LACERA

Los Angeles County Employees Retirement Association

2010 Annual Report

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

Comprehensive Annual Financial Report for the year ended June 30, 2010

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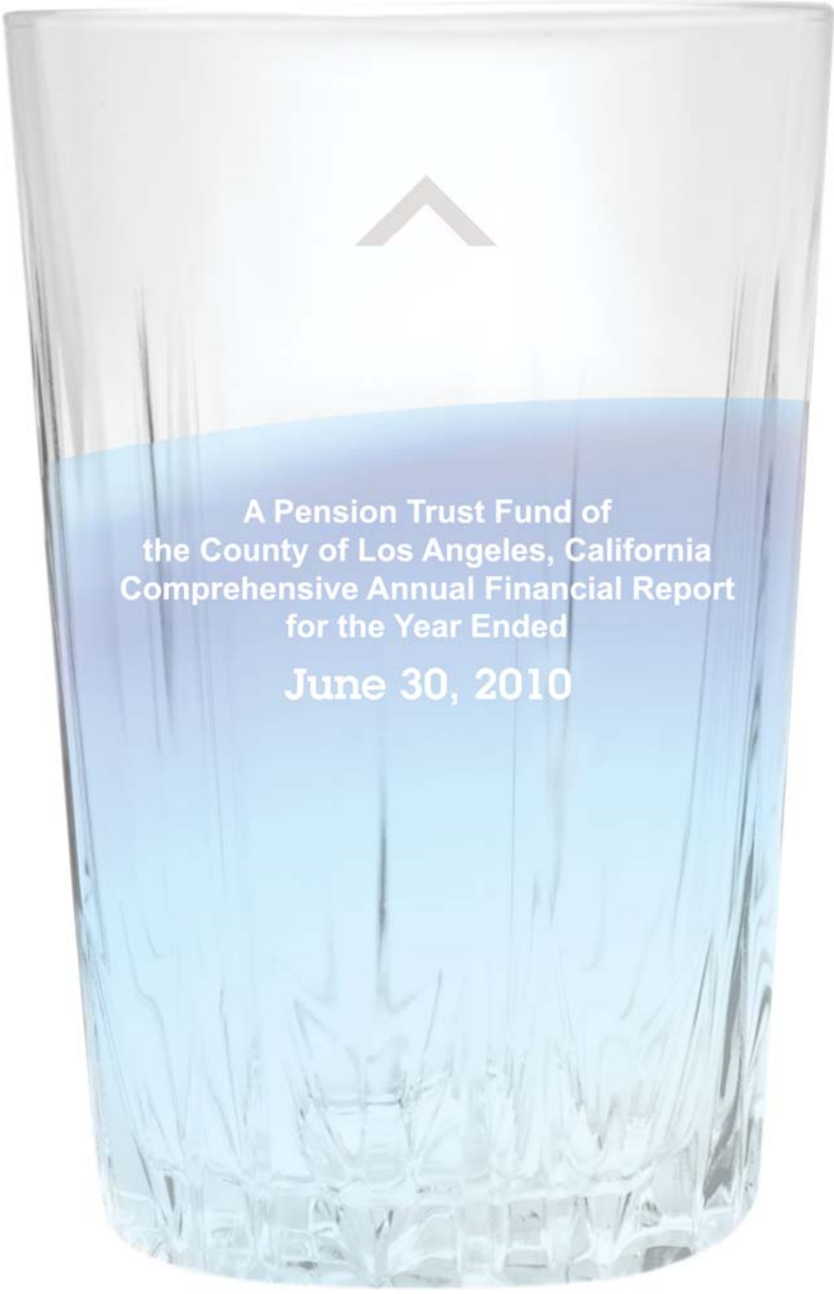

A Pension Trust Fund of the County of Los Angeles, California Comprehensive Annual Financial Report for the Year Ended

June 30, 2010

ISSUED BY:

Gregg Rademacher
Chief Executive Officer

Robert R. Hill
Assistant Executive Officer

Janice Golden
Assistant Executive Officer

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

INTRODUCTORY SECTION

How We See It

We see a duty to uphold a promise... a promise made to Los Angeles County employees more than 70 years ago. The County Employees Retirement Law of 1937 promises retirement benefits to eligible County employees and mandates LACERA to administer them. As the protector of the futures of more than 156,000 individuals who spend their careers contributing to the greater welfare of Los Angeles County, we see the significance of our mission. We are entrusted to produce, protect, and provide the promised benefits. We never lose sight of that.

Certificate of Achievement

Each year, a Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada (GFOA) to government units and public employee retirement systems whose Comprehensive Annual Financial Reports (CAFRs) achieve the highest standards in government accounting and reporting. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements. For the 20th consecutive year, LACERA has earned this prestigious award for the 2009 Comprehensive Annual Financial Report. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we will submit it to the GFOA to determine its eligibility for another certificate.

PPCC Award

LACERA received the Public Pension Coordinating Council's (PPCC)* Public Pension Standards 2009 Award, in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards. The Public Pension Standards are intended to reflect minimum expectations for public retirement systems management and administration, and serve as a benchmark by which all defined benefit public plans should be measured. LACERA is a seven-time recipient of this important award.

*A confederation of NASRA, NCPERS, and NCTR.

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Statistical Section

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

December 1, 2010

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

I am pleased to present the Los Angeles County Employees Retirement Association (LACERA) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This report is intended to provide a detailed review of the association's financial, actuarial, and investment status. LACERA has the duty and authority to administer defined retirement plan benefits for the employees of Los Angeles County and outside Districts. It is our mission to produce, protect, and provide the promised benefits to our members and their beneficiaries. In the course of fulfilling that mission, we provide comprehensive customer services to more than 156,000 members, including more than 54,000 benefit recipients.

Our Mission: How We See It

We see our mission as vast, yet personal. Although it is framed by statutes and diligently executed by highly-trained professionals, it is implemented each day on a personal level, with a personal touch. We see efficient service through education and compassion. We also see a prudently invested retirement fund (the Fund), strategically positioned for long-term growth.

When we look at the members we serve, we see more than 156,000 individuals, each with a unique set of circumstances. And we see opportunity. For our active members, we see the opportunity to eventually retire with a secure future and we see our opportunity to provide them with the knowledge they need to make strategic choices throughout their careers that will enhance their retirements. For our retirees, we see more than the disbursement of a monthly benefit. We see the opportunity to provide the peace of mind that comes with knowing they will not outlive their hard-earned retirement allowance and that their eligible designated survivors will receive any benefits to which they are entitled.

When we look at the services we provide, we see the dedicated and knowledgeable men and women of our staff. We also see technology and the role it plays in assisting staff in providing excellent customer service and working efficiently. Technology is also key in the creation and maintenance of the advanced online service options we offer.

When we look at the Fund, we see confidence... in the soundness of the Fund and in our future. Investment of the Fund is guided by a prudent Investment Policy established by our Board of Investments. The Policy calls for a diversified portfolio,

Gregg Rademacher
Chief Executive Officer

Robert R. Hill
Assistant Executive Officer

Janice Golden
Assistant Executive Officer

carefully balanced to minimize risk and maximize the Fund's long-term health and stability. The Fund is managed with the ultimate objective of achieving and maintaining a fully funded status. Although LACERA has not been immune to the impact of recent market volatility and the unstable economic climate, we continue to employ solid investment and business strategies designed to serve the best interests of our members and their beneficiaries.

LACERA and Its Services

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

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

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

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

Financial Information

Internal Control

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

Analysis

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

Investment Activities

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

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

This year, amid continued market volatility, the total Fund returned 11.6 percent (net of fees) and exceeded its Policy Benchmark, which returned 9.5 percent. Over the five-year period ending June 30, 2010, the total Fund's annualized return was 3.8 percent (net of fees).

Actuarial Funding Status

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

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

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

The June 30, 2009 valuation, determining the funding ratio to be 88.9 percent, recognized an Unfunded Actuarial Accrued Liability (UAAL) of $4.93 billion. The County contribution rate was therefore set equal to 4.12 percent of payroll for the amortization of the UAAL over a closed 30-year period, plus the normal cost rate of 10.10 percent, for a total contribution rate of 14.22 percent of payroll.

Summary of Fiscal Year Accomplishments

We continue to place great value on the scope and quality of services we provide our members. This emphasis on customer service extends throughout our association, as evidenced by the efficiency with which our divisions handle the tremendous volume of documents, member requests, and other information that crosses their desks each year. From the scanning and indexing of some 600,000 pages of member documents and 310,000 pieces of mail, to one-on-one counseling sessions with more than 22,750 members, to the paying of 98.44 percent of new retirees and survivors within one payroll cycle, and the answering of more than 127,000 member phone inquiries during this fiscal year, we reconfirmed our commitment to delivering prompt, accurate, and comprehensive service.

We made gains "behind the scenes," as well, through updates to our operating system and business processes. Highlights of these gains include significant progress on the review, processing, and conversion of more than 50 years of microfiche records (dating back to our inception in 1938) to electronic image files. To date, we have completed half of this herculean task and expect to have the remainder completed in 2011. Our advances on this project have already streamlined our operational efficiency, which ultimately leads to enhanced service to our members. During this fiscal year, we also upgraded our member data software program. This important upgrade resulted in increased efficiency, productivity, and improvement of our overall operation.

Awards and Recognition

For the 20th consecutive year, the Government Finance Officers Association (GFOA) awarded LACERA its Certificate of Achievement for Excellence in Financial Reporting. This award is in recognition of our Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2009.

LACERA is also a recipient of the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting, for the 12th year running. We received this honor for our Popular Annual Financial Report (PAFR) for fiscal year ending June 30, 2009.

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

The Public Pension Coordinating Council (PPCC) presented its Public Pension Standards Award to LACERA in recognition of compliance with professional standards for plan design and administration for the fiscal year ending June 30, 2009. LACERA is a seven-time recipient of this honor, which is judged on a retirement system's Comprehensive Benefit Program, Funding Adequacy, Actuarial Valuation, Independent Audit, Investments, and Communications.

Acknowledgements

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

Respectfully submitted,

Gregg Rademacher

Gregg Rademacher
Chief Executive Officer

BOARD OF RETIREMENT (BOR)

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

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

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

Yves Chery
Secretary, BOR
Elected by
General Members
Term expires 12-31-11

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

Edward L. Blecksmith
Appointed by the
Board of Supervisors
Term expires 12-31-10

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

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

William R. Pryor
Elected by
Safety Members
Term expires 12-31-10

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

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

Vacant
Alternate Member
Elected by
Safety Members
Term expires 12-31-10

BOARD OF INVESTMENTS (BOI)

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

Herman Santos
Chair, BOI
Elected by
General Members
Term expires 12-31-12

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

Diane A. Sandoval
Secretary, BOI
Elected by
Retired Members
Term expires 12-31-11

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

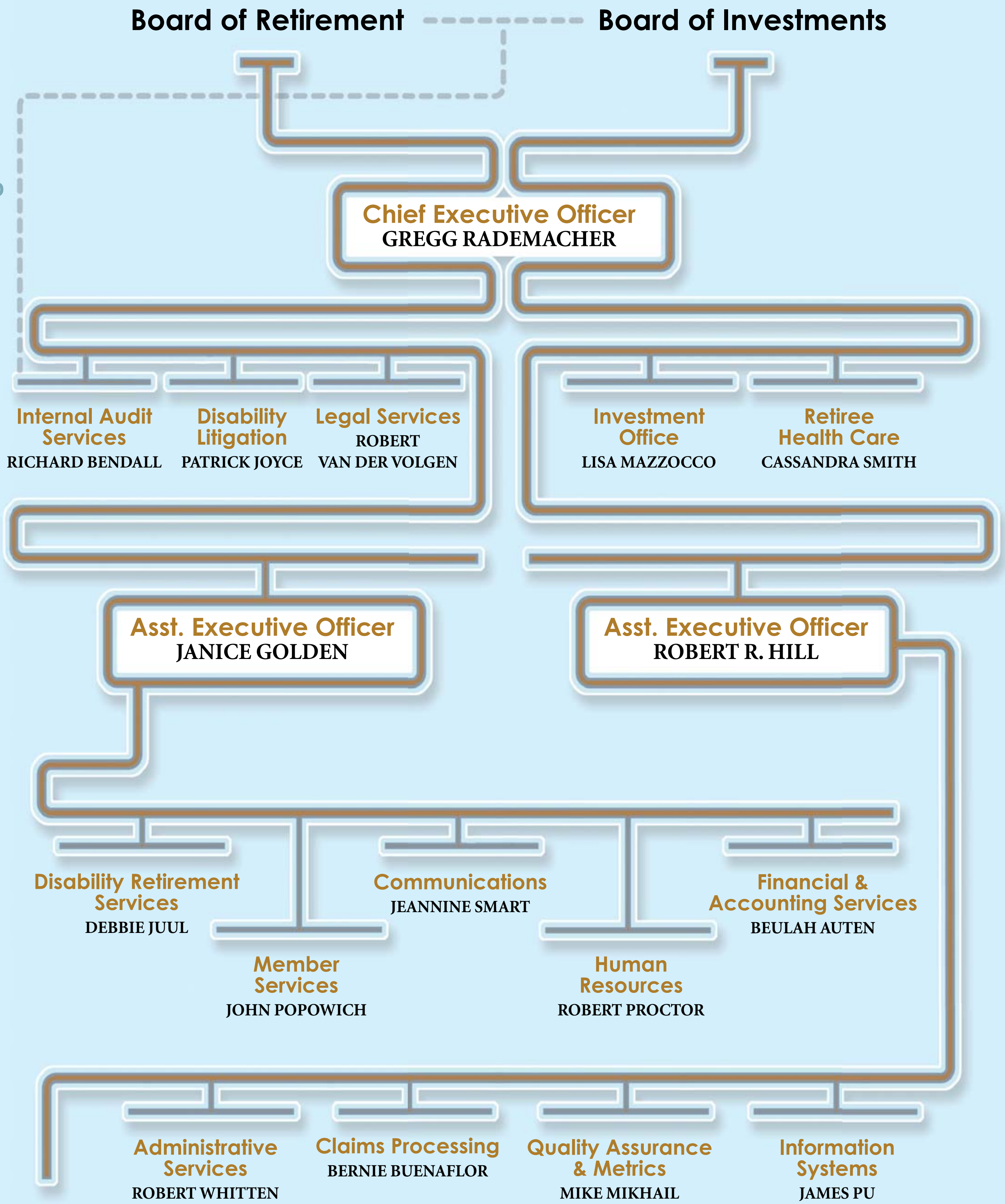
William R. Pryor
Elected by
Safety Members
Term expires 12-31-10

Simon S. Russin
Elected by
General Members
Term expires 12-31-11

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

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

Estevan R. Valenzuela
Appointed by the
Board of Supervisors
Term expires 12-31-12


Board of Retirement
Board of Investments
Chief Executive Officer
GREGG RADEMACHER
Internal Audit Services
RICHARD BENDALL
Disability Litigation
PATRICK JOYCE
Legal Services
ROBERT VAN DER VOLGEN
Investment Office
LISA MAZZOCCO
Retiree Health Care
CASSANDRA SMITH
Asst. Executive Officer
JANICE GOLDEN
Asst. Executive Officer
ROBERT R. HILL
Disability Retirement Services
DEBBIE JUUL
Member Services
JOHN POPOWICH
Communications
JEANNINE SMART
Human Resources
ROBERT PROCTOR
Financial & Accounting Services
BEULAH AUTEN
Administrative Services
ROBERT WHITTEN
Claims Processing
BERNIE BUENAFLOR
Quality Assurance & Metrics
MIKE MIKHAIL
Information Systems
JAMES PU

Actuary
Milliman, Inc.

Auditors
Brown Armstrong CPAs
The Segal Company

Commercial Banking
The Bank of New York Mellon Treasury Services

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

Data Processing
Los Angeles County Internal Services Department

Governance Consultants
Glass, Lewis & Company, LLC
RiskMetrics Group

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

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

Legal Consultants
Andrews Kurth, LLP
Bryan Cave, LLP
Cox, Castle & Nicholson, LLP
DLA Piper (U.S.), LLP
Glaser, Weil, Fink, Jacobs, Howard & Shapiro, LLP
Hanson Bridgett
Jones Day, LLP
Kauff, McClain & McGuire, LLP
Kessel & Associates
Klausner & Kaufman
Liebert Cassidy Whitmore
Locke, Lord Bissell & Liddell, LLP
Manatt, Phelps & Phillips, LLP
Morrison & Foerster, LLP
Orrick, Herrington & Sutcliffe, LLP
Paul, Hastings, Janofsky & Walker, LLP
Pillsbury Winthrop Shaw Pittman, LLP
Pircher, Nichols & Meeks, LLP
Seyfarth Shaw, LLP
Sidley Austin, LLP
Steptoe & Johnson, LLP

FINANCIAL SECTION

We See a Personal Touch

When we view our diverse membership, we see more than a range of careers, age groups, and ethnicities; we see 156,000 individuals, each with a unique story. With a staff of dedicated professionals eager to offer attentive service customized to each member's circumstances, we see personal relationships. We see staff responding to member inquiries, educating members on the provisions of their respective retirement plans, and assisting them with transactions specific to their individual needs. From processing plan enrollments and transfers, to researching the most advantageous retirement strategies available based on a member's plan and personal data, to paying new retirees and survivors within one payroll cycle, we see an association that takes its job personally.

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

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CERTIFIED PUBLIC ACCOUNTANTS

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Tel 559.476.3592 Fax 559.476.3593

Independent Auditor's Report

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

We have audited the accompanying Statement of Plan Net Assets of the Los Angeles County Employees Retirement Association (LACERA) as of June 30, 2010 and 2009, and the related Statement of Changes in Plan Net Assets for the years then ended. These financial statements are the responsibility of LACERA management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As we discussed in Note B to the financial statements, LACERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, Accounting and Financial Reporting for Intangible Assets, and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of LACERA as of June 30, 2010 and 2009, and the changes in plan net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Required Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of LACERA's management. Such information has been subjected to the auditing procedures applied by us in the audit of the Fiscal Year 2010 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the Fiscal Year 2010 basic financial statements taken as a whole. The Other Supplementary Information as listed in the table of contents, and the Investment, Actuarial, and Statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of LACERA. The Other Supplementary Information as listed in the table of contents has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not audit the information contained in the Investment, Actuarial, and Statistical sections and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2010, on our consideration of LACERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Andrew J. Paulden

Bakersfield, California
October 20, 2010

Management's Discussion and Analysis as of June 30, 2010

This Management's Discussion and Analysis (MD&A) of the financial activities of the Los Angeles County Employees Retirement Association (LACERA) is an overview of its fiscal operations for the year ended June 30, 2010. Readers are encouraged to consider the information presented in conjunction with the Financial Statements and the Notes to the Financial Statements. Amounts contained in this discussion have been rounded to facilitate ease of readability.

Financial Highlights

- Net Assets Held in Trust for Pension Benefits, as reported in the Statement of Plan Net Assets, total $33.4 billion, an increase of $2.9 billion or 9.6 percent from the prior year.
- Total Additions as reflected in the Statement of Changes in Plan Net Assets reflects increases of $5.1 billion. This was primarily due to the Net Appreciation in the Fair Value of Investments because of more stable economic markets than at June 30, 2009. Additions increased by $11.3 billion from the 2009 net decline.
- Total Deductions as reflected in the Statement of Changes in Plan Net Assets total $2.1 billion, an increase of $114 million or 5.5 percent from the prior year. The increase was primarily attributable to the increase in the retiree payroll.
- The latest actuarial valuation completed by Milliman, Inc., LACERA's independent actuary, was as of June 30, 2009 and determined the funding status (the ratio of pension assets to pension liabilities) to be 88.9 percent.

Overview of Financial Statements

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

The Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets are the basic financial statements of LACERA. The Statement of Plan Net Assets is a snapshot of account balances at fiscal year-end. This statement reflects assets available for future payments to retirees and their beneficiaries and any current liabilities owed as of fiscal year-end. The Net Assets Held in Trust for Pension Benefits, which are the assets less the liabilities, reflect the funds available for future use.

The Other Post-Employment Benefit (OPEB) Plan is presented as the OPEB Agency Fund. The assets and liabilities related to OPEB activities are reported as an Agency Fund because the fund is not an irrevocable trust. LACERA is acting as a custodian for these funds on behalf of the membership. Therefore, only assets and liabilities are reported and not net assets available to pay benefits.

The Statement of Changes in Plan Net Assets reflects all the activities that occurred during the fiscal year, and the impact of those addition or deduction activities on the plan net assets. The trend of Additions versus Deductions to the plan will indicate the

Beulah Auten
Chief Financial Officer

condition of LACERA's financial position over time. The Statement of Changes in Assets and Liabilities for the OPEB Agency Fund is presented in the Other Supplementary Information section.

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

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

Financial Analysis

As of June 30, 2010, LACERA has $33.4 billion in Plan Net Assets, which means Total Assets of $36.1 billion exceeded Total Liabilities of $2.6 billion. As of June 30, 2009, LACERA had $30.5 billion in Plan Net Assets, as a result of Total Assets of $33.2 billion exceeding Total Liabilities of $2.7 billion. The Total Plan Net Assets represent funds available for future payments. However, of importance is the fact that unlike private pension funds, public pension funds are not required to report the future liability of obligations owed to retirees. Only current liabilities are reported in the Statement of Plan Net Assets.

Plan Net Assets

As of June 30, 2010, 2009, and 2008
(Dollars in Millions)

	2010	2009	2008	2010 - 2009 % Change	2009 - 2008 % Change
Investments	**$33,761**	$30,918	$39,473	9.2%	-21.7%
Other Assets	**2,290**	2,282	3,435	0.4%	-33.6%
Total Assets	**36,051**	33,200	42,908	8.6%	-22.6%
Total Liabilities	**(2,617)**	(2,701)	(4,183)	-3.1%	-35.4%
Total Plan Net Assets	**$33,434**	**$30,499**	**$38,725**	**9.6%**	**-21.2%**

In order to determine whether Plan Net Assets will be sufficient to meet future obligations, the actuarial funding status needs to be calculated. An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the actuarial liabilities, which represent the actuarial present value of all future benefits expected to be paid for each member. The purpose of the valuation is to determine what future contributions by the members and the County of Los Angeles are needed to pay all expected future benefits.

In December 2009, the LACERA Board of Investments (BOI) adopted a new Retirement Benefit Funding Policy (Funding Policy). The most significant change in the 2009 valuation from the 2008 valuation included in the Funding Policy was the implementation of five-year smoothing on asset gains and losses. This change resulted in a higher funded ratio and a lower contribution rate than would have been calculated under the previous three-year smoothing period. Other material changes are the inclusion of the Supplemental Targeted Adjustment for Retirees (STAR) Reserves as a valuation asset (subject to periodic review) and the adoption of a 30-year layered amortization period.

LACERA's independent actuary, Milliman, Inc., performed the actuarial valuation as of June 30, 2009 and determined the Funded Ratio of the actuarial assets to the actuarial accrued liability is 88.9 percent. The actuarial valuation as of June 30, 2008 determined the Funded Ratio to be 94.5 percent. The recognition of significant investment losses caused a 5.5 percent decrease (after reflecting the Funding Policy). For the fiscal year ending in 2009, the Fund returned a negative 18.3 percent on a market basis, which is significantly less than the assumed rate of 7.75 percent. The large recognized asset loss has the largest impact of any factors affecting the 2009 valuation results.

Additions and Deductions to Plan Net Assets

The primary sources which finance the retirement benefits LACERA provides are investment income and the collection of member (employee) and employer retirement contributions. For fiscal year 2010, Total Additions amounted to $5.1 billion, achieved primarily due to positive investment performance with a total fund return of 11.6 percent, net of fees. For fiscal year 2009, Total Additions amounted to a decline of $6.1 billion, due to negative investment performance with a total fund loss of 18.3 percent, net of fees.

As of June 30, 2010, LACERA's market value is $33.4 billion. This fiscal year's investment returns exceeded the actuarial assumed investment earnings rate of 7.75 percent. The gains experienced will continue to result in an improved actuarial funding ratio as the gains are recognized in the future during the actuarial asset-smoothing process. To finance its contributions due to LACERA, the County makes monthly cash payments and/or directs LACERA to transfer funds from the County Contribution Credit Reserve (CCCR). Employer contributions as reported reflect only cash payments received from the County. In 2010 and 2009, the County funded its employer contributions using cash payments.

Net investment income for fiscal year 2010 was $3.8 billion, an increase of $11.2 billion from fiscal year 2009's investment loss. LACERA's annualized total fund performance was 11.6 percent, net of fees. This is in comparison to 2009's investment loss of $7.4 billion, with a total fund performance loss annualized at 18.3 percent, net of fees.

The primary uses of LACERA's assets include the payment of benefits to members and their beneficiaries, the refund of contributions to terminated employees, and the cost of administering the plan. These deductions total $2.2 billion for fiscal year 2010, an increase of $114 million, or 5.5 percent from the prior year. For fiscal year 2009, these deductions total $2.1 billion, an increase of $104 million, or 5.3 percent from the prior year.

The Board of Retirement (BOR) and BOI jointly approve the annual budget, which controls administrative expenses and represents approximately 0.15 percent of total Plan Net Assets. Traditionally, the County Employees Retirement Law of 1937 (CERL) had limited the annual administrative expense to eighteen-hundredths of one percent (0.18 percent) of the total assets of the retirement system, plus an additional one-hundredth of one percent (0.01 percent) for the cost of legal representation. In January 2007, the CERL was amended, increasing the administrative expense amount limit from eighteen-hundredths of one percent (0.18 percent) to twenty-three hundredths of one percent (0.23 percent). LACERA's budget for the fiscal year ended June 30, 2010, was prepared and approved by the BOR and BOI based upon twenty-three hundredths of one percent (0.23 percent). LACERA's budget for the fiscal year ended June 30, 2009, was prepared and approved by the BOR and BOI based upon eighteen-hundredths of one percent (0.18 percent). It is the intent of the Boards to remain within the appropriation limit established in the CERL, which the Boards have historically done.

Additions and Deductions to Plan Net Assets

For the Years Ended June 30, 2010, 2009, and 2008

(Dollars in Millions)

	2010	2009	2008	2010 - 2009 % Change	2009 - 2008 % Change
Contributions and Misc.	**$ 1,275**	$ 1,248	$ 1,205	2.2%	3.6%
Net Investment Income	**3,840**	(7,408)	(1,426)	151.8%	419.5%
Total Additions/(Declines)	**5,115**	**(6,160)**	**(221)**	**183.0%**	**2,687.3%**
Benefits and Refunds	**(2,131)**	(2,016)	(1,914)	-5.7%	5.3%
Administrative Expense and Misc.	**(49)**	(50)	(48)	2.0%	4.2%
Total Deductions	**(2,180)**	**(2,066)**	**(1,962)**	**-5.5%**	**5.3%**
Net Increase/(Decrease)	**2,935**	(8,226)	(2,183)	135.7%	276.8%
Net Assets at Beginning of Year	**30,499**	38,725	40,908	21.2%	-5.3%
Ending Plan Net Assets	**$33,434**	**$30,499**	**$38,725**	**9.6%**	**-21.2%**

Economic Factors

The U.S. economy continues to struggle in the aftermath of the credit crisis that emerged in 2008 and overwhelmed the international financial markets. Consumer confidence remains weak and business spending tepid as high unemployment continues and the impact of the federal stimulus package on economic growth diminishes. In this environment of economic recession and high unemployment, U.S. inflation remains subdued. Despite sluggish U.S. economic growth, concerns about the credit crisis waned during this fiscal year and investors' risk appetite rose. This resulted in a decline in interest rates, as well as in investors' opposition to higher credit risk bonds.

The most important economic factor impacting LACERA is the investment return earned in the financial markets. On average over the past fifteen years, investment returns made up approximately 73 percent of the annual additions to the fund. For the fiscal year ended June 30, 2010, LACERA's total fund returned 11.8 percent gross of fees, and 11.6 percent net of fees, on an annualized basis. The Fund's return performance exceeded its Policy benchmark, which returned 9.5 percent. Despite this positive return, markets remain volatile and susceptible to further downside risk pending any negative capital market conditions. For the fiscal year ended June 30, 2009, LACERA's total fund returned a negative 18.3 percent. The Fund's return lagged its Policy benchmark, which returned a negative 14.4 percent.

Interest Credits for Reserve Accounts

Pursuant to the CERL, LACERA credits interest semiannually on December 31 and June 30 to all contributions in the retirement plan which have been on deposit six months prior to such date. The Board of Investments' policy is to credit annual interest equal to the current actuarial assumed earnings rate of 7.75 percent, equivalent to 3.875 percent semiannually, in the same priorities as listed for the allocation of actuarial assets, provided there are sufficient realized earnings for the six-month period to support that interest rate. To the extent there were sufficient realized earnings available, LACERA credited the full interest for the period ending December 31, 2009 and June 30, 2010 to the reserve accounts according to the CERL provisions.

Potentially Changing Standards

The Governmental Accounting Standards Board (GASB) which sets generally accepted accounting principles (GAAP) for governments, including LACERA, is discussing potentially major changes to the pension accounting and reporting framework. A "preliminary views" document has been released, reflecting the views and positions of the GASB in advance of releasing an exposure draft of standards. The GASB's preliminary view is that entities like LACERA would solely be responsible for investing plan assets. The unfunded actuarially accrued liability would then be apportioned to the membership, where the actuarially accrued liability would be presented in their statements of net assets. Though the LACERA Boards have taken no formal position on the preliminary views of GASB, our professional organizations and management are monitoring these developments very closely and are active in commenting on the proposals.

Requests for Information

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

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

Chief Financial Officer
LACERA
300 N. Lake Avenue, Suite 720
Pasadena, CA 91101

Respectfully submitted,

Beulah S. Auten

Beulah S. Auten, CPA, CGFM
Chief Financial Officer

Statement of Plan Net Assets

As of June 30, 2010 and June 30, 2009
(Dollars in Thousands)

	2010		2009	
	Pension Plan	**OPEB Agency Fund**	**Pension Plan**	**OPEB Agency Fund**
Assets				
Cash	**$ 117,360**	**$ 806**	$ 33,700	$ 387
Cash Collateral on Loaned Securities	**1,158,925**		1,219,067	
Receivables				
Contributions Receivable	**49,841**		112,479	
Accounts Receivable - Sale of Investments	**820,109**		765,240	
Accrued Interest and Dividends	**97,083**		103,110	
Accounts Receivable - Other	**47,359**	**35,637**	48,562	32,781
Total Receivables	**1,014,392**	**35,637**	**1,029,391**	**32,781**
Investments at Fair Value				
Domestic and International Equities	**16,693,082**		14,854,082	
Fixed-Income	**10,142,133**	**155,033**	9,800,435	143,717
Private Equity	**3,417,212**		2,815,826	
Real Estate	**2,843,804**		3,057,774	
Commodities	**664,464**		389,940	
Total Investments	**33,760,695**	**155,033**	**30,918,057**	**143,717**
Total Assets	**$36,051,372**	**$191,476**	**$33,200,215**	**$176,885**
Liabilities				
Accounts Payable - Purchase of Investments	**1,403,918**		1,433,312	
Retiree Payroll and Other Payables	**233**	**24**	185	4
Accrued Expenses	**26,886**	**115**	26,113	321
Tax Withholding Payable	**23,406**		20,021	
Obligations under Securities Lending Program	**1,158,925**		1,219,067	
Accounts Payable - Other	**4,116**	**36,304**	2,536	32,843
Due to Employers		**155,033**		143,717
Total Liabilities	**$ 2,617,484**	**$191,476**	**$ 2,701,234**	**$176,885**
Net Assets Held in Trust for Pension Benefits	**$33,433,888**		**$30,498,981**	

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

Statement of Changes in Plan Net Assets

For the Years Ended June 30, 2010 and 2009

(Dollars in Thousands)

	2010	2009
Additions		
Contributions		
Employer	$ 843,704	$ 831,671
Member	429,612	415,545
Total Contributions	1,273,316	1,247,216
Investment Income		
From Investing Activities:		
Net Appreciation/(Depreciation) in Fair Value of Investments	2,102,581	(8,768,573)
Investment Income	1,848,215	1,449,183
Total Investing Activity Income/(Loss)	3,950,796	(7,319,390)
Less Expenses from Investing Activities	(113,885)	(104,603)
Net Investing Activity Income/(Loss)	3,836,911	(7,423,993)
From Securities Lending Activities:		
Securities Lending Income	5,867	38,753
Less Expenses from Securities Lending Activities:		
Borrower Rebates	(1,899)	(21,212)
Management Fees	(478)	(1,338)
Total Expenses from Securities Lending Activities	(2,377)	(22,550)
Net Securities Lending Income	3,490	16,203
Total Net Investment Income/(Loss)	3,840,401	(7,407,790)
Miscellaneous	868	1,221
Total Additions/(Declines)	5,114,585	(6,159,353)
Deductions		
Retiree Payroll	2,109,660	1,994,620
Administrative Expense	48,892	49,730
Refunds	18,904	20,356
Lump-Sum Death Benefits	2,174	1,388
Miscellaneous	48	243
Total Deductions	2,179,678	2,066,337
Net Increase/(Decrease)	2,934,907	(8,225,690)
Net Assets Held in Trust for Pension Benefits Beginning of Year	30,498,981	38,724,671
Net Assets Held in Trust for Pension Benefits End of Year	$33,433,888	$30,498,981

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

Note A — Plan Description

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

Membership

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

LACERA Membership

As of June 30, 2010 and 2009

	2010	2009
Active Members:		
Vested	**66,078**	64,490
Non-Vested	**28,332**	31,298
Total Active Members	**94,410**	**95,788**
Retired Members	**54,171**	53,069
Terminated Vested (Deferred)	**7,938**	8,051
Total Membership	**156,519**	**156,908**

Benefit Provisions

Vesting occurs when a member accumulates five years creditable service under contributory plans or accumulates 10 years of creditable service under the general service non-contributory plan. Benefits are based upon 12 or 36 months' average compensation, depending on the plan, as well as age at retirement, and length of service as of the retirement date, according to applicable statutory formula. Service-connected disability benefits may be granted regardless of length of service consideration. Five years of service is required for nonservice-connected disability eligibility according to applicable statutory formula. Members of the non-contributory plan, who are covered under separate long-term disability provisions not administered by LACERA, are not eligible for disability benefits provided by LACERA.

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

STAR Program
In addition to cost-of-living increases, the CERL also provides the BOR the authority to grant supplemental cost-of-living increases. Under this program, known as the Supplemental Targeted Adjustment for Retirees (STAR), excess earnings have been used to restore retirement allowances to 80 percent of the purchasing power held by retirees at the time of retirement. The BOR made permanent the 2001 through 2009 STAR Programs, except for Program Year 2005 and 2010, at an 80 percent level as authorized in the CERL Section 31874.3. There were no new retirees or beneficiaries entitled to additional STAR benefits for Program Years 2005 and 2010 due to the modest CPI percentage increase and all eligible members had COLA Accumulation accounts below the 20 percent threshold for providing STAR benefits.

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

Since the inception of the STAR Program in 1990 to the present, the Program received $1.5 billion in funding. Except for Program Years 2005 and 2010, the STAR Program funded approximately $353 million when the Board made permanent the 2001-2009 STAR Program benefits. As of June 30, 2010, there is $614 million available in the STAR Program Reserve to fund future benefits. Total STAR Program costs since inception equaled $852 million.

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

NOTE B — Summary of Significant Accounting Policies

Reporting Entity

LACERA, with its own governing Boards, is an independent governmental entity separate and distinct from the County of Los Angeles (County). Because of the nature of the close relationship between LACERA as a blended component unit to the County, LACERA's basic financial statements are reflected as a Pension Trust Fund of the County's basic financial statements. LACERA's operations are heavily dependent upon County funding and the operations almost exclusively benefit the County. Maintaining appropriate controls and preparing the financial statements are the responsibility of LACERA management, with oversight by LACERA's Internal Audit staff.

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

Method of Reporting

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

New Accounting Pronouncements

The GASB issued Statement No. 51, Accounting and Financial Reporting for Intangible Assets. This Statement establishes accounting and financial reporting requirements for intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. Management has reviewed its contracts and investments and has concluded that any intangible assets as defined in GASB Statement No. 51 are immaterial.

During fiscal year 2010, LACERA implemented the provisions of GASB Statement No. 53, Accounting for Derivative Instruments. This Statement establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments like LACERA. The statement requires derivative instruments to be measured at fair value and reported within the Statement of Plan Net Assets. Certain portions of Statement No. 53 do not apply to LACERA, as LACERA does not invest plan net assets for the purpose of hedging. GASB Statement No. 53 also establishes disclosure requirements, which include summaries of information of derivative instruments and LACERA's exposure to financial risks. Many of these disclosures are augmented versions of portions of Statement No. 53, which do not apply to LACERA as LACERA does not invest plan net assets for the purpose of hedging. GASB Statement No. 53 also establishes disclosure requirements, which include summaries of information of derivative instruments and LACERA's exposure to financial risks. Many of these disclosures are augmented versions of what has been presented by LACERA previously. As LACERA already presented derivative investments at fair value, Plan Net Assets were not affected by the implementation of Statement No. 53.

Capital Assets (Including Intangible Assets)

Capital Assets are items that benefit more than one fiscal year. LACERA's potential capital assets are largely in technology. Due to the continual upgrading of technology by LACERA, these items are expensed as they are immaterial to the plan net asset position. In the implementation of GASB Statement No. 51 in fiscal 2010, management further evaluated its capital asset policies and outflows and found all potential intangible assets also to be immaterial.

Accrued Vacation and Sick Leave

Employees who terminate or retire from active employment are entitled to full compensation for all unused vacation and a percentage of their unused sick leave. The accrued vacation and sick leave balances for LACERA employees as of June 30, 2010 and 2009 were $2.8 million and $2.5 million, respectively.

Cash

Cash includes deposits with various financial institutions, the County trust fund, and international currency holdings, which have original maturities of less than 90 days, translated to U.S. dollars using the exchange rates in effect at June 30, 2010 and 2009.

Investments

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

Investments	Source
Publicly traded securities and issues of the U.S. Government and its agencies	Most recent sales price as of the fiscal year-end. International securities reflect currency exchange rates in effect at June 30, 2010 and 2009.
Mortgages	Equivalent pricing comparable to GMAC's Wholesale Mortgage Lending Correspondent Rate Sheet.
Real estate equity funds	Fair value as provided by the real estate fund manager, based on review of cash flow, exit cap rates, and market trends, subject to independent third party appraisal every two or three years. Investments under development are carried at cumulative cost until developed.
Real estate title holding corporations and limited liability companies	Fair value of the investment as provided by investment managers, subject to independent appraisals once every three years.
Private equity	Fair value as provided by the investment manager as follows: Private investments – valued by the General Partner giving consideration to financial condition and operating results of the portfolio companies, nature of investment, marketability, and other factors deemed relevant. Public investments – valued based on quoted market prices, less a discount, if appropriate, for restricted securities. Fair values are reviewed by LACERA's private equity consultant.
Private placement bonds	Face value of the security, subject to designated conditions such as sales restrictions or limited marketability.

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

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

Use of Estimates

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

Reclassifications

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

NOTE C — Contributions

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

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

For fiscal years ending June 30, 2010 and June 30, 2009, the County paid its employer contributions due to LACERA in the form of cash payments to cover approximately twelve months. Also, for fiscal year ending June 30, 2009, a small portion of the contributions due was paid from interest earnings.

NOTE D — Reserves

LACERA carries accounts within Net Assets Held in Trust for Pension Benefits as reserve accounts for various operating purposes stipulated in various agreements. Reserves are not required, nor recognized under GAAP. These are not shown separately on the Statement of Plan Net Assets, as the sum of these reserves equal the Net Assets Held in Trust for Pension Benefits. Reserves are established from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses. The reserves do not represent the present value of assets needed, as determined by actuarial valuation, to satisfy retirements and other benefits as they become due.

LACERA's major classes of reserves are as follows:

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

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

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

STAR Reserve represents the balance of transfers from the Contingency Reserve for future supplemental cost-of-living (COLA) increases. Additions include transfers from the Contingency Reserve. Deductions include COLA payments to retirees and funding for permanent benefits. Except for Program Years 2005 and 2010, the Board of Retirement (BOR) made permanent the 2001 through 2009 STAR Programs at an 80 percent level as authorized in the County Employees Retirement Law of 1937 (CERL). There were no new retirees or beneficiaries entitled to additional STAR benefits for Program Years 2005 and 2010 due to the modest Consumer Price Index percentage increase and all eligible members having COLA Accumulation accounts below the 20 percent threshold for providing STAR benefits.

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

Contingency Reserve represents reserves accumulated for future earning deficiencies, investment losses, and other contingencies. Additions include realized investment income and other revenues; deductions include investment expenses, administrative expenses, interest allocated to other reserves to the extent realized earnings are available for the six-month period, and funding of the STAR Reserve when excess earnings are available and authorized by the BOR. The Contingency Reserve is used to satisfy the CERL requirement for LACERA to reserve against deficiencies in interest earnings in other years, losses on investments, and other contingencies. The CERL and the BOI's Funding Policy provide the ideal reserve be set at 1.0 percent of assets.

For fiscal year ended June 30, 2010, the modest net investment earnings realized were all applied to credit interest to some of the reserves in accordance with the Funding Policy, leaving no balance in the Contingency Reserve. For fiscal year ended June 30, 2009, the balance of the Contingency Reserve of $391 million represented 1.3 percent of the Fair Value of Total Investments.

Reserves

As of June 30, 2010 and 2009
(Dollars in Thousands)

	2010	2009
Member Reserves	**$14,027,924**	$13,168,255
Employer Reserves	**21,317,758**	20,954,314
County Contribution Credit Reserve	**470,710**	470,710
STAR Reserve	**614,011**	614,011
Contingency Reserve		390,786
Total Reserves at Book Value	**36,430,403**	**35,598,076**
Unrealized Investment Portfolio Depreciation	**(2,996,515)**	(5,099,095)
Total Reserves at Fair Value	**$33,433,888**	**$30,498,981**

NOTE E — Pension Actuarial Valuations

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

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

Funded Status as of the Most Recent Actuarial Valuation Date

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
June 30, 2009	$39,541,865	$44,468,636	$4,926,771	88.9%	$6,547,616	75.2%

Actuarial Methods and Significant Assumptions

Actuarial Cost Method	Entry Age Normal Cost Funding Method
Actuarial Asset Valuation Method	Five-year smoothed method based on the difference between the expected market value and the actual market value of the assets as of the valuation date. The expected market value, with five-year smoothing valuation basis for all assets, was adopted effective for the June 30, 2009 valuation.
Inflation Rate — Consumer Price Index (CPI)	3.50 percent This rate was adopted for the June 30, 2004 valuation.
Investment Return	7.75 percent Compounded annually, net of both investment and administrative expenses. This rate was adopted for the June 30, 2004 valuation.
Projected Salary Increases	4.26 percent to 10.24 percent The total expected increase in salary includes both merit and the general wage increase assumption of 4.0 percent per annum. The total result is compounded rather than additive. No increase in the number of members is assumed. These rates were adopted for the June 30, 2007 valuation.

Actuarial Methods and Significant Assumptions continued

Post-Retirement Benefit Increases	Increase varies by plan. Regular Plan COLA is not greater than the CPI assumption. A supplemental COLA may be provided to certain members to limit the loss of purchasing power to no more than 20 percent. Post-retirement benefit increases of either 3.0 percent or 2.0 percent per year are assumed for the valuation in accordance with the benefits provided. These adjustments, which are based on the CPI, are assumed payable each year in the future as they are less than the expected increase in the CPI of 3.5 percent per year. This rate was adopted for the June 30, 2004 valuation. Plan E members receive a prorated post-retirement benefit increase of 2.0 percent for service credit earned after June 4, 2002. The portion payable is based on the member's years of service earned after June 4, 2002 to his/her total years of service. The portion of the full 2.0 percent increase not provided for may be purchased by the member.
Amortization Method and Period	Under LACERA's new Funding Policy, the County's contributions are set equal to the normal cost rate, net of expected member contributions for the next year, plus amortization of any UAAL or Surplus Funding. A UAAL occurs if the Funded Ratio is less than 100 percent. Surplus Funding occurs if the Funded Ratio is greater than 100 percent. The amortization of the UAAL as of June 30, 2009 is funded over a closed 30-year period. Any future unanticipated changes in the UAAL, such as assumption changes or actuarial gains and losses, are amortized over new 30-year closed periods. This approach is often referred to as a "layered amortization method." If the Funded Ratio is greater than 100 percent, the amortization of any Surplus Funding is funded over an open 30-year period, commonly referred to as a "rolling 30-year amortization method." (See GASB Statement No. 25, glossary section.)

In December 2009, the BOI adopted a new Retirement Benefit Funding Policy (Funding Policy). The Funding Policy provides that funds in the Contingency Reserve in excess of 1.0 percent of the actuarial value of assets shall be considered valuation assets. For the July 1, 2009 valuation, the STAR Reserve was considered part of the Valuation Assets. However, the valuation does not include the liability for STAR benefits that may be granted due to future inflation.

The latest actuarial valuation as of June 30, 2009 increased the County normal cost rate from 10.09 percent to 10.10 percent. The County's required contribution rate to finance the UAAL over 30 years increased from 1.99 percent to 4.12 percent, primarily due to the recognition of investment losses combined with the adoption of the new Funding Policy. The result is an increase in the required total contribution rate from the prior valuation of 2.14 percent, from 12.08 percent to 14.22 percent of payroll.

NOTE F — Partial Annuitization of Benefit Payments

In January 1987, LACERA purchased two annuity contracts from insurance carriers to provide benefit payments to a portion of the retired members. Under the terms of the annuity contracts, LACERA continues to administer benefit payments to affected members, and is reimbursed monthly by the carriers for the gross amount of benefits disbursed. LACERA received $30.8 million and $33.0 million in related reimbursements during each of the years ended June 30, 2010 and 2009, respectively. Such amounts are netted in the pension and annuity payments in the financial statements. There is no effect on covered members. Covered members retain all benefits accorded other LACERA members, including rights to continuance of benefits to survivors, insurance subsidies, and cost-of-living increases.

NOTE G — Deposit and Investment Risks

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

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

The Investment Policy Statement encompasses the following:

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

Credit Risk

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

The majority of the portfolios meet the following guidelines in terms of credit quality. In cases where the credit ratings of the rating agencies differ, the methodology used to determine whether an issuer is investment grade will be based upon Barclays Capital index rules.

Domestic Fixed-Income Core Portfolios

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

In addition:

- Money market instruments must be rated at least A-1/P-1 or equivalent by at least one major credit rating agency.
- All rated securities, including Rule 144A securities, must be rated at least B- by S&P or equivalent by at least one major credit rating agency at the time of purchase.
- Unrated issues may be purchased provided, in the judgment of the Manager, they would not violate LACERA's minimum credit quality criteria.
- Unrated issues and securities rated BBB+, BBB, or BBB- by S&P or equivalent, in combination, may represent up to 30 percent of the portfolio.

Domestic Fixed-Income Core Plus Portfolios
A minimum of 80 percent of the portfolio must be invested in securities rated investment grade by the major credit rating agencies: Moody's, S&P, and Fitch.

In addition:

- Money market instruments must be rated at least A-1/P-1 or equivalent by at least one major credit rating agency.
- All rated securities, including Rule 144A securities, must be rated at least B- by S&P or equivalent by at least one major credit rating agency at the time of purchase.
- Unrated issues may be purchased provided, in the judgment of Manager they would not violate LACERA's minimum credit quality criteria.
- Unrated issues and securities rated BBB+, BBB, or BBB- by S&P or equivalent, in combination, may represent up to 30 percent of the portfolio.

Domestic Opportunistic Fixed-Income Portfolios
Investment-Grade Securities
The Benchmark index consists exclusively of below investment-grade securities, so the overwhelming majority of investments held must be rated below investment grade by the major credit rating agencies: Moody's, S&P, and Fitch.

In addition:

- Money market instruments must be rated at least A-1/P-1 or equivalent by at least one major credit rating agency.
- At least 95 percent of all rated securities, including Rule 144A securities, must be rated at least B- by S&P or equivalent by at least one major credit rating agency at the time of purchase.
- Consistent with the preceding requirement, a maximum of 5.0 percent of the portfolio may be invested in issues rated below B- by S&P or equivalent; however, these issues must be rated at least CCC by S&P or Caa by Moody's.
- Unrated issues may be purchased provided, in the judgment of the Manager they would not violate LACERA's minimum credit criteria.

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

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

The following is a schedule of the credit quality ratings of investments in fixed-income securities by a nationally recognized statistical rating organization. Short-term investments and mortgages are excluded from this presentation.

Credit Quality Ratings of Investments in Fixed-Income Securities

As of June 30, 2010
(Dollars in Thousands)

Quality Ratings	Fair Value
U.S. Treasuries, GNMA, SBA (Explicit Guarantee)	$ 1,339,422
AAA	623,966
AA	380,800
A	644,065
BAA	1,066,506
BA	563,629
B	672,031
CAA	189,868
CA	5,326
C	665
Not Rated	396,510
Total Credit Risk Fixed-Income Securities	**$5,882,788**
U.S. Government Agencies (Implicit Guarantee) (FNMA, FHLB, FHLMC, FFCB, SLMA)	1,990,397
Pooled Funds (Not Rated)	984,918
Total Investments in Fixed-Income Securities	**$8,858,103**

Custodial Credit Risk

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

Counterparty Risk

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

Concentration of Credit Risk

As of June 30, 2010, LACERA did not hold any investments in any one issuer that would represent five percent (5%) or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

Interest Rate Risk

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

To manage Interest Rate Risk, the modified adjusted duration of the Domestic Fixed-Income Core and Core Plus portfolios is restricted to +/- 25.0 percent of the duration of the portfolios' respective benchmarks. The duration of the High-Yield portfolios is restricted to less than 6.5 years. Deviations from any of the stated guidelines require prior written authorization from LACERA.

The Fixed-Income Securities — Duration schedule presents the duration by investment type. Short-term Investments and Mortgages are excluded from this presentation.

Fixed-Income Securities — Duration

As of June 30, 2010
(Dollars in Thousands)

Investment Type	Fair Value	Modified Duration
U.S. Government and Agency Instruments:		
U.S. Treasury	$ 1,076,124	7.00
U.S. Government Mortgages	2,175,333	3.03
Municipal/Revenue Bonds	78,362	11.93
Subtotal U.S. Government and Agency Instruments	**$ 3,329,819**	
Corporate Securities:		
Asset-Backed Securities	$ 198,433	2.06
Commercial Mortgage-Backed Securities	543,494	3.74
Corporate and Other Credit	2,882,118	5.36
Fixed-Income Swaps	29,548	(0.13)
Pooled Investments	984,918	N/A
Other Fixed-Income	80,966	N/A
Subtotal Corporate Securities	**$ 4,719,477**	
International Fixed-Income	$ 32,045	6.41
Private Placement Fixed-Income	776,762	5.20
Total Fixed-Income Securities	**$ 8,858,103**	

Foreign Currency Risk

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

The following schedule represents LACERA's exposure to Foreign Currency Risk in U.S. dollars. LACERA is invested in several international equity commingled funds. This means LACERA owns units of a commingled fund and the fund holds the actual securities and/or currencies. The values shown are based on LACERA's pro-rata portion of commingled fund holdings.

International Investment Securities at Fair Value

As of June 30, 2010
(Dollars in Thousands)

Currency	Equity	Fixed-Income	Foreign Currency	Real Estate Commingled Funds	Total
Argentine Peso	$ 786				$ 786
Australian Dollar	403,392		$5,744	$ 5,564	414,700
Bahrain Dinar	1,048				1,048
Brazilian Real	244,660	$12,331	862		257,852
British Pound Sterling	1,138,793		333	25,185	1,164,311
Canadian Dollar	632,960		94		633,054

International Investment Securities at Fair Value continued

As of June 30, 2010

(Dollars in Thousands)

Currency	Equity	Fixed-Income	Foreign Currency	Real Estate Commingled Funds	Total
Chilean Peso	$ 19,591				$ 19,591
Chinese RNB	10,186				10,186
Columbian Peso	10,279				10,279
Czech Republic Koruna	5,942				5,942
Danish Krone	53,102		$ 21		53,123
Egyptian Pound	13,438				13,438
Euro	1,677,870	$ 3,736	8,609	$ 41,841	1,732,056
Hong Kong Dollar	526,832		1,194	27,365	555,392
Hungarian Forint	10,147				10,147
Indian Rupee	138,517				138,517
Indonesian Rupiah	93,896	4,221			98,117
Israeli Shekel	40,770		168		40,938
Japanese Yen	1,238,762		4,142	14,314	1,257,217
Malaysian Ringgit	44,487		35		44,522
Mexican Peso	102,070	11,758	114		113,942
Morocco Dirham	1,514		4		1,518
New Turkish Lira	44,514		201		44,714
New Zealand Dollar	6,062				6,062
Nigerian Naira	6,886				6,886
Norwegian Krone	46,614		5		46,619
Pakistani Rupee	4,609				4,609
Panamian Balboa	4,605				4,605
Philippine Peso	10,920				10,920
Polish Zloty	17,089				17,089
Russian Ruble	132,500				132,500
Singapore Dollar	165,340		2,372	9,120	176,833
South African Rand	133,552		4		133,556
South Korean Won	213,740		108		213,848
Sri Lankan Rupee	5,230				5,230
Swedish Krona	161,680		120	875	162,675
Swiss Franc	413,071		78		413,150
Taiwan Dollar	143,250				143,250
Thailand Baht	36,003		23	1,883	37,909
Vietnamese Dong	262				262
Total Securities Subject to Foreign Currency Risk	**$7,954,967**	**$32,045**	**$24,233**	**$126,148**	**$8,137,393**
U.S. Dollar (Securities held by International Managers)	164,656				164,656
Total International Investment Securities	**$8,119,623**	**$32,045**	**$24,233**	**$126,148**	**$8,302,049**

NOTE H — Securities Lending Program

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

On June 10, 2009, LACERA selected Goldman Sachs Agency Lending (GSAL) as the principal borrower for the securities lending program. Prior to that date, Golden Sachs (Goldman) was the principal borrower. LACERA's securities lending program is managed by GSAL and two agent lenders, BNY Mellon Global Securities Lending (BNY Mellon) and Wachovia Global Securities Lending (Wachovia). GSAL has exclusive rights to borrow LACERA's domestic equities and corporate bonds. In exchange for these rights, GSAL pays LACERA an annual guarantee fee. Under this exclusive borrowing arrangement, GSAL's loans are secured by collateral with a market value of at least 102.0 percent of the borrowed securities. BNY Mellon Cash Investment Strategies (formerly known as Standish Mellon) invests collateral received from GSAL in short-term debt and money market instruments. Wachovia lends LACERA's domestic treasury, agency, and mortgage-backed securities, which are initially collateralized at 102.0 percent of the loan market value. The market value of the collateral is marked-to-market daily, and additional collateral is required if the market value falls below the maintenance margin. Wachovia invests the collateral it receives on loans in short-term highly liquid instruments. BNY Mellon lends LACERA's international equities.

International loans are 105.0 percent collateralized and are marked-to-market on a daily basis. BNY Mellon collateral is reinvested in its commingled fund. The income earned from investments made by Wachovia and BNY Mellon is split between LACERA and the lending agent, based on contractual agreements.

At year-end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2010, there were no violations of legal or contractual provisions. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the years ended June 30, 2010 and 2009.

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

As of June 30, 2010, the fair value of securities on loan was $1.13 billion with the value of cash collateral received for the securities on loan of $1.16 billion and non-cash collateral of $194,000. As of June 30, 2009, the fair value of securities on loan was $1.17 billion with the value of cash collateral received for the securities on loan of $1.22 billion and no non-cash collateral. LACERA's income, net of expenses from securities lending, was $3.5 million and $16.2 million for the years ended June 30, 2010 and 2009, respectively.

The following securities were on loan and cash collateral received.

Securities Lending

As of June 30, 2010
(Dollars in Thousands)

Securities on Loan	Market Value of Securities on Loan	Cash Collateral Received
U.S. Government and Agencies, and Mortgage-Backed Securities	$ 561,042	$ 568,703
Domestic Equities	453,509	465,070
Domestic Corporate Fixed-Income	49,246	50,303
International Equities	70,604	74,850
Total	**$1,134,401**	**$1,158,926**

NOTE I — Derivative Financial Instruments

The Board of Investments' (BOI) Investment Policy Statement and Manager Guidelines allow the use of derivatives by certain investment managers. Derivatives are financial instruments that derive their value, usefulness, and marketability from an underlying instrument which represents direct ownership of an asset or an obligation of an issuer whose payments are based on or "derived" from the performance of some agreed-upon benchmark. Managers are required to mark-to-market derivative positions daily and may only trade with counterparties with a credit rating of A3/A- as defined by Moody's Investors Service (Moody's) and Standard & Poor's (S&P), respectively. Substitution, risk control, and arbitrage are the only derivative strategies permitted; speculation is prohibited. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Gains and losses from derivatives are included in net investment income. For financial reporting purposes, all LACERA derivatives are classified as investment derivatives. The following types of derivatives are permitted: futures contracts, currency forward contracts, options, and swaps.

Futures Contracts

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

Forward Contracts

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

Option Contracts

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

Swap Agreements

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

The Investment Derivatives schedule listed below reports the fair value balances, changes in fair value, and notional amounts of derivatives outstanding as of and for the years ended June 30, 2010 and 2009, classified by type.

Investment Derivatives

As of June 30, 2010
(Dollars in Thousands)

	2010		2009	2010/2009
Derivative Type	**Notional Amount**	**Fair Value**	**Fair Value**	**Change in Fair Value**
Futures Contracts	**$ 610,296**	**$(3,537)**		N/A
Forward Contracts	**99,474**	**(170)**	($1,420)	$(1,250)
Options Contracts	**95,030**	**166**	2,099	(1,933)
Swap Agreements	**1,268,439**	**(4,986)**	(215)	(4,771)
Total	**$2,073,239**	**$(8,527)**	**$ 464**	**$(7,954)**

All investment derivative positions are included as part of investments at fair value on the Statement of Plan Net Assets. All changes in fair value are reported as part of Net Appreciation/(Depreciation) in fair value of investments in the Statement of Changes In Plan Net Assets.

Investment information was provided either by investment managers or LACERA's investment custodian. Certain information from prior years was not available to obtain a full fair value of futures contracts.

Custodial Credit Risk
LACERA's investments include collateral associated with derivatives activity. As of June 30, 2010 collateral for derivatives was $69.8 million. The collateral margins are maintained in margin accounts at financial services firms that provide brokerage services. Each account is uninsured and is subject to custodial credit risk.

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

The following Credit Risk-Derivatives schedule discloses the counterparty credit ratings of LACERA's investment derivatives in asset positions by type, as of June 30, 2010. These amounts represent the maximum loss that would be recognized if all counterparties fail to perform as contracted, without respect to any collateral or other security, or netting arrangement. The schedule displays the fair value of investments by credit rating in increasing magnitude of risk. Investments are classified by Moody's credit rating. If the investment does not have a Moody's rating, but has an S&P rating, the Moody's rating that corresponds to the S&P rating is used. As of June 30, 2010, LACERA has a net exposure to credit risk of $5.2 million.

Credit Risk Analysis
As of June 30, 2010
(Dollars in Thousands)

	Adjusted Moody's Credit Rating			
Derivative Type	**AAA**	**AA**	**A**	**Total Fair Value**
Forward Contracts	$(638,192)	$675,034	$ (207,282)	$ (170,440)
Swap Agreements		(495,293)	(4,490,313)	(4,985,606)
Total	**$(638,192)**	**$179,741**	**$(4,697,595)**	**$(5,156,046)**

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

Interest Rate Risk Analysis

As of June 30, 2010
(Dollars in Thousands)

Derivative Type	Reference Rate	Notional Amount	Fair Value
Interest Rate Swaps	LIBOR - 3 months	$594,927	$ 301
Interest Rate Swaps	2.82 to 6.50%	34,470	(612)
Total		**$629,397**	**$(311)**

Foreign Currency Risk

For those futures contracts and swap agreements which are dollar-denominated securities issued by foreign countries, there is an exposure to a foreign currency risk. Currency forward contracts represent foreign exchange contracts that are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions.

The Net Exposure column of the schedule below indicates LACERA's net foreign currency risk related to derivatives.

Foreign Currency Risk Analysis

As of June 30, 2010
(Dollars in Thousands)

Currency	Futures Contracts	Forward Contracts	Swap Agreements	Net Exposures
Australian Dollar		$ (87)	$ 41	$ (46)
Brazilian Real		(12,174)	326	(11,848)
British Pound Sterling		(452)		(452)
Canadian Dollar		(2,975)		(2,975)
Chinese Yuan Renminbi		3,123		3,123
Euro Currency Unit	$76	(7,699)	(10)	(7,633)
Hong Kong Dollar		224		224
Indonesian Rupiah		(4,055)		(4,055)
Israeli Shekel		(13)		(13)
Japanese Yen		(21,144)		(21,144)
Mexican New Peso		(109)		(109)
New Turkish Lira		(132)		(132)
Philippines Peso				
Singapore Dollar		126		126
South Korean Won		3,159	131	3,290
Swedish Krona		195		195
Total	**$76**	**$(42,013)**	**$488**	**$(41,449)**

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

NOTE J — Title Holding Corporations and Limited Liability Companies

The LACERA real estate portfolio includes 82 Title Holding Corporations (THCs) and 18 Limited Liability Companies (LLCs) and 81 THCs and 18 LLCs as of June 30, 2010 and 2009, respectively.

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

Title Holding Corporations' and Limited Liability Companies' Financial Position

As of June 30, 2010 and 2009
(Dollars in Thousands)

	2010	2009
Assets	**$3,558,289**	$3,609,802
Less: Liabilities	**878,422**	876,005
Net Assets	**$2,679,867**	**$2,733,797**
Net Income	**$ 177,360**	**$ 173,725**

In January 2010, foreclosure proceedings began on Corbin Park Development (Corbin Park) as a result of multiple unsuccessful efforts to either resolve the lender issues or to recapitalize the project. This property is a joint venture of Gateway Corbin, LLC, a THC formed with LACERA and Cormac Company (Cormac). Bank of America, the lead lender, initiated the foreclosure proceedings which resulted in a decision by Cormac to file for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. The property is in the process of being sold. It is unlikely that any of LACERA's $38.2 million investment on this property will be recovered. The values for the period ending June 30, 2010 in the above table already reflect the Corbin Park investment being written down to $1,000.

Additionally, on May 3, 2010, a foreclosure sale occurred at Ocean Ranch property. This property is a joint venture of Gateway Oceanside, LLC, a THC formed with LACERA and Windstar Partners. LACERA's initial investment of $7.7 million to acquire the property was lost. However, Windstar Partners guaranteed 50.0 percent of any LACERA losses. LACERA has a claim against Windstar Partners for $3.8 million. Neither of these investments is expected to lead to any contingent or future liability, as LACERA did not guarantee any debt.

NOTE K — Related Party Transactions

Office Lease

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

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

Total operating expenses charged to LACERA was approximately $1.1 million and 1.3 million for the years ended June 30, 2010 and 2009, respectively.

Notes Receivable

LACERA had notes receivable of approximately $43.0 million from three of its THCs for the years ended June 30, 2010 and 2009. These amounts are reflected in the Accounts Receivable-Other balance for both years.

Guaranty of Unsecured Line of Credit

LACERA invests in a housing program called TriPacific Residential Investors-One, LLC (TRIO) which provides mezzanine financing to builders of single-family housing. TRIO is the successor to Lowe Enterprises Residential Investors (LERI). LACERA is a 99.0 percent investor in TRIO; the 1.0 percent managing member is TriPacific Capital Advisors. TRIO/LERI has unsecured lines of credit with various lenders.

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

Unsecured Line of Credit

As of June 30, 2010
(Dollars in Thousands)

Line of Credit	Date of Maturity	Interest Rate
$ 40,000	August 28, 2011	LIBOR plus a spread
60,000	December 9, 2011	LIBOR plus a spread
200,000	May 30, 2012	LIBOR plus a spread
$300,000		

The Board of Investments has authorized LACERA to guarantee up to $300 million of TRIO/LERI's unsecured line of credit debt. The guaranty is not reflected on LACERA's financial statements.

NOTE L — Administrative Expenses

The Boards of Retirement and Investments annually adopt the operating budget for the administration of LACERA. The administrative expenses are charged against the earnings of the retirement fund. As of January 1, 2007, Section 31580.3 of the County Employees Retirement Law of 1937 (CERL) increased the amount from eighteen-hundredths of one percent (0.18%) to twenty-three hundredths of one percent (0.23%). The additional administrative expenses allowed include expenditures for software, hardware, and computer technology consulting services in support of that software or hardware. This increase remains in effect only until January 1, 2013, and as of that date is repealed, unless a statute deleting or extending that date is enacted before January 1, 2013. In addition, the cost of legal representation is not to exceed one-hundredth of one percent (0.01%) of system assets in any budget year, pursuant to Section 31529.1 of the CERL. LACERA's operating budget for fiscal year-end June 30, 2010, was prepared and approved by the Boards based upon twenty-three hundredths of one percent (0.23%) under Section 31580.3 of the CERL, while the operating budget for fiscal year-end June 30, 2009 was based upon eighteen-hundredths of one percent (0.18%) under Section 31580.2 of the CERL.

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

Budget-to-Actual Analysis of Administrative Expenses

As of June 30, 2010 and 2009

(Dollars in Thousands)

	2010	2009
Total Projected Asset Base at Fair Value	**$36,687,715**	**$43,909,015**
Maximum Allowable for Administrative Expense (0.23%)	**84,382**	79,036
Maximum Legal Representation Appropriation (0.01%)	**3,669**	4,391
Total Statutory Budget Appropriation	**$ 88,051**	**$ 83,427**
Operating Budget Request	**53,391**	53,747
Actual Administrative Expenses	**48,892**	49,730
Underexpended Operating Budget	**$ 4,499**	**$ 4,017**

NOTE M — Commitments and Contingencies

Litigation

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

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

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

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

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

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

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

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

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

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

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

Currently LACERA has a Revolving Credit Agreement with Bank of New York (BNY) Mellon for a Commitment Amount of $190 million that would be available if the BOI found the circumstances described herein. LACERA is required to maintain eligible assets as collateral in a pledged account valued at 115 percent of the Commitment Amount. The agreement expires on June 10, 2011.

Guaranty of Unsecured Line of Credit
LACERA invests in a housing program called TriPacific Residential Investors-One, LLC (TRIO) which provides mezzanine financing to builders of single-family housing. TRIO is the successor to Lowe Enterprises Residential Investors (LERI). LACERA is a 99.0 percent investor in TRIO; the 1.0 percent managing member is TriPacific Capital Advisors. TRIO/LERI has unsecured lines of credit with various lenders.

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

Unsecured Line of Credit
As of June 30, 2010
(Dollars in Thousands)

Line of Credit	Date of Maturity	Interest Rate
$ 40,000	August 28, 2011	LIBOR plus a spread
60,000	December 9, 2011	LIBOR plus a spread
200,000	May 30, 2012	LIBOR plus a spread
$300,000		

The BOI has authorized LACERA to guarantee up to $300 million of TRIO/LERI's unsecured line of credit debt. The guaranty is not reflected on LACERA's financial statements.

Leases

LACERA leases equipment under lease agreements that expire over the next five years. The annual commitments under such equipment leases were approximately $301,000 and $277,000 in fiscal years 2010 and 2009, respectively. The building space lease agreement entered in January 1991, and subsequently amended to include additional rentable square footage and termed to expire on December 31, 2015, requires LACERA to pay a portion of the building's operating expenses based on square footage occupied as discussed in Note K — Related Party Transactions. Total rent expense for all leases was $1.39 million and $1.40 million in fiscal years 2010 and 2009, respectively.

Capital Commitments

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

As of June 30, 2010, outstanding capital commitments to the various investment managers, as approved by the BOI, totaled $2.43 billion. Subsequent to June 30, 2010, LACERA funded $209 million of these capital commitments.

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

Plan Description

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

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

Membership

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

Summary of Participating Retired Members, Spouses, and Dependents

OPEB Actuarial Valuation — July 1, 2008

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

Benefit Provisions

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

Medical/Dental/Vision — The participant's cost for medical, dental/vision insurance varies according to the years of retirement service credit with LACERA, the plan selected, and number of persons covered. The County contribution subsidizing the participant's cost starts at 40 percent of the benchmark plan rate (Blue Cross Plans I and II) for ten years of service credit. For each year of retirement service credit beyond ten years, the County contributes an additional 4 percent per year, up to a maximum of 100 percent for a member with 25 years of service credit. The County contribution can never exceed the premium of the benchmark plan.

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

Disability — If a member is granted a service-connected disability retirement and has less than 13 years of service, the County contributes 50.0 percent of the lesser of the benchmark plan rate or the premium of the plan in which the retiree is enrolled. A member with 13 years of service credit receives a 52.0 percent subsidy; this percentage increases 4.0 percent for each additional completed year of service credit.

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

2010 Health Care Reform

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act (Health Care Reform). The 2010 Health Care Reform is anticipated to have some impact on the County's future health care liabilities. Such impact is dependent upon how the change in the Health Care Reform will develop.

Summary of Significant Accounting Policies

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

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

Contributions

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

Funding Policy and Contributions — In fiscal year 1997, the County and LACERA entered into an agreement establishing a health care funding account pursuant to Section 401(h) of the Internal Revenue Code. Section 401(h) permits the establishment of a separate account (a "401(h) Account") to fund retiree health care benefits, and limits contributions to the 401(h) Account to 25.0 percent of aggregate contributions to LACERA.

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

During fiscal year ending June 30, 2010, premium payments of $397.4 million were made to insurance carriers. These payments were funded by employer subsidy payments of $361.0 million and $36.3 million by the participants. In addition, the County paid $33.2 million in Medicare Part B reimbursements and $6.0 million in Death Benefits.

Employer Disclosures

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

OPEB Actuarial Valuation

The Los Angeles County Other Post-Employment Benefits Program actuarial valuation was conducted by Milliman, Inc. as of July 1, 2008. The valuation was performed in accordance with GASB Statements No. 43 and No. 45 requirements at the request of the County to satisfy financial statement reporting guidelines that apply to the sponsoring employers and the organizations that administer the benefits program. The reporting guidelines are intended to improve cost disclosures and do not require any funding arrangements. The valuations are conducted at least every two years using the projected unit credit method of valuation. The next OPEB actuarial valuation will be conducted as of July 1, 2010.

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

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2008		$21,863,600	$21,863,600	0%	$6,123,888	357.0%

Disclosure of Information about Actuarial Methods and Assumptions

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

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

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

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

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

Actuarial Assumptions and Methods

Where applicable, the same actuarial assumptions used for the LACERA Pension Plan are used for the Los Angeles County OPEB Plan, which is administered by LACERA. The table below summarizes the primary OPEB-related assumptions. Where applicable, the same actuarial assumptions used for the LACERA Pension Plan are used for the OPEB plan. The first-year trend rates for LACERA's medical and dental plans were adjusted to reflect actual premium increases effective July 1, 2009. These are different from the 2008 OPEB Investigation of Experience Study rates due to continual refinements in the premium information. For the ultimate health care cost trend rates, the grading period used ranges from June 30, 2009 to June 30, 2078 or 69 years.

Actuarial Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Not applicable
Inflation Rate	3.5 percent per annum
Investment Return	5.0 percent
Projected Salary Increases	4.0 percent The general wage increase assumption is 4.0 percent per annum, which is used for projecting the total future payroll. The amortization of the UAAL is determined as a level percentage of payroll. General wage increases and individual salary increases due to promotion and longevity do not affect the amount of the Program's OPEB benefits.

Health Care Cost Trend Rates

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

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

Probability of Initial Enrollment Upon Retirement

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

Medical Spouse/Dependent Enrollment Probability

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

Dental/Vision Spouse/Dependent Enrollment Probability

Male	Female
74%	41%

Schedule of Funding Progress — Pension Plan

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
June 30, 2004	$27,089,440	$32,700,505	$5,611,065	82.8%	$4,919,531	114.1%
June 30, 2005	29,497,485	34,375,949	4,878,464	85.8%	4,982,084	97.9%
June 30, 2006	32,819,725	36,258,929	3,439,204	90.5%	5,205,802	66.1%
June 30, 2007	37,041,832	39,502,456	2,460,624	93.8%	5,615,736	43.8%
June 30, 2008	39,662,361	41,975,631	2,313,270	94.5%	6,123,888	37.8%
June 30, 2009	39,541,865	44,468,636	4,926,771	88.9%	6,547,616	75.2%

Schedule of Employer Contributions — Pension Plan

(Dollars in Thousands)

Year Ended June 30	Annual Required Contribution (ARC)	Actual Employer Contributions			Percentage of ARC Contributed
		Cash Payment	Transfer from Reserve	Total	
2005	$750,352	$527,810	$222,542	$750,352	100%
2006	855,531	676,667	179,368	856,035	100%
2007	863,626	751,851	111,775	863,626	100%
2008	827,911	788,029	40,601	828,630	100%
2009	847,172	831,672	15,500	847,172	100%
2010	843,704	843,703		843,703	100%

Schedule of Funding Progress — Other Post-Employment Benefits Plan

(Dollars in Thousands)

Los Angeles County and Outside Districts						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability* (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2006		$21,215,800	$21,215,800	0%	$5,205,804	407.5%
July 1, 2008		21,863,600	21,863,600	0%	6,123,888	357.0%

*Using the Projected Unit Credit method of valuation.

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

Schedule of Employer Contributions — Other Post-Employment Benefits Plan

(Dollars in Thousands)

Year Ended June 30	Annual Required Contribution (ARC)	Actual Employer Contributions: Cash Payment	Actual Employer Contributions: Transfer from Reserve Account	Actual Employer Contributions: Total	Percentage of ARC Contributed
2008	$1,630,700	$357,751	$9,000	$366,751	22%
2009	1,630,700	381,612		381,612	23%
2010	1,737,000	400,686		400,686	23%

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

Administrative Expenses

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

	2010	2009
Personnel Services		
Salaries and Wages	**$25,299**	$24,608
Employee Benefits	**11,736**	11,235
Total Personnel Services	**37,035**	**35,843**
Professional Services		
Computer Software Services and Support	**2,072**	2,505
External Audit Fees	**165**	180
Disability Medical Fees	**894**	888
Disability Hearing Officer Fees	**336**	273
Disability Stenographic Fees	**46**	60
Temporary Personnel Services	**809**	1,078
Legislative and Other Legal Services	**287**	477
Other Professional Services	**1,138**	1,021
Total Professional Services	**5,747**	**6,482**
Communication		
Forms and Brochures	**497**	550
Postage	**648**	783
Telecommunications	**315**	320
Transportation and Travel	**262**	339
Total Communications	**1,722**	**1,992**
Rentals		
Rents and Leases	**1,390**	1,405
Total Rentals	**1,390**	**1,405**
Miscellaneous		
Computer Equipment and Supplies	**387**	268
Office Furniture	**17**	24
Other Office Expenses	**48**	122
Maintenance	**643**	1,397
Educational Expenses	**677**	689
Parking Fees	**318**	332
Other County Department Charges	**202**	202
Insurance	**414**	476
Administrative Support	**121**	111
Other Service Charges	**171**	387
Total Miscellaneous	**2,998**	**4,008**
Total Administrative Expenses	**$48,892**	**$49,730**

Schedule of Investment Expenses

For the Years Ended June 30, 2010 and 2009

(Dollars in Thousands)

	2010	2009
Investment Management Fees		
Equity Managers		
Domestic	**$ 13,066**	$ 11,770
International	**12,910**	9,476
Fixed-Income Managers	**15,023**	14,674
Cash and Short-Term Managers	**516**	500
Mortgage Loan Servicers	**557**	579
Private Equity Managers	**3,636**	4,589
Real Estate Managers	**55,931**	56,073
Commodity Managers	**6,653**	1,256
Total Investment Management Fees	**108,292**	**98,917**
Other Investment Expenses		
Consultants	**917**	821
Custodian	**1,522**	1,512
Legal Counsel	**291**	550
Other	**2,863**	2,803
Total Other Investment Expenses	**5,593**	**5,686**
Total Management Fees & Other Investment Expenses	**$113,885**	**$104,603**

Schedule of Payments to Consultants

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

	2010	2009
Audit		
External Audit Services	**$ 165**	$ 180
Contract Audits		
Total	**165**	**180**
Legal		
Investment Legal Counsel	**291**	550
Other Legal Services	**169**	427
Total	**460**	**977**
Actuarial		
Actuarial Valuations and Consulting Fees	**197**	255
Total	**197**	**255**
Management		
Legislative Consulting	**118**	50
Management and Human Resources	**39**	46
System and Software Consulting	**104**	153
Total	**261**	**249**
Total Payments to Consultants	**$1,083**	**$1,661**

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

Statement of Changes in Assets and Liabilities — OPEB Agency Fund

For the Year Ended June 30, 2010

(Dollars in Thousands)

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Assets				
Cash	$ 387	$ 374,659	$ 374,240	$ 806
Accounts Receivable-Other	32,781	405,919	403,063	35,637
Fixed-Income	143,717	1,783,048	1,771,732	155,033
Total Assets	**$176,885**	**$2,563,626**	**$2,549,035**	**$191,476**
Liabilities				
Retiree Payroll and Other Payables	4	38,564	38,544	24
Accrued Expenses	321	190	396	115
Accounts Payable-Other	32,843	470,687	467,226	36,304
Due to Employers	143,717	1,783,048	1,771,732	155,033
Total Liabilities	**$176,885**	**$2,292,489**	**$2,277,898**	**$191,476**

INVESTMENT SECTION

We See Opportunity

We see a pension trust fund (Fund) prudently managed in accordance with an Investment Policy Statement established by our Board of Investments. With investments strategically diversified and skillfully managed to preserve capital, minimize risk of loss, and maximize returns, we see a strong and healthy Fund. In times of challenge, where others may see obstacles, we see options… and a team of experts poised to evaluate and adopt new investment strategies, when appropriate. We see a Fund soundly structured to withstand bear markets and flourish during bull markets. What we see is a Fund positioned to finance the promised benefits to current, as well as future recipients.

August 31, 2010

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

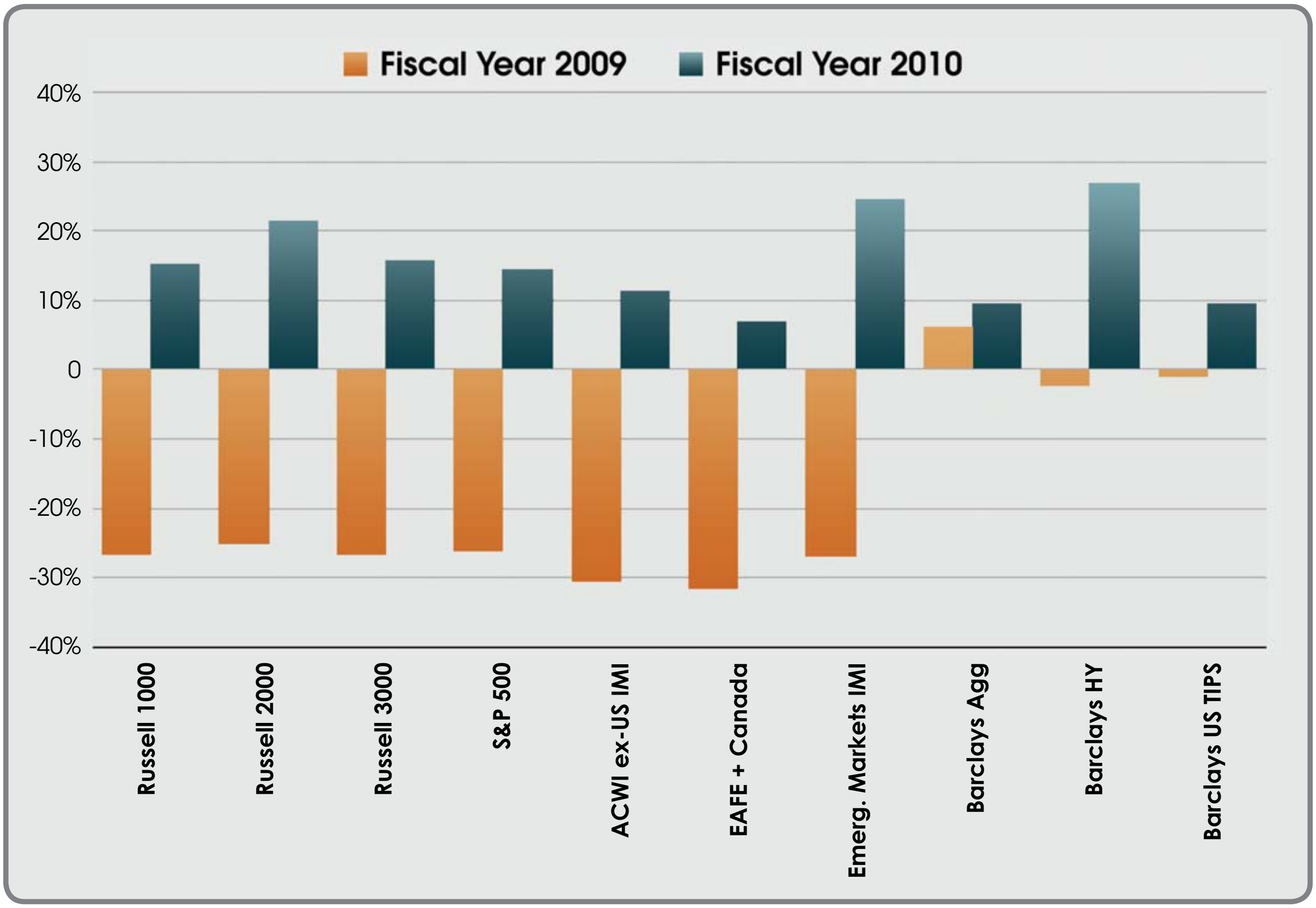
WILSHIRE CONSULTING

Dear Board Members:

Wilshire Associates Incorporated ("Wilshire"), investment consultant to the Los Angeles County Employees Retirement Association ("LACERA"), is pleased to present this review of LACERA's investment performance over the past year. The fiscal year ending June 30, 2010 began with three consecutive quarters of gains in both the equity and fixed-income markets, only to end with a significant correction in the equity markets during the second quarter of 2010. Performance in fiscal year ending June 30, 2010 recovered significantly over the prior year.

The graph below contrasts the capital market conditions for fiscal years 2009 and 2010.

Market Index Return



Annual Consultant Review

LACERA's 2010 fiscal year total return performance exceeded the total fund policy benchmark by 235 basis points (2.35 percent). The annual total fund return of 11.88 percent (gross of fees) ranked in the 46th percentile of Wilshire's Total Public Fund's Plan Sponsor Universe, while the 9.53 percent return of the policy benchmark ranked in the 83rd percentile. The Universe, comprised of 76 funds, has a one-year median return of 11.66 percent. For the three-year period ending June 30, 2010, the total fund return of -3.36 percent lagged the -2.42 percent return of the policy benchmark by 94 basis points (0.94 percent). The total fund return ranked in the 51st percentile of the Wilshire Public Funds Plan Sponsor Universe, while the policy ranked in the 44th percentile. The three-year median fund return was -2.81 percent. Over the five-year period ending June 30, 2010, the total fund return of 4.03 percent ranked in the 11th percentile of the Wilshire Public Funds Plan Sponsor Universe and exceeded the 3.96 percent policy return by seven basis points (0.07 percent); the policy return ranked in the 13th percentile of the Public Funds Plan Sponsor Universe. The five-year median fund return was 2.72 percent.

During fiscal year 2010, the LACERA Investment Staff and Wilshire have worked cooperatively to address goals and implement ideas designed to improve the investment program. Among the projects completed or currently underway are:

- Asset/Liability Analysis
- U.S. Equity Investment Structure Review
- 130/30 Investment Manager Review/Recommendation
- Opportunistic Fixed-Income Search/Recommendation
- Currency Hedging Analysis/Recommendation

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

Sincerely,

William G. Bensur, Jr., CFA
Managing Director

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Chief Investment Officer's Report

As of June 30, 2010

Investment Policy

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

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

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

Asset Allocation

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

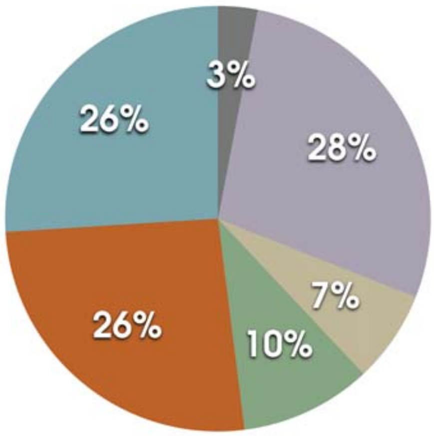
The BOI reviews the Fund's Asset Allocation Policy (the Policy) every three to five years. The BOI last reviewed this Policy in the fiscal year 2008/2009. The following factors were considered in establishing this Policy:

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

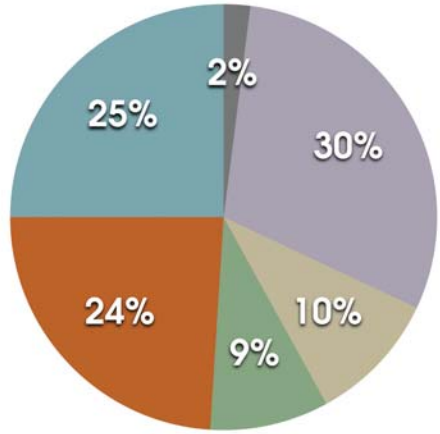
Lisa Mazzocco
Chief Investment Officer

The following graphs display LACERA's target and actual asset allocations as of June 30, 2010.

2010 Target Asset Allocation



2010 Actual Asset Allocation



Commodities
Fixed-Income & Cash
Private Equity
Real Estate
International Equity
Domestic Equity

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

Economic and Market Review

Two years after the U.S. credit crisis engulfed world financial markets, the U.S. economy continues to struggle; unemployment remains high and the effects of the federal stimulus package on economic growth are starting to wane. Consumer confidence remains weak and business spending tepid. Given the slack in labor markets and slow economic growth, U.S. inflation remains subdued.

Not surprisingly, real economic growth remains lethargic, expanding at 1.6 percent for the one-year period ended June 30, 2010. Given the tenuous economic environment and high unemployment rate, the Federal Reserve's Federal Open Market Committee continues to leave the federal funds rate in an extremely accommodative range of 0 to .25 percent.

Despite the slow U.S. economic growth, investors' risk appetite continued to increase as concerns about the credit crisis abated during this fiscal year. As a result, interest rates declined and investors' aversion to higher credit risk bonds subsided.

This restored faith in risk-taking was evidenced with the Barclays Capital U.S. Corporate High Yield Index, a broad-based measure of higher risk corporate bonds, which returned 26.8 percent during the fiscal year ended June 30, 2010. This contrasted sharply with the Barclays Capital U.S. Treasury benchmark, a broad-based benchmark of U.S. government bonds and a traditional safe haven for investors, which returned 6.7 percent during this period. The Barclays Capital U.S. Universal Index, a broad-based bond benchmark of all U.S. bonds, returned 10.6 percent for the twelve-month period ended June 30, 2010.

U.S. equity markets remained strong until May, when investors' fears about Greece's sovereign debt reignited concerns about overall financial market stability. Nonetheless, the Russell 3000 Index, a broad-based measure of the U.S. stock market, returned 15.7 percent for the year ended June 30, 2010. Of note, this strong absolute return masks the volatility investors experienced during the last quarter of the fiscal year, when the market declined 11.3 percent.

Internationally, the Morgan Stanley Capital International All Country World Investable Market Index excluding the United States (MSCI Index), a broad-based world equity benchmark, returned 11.5 percent. This benchmark includes both developed and emerging economies. Prior to concerns about Greece's financial situation, the MSCI Index was up 26.9 percent for the first nine months of the fiscal year.

Economic growth in emerging markets remains relatively strong compared to growth in the developed economies. As a result, these markets continued their strong performance, returning 23.2 percent for the one-year period ended June 30, 2010, as measured by the MSCI Emerging Markets Index. This index returned 34.4 percent for the first nine months of the fiscal year until investors' trepidation regarding Greece dominated markets.

At this juncture, investors have limited precedent for evaluating future economic growth because no recession in recent history was preceded by a credit crisis. Clear signs of economic growth, with corporate earnings led by increasing sales, will be essential for a long-term, sustainable equity market rally.

Thus, the question investors must continually pose as the markets rally is: are investors being prescient about economic growth, or are they being forced to take more risk because of the low interest rate environment, thereby stretching for return and risk? The former will lead to pleasant surprises; the latter will lead to high volatility with greater downside risk.

Summary of Performance

Against this backdrop, LACERA's Fund returned 11.8 percent for the fiscal year ended June 30, 2010. The Fund's performance exceeded its Policy Benchmark, which returned 9.5 percent. Despite this positive return, markets remain volatile and susceptible to further downside risk pending any negative news.

Contrasted with last year, LACERA's U.S. and non-U.S. stock market portfolios had strong absolute returns. LACERA's U.S. equity stock portfolio returned 15.9 percent, which exceeded its Russell 3000 benchmark by 20 basis points. The Fund's non-U.S. equity stock portfolio returned 12.2 percent, surpassing its MSCI ACWI ex U.S. Investable Market Index by 70 basis points. Both portfolios are structured to minimize risk relative to their respective benchmarks.

LACERA's fixed-income portfolio returned 15.0 percent for the fiscal year ended June 30, 2010. The Barclays U.S. Universal Index, the portfolio's benchmark, returned 10.6 percent. The portfolio's low exposure to Treasuries and high exposure to credit instruments resulted in its exceeding the benchmark by 4.4 percent.

The remaining two public market portfolios, commodities and cash, both generated positive returns and surpassed their assigned benchmarks. The commodities portfolio returned 7.1 percent during the period. This portfolio exceeded its DJ-UBS Commodity Index by 4.4 percent. Cash, which is used for meeting the Fund's benefit payments and other financial obligations, returned 4.0 percent during this fiscal year.

LACERA's private market asset classes, real estate and private equity, experienced significantly diverging performance results during the fiscal year. While private market valuations lag public markets by one quarter, they are also longer-term, less liquid investments. Thus, these valuations provide an indication of overall market direction with the final return only known with certainty upon the asset disposition.

LACERA's private equity portfolio returned 26.7 percent as improving public equity markets facilitated higher market valuations for private equity investors. In contrast, LACERA's real estate portfolio returned -14.4 percent during this fiscal year. The real estate portfolio remains entangled in the general problems associated with this asset class: continued emphasis on debt repayment (deleveraging), high unemployment, and an uncertain economic environment.

LACERA's custodian, Bank of New York Mellon Trust Company, N.A., calculated the Fund's public market and Total Fund returns. LACERA's consultants for real estate (The Townsend Group) and private equity (Credit Suisse Customized Fund Investment Group) calculated their respective private market returns. The asset class performance figures are time-weighted rates of return. Total Fund performance is based on the weighted average returns of the asset classes.

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

- Selection of BlackRock Institutional Trust Company, N.A. to implement a passive currency overlay program
- Review and update of LACERA's U.S. equity composite structure
- Retention of two fixed-income managers to manage opportunistic credit mandates
- Research of infrastructure investing
- Establishment of Non-U.S. Proxy Voting Guidelines

Conclusion

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

Respectfully submitted,

Lisa Mazzocco

Lisa Mazzocco
Chief Investment Officer

Investment Summary

For the Year Ended June 30, 2010
(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Domestic Equity and Convertibles	$ 8,573,459	25.4%
International Equity	8,119,623	24.1%
Total Equities and Convertibles	16,693,082	49.4%
Short-Term Investments	1,070,770	3.2%
Mortgages	213,260	0.6%
Subtotal Short-Term and Mortgages	1,284,030	3.8%
U.S. Government and Agency Instruments	3,329,819	9.8%
Domestic Corporate Fixed-Income	4,719,477	14.0%
International Fixed-Income	32,045	0.1%
Private Placement Fixed-Income	776,762	2.3%
Subtotal U.S. Instruments and Fixed-Income	8,858,103	26.2%
Total Fixed-Income	10,142,133	30.0%
Private Equity	3,417,212	10.1%
Real Estate and Title Holdings	2,843,804	8.4%
Commodities	664,464	2.0%
Total Investments	**$33,760,695**	**100.0%**

Investment Results Based on Fair Value*

As of June 30, 2010

	Annualized		
	1-year	3-year	5-year
Domestic Equity	15.9%	-9.8%	-0.5%
Benchmark: Russell 3000 Index	15.7	-9.5	-0.5
International Equity	12.2	-10.1	3.9
Benchmark: MSCI ACWI X U.S. IMI Index	11.5	-10.2	3.7
Fixed-Income	15.0	8.0	6.2
Benchmark: Fixed-Income Custom Index	10.6	7.6	5.8
Benchmark: Barclays U.S. Universal Index	10.6	7.2	5.6
Real Estate[1]	-14.4	-8.2	2.3
Benchmark: NPI minus 25 bps	-9.8	-4.6	3.9
Private Equity[1]	26.7	6.2	14.7
Benchmark: Private Equity Target Return	4.9	4.9	4.9
Commodities	7.1	-7.1	
Benchmark: DJ-UBS Commodity Index	2.7	-8.4	
Cash	4.0	1.8	2.9
Citigroup 6-Month T-Bill Index	0.2	1.8	2.9
Total Fund (Gross of Fees)	**11.8**	**-3.4**	**4.0**
Total Fund (Net of Fees)	**11.6**	**-3.5**	**3.8**
Total Fund Policy Benchmark	**9.5**	**-2.4**	**4.0**

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

[1]One Quarter in arrears.

Largest Equity Holdings (by Fair Value)

As of June 30, 2010

(Dollars in Thousands)

Shares	Description	Fair Value
476,403,217	Exxon Mobil Corporation	$27,188
2,715,738,000	DBS Hldgs Sgd1	26,611
98,843,000	Apple, Inc.	24,862
390,805,000	Rio Tinto Limited Npv	22,004
335,357,000	Johnson & Johnson	19,806
850,137,000	Microsoft Corporation	19,562
157,455,000	IBM Corporation	19,443
3,100,000,000	Keppel Corp Npv	18,896
871,522,000	Jardine Strategic Holdings Ord	18,145
300,922,000	Proctor & Gamble Company	18,049

Largest Fixed-Income Holdings (by Fair Value)

As of June 30, 2010

(Dollars in Thousands)

Par	Description			Fair Value
58,788,000	U.S. Treasury Bond	4.625%	02/15/2040	$66,081
58,632,000	U.S. Treasury Bond	4.375%	05/15/2040	63,414
60,442,000	U.S. Treasury Note	1.375%	05/15/2013	61,179
57,015,000	Commit to Pur FNMA SF MTG	4.500%	07/01/2040	59,091
55,447,000	U.S. Treasury Note	1.875%	06/30/2015	55,659
55,225,000	U.S. Treasury Note	1.125%	06/15/2013	55,445
49,600,000	Commit to Pur FHLMC Gold SFM	5.500%	08/01/2040	53,064
49,904,000	U.S. Treasury Note	3.625%	02/15/2020	52,727
44,400,000	Commit to Pur FNMA SF MTG	4.500%	08/01/2040	45,850
45,375,000	U.S. Treasury Note	1.125%	12/15/2011	45,807

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

Schedule of Investment Management Fees

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

	2010	2009
Investment Activity		
Equity Managers		
Domestic	**$ 13,066**	$ 11,770
International	**12,910**	9,476
Subtotal	**25,976**	**21,246**
Fixed-Income Managers	**15,023**	14,674
Cash and Short-Term Managers	**516**	500
Mortgage Loan Servicers	**557**	579
Private Equity Managers	**3,636**	4,589
Real Estate Managers	**55,931**	56,073
Commodity Managers	**6,653**	1,256
Total Fees from Investment Activity	**108,292**	**98,917**
Securities Lending Activity		
Management Fee	**478**	1,338
Total Investment Management Fees	**$108,770**	**$100,255**

Cash & Short-Term
Western Asset Management Company

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

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

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

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

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

Mortgage Loan Servicer
Chase Home Finance, LLC
GMAC Mortgage Corporation

Commodities
Neuberger Berman Group, LLC
Pacific Investment Management Company (PIMCO)

Securities Lending Program
BNY Mellon Cash Investment Strategies
BNY Mellon Global Securities Lending
Goldman Sachs Agency Lending
Wachovia Global Securities Lending

ACTUARIAL SECTION

We See Transparency

As public retirement systems undergo increasing scrutiny, we look within and we see integrity. We see an association prudently administered pursuant to the provisions of the County Employees Retirement Law of 1937… a system openly operated and guided by strict corporate governance policies. Looking at ourselves through the eyes of others, we see an association recognized for establishing best practices in the industry. With practices diligently overseen by internal and external auditors and quality assurance specialists, we see a public retirement system of which we can all be proud. Transparency *is* visible at LACERA.

September 1, 2010

Milliman
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Fax +1 206 623 3485
milliman.com

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

Dear Members of the Board:

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

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

Valuation Date: June 30, 2007	**Funded Ratio:** 93.8%
Valuation Date: June 30, 2008	**Funded Ratio:** 94.5%
Valuation Date: June 30, 2009	**Funded Ratio:** 88.9%

It is our opinion that LACERA continues in sound financial condition as of June 30, 2009. However, it should be noted that the 2009 valuation results do not fully reflect the significant market loss on assets that occurred in the fiscal year ending June 30, 2009. Thus, the Funded Ratio is expected to be significantly lower once that market loss is fully reflected in the next four valuations. Almost all of the decrease in the Funded Ratio is due to the recognition of a portion of these losses. Using the market value of assets on June 30, 2009, the Funded Ratio would be 66.8 percent.

The Board of Investments (BOI) adopted a new long-term funding policy beginning with the June 30, 2009 valuation. LACERA's new funding policy provides that the County's contributions are set equal to the normal cost rate, net of member contributions, plus the amortization payment of any Unfunded Actuarial Accrued Liability (UAAL) or minus the amortization of any Surplus Funding. A UAAL occurs if the Funded Ratio is less than 100 percent. Surplus Funding occurs when the Funded Ratio is greater than 100 percent. The new funding policy changed the amortization of the UAAL from an open 30-year period to a layered 30-year approach. Under this approach, the UAAL, as of June 30, 2009, is amortized over a closed 30-year period. Each year, thereafter, any increase or decrease in the UAAL is also amortized over a new 30-year closed period. If the Funded Ratio exceeds 100 percent, then any surplus is amortized over an open 30-year period.

In addition to changing the amortization of the UAAL, the Board also adopted a five-year smoothing of asset gains and losses. The change from a three-year asset smoothing period to a five-year period resulted in a 3.00 percent increase in the Funded Ratio as of June 30, 2009.

The current funding policy requires LACERA to consider all of the funds in the Contingency Reserve in excess of 1 percent of the market value of assets as part of the valuation assets. For the plan year beginning July 1, 2009, the STAR Reserve was also considered part of the valuation assets. The BOI's policy does not include any corresponding liability for future STAR benefits in the valuation. Note that if all of the STAR Reserve funds were excluded from the valuation assets for funding purposes, the Funded Ratio on June 30, 2009 would decrease to 87.5 percent.

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

The June 30, 2009 valuation results are based on the membership data and the asset information provided by LACERA. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is found to be materially inaccurate or incomplete, our calculations will need to be revised.

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

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

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

LACERA staff prepared the supporting schedules in this section and the trend tables in the financial section, based on information supplied in prior actuarial reports, as well as our June 30, 2009 actuarial valuation report.

We certify the June 30, 2009 valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. We are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Sincerely,

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

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

KIS/NJC/nlo

September 23, 2009

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

Dear Members of the Board:

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

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

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

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

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

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

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

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

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

Sincerely,

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

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

KIS/RLS/nlo

Summary of Actuarial Assumptions and Methods — Pension Plan

Actuarial Assumptions and Methods	Recommended by the Actuary and adopted by the Board of Investments (BOI). The actuarial assumptions used to determine the liabilities are based on the results of the 2007 triennial Investigation of Experience Study. New assumptions were adopted by the BOI for the June 30, 2007 valuation. In 2009, the BOI adopted a new Retirement Benefit Funding Policy (Funding Policy). Under the Funding Policy (see Note E), modifications to the asset valuation and amortization methods were adopted for use starting with the June 30, 2009 actuarial valuation.
Actuarial Cost Method	Entry Age Normal Cost Funding Method.
Actuarial Asset Valuation Method	Five-year smoothed method based on the difference between expected and actual market value of assets as of the valuation date. The expected market value, with five-year smoothing valuation basis for all assets, was adopted for the June 30, 2009 valuation. The Funding Policy provides that funds in the Contingency Reserve in excess of 1 percent of the actuarial value of assets shall be considered valuation assets. For the July 1, 2009 valuation, the STAR Reserve was considered part of the Valuation Assets. However, it does not include the liability for STAR benefits that may be granted due to future inflation.
Amortization of Unfunded Actuarial Accrued Liability (UAAL) or Funding Surplus	Under LACERA's Funding Policy, the County's contributions are set equal to the normal cost rate, net of expected member contributions for the next year, plus amortization of any UAAL or Surplus Funding. A UAAL occurs if the Funded Ratio is less than 100 percent. Surplus Funding occurs if the Funded Ratio is greater than 100 percent. The amortization of the UAAL as of June 30, 2009 is funded over a closed 30-year period. Any future unanticipated changes in the UAAL, such as assumption changes or actuarial gains and losses, are amortized over new 30-year closed periods. This approach is often referred to as a "layered amortization method." If the Funded Ratio is greater than 100 percent, the amortization of any Surplus Funding is funded over an open 30-year period, commonly referred to as a "rolling 30-year amortization method." (See GASB Statement No. 25, glossary section.)
Amortization of Gains and Losses	Actuarial gains and losses are reflected in the UAAL or Surplus Funding and are amortized over a 30-year period, as described above.
Investment Rate of Return	Future investment earnings are assumed to accrue at an annual rate of 7.75 percent, compounded annually, net of both investment and administrative expenses. This rate was adopted for the June 30, 2004 valuation.

Summary of Actuarial Assumptions and Methods — Pension Plan continued

Projected Salary Increases	Rates of annual salary increases assumed for the purpose of the valuation range from 4.26 percent to 10.24 percent. In addition to increases in salary due to promotions and longevity, the increases include an assumed 4.0 percent per annum rate of increase in the general wage level of membership. These rates were adopted for the June 30, 2007 valuation.
Post-Retirement Benefit Increases	Post-retirement benefit increases of either 3.0 percent or 2.0 percent per year are assumed for the valuation in accordance with the benefits provided. These adjustments, which are based on the Consumer Price Index (CPI), are assumed payable each year in the future as they are less than the expected increase in the CPI of 3.5 percent per year. This rate was adopted for the June 30, 2004 valuation. Plan E members receive a prorated post-retirement benefit increase of 2.0 percent for service credit earned after June 4, 2002. The portion payable is based on a ratio of the member's years of service earned after June 4, 2002 to his/her total years of service. The portion of the full 2.0 percent increase not provided for may be purchased by the member.
Consumer Price Index	Increase of 3.5 percent per annum. This rate was adopted for the June 30, 2004 valuation.
Rates of Separation From Employment	Various rates dependent upon member's age, sex, and retirement plan. All terminating members are assumed to not be rehired. These rates were adopted for the June 30, 2007 valuation.
Expectation of Life After Retirement	The same post-retirement mortality rates are used in the valuation for active members, members retired for service, and beneficiaries. Current beneficiary mortality is assumed to be the same as healthy members of the same sex. Future beneficiaries are assumed to be of the opposite sex and have the same mortality as General members. **Males** General members: RP-2000 Combined Mortality Table for Males, with ages set back two years. Safety members: RP-2000 Combined Mortality Table for Males, with ages set back three years. **Females** General members: RP-2000 Combined Mortality Table for Females, with ages set back two years. Safety members: RP-2000 Combined Mortality Table for Females, with ages set back two years. These rates were adopted for the June 30, 2004 valuation.

Summary of Actuarial Assumptions and Methods — Pension Plan continued

Expectation of Life After Disability	**Males** General members: RP-2000 Combined Mortality Table for Males, with ages set forward one year. Safety members: RP-2000 Combined Mortality Table for Males, with ages set back two years. **Females** General members: RP-2000 Combined Mortality Table for Females, with no age adjustment. Safety members: RP-2000 Combined Mortality Table for Females, with ages set back two years. These rates were adopted for the June 30, 2007 valuation.
Recent Changes and Their Financial Impact	The Funding Policy adopted for the June 30, 2009 valuation included the following changes: • **Asset Smoothing Period:** Asset gains and losses are smoothed over a five-year period (previously three years). • **Amortization of UAAL:** A 30-year layered approach was adopted to amortize the UAAL. The prior method used an open 30-year period. • **STAR Reserve:** The STAR reserve is included in the valuation assets (subject to periodic review). There is no corresponding liability for future STAR benefits included in the valuation. Previously, only a portion of the STAR reserve was included in the valuation assets. Recognition of the 2008-09 asset loss caused a 10.2 percent decrease in the Funded Ratio as reflected in the June 30, 2009 actuarial valuation. This was somewhat offset by the impact of the new funding policy which caused a 4.4 percent increase in the Funded Ratio. In total, the Funded Ratio decreased from 94.5 percent in the June 30, 2008 valuation to 88.9 percent in the June 30, 2009 valuation due to these changes along with other smaller experience gains and losses.

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

Active Member Valuation Data

Valuation Date	Plan Type	Member Count	Annual Salary[1]	Average Annual Salary	% Increase in Average Salary
June 30, 2004	General	74,826	$3,967,337,892	$53,021	1.89%
	Safety	11,409	885,426,444	77,608	1.53%
	Total	**86,235**	**$4,852,764,336**	**$56,274**	**1.75%**
June 30, 2005	General	75,167	$4,046,526,732	$53,834	1.53%
	Safety	11,217	904,864,212	80,669	3.94%
	Total	**86,384**	**$4,951,390,944**	**$57,318**	**1.86%**
June 30, 2006	General	77,167	$4,267,148,748	$55,298	2.72%
	Safety	11,464	969,379,404	84,559	4.82%
	Total	**88,631**	**$5,236,528,152**	**$59,082**	**3.08%**
June 30, 2007	General	79,829	$4,673,126,964	$58,539	5.86%
	Safety	12,267	1,103,924,952	89,991	6.42%
	Total	**92,096**	**$5,777,051,916**	**$62,729**	**6.17%**
June 30, 2008	General	81,664	$5,016,720,948	$61,431	4.94%
	Safety	12,828	1,187,406,768	92,564	2.86%
	Total	**94,492**	**$6,204,127,716**	**$65,658**	**4.67%**
June 30, 2009	General	82,878	$5,347,558,596	$64,523	5.03%
	Safety	12,910	1,239,655,092	96,023	3.74%
	Total	**95,788**	**$6,587,213,688**	**$68,769**	**4.74%**

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

Retirants and Beneficiaries Added to and Removed from Retiree Payroll

Fiscal Year	Added to Rolls: Member Count	Added to Rolls: Annual Allowance (in 000s)	Removed from Rolls: Member Count	Removed from Rolls: Annual Allowance (in 000s)	Rolls at End of Year: Member Count	Rolls at End of Year: Annual Allowance[1] (in 000s)	% Increase in Retiree Allowance	Average Annual Allowance
2004	2,824	$110,106	(1,724)	$(17,387)	48,332	$1,536,803	11.11%	$31,797
2005	2,855	102,903	(1,418)	(17,465)	49,769	1,645,490	7.07%	33,063
2006	3,007	104,405	(1,784)	(33,101)	50,992	1,768,706	7.49%	34,686
2007	2,015	79,955	(1,615)	(35,054)	51,392	1,858,225	5.06%	36,158
2008	2,759	167,753[2]	(1,801)	(47,103)	52,350	1,978,875	6.49%	37,801
2009	2,505	$157,469[2]	(1,786)	$(50,619)	53,069	$2,085,725	5.40%	$39,302

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

Actuary Solvency Test

(Dollars in Millions)

Valuation Date	Actuarial Accrued Liability (AAL): (1) Active Member Contributions	(2) Retired/ Vested Members	(3) Employer-Financed Portion	Actuarial Value of Valuation Assets	Percentage of AAL Covered by Assets: (1) Active	(2) Retired	(3) Employer
June 30, 2004	$4,042	$18,857	$9,802	$27,089	100%	100%	43%
June 30, 2005	4,308	20,238	9,829	29,497	100%	100%	50%
June 30, 2006	4,628	21,377	10,254	32,820	100%	100%	66%
June 30, 2007	4,852	22,398	12,253	37,042	100%	100%	80%
June 30, 2008	5,279	23,730	12,966	39,662	100%	100%	82%
June 30, 2009	$5,795	$24,692	$13,982	$39,542	100%	100%	65%

Actuarial Analysis of Financial Experience

(Dollars in Millions)

	Valuation as of June 30					
	2004	2005	2006	2007	2008	2009
Prior Valuation Unfunded Actuarial Accrued Liability	$3,910	$5,611	$4,878	$3,439	$2,461	$2,313
Expected Increase/(Decrease) from Prior Valuation	312	128	(31)	(109)	(68)	(78)
Salary Increases Greater/(Less) than Expected	(270)	(115)	156	673	298	380
CPI Less than Expected	(31)					
Change in Assumptions	697			515		
Asset Return Less/(Greater) than Expected	871	(790)	(1,642)	(2,187)	(429)	2,465
All Other Experience	122	44	28	130	36	(153)
Change in Actuarial Asset Method						
Change in Application of Actuarial Asset Method						
Recognition of Liabilities Due to Court Cases			50		15	
Ending Unfunded Actuarial Accrued Liability/(Surplus)	**$5,611**	**$4,878**	**$3,439**	**$2,461**	**$2,313**	**$4,927**

Probability of Occurrence — Plan A, B, and C General Members

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

Probability of Occurrence — Plan D General Members

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

Probability of Occurrence — Plan E General Members

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

Probability of Occurrence — Plan A and B Safety Members

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

STATISTICAL SECTION

We See a Ripple Effect

We see how the educational workshops and one-on-one counseling sessions provided by our Retirement Benefits Specialists equip our members with the knowledge they need to make strategic choices during their careers… and we see how those choices can enable them to gain the maximum advantage in retirement for themselves and their loved ones. We also see the positive impact of our economic footprint on local communities. The retirement benefits we disburse annually to retirees and survivors in Los Angeles County pump additional dollars into local economies and promote the creation of thousands of jobs.

Statistical Information Overview

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

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

Operating Information is intended to provide contextual information about LACERA's operations and membership to assist readers in using financial statement information to comprehend and evaluate LACERA's fiscal condition. The Active and Deferred Members Accounts for the Last Ten Years provides membership statistics for active vested and non-vested members, as well as for deferred members. Retired Members by Type of Pension Benefit and Retired Members by Type of OPEB Benefit present benefit information for the current year, by benefit type and dollar levels. The Schedule of Average Pension Benefit Payments for the Last Ten Fiscal Years presents the average monthly benefit, average final salary, and number of retired members, organized by five-year increments of credited service. Participating Pension Employers and Active Members for the Last Ten Fiscal Years presents the employers and their corresponding covered employees. Participating OPEB Employers and Retired Members for the Last Ten Fiscal Years presents the covered members by medical or dental/vision benefit. Only four years' worth of data is currently available. Employer Contribution Rates to the pension plans are also provided as additional information. Finally, the STAR Program Costs schedule trends the Program's costs for the last ten years through June 30, 2010.

Changes in Plan Net Assets

Last Ten Fiscal Years

(Dollars in Thousands)

	2001	2002	2003	2004	2005
Additions					
Employer Contributions	$ 193,650	$ 297,928	$ 325,524	$ 395,109	$ 527,810
Member Contributions	216,297	265,573	233,192	262,699	286,096
Net Investment Income/(Loss)	(2,382,548)	(1,533,625)	924,991	4,118,500	3,396,193
Miscellaneous	2,972	133	151,215	2,605	3,222
Total Additions/(Declines)	**(1,969,629)**	**(969,991)**	**1,634,922**	**4,778,913**	**4,213,321**
Deductions					
Total Benefit Expenses (see Pension Benefit Expenses by Type)	1,155,670	1,240,371	1,339,202	1,447,511	1,562,363
Administrative Expense	33,417	37,402	41,523	38,684	43,182
Retiree Health Care Program	52,717	57,654	53,407	59,054	62,318
Miscellaneous	653	604	224	287	536
Total Deductions	**1,242,457**	**1,336,031**	**1,434,356**	**1,545,536**	**1,668,399**
Transfer to OPEB Agency Fund					
Change in Plan Net Assets	**$(3,212,086)**	**$(2,306,022)**	**$ 200,566**	**$3,233,377**	**$2,544,922**

	2006*	2007*	2008	2009	2010
Additions					
Employer Contributions	$ 676,667	$ 751,928	$ 788,029	$ 831,671	**$ 843,704**
Member Contributions	296,176	347,701	414,752	415,545	**429,612**
Net Investment Income/(Loss)	4,092,410	6,487,184	(1,426,117)	(7,407,790)	**3,840,401**
Miscellaneous	1,582	1,803	1,767	1,221	**868**
Total Additions/(Declines)	**5,066,835**	**7,588,616**	**(221,569)**	**(6,159,353)**	**5,114,585**
Deductions					
Total Benefit Expenses (see Pension Benefit Expenses by Type)	1,798,463	1,792,654	1,913,272	2,016,364	**2,130,738**
Administrative Expense	42,469	43,880	48,223	49,730	**48,892**
Retiree Health Care Program					
Miscellaneous	75	197	371	243	**48**
Total Deductions	**1,841,007**	**1,836,731**	**1,961,866**	**2,066,337**	**2,179,678**
Transfer to OPEB Agency Fund	66,344	29,368			
Change in Plan Net Assets	**$3,159,484**	**$5,722,517**	**$(2,183,435)**	**$(8,225,690)**	**$2,934,907**

*Reclassified to reflect GASB Statement No. 43 implementation.

STATISTICAL SECTION

Pension Benefit Expenses by Type

Last Ten Fiscal Years

(Dollars in Thousands)

	2001	2002	2003	2004	2005
Service Retiree Payroll					
General	$ 702,400	$ 751,892	$ 802,308	$ 867,715	$ 942,997
Safety	128,635	141,541	161,269	178,829	192,093
Total	**831,035**	**893,433**	**963,577**	**1,046,544**	**1,135,090**
Disability Retiree Payroll					
General	111,707	116,791	115,090	117,964	123,297
Safety	193,554	212,433	242,108	262,436	283,700
Total	**305,261**	**329,224**	**357,198**	**380,400**	**406,997**
Total Retiree Payroll					
General	814,107	868,683	917,398	985,679	1,066,294
Safety	322,189	353,974	403,377	441,265	475,793
Total	**1,136,296**	**1,222,657**	**1,320,775**	**1,426,944**	**1,542,087**
Refunds*					
General					
Safety					
Total	**17,640**	**16,259**	**16,756**	**18,088**	**18,630**
Lump-Sum Death Benefits	**1,734**	**1,455**	**1,671**	**2,479**	**1,646**
Total Benefit Expenses	**$1,155,670**	**$1,240,371**	**$1,339,202**	**$1,447,511**	**$1,562,363**

	2006	2007	2008	2009	2010
Service Retiree Payroll					
General	$1,072,193	$1,087,908	$1,162,474	$1,221,671	**$1,295,574**
Safety	234,565	228,779	242,948	269,893	**291,796**
Total	**1,306,758**	**1,316,687**	**1,405,422**	**1,491,564**	**1,587,370**
Disability Retiree Payroll					
General	135,397	133,361	139,390	141,821	**144,861**
Safety	335,226	322,979	341,158	361,235	**377,429**
Total	**470,623**	**456,340**	**480,548**	**503,056**	**522,290**
Total Retiree Payroll					
General	1,207,590	1,221,269	1,301,864	1,363,492	**1,440,435**
Safety	569,791	551,758	584,106	631,128	**669,225**
Total	**1,777,381**	**1,773,027**	**1,885,970**	**1,994,620**	**2,109,660**
Refunds*					
General	16,889	15,682	20,894	16,743	**13,041**
Safety	2,842	2,356	4,694	3,613	**5,863**
Total	**19,731**	**18,038**	**25,588**	**20,356**	**18,904**
Lump-Sum Death Benefits	**1,351**	**1,589**	**1,714**	**1,388**	**2,174**
Total Benefit Expenses	**$1,798,463**	**$1,792,654**	**$1,913,272**	**$2,016,364**	**$2,130,738**

*Detail of Refunds available beginning in FY 2006.

Active and Deferred Member Accounts

Last Ten Fiscal Years

	2001	2002	2003	2004	2005
Active Vested					
General	46,886	47,763	48,513	50,235	52,113
Safety	9,037	9,400	9,221	9,295	9,269
Subtotal	55,923	57,163	57,734	59,530	61,382
Active Non-Vested					
General	28,162	29,299	27,482	24,591	23,054
Safety	2,984	2,790	2,544	2,114	1,948
Subtotal	31,146	32,089	30,026	26,705	25,002
Total Active Members					
General	75,048	77,062	75,995	74,826	75,167
Safety	12,021	12,190	11,765	11,409	11,217
Total	**87,069**	**89,252**	**87,760**	**86,235**	**86,384**
Deferred Members					
General	5,325	5,799	6,129	6,260	6,591
Safety	179	209	265	299	389
Total	**5,504**	**6,008**	**6,394**	**6,559**	**6,980**

	2006	2007	2008	2009	2010
Active Vested					
General	53,280	53,918	53,884	54,729	**56,162**
Safety	9,860	10,061	9,876	9,761	**9,916**
Subtotal	63,140	63,979	63,760	64,490	**66,078**
Active Non-Vested					
General	23,887	25,911	27,780	28,149	**25,251**
Safety	1,604	2,206	2,952	3,149	**3,081**
Subtotal	25,491	28,117	30,732	31,298	**28,332**
Total Active Members					
General	77,167	79,829	81,664	82,878	**81,413**
Safety	11,464	12,267	12,828	12,910	**12,997**
Total	**88,631**	**92,096**	**94,492**	**95,788**	**94,410**
Deferred Members					
General	7,021	7,441	11,149	7,589	**7,478**
Safety	438	470	685	462	**460**
Total	**7,459**	**7,911**	**11,834**	**8,051**	**7,938**

Retired Members by Type of Pension Benefit

As of June 30, 2010

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement*		
		1	2	3
$ 1 - $1,000	17,313	10,627	1,981	4,705
$1,001 - $2,000	13,434	9,269	2,252	1,913
$2,001 - $3,000	8,056	5,755	1,689	612
$3,001 - $4,000	4,977	3,751	955	271
$4,001 - $5,000	3,315	2,623	556	136
$5,001 - $6,000	2,391	1,839	485	67
$6,001 - $7,000	1,612	1,198	380	34
Greater than $7,000	3,073	2,336	692	45
	54,171	**37,398**	**8,990**	**7,783**

Amount of Monthly Benefit	Retirement Option Selected**					
	Unmodified	Unmodified+Plus	Option 1	Option 2	Option 3	Option 4
$ 1 - $1,000	16,220	282	254	447	67	43
$1,001 - $2,000	12,526	333	184	286	65	40
$2,001 - $3,000	7,477	268	102	153	30	26
$3,001 - $4,000	4,614	193	60	71	19	20
$4,001 - $5,000	3,011	168	47	50	17	22
$5,001 - $6,000	2,144	172	25	28	3	19
$6,001 - $7,000	1,405	149	12	20	5	21
Greater than $7,000	2,477	495	21	22	13	45
	49,874	**2,060**	**705**	**1,077**	**219**	**236**

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

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

The following Options reduce the member's monthly benefit:

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

Retired Members by Type of OPEB Benefit

As of June 30, 2010

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

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

STATISTICAL SECTION

Schedule of Average Pension Benefit Payments

Last Ten Fiscal Years

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/00 to 6/30/01						
Retirants						
General Members						
Average Monthly Benefit	$ 883	$ 983	$1,225	$1,978	$2,514	$4,176
Average Final Compensation	$3,963	$4,142	$3,801	$4,574	$4,352	$5,485
Number of Active Retirants	58	181	111	163	316	531
Safety Members						
Average Monthly Benefit	$3,459	$2,845	$2,909	$3,650	$4,775	$6,860
Average Final Compensation	$5,439	$5,599	$5,909	$6,687	$6,966	$8,088
Number of Active Retirants	14	30	14	14	79	203
Survivors						
General Members						
Average Monthly Benefit	$ 712	$ 404	$ 568	$ 814	$1,524	$2,227
Average Final Compensation	$2,438	$1,661	$1,186	$1,633	$2,583	$3,655
Number of Active Survivors	17	19	17	25	26	33
Safety Members						
Average Monthly Benefit	$1,059	$1,962	$2,532	$1,529	$2,279	$3,369
Average Final Compensation	$5,134	$1,822	$4,893	$3,658	$3,023	$3,905
Number of Active Survivors	2	3	3	6	7	10
7/1/01 to 6/30/02						
Retirants						
General Members						
Average Monthly Benefit	$ 770	$ 915	$1,421	$1,932	$2,753	$4,368
Average Final Compensation	$4,072	$3,815	$4,468	$4,531	$4,734	$5,748
Number of Active Retirants	65	214	147	163	283	631
Safety Members						
Average Monthly Benefit	$4,052	$2,961	$3,454	$3,318	$5,092	$7,066
Average Final Compensation	$6,733	$5,899	$6,394	$6,701	$7,216	$8,122
Number of Active Retirants	19	29	26	23	48	221
Survivors						
General Members						
Average Monthly Benefit	$ 399	$ 555	$ 748	$1,227	$1,567	$2,669
Average Final Compensation	$2,385	$3,764	$1,965	$3,648	$3,610	$4,587
Number of Active Survivors	15	20	25	24	38	35
Safety Members						
Average Monthly Benefit	$1,917	$1,129	$1,414	$1,662	$2,569	$3,981
Average Final Compensation	$3,421	$5,643	$6,527	$4,153	$5,156	$4,619
Number of Active Survivors	3	1	1	6	9	10

Schedule of Average Pension Benefit Payments continued

Last Ten Fiscal Years

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/02 to 6/30/03						
Retirants						
General Members						
Average Monthly Benefit	$ 914	$ 739	$1,059	$1,283	$2,336	$3,015
Average Final Compensation	$4,664	$3,656	$4,106	$4,201	$4,568	$5,047
Number of Active Retirants	33	138	103	124	134	268
Safety Members						
Average Monthly Benefit	$3,202	$3,007	$3,480	$3,302	$5,063	$7,177
Average Final Compensation	$6,435	$6,147	$6,783	$6,221	$7,255	$8,230
Number of Active Retirants	9	17	12	12	28	85
Survivors						
General Members						
Average Monthly Benefit	$ 578	$ 518	$ 720	$ 858	$1,713	$2,211
Average Final Compensation	$4,043	$3,042	$2,049	$2,450	$3,564	$3,916
Number of Active Survivors	11	28	14	18	25	30
Safety Members						
Average Monthly Benefit			$2,887		$1,775	$4,116
Average Final Compensation			$6,510		$5,138	$5,242
Number of Active Survivors			3		4	3
7/1/03 to 6/30/04						
Retirants						
General Members						
Average Monthly Benefit	$ 944	$ 951	$1,403	$1,974	$2,718	$4,459
Average Final Compensation	$4,159	$3,976	$4,274	$4,546	$4,814	$5,851
Number of Active Retirants	64	217	234	151	358	856
Safety Members						
Average Monthly Benefit	$3,451	$3,298	$3,459	$3,274	$5,341	$7,452
Average Final Compensation	$6,015	$5,825	$7,011	$6,572	$7,805	$8,569
Number of Active Retirants	35	25	12	29	80	181
Survivors						
General Members						
Average Monthly Benefit	$ 653	$ 839	$ 639	$1,068	$1,364	$2,306
Average Final Compensation	$2,938	$4,014	$1,778	$3,006	$3,254	$4,327
Number of Active Survivors	20	29	20	28	25	40
Safety Members						
Average Monthly Benefit	$ 695	$2,707	$1,819	$1,402	$4,020	$3,702
Average Final Compensation	$6,264	$5,413	$6,146	$4,093	$6,249	$3,563
Number of Active Survivors	3	2	3	4	8	15

Schedule of Average Pension Benefit Payments continued

Last Ten Fiscal Years

Retirement Effective Dates	Years of Credited Service 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/04 to 6/30/05						
Retirants						
General Members						
Average Monthly Benefit	$ 788	$ 964	$1,301	$ 1,843	$2,543	$4,210
Average Final Compensation	$4,079	$4,049	$4,024	$ 4,481	$4,737	$5,490
Number of Active Retirants	68	250	249	172	310	890
Safety Members						
Average Monthly Benefit	$3,784	$2,538	$3,144	$ 3,755	$5,168	$7,387
Average Final Compensation	$6,543	$5,494	$6,614	$ 6,798	$7,362	$8,486
Number of Active Retirants	32	24	18	33	61	162
Survivors						
General Members						
Average Monthly Benefit	$ 510	$ 623	$ 788	$ 1,349	$1,463	$2,287
Average Final Compensation	$3,112	$2,669	$3,525	$ 4,219	$3,265	$4,481
Number of Active Survivors	11	27	27	20	37	51
Safety Members						
Average Monthly Benefit		$2,851	$2,816	$ 2,511	$3,125	$3,887
Average Final Compensation		$5,701	$5,619	$ 5,006	$4,229	$4,913
Number of Active Survivors		1	1	6	6	19
7/1/05 to 6/30/06						
Retirants						
General Members						
Average Monthly Benefit	$ 754	$1,001	$1,491	$2,351	$3,652	$4,207
Average Final Compensation	$4,402	$4,291	$4,521	$5,550	$7,178	$5,771
Number of Active Retirants	75	268	277	180	235	908
Safety Members						
Average Monthly Benefit	$4,625	$3,843	$3,408	$3,612	$5,977	$7,646
Average Final Compensation	$6,858	$6,458	$6,994	$7,454	$8,461	$9,032
Number of Active Retirants	29	19	13	29	58	110
Survivors						
General Members						
Average Monthly Benefit	$ 611	$ 635	$ 726	$1,132	$1,793	$2,434
Average Final Compensation	$2,962	$3,500	$3,397	$3,707	$4,519	$4,518
Number of Active Survivors	19	52	31	30	37	71
Safety Members						
Average Monthly Benefit	$ 487	$1,608	$2,449	$2,693	$3,358	$5,707
Average Final Compensation	$5,061	$5,254	$6,059	$4,501	$5,950	$7,384
Number of Active Survivors	1	4	3	6	6	21

Schedule of Average Pension Benefit Payments continued
Last Ten Fiscal Years

Retirement Effective Dates	Years of Credited Service 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/06 to 6/30/07						
Retirants						
General Members						
Average Monthly Benefit	$1,011	$ 955	$1,445	$1,927	$2,325	$ 4,068
Average Final Compensation	$4,398	$4,201	$4,775	$5,224	$5,070	$ 5,749
Number of Active Retirants	74	219	246	177	266	624
Safety Members						
Average Monthly Benefit	$2,714	$3,414	$3,433	$3,837	$5,903	$ 8,093
Average Final Compensation	$6,093	$7,083	$6,906	$7,498	$8,622	$10,050
Number of Active Retirants	25	19	20	14	62	88
Survivors						
General Members						
Average Monthly Benefit	$ 600	$ 480	$ 917	$ 951	$1,565	$ 2,210
Average Final Compensation	$2,436	$3,462	$4,165	$3,246	$4,171	$ 4,832
Number of Active Survivors	15	31	31	34	27	61
Safety Members						
Average Monthly Benefit	$3,432	$2,960	$2,549	$2,138	$2,939	$ 4,493
Average Final Compensation	$6,863	$3,735	$6,591	$4,149	$5,347	$ 6,656
Number of Active Survivors	2	1	4	3	8	15
7/1/07 to 6/30/08						
Retirants						
General Members						
Average Monthly Benefit	$1,247	$ 894	$1,681	$2,198	$ 2,575	$ 4,603
Average Final Compensation	$5,160	$4,425	$5,095	$5,394	$ 5,352	$ 6,151
Number of Active Retirants	109	206	256	195	264	778
Safety Members						
Average Monthly Benefit	$4,264	$3,995	$3,534	$4,785	$ 6,170	$ 9,478
Average Final Compensation	$7,234	$7,344	$8,061	$8,923	$ 9,252	$11,067
Number of Active Retirants	25	17	13	20	92	188
Survivors						
General Members						
Average Monthly Benefit	$1,026	$ 738	$ 906	$1,101	$ 1,690	$ 2,506
Average Final Compensation	$5,729	$4,095	$4,409	$3,937	$ 4,441	$ 5,113
Number of Active Survivors	18	37	28	29	37	56
Safety Members						
Average Monthly Benefit	$1,574	$3,661	$1,555	$2,964	$ 3,638	$ 4,723
Average Final Compensation	$5,295	$4,838	$4,379	$5,534	$ 6,619	$ 7,088
Number of Active Survivors	2	1	5	5	10	9

Schedule of Average Pension Benefit Payments continued

Last Ten Fiscal Years

Retirement Effective Dates	Years of Credited Service 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/08 to 6/30/09						
Retirants						
General Members						
Average Monthly Benefit	$1,462	$1,018	$1,793	$2,284	$ 2,916	$ 4,917
Average Final Compensation	$5,224	$4,233	$5,054	$5,478	$ 5,711	$ 6,387
Number of Active Retirants	116	232	195	172	182	669
Safety Members						
Average Monthly Benefit	$4,959	$4,185	$4,593	$4,719	$ 7,000	$10,042
Average Final Compensation	$8,344	$7,798	$8,425	$9,120	$10,131	$11,838
Number of Active Retirants	22	13	17	22	76	127
Survivors						
General Members						
Average Monthly Benefit	$ 755	$ 688	$ 999	$1,204	$ 1,819	$ 2,363
Average Final Compensation	$4,243	$3,810	$4,450	$3,939	$ 4,563	$ 4,987
Number of Active Survivors	14	31	39	43	52	67
Safety Members						
Average Monthly Benefit	$3,045	$3,267	$2,136	$2,535	$ 3,272	$ 4,931
Average Final Compensation	$5,765	$5,497	$4,271	$5,996	$ 6,153	$ 7,238
Number of Active Survivors	4	2	2	5	14	22
7/1/09 to 6/30/10						
Retirants						
General Members						
Average Monthly Benefit	$1,242	$1,204	$1,782	$2,559	$ 3,418	$ 5,319
Average Final Compensation	$4,984	$4,790	$5,072	$5,888	$ 6,525	$ 6,923
Number of Active Retirants	116	242	251	210	258	888
Safety Members						
Average Monthly Benefit	$4,656	$3,461	$3,008	$4,840	$ 7,055	$10,450
Average Final Compensation	$8,092	$7,848	$8,377	$8,519	$10,104	$12,206
Number of Active Retirants	14	22	10	11	85	157
Survivors						
General Members						
Average Monthly Benefit	$ 737	$ 825	$1,077	$1,201	$ 1,336	$ 2,528
Average Final Compensation	$4,738	$4,069	$4,592	$3,875	$ 3,732	$ 4,926
Number of Active Survivors	19	31	33	40	59	89
Safety Members						
Average Monthly Benefit	$5,467	$1,895	$3,210	$3,413	$ 3,884	$ 5,653
Average Final Compensation	$8,746	$7,268	$8,850	$7,809	$ 7,374	$ 7,554
Number of Active Survivors	1	3	6	7	11	10

Participating Pension Employers and Active Members

Last Ten Fiscal Years

	2001	2002	2003	2004	2005
County of Los Angeles					
General Members	75,034	77,048	75,980	74,811	75,154
Safety Members	12,021	12,190	11,765	11,409	11,217
Total	**87,055**	**89,238**	**87,745**	**86,220**	**86,371**
Outside Districts (General Membership)					
South Coast Air Quality Mgmt. District	3	3	2	2	2
Los Angeles County Office of Education	5	5	4	3	3
Little Lake Cemetery District	2	2	2	2	
Local Agency Formation Commission	4	4	7	8	8
Total	**14**	**14**	**15**	**15**	**13**
Total Active Membership					
General Members	75,048	77,062	75,995	74,826	75,167
Safety Members	12,021	12,190	11,765	11,409	11,217
Total	**87,069**	**89,252**	**87,760**	**86,235**	**86,384**

	2006	2007	2008	2009	2010
County of Los Angeles					
General Members	77,153	79,816	81,650	82,865	**81,400**
Safety Members	11,464	12,267	12,828	12,910	**12,997**
Total	**88,617**	**92,083**	**94,478**	**95,775**	**94,397**
Outside Districts (General Membership)					
South Coast Air Quality Mgmt. District	2	2	2	2	**2**
Los Angeles County Office of Education	3	3	3	3	**3**
Little Lake Cemetery District	1	1	1	1	**1**
Local Agency Formation Commission	8	7	8	7	**7**
Total	**14**	**13**	**14**	**13**	**13**
Total Active Membership					
General Members	77,167	79,829	81,664	82,878	**81,413**
Safety Members	11,464	12,267	12,828	12,910	**12,997**
Total	**88,631**	**92,096**	**94,492**	**95,788**	**94,410**

Participating OPEB Employers and Retired Members

Last Ten Fiscal Years*

	2007	2008	2009	2010
Los Angeles County and Outside Districts:				
Medical	40,807	40,444	40,868	**41,676**
Dental/Vision	40,172	40,628	41,175	**42,045**

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

Employer Contribution Rates: County of Los Angeles

Last Ten Fiscal Years

	General					Safety	
Effective Date	**Plan A**	**Plan B**	**Plan C**	**Plan D**	**Plan E**	**Plan A**	**Plan B**
7/1/2000 to 6/30/2002*	11.69%	7.01%	6.47%	6.95%	6.00%	22.27%	14.38%
7/1/2002 to 6/30/2003	14.85%	8.22%	7.88%	7.94%	7.64%	21.86%	18.79%
7/1/2003 to 6/30/2004	15.31%	8.59%	8.21%	8.31%	7.70%	22.32%	18.75%
7/1/2004 to 6/30/2005	20.02%	13.07%	12.67%	12.72%	12.38%	26.84%	23.20%
7/1/2005 to 6/30/2006	21.42%	14.53%	14.16%	14.25%	14.33%	28.21%	23.65%
7/1/2006 to 6/30/2007	20.17%	13.31%	13.02%	13.16%	13.32%	28.05%	22.70%
7/1/2007 to 6/30/2008	18.14%	11.44%	11.14%	11.33%	11.29%	26.89%	20.93%
7/1/2008 to 6/30/2009	17.64%	10.79%	10.22%	10.79%	10.67%	28.16%	20.54%
7/1/2009 to 6/30/2010	17.28%	10.62%	9.88%	10.48%	10.45%	27.83%	20.35%

*Contribution rates remained the same for two fiscal years.

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

Last Ten Fiscal Years

	General		
Effective Date	**Plan A**	**Plan D**	**Plan E**
7/1/2000 to 6/30/2002*	10.96%	6.95%	6.00%
7/1/2002 to 6/30/2003	14.14%	7.94%	7.64%
7/1/2003 to 6/30/2004	14.60%	8.31%	7.70%
7/1/2004 to 6/30/2005	19.31%	12.72%	12.38%
7/1/2005 to 6/30/2006	20.80%	14.25%	14.33%
7/1/2006 to 6/30/2007	20.17%	13.16%	13.32%
7/1/2007 to 6/30/2008	18.14%	11.33%	11.29%
7/1/2008 to 6/30/2009	17.64%	10.79%	10.67%
7/1/2009 to 6/30/2010	17.28%	10.48%	10.45%

*Contribution rates remained the same for two fiscal years.

Rates applicable to the Los Angeles County Office of Education are limited to Plan A.
Rates applicable to Little Lake Cemetery District are limited to Plan D.
Rates applicable to the Local Agency Formation Commission are limited to Plans D and E.

Employer Contribution Rates: South Coast Air Quality Management District (SCAQMD)

Last Ten Fiscal Years

Effective Date			General Plan A	General Plan B	General Plan C
7/1/2000	to	6/30/2002*	16.86%	15.61%	15.04%
7/1/2002	to	6/30/2003	15.69%	11.06%	10.75%
7/1/2003	to	6/30/2004		11.44%	11.09%
7/1/2004	to	6/30/2005		15.93%	15.56%
7/1/2005	to	6/30/2006		20.39%	18.80%
7/1/2006	to	6/30/2007		19.18%	18.91%
7/1/2007	to	6/30/2008	24.04%	17.31%	17.04%
7/1/2008	to	6/30/2009**	22.38%	16.67%	
7/1/2009	to	6/30/2010	22.02%	16.51%	

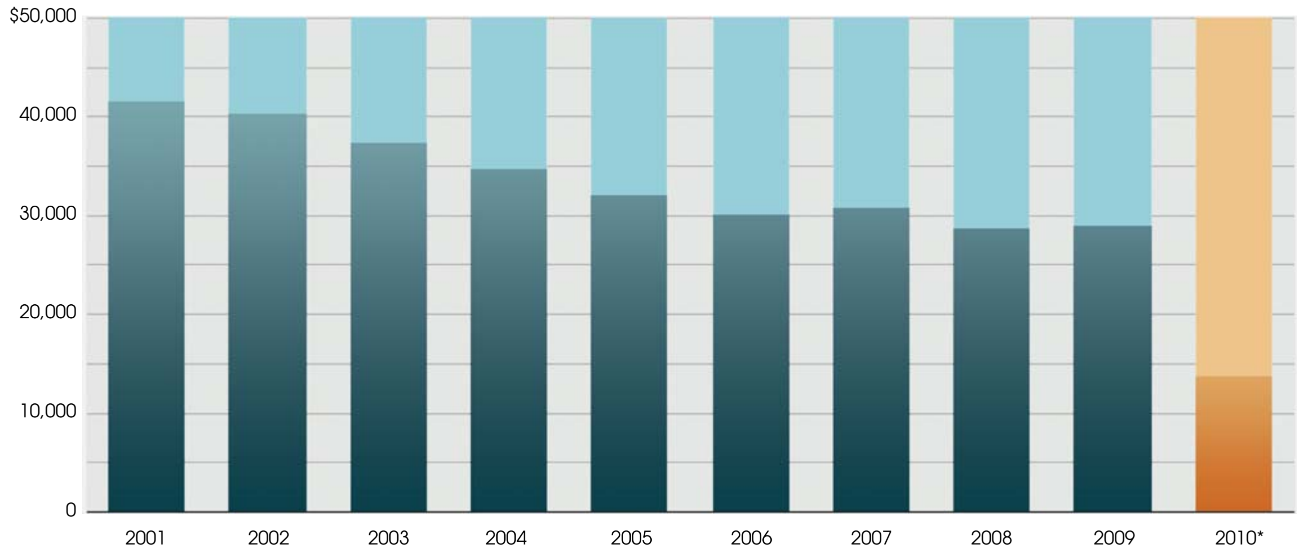
*Contribution rates remained the same for two fiscal years.

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

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

LACERA STAR COLA Program Cost as of June 2010

(Dollars in Thousands)



The STAR Program is administered on a calendar year basis. The following represents the STAR Program cost for the last ten years through June 30, 2010.

*Represents program year through June 30, 2010.

We See Beyond Today

We see a forward-thinking association… an organization that embraces the infinite scope of its mission… an organization geared to provide the promised benefits, now and throughout the century. With a Fund structured on a long-term investment horizon, and an array of service options focused on positioning members to gain the greatest available advantage when they eventually retire, we see a retirement system with a panoramic perspective. As the role of technology escalates, we see an organization that securely incorporates advanced technology at every opportunity to continually enhance the quality and scope of the services it provides. **We see a retirement system focused on today and committed to tomorrow.**

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All photos are of L.A. County employees.

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2010
Annual Report

How We See It...

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