, the custodian will indemnify the System as a result of the custodian's failure to: 1) make a reasoned determination of the creditworthiness of a potential borrower before lending and, during the term of the loan or loans, the borrower files a petition of bankruptcy or similar action; 2) demand adequate collateral; or 3) otherwise maintain the securities lending program in compliance with the Federal Financial Institutions Examination Council Supervisory Policy on Securities Lending.

These agreements provide for the return of the securities and revenue determined by the type of collateral received. The cash collateral values of securities on loan to brokers are shown at their fair value on the statement of plan net assets.

As of June 30, 2009, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceed the amounts the borrowers owed the System. The System had no losses on securities lending transactions resulting from default of a borrower or lending agent. Due to the nature of the securities lending program and Northern Trust's collateralization of loans at 102% and 105% plus accrued interest for fixed income securities, it was previously believed that there were no material credit risks to the System as defined in GASB Statement No. 28 and GASB Statement No. 40 by our participation in the securities lending program. However, with the short-term illiquid and volatile environment for fixed income markets, we believe that there is more risk in the credit quality of the collateral pool than previously anticipated. Reduced demand in securities lending given recent brokerage firm failures is an indication of the overall increasing risks associated with securities lending.

All securities loans can be terminated on demand by either the System or the borrower. Cash collateral is

invested in a collateral account consisting of short and intermediate term investments. The System cannot pledge or sell non-cash collateral unless the borrower defaults.

The following represents the balances relating to the security lending transactions as of June 30, 2009 (in thousands):

Fair value of collateral received for loaned securities as of June 30, 2009:

Securities Lent	Cash	Non-Cash	Total Collateral Value
U.S. Government and Agency Securities	\$ 381,380	\$ -	\$ 381,380
Domestic Corporate Fixed Income Securities	56,808	-	56,808
International Fixed Income Securities	4,298	2,683	6,981
Domestic Stocks	899,054	-	899,054
International Stocks	<u>105,872</u>	<u>101,859</u>	<u>207,731</u>
	<u>\$ 1,447,412</u>	<u>\$ 104,542</u>	<u>\$ 1,551,954</u>

Fair value of loaned securities as of June 30, 2009:

Securities Lent	Cash	Non-Cash	Total Fair Value of Underlying Securities
U.S. Government and Agency Securities	\$ 372,555	\$ -	\$ 372,555
Domestic Corporate Fixed Income Securities	55,343	-	55,343
International Fixed Income Securities	4,102	2,629	6,731
Domestic Stocks	871,141	-	871,141
International Stocks	<u>99,907</u>	<u>94,432</u>	<u>194,339</u>
	<u>\$ 1,403,048</u>	<u>\$ 97,061</u>	<u>\$ 1,500,109</u>

As of June 30, 2009, the fair value of the lent securities was \$1,500,109,000. The fair value of associated collateral was \$1,551,954,000. Of this amount, \$1,447,412,000 represents the fair value of cash collateral and \$104,542,000 represents the fair value of the non-cash collateral. Non-cash collateral, which the System does not have the ability to sell unless the borrower defaults, is not reported in the statement of plan net assets. The System's income and expenses related to securities lending were \$17,935,000 and \$2,275,000, respectively, for the year ended June 30, 2009.

Notes to Financial Statements

Note 9 – Futures and Forward Contracts

The System uses derivative financial instruments, primarily to manage portfolio risk. Futures contracts are used to provide equity exposure for un-invested cash, and forward contracts are used to hedge against fluctuation in foreign currency-denominated assets primarily in trade settlements. Futures and forward contracts are marked to market and are recorded in the Statement of Plan Net Assets at fair value. Futures contracts have little credit risk, as organized exchanges are the guarantors. Forward agreements are subject to the creditworthiness of the counterparties, which are principally large financial institutions.

At June 30, 2009, the System had outstanding futures contracts for foreign currencies and the Standard and Poor's 500 Index with an aggregate notional amount of \$7,766,000. In addition, at June 30, 2009, the System had outstanding forward purchase commitments with a notional amount of \$45,081,000 and offsetting forward sales commitments with notional amounts of \$45,081,000, which expire through September 2009. The System maintains margin collateral on the positions with brokers, consisting of cash and U.S. Treasury Bills. The total collateral margin was \$44,284,000 as of June 30, 2009.

The realized loss on foreign currency translation was \$25,073,000 for the year ended June 30, 2009.

Note 10 – Commitments and Contingencies

At June 30, 2009, the System was committed to future purchases of real estate and alternative investments at an aggregate cost of approximately \$895,677,000.

Note 11 – Subsequent Events

Events or transactions that occur subsequent to the balance sheet date, but prior to the issuance of the financial statements that have a potential material effect on the financial statements require adjustments or disclosure in the statements. The following is a disclosure of a condition, which influenced the System that did not exist as of June 30, 2009, but arose subsequent to that date.

Early Retirement Incentive Program

To reduce ongoing payroll costs, on November 2, 2009, a City Ordinance became effective which offers an Early Retirement Incentive Program (ERIP) that enhances retirement benefits to active members who meet certain eligibility requirements. A revised actuarial valuation will be performed by LACERS consulting actuary in early 2010 to include the additional Unfunded Actuarial Accrued Liabilities (UAAL) associated with the ERIP, after all participants of the ERIP are identified. The contents of this report do not reflect the impact of the ERIP.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Retirement Plan
(Dollars in Thousands)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded or (Overfunded) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Underfunded or (Overfunded) AAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2004	\$ 7,042,108	\$ 8,533,864	\$ 1,491,756	82.5%	\$ 1,575,285	94.7%
June 30, 2005	7,193,142	9,321,525	2,128,383	77.2	1,589,305	133.9
June 30, 2006	7,674,999	9,870,662	2,195,663	77.8	1,733,340	126.7
June 30, 2007	8,599,700	10,526,874	1,927,174	81.7	1,896,609	101.6
June 30, 2008	9,438,318	11,186,404	1,748,086	84.4	1,977,645	88.4
June 30, 2009	9,577,747	11,741,759	2,164,012	81.6	1,999,862	108.2

Schedule of Employer Contributions

Year Ended June 30	Employer Contributions Total	
	Annual Required Contribution	Percentage Contributed
2004	\$ 159,083	63 %
2005	183,241	86
2006	227,741	100
2007	277,517	100
2008	288,119	100
2009	274,555	100

Required Supplementary Information
Retirement Plan
Notes to Required Supplementary Information

Note 1 – Description

The historical trend information about the System is presented as required supplementary information. The information is intended to help users assess the funding status of the Plan on a going-concern basis and to assess progress made in accumulating assets by paying benefits when due.

Note 2 – Significant Factors Affecting Trend in Actuarial Information and Employer Contributions

To proactively manage the flow of contributions from the City such that the large impact resulting from the System's significant investment loss during the reporting period can be mitigated, the Board adopted a revised asset smoothing policy, which maintained spreading the investment gain or loss over 5 years but expanded the market corridor from 80% - 120% to 50% - 150% of the market value of assets, in

determining the actuarial value of assets. According to the actuary's projection, the City contribution rates will be lower in the next two years than they would have been under the prior policy.

Due to asset smoothing, which dampens the effect of market volatility and results in less fluctuation in the funding requirements, there is a combined unrecognized investment loss in the amount of \$2,806,395,000 as of June 30, 2009 for the retirement and health benefits. The deferred loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. This implies that earning the assumed rate of investment return of 8% per year (net of expenses) on a market value basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, the contribution requirements would increase in the next few years even if the actual market return is equal to the assumed 8% rate and all other actuarial assumptions are met.

Required Supplementary Information
Postemployment Healthcare Plan
(Dollars in Thousands)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded or (Overfunded) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Underfunded or (Overfunded) AAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2004	\$ 858,997	\$ 1,419,813	\$ 560,816	60.5 %	\$ 1,575,285	35.6 %
June 30, 2005	893,378	1,718,899	825,521	52.0	1,589,305	51.9
June 30, 2006	990,270	1,730,799	740,529	57.2	1,733,340	42.7
June 30, 2007	1,185,544	1,730,400	544,856	68.5	1,896,609	28.7
June 30, 2008	1,342,920	1,928,043	585,123	69.7	1,977,645	29.6
June 30, 2009	1,342,497	2,003,441	660,944	67.0	1,999,862	33.1

Schedule of Employer Contributions

Year Ended June 30	Employer Contributions Total	
	Annual Required Contribution	Percentage Contributed
2004	\$ 20,144	100 %
2005	53,190	100
2006	76,116	100
2007	115,233	100
2008	108,848	100
2009	95,122	100

Required Supplementary Information
Postemployment Healthcare Plan
Notes to Required Supplementary Information

Note 1 – Description

The historical trend information about the System is presented as required supplementary information. The information is intended to help users assess the funding status of the Plan on a going-concern basis and to assess progress made in accumulating assets by paying benefits when due. As the Board decided to comply with the requirements in GASB No. 43 and No. 45 for the actuarial valuation of the Postemployment Healthcare Plan as of June 30, 2005, the funded ratios for years prior to June 30, 2005 were not calculated using the parameters required by GASB No. 43 and No. 45 because the plan's funding policy excluded active employees with less than 10 years of service. Similarly, the annual required contribution (ARC) for fiscal year ended June 30, 2006 was determined in the June 30, 2004 valuation and it was not calculated using the parameters required by GASB No. 43 and No. 45.

Note 2 – Significant Factors Affecting Trend in Actuarial Information and Employer Contributions

To proactively manage the flow of contributions from the City such that the large impact resulting from the

System's significant investment loss during the reporting period can be mitigated, the Board adopted a revised asset smoothing policy, which maintained spreading the investment gain or loss over 5 years but expanded the market corridor from 80% - 120% to 50% - 150% of the market value of assets, in determining the actuarial value of assets. According to the actuary's projection, the City contribution rates will be lower in the next two years than they would have been under the prior policy.

Due to asset smoothing, which dampens the effect of market volatility and results in less fluctuation in the funding requirements, there is a combined unrecognized investment loss in the amount of \$2,806,395,000 as of June 30, 2009 for the retirement and health benefits. The deferred loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. This implies that earning the assumed rate of investment return of 8% per year (net of expenses) on a market value basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, the contribution requirements would increase in the next few years even if the actual market return is equal to the assumed 8% rate and all other actuarial assumptions are met.

SUPPLEMENTAL SCHEDULES

Schedule of Administrative Expenses
For the Year Ended June 30, 2009
(In Thousands)

	Retirement Plan	Postemployment Healthcare Plan	Total
Personnel Services:			
Staff Salaries	\$ 8,260	\$ 1,390	\$ 9,650
Staff Benefits	1,188	200	1,388
Total Personnel Services	9,448	1,590	11,038
Professional Services:			
Actuarial	204	34	238
Data Processing	803	135	938
Audit	91	15	106
Retirees' Health Consulting	-	409	409
Legal Counsel	616	104	720
Medical for Temporary Disability	61	11	72
Total Professional Services	1,775	708	2,483
Communication:			
Printing	72	12	84
Telephone	11	2	13
Postage	237	40	277
Member Outreach Program	4	1	5
Travel	68	12	80
Total Communication	392	67	459
Rentals:			
Office Space	1,042	176	1,218
Equipment Leasing	38	6	44
Total Rentals	1,080	182	1,262
Miscellaneous:			
Office	34	5	39
Depreciation	100	17	117
Total Miscellaneous	134	22	156
	\$ 12,829	\$ 2,569	\$ 15,398

Schedule of Investment Expenses
For the Year Ended June 30, 2009
(In Thousands)

	Assets Under Management	Fees
<u>Retirement Plan</u>		
Investment Management Expense:		
Fixed Income Managers	\$ 1,850,449	\$ 3,312
Equity Managers	3,964,497	9,696
Subtotal Investment Management Expense	<u>5,814,946</u>	<u>13,008</u>
Other Investment Expense:		
Alternative Investments Consulting Fee	-	1,014
Real Estate and Other Consulting Fee	-	531
Subtotal Other Investment Expense	<u>-</u>	<u>1,545</u>
<u>Postemployment Healthcare Plan</u>		
Investment Management Expense:		
Fixed Income Managers	258,587	558
Equity Managers	554,012	1,632
Subtotal Investment Management Expense	<u>812,599</u>	<u>2,190</u>
Other Investment Expense:		
Alternative Investments Consulting Fee	-	171
Real Estate and Other Consulting Fee	-	89
Subtotal Other Investment Expense	<u>-</u>	<u>260</u>
Total Investment Management Expense and Other Investment Expense, Excluding Alternative Investments, Real Estate and Securities Lending	<u>\$ 6,627,545</u>	<u>\$ 17,003</u>
Alternative Investments Managers' Fees:		
Retirement Plan	\$ 665,477	\$ 15,972
Postemployment Healthcare Plan	92,996	2,689
Total Alternative Investments Managers' Fees	<u>\$ 758,473</u>	<u>\$ 18,661</u>
Real Estate Managers' Fees:		
Retirement Plan	\$ 457,196	\$ 9,615
Postemployment Healthcare Plan	63,890	1,619
Total Real Estate Managers' Fees	<u>\$ 521,086</u>	<u>\$ 11,234</u>
Security Lending Fees:		
Retirement Plan	\$ 1,269,946	\$ 1,948
Postemployment Healthcare Plan	177,466	327
Total Security Lending Fees	<u>\$ 1,447,412</u>	<u>\$ 2,275</u>

INVESTMENT SECTION

Report on Investment Activity

December 10, 2009

Board of Administration
Los Angeles City Employees' Retirement System
360 E. Second Street, 2nd Floor
Los Angeles, CA 90012-4207

Dear Members of the Board:



Presented below is a summary report of the Fund's investment activities for the fiscal year 2008-2009.

Market Overview

The first three quarters of this fiscal year were marked by extreme difficulty and government bailouts of many well known firms in the financial and automotive sectors. Government rescue efforts were highly inconsistent resulting in market uncertainty. Lehman Brothers' failure was unprecedented, freezing credit markets, drying up liquidity in the cash markets, and causing a flight to quality in US Treasury bonds and gold.

Central banks around the world injected trillions of dollars into the banking system, which had a stabilizing effect. In March 2009, stock and bond markets reached a bottom and began to turn around. Investors returned, driving strong investment performance in publicly traded equity and fixed income markets. In particular, emerging markets and high yield debt benefited with high double-digit returns. Non-U.S. markets benefited from currency appreciation versus the U.S. dollar.

In the U.S., problems such as high and increasing unemployment, high residential real estate foreclosures, limited financing available for small to mid-sized companies and commercial real estate, and uncertainty surrounding healthcare reform continued to dampen broader economic recovery efforts. In spite of these negative sentiments, the equity and fixed income markets rallied to deliver double digit returns for the quarter ending June 30.

Investment Performance

Traditional Programs

LACERS total portfolio was valued at \$8.2 billion on June 30, 2009, a decrease of \$2.2 billion from the prior fiscal year end, but up \$1.2 billion from March 9, 2009. The total portfolio posted annualized net returns of -19.6 % over one year, -3.4% for three-years, and 2.1% for the five-year period ending June 30, underperforming the assumed 8% return. Credit exposure, which for years had performed well in both debt and equity markets, was punished this fiscal year by the crisis in credit and liquidity.

The fund underperformed its policy benchmark by 40 basis points for the past year, primarily due to declining real estate values. U.S. and non-U.S. publicly traded equity asset class investments over the past year outperformed

their benchmarks by 30 and 160 basis points, respectively, whereas fixed income trailed by 60 basis points. For the year, real estate returns lagged their benchmark by 17%, whereas alternative investments outperformed by 2.3%. The publicly traded markets went into a freefall in the third and fourth quarters of 2008 and through most of the first quarter of 2009. Private equity and real estate returns temporarily buoyed the total fund returns because of the three-to-six month lag of portfolio appraisals.

In comparison to other public funds in the TUCS (Trust Universe Comparison Service) with a market value greater than \$1 billion, LACERS ranked in the 78th percentile for the 1-year period ending June 30, 2009.

Special Programs

Corporate governance equity manager performance in the U.S. was mixed for the fiscal year, with one manager outperforming their benchmark by 10%, and the other underperforming by 2%. The non-U.S. corporate governance manager outperformed its benchmark by 3%.

All of the emerging manager equity fund of funds programs underperformed their respective benchmarks for the fiscal year. Also LACERS opportunistic fixed income portfolio underperformed its High Yield Bond Index for the period by 13.8%, primarily driven by declines in commercial real estate debt.

The Investment Results on page 49 displays a summary of time-weighted rates of return based on fair value of assets.

Policies, Procedures and Guidelines

During the fiscal year, the Board of Administration adopted a Third Party Marketing and Referrals Disclosure Policy regulating placement agents. The policy requires disclosure of the identity of third party marketers and/or individuals representing a firm referred to LACERS. Firms are required to disclose those third party marketers and/or referring individuals that receive fees or other consideration in the event that a contract with LACERS is secured. In addition, the Board adopted revised investment plans for private equity and real estate.

Contract Renewals and New Hires

During the fiscal year 2008/2009, contracts with seven managers of publicly traded securities were renewed. Five were domestic equity managers, one was an EAFE Core equity manager, and one was a Global Emerging Markets equity manager.

Private Investments

LACERS approved three private equity and two real estate partnerships totaling \$65 million and \$40 million of committed capital, respectively.

Investment Consulting Services

The Board approved a one-year contract renewal with LACERS general pension fund consultant, and directed that an RFP be released.

Respectfully submitted,



Daniel P. Gallagher
Chief Investment Officer

Outline of Investment Policies

Fiscal Year 2008-2009

The Los Angeles City Employees' Retirement System's (LACERS, or the System) general investment goals are consistent with the City Charter citations and State Constitution and are stated below:

- The overall goal of the System's investment assets is to provide plan participants with post-retirement benefits as set forth in the System documents. This will be accomplished through a carefully planned and executed investment program.
- The System's investment program shall comply, at all times, with existing and future applicable city, state and federal regulations. Investment performance data is calculated in conformance with Global Investment Performance Standards (GIPS).
- All transactions undertaken will be for the sole benefit of the System's participants and beneficiaries and for the exclusive purpose of providing benefits to them and defraying reasonable administrative expenses associated with the System.
- The System has a long-term investment horizon, and utilizes an asset allocation that encompasses a strategic, long run perspective of capital markets. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the System's investment performance.
- Investment actions are expected to comply with "prudent person" standards as described: "...with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims."

Investment Results

Annualized asset class investment returns compared to policy benchmarks:

Return Summary (net of fees)	Annualized *		
	1 Yr. (%)	3 Yrs. (%)	5 Yrs. (%)
U.S. Equity	-26.3	-8.9	-2.1
Russell 3000	-26.6	-8.3	-1.8
Fixed Income	4.3	5.1	4.9
BC US Universal**	4.9	5.9	4.9
International Equity	-29.3	-6.0	4.0
LACERS MS ACWI ex U.S. Index**	-30.9	-5.8	4.5
Real Estate	-31.8	-4.7	4.8
NCREIF Property Index	-14.7	4.2	9.4
Alternative	-21.3	3.8	9.8
Russell 3000 plus 400 bps	-23.6	-4.6	2.2
Corporate Governance	-35.9	-16.0	N/A
Composite Benchmark	-42.9	-15.1	N/A
LACERS Total Fund	-19.6	-3.4	2.1
LACERS Policy Benchmark	-19.2	-3.2	2.1

* Time-weighted rate of return based on fair value of assets for all asset classes.

** Both the Barclays US Universal and LACERS MS ACWI Free ex U.S. indices are historically blended with other indices.

Public & Private Equity Investment Contract Activity

Contracts with managers of publicly traded securities renewed:

Firms

Attucks Asset Management
Capital Guardian Trust Company
Capital Prospects LLC
Donald & Smith & Company
Marvin & Palmer Associates, Inc.
PanAgora Asset Management, Inc.
The Boston Company

Mandate

Active Domestic Small-Cap
Active European
Active Domestic Large-Cap
Active Domestic Small-Cap
Active EAFE Core Equities
Active Domestic Small-Cap
Active Global Emerging Markets

Opportunistic fixed income managers funded:

Investment Manager

ING Clarion Opportunity Fund III

Mandate

CMBS

New alternative investment and real estate partnerships:

Investment Managers

Charterhouse Capital Partners IX, LP
First Reserve Fund XII, LP
TA XI, LP
Mesa West Real Estate Income Fund II
Paladin Realty Latin America Investors III, LP

Mandate

Alternative Investments - Buyouts
Alternative Investments - Buyouts
Alternative Investments - Venture and Buyouts
Real Estate - Debt
Real Estate - Opportunistic

Investment consultant contract renewed:

Investment Consultant

Pension Consulting Alliance

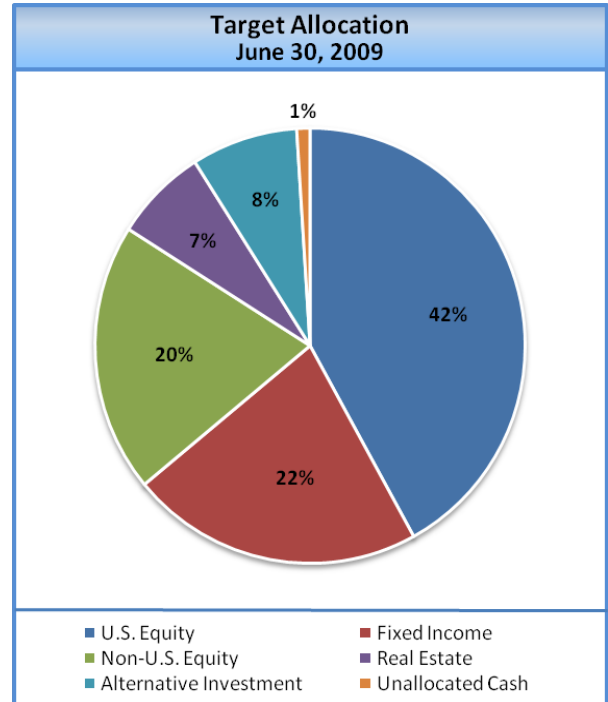
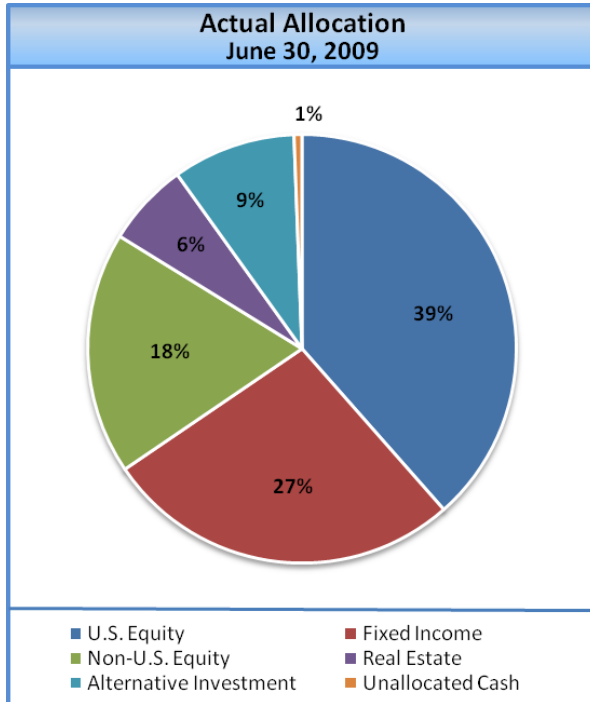
Type of Service

General Fund Consultant

Asset Allocation As of June 30, 2009

	Actual
U.S. Equity	38.5%
Fixed Income	27.0
Non-U.S. Equity	18.3
Real Estate	6.3
Alternative Investment	9.3
Unallocated Cash	0.6
Total	100.0%

	Target
U.S. Equity	42.0%
Fixed Income	22.0
Non-U.S. Equity	20.0
Real Estate	7.0
Alternative Investment	8.0
Unallocated Cash	1.0
Total	100.0%



List of Largest Assets Held

Displayed below are the ten largest holdings in each asset class along with their market and share/par values as of June 30, 2009. A complete listing of the System's holdings is available on www.LACERS.org.

Largest U.S. Equity Holdings

	Shares	Asset Description	Market Value (in US\$)
1.	1,061,906	Exxon Mobil Corp	\$ 74,237,848
2.	311,594	Apple Inc	44,380,333
3.	1,292,519	JPMorgan Chase & Co	44,087,823
4.	95,855	Google Inc.	40,411,510
5.	511,167	Chevron Corp.	33,864,814
6.	1,345,183	AT&T Inc.	33,414,346
7.	859,921	Hewlet Packard Co	33,235,947
8.	1,334,356	Microsoft Corp	31,717,642
9.	587,100	Procter & Gamble Co	30,000,810
10.	643,415	Qualcomm Inc	29,082,358
Total			\$ 394,433,431

Largest U.S. Fixed Income Holdings

	Par Value	Asset Description	Market Value (in US\$)
1.	\$47,995,000	US Treas Nts 2.375% due 01/15/2017	\$ 52,949,881
2.	27,200,000	US Treas Bds 9.125% due 05/15/2018	38,961,878
3.	34,251,488	FNMA 4.5% due 08/01/2035	34,299,303
4.	32,360,000	FHLMC Gold Single Family 5.5% 30 yrs settles July	33,401,604
5.	27,417,325	FNMA 6% due 08/01/2037	28,694,424
6.	25,050,000	US Treas Nts 2.625% due 07/15/2017	27,462,424
7.	25,000,000	FHLMC Gold Participation 5.5% 30 yrs settles August	25,710,950
8.	26,361,000	Goldman Sachs 6.75% due 10/01/2037	24,914,481
9.	20,527,416	FNMA 5.5% due 02/01/2036	21,268,046
10.	17,949,651	FHLMC Gold GI-1894 4.5% due 01/01/2021	18,492,987
Total			\$ 306,155,978

Largest Non-U.S. Equity Holdings

	Shares	Asset Description	Market Value (in US\$)
1.	140,586	Roche Hldgs AG Genussheneine	\$ 19,092,963
2.	2,176,561	HSBC Hldgs (UK)	18,011,961
3.	335,590	ADR Teva Pharmaceutical Inds	16,558,011
4.	437,895	ADR Petroleo Brasileiro Sa Petrobras	14,608,177
5.	366,480	Toyota Motor Corp	13,939,800
6.	452,305	BHP Billiton Ltd	12,695,923
7.	272,579	Credit Suisse	12,431,537
8.	460,123	Royal Dutch Shell	11,487,970
9.	300,881	Nestle	11,320,905
10.	24,139	Samsung Electronic	11,217,307
Total			\$ 141,364,554

List of Largest Assets Held (Continued)

Largest Non-U.S. Fixed Income Holdings

	Par Value (in local currency)	Asset Description	Market Value (in US\$)
1.	1,330,000	Mexico 8% Bds due 12/17/2015	\$ 10,237,120
2.	9,295,000	Anheuser Busch Worldwide Inc Nt 7.75% due 01/15/2019	10,165,533
3.	7,445,000	Shell Intl Fin Nt 6.375% due 12/15/2038	8,109,265
4.	8,355,000	Telecom Italia Capital Sr Notes 7.2% due 07/18/2036	8,100,841
5.	8,500,000	Arcelormittal Sa Luxembourg Nt 6.125% due 06/01/2018	7,437,500
6.	7,120,000	Encana Corp 6.5% due 08/15/2034	7,231,905
7.	5,075,000	Capital One Multi-Asset Exec 2005-10 Nt Var rate due 09/15/2015	4,841,332
8.	4,355,000	Covidien Intl Fin 6.55% due 10/15/2037	4,823,389
9.	4,100,000	Anheuser Busch Worldwide Inc Nt 7.2% due 01/15/2014	4,408,000
10.	3,540,000	B A T Intl Fin Nt 9.5% due 11/15/2018	4,160,707
		Total	\$ 69,515,592

Schedules of Fees and Commissions

Schedule of Fees

(In Thousands)

	2009 Assets Under Management		2008 Assets Under Management	
		Fees		Fees
Investment Manager Fees:				
Fixed Income Managers	\$ 2,109,036	\$ 3,870	\$ 2,421,513	\$ 3,149
Equity Managers	4,518,509	11,328	6,083,367	18,199
Real Estate Managers	521,086	11,234	634,985	10,441
Alternative Investment Managers	758,473	18,661	871,722	13,070
Total	\$ 7,907,104	\$ 45,093	\$ 10,011,587	\$ 44,859
Security Lending Fees	\$ 1,447,412	\$ 2,275	\$ 1,814,923	\$ 3,244
Alternative, Real Estate & Other Investment Consulting Fees	N/A	1,805	N/A	1,785
Total	\$ 1,447,412	\$ 4,080	\$ 1,814,923	\$ 5,029

Schedule of Top Ten Brokerage Commissions

	Broker	Shares	Commission	\$/Share
1.	BNY ESI Securities Co	6,886,545	\$ 206,626	\$ 0.030
2.	Investment Technology Group	12,238,201	140,919	0.012
3.	Cabrera Capital Markets, Inc	5,475,103	111,837	0.020
4.	Ivy Securities Inc	2,389,700	93,159	0.039
5.	Jefferies & Co	5,495,847	88,446	0.016
6.	Bley Investment Group	1,640,677	73,751	0.045
7.	Weeden & Co	5,446,777	70,153	0.013
8.	Bernstein, Sanford & Co	5,321,719	64,172	0.012
9.	UBS Warburg LLC	3,315,090	62,087	0.019
10.	Goldman Sachs & Co	2,715,954	61,712	0.023
	Total	50,925,613	972,862	0.019
	Total - Other Brokers	68,074,454	1,789,535	0.026
	Grand Total*	119,000,067	\$ 2,762,397	\$ 0.023

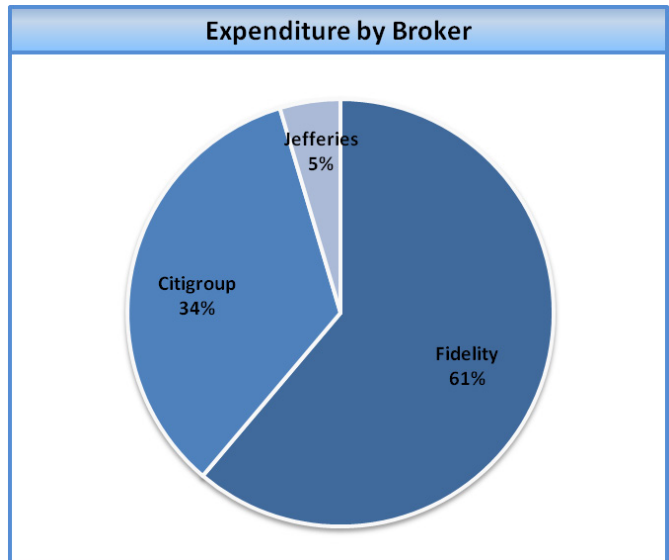
* OTC Brokers excluded because there is no stated commission.

Schedules of Fees and Commissions (Continued)

Captured Commission Expenditures

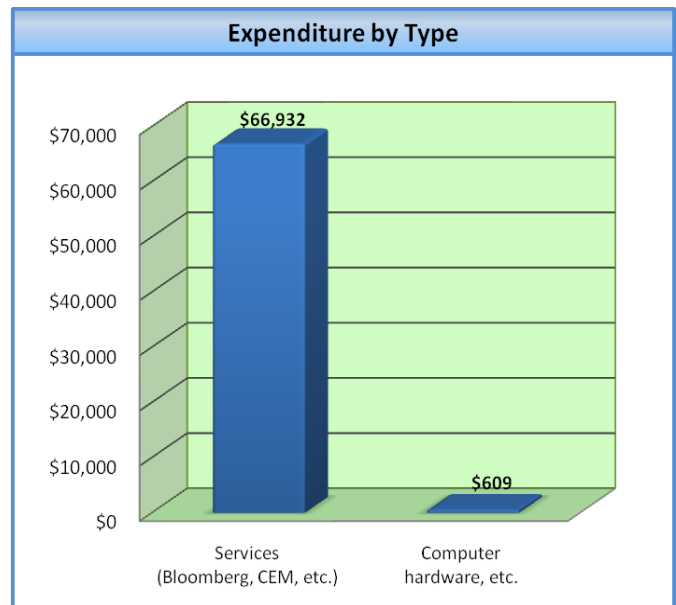
Expenditure by Broker

Broker	Expenditure
Fidelity	\$ 41,330
Citigroup	23,102
Jefferies	3,109
Total	\$ 67,541



Expenditure by Type

Type	Expenditure
Services (Bloomberg, CEM, etc.)	\$ 66,932
Computer hardware, etc.	609
Total	\$ 67,541



Investment Summary

As of June 30, 2009

Type of investment	Market Value	% of Total Market Value	Domestic Market Value	Foreign Market Value
Fixed Income				
Government bonds	\$ 250,720,642	2.68%	\$ 225,278,810	\$ 25,441,832
Government agencies	69,524,511	0.74	64,211,623	5,312,888
Municipal / provincial bonds	8,040,386	0.09	3,931,439	4,108,947
Corporate bonds	1,120,646,027	11.98	969,901,452	150,744,575
Commercial mortgage bonds	86,766,880	0.93	86,766,880	-
Government mortgage bonds	470,106,170	5.03	470,106,170	-
Opportunistic debt	103,232,275	1.10	103,232,275	-
Total Fixed Income	2,109,036,891	22.55	1,923,428,649	185,608,242
Equities				
Common stock				
Basic industries	418,229,741	4.47	271,624,335	146,605,406
Capital goods industries	220,762,145	2.36	91,690,473	129,071,672
Consumer & services	929,253,689	9.93	558,555,871	370,697,818
Energy	574,542,999	6.14	388,908,350	185,634,649
Financial services	701,961,090	7.50	378,219,641	323,741,449
Health care	465,845,952	4.98	350,704,670	115,141,282
Information technology	632,760,375	6.76	517,610,018	115,150,357
Miscellaneous (Common Fund Assets)	530,142,913	5.67	487,611,611	42,531,302
Total Common Stock	4,473,498,904	47.82	3,044,924,969	1,428,573,935
Preferred stock	36,461,991	0.39	515,122	35,946,869
Convertible bonds/equities	5,281,263	0.06	-	5,281,263
Rights/warrants	2,183,291	0.02	-	2,183,291
Unit trust equity	1,082,506	0.01	-	1,082,506
Total Equities	4,518,507,955	48.30	3,045,440,091	1,473,067,864
Real Estate	521,086,326	5.57	463,888,493	57,197,833
Alternative Investments				
Acquisitions	458,844,972	4.91	448,753,682	10,091,290
Distressed debt	32,373,821	0.35	32,373,821	-
International acquisitions	55,210,268	0.59	12,754,075	42,456,193
Mezzanine	9,720,097	0.10	9,720,097	-
Venture capital	202,323,830	2.16	167,813,245	34,510,585
Total Alternative Investments	758,472,988	8.11	671,414,920	87,058,068
Security Lending Collateral	1,447,412,249	15.47	1,337,241,640	110,170,609
Total Fund*	\$ 9,354,516,409	100.00%	\$ 7,441,413,793	\$ 1,913,102,616

* Total Fund includes securities lending, but excludes cash and cash equivalents and adjustments to cash.

Advisory/Consulting/Custody Services

Investment Advisors

U.S. Equity

Alliance Bernstein
Aronson, Johnson & Ortiz, L.P.
Attucks Asset Management
Barclays Global Investors
Blum Stinson Capital
Capital Prospects, LLC
Donald Smith & Co., Inc.
Franklin Global Advisers
New Mountain Vantage, L.P.
PanAgora Asset Mgmt., Inc.
Progress Investment Management
Relational Investors
Rhumblin Advisors
Sit Investment Associates, Inc.
Thomson, Horstmann & Bryant, Inc.

Non-U.S. Equity

Batterymarch Financial Management, Inc.
Boston Company
Capital Guardian Trust
Daiwa SB Investments
Hermes Focus Asset Mgmt.
Knight Vinke
Marvin & Palmer Assoc.
State Street Global Advisers
Templeton International
TT Int'l. Inv. Management

Fixed Income

Robert W. Baird & Co., Inc.
ING Clarion Debt Opportunity Fund
LM Capital Group, LLC
Loomis Sayles & Company
Neuberger Berman
Oaktree Loan Fund
Quadrant
Whippoorwill

Cash & Short-Term

Managed In-House

Real Estate

Allegis Trust
AMB Capital Partners
Bond Cos. Sustainability Fund
Bryanston Realty Partners
Buchanan Street Partners
Canyon-Johnson Urban Fund
CB Richard Ellis
CIM Urban REIT, LLC
City View Urban Fund
Colony Investors
CPI Capital Partners Europe
DLJ Real Estate Capital Partners
DRA Growth & Inc. Fund
ForesTree
Genesis Workforce Housing
Heitman Value Partners
ING Realty Partners
INVESCO Core Real Estate
JP Morgan
Koll-Bren (K/B) Realty Advisors
LaSalle Inv Management
Lowe Hospitality
Mayfield Gentry Genesis Value
McFarlane Urban Real Estate Fund
Mesa West Real Estate Income
Miller Global Advisers
Pacific Coast Capital Partners LLC
Paladin Realty Partners LLC
PRISA
Realty Associates
RREEF Funds
Stockbridge Real Estate
Tuckerman Group
Urban America Fund
Urdang Value Added Fund
Valencia NextBlock Medical
Walton Street Real Estate
Westbrook Real Estate Fund

Advisory/Consulting/Custody Services (Continued)

Alternative Investments

Acon-Bastion Partners
Advent International
Alchemy Partners
Apollo Fund
Ares Distressed Securities Fund
Austin Ventures, LLP
Avenue Special Situations
Blackstone Capital Partners
Carlyle Group
Carpenter Community Bancfund
CGW Southeast Partners
Charterhouse Capital Partners
CHS Private Equity
Chisholm Partners
Cityfront Capital Partners
Craton Equity Investors
CVC Capital Partners
CVC Capital Partners (London, UK)
DFJ
Enhanced Equity
Essex Woodland Health Ventures
First Reserve Corporation
Green Equity Investors
GTCR
Halifax Capital
Hellman & Friedman Inv
HM Capital Sector Perf Fund
InterWest Partners
JH Whitney & Co.
Kelso & Company
KKR
Levine Leichtman
Lindsay Goldberg & Bessemer
Madison Dearborn
Menlo Ventures
Nautic Partners
New Mountain Partners
Newbridge Asia
NGEN
Nogales Investors
Nordic Capital
Oak Investment Partners
OCM Opportunities
Olympus Partners
Onex Partners
Palladium Equity Partners
Parish Capital
Permira
Pharos Capital Partners
Polaris Venture Partners
Providence Equity Partners
Relativity
Reliant Equity Partners
Resolute Fund Partners
Richland Ventures
Rustic Canyon/Fontis Partners
St. Cloud Capital
Saybrook Corporate Opportunity
Spark Capital
Spire
Starvest
Sterling Partners
TA
TCV
TCW
Texas Pacific Group
Thoma Cressey Equity Partners
Thomas H. Lee
Trident Capital
Vantage Point Venture
Vestar Capital Partners
Vicente Capital Growth
Vista Equity Partners
Welsh, Carson, Anderson & Stowe
Weston Presidio
Yucaipa American Alliance

Consultants

Courtland Partners, Ltd.
Hamilton Lane
Pension Consulting Alliance

Custodian

The Northern Trust Company

ACTUARIAL SECTION

Actuarial Valuation Summary

Summary of Significant Valuation Results

	June 30, 2009	June 30, 2008	Percent Change
I. Total Membership			
a. Active Members	30,065	30,236	(0.6)%
b. Pensioners and Beneficiaries	14,991	14,975	0.1 %
II. Valuation Salary			
a. Total Annual Payroll	\$1,999,861,604	\$1,977,644,640	1.1 %
b. Average Monthly Salary	5,543	5,451	1.7 %
III. Benefits to Current Retirees and Beneficiaries*			
a. Total Annual Benefits	\$521,859,396	\$502,357,584	3.9 %
b. Average Monthly Benefit Amount	2,901	2,796	3.8 %
IV. Total System Assets**			
a. Actuarial Value	\$10,949,384,202	\$10,805,841,634	1.3 %
b. Market Value	8,142,988,791	10,372,194,349	(21.5)%
V. Unfunded Actuarial Accrued Liability (UAAL)			
a. Retirement Benefits	\$2,164,011,161	\$1,748,085,441	23.8 %
b. Health Subsidy Benefits	660,944,656	585,123,289	13.0 %

* Includes July COLA.

** Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits.

	FY 2010-2011		FY 2009-2010		Change	
	Beginning of Year*	End of Pay Periods	Beginning of Year	End of Pay Periods	Beginning of Year	End of Pay Periods
VI. Budget Items						
a. Retirement Benefits						
1. Normal Cost as a Percent of Pay	9.91%	10.30%	9.41%	9.77%	0.50%	0.53%
2. Amortization of UAAL	6.17%	6.41%	4.70%	4.88%	1.47%	1.53%
3. Total Retirement Contribution	16.08%	16.71%	14.11%	14.65%	1.97%	2.06%
b. Health Subsidy Contribution						
1. Normal Cost as a Percent of Pay	3.76%	3.91%	3.60%	3.74%	0.16%	0.17%
2. Amortization of UAAL	2.07%	2.15%	1.67%	1.74%	0.40%	0.41%
3. Total Health Contribution	5.83%	6.06%	5.27%	5.48%	0.56%	0.58%
c. Total Contribution (a+b)	21.91%	22.77%	19.38%	20.13%	2.53%	2.64%

	June 30, 2009	June 30, 2008	Change
VII. Funded Ratio			
(Based on Valuation Value of Assets)			
a. Retirement Benefits	81.6%	84.4%	(2.8)%
b. Health Subsidy Benefits	67.0%	69.7%	(2.7)%
c. Total	79.4%	82.2%	(2.8)%
(Based on Market Value of Assets)			
d. Retirement Benefits	60.7%	81.0%	(20.3)%
e. Health Subsidy Benefits	49.8%	66.9%	(17.1)%
f. Total	59.1%	78.9%	(19.8)%

* Total contribution rates payable on July 15, 2010 are 16.14% for retirement, 5.85% for health, and 21.99% in total.

Retirement Benefits Valuation

Actuarial Certification

November 5, 2009

This is to certify that The Segal Company has conducted an actuarial valuation of the Los Angeles City Employees' Retirement System retirement program as of June 30, 2009, in accordance with generally accepted actuarial principles and practices. Actuarial valuations are performed annually for this retirement program with the last valuation completed on June 30, 2008. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for retirement benefits.

The City has agreed to offer an Early Retirement Incentive Program (ERIP) to active members who meet certain eligibility requirements. As requested by LACERS, Segal will prepare another valuation to show the impact of the ERIP after the actual ERIP elections are available sometime early in 2010. The results in this valuation should therefore be considered preliminary, as they do not reflect the impact of the ERIP.

The actuarial valuation is based on the plan of benefits verified by LACERS and on participant and financial data provided by LACERS.

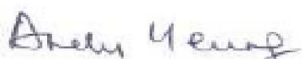
One of the general goals of an actuarial valuation is to establish contributions that fully fund the Retirement System's liabilities, and that, as a percentage of payroll, remain as level as possible for each generation of active members. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Projected Unit Credit cost method. In no event will the recommended contribution be less than the minimum Annual Required Contribution (ARC) as determined under GASB Statements 25 and 27.

The actuarial computations made are for funding plan benefits and for satisfying the financial accounting requirements under GASB Statements No. 25 and 27. Accordingly, additional determinations will be needed for other purposes, such as judging benefit security at termination.

In addition to all schedules that are shown in the actuarial section of the CAFR, a listing of supporting schedules included in the statistical and financial sections of the System's CAFR prepared by Segal is provided below:

- 1) Schedule of funding progress
- 2) Schedule of employer contributions
- 3) Supplementary Information Required by GASB

To the best of our knowledge, this report is complete and accurate and in our opinion presents the plan's current funding information. The undersigned is a member of the American Academy of Actuaries and is qualified to render the actuarial opinion contained herein.



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

Retirement Benefits Valuation

Member Valuation Data

Member Population: 2000 - 2009

Year Ended June 30	Active Members	Inactive Members*	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
2000	24,234	N/A	13,058	0.54
2001	25,654	N/A	13,365	0.52
2002	25,930	2,327	13,589	0.61
2003	26,358	2,593	13,805	0.62
2004	27,092	2,232	14,137	0.60
2005	27,333	2,426	14,322	0.61
2006	28,839	2,903	14,570	0.61
2007	30,175	3,303	14,836	0.60
2008	30,236	4,273	14,975	0.64
2009	30,065	4,554	14,991	0.65

* Includes terminated members due a refund of employee contributions.

Retirees and Beneficiaries Added to and Removed from Retiree Payroll*

Year Ended June 30	No. of New Retirees/ Beneficiaries	Annual Allowances Added**	No. of Retirees/ Beneficiaries Removed	Annual Allowances Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Allowances at 6/30	Percent Increase in Annual Allowances	Average Annual Allowance
2002	844	\$23,740,829	620	\$11,316,344	13,589	\$336,437,038	6.4%	\$24,758
2003	827	24,729,535	611	12,008,132	13,805	359,036,215	6.7%	26,008
2004	986	53,452,133	654	13,220,316	14,137	399,268,032	11.2%	28,243
2005	934	43,454,836	749	14,769,736	14,322	427,953,132	7.2%	29,881
2006	890	42,821,079	642	15,061,287	14,570	455,712,924	6.5%	31,277
2007	821	34,131,744	555	13,210,740	14,836	476,633,928	4.6%	32,127
2008	748	40,680,279	609	14,956,623	14,975	502,357,584	5.4%	33,546
2009	632	36,887,854	616	17,386,042	14,991	521,859,396	3.9%	34,812

* Does not include Family Death Benefit Insurance Plan members. Table based on valuation data.

** Effective 06/30/2004, also includes the COLA granted in July.

Retirement Benefits Valuation

Solvency Test for Retirement Benefits

For Years Ended June 30
(Dollars in Thousands)

Valuation Date	Aggregate Actuarial Accrued Liabilities For			Valuation Value of Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	(1) Member Contributions	(2) Retirees, Beneficiaries & Inactives	(3) Active Members		(1) Member Contributions	(2) Retirees, Beneficiaries & Inactives	(3) Active Members
06/30/1996	\$637,737	\$2,357,798	\$1,480,489	\$4,468,433	100.0%	100.0%	99.5%
06/30/1997	683,048	2,598,432	1,604,857	4,802,509	100.0	100.0	94.8
06/30/1998	733,680	2,772,712	1,806,526	5,362,923	100.0	100.0	100.0
06/30/1999	776,617	2,989,218	1,918,751	5,910,948	100.0	100.0	100.0
06/30/2000	827,729	3,149,392	2,035,810	6,561,365	100.0	100.0	100.0
06/30/2001	889,658	3,444,240	2,134,168	6,988,782	100.0	100.0	100.0
06/30/2002	950,002	3,756,935	2,545,181	7,060,188	100.0	100.0	92.5
06/30/2003	1,005,888	4,021,213	2,632,745	6,999,647	100.0	100.0	74.9
06/30/2004	1,062,002	4,348,252	3,123,610	7,042,108	100.0	100.0	52.2
06/30/2005	1,128,101	4,858,932	3,334,492	7,193,142	100.0	100.0	36.2
06/30/2006	1,210,246	5,149,385	3,511,031	7,674,999	100.0	100.0	37.5
06/30/2007	1,307,008	5,365,437	3,854,429	8,599,700*	100.0	100.0	50.0
06/30/2008	1,408,074	5,665,130	4,113,200	9,438,318	100.0	100.0	57.5
06/30/2009	1,500,849	5,825,832	4,415,078	9,577,747	100.0	100.0	51.0

* Excludes assets transferred for Port Police.

Retirement Benefits Valuation

Actuarial Analysis of Financial Experience

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2009

1. Unfunded actuarial accrued liability at beginning of year	\$1,748,085,441
2. Normal cost at beginning of year	311,749,220
3. Total contributions	(406,709,155)
4. Interest	<u>138,451,398</u>
5. Expected unfunded actuarial accrued liability	1,791,576,904
6. Changes due to experience loss*	<u>372,434,257</u>
7. Unfunded actuarial accrued liability at end of year	<u><u>\$2,164,011,161</u></u>

* Excludes \$5,014,489 gain from contributions more than anticipated due to one-year delay in implementing the lower contribution rate calculated in the June 30, 2008 valuation. That gain is already included in the development of item 5.

Actuarial Balance Sheet

Assets

1. Valuation value of assets (\$8,142,988,791 at market value* and \$10,949,384,202 at actuarial value* as reported by LACERS)	\$9,577,747,421
2. Present value of future normal costs	
Employee	\$1,089,530,738
Employer	<u>2,407,609,612</u>
Total	3,497,140,350
3. Unfunded actuarial accrued liability	<u>2,164,011,161</u>
4. Present value of current and future assets	<u><u>\$15,238,898,932</u></u>

Liabilities

5. Present value of future benefits	
Retired members and beneficiaries	\$5,720,136,254
Inactive members	183,318,739
Active members	<u>9,335,443,939</u>
Total	<u><u>\$15,238,898,932</u></u>

* Market and actuarial values of assets include assets for Retirement, Health, Family Death, and Larger Annuity Benefits.

Retirement Benefits Valuation

Summary of Actuarial Assumptions and Actuarial Cost Method

The following assumptions were adopted by the Board on October 14, 2008, based on an Actuarial Experience Study as of June 30, 2008:

Mortality Rates

After Service Retirement:

RP-2000 Combined Healthy Mortality Table, set back one year.

After Disability Retirement:

RP-2000 Combined Healthy Mortality Table, set forward 7 years.

Termination Rates before Retirement

Pre-Retirement Mortality:

RP-2000 Combined Healthy Mortality Table, set back one year.

Age	Rate (%)	
	Disability	Termination*
25	0.01	4.75
30	0.03	4.75
35	0.07	4.00
40	0.15	2.84
45	0.22	2.01
50	0.26	1.60
55	0.24	1.35
60	0.22	1.25

* Termination rates are zero for members eligible to retire.

Rates of termination for members with less than 5 years of service are as follows:

Years of Service	Rate (%)
	Termination (Based on Service)
0	9.75
1	8.00
2	6.25
3	5.50
4	4.75

Retirement Rates

Age	Retirement Probability	
	Non-55/30	55/30
50	10%	0%
51	5	0
52	5	0
53	5	0
54	15	0
55	10	20
56	10	15
57	10	15
58	10	15
59	10	15
60	10	15
61	10	16
62	10	17
63	10	18
64	10	19
65	15	20
66	15	20
67	15	20
68	15	20
69	15	20
70	100	100

Retirement Age and Benefit for Inactive Vested Participants

Assume pension benefit will be paid at the later of age 57 or the current attained age.

Exclusion of Inactive Members

All inactive participants are included in the valuation.

Definition of Active Members

First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.

Unknown Data for Members

Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.

Percent Married/Domestic Partner

76% of male participants; 50% of female participants.

Retirement Benefits Valuation

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Age of Spouse

Female spouses 4 years younger than their spouses.

Future Benefit Accruals

1.0 year of service per year.

Other Reciprocal Service

10% of future inactive vested members will work at a reciprocal system.

Consumer Price Index

Increase of 3.75% per year; benefit increases due to CPI subject to 3.0% maximum.

Employee Contribution and Matching Account Crediting Rate

6.50%

Net Investment Return

8.00%

Salary Increases

According to the following schedule:

For members with under 5 years of service,

Years of Service	Percentage Increase*
0	8.00%
1	6.75%
2	4.75%
3	3.75%
4	2.50%

For members with over 5 years of service,

Age	Percentage Increase*
20 – 24	2.25%
25 – 29	2.00%
30 – 34	1.75%
35 – 39	1.50%
40 – 44	1.00%
45 – 49	0.75%
50 – 54	0.50%
55 – 69	0.50%

* Before including a 3.75% inflation increase and a 0.50% across the board increase

Changes in Assumptions

The Board adopted the above assumptions on October 14, 2008, based on an Actuarial Experience Study as of June 30, 2008. No assumptions were changed from the previous valuation.

Actuarial Cost Method

Projected Unit Credit Cost Method.

Actuarial Value of Assets

The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a five year period. The actuarial value of assets cannot be less than 50% or greater than 150% of the market value of assets. The market value corridor was expanded from 80% - 120% to 50% - 150% by the Board on September 22, 2009.

Funding Policy

The plan sponsor of the City of Los Angeles Employees' Retirement System makes contributions equal to the Normal Cost adjusted by amount to amortize any Surplus or Unfunded Actuarial Accrued Liability. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Projected Unit Credit cost method. All the bases on or before June 30, 2005, except those arising from the phase-in of contribution rates for the 2002 experience study, were combined and amortized over 30 years effective June 30, 2005. Any subsequent change in Surplus or Unfunded Actuarial Accrued Liability due to actuarial gains or losses are amortized over separate 15-year periods. Any change in Surplus or Unfunded Actuarial Accrued Liability from plan amendments or plan assumption changes are amortized over separate 30-year periods. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service.

In no event will the recommended contribution be less than the minimum Annual Required Contribution (ARC) as determined under GASB Statements 25 and 27.

Retirement Benefits Valuation

Summary of Plan Provisions

This exhibit summarizes the major provisions of LACERS included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year

July 1 through June 30

Census Date

June 30

Normal Retirement Benefit

Age & Service Requirement (§ 4.1020)

- Age 70;
- Age 60 with 10 years of continuous service; or
- Age 55 with at least 30 years of service.

Amount (§ 4.1056.2)

2.16% per year of service (not greater than 100%) of the Final Average Monthly Compensation.

Early Retirement Benefit

Age & Service Requirement (§ 4.1020)

- Age 55 with 10 years of continuous service; or
- Any age with 30 year of service.

Amount (§ 4.1056.2)

2.16% per year of service (not greater than 100%) of the Final Average Monthly Compensation, reduced for retirement ages below age 60 using the following sample Early Retirement benefit adjustment factors:

Age	Factor	Age	Factor
45	0.6250	50	0.7750
55	0.9250	60	1.0000

Final Average Monthly Compensation (§ 4.1010)

Equivalent of monthly average salary of highest continuous 12 months (one year).

Cost of Living Benefit (§ 4.1040)

Based on changes to Los Angeles area consumer price index to a maximum of 3% per year, excess banked.

Death after Retirement (§ 4.1044)

- 50% of retiree's unmodified allowance continued to an eligible spouse or a domestic partner; or a modified continuance to an eligible spouse or a domestic partner at the time of member's death (or a designated beneficiary selected by member at the time of retirement);
- \$2,500 lump sum death benefit paid to a designated beneficiary; and
- Any unused contributions if the member has elected the cash refund annuity option.

Death before Retirement (§ 4.1062 and § 4.1054)

Option #1:

- Eligibility – None.
- Benefit – Refund of contributions plus a limited pension benefit equal to 50% of monthly salary paid, according to the following schedule:

Service Credit	Number of Monthly Payments
1 year	2
2 years	4
3 years	6
4 years	8
5 years	10
6+ years	12

Option #2:

- Eligibility – Duty-related death or after 5 years of service.
- Benefit – Continuance of service or disability benefit payable under 100% joint and survivor option to an eligible spouse or qualified domestic partner.

Member Normal Contributions (§ 4.1031)

If an employee became a plan member on or after January 1, 1983, the member normal contribution rate is 6%.

If an employee became a plan member before January 1, 1983, the rate is based on age at entry, sample rates by entry age (before reflecting applicable pick ups by the employers or "defrayals") are as follows:

Retirement Benefits Valuation

Summary of Plan Provisions (Continued)

Member Normal Contributions (§ 4.1031) (Continued)

Entry Age	Normal Rate	Survivor Rate
20	8.20%	0.44%
30	9.06%	0.75%
40	10.19%	0.91%
50	11.34%	1.03%

Disability (§ 4.1055)

Service Requirement

5 years of continuous service

Amount

1/70 (about 1.43%) of the Final Average Monthly Compensation per year of service or 1/3 of the Final Average Monthly Compensation, if greater.

Deferred Withdrawal Retirement Benefit (Vested) (§ 4.1020 and § 4.1059.1)

Age & Service Requirement

- Age 70 with 5 years of continuous service;
- Age 60 with 5 years of continuous service and at least 10 years have elapsed from first date of membership; or

- Age 55 with at least 30 years of service.
- Deferred employee who meets part-time eligibility: age 60 with at least 10 years from the first date of membership.

Amount

See Normal Retirement Benefit

Age & Service Requirement

- Age 55 with 5 years of continuous service and at least 10 years have elapsed from first date of membership; or
- Age 55 with 10 years of continuous service.
- Deferred employee who meets part-time eligibility: age 55 with at least 10 years from the first date of membership.

Amount

See Early Retirement Benefit

Withdrawal of Contributions Benefit (Ordinary Withdrawal)

Refund of employee contributions with interest.

Changes in Plan Provisions

There have been no changes in plan provisions, benefit amounts and eligibility requirements since the last valuation.

Health Benefits Valuation

Actuarial Certification

November 5, 2009

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of Los Angeles City Employees' Retirement System's other postemployment benefit programs as of June 30, 2009, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements 43 and 45 for the determination of the liability for postemployment benefits other than pensions.

The City has agreed to offer an Early Retirement Incentive Program (ERIP) to active members who meet certain eligibility requirements. As requested by LACERS, Segal would prepare another valuation to show the impact of the ERIP after the actual ERIP elections are available sometime in the first quarter of calendar year 2010 at the earliest. The results in this valuation should therefore be considered preliminary, as they do not reflect the impact of the ERIP.

The actuarial valuation is based on the plan of benefits verified by LACERS and on participant, premium, claims and expense data provided by LACERS.

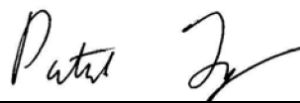
One of the general goals of an actuarial valuation is to establish contributions that fully fund the Retirement System's liabilities, and that, as a percentage of payroll, remain as level as possible for each generation of active members. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Projected Unit Credit cost method. In no event will the recommended contribution be less than the minimum Annual Required Contribution (ARC) as determined under GASB Statements 43 and 45.

The actuarial computations made are for purposes of fulfilling plan accounting and funding requirements. Determinations for purposes other than meeting financial accounting and funding requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination of the plan, or determining short-term cash flow requirements.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements 43 and 45 with respect to the benefit obligations addressed. The signing actuaries are Members of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations and collectively meet their "General Qualification Standards for Statements of Actuarial Opinions" to render the actuarial opinion contained herein.



Dave Bergerson, FCA, ASA, MAAA, EA
Vice President and Actuary



Patrick Twomey, ASA, MAAA, EA
Assistant Actuary

Health Benefits Valuation

Actuarial Analysis of Financial Experience

Development of Unfunded Actuarial Accrued Liability for the Year Ended June 30, 2009

1. Unfunded actuarial accrued liability at beginning of year	\$585,123,289
2. Employer normal cost at beginning of year	71,140,044
3. Total employer contributions at July 15	(95,122,090)
4. Interest	<u>45,215,705</u>
5. Expected unfunded actuarial accrued liability	606,356,948
6. Change due to the combined effect of experience gains and updated assumptions and methods	<u>54,587,708</u>
7. Unfunded actuarial accrued liability at end of year	<u><u>\$660,944,656</u></u>

Actuarial Balance Sheet

Assets

1. Actuarial value of assets	\$1,342,496,524
2. Present value of future normal costs	822,437,440
3. Unfunded actuarial accrued liability	<u>660,944,656</u>
4. Present value of current and future assets	<u><u>\$2,825,878,620</u></u>

Liabilities

5. Actuarial present value of total projected benefits	<u><u>\$2,825,878,620</u></u>
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Health Benefits Valuation

Summary of Actuarial Assumptions and Actuarial Cost Method

The following assumptions were adopted by the Board on October 14, 2008.

Actuarial Cost Method

Projected unit credit.

Termination Rates before Retirement

Pre-Retirement Mortality
RP-2000 Combined Healthy Mortality table, set back one year.

Age	Disability	Termination
25	0.01	4.75%
30	0.03	4.75
35	0.07	4.00
40	0.15	2.84
45	0.22	2.01
50	0.26	1.60
55	0.24	1.35
60	0.22	1.25

All deaths are assumed to be non-duty related.

No termination is assumed after a member is eligible for retirement.

Note: Termination rates for actives with less than 5 years of service are as follows:

Years of Service	Rate
0	9.75%
1	8.00
2	6.25
3	5.50
4	4.75

Measurement Date

June 30, 2009

Discount Rate

8.00%

Postretirement Mortality Rates

Healthy
RP-2000 Combined Healthy Mortality Table, set back one year.

Disabled

RP-2000 Combined Healthy Mortality Table, set forward 7 years.

Active Retirement Rates

Age	Retirement Probability	
	Non-55/30	55/30
50	10%	0%
51	5	0
52	5	0
53	5	0
54	15	0
55	10	20
56	10	15
57	10	15
58	10	15
59	10	15
60	10	15
61	10	16
62	10	17
63	10	18
64	10	19
65	15	20
66	15	20
67	15	20
68	15	20
69	15	20
70	100	100

Retirement Age and Benefit for Inactive Vested Participants

Assume pension benefit will be paid at the later of age 57 or the current attained age.

Exclusion of Inactive Vested

Inactive vested with less than 10 years of service are excluded.

Per Capita Cost Development

The assumed costs on a composite basis are the future costs of providing postretirement health care benefits at each age. To determine the assumed costs on a composite basis, historical premiums are reviewed and adjusted for increases in the cost of health care services.

Health Benefits Valuation

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Per Capita Cost Development (Continued)

Maximum Dental Subsidy (same as premium)		
Carrier	Participation Percent	Monthly 2009-2010 Fiscal Year Subsidy
MetLife PPO	77.1	\$36.16
SafeGuard	22.9	\$12.38

Medical Subsidy Participant Under Age 65 or Not Eligible for Medicare A & B 2009-2010 Fiscal Year

Carrier	Election Percent	Married/ with		Eligible Survivor Subsidy
		Single Party Subsidy	Domestic Partner Subsidy	
Kaiser	58.1	\$561.57	\$1,121.16	\$561.57
Blue Cross PPO	25.4	\$896.69	\$1,121.50	\$561.57
Blue Cross HMO	16.5	\$591.76	\$1,117.72	\$561.57

Medical Subsidy Participant Eligible for Medicare A & B 2009-2010 Fiscal Year

Carrier	Election Percent	Married/ with		Eligible Survivor Subsidy
		Single Party Subsidy	Domestic Partner Subsidy	
Kaiser	56.5	\$197.48	\$392.98	\$197.48
Blue Cross PPO	33.6	\$437.27	\$662.08	\$437.27
Secure Horizons	9.9	\$187.50	\$370.74	\$187.50

Marital Status

60% of male and 30% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.

Spouse Age Difference

Male retirees are assumed to be 4 years older than their female spouses. Female retirees are assumed to be 2 years younger than their male spouses.

Surviving Spouse Coverage

With regard to members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member's death.

Participation

Retiree Medical and Dental Coverage Election:

Years of Service Range	Percent Covered*
10 – 14	65%
15 – 19	80%
20 – 24	90%
25 and Over	95%

* Inactive members are assumed to receive a subsidy for a City approved health carrier at 50% of the rates shown above.

100% of retirees becoming eligible for Medicare are assumed to be covered by both Parts A and B.

Health Care Cost Subsidy Trend Rates

Trends to be applied in following fiscal years, to all health plans.

Trend is to be applied to premium for shown fiscal year to calculate next fiscal year's projected premium.

First Fiscal Year (July 1, 2009 through June 30, 2010)

Plan	Trend to be applied to 2009-2010 Fiscal Year premium
Blue Cross PPO, Under Age 65	7.18%
Blue Cross PPO, Age 65 and Over	5.18%
Kaiser HMO, Under Age 65	4.65%
Senior Advantage	8.82%
Blue Cross HMO, Under 65	10.23%
Secure Horizons	10.06%

Health Benefits Valuation

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Health Care Cost Subsidy Trend Rates (Continued)

The fiscal year trend rates are based on the following calendar year trend rates:

Fiscal Year	Trend (Approx)	Calendar Year	Trend (applied to calculate following year premium)
2010-2011	8.75%	2010	9.00%
2011-2012	8.25%	2011	8.50%
2012-2013	7.75%	2012	8.00%
2013-2014	7.25%	2013	7.50%
2014-2015	6.75%	2014	7.00%
2015-2016	6.25%	2015	6.50%
2016-2017	5.75%	2016	6.00%
2017-2018	5.25%	2017	5.50%
2018 & later	5.00%	2018 & later	5.00%

Dental Premium Trend: 5.00% for all years.

Medicare Part B Premium Trend: Trend for the 2009-10 fiscal year is 0% based on actual increase in Medicare Part B from 2009 to 2010 calendar year. 5.00% assumed for years following the 2010 calendar year.

Administrative Expenses

No administrative expenses were valued separately from the claim costs.

Actuarial Value of Assets

The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a five year period. The actuarial value of assets cannot be less than 50% or greater than 150% of the market value of assets. The market value corridor was expanded from 80% - 120% to 50% - 150% by the Board on September 22, 2009.

Actuarial Cost Method

Projected Unit Credit Cost Method.

Funding Policy

The plan sponsor of the City of Los Angeles Employees' Retirement System makes contributions

equal to the Normal Cost adjusted by amount to amortize any Surplus or Unfunded Actuarial Accrued Liability. Both the Normal Cost and the Actuarial Accrued Liability are determined under GASB Statements 43 and 45.

Assumption Changes since Prior Evaluation

The Board adopted the above economic and demographic assumptions on October 14, 2008. The Board adopted the health-related assumptions on October 13, 2009. The assumptions that changed from the previous valuation are as follows:

- Premiums were updated.
- Health care trend rates were updated.
- Enrollment percentages were adjusted.
- Female members are assumed to be two, instead of four, years younger than their spouses.
- Decrease the retirees with spousal coverage from 65% to 60% for males, and from 40% to 30% for females.

Summary of Plan Provisions

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Eligibility

Retirees (§4.1103.2)

Retired age 55 or older with at least 10 years of service (including deferred vested members who terminate employment and receive a retirement benefit from LACERS), or if retirement date is between October 2, 1996, and September 30, 1999 at age 50 or older with at least 30 years of service. Benefits are also payable to spouses, domestic partners, or other qualified dependents while the retiree is alive.

The health subsidy is not payable to a disabled retiree before the member reaches age 55.

Health Subsidy for Members

Under Age 65 or Over Age 65 and Only Enrolled in Medicare Part B (§4.1103.2)

The System will pay 4% of the maximum health subsidy (limited to actual premium) for each year

Health Benefits Valuation

Summary of Plan Provisions (Continued)

Health Subsidy for Members (Continued)

of Service Credit, up to 100% of the maximum health subsidy. As of June 30, 2009, the maximum health subsidy was \$1,120 per month, and will increase to \$1,123 per month on January 1, 2010.

Over Age 65 and Enrolled in Both Medicare Parts A and B (§4.1103.2)

For retirees, a maximum health subsidy limited to the single-party monthly premium of the plan in which the member is enrolled, is provided subject to the following vesting schedule:

Completed Years of Service	Vested Percentage
10-14	75%
15-19	90%
20+	100%

An additional amount is added for coverage of dependents which shall not exceed the amount provided a retiree not enrolled in Parts A and B and covered by the same medical plan and with the same years of service.

The combined member and dependent subsidy shall not exceed the actual premium.

Dental Subsidy for Members (§4.1105.2)

The System will pay 4% of the maximum dental subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of June 30, 2009, the maximum dental subsidy was \$36.16 per month and will remain at \$36.16 on January 1, 2010.

There is no subsidy available to spouses or domestic partners. There is also no reimbursement for dental plans not sponsored by the System.

Medicare Part B Subsidy for Members (§4.1104)

If a City Retiree is covered by both Medicare Parts A and B, and enrolled in a LACERS medical plan or participates in the LACERS Retiree Medical Premium Reimbursement Program, LACERS will reimburse the retiree the basic Part B Medicare premium.

Surviving Spouse Subsidy (§4.1107 & §4.1107.1)

The surviving spouse or domestic partner will be entitled to a health subsidy (limited to the actual single-party premium) based on member's years of service and the surviving dependent's eligibility for Medicare.

Under Age 65 or Over Age 65 and Only Enrolled in Medicare Part B

The maximum health subsidy available for survivors is the Kaiser single-party premium (\$560.78 per month as of June 30, 2009, increasing to \$562.36 on January 1, 2010) or the single-party premium of the plan in which the survivor is enrolled, whichever is less.

Over Age 65 and Enrolled in Both Medicare Parts A and B

For survivors, a maximum health subsidy limited to the single-party monthly premium of the plan in which the survivor is enrolled, is provided subject to the following vesting schedule:

Completed Years of Service	Vested Percentage
10-14	75%
15-19	90%
20+	100%

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STATISTICAL SECTION

Statistical Section

The Statistical Section of the System's Comprehensive Annual Financial Report provides additional historical trend information to assist the reader a more comprehensive understanding of current fiscal year's financial statements, note disclosures, and required supplementary information, which cover the System's Retirement Plan and the Postemployment Healthcare Plan. This section also provides multi-year trend of financial and operating information to facilitate comprehensive understanding of how the System's financial position and performance has changed over time. More specifically, the financial and operating information provides contextual data for the System's revenues (additions), expenses (deductions), changes in plan net assets, benefit expenses by type, number of retirees by different types of benefits, and average monthly benefit payments.

The financial and operating trend information is as follows:

Schedule of Additions by Source - Retirement Plan

(Dollars in Thousands)

Fiscal Year	Member Contribution	Employer Contribution		Net Investment Income (Loss)*	Total
		Dollars	% of Annual Covered Payroll		
2000	\$64,579	\$92,364	6.4%	\$682,805	\$839,748
2001	69,460	79,861	4.9	(300,649)	(151,328)
2002	75,654	51,879	2.5	(320,330)	(192,797)
2003	83,068	70,923	3.8	220,326	374,317
2004	93,418	120,057	6.9**	1,097,366	1,310,841
2005	94,268	175,947	10.7**	673,389	943,604
2006	98,262	244,283	14.2**	925,399	1,267,944
2007	106,234	293,160	16.9**	1,591,647	1,991,041
2008	114,678	302,810	16.5**	(550,386)	(132,898)
2009	118,592	288,516	15.0***	(1,800,906)	(1,393,798)

* Includes change in unrealized gain and loss of investment.

** Contributions received at the beginning of the fiscal year with discounted rate.

*** Contributions received on July 15th of the fiscal year with discounted rate.

Schedule of Deductions by Type - Retirement Plan

(In Thousands)

Fiscal Year	Benefit Payments	Refunds of Contributions	Administrative Expenses	Miscellaneous Expenses	Total
2000	\$289,396	\$12,993	\$6,627	\$ -	\$309,016
2001	308,636	12,923	7,196	-	328,755
2002	332,747	13,049	7,137	-	352,933
2003	358,196	14,679	7,706	-	380,581
2004	380,276	11,338	9,066	-	400,680
2005	405,456	10,679	9,303	-	425,438
2006	431,232	13,021	10,284	-	454,537
2007	457,847	17,452	9,501	-	484,800
2008	484,549	15,149	11,987	5,366*	517,051
2009	510,634	21,325	12,829	-	544,788

* Transfer to Fire and Police Pension.

Statistical Section

Schedule of Additions by Source - Postemployment Healthcare Plan

(Dollars in Thousands)

Fiscal Year	Employer Contribution		Miscellaneous Income	Net Investment Income (Loss)*	Total
	Dollars	% of Annual Covered Payroll			
2000	\$14,246	1.3 %	\$ -	\$88,362	\$102,608
2001	8,036	0.7	-	(48,668)	(40,632)
2002	27,589	2.2	-	(50,163)	(22,574)
2003	26,608	2.0	-	26,999	53,607
2004	20,144	1.4 **	-	155,151	175,295
2005	53,190	3.6 **	-	91,412	144,602
2006	76,116	4.8 **	-	128,473	204,589
2007	115,233	7.0 **	-	231,613	346,846
2008	108,848	6.3 **	11,000***	(96,007)	23,841
2009	95,122	5.2 ****	-	(309,334)	(214,212)

* Includes change in unrealized gain and loss of investment.

** Contributions received at the beginning of the fiscal year with discounted rate.

*** Return of Excess Reserve.

**** Contributions received on July 15th of the fiscal year with discounted rate.

Schedule of Deductions by Type - Postemployment Healthcare Plan

(In Thousands)

Fiscal Year	Benefit Payments	Administrative Expenses	Miscellaneous Expenses	Total
2000	\$29,987	\$920	\$ -	\$30,907
2001	34,469	1,004	-	35,473
2002	42,069	996	-	43,065
2003	50,784	1,459	-	52,243
2004	58,254	1,805	-	60,059
2005	63,756	1,693	-	65,449
2006	62,351	1,924	-	64,275
2007	65,090	1,856	-	66,946
2008	70,096	2,367	854*	73,317
2009	73,839	2,569	-	76,408

* Transfer to Fire and Police Pension.

Statistical Section

Changes in Plan Net Assets - Retirement Plan Last Ten Fiscal Years

	(In Thousands)									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Additions										
City Contributions	\$ 92,364	\$ 79,861	\$ 51,879	\$ 70,923	\$ 120,057	\$ 175,947	\$ 244,283	\$ 293,160	\$ 302,810	\$ 288,516
Member Contributions	64,579	69,460	75,654	83,068	93,418	94,268	98,262	106,234	114,678	118,592
Net Investment Income (Loss)	682,805	(300,649)	(320,330)	220,326	1,097,366	673,389	925,399	1,591,647	(550,386)	(1,800,906)
Total Additions	839,748	(151,328)	(192,797)	374,317	1,310,841	943,604	1,267,944	1,991,041	(132,898)	(1,393,798)
Deductions										
Benefit Payments	289,396	308,636	332,747	358,196	380,276	405,456	431,232	457,847	484,549	510,634
Refunds of Contributions	12,993	12,923	13,049	14,679	11,338	10,679	13,021	17,452	15,149	21,325
Administrative Expenses	6,627	7,196	7,137	7,706	9,066	9,303	10,284	9,501	11,987	12,829
Miscellaneous Expenses	-	-	-	-	-	-	-	-	5,366*	-
Total Deductions	309,016	328,755	352,933	380,581	400,680	425,438	454,537	484,800	517,051	544,788
Change in Plan Net Assets	\$530,732	\$(480,083)	\$(545,730)	\$ (6,264)	\$ 910,161	\$ 518,166	\$ 813,407	\$ 1,506,241	\$(649,949)	\$(1,938,586)

* Transfer to Fire and Police Pension.

Changes in Plan Net Assets - Postemployment Healthcare Plan Last Ten Fiscal Years

	(In Thousands)									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Additions										
City Contributions	\$ 14,246	\$ 8,036	\$ 27,589	\$ 26,608	\$ 20,144	\$ 53,190	\$ 76,116	\$ 115,233	\$ 108,848	\$ 95,122
Miscellaneous Income	-	-	-	-	-	-	-	-	11,000*	-
Net Investment Income (Loss)	88,362	(48,668)	(50,163)	26,999	155,151	91,412	128,473	231,613	(96,007)	(309,334)
Total Additions	102,608	(40,632)	(22,574)	53,607	175,295	144,602	204,589	346,846	23,841	(214,212)
Deductions										
Benefit Payments	29,987	34,469	42,069	50,784	58,254	63,756	62,351	65,090	70,096	73,839
Administrative Expenses	920	1,004	996	1,459	1,805	1,693	1,924	1,856	2,367	2,569
Miscellaneous Expenses	-	-	-	-	-	-	-	-	854**	-
Total Deductions	30,907	35,473	43,065	52,243	60,059	65,449	64,275	66,946	73,317	76,408
Change in Plan Net Assets	\$ 71,701	\$(76,105)	\$(65,639)	\$ 1,364	\$ 115,236	\$ 79,153	\$ 140,314	\$ 279,900	\$(49,476)	\$(290,620)

* Return of Excess Reserve.

** Transfer to Fire and Police Pension.

Statistical Section

Schedule of Benefit Expenses by Type - Retirement Plan

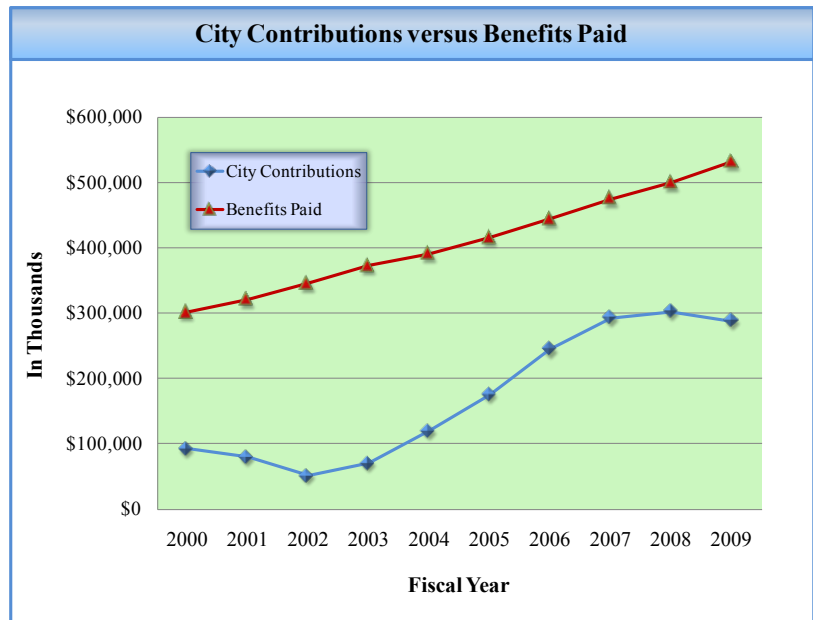
(In Thousands)

Fiscal Year	Age & Service Benefit		Death in Service Benefits	Disability Benefits			Refunds of Contributions	Total Benefits Paid
	Retirants	Survivors		Retirants	Survivors	Sub Total		
2000	\$240,422	\$32,440	\$2,582	\$9,964	\$3,989	\$289,397	\$12,993	\$302,390
2001	256,395	34,653	2,626	10,688	4,274	308,636	12,923	321,559
2002	277,241	37,094	2,996	10,803	4,613	332,747	13,049	345,796
2003	298,599	39,915	2,667	11,999	5,016	358,196	14,679	372,875
2004	318,135	42,017	2,814	12,003	5,307	380,276	11,338	391,614
2005	338,907	44,558	2,960	13,355	5,677	405,457	10,679	416,136
2006	360,515	47,509	3,053	14,173	5,982	431,232	13,021	444,253
2007	383,558	50,497	2,746	14,856	6,190	457,847	17,452	475,299
2008	406,891	53,064	2,600	15,390	6,604	484,549	15,149	499,698
2009	428,819	56,716	2,735	15,462	6,902	510,634	21,325	531,959

City Contributions versus Benefits Paid - Retirement Plan

(In Thousands)

Fiscal Year	City Contributions	Benefits Paid
2000	\$92,364	\$302,390
2001	79,861	321,559
2002	51,879	345,796
2003	70,923	372,875
2004	120,057	391,614
2005	175,947	416,136
2006	244,283	444,253
2007	293,160	475,299
2008	302,810	499,698
2009	288,516	531,959



Statistical Section

Schedule of Benefit Expenses by Type - Postemployment Healthcare Plan

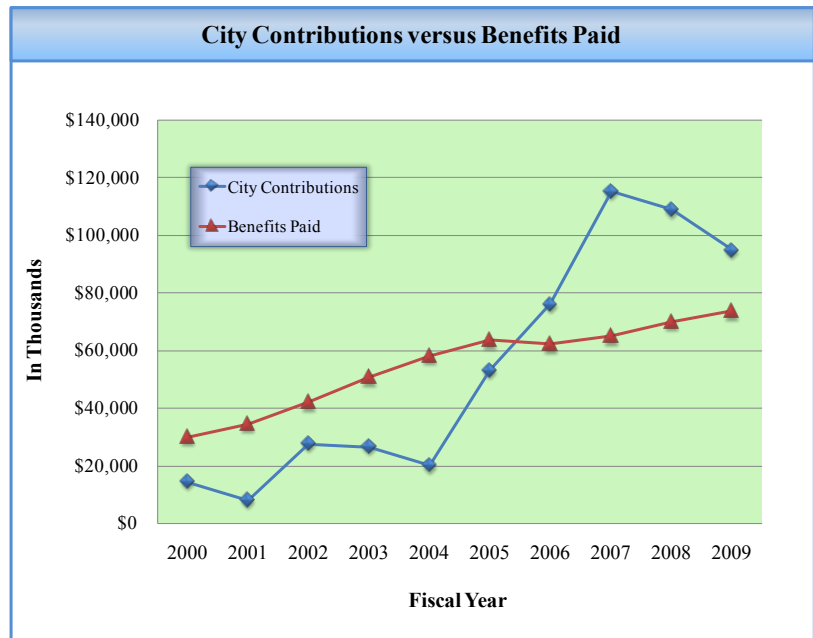
(In Thousands)

Fiscal Year	Age & Service Benefit		Death in Service Benefits	Disability Benefits		Total Benefits Paid
	Retirants	Survivors		Retirants	Survivors	
2000	\$24,912	\$3,361	\$268	\$1,032	\$413	\$29,986
2001	28,635	3,870	293	1,194	477	34,469
2002	35,051	4,690	379	1,366	583	42,069
2003	42,335	5,659	378	1,701	711	50,784
2004	48,735	6,436	431	1,839	813	58,254
2005	53,291	7,006	465	2,100	893	63,755
2006	52,127	6,869	441	2,049	865	62,351
2007	54,529	7,179	390	2,112	880	65,090
2008	58,863	7,676	376	2,226	955	70,096
2009	62,009	8,201	396	2,236	997	73,839

City Contributions versus Benefits Paid - Postemployment Healthcare Plan

(In Thousands)

Fiscal Year	City Contributions	Benefits Paid
2000	\$14,246	\$29,986
2001	8,036	34,469
2002	27,589	42,069
2003	26,608	50,784
2004	20,144	58,254
2005	53,190	63,755
2006	76,116	62,351
2007	115,233	65,090
2008	108,848	70,096
2009	95,122	73,839



Statistical Section

Schedule of Retired Members by Type of Benefits - Retirement Plan

Amount of Monthly Benefits	Number of Retirants*	Type of Benefits **										
		1	2	3	4	5	6	7	8	9	10	11
\$1-250	200	43	32	1	37	2	12	1	17	1	53	1
251-500	502	105	150	-	92	7	47	16	45	-	38	2
501-750	781	103	274	6	113	34	106	66	42	1	36	-
751-1,000	906	214	290	14	120	96	47	66	51	-	8	-
1,001-1,250	1,110	279	325	21	109	256	17	65	28	-	10	-
1,251-1,500	1,063	369	268	36	100	207	14	41	26	-	2	-
1,501-1,750	970	464	211	29	56	159	8	29	12	-	2	-
1,751-2,000	840	483	168	27	60	73	4	15	9	-	1	-
Over 2,000	8,776	7,624	654	167	184	67	11	28	34	-	7	-
Total	15,148	9,684	2,372	301	871	901	266	327	264	2	157	3

* The Limited Term Retirement Plan and Family Death Benefit Insurance Plan payments are not included.

** Type of Benefits

- | | |
|-----------------------------|---------------------------------|
| 1 - Service Retirement | 7 - Disability Survivorship |
| 2 - Service Continuance | 8 - DRO Life Time Annuity |
| 3 - Service Survivorship | 9 - DRO Term Annuity |
| 4 - Vested Right Retirement | 10 - Larger Annuity |
| 5 - Disability Retirement | 11 - Larger Annuity Continuance |
| 6 - Disability Continuance | |

Statistical Section

Schedule of Retired Members by Type of Benefits - Postemployment Healthcare Plan

Amount of Monthly Benefits	Number of Retirants	Type of Benefits ***						
		1	2	3	4	5	6	7
Medical								
\$0-200	3,261	2,140	774	76	92	92	43	44
201-400	2,227	1,935	120	13	77	57	11	14
401-600	2,678	1,884	450	74	139	99	15	17
601-800	1,064	1,025	-	-	28	11	-	-
801-1,000	818	730	-	-	72	16	-	-
1,001-1,120*	1,052	1,029	-	-	20	3	-	-
Total	11,100	8,743	1,344	163	428	278	69	75
Dental								
\$0-10	2,047	492	1,036	130	82	176	53	78
11-20	2,048	1,853	-	-	115	80	-	-
21-30	892	741	-	-	106	45	-	-
31-36.16**	5,634	5,508	-	-	105	21	-	-
Total	10,621	8,594	1,036	130	408	322	53	78

* Maximum medical subsidy for plan year 2009.

** Maximum dental subsidy for plan year 2009.

*** Type of Benefits

- | | |
|-----------------------------|-----------------------------|
| 1 - Service Retirement | 5 - Disability Retirement |
| 2 - Service Continuance | 6 - Disability Continuance |
| 3 - Service Survivorship | 7 - Disability Survivorship |
| 4 - Vested Right Retirement | |

Statistical Section

Schedule of Average Benefit Payments - Retirement Plan

Retirement Effective Dates July 1, 1999 to June 30, 2009	Years Credited Service					
	0-10 yrs	11-15 yrs	16-20 yrs	21-25 yrs	26-30 yrs	Over 30 yrs
Period 7/1/99 to 6/30/00						
Average Monthly Benefit	\$736	\$1,132	\$1,642	\$2,065	\$2,764	\$4,107
Average Final Monthly Salary *	\$2,635	\$3,769	\$4,139	\$4,078	\$4,374	\$5,221
Number of Active Retirants	21	94	46	56	61	351
Period 7/1/00 to 6/30/01						
Average Monthly Benefit	\$891	\$1,212	\$1,603	\$2,175	\$3,018	\$4,184
Average Final Monthly Salary *	\$3,436	\$4,009	\$4,115	\$4,368	\$4,875	\$5,384
Number of Active Retirants	24	72	53	44	71	312
Period 7/1/01 to 6/30/02						
Average Monthly Benefit	\$670	\$1,124	\$1,719	\$2,174	\$3,019	\$4,059
Average Final Monthly Salary *	\$3,481	\$4,027	\$4,594	\$4,463	\$4,871	\$5,377
Number of Active Retirants	24	64	76	45	75	304
Period 7/1/02 to 6/30/03						
Average Monthly Benefit	\$785	\$1,206	\$1,716	\$2,461	\$3,034	\$4,179
Average Final Monthly Salary *	\$3,245	\$4,250	\$4,608	\$5,134	\$5,120	\$5,632
Number of Active Retirants	31	65	73	70	61	322
Period 7/1/03 to 6/30/04						
Average Monthly Benefit	\$724	\$1,525	\$1,763	\$2,629	\$3,027	\$4,348
Average Final Monthly Salary *	\$4,224	\$4,999	\$4,800	\$4,915	\$5,263	\$6,051
Number of Active Retirants	33	47	82	66	51	288
Period 7/1/04 to 6/30/05						
Average Monthly Benefit	\$1,335	\$1,639	\$1,881	\$2,673	\$3,537	\$4,734
Average Final Monthly Salary *	\$5,790	\$4,824	\$5,116	\$5,074	\$6,082	\$6,450
Number of Active Retirants	36	37	77	72	86	316
Period 7/1/05 to 6/30/06						
Average Monthly Benefit	\$1,200	\$1,338	\$2,122	\$2,468	\$3,492	\$4,828
Average Final Monthly Salary *	\$3,798	\$4,664	\$5,422	\$5,262	\$5,937	\$6,380
Number of Active Retirants	40	33	59	88	93	271
Period 7/1/06 to 6/30/07						
Average Monthly Benefit	\$1,023	\$1,301	\$1,991	\$2,633	\$3,227	\$4,997
Average Final Monthly Salary *	\$3,702	\$5,170	\$5,223	\$5,514	\$5,515	\$6,543
Number of Active Retirants	41	33	62	85	74	230
Period 7/1/07 to 6/30/08						
Average Monthly Benefit	\$883	\$1,191	\$2,105	\$3,246	\$3,818	\$5,127
Average Final Monthly Salary *	\$3,846	\$4,336	\$5,139	\$5,922	\$6,482	\$6,754
Number of Active Retirants	22	36	50	91	69	229
Period 7/1/08 to 6/30/09						
Average Monthly Benefit	\$759	\$1,626	\$2,348	\$3,109	\$4,150	\$5,513
Average Final Monthly Salary *	\$4,561	\$5,739	\$5,820	\$6,078	\$6,241	\$6,954
Number of Active Retirants	25	21	51	63	55	121

* Average Final Monthly Salary = Average of last or highest 12 consecutive months' salary.

Statistical Section

Schedule of Average Benefit Payments - Postemployment Healthcare Plan

Retirement Effective Dates July 1, 1999 to June 30, 2009	Years Credited Service				
	Under 10 yrs *	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/99 to 6/30/00					
Health Insurance					
Average Monthly Benefit	\$ -	\$220	\$319	\$395	\$583
Number of Active Retirants	1	70	39	62	399
Dental Insurance					
Average Monthly Benefit	\$ -	\$12	\$19	\$24	\$30
Number of Active Retirants	1	74	39	64	401
Period 7/1/00 to 6/30/01					
Health Insurance					
Average Monthly Benefit	\$ -	\$254	\$339	\$397	\$606
Number of Active Retirants	2	56	52	57	400
Dental Insurance					
Average Monthly Benefit	\$ -	\$12	\$16	\$22	\$28
Number of Active Retirants	2	56	44	53	387
Period 7/1/01 to 6/30/02					
Health Insurance					
Average Monthly Benefit	\$ -	\$273	\$361	\$487	\$616
Number of Active Retirants	1	61	62	64	386
Dental Insurance					
Average Monthly Benefit	\$ -	\$12	\$18	\$23	\$29
Number of Active Retirants	1	59	59	58	375
Period 7/1/02 to 6/30/03					
Health Insurance					
Average Monthly Benefit	\$ -	\$279	\$449	\$498	\$628
Number of Active Retirants	1	61	65	67	393
Dental Insurance					
Average Monthly Benefit	\$ -	\$12	\$18	\$23	\$27
Number of Active Retirants	4	57	64	64	382
Period 7/1/03 to 6/30/04					
Health Insurance					
Average Monthly Benefit	\$ -	\$317	\$413	\$558	\$600
Number of Active Retirants	3	50	86	76	340
Dental Insurance					
Average Monthly Benefit	\$ -	\$12	\$19	\$21	\$28
Number of Active Retirants	3	48	81	71	337
Period 7/1/04 to 6/30/05					
Health Insurance					
Average Monthly Benefit	\$ -	\$333	\$419	\$490	\$675
Number of Active Retirants	5	58	88	100	391
Dental Insurance					
Average Monthly Benefit	\$ -	\$14	\$19	\$22	\$29
Number of Active Retirants	3	56	75	89	380

Statistical Section

Schedule of Average Benefit Payments - Postemployment Healthcare Plan (Continued)

Retirement Effective Dates July 1, 1999 to June 30, 2009	Years Credited Service				
	Under 10 yrs *	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/05 to 6/30/06					
Health Insurance					
Average Monthly Benefit	\$ -	\$310	\$471	\$530	\$656
Number of Active Retirants	-	51	84	90	372
Dental Insurance					
Average Monthly Benefit	\$ -	\$12	\$18	\$28	\$28
Number of Active Retirants	4	46	76	82	363
Period 7/1/06 to 6/30/07					
Health Insurance					
Average Monthly Benefit	\$ -	\$297	\$469	\$562	\$664
Number of Active Retirants	2	33	94	100	357
Dental Insurance					
Average Monthly Benefit	\$ -	\$13	\$17	\$25	\$27
Number of Active Retirants	4	34	91	93	352
Period 7/1/07 to 6/30/08					
Health Insurance					
Average Monthly Benefit	\$ -	\$348	\$425	\$580	\$646
Number of Active Retirants	3	33	60	86	327
Dental Insurance					
Average Monthly Benefit	\$ -	\$12	\$20	\$25	\$28
Number of Active Retirants	2	32	50	85	315
Period 7/1/08 to 6/30/09					
Health Insurance					
Average Monthly Benefit	\$ -	\$354	\$508	\$613	\$661
Number of Active Retirants	-	20	56	50	251
Dental Insurance					
Average Monthly Benefit	\$ -	\$12	\$16	\$20	\$23
Number of Active Retirants	2	20	51	48	251

* Healthcare benefits are not provided to retirants with services less than 10 years, except two members who are covered under "Compulsory Retirement" provision per the City's Administrative Code Section 4.1103.2.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

LACERS
Fiscal Management Section
360 E. Second Street, 2nd Floor
Los Angeles, CA 90012-4207
www.lacers.org

800-779-8328
888-349-3996 TDD
213-687-4174 FAX