


2010

Los Angeles City Employees' Retirement System
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

A Department of the City of Los Angeles, CA

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

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010

Issued by
Thomas Moutes
Interim General Manager

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

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Introduction

LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

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Letter of Transmittal

December 10, 2010

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

Dear Members of the Board:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the Los Angeles City Employees' Retirement System (LACERS) for the fiscal year ending June 30, 2010.

Since 1937, LACERS has been keeping the retirement promises made by the City of Los Angeles to its civilian employees by administering a defined benefit retirement plan. Currently, LACERS administers retirement and retiree health benefits to over 26,000 active members and 17,500 retired members and beneficiaries.

During the fiscal year, LACERS responded to the needs of our members and plan sponsor by counseling and retiring over 2,500 members, or approximately five times the number of members retired in a typical year. The vast majority of these members were retired through the City's Early Retirement Incentive Program (ERIP). The ERIP and other City actions caused a major shift in LACERS' membership demographics, decreasing our active membership by 12.7%, while increasing our retiree and beneficiary population by 15.2%. This membership shift also significantly increased our retirement and health benefit payments from approximately $48.7 million per month at the beginning of the fiscal year to approximately $62.8 million per month at the end of the fiscal year, an increase of 28.9%.

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

Accounting System and Reports

This CAFR was prepared in conformance with accounting principles generally accepted in the United States and reporting guidelines set forth by the Government Accounting Standards Board (GASB) in Statement No. 34: *Basic Financial Statements - and Management's Discussion and Analysis* - for State, Local Governments,* Statement No. 40: *Deposit and Investment Risk Disclosures,* Statement No. 43: *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* Statement No. 44: *Economic Condition Reporting: The Statistical Section*, Statement No. 50: *Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27*, and Statement No. 53: *Accounting and Financial Reporting for Derivative Instruments*, and the Los Angeles City Charter.

The accompanying financial statements were prepared using the accrual basis of accounting. Contributions from employer and Members were recognized in the period in which Members provided services. Investment income was recognized as revenue when earned. Expenses were recorded when corresponding liabilities were incurred, regardless of when payment was due.

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

* The Management's Discussion and Analysis is located in the Financial Section starting on page 15, which contains financial highlights and an overview of the financial statements and financial analysis in a narrative format. Readers of this CAFR are encouraged to review this supplementary information to gain insight to LACERS financial activities.

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

Additions to Plan Net Assets

The additions to plan net assets consist of contributions, net appreciation in fair value of investments, and investment income net of investment management fees. The total amount of additions for the fiscal year ending June 30, 2010 was $1,556,545,000, including member and employer contributions of $489,712,000, net appreciation in fair value of investments of $859,186,000, and investment income, net of investment expenses, of $207,647,000. The net investment income of $1,066,833,000 for the current fiscal year represents a net increase of $3,177,073,000 as compared to the prior fiscal year's net investment loss of $2,110,240,000. The change was attributed mainly to the net appreciation in the fair value of investments, a turnaround from a large net depreciation of $2,362,887,000 a year ago. The System's investment rate of return for the current fiscal year was 12.9%, which outperformed the 8% actuarial assumed rate of return. Details of the components of the additions to plan net assets are included in the Statement of Changes in Plan Net Assets on page 24 of the financial statements in the Financial Section of this CAFR.

Deductions from Plan Net Assets

Deductions for the fiscal year ended June 30, 2010, excluding investment management and security lending fees, were $698,168,000, which represented an increase of $76,972,000 (12.4%) over the prior year. Most of this increase was the result of higher average monthly benefit pay and a considerable increase in the number of retirees as the City implemented an ERIP during this fiscal year as discussed on page 21. The components of the total deductions included payments of retirement benefits of $653,134,000 ($569,938,000 for the Retirement Plan and $83,196,000 for the Postemployment Healthcare Plan), refunds of contributions and interest to terminated members of $27,971,000, and administrative expenses of $17,063,000.

Changes in System Membership

LACERS membership changes for the fiscal year ended June 30, 2010 were as follows:

	2010	2009	In(De)crease	Change
Active Members	26,245	30,065	(3,820)	(12.7) %
Retired Members	17,264	14,991	2,273	15.2 %

Major Initiatives

The processing of retirements under the City's ERIP required that staff be loaned from other parts of LACERS as well as from other City departments. LACERS also rented additional space, hired 27 Relief Retirement Workers, mandated overtime, and restricted vacations to accomplish the goal of retiring 2,400 members under ERIP by the end of the fiscal year. Based on our efforts, the City exceeded its projected General Fund savings for ERIP.

Despite the significant focus and effort required to retire members under the ERIP, staff continued to make progress on accomplishing strategic plan initiatives, especially in the areas of investment manager due diligence, the restructuring and re-launching of LACERS.org, and the development and adoption of a comprehensive actuarial funding policy.

In the prior fiscal year, we began developing a more robust due diligence program to ensure maximum performance of our investment managers and consultants. During this fiscal year, the implementation of the enhanced due diligence began as did enhanced investment compliance tracking of monitoring procedures focusing on personnel, performance, philosophy, and processes. The implementation of the program reduces management risk while increasing the portfolio's investment performance.

We also re-launched our website to provide interactive services and enhanced educational opportunities to Members. The goal of this restructuring was to design a service-focused and informative website with secured information management capabilities. While the newly-designed website went live this past July, our Systems Division is developing a Content Management feature that will make web publishing easier, more efficient, and more current.

Lastly, our Board adopted an Actuarial Funding Policy. This policy includes the Actuarial Cost Method, the Asset Smoothing Method, and the Amortization Policy. The Actuarial Funding Policy was adopted:

1. To achieve long-term full funding of the cost of benefits provided by LACERS;
2. To seek reasonable and equitable allocation of the cost of benefits over time; and,
3. To minimize volatility of the plan sponsor's contribution to the extent reasonably possible, consistent with other policy goals.

Funding Status and Progress

The funded ratio is a snapshot of the relative status of LACERS assets and liabilities. It varies annually as a result of actuarial valuation, reflecting changes in liabilities, investment returns, demographics, actuarial assumptions and other factors during the reporting year. Based on the June 30, 2010 actuarial valuation, the combined funded ratio for both the Retirement Plan and the Postemployment Healthcare Plan, in terms of actuarial value of assets, decreased by 3.4% to 74.0% from a year ago. Individually, the funded ratio for the Retirement Plan decreased from 79.5% to 75.9%; and for the Postemployment Healthcare Plan, the funded ratio decreased from 65.2% to 63.8%. The decrease is attributable to the large investment losses of the past two fiscal years deferred by asset smoothing being recognized in the current actuarial valuation, despite the fact that the market rate of return for this one fiscal year is substantially higher than the actuarial assumed rate of return. As of June 30, 2010, there is still a combined unrecognized investment loss in the amount of $2,018,219,000. This deferred investment loss will cause the funded ratio to decrease in the next few years even if the investment returns match the 8% assumption.

Investment Summary

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

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

The System's total portfolio was valued at $9.0 billion as of June 30, 2010, an increase of $858.4 million (or 10.5%) compared to the prior fiscal year. The portfolio posted a gross of fees return of 12.9% (or a net of fees return of 12.7%) over one-year period as the capital markets rebounded. The total portfolio return surpassed its policy benchmark for the current fiscal year. The annualized investment returns in detail are presented in the Investment Results on page 55 of the Investment Section. The detail of investment income and loss can be found on pages 19 – 21 of the Financial Section. Other investment related information is summarized in the Investment Section of this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LACERS for its CAFR for the fiscal year ended June 30, 2009. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

I would like to express my appreciation to the Board for supporting our efforts to accomplish the high volume of time-sensitive retirements under the ERIP while continuing to pursue our strategic initiatives. I would like to thank our staff for continually providing quality customer service to our Members and other stakeholders, especially during what has been a challenging year.

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

Respectfully Submitted,

Thomas Moutes
Interim General Manager

Mikyong Jang
Chief Accounting Employee

Board of Administration
As of June 30, 2010

Roberta Conroy
President
Appointed by the Mayor

Richard M. Rogers
Vice President
Elected by Active Members

Jerry Bardwell
Member
Appointed by the Mayor

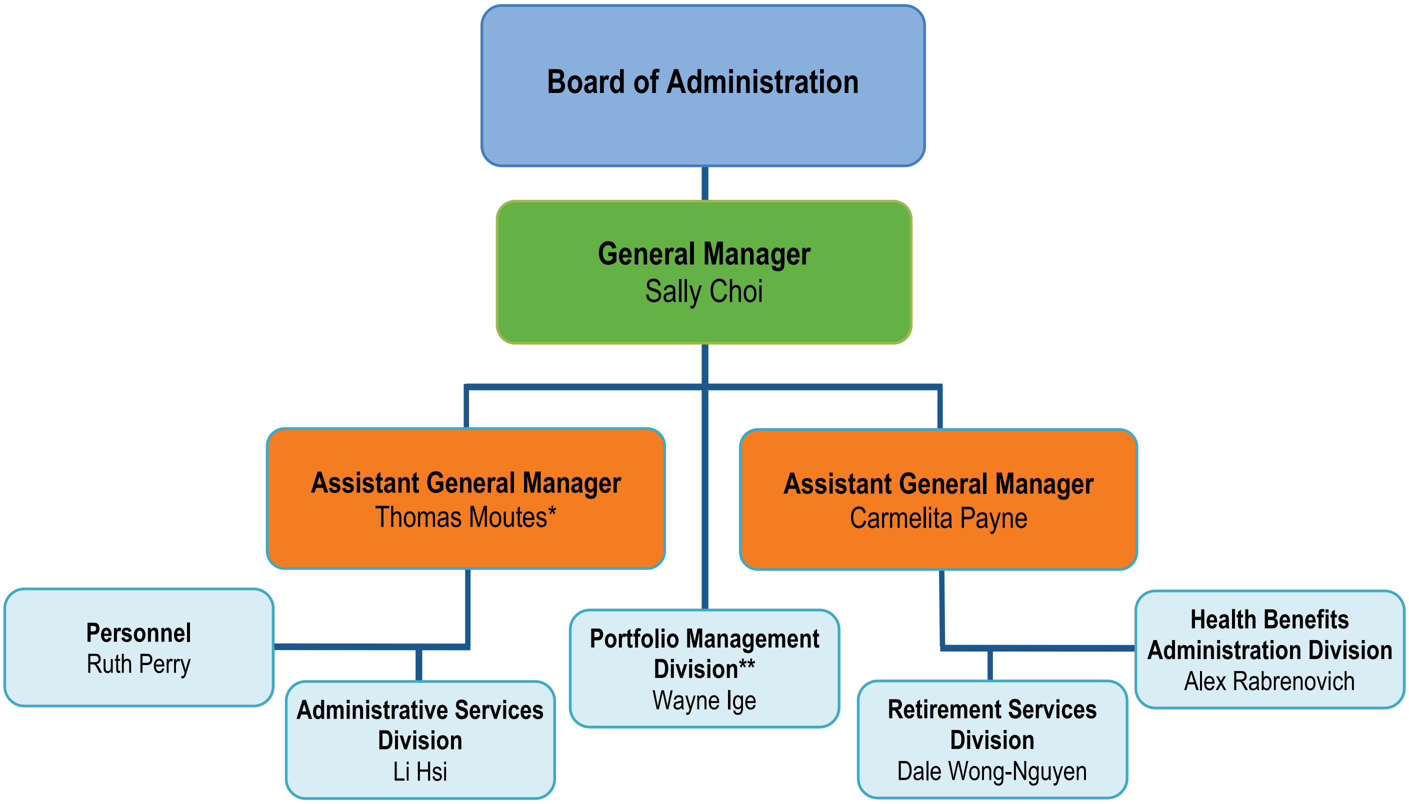
Elizabeth L. Greenwood
Member
Elected by Active Members

Jeffrey Penichet
Member
Appointed by the Mayor

Ken Spiker
Member
Elected by Retired Members

Steven Uranga
Member
Appointed by the Mayor

Organizational Chart
As of June 30, 2010



* Interim General Manager effective October 15, 2010 due to Ms. Choi's resignation.
** A list of firms managing the investment portfolio can be found in the Investment Section, pages 62 and 63.

Professional Consultants

Actuary
The Segal Company

Independent Auditor
Brown Armstrong

Beneficiary Verification
Berwyn Group
Small World Solutions

Health & Welfare Consultant
Towers Watson Delaware, Inc.

Investment Consultants
Courtland Partners, Ltd.
Hamilton Lane
Pension Consulting Alliance Inc.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles City
Employees' Retirement System
California

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

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

President

Executive Director

ALSO AWARDED IN 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007 & 2008

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Financial

TRUST

Duty to our members delivered through Board of Administration policies and procedures that enhance transparency and accountability

Prudent and reasonable care of our fund exemplified with attention to ethics, investments and benefits

Strength built upon a foundation that ensures reasonableness of administrative expenditures in the fulfillment of our mission

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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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying Retirement Plan and Postemployment Healthcare Plan Statement of Plan Net Assets of the Los Angeles City Employees' Retirement System (the System), a department of the City of Los Angeles, California, as of June 30, 2010, and the related Retirement Plan and Postemployment Healthcare Plan Statement of Changes in Plan Net Assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the System's 2009 financial statements and, in our report dated November 19, 2009 we expressed an unqualified opinion on those financial statements.

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

As discussed in Note 1 to the financial statements, the System adopted the provisions of Governmental Accounting Standards Board (GASB) 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 Net Assets of the Retirement Plan and Postemployment Healthcare Plan of the Los Angeles City Employees' Retirement System as of June 30, 2010, and the Changes in its Net Assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The schedules of administrative expenses and investment expenses, as shown in the financial section, and the introductory, investment, actuarial, and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules of administrative expenses and investment expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
November 18, 2010

Management's Discussion and Analysis

As management of the Los Angeles City Employees' Retirement System (LACERS), we are pleased to provide this overview and analysis of the financial activities of LACERS for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information included in our letter of transmittal in the Introductory Section of LACERS Comprehensive Annual Financial Report.

Financial Highlights

- The amount of plan net assets of LACERS as of June 30, 2010 was $9,001,365,000.
- As the economy and financial market began to recover from the severe recession, the value of the plan net assets of LACERS as of June 30, 2010 increased by $858,377,000, or 10.5%, during the reporting period.
- The plan assets under the Retirement Plan and Postemployment Healthcare Plan are pooled for investment purposes. Investment income for the year was $1,066,833,000, as compared with an investment loss of $2,110,240,000 for the previous reporting period.
- Employer contributions made by the City of Los Angeles (the City) to both the Retirement Plan and the Postemployment Healthcare Plan were $362,751,000. This amount included annual contribution of $355,154,000, which was 19.43% of the City's estimated covered payroll of $1,827,864,000, Member contribution defrayal of $7,397,000, and City's matching contribution for Family Death Benefit Insurance Plan in the amount of $200,000.
- The employer contributions to the Retirement Plan represented 100% of the Annual Required Contribution as defined by GASB Statements No. 25 and No. 27. The employer contributions to the Postemployment Healthcare Plan represented 100% of the Annual Required Contribution as defined by GASB Statements No. 43 and No. 45.
- Deductions from net assets of LACERS included benefit payments, refunds of Member contributions, and administrative expenses. The total deductions from net assets were $698,168,000, a 12.4% increase from the prior fiscal year.
- Based on the most recent actuarial valuation as of June 30, 2010, the funded ratio for the Retirement Plan was 75.9% and the funded ratio for the Postemployment Healthcare Plan was 63.8%. The total funded ratio for LACERS was 74.0%. The funded ratio compares the actuarial value of assets to the actuarial accrued liabilities of a pension plan. The ratios change every valuation year, reflecting investment performance, demographic changes, actuarial assumption/ method changes, benefit structure changes, or a variety of other actuarial gains and losses.

Overview of the Financial Statements

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

Financial Statements

There are two financial statements presented by LACERS. The Statement of Plan Net Assets gives a snapshot of the account balances at year-end and shows the amount of the net assets, being the difference between the assets and liabilities, available to pay future benefits. Over time, increases or decreases in net assets may serve as a useful indicator of whether the net assets of LACERS are improving or deteriorating. The Statement of Changes in Plan Net Assets provides a view of current year additions to and deductions from the plan net assets. The two statements can be found on pages 23 and 24 of this report.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 25 – 39 of this report.

Required Supplementary Information

In addition to this Management's Discussion and Analysis, the other required supplementary information consists of a Schedule of Funding Progress, a Schedule of Employer Contributions, and the Notes to Required Supplementary Information for both the Retirement Plan and the Postemployment Healthcare Plan. These schedules and notes primarily present the actuarially-determined information in a multiyear format as required by the applicable financial reporting standards. This required supplementary information can be found on pages 42 – 45 of this report.

Supplemental Schedules

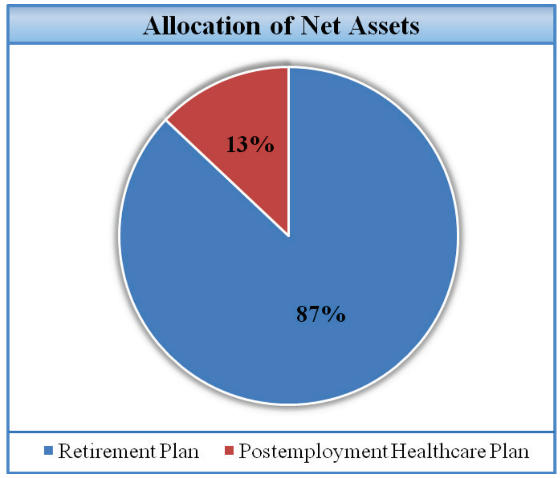
The supplemental schedules, including a Schedule of Administrative Expenses and a Schedule of Investment Expenses, are presented to provide additional financial information on LACERS operations for the current year. They can be found on pages 48 and 49 of this report.

Financial Analysis

Allocation of Net Assets

Net assets may serve as a useful indicator of a plan's financial position. The total plan net assets are allocated between the Retirement Plan and Postemployment Healthcare Plan, as required by the existing reporting standards. The following information provides a brief description of the asset allocation between the Retirement Plan and the Postemployment Healthcare Plan as of June 30, 2010 (dollars in thousands):

	Net Assets	Percent
Retirement Plan	$7,836,758	87.1%
Postemployment Healthcare Plan	1,164,607	12.9
Net Assets	$9,001,365	100.0%



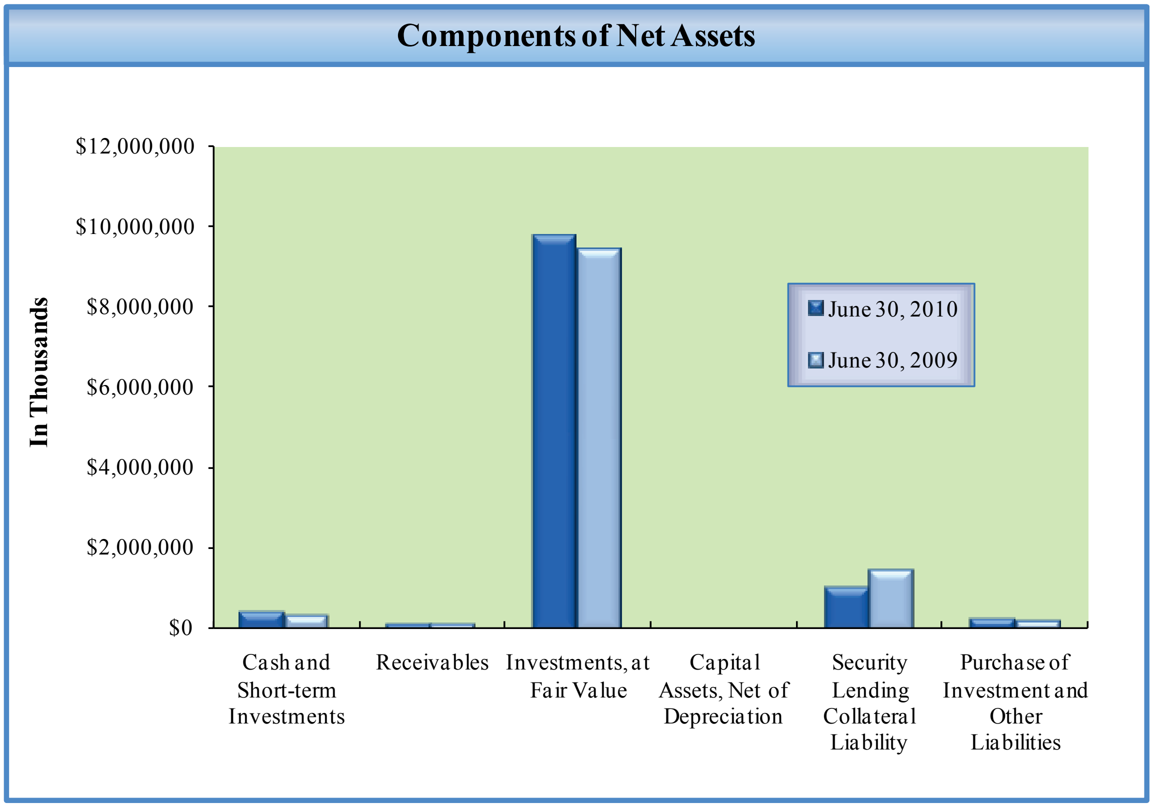
Net Assets

The following table and graph represent the detailed information regarding the components of the net assets of LACERS as of June 30, 2010 and 2009 (dollars in thousands):

	June 30, 2010	June 30, 2009	Change	
Cash and Short-term Investments	$ 372,183	$ 317,385	$ 54,798	17.3 %
Receivables	75,188	105,864	(30,676)	(29.0)
Investments, at Fair Value	9,740,098	9,354,516	385,582	4.1
Capital Assets, Net of Depreciation	380	349	31	8.9
Total Assets	10,187,849	9,778,114	409,735	4.2
Security Lending Collateral Liability	(987,637)	(1,447,412)	(459,775)	(31.8)
Purchase of Investment and Other Liabilities	(198,847)	(187,714)	11,133	5.9
Total Liabilities	(1,186,484)	(1,635,126)	(448,642)	(27.4)
Net Assets	$ 9,001,365	$ 8,142,988	$ 858,377	10.5 %

Financial Analysis (Continued)

Net Assets (Continued)



The majority of LACERS net assets are contained in its investment portfolio, which consists of cash and short-term investments, receivables, fixed income, equities, and other asset classes. Net assets increased by $858,377,000, or 10.5%, during this fiscal year. The increase is primarily attributable to the investment gain, including $859,186,000 of net appreciation in fair value of investments, as a result of market recovery immediately after the global financial and economic crisis of 2008-2009.

Change in Net Assets

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

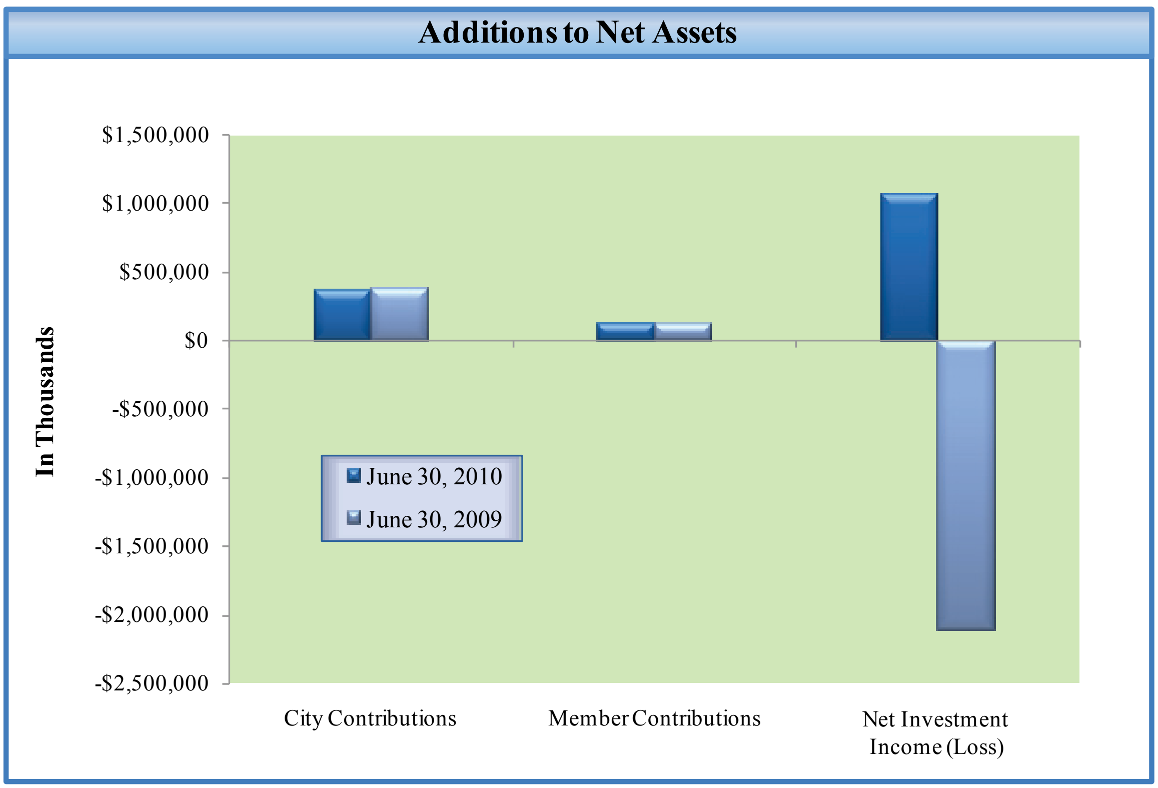
	June 30, 2010	June 30, 2009	Change	
Additions	$ 1,556,545	$ (1,608,010)	$ 3,164,555	(196.8) %
Deductions	(698,168)	(621,196)	(76,972)	12.4
Net Increase (Decrease)	858,377	(2,229,206)	3,087,583	(138.5)
Net Assets, Beginning of Year	8,142,988	10,372,194	(2,229,206)	(21.5)
Net Assets, End of Year	$ 9,001,365	$ 8,142,988	$ 858,377	10.5 %

Financial Analysis (Continued)

Change in Net Assets – Additions to Net Assets

The following table and graph represent the components that make up the additions to net assets for LACERS for the years ended June 30, 2010 and 2009 (dollars in thousands):

	June 30, 2010	June 30, 2009	Change
City Contributions	$ 362,751	$ 383,638	(5.4) %
Member Contributions	126,961	118,592	7.1
Net Investment Income (Loss)	1,066,833	(2,110,240)	(150.6)
Additions to Net Assets	$ 1,556,545	$ (1,608,010)	(196.8) %



Financial Analysis (Continued)

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

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

City Contributions to the Retirement Plan, the Postemployment Healthcare Plan and the Family Death Benefit Insurance Plan were $362,751,000 during the year, or $20,887,000 less than the prior fiscal year due to the decreased contribution rate recommended by the actuary in its June 30, 2008 actuarial valuation. The City contribution rate was 14.15% for Retirement Plan and 5.28% for the Postemployment Healthcare Plan, or 19.43% in total, of the City payroll for the fiscal year 2009-10, which was $1,827,864,000. The actual contribution to the Retirement Plan was equal to 100% of the Annual Required Contribution (ARC) of $258,643,000 as defined by GASB Statements No. 25 and No. 27. The actual contribution to the Postemployment Healthcare Plan was equal to 100% of the Annual Required Contribution (ARC) of $96,511,000 as defined by GASB Statements No. 43 and No. 45.

Factors that may affect the amount of Member Contributions include the change in number and composition of Members and the change in Member salaries. During the year, the number of active Members decreased by 12.7% primarily due to accelerated retirements stimulated by the City's Early Retirement Incentive Program (ERIP). However, Members contributed $126,961,000, which was $8,369,000 (7.1%) more than the prior year. The increase was mainly the result of ERIP participants' voluntary contributions to purchase additional service credit or additional annuities to supplement their retirement benefits. Also, increased Member contributions were derived from the requirements of the ERIP Ordinance that all Members contribute 6% of pay, including the age-rated members who previously contributed less than 6% of pay, net of the City defrayal (Refer to Note 2 – Retirement Plan Description).

The net investment income of $1,066,833,000 reflected the modest recovery of the financial and stock market from the heavy loss of the previous year. It is discussed in the next section with more detailed information.

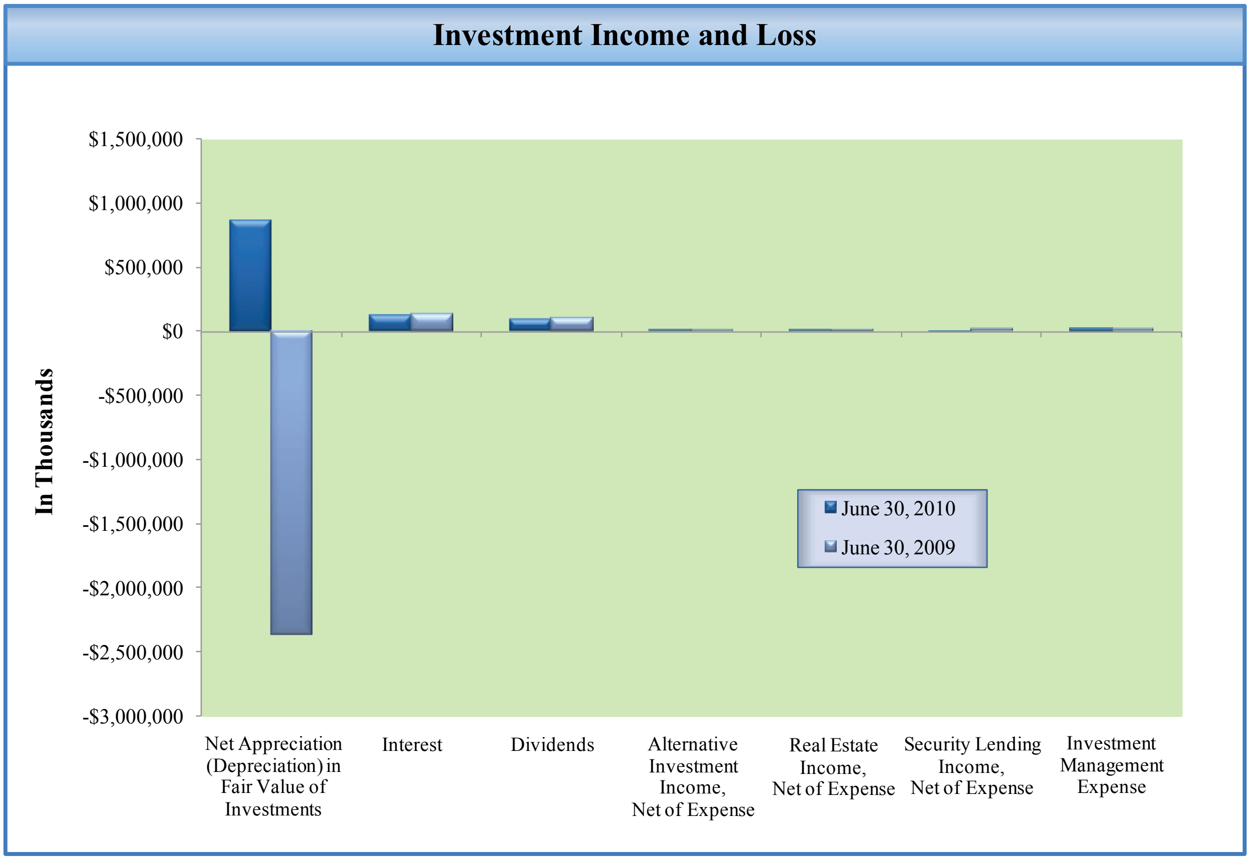
Investment Income and Loss

The following table and graph present the detail of investment income and loss, net of investment management expenses for the years ended June 30, 2010 and 2009 (dollars in thousands):

	June 30, 2010	June 30, 2009	Change
Net Appreciation (Depreciation) in Fair Value of Investments	$ 859,186	$ (2,362,887)	(136.4) %
Interest	122,720	131,394	(6.6)
Dividends	88,995	100,512	(11.5)
Alternative Investment Income, Net of Expense	9,023	8,421	7.1
Real Estate Income, Net of Expense	6,445	13,663	(52.8)
Security Lending Income, Net of Expense	3,822	15,660	(75.6)
Investment Management Expense	(23,358)	(17,003)	37.4
Total Investment Income (Loss)	$ 1,066,833	$ (2,110,240)	(150.6) %

Financial Analysis (Continued)

Investment Income and Loss (Continued)



The net investment income for the current fiscal year was $1,066,833,000, as compared with the loss of $2,110,240,000 for the previous fiscal year. This significant change was largely attributable to the net appreciation in market value of investments, in the amount of $859,186,000, as a result of the economy and financial markets showing signs of recovery immediately after the global financial and economic crisis of 2008-2009.

However, due to the slow pace of recovery and the depressed level of interest rates, other components of the investment income with the exception of the alternative investment, did not perform well. Investment income in interest, dividend, real estate, and security lending all decreased as compared with the previous year.

Interest income derived from bonds decreased by $8,674,000 (-6.6%), attributable to the Federal Reserve's policy to keep the federal funds rate to "near zero" which adversely affected the bond yields during the report year. Dividend income derived from stocks also decreased by $11,517,000 (-11.5%) due to lower distributions as most companies' profit and/or profit outlook suffered under the weak economy.

Real estate woes, which triggered the severe recession a year ago, continued through the end of the report period. LACERS real estate income decreased by $7,218,000 (-52.8%) as compared to the prior year. As a contrast, alternative investment income increased by $602,000 (7.1%) due to more venture and buyout activities that came along with the improvement in financial markets.

LACERS earns additional investment income by lending securities to borrowers through its custodian bank. The borrowers provide cash or non-cash collateral to the System's custodial bank, which then invests the cash collateral in short and intermediate term fixed income securities. LACERS security lending income, net of expense, dropped significantly by 75.6%, or $11,838,000 less than what it received a year ago. Several factors contributed to the lower revenue: short and intermediate interest rates were very low; lending practices became more conservative at time of uncertainty; and the demand for security borrowing was not as strong as it was during the prior year.

Financial Analysis (Continued)

Investment Income and Loss (Continued)

Investment management expense for the current fiscal year increased by $6,355,000 (37.4%) from the previous year. The increase corresponds with the higher fair value of investment portfolio, as the investment management fees are based on the value of investment assets.

Change in Net Assets – Deductions from Net Assets

The following table and graphs provide information related to the deductions from net assets for the years ended June 30, 2010 and 2009 (dollars in thousands):

	June 30, 2010	June 30, 2009	Change
Benefit Payments	$ 653,134	$ 584,473	11.7 %
Refunds of Contributions	27,971	21,325	31.2
Administrative Expenses	17,063	15,398	10.8
Deductions from Net Assets	$ 698,168	$ 621,196	12.4 %

LACERS "deductions" from net assets in the reporting period can be summarized as Benefit Payments, Refunds of Contributions, and Administrative Expenses. These deductions represent the types of benefit delivery operations undertaken by LACERS and the costs associated with them. Total deductions increased by $76,972,000 or 12.4%.

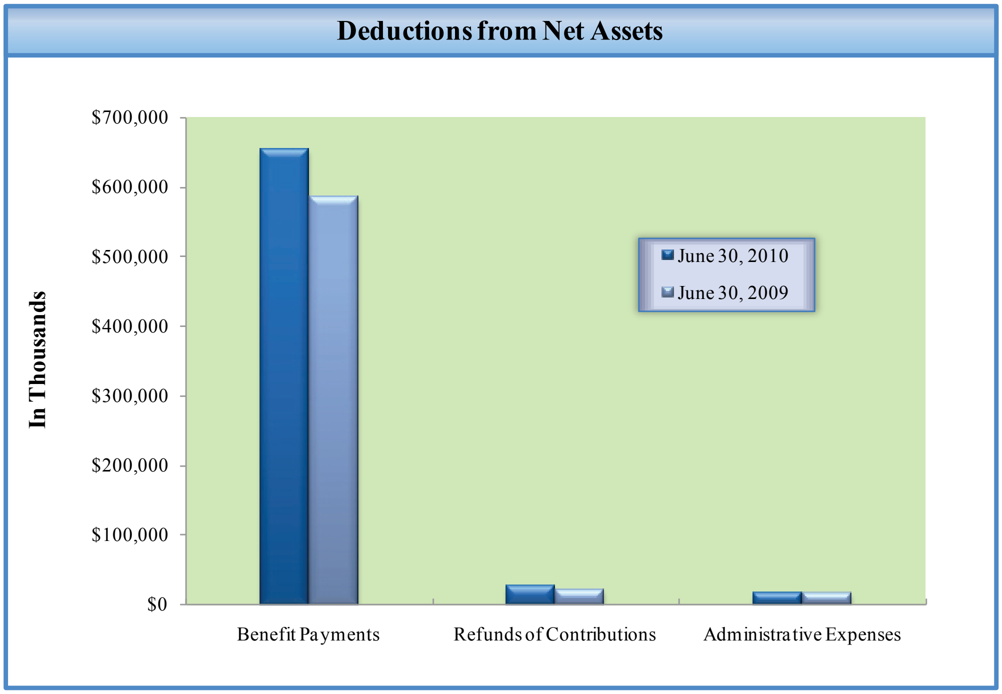
The benefit payments increased by $68,661,000, or 11.7%, compared to the prior year. This increase is predominately due to the City's Early Retirement Incentive Program (ERIP) which, by providing age credit and/or enhanced benefits, incentivized 2,400 members to retire during this fiscal year. The average monthly benefit amount increased by 8.0%, which included the average annual cost of living adjustment of approximately 2.9%. The large increase in number of retirees resulted not only increased retirement allowances, but also the Postemployment Healthcare Plan costs. The Postemployment Healthcare Plan cost increased by $9,357,000 or 12.7% compared to the prior fiscal year. The total benefit payments represent 93.5% of total deductions from System's net assets.

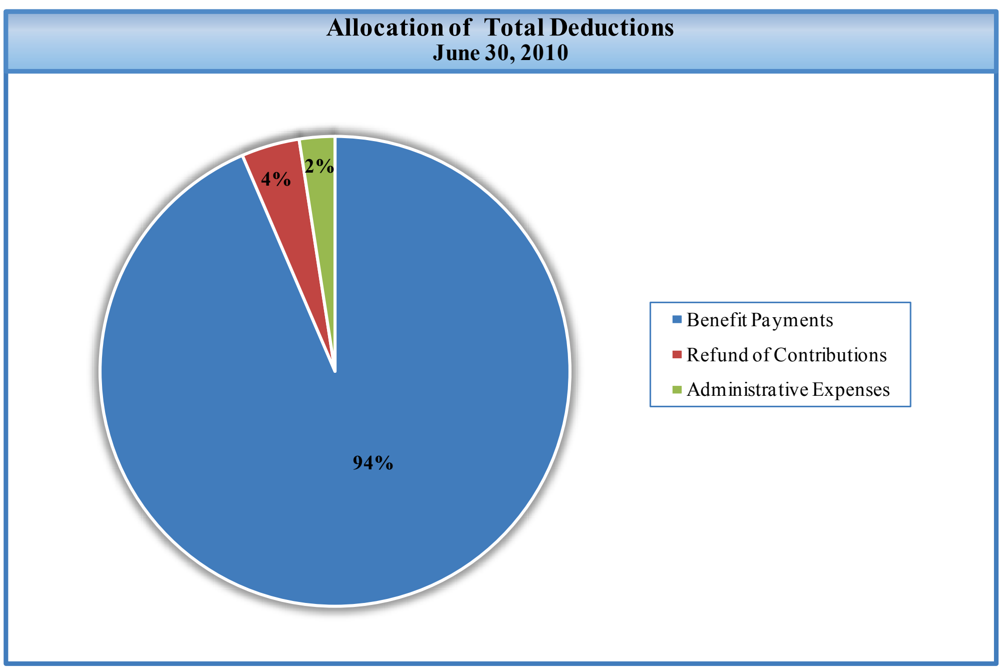
Refunds of contributions also increased by $6,646,000 or 31.2%. The increase was mainly the result of increased transfer of funds to the Department of Water and Power (DWP) Employees' Retirement Plan under the reciprocity program, as more City employees moved to DWP in the fiscal year when City struggled to close its significant budget deficit. Such transfers, in the amount of $18,029,000, represent 64.5% of total refunds paid during the current reporting year.

Administrative expense increased by $1,665,000 or 10.8% over the prior year. This increase was primarily attributable to the additional costs incurred to process the 2,400 ERIP cases. Such costs include salaries/wage and additional office lease for the employees on loan from other City departments and the Relief Retirement Workers hired temporarily, hardware and software expenses, overtime costs of LACERS employees, and additional actuarial fees.

Financial Analysis (Continued)

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





Requests for Information

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

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

Statement of Plan Net Assets
Retirement Plan and Postemployment Healthcare Plan
As of June 30, 2010, with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Healthcare Plan	2010 Total	2009 Total
Assets				
Cash and Short-Term Investments	$ 324,030	$ 48,153	$ 372,183	$ 317,385
Receivables				
Accrued Investment Income	29,046	4,316	33,362	37,221
Proceeds from Sales of Investments	32,815	4,877	37,692	59,511
Other	3,599	535	4,134	9,132
Total Receivables	65,460	9,728	75,188	105,864
Investments, at Fair Value				
U.S. Government Obligations	343,969	51,117	395,086	225,279
Municipal Bonds	1,189	176	1,365	3,931
Domestic Corporate Bonds	941,597	139,929	1,081,526	969,901
International Bonds	167,394	24,876	192,270	185,608
Opportunistic Debt	93,846	13,946	107,792	103,232
Domestic Stocks	2,846,819	423,061	3,269,880	3,045,441
International Stocks	1,469,942	218,446	1,688,388	1,473,068
Mortgages	479,228	71,217	550,445	556,873
Government Agencies	47,497	7,059	54,556	64,212
Real Estate	400,241	59,479	459,720	521,086
Venture Capital and Alternative Investments	828,336	123,097	951,433	758,473
Security Lending Collateral	859,855	127,782	987,637	1,447,412
Total Investments	8,479,913	1,260,185	9,740,098	9,354,516
Capital Assets				
Furniture, Fixtures and Equipment (Net of Depreciation)	331	49	380	349
Total Assets	8,869,734	1,318,115	10,187,849	9,778,114
Liabilities				
Accounts Payable and Accrued Expenses	(25,845)	(3,840)	(29,685)	(26,964)
Derivative Instruments	(22)	(3)	(25)	-
Purchases of Investments	(147,254)	(21,883)	(169,137)	(160,750)
Security Lending Collateral	(859,855)	(127,782)	(987,637)	(1,447,412)
Total Liabilities	(1,032,976)	(153,508)	(1,186,484)	(1,635,126)
Net Assets Held in Trust for Pension Benefits and Post-employment Healthcare Benefits	**$ 7,836,758**	**$ 1,164,607**	**$ 9,001,365**	**$ 8,142,988**

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

Statement of Changes in Plan Net Assets
Retirement Plan and Postemployment Healthcare Plan
For the Year Ended June 30, 2010, with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Healthcare Plan	2010 Total	2009 Total
Additions				
Contributions				
City Contributions	$ 266,240	$ 96,511	$ 362,751	$ 383,638
Member Contributions	126,961	-	126,961	118,592
Total Contributions	393,201	96,511	489,712	502,230
Investment Income (Loss)				
Net Appreciation (Depreciation) in Fair Value of Investments Including Gain and Loss on Sales	729,621	129,565	859,186	(2,362,887)
Interest	106,614	16,106	122,720	131,394
Dividends	77,315	11,680	88,995	100,512
Alternative Investment Income, Net of Expense	8,232	791	9,023	8,421
Real Estate Income, Net of Expense	5,809	636	6,445	13,663
Security Lending Income	3,867	584	4,451	17,935
Less: Security Lending Expense	(534)	(95)	(629)	(2,275)
Sub-Total	930,924	159,267	1,090,191	(2,093,237)
Less: Investment Management Expense	(19,836)	(3,522)	(23,358)	(17,003)
Net Investment Income (Loss)	911,088	155,745	1,066,833	(2,110,240)
Total Additions	1,304,289	252,256	1,556,545	(1,608,010)
Deductions				
Benefits Payments	(569,938)	(83,196)	(653,134)	(584,473)
Refunds of Contributions	(27,971)	-	(27,971)	(21,325)
Administrative Expenses	(14,204)	(2,859)	(17,063)	(15,398)
Total Deductions	(612,113)	(86,055)	(698,168)	(621,196)
Net Increase (Decrease)	692,176	166,201	858,377	(2,229,206)
Net Assets Held in Trust for Pension Benefits and Postemployment Healthcare Benefits				
Beginning of Year	7,144,582	998,406	8,142,988	10,372,194
End of Year	**$ 7,836,758**	**$ 1,164,607**	**$ 9,001,365**	**$ 8,142,988**

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

Note 1 – Description of the System and Significant Accounting Policies

General Description

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

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

Basis of Accounting

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

Basis of Presentation

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

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

Implementation of New Accounting Pronouncements

For the fiscal year ended June 30, 2010, the System implemented the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The Statement requires governments to report most of their derivative instruments at fair value on the Statement of Plan Net Assets. GASB Statement No. 53 also established disclosure requirements, which include summary information of derivative instruments and their exposure to the financial risks. The Statement is effective for periods beginning after June 15, 2009. Certain requirements of GASB Statement No. 53 do not apply to the System as the System does not invest plan net assets for the purpose of hedging. The plan net assets were not materially affected by the implementation of GASB Statement No. 53.

Fair Value of Investments

Funds of the System are invested pursuant to the Los Angeles City Charter and the System's investment policy established by the Board under Article XI Section 1106(d) of the City Charter. The System's investment portfolios are composed of domestic and international equities, domestic and international bonds, derivative instruments, real estate and alternative investments, and short-term investments, which include obligations of the U.S. Treasury, agencies, commercial paper rated A-1, bankers' acceptances, repurchase agreements and the short-term investment fund managed in-house by staff.

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

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

Fair Value of Investments (Continued)

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

For the equity index futures, an initial margin is required to open a position and maintain the collateral requirement until the position is closed. The System reports the collateral for the equity index futures in the short-term investments.

Capital Assets

Effective July 1, 2001, purchases of capital assets, consisting primarily of office furniture and computer equipment, are capitalized upon acquisition and depreciated over five years if the cost of purchase is $5,000 or more. Prior to July 1, 2001, these purchases were recorded and expensed in the year acquired. Depreciation is calculated using the straight-line method.

Administrative Expenses

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

Reserves

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

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

Employer Contributions – Consists of the following components:

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

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

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

Family Death Benefits – Member contributions, matching City contributions, and investment earnings (losses) excluding net appreciation (depreciation) in fair value of investments reserved to pay benefits under the family death benefits insurance plan established by the System, less payments to beneficiaries.

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

Reserve balances as of June 30, 2010, were as follows (in thousands):

Member Contributions	$ 1,414,912
Basic Pensions	5,795,880
Annuity	593,430
Larger Annuity	20,092
Family Death Benefits	12,444
Postemployment Health Benefits	1,164,607
Total Reserves	$ 9,001,365

Use of Estimates in Preparation of the Financial Statements

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

Note 2 – Retirement Plan Description

Plan Description

The Retirement Plan covers all full-time personnel and department-certified part-time employees of the City of Los Angeles, except for sworn employees of the Fire and Police departments, Department of Water and Power employees, elected officials who elected to participate in an alternative Defined Contribution Plan, and certain Port Police officers of the Harbor Department including those who elected to opt out of LACERS Plan.

The Retirement Plan provides for service and disability retirement benefits, as well as death benefits. Changes to the benefits require approval by the City Council.

At June 30, 2010, the components of the System's membership were as follows:

Active:	
Vested	18,822
Nonvested	7,423
	26,245
Inactive:	
Nonvested	3,804
Terminated Entitled to Benefits, Not Yet Receiving Benefits	1,540
Retired	17,264
Total	48,853

Funding Policies and Funded Status and Progress

The Plan's funding policy under Article XI Sections 1158 and 1160 of the Los Angeles City Charter provides for periodic employer contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. For the year ended June 30, 2010, the annual required contribution to the Retirement Plan by the City was determined at 14.15% of covered payroll, determined by the June 30, 2008 actuarial valuation. The actual contribution made by the City for fiscal year 2009-10 was equal to the recommended rate as adopted by the Board of Administration, which is the recommended contribution rate set equal to the greater of the current funding policy or the minimum Annual Required Contribution (ARC) as determined under GASB Statements 25 and 27.

Prior to the ERIP, there were two different types of contributions from Members; Members who entered the System prior to February 1983 (Defrayal Group) contributed from 8.22% to 13.33% of their salaries based upon their ages when they entered the System; however, these contributions were subsidized by the City under a collective bargaining agreement (see Note 6 – Defrayal Portion of Member Contributions-Retirement Plan). Members entering the System subsequent to January 1983 contribute a flat rate of 6%. Starting November 8, 2009, all Members of the System contribute a flat rate of 6% of pay regardless of their entry date. Further, ERIP Ordinance stipulates the member contribution rate for all employees shall increase to 7% on July 1, 2011 for a period of 15 years, or until the ERIP Cost Obligation is fully paid, whichever comes first.

Members of the System have a vested right to their own contributions and accumulated interest posted to their accounts. Generally, after five years of employment, Members are eligible for future retirement benefits, which increase with length of service. If a Member is at least age 70 or with five or more years of service terminates employment, the Member has the option of receiving retirement benefits when eligible or withdrawing from the System, and having his or her contributions and accumulated interest refunded. Benefits are based upon age, length of service, and compensation.

As of June 30, 2010, the most recent actuarial valuation date, the Plan was 75.9% funded. The actuarial accrued liability for benefits was $12,595,025,000 and the actuarial value of assets was $9,554,027,000, resulting in an unfunded actuarial accrued liability (UAAL) of $3,040,998,000. The covered payroll as of June 30, 2010 valuation was $1,817,662,000. The ratio of UAAL to the covered payroll was 167.3%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, inflation, and investment returns. The funded status of the plan and the annual required contributions of the employer, determined by the annual actuarial valuations, are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 42 following the notes to financial statements, provides multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 2 – Retirement Plan Description (Continued)

Funding Policies and Funded Status and Progress (Continued)

In November 2009, the Board adopted a preliminary actuarial valuation for the fiscal year ending June 30, 2009 prepared by LACERS consulting actuary. This preliminary valuation did not include the effect of the City's ERIP due to the lack of sufficient data at the time. As the complete ERIP election information became available, the revised valuation for the fiscal year ending June 30, 2009 was performed in April 2010 to reflect the liability associated with the City's ERIP election. The Schedules of Funding Progress presented in the Required Supplementary Information have been updated accordingly for the actuarial valuation year of June 30, 2009.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan Members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan Members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial methods and significant assumptions used in the valuation year of June 30, 2010 are summarized in this note to conform to the disclosure requirements for GASB Statement No. 50.

Note 2 – Retirement Plan Description (Continued)

Funding Policies and Funded Status and Progress (Continued)

Valuation Date	June 30, 2010
Actuarial-Cost Method	Projected Unit Credit Cost Method – assuming a closed group.
Amortization Method	Level Percent of Payroll – assuming a 4.25% increase in total covered payroll.
Remaining Amortization Period	Multiple layers. Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 30 years. The existing layers on June 30, 2005, except those arising from the phase-in of contribution rates for the May 30, 2002 experience study, were combined and amortized over 30 years. Plan changes, including the liability change due to 2009 ERIP, are amortized over 15 years. Future ERIPs will be amortized over 5 years. Actuarial surplus is amortized over 30 years. The amortization period may be adjusted to comply with GASB requirements on maximum amortization period for all layers combined.
Asset Valuation Method	Market value of assets less unrecognized returns in each of the last 7 years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. The result of such smoothing process shall fall between 60% - 140% of Market Value.
Actuarial Assumptions:	
Investment Rate of Return	8.00%
Includes Inflation at	3.75%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases	Ranges from 12.25% to 6.75% for Members with less than 5 years of service. Ranges from 6.50% to 4.75% for Members with 5 or more years of service.
Cost of Living Adjustments	3.00%
Mortality Table for Retirees and Beneficiaries	RP-2000 Combined Healthy Mortality Table, set back 1 year
Mortality Table for Disabled Retirees	RP-2000 Combined Healthy Mortality Table, set forward 7 years
Percent Married / Domestic Partner	76% of male participants; 50% of female participants are assumed to be married.
Spouse Age Difference	Male retirees are assumed to be 4 years older than their female spouses. Female retirees are assumed to be 2 years younger than their male spouses.

Note 3 – Postemployment Healthcare Plan Description

Plan Description

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

Funding Policies and Funded Status and Progress

The Plan's funding policy under Article XI Sections 1158 and 1160 of the Los Angeles City Charter provides for periodic employer contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. The required contribution rate for the Postemployment Healthcare Plan for the fiscal year ended June 30, 2010, was 5.28% of covered payroll, determined by the June 30, 2008 actuarial valuation. As of June 30, 2010, the most recent actuarial valuation date, the Plan was 63.8% funded. The actuarial accrued liability for benefits was $2,233,874,000 and the actuarial value of assets was $1,425,726,000, resulting in an unfunded actuarial accrued liability (UAAL) of $808,148,000. The covered payroll as of June 30, 2010 valuation was $1,817,662,000. The ratio of UAAL to the covered payroll was 44.5%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment returns, and the healthcare cost trends. The funded status of the plan and the annual required contributions of the employer, determined by the annual actuarial valuations, are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 44 following the notes to financial statements, provides multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

In November 2009, the Board adopted a preliminary actuarial valuation for the fiscal year ending June 30, 2009 prepared by LACERS consulting actuary. This preliminary valuation did not include the effect of the City's ERIP due to the lack of sufficient data at the time. As the complete ERIP election information became available, the revised valuation for the fiscal year ending June 30, 2009 was performed in April 2010 to reflect the liability associated with the City's ERIP election. The Schedules of Funding Progress presented in the Required Supplementary Information have been updated accordingly for the actuarial valuation year of June 30, 2009.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan Members) and include the types of benefits provided at the time each valuation and historical pattern of sharing of benefit costs between the employer and plan Members to that point. The actuarial methods and assumptions used include techniques such as 7-year smoothing of assets and amortization of UAAL over 15 or 30 years, that are designed to reduce the effects of short-term volatility in funding, consistent with the long-term perspective of the calculations.

Note 3 – Postemployment Healthcare Plan Description (Continued)

Actuarial Methods and Assumptions (Continued)

Valuation Date	June 30, 2010
Actuarial-Cost Method	Projected Unit Credit Cost Method – assuming a closed group.
Amortization Method	Level Percent of Payroll – assuming a 4.25% increase in total covered payroll.
Remaining Amortization Period	Multiple layers. Actuarial gains/losses are amortized over 15 years. Assumption or method changes from experience study are amortized over 30 years, except that health cost trend and premium assumption changes are amortized over 15 years. The unfunded layers on June 30, 2005 were combined and amortized over 30 years. Plan changes, including the liability change due to 2009 ERIP, are amortized over 15 years. Future ERIPs will be amortized over 5 years. Actuarial surplus is amortized over 30 years. The amortization period may be adjusted to comply with GASB requirements on maximum amortization period for all layers combined.
Asset Valuation Method	Market value of assets less unrecognized returns in each of the last 7 years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. The result of such smoothing process shall fall between 60% - 140% of Market Value.
Actuarial Assumptions:	
Investment Rate of Return	8.00%
Mortality Table for Retirees and Beneficiaries	RP-2000 Combined Healthy Mortality Table, set back 1 year
Mortality Table for Disabled Retirees	RP-2000 Combined Healthy Mortality Table, set forward 7 years
Marital Status	60% of male and 30% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.
Spouse Age Difference	Male retirees are assumed to be 4 years older than their female spouses. Female retirees are assumed to be 2 years younger than their male spouses.
Surviving Spouse Coverage	With regard to Members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member's death.
Participation	50% of inactive Members are assumed to receive a subsidy for a City approved health carrier. 100% of retirees becoming eligible for Medicare is assumed to be covered by both Parts A and B.

Note 3 – Postemployment Healthcare Plan Description (Continued)

Actuarial Methods and Assumptions (Continued)

Health Care Cost Trend Rates

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

Medical Premium Trend Rates to be applied to Fiscal Year 2010-2011 and later years are:

First Fiscal Year (July 1, 2010 through June 30, 2011)		
Carrier	Under Age 65	Age 65 & Over
Kaiser HMO	7.84%	4.39%
Blue Cross HMO	10.03%	N/A
Blue Cross PPO	8.44%	8.52%
Secure Horizons	N/A	8.55%

Fiscal Year 2011 - 2012 and later	
Fiscal Year	Trend (Approx)
2011 - 2012	9.75%
2012 - 2013	9.25%
2013 - 2014	8.75%
2014 - 2015	8.25%
2015 - 2016	7.75%
2016 - 2017	7.25%
2017 - 2018	6.75%
2018 - 2019	6.25%
2019 - 2020	5.75%
2020 - 2021	5.25%
2021 and later	5.00%

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

Medicare Part B Premium Trend for the 2010-2011 fiscal year will be calculated based on actual increase from 2010 to 2011 when it becomes available. 5.00% assumed for the calendar years following 2011 calendar year.

Note 4 – Contributions Required and Contributions Made

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

For the valuation as of June 30, 2010, the components of the UAAL are amortized as a level percent of pay. Based on the System's amortization policy, increases or decreases in the UAAL due to plan or assumption changes are amortized over 30 years, except that health cost trend and premium assumption changes are amortized over 15 years. Experience gains and losses are amortized over 15 years, subject to adjustments to comply with GASB requirements on maximum amortization period for all layers combined. The amortization periods are "closed" as the amounts calculated annually are amortized over either a 15- or 30-year period.

The contributions to the System for the year ended June 30, 2010, in the amount of $489,712,000 ($393,201,000 for the Retirement Plan and $96,511,000 for the Postemployment Healthcare Plan), were made in accordance with actuarially-determined requirements computed by the actuarial valuation dated June 30, 2008.

Contributions to the System consisted of the following for the year ended June 30, 2010 (in thousands):

	Retirement Plan	Postemployment Healthcare Plan
City Contributions:		
Required Contribution	$ 258,643	$ 96,511
Defrayal Portion of Member Contributions	7,397	-
Family Death Benefit Insurance Plan	200	-
Total City Contributions	266,240	96,511
Member Contributions	126,961	-
Total Contributions	$ 393,201	$ 96,511

The amount of the City contributions made for the Retirement Plan under the Required Contribution category ($258,643,000) were equal to 100% of the Annual Required Contributions (ARC) of the employer as defined by GASB Statements No. 25 and No. 27. The City contributions made for the Postemployment Healthcare Plan, in the amount of $96,511,000, represents 100% of the ARC as defined by GASB No. 43 and No. 45. Member contributions ($126,961,000) were made toward the Retirement Plan and voluntary Family Death Benefit Insurance Plan.

Note 5 – Historical Trend Information

Historical trend information designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due is presented on pages 42 through 43 for the Retirement Plan and pages 44 through 45 for the Postemployment Healthcare Plan.

Note 6 – Defrayal Portion of Member Contributions-Retirement Plan

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

As all Members of the System, including the Defrayal Group, contribute 6% starting November 8, 2009 and a large number of members in the Defrayal Group retired during ERIP election, the subsidized amount to the Defrayal Group by the City for the current fiscal year decreased to $7,397,000, which is approximately 2.8% of total City contributions paid to the Retirement Plan for the year ended June 30, 2010. The City's subsidy will be completely phased out after June 30, 2011.

Note 7 – Cash and Short-Term Investments and Investments

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

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

The System considers investments with maturity of 12 months or less to be short-term investments. The carrying value of cash and short-term investments at June 30, 2010, on the Retirement Plan and Postemployment Healthcare Plan, included approximately $2,237,000 held in the System's general operating accounts with the City Treasurer and short-term investments funds (STIF) of $369,946,000 for a total of $372,183,000. The amounts held by the City Treasurer are pooled with the monies of other City agencies and invested by the City Treasurer's office. These assets are not individually identifiable. At June 30, 2010, short-term investments included collective STIF of $96,462,000, international STIF of $273,417,000 and future initial margin of $67,000.

The fair value of derivative instruments, including equity index future contracts, currency forward contracts, and rights and warrants, are recorded in the Statement of Plan Net Assets with a net negative value of $25,000 and reported as a (current) Liability. The changes in fair value of the derivative instruments during the fiscal year are recorded in the Statement of Changes in Plan Net Assets as Investment Income (Loss). The System enters into derivative contracts for investment purposes and to manage risks associated with its investment portfolio. For financial reporting purposes, all the System's derivatives for the current and previous fiscal years are classified as investment derivatives. The previous year's financial statements were not restated due to the restating adjustment not having a material impact on the financial statements. Therefore, the changes in fair value of the derivative instruments for the fiscal year ended, as presented below, are the same as its fair value at June 30, 2010.

The notional amount and the fair value of derivative instruments as of June 30, 2010 are as follows (dollars in thousands):

Derivative Type	Notional Amount	Fair Value	Change in Fair Value
Future Contracts - Equity Index	$ 13,287	$ (92)	$ 92
Currency Forward Contracts	171,740	(26)	26
Right / Warrants	N/A	93	(93)
Net		$ (25)	$ 25

Credit Risk - Investments

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class. The credit quality ratings of investments in fixed income securities by a nationally recognized statistical rating organization as of June 30, 2010 are as follows (dollars in thousands):

S & P Ratings	Fair Value	Percentage
AAA	$ 553,883	27.74 %
AA	61,243	3.07
A	400,599	20.06
BBB	512,893	25.68
BB	160,665	8.04
B	106,542	5.34
CCC	27,287	1.37
CC	16,770	0.84
C	837	0.04
Not Rated	156,155	7.82
	1,996,874	100.00 %
U.S. Government Guaranteed Securities *	386,166	
Total Fixed Income Securities	$ 2,383,040	

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

Credit Risk - Derivatives

Derivatives are subject to credit risk that the counterparty to a contract will default. The System is exposed to credit risk on reported assets of the investment derivatives that are traded over the counter. The credit risk of exchange traded derivatives for future contracts is considered minimal because the exchange clearing house is the counterparty and guarantees the performance.

The System permits investment managers, under the terms of individual guidelines, to use derivatives instruments as set forth in each manager's investment guidelines to control portfolio risk. It is the responsibility of these investment managers to actively monitor counterparties on their financial safety and ensure compliance with the investment restrictions. The System has no general investment

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

Credit Risk – Derivatives (Continued)

policy with respect to netting arrangements or collateral requirements. However, these individual investment managers have set up the arrangements with the counterparties to net off the positive and negative contracts with the same counterparty in case of a counterparty's default.

As of June 30, 2010, without respect to netting arrangements, the System's maximum loss on derivative instruments subject to credit risk, namely currency forward contracts, is as follows (dollars in thousands):

S & P Ratings	Amount
AA	$ 587
AA-	181
A	1,388
Total Credit Risk	$ 2,156

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a financial institution's failure of depository financial institution, the System would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. As of June 30, 2010, the System has exposure to such risk in the amount of $34,480,000, or 1.68% of the fair value of total international investments. The amount represents non-invested cash denominated in foreign currencies, managed by 11 different investment managers, and held outside of the System's custodial bank. The System's policy requires each individual publicly traded equities investment managers to hold no more than 10% of their portfolios in the form of cash. The plan is in compliance with the policy.

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

Concentration of Credit Risk

The investment portfolio as of June 30, 2010 contained no concentration of investments in any one entity that represented 5 percent or more of the total investment portfolio.

Interest Rate Risk

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

Investment Type	Amount	Weighted Average Duration (in Years)
Asset Backed Securities	$ 41,214	1.58
Commercial Mortgage-Backed Securities	109,228	5.75
Corporate Bonds	1,153,893	6.63
Government Agencies	57,353	4.26
Government Bonds	353,937	4.84
Government Mortgage-Backed Securities	441,217	2.42
Index Linked Government Bonds	71,932	3.77
Municipal/Provincial Bonds	1,365	1.39
Non-Government Backed C.M.O.s	45,109	1.95
Opportunistic Debt	107,792	2.87
Total Fixed Income Securities	$ 2,383,040	

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

Highly Sensitive Investments

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

Investment Type	Amount
Asset Backed Securities	$ 41,214
Commercial Mortgage-Backed Securities	109,228
Government Agencies	57,353
Government Mortgage-Backed Securities	441,217
Non-Government Backed C.M.O.s	45,109
Total Asset-Backed Investments	$ 694,121

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The System's Asset Allocation policy sets a target of 20% of the total portfolio for non-U.S. investments in equities. In addition, fixed income, real estate, and alternative investment managers may hold non-U.S. investments depending on their individual mandates. Forward currency contracts are permitted primarily to reduce the foreign currency risk.

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

Foreign Currency Risk (Continued)

The System's non-U.S. currency investment holdings as of June 30, 2010, which represents 17.2% of fair value of total investments, are as follows (in thousands):

Foreign Currency Type	Cash and Adjustments to Cash	Equity	Fixed Income	Derivatives Instruments	Other Investments	Total Fair Value in USD
Argentine peso	$ 68	$ -	$ -	$ -	$ -	$ 68
Australian dollar	6,498	87,399	-	(49)	-	93,848
Brazilian real	301	18,816	2	-	-	19,119
British pound sterling	(7,098)	212,993	-	(151)	22,688	228,432
Canadian dollar	8,250	47,413	8,278	16	-	63,957
Columbian peso	-	1,351	-	-	-	1,351
Czech koruna	9	-	-	-	-	9
Danish krone	316	11,211	-	-	-	11,527
Egyptian pound	-	3,348	-	-	-	3,348
Euro	3,789	338,285	-	876	75,954	418,904
Hong Kong dollar	1,331	138,873	-	52	-	140,256
Hungarian forint	13	985	-	-	-	998
Indian rupee	908	25,482	-	-	-	26,390
Indonesian rupiah	382	13,914	-	-	-	14,296
Japanese yen	(13,325)	268,252	-	(953)	32,687	286,661
Malaysian ringgit	99	7,587	-	-	-	7,686
Mexican peso	24	6,810	11,149	-	-	17,983
New Israeli shekel	1,219	3,257	-	-	-	4,476
New Taiwan dollar	1,957	43,188	-	-	-	45,145
New Zealand dollar	118	536	-	-	-	654
Norwegian krone	(872)	9,813	-	8	-	8,949
Philippine peso	117	16,170	-	-	-	16,287
Polish zloty	(61)	3,760	-	-	-	3,699
Singapore dollar	504	35,851	-	-	-	36,355
South African rand	(9)	26,037	-	-	-	26,028
South Korean won	1,072	72,210	-	-	-	73,282
Swedish krona	3,092	17,178	-	-	-	20,270
Swiss franc	3,753	71,464	-	(197)	-	75,020
Thai baht	146	26,141	-	-	-	26,287
Turkish lira	(56)	6,489	-	-	-	6,433
Total Investments Held in Foreign Currency	$ 12,545	$ 1,514,813	$ 19,429	$ (398)	$ 131,329	$ 1,677,718

Note 8 – Securities Lending Agreement

The System has entered into various short-term arrangements with its custodian under Article XXXIV Section 504 of the City Charter, whereby securities are lent to various brokers. The custodian determines which lenders' accounts to lend securities from by using an impartial sequential system that matches loan requests with various lenders' accounts. All lenders are deemed to have relatively equal opportunity to profit from the lending of securities. Therefore, should a collateral deficiency occur beyond the custodian's responsibilities, the deficiency is allocated pro rata among all lenders.

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

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

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

As of June 30, 2010, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceed the amounts the borrowers owed the System. The System had no losses on securities lending transactions resulting from default of a borrower or lending agent. Due to the nature of the securities lending program and Northern Trust's collateralization of loans at 102% and 105% plus accrued interest for fixed income securities, it was previously believed that there were no material credit risks to the System as defined in GASB Statement No. 28 and GASB Statement No. 40 by our participation in the securities lending program. However, with the short-term illiquid and volatile environment for fixed income markets, we believe that there is more risk in the credit quality of the collateral pool than previously anticipated. Reduced demand in securities lending given recent brokerage firm failures is an indication of the overall increasing risks associated with securities lending.

All securities loans can be terminated on demand by either the System or the borrower. Cash collateral is invested in a collateral account consisting of short and intermediate term investments. The System cannot pledge or sell non-cash collateral unless the borrower defaults.

The following tables represent the balances of collateral received and loaned securities as of June 30, 2010 (in thousands):

Fair value of collateral received for loaned securities as of June 30, 2010:

Securities Lent	Cash	Non-Cash	Total Collateral Value
U.S. Government and Agency Securities	$ 258,909	$ -	$ 258,909
Domestic Corporate Fixed Income Securities	102,574	-	102,574
International Fixed Income Securities	6,548	140,879	147,427
Domestic Stocks	509,117	2,800	511,917
International Stocks	110,489	128,107	238,596
	$ 987,637	$ 271,786	$ 1,259,423

Fair value of loaned securities as of June 30, 2010:

Securities Lent	Cash	Non-Cash	Total Fair Value of Underlying Securities
U.S. Government and Agency Securities	$ 252,880	$ -	$ 252,880
Domestic Corporate Fixed Income Securities	99,856	-	99,856
International Fixed Income Securities	6,171	132,803	138,974
Domestic Stocks	494,171	2,720	496,891
International Stocks	103,288	117,501	220,789
	$ 956,366	$ 253,024	$ 1,209,390

Note 8 – Securities Lending Agreement (Continued)

As of June 30, 2010, the fair value of the lent securities was $1,209,390,000. The fair value of associated collateral was $1,259,423,000. Of this amount, $987,637,000 represents the fair value of cash collateral and $271,786,000 represents the fair value of the non-cash collateral. Non-cash collateral, which the System does not have the ability to sell unless the borrower defaults, is not reported in the statement of plan net assets. The System's income and expenses related to securities lending were $4,451,000 and $629,000, respectively, for the year ended June 30, 2010.

Note 9 – Futures and Forward Contracts

The System uses derivative financial instruments, primarily to manage portfolio risk. Futures and forward contracts are marked to market and are recorded in the Statement of Plan Net Assets at fair value. Futures contracts have little credit risk, as organized exchanges are the guarantors. Forward agreements are subject to the creditworthiness of the counterparties, which are principally large financial institutions (Refer to Note 7 – Credit Risk-Derivatives).

At June 30, 2010, the System had outstanding equity index futures with an aggregate notional amount of $13,287,000. In addition, at June 30, 2010, the System had outstanding forward purchase commitments with a notional amount of $171,740,000 and offsetting forward sales commitments with notional amounts of $171,740,000, which expire through September 2010. The System maintains margin collateral on the positions with brokers, consisting of cash and U.S. Treasury Bills. The total collateral margin was $14,287,000 as of June 30, 2010.

Note 10 – Commitments and Contingencies

At June 30, 2010, the System was committed to future purchases of real estate and alternative investments at an aggregate cost of approximately $707,183,000.

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REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Retirement Plan
(Dollars in Thousands)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded or (Overfunded) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Underfunded or (Overfunded) AAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2005	$ 7,193,142	$ 9,321,525	$ 2,128,383	77.2 %	$ 1,589,305	133.9 %
June 30, 2006	7,674,999	9,870,662	2,195,663	77.8	1,733,340	126.7
June 30, 2007	8,599,700	10,526,874	1,927,174	81.7	1,896,609	101.6
June 30, 2008	9,438,318	11,186,404	1,748,086	84.4	1,977,645	88.4
June 30, 2009*	9,577,747	12,041,984	2,464,237	79.5	1,816,171	135.7
June 30, 2010	9,554,027	12,595,025	3,040,998	75.9	1,817,662	167.3

* Based on revised June 30, 2009 actuarial valuation.

Schedule of Employer Contributions

	Employer Contributions Total	
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2005	$ 183,241	86 %
2006	227,741	100
2007	277,517	100
2008	288,119	100
2009	274,555	100
2010	258,643	100

Note 1 – Description

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

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

In consideration of the more volatile investment markets and the plan sponsor's financial condition, the Board adopted a revised asset smoothing policy to lengthen the asset smoothing period from five years to seven years and modify the market value corridor from 50% - 150% to 60% - 140%. According to the actuary's projection, the City contribution rates will be lower in the next five years than they would have been under the prior policy.

Due to asset smoothing, the large investment losses from the previous two years have not been fully recognized in the actuarial valuation. As of June 30, 2010, there is a combined unrecognized investment loss in the amount of $2,018,219,000. The deferred loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. This implies that earning the assumed rate of investment return of 8% per year (net of expenses) on a market value basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, the contribution requirements would increase in the next few years even if the actual market return is equal to the assumed 8% rate and all other actuarial assumptions are met.

Required Supplementary Information
Postemployment Healthcare Plan
(Dollars in Thousands)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded or (Overfunded) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Underfunded or (Overfunded) AAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2005	$ 893,378	$ 1,718,899	$ 825,521	52.0 %	$ 1,589,305	51.9 %
June 30, 2006	990,270	1,730,799	740,529	57.2	1,733,340	42.7
June 30, 2007	1,185,544	1,730,400	544,856	68.5	1,896,609	28.7
June 30, 2008	1,342,920	1,928,043	585,123	69.7	1,977,645	29.6
June 30, 2009*	1,342,497	2,058,177	715,680	65.2	1,816,171	39.4
June 30, 2010	1,425,726	2,233,874	808,148	63.8	1,817,662	44.5

* Based on revised June 30, 2009 actuarial valuation.

Schedule of Employer Contributions

	Employer Contributions Total	
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2005	$ 53,190	100 %
2006	76,116	100
2007	115,233	100
2008	108,848	100
2009	95,122	100
2010	96,511	100

Note 1 – Description

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

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

In consideration of the more volatile investment markets and the plan sponsor's financial condition, the Board adopted a revised asset smoothing policy to lengthen the asset smoothing period from five years to seven years and modify the market value corridor from 50% - 150% to 60% - 140%. According to the actuary's projection, the City contribution rates will be lower in the next five years than they would have been under the prior policy.

Due to asset smoothing, the large investment losses from the previous two years have not been fully recognized in the actuarial valuation. As of June 30, 2010, there is a combined unrecognized investment loss in the amount of $2,018,219,000. The deferred loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. This implies that earning the assumed rate of investment return of 8% per year (net of expenses) on a market value basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, the contribution requirements would increase in the next few years even if the actual market return is equal to the assumed 8% rate and all other actuarial assumptions are met.

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SUPPLEMENTAL SCHEDULES

Schedule of Administrative Expenses
For the Year Ended June 30, 2010
(In Thousands)

	Retirement Plan	Postemployment Healthcare Plan	Total
Personnel Services:			
Staff Salaries	$ 9,279	$ 1,648	$ 10,927
Staff Benefits	1,169	208	1,377
Total Personnel Services	10,448	1,856	12,304
Professional Services:			
Actuarial	303	54	357
Data Processing	762	135	897
Audit	90	16	106
Retirees' Health Consulting	-	337	337
Legal Counsel	476	85	561
Medical for Temporary Disability	120	21	141
Total Professional Services	1,751	648	2,399
Communication:			
Printing	95	17	112
Telephone	14	2	16
Postage	99	18	117
Member Outreach Program	2	-	2
Travel	58	10	68
Total Communication	268	47	315
Rentals:			
Office Space	1,126	199	1,325
Equipment Leasing	32	6	38
Total Rentals	1,158	205	1,363
Miscellaneous:			
Office	461	82	543
Depreciation	118	21	139
Total Miscellaneous	579	103	682
Total Administrative Expenses	$ 14,204	$ 2,859	$ 17,063

Schedule of Investment Expenses
For the Year Ended June 30, 2010
(In Thousands)

	Assets Under Management	Fees
Retirement Plan		
Investment Management Expense:		
Fixed Income Managers	$ 2,074,720	$ 5,386
Equity Managers	4,316,761	13,039
Subtotal Investment Management Expense	6,391,481	18,425
Other Investment Expense:		
Alternative Investments Consulting Fee	-	939
Real Estate and Other Consulting Fee	-	472
Subtotal Other Investment Expense	-	1,411
Postemployment Healthcare Plan		
Investment Management Expense:		
Fixed Income Managers	308,320	956
Equity Managers	641,507	2,315
Subtotal Investment Management Expense	949,827	3,271
Other Investment Expense:		
Alternative Investments Consulting Fee	-	167
Real Estate and Other Consulting Fee	-	84
Subtotal Other Investment Expense	-	251
Total Investment Management Expense and Other Investment Expense, Excluding Alternative Investments, Real Estate and Securities Lending	$ 7,341,308	$ 23,358
Alternative Investments Managers' Fees:		
Retirement Plan	$ 828,336	$ 17,067
Postemployment Healthcare Plan	123,097	3,031
Total Alternative Investments Managers' Fees	$ 951,433	$ 20,098
Real Estate Managers' Fees:		
Retirement Plan	$ 400,241	$ 9,129
Postemployment Healthcare Plan	59,479	1,621
Total Real Estate Managers' Fees	$ 459,720	$ 10,750
Security Lending Fees:		
Retirement Plan	$ 859,855	$ 534
Postemployment Healthcare Plan	127,782	95
Total Security Lending Fees	$ 987,637	$ 629

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Investment

DELIVER

Meeting and exceeding asset class benchmarks to achieve long-term sustainable, risk-adjusted returns to provide benefits to members while minimizing contributions from the City of Los Angeles

LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

360 E. Second Street, 2nd Floor
Los Angeles, CA 90012
(800) 779-8328
TDD (888) 349-3996
www.lacers.org

Report on Investment Activity

December 1, 2010

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

Dear Members of the Board:

Presented below is a summary report of the Fund's investment activities for the fiscal year 2009-2010.

Market Overview

The financial market rally that began in March 2009 persisted through the first three quarters of the fiscal year. Investors' fears of a double-dip recession faded due to encouraging economic news, creating a rising expectation of a global economic recovery. In the U.S., stabilizing unemployment claims, moderately increasing consumer spending, and rising productivity and manufacturing activity helped fuel the markets. International economies, both developed and emerging, also showed strong recovery with many countries experiencing GDP expansion. Investors increased exposure to riskier assets to participate in the market's growth, and to continue to recover from losses from the prior year.

However, the final quarter of the fiscal year saw a large increase in market volatility, and global markets plunged as a result of concerns of a contagion of defaulting European debt, growth rates in China, stubbornly high U.S. unemployment, the BP oil leak in the Gulf of Mexico, the Goldman Sachs investigation, the UK election, stalled and uncertain financial reform efforts in Washington D.C., and other negative sentiment. Worries over the international markets were further exacerbated by renewed concern over deflation. These concerns again drove a flight to quality to U.S. Treasury securities and gold.

Despite a disappointing final quarter, equity and fixed income markets delivered double-digit returns for the LACERS investment portfolio for the fiscal year ended 2010. Real estate continued to struggle as foreclosures, the expiration of government incentives packages, and the lack of financing for both residential and commercial real estate weighed upon the market.

Investment Performance

Traditional Programs

LACERS total portfolio was valued at $9.0 billion on June 30, 2010, an increase of $858.4 million from the prior fiscal year end and up $2.0 billion from March 9, 2009. In spite of the significant market decline in the 4th quarter, the total portfolio posted double-digit annualized gross return for the total fund and for 4 out of 5 asset classes. For the fiscal year, the total fund earned 12.9%; U.S. equity returned 16.5%; non-U.S. equity 12.1%; fixed income returned 15.7%; alternative investments 19.9%; but weakness in real estate continued with a decline of 25.3%.

The fund outperformed its policy benchmark by 40 basis points for the past year, primarily due to strong performance in 4 out of 5 asset classes. U.S. and non-U.S. publicly traded equity asset class investments over the past year outperformed their benchmarks by 80 and 170 basis points, respectively, as did fixed income by a substantial 510 basis points. For the year, real estate returns lagged their benchmark by 15.7%, whereas alternative investments outperformed by 0.2%.

In comparison to other public funds in the TUCS (Trust Universe Comparison Service) with a market value greater than $1 billion, LACERS ranked in the 51st percentile for the 1-year period ending June 30, 2010.

Special Programs

For the fiscal year, the corporate governance program underperformed the composite benchmark by 430 basis points. The program consists of concentrated portfolios, whose returns are event driven. As such, wide tracking error is expected from both the individual and composite benchmarks for this program.

Two out of three of the emerging manager equity fund of funds programs underperformed their respective benchmarks for the fiscal year. Also, LACERS opportunistic fixed income portfolio underperformed its High Yield Bond Index for the period.

The Investment Results table shown on page 55 displays a summary of time-weighted rates of return based on fair value of assets by asset classes and total fund.

Policies, Procedures and Guidelines

During the fiscal year, the Board of Administration adopted revised investment policies for specialized and traditional alternative investments.

Contract Renewals and New Hires

During the fiscal year 2009/2010, contracts with five managers of publicly traded securities were renewed as shown in the table on page 56. One was a domestic equity index manager, one was a fund of funds manager of emerging managers, one was a fixed income manager and two were non-U.S. equity managers.

Private Investments

LACERS approved eight private equity partnerships totaling $115 million of committed capital as shown in the table on page 56.

Investment Consulting Services

As summarized in the table on page 56, the Board approved: 1) a 6-month contract extension with the LACERS general pension fund consultant and issued a revised general consultant RFP; 2) a two-year contract renewal for a specialized Alternative Investments consultant; 3) a two-year contract renewal for a traditional Alternative Investments consultant; and 4) a three-year renewal for a Real Estate consultant.

Acknowledgements

For this reporting period through June 5, 2010, Daniel P. Gallagher was the Chief Investment Officer of LACERS. He is now retired.

Respectfully submitted,

Wayne Ige
Acting Chief Investment Officer

Outline of Investment Policies
Fiscal Year 2009-2010

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

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

Investment Results

Annualized asset class investment returns compared to policy benchmarks:

	Annualized * (gross of fees)		
Asset Class / Benchmark	**1 Yr. (%)**	**3 Yrs. (%)**	**5 Yrs. (%)**
U.S. Equity	**16.5**	**-9.6**	**-0.4**
Russell 3000	15.7	-9.5	-0.5
Non-U.S. Equity	**12.1**	**-10.2**	**4.0**
LACERS MS ACWI ex U.S. Index**	10.4	-10.7	3.4
Fixed Income	**15.7**	**8.1**	**6.2**
BC US Universal**	10.6	7.2	5.6
Alternative Investment	**19.9**	**1.7**	**12.0**
Russell 3000 plus 400 bps	19.7	-5.5	3.5
Real Estate	**-25.3**	**-17.5**	**-4.7**
NCREIF Property Index	-9.6	-4.3	4.2
LACERS Total Fund	**12.9**	**-5.0**	**2.9**
LACERS Policy Benchmark	12.5	-4.9	2.5

* Time-weighted rate of return based on fair value of assets by asset classes and total fund.

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

Public, Private Equity & Real Estate Investment Contract Activity

Contracts with managers of publicly traded securities renewed:

Firms	Mandate
BlackRock Institutional Trust	Domestic Equity Enhanced Index
Neuberger Berman Fixed Income LLC	Fixed Income Active Core
Progress Investment Management	Domestic Equity Active Fund of Funds of Emerging Managers
Templeton Investment Counsel, LLC	Non-U.S. Equity Active Asia/Pacific Basin
TT International Investment Management	Non-U.S. Equity Active Core

New alternative investment partnerships:

Investment Managers	Mandate
American Securities Opportunities Fund II, LP	Special Situation
Angeleno Investors III, LP	Venture Capital
Enhanced Equity Fund II, LP	Buyout
Hellman & Friedman VII, LP	Buyout
JH Whitney VII, LP	Buyout
New Enterprise Associates 13, LP	Buyout
Polaris Venture Partners VI, LP	Venture Capital
TA XI, LP	Buyout

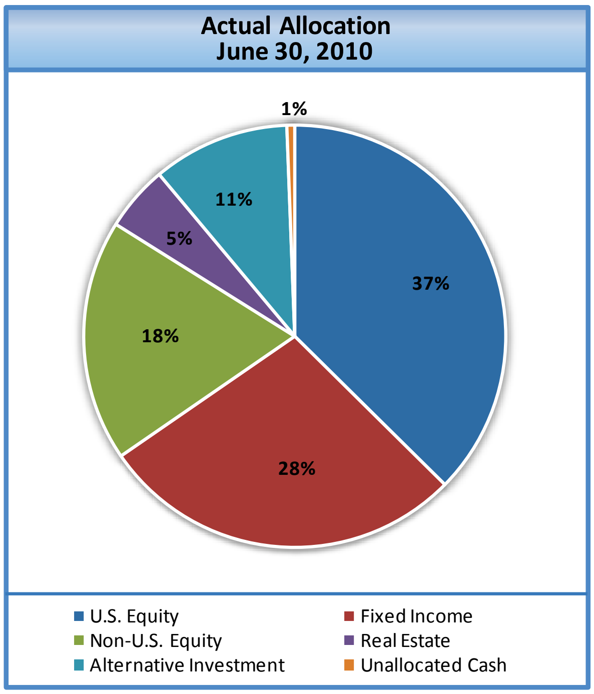
Contracts with investment consultants extended/renewed:

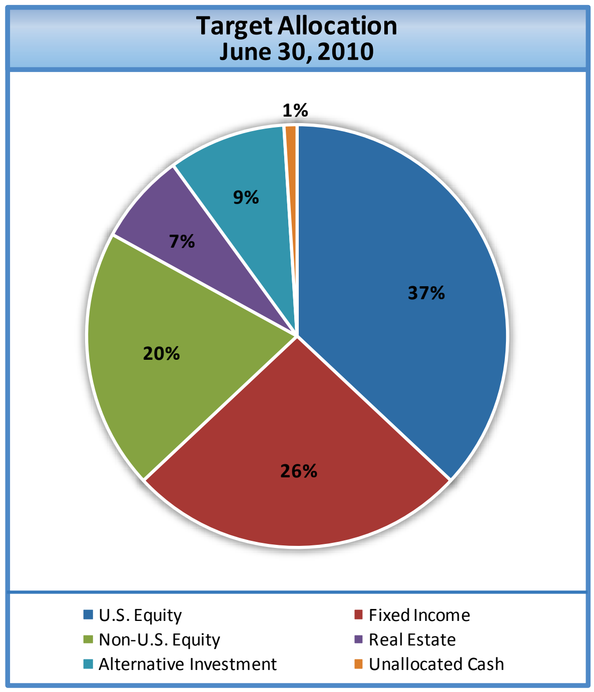
Investment Consultants	Type of Service
Courtland Partners	Real Estate Consultant
Hamilton Lane	Traditional Alternative Investments Consultant
Pension Consulting Alliance	General Fund Consultant and Specialized, Non-Traditional Alternative Investments Consultant

Asset Allocation
As of June 30, 2010

	Actual
U.S. Equity	37.4%
Non-U.S. Equity	18.5
Fixed Income	28.0
Alternative Investment	10.5
Real Estate	5.0
Unallocated Cash	0.6
Total	100.0%

	Target
U.S. Equity	37.0%
Non-U.S. Equity	20.0
Fixed Income	26.0
Alternative Investment	9.0
Real Estate	7.0
Unallocated Cash	1.0
Total	100.0%





List of Largest Assets Held by Market Value

Displayed below are the ten largest holdings in each asset class along with their market and share/par values as of June 30, 2010. A complete listing of the System's holdings is available on www.LACERS.org.

Largest U.S. Equity Holdings

	Shares	Asset Description	Market Value (in US$)
1.	191,296	Apple Inc.	$ 48,116,683
2.	1,176,741	JPMorgan Chase & Co.	43,080,488
3.	68,180	Google Inc.	30,336,691
4.	1,441,434	Intel Corp.	28,035,891
5.	1,073,708	Wells Fargo & Co.	27,486,925
6.	455,389	Exxon Mobil Corp.	25,989,072
7.	1,127,887	Microsoft Corp.	25,952,680
8.	169,790	Alcon Inc.	25,161,180
9.	562,171	Hewlett-Packard Co.	24,330,761
10.	420,127	Schlumberger Ltd.	23,249,828
		Total	$ 301,740,199

Largest Non-U.S. Equity Holdings

	Shares	Asset Description	Market Value (in US$)
1.	24,570	Samsung Electronic	$ 15,562,786
2.	461,355	BHP Billiton Ltd.	14,671,584
3.	573,505	Royal Dutch Shell	14,576,590
4.	372,280	Toyota Motor Corp.	12,957,649
5.	92,723	Roche Hldgs AG Genusscheine	12,820,512
6.	240,681	Novartis AG	11,739,992
7.	14,453,281	Lloyds Banking Gp	11,611,849
8.	1,171,271	HSBC Hldgs.	10,780,387
9.	2,608,548	Barclays	10,558,616
10.	187,532	BNP Paribas	10,284,024
		Total	$ 125,563,989

List of Largest Assets Held by Market Value

Largest U.S. Fixed Income Holdings

	Par Value	Asset Description	Market Value (in US$)
1.	$90,080,000	FNMA 30 Year Pass-Throughs 5.5% 30 Years Settles July	$ 96,695,295
2.	60,275,000	US Treas Nts Index Linked 2.375 due 01-15-2017	71,931,924
3.	48,420,000	United States Treas Nts 1.125% due 12-15-2011	48,881,491
4.	40,680,000	United States Treas Nts Dtd 00032 4.25% due 08-15-2013	44,700,323
5.	27,533,717	FNMA Pool #835751 4.5% due 08-01-2035	28,790,796
6.	25,400,000	US Treas Nts T-Nt 1.375 due 06-15-2012	26,027,075
7.	14,425,000	United States Treas Bds 9.125% due 05-15-2018	21,281,376
8.	18,380,000	US Treas Nts 3.875% due 05-15-2018	20,088,770
9.	18,241,734	FNMA Pool #899650 6% due 08-01-2037	19,819,096
10.	17,306,000	Goldman Sachs 6.75% due 10-01-2037	16,965,799
		Total	$ 395,181,945

Largest Non-U.S. Fixed Income Holdings

	Par Value (in local currency)	Asset Description	Market Value (in US$)
1.	1,330,000	Mexico(Utd Mex St) 8% Bds 17/12/15	$ 11,148,882
2.	9,370,000	Pvtpl America Movil Sab De Cv Gtd Sr Nt 144A 5% due 03-30-2020	9,680,831
3.	8,215,000	Arcelormittal Sa 6.125% due 06-01-2018	8,591,912
4.	7,120,000	Encana Corp 6.5% due 08-15-2034	7,837,098
5.	6,290,000	Transalta Corp 6.5% due 03-15-2040	6,488,261
6.	4,355,000	Covidien Intl Fin 6.55% due 10-15-2037	5,268,940
7.	4,705,000	Pvtpl Grupo Bimbo Sab D Gtd Nt 144A 4.875% due 06-30-2020	4,742,720
8.	5,000,000	Pvtpl Hynix Semiconductor Inc Sr Nt 7.875% due 06-27-2017	4,594,000
9.	3,900,000	Pvtpl Petrobra Energia SA Nt Ser R 144A 9.375% due 10-30-2013	4,465,500
10.	4,000,000	Pvtpl Cosan Fin Ltd Gtd Sr Nt 144A 7% due 02-01-2017	4,170,000
		Total	$ 66,988,144

Schedules of Fees and Commissions

Schedule of Fees

(In Thousands)

	2010 Assets Under Management	Fees	2009 Assets Under Management	Fees
Investment Manager Fees:				
Fixed Income Managers	$ 2,383,040	$ 6,342	$ 2,109,036	$ 3,870
Equity Managers	4,958,268	15,354	4,518,509	11,328
Real Estate Managers	459,720	10,750	521,086	11,234
Alternative Investment Managers	951,433	20,098	758,473	18,661
Total	$ 8,752,461	$ 52,544	$ 7,907,104	$ 45,093
Security Lending Fees	$ 987,637	$ 629	$ 1,447,412	$ 2,275
Alternative, Real Estate & Other Investment Consulting Fees	N/A	1,662	N/A	1,805
Total	$ 987,637	$ 2,291	$ 1,447,412	$ 4,080

Schedule of Top Ten Brokerage Commissions

	Broker	Shares	Commission	$/Share
1.	BNY ESI Securities Co.	4,354,259	$ 155,247	$ 0.036
2.	Macquarie Securities Ltd.	35,358,681	131,302	0.004
3.	UBS Securities	23,328,834	131,193	0.006
4.	Mischler Financial Group	4,481,654	130,298	0.029
5.	CSFB London	12,789,165	121,698	0.010
6.	Merrill Lynch Fenner & Smith Inc.	25,193,305	112,617	0.004
7.	Deutsche Bank Securities Inc.	13,511,010	111,058	0.008
8.	Citigroup Global Ltd.	8,257,862	110,676	0.013
9.	Multitrade Securities	5,212,371	108,095	0.021
10.	Citigroup Smith Barney	4,430,246	102,118	0.023
	Total	136,917,387	1,214,302	0.009
	Total - Other Brokers	467,672,012	4,746,015	0.010
	Grand Total*	604,589,399	$ 5,960,317	$ 0.010

* OTC Brokers excluded because there is no stated commission

Commission Recapture

The System has commission recapture arrangements with brokerage firms. For the current fiscal year, Fidelity and Citigroup each provided $22,227 (total of $44,454) for Bloomberg's services.

Investment Summary
As of June 30, 2010

Type of investment	Market Value	% of Total Market Value	Domestic Market Value	Foreign Market Value
Fixed Income				
Government bonds	$ 425,869,036	4.37%	$ 395,086,255	$ 30,782,781
Government agencies	57,353,298	0.59	54,555,811	2,797,487
Municipal / provincial bonds	1,365,587	0.01	1,365,587	-
Corporate bonds	1,240,215,274	12.73	1,081,525,759	158,689,515
Commercial mortgage bonds	109,228,063	1.12	109,228,063	-
Government mortgage bonds	441,217,369	4.53	441,217,369	-
Opportunistic debt	107,791,759	1.11	107,791,759	-
Total Fixed Income	2,383,040,386	24.46	2,190,770,603	192,269,783
Equities				
Common stock				
Basic industries	437,819,926	4.50	249,497,393	188,322,533
Capital goods industries	241,458,035	2.48	78,607,857	162,850,178
Consumer & services	908,159,935	9.32	487,321,335	420,838,600
Energy	479,254,224	4.92	290,862,820	188,391,404
Financial services	742,702,911	7.62	371,354,106	371,348,805
Health care	406,377,901	4.17	269,388,702	136,989,199
Information technology	631,932,570	6.49	477,214,443	154,718,127
Miscellaneous (Common Fund Assets)	1,072,318,161	11.01	1,033,719,296	38,598,865
Total Common Stock	4,920,023,663	50.51	3,257,965,952	1,662,057,711
Preferred stock	34,656,931	0.36	51,238	34,605,693
Convertible bonds/equities	2,439,310	0.02	-	2,439,310
Unit trust equity	1,147,849	0.01	-	1,147,849
Total Equities	4,958,267,753	50.90	3,258,017,190	1,700,250,563
Real Estate	459,719,671	4.72	409,908,577	49,811,094
Alternative Investments				
Acquisitions	568,753,777	5.84	545,996,686	22,757,091
Distressed debt	61,155,467	0.63	61,155,467	-
International acquisitions	66,163,002	0.68	19,974,031	46,188,971
Mezzanine	12,491,805	0.13	12,491,805	-
Venture capital	242,869,115	2.50	204,619,869	38,249,246
Total Alternative Investments	951,433,166	9.78	844,237,858	107,195,308
Security Lending Collateral	987,636,645	10.14	870,599,620	117,037,025
Total Fund*	**$ 9,740,097,621**	**100.00%**	**$ 7,573,533,848**	**$ 2,166,563,773**

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

Advisory/Consulting/Custody Services

Investment Advisors

U.S. Equity

Alliance Bernstein
Aronson, Johnson & Ortiz
Attucks Asset Management
BlackRock Institutional Trust
Blum Stinson Capital
Capital Prospects
Donald Smith & Co.
Franklin Global Advisers
New Mountain Vantage Advisers
PanAgora Asset Management
Progress Investment Management
Relational Investors
Rhumbline Advisors
Sit Investment Associates
Thomson, Horstmann & Bryant

Non-U.S. Equity

Batterymarch Financial Management
Boston Company
Capital Guardian Trust
Daiwa SB Investments
Knight Vinke
Marvin & Palmer Associates
State Street Global Advisors
Templeton Investment Counsel
TT International Investment Management

Fixed Income

LM Capital Group
Loomis Sayles & Company
Neuberger Berman
Oaktree Loan Fund
Quadrant
Robert W. Baird & Co.
ING Clarion
Whippoorwill Associates

Cash & Short-Term

Managed In-House

Real Estate

Allegis
AMB Capital Partners
Bryanston Realty Partners
Buchanan Street Partners
Canyon-Johnson Urban Funds
CB Richard Ellis
CIM Group
Citi Property Investors
CityView
Colony Capital
DLJ Real Estate Capital Partners
DRA Advisors
ForesTree
Heitman Value Partners
ING Realty Partners
Integrated Capital Hospitality
INVESCO
JP Morgan
Koll-Bren (K/B) Realty Advisors
LaSalle Investment Management
Lowe Enterprises
MacFarlane Partners
Mesa West Capital
Miller Global Properties
Pacific Coast Capital Partners
Paladin Realty Partners
Phoenix Realty Group
PRISA
Prudential Real Estate Investors
Realty Associates Advisors
RREEF
Stockbridge Real Estate
Tuckerman Group
UrbanAmerica
Urdang
Valencia Capital Management
Walton Street Real Estate
Westbrook Real Estate Partners

Advisory/Consulting/Custody Services (Continued)

Alternative Investments

Acon-Bastion Partners
Advent International
Alchemy Partners
American Securities
Angeleno Group
Apollo Management
Ares Management
Austin Ventures
Avenue Capital Group
Blackstone Group
Carlyle Group
Carpenter Community Bancfund
CGW Southeast Partners
Charterhouse Capital Partners
Chisholm Partners
Cardinal Health Partners (CHP)
Code Hennessy & Simmons (CHS)
Craton Equity Partners
CVC Capital Partners
DFJ
Enhanced Equity Fund
Essex Woodland Health Ventures
First Reserve Corporation
GTCR
Halifax Group
Hellman & Friedman Investors
HM Capital Partners
InterWest Partners
J.H. Whitney & Co.
Jordan Company (Resolute)
Kelso & Company
KKR
Leonard Green & Partners
Levine Leichtman Capital Partners
Lindsay Goldberg & Bessemer
Madison Dearborn Partners
Menlo Ventures
Nautic Partners
New Enterprise Associates
New Mountain Partners
Newbridge Asia
NGEN Partners
Nogales Investors
Nordic Capital
Oak Investment Partners
Oaktree Capital Management
Olympus Partners
Onex Partners
Palladium Equity Partners
Parish Capital
Permira
Pharos Capital Group
Polaris Venture Partners
Providence Equity Partners
Reliant Equity Investors
Richland Ventures
Rustic Canyon/Fontis Partners
Saybrook Capital
Spark Capital
Spire Capital
St. Cloud Capital
StarVest Partners
Sterling Partners
TA Associates
Technology Crossover Ventures
TCW/Crescent Mezzanine
TPG
Thoma Cressey Bravo
Thomas H. Lee Partners
Trident Capital
VantagePoint Venture Partners
Vestar Capital Partners
Vicente Capital Partners
Vista Equity Partners
Welsh, Carson, Anderson & Stowe
Weston Presidio
Yucaipa American Alliance

Consultants

Courtland Partners
Hamilton Lane
Pension Consulting Alliance

Custodian

The Northern Trust Company

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Actuarial


SUSTAIN
Internal operations built upon a systemized performance management program with utilization of technology to improve service delivery to our members
Enhancements of information management capabilities and processes while strengthening internal controls to build resiliency of LACERS
Organizational accountability focusing on increased development of administrative policies

Summary of Significant Valuation Results

	June 30, 2010	June 30, 2009	Percent Change
I. Total Membership			
a. Active Members	26,245	30,065(3)	(12.7) %
b. Pensioners and Beneficiaries	17,264	14,991(3)	15.2 %
II. Valuation Salary			
a. Total Annual Payroll before 2009 ERIP	N/A	$1,999,861,604	N/A
b. Average Monthly Salary before 2009 ERIP	N/A	5,543	N/A
c. Total Annual Payroll after 2009 ERIP	$1,817,662,284	1,816,171,212(4)	0.1 %
d. Average Monthly Salary after 2009 ERIP	5,771	5,469(4)	5.5 %
III. Benefits to Current Retirees and Beneficiaries(1)			
a. Total Annual Benefits	$648,849,828	$521,859,396	24.3 %
b. Average Monthly Benefit Amount	3,132	2,901	8.0 %
IV. Total System Assets(2)			
a. Actuarial Value	$11,019,583,518	$10,949,384,202	0.6 %
b. Market Value	9,001,364,526	8,142,988,791	10.5 %
V. Unfunded Actuarial Accrued Liability (UAAL)			
a. Retirement Benefits	$3,040,997,708	$2,464,236,515(5)	23.4 %
b. Health Subsidy Benefits	808,148,415	715,680,301(5)	12.9 %

(1) Includes July COLA.
(2) Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits.
(3) Before reclassifying ERIP-electing active members as retired under the program.
(4) Total annual payroll after 2009 ERIP reflecting annualized salaries for part-time members is $1,865,588,107, for a monthly average of $5,618.
(5) Based on revised June 30, 2009 valuation.

	FY 2011-2012		FY 2010-2011(2)		Change	
VI. Budget Items	Beginning of Year(1)	End of Pay Periods	Beginning of Year	End of Pay Periods	Beginning of Year	End of Pay Periods
a. Retirement Benefits						
1. Normal Cost as a Percent of Pay	9.37%	9.74%	9.84%	10.22%	(0.47)%	(0.48)%
2. Amortization of UAAL	11.02%	11.45%	8.19%	8.51%	2.83%	2.94%
3. Total Retirement Contribution	20.39%	21.19%	18.03%	18.73%	2.36%	2.46%
b. Health Subsidy Contribution						
1. Normal Cost as a Percent of Pay	4.14%	4.30%	3.84%	3.99%	0.30%	0.31%
2. Amortization of UAAL	3.03%	3.15%	2.53%	2.63%	0.50%	0.52%
3. Total Health Contribution	7.17%	7.45%	6.37%	6.62%	0.80%	0.83%
c. Total Contribution (a+b)	27.56%	28.64%	24.40%	25.35%	3.16%	3.29%

	June 30, 2010	June 30, 2009(2)	Change
VII. Funded Ratio			
(Based on Valuation Value of Assets)			
a. Retirement Benefits	75.9%	79.5%	(3.6)%
b. Health Subsidy Benefits	63.8%	65.2%	(1.4)%
c. Total	74.0%	77.4%	(3.4)%
(Based on Market Value of Assets)			
d. Retirement Benefits	62.0%	59.2%	2.8%
e. Health Subsidy Benefits	52.1%	48.5%	3.6%
f. Total	60.5%	57.6%	2.9%

(1) Total contribution rates payable on July 15, 2011 are 20.46% for retirement, 7.20% for health and 27.66% in total.
(2) Based on revised June 30, 2009 valuation.

Actuarial Certification

November 3, 2010

This is to certify that The Segal Company has conducted an actuarial valuation of the Los Angeles City Employees' Retirement System retirement program as of June 30, 2010, in accordance with generally accepted actuarial principles and practices. Actuarial valuations are performed annually for this retirement program with the last valuation completed on June 30, 2009. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for retirement benefits.

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

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

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

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

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

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

Andy Yeung

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

Member Valuation Data

Member Population: 2004 - 2010

Year Ended June 30	Active Members	Inactive Members[1]	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
2004	27,092	2,232	14,137	0.60
2005	27,333	2,426	14,322	0.61
2006	28,839	2,903	14,570	0.61
2007	30,175	3,303	14,836	0.60
2008	30,236	4,273	14,975	0.64
2009	30,065	4,554	14,991	0.65
2010	26,245	5,344	17,264	0.86

(1) Includes terminated members due a refund of employee contributions.

Retirees and Beneficiaries Added to and Removed from Retiree Payroll[1]

Year Ended June 30	No. of New Retirees/ Beneficiaries	Annual Allowances Added[2]	No. of Retirees/ Beneficiaries Removed	Annual Allowances Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Allowances at 6/30	Percent Increase in Annual Allowances	Average Annual Allowance
2004	986	$53,452,133	654	$13,220,316	14,137	$399,268,032	11.2%	$28,243
2005	934	43,454,836	749	14,769,736	14,322	427,953,132	7.2%	29,881
2006	890	42,821,079	642	15,061,287	14,570	455,712,924	6.5%	31,277
2007	821	34,131,744	555	13,210,740	14,836	476,633,928	4.6%	32,127
2008	748	40,680,279	609	14,956,623	14,975	502,357,584	5.4%	33,546
2009	632	36,887,854	616	17,386,042	14,991	521,859,396	3.9%	34,812
2010	2,893	144,594,918	620	17,604,486	17,264	648,849,828	24.3%	37,584

(1) Does not include Family Death Benefit Insurance Plan members. Table based on valuation data.
(2) Includes the COLA granted in July.

Solvency Test for Retirement Benefits

For Years Ended June 30
(Dollars in Thousands)

	Aggregate Actuarial Accrued Liabilities For				Portion of Accrued Liabilities Covered by Reported Assets		
Valuation Date	Member Contributions	Retirees, Beneficiaries & Inactives	Active Members	Valuation Value of Assets	Member Contributions	Retirees, Beneficiaries & Inactives	Active Members
06/30/1996	$637,737	$2,357,798	$1,480,489	$4,468,433	100.0%	100.0%	99.5%
06/30/1997	683,048	2,598,432	1,604,857	4,802,509	100.0	100.0	94.8
06/30/1998	733,680	2,772,712	1,806,526	5,362,923	100.0	100.0	100.0
06/30/1999	776,617	2,989,218	1,918,751	5,910,948	100.0	100.0	100.0
06/30/2000	827,729	3,149,392	2,035,810	6,561,365	100.0	100.0	100.0
06/30/2001	889,658	3,444,240	2,134,168	6,988,782	100.0	100.0	100.0
06/30/2002	950,002	3,756,935	2,545,181	7,060,188	100.0	100.0	92.5
06/30/2003	1,005,888	4,021,213	2,632,745	6,999,647	100.0	100.0	74.9
06/30/2004	1,062,002	4,348,252	3,123,610	7,042,108	100.0	100.0	52.2
06/30/2005	1,128,101	4,858,932	3,334,492	7,193,142	100.0	100.0	36.2
06/30/2006	1,210,246	5,149,385	3,511,031	7,674,999	100.0	100.0	37.5
06/30/2007	1,307,008	5,365,437	3,854,429	8,599,700(1)	100.0	100.0	50.0
06/30/2008	1,408,074	5,665,130	4,113,200	9,438,318	100.0	100.0	57.5
06/30/2009(2)	1,282,663	7,356,302	3,403,019	9,577,747	100.0	100.0	27.6
06/30/2010	1,379,098	7,507,945	3,707,982	9,554,027	100.0	100.0	18.0

(1) Excludes assets transferred for Port Police.
(2) Based on revised June 30, 2009 valuation.

Actuarial Analysis of Financial Experience

Development of Unfunded Actuarial Accrued Liability
for Year Ended June 30, 2010

1. Unfunded actuarial accrued liability at beginning of year(1)	$2,464,236,515
2. Normal cost at beginning of year	286,582,206
3. Total contributions	(392,819,769)
4. Interest	194,869,138
5. Expected unfunded actuarial accrued liability	2,552,868,090
6. Changes due to experience loss(2)	488,129,618
7. Unfunded actuarial accrued liability at end of year	$3,040,997,708

(1) Based on revised June 30, 2009 valuation.
(2) Excludes $47,565,678 loss from contributions less than anticipated due to one-year delay in implementing the higher contribution rate calculated in the June 30, 2009 valuation. That loss is already included in the development of item 5.

Actuarial Balance Sheet

Assets		
1. Valuation value of assets ($9,001,364,526 at market value(1) and $11,019,583,518 at actuarial value(1) as reported by LACERS)		$9,554,027,411
2. Present value of future normal costs		
Employee	$1,130,206,611	
Employer	2,138,068,421	
Total		3,268,275,032
3. Unfunded actuarial accrued liability		3,040,997,708
4. Present value of current and future assets		$15,863,300,151
Liabilities		
5. Present value of future benefits		
Retired members and beneficiaries		$7,375,657,601
Inactive members		225,301,578
Active members		8,262,340,972
Total		$15,863,300,151

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

Summary of Actuarial Assumptions and Actuarial Cost Method

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

Mortality Rates

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

After Disability Retirement
RP-2000 Combined Healthy Mortality Table, set forward seven years.

Termination Rates before Retirement

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

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

* Termination rates are zero for members eligible to retire.

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

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

Retirement Rates

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

Retirement Age and Benefit for Inactive Vested Participants

Assume pension benefit will be paid at the later of age 57 or the current attained age. For reciprocals, we assume 4.75% compensation increases per annum.

Exclusion of Inactive Members

All inactive participants are included in the valuation.

Definition of Active Members

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

Unknown Data for Members

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

Percent Married/Domestic Partner

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Age of Spouse

Female spouses four years younger than their spouses.

Future Benefit Accruals

1.0 year of service per year.

Other Reciprocal Service

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

Consumer Price Index

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

Employee Contribution and Matching Account Crediting Rate

6.50%

Net Investment Return

8.00%

Salary Increases

According to the following schedule:

For members with under 5 years of service,

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

For members with over 5 years of service,

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

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

Actuarial Cost Method

Projected Unit Credit Cost Method.

Actuarial Value of Assets

The market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a seven year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets. Both the seven year smoothing and the 60% to 140% corridor were adopted for the June 30, 2010 valuation. A five year smoothing period and a 50% to 150% corridor were used in the prior valuation.

Funding Policy

The plan sponsor of the City of Los Angeles Employees' Retirement System makes contributions equal to the normal cost adjusted by an amount to amortize any surplus or unfunded actuarial accrued liability. Both the normal cost and the actuarial accrued liability are determined under the Projected Unit Credit cost method. All the bases on or before June 30, 2005, except those arising from the phase-in of contribution rates for the 2002 experience study, were combined and amortized over 30 years effective June 30, 2005. Under the current funding policy, any future changes in the UAAL due to actuarial gains/losses will be amortized over separate 15 year periods. Any future changes in the UAAL due to assumption or method changes will be amortized over separate 30 year periods. Plan changes, including the 2009 ERIP, will be amortized over separate 15 year periods. Future ERIPs will be amortized over five years. Any actuarial surplus will be amortized over 30 years.

Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service.

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

Summary of Plan Provisions

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

Plan Year

July 1 through June 30

Census Date

June 30

Normal Retirement Benefit

Age & Service Requirement (§ 4.1020)

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

Amount (§ 4.1056.2)

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

Early Retirement Benefit

Age & Service Requirement (§ 4.1020)

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

Amount (§ 4.1056.2)

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

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

Final Average Monthly Compensation (§ 4.1010)

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

Cost of Living Benefit (§ 4.1040)

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

Death after Retirement (§ 4.1044)

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

Death before Retirement (§ 4.1062 and § 4.1054)

Option #1:

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

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

Option #2:

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

Member Normal Contributions (§ 4.1031)

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

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

Summary of Plan Provisions (Continued)

Member Normal Contributions (§ 4.1031) (Continued)

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

Effective July 1, 2011 the member normal contribution rate will be 7% for all employees. The 7% member rate shall be paid until June 30, 2026 or until the ERIP Cost Obligation (defined in ERIP Ordinance 180926) is fully paid, whichever comes first.

* The member rate was adjusted to 6% upon the effective date of ERIP Ordinance 180926.

Disability (§ 4.1055)

Service Requirement
5 years of continuous service

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

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

Age & Service Requirement

- Age 70 with 5 years of continuous service;
- Age 60 with 5 years of continuous service and at least 10 years have elapsed from first date of membership; or
- Age 55 with at least 30 years of service.
- Deferred employee who meets part-time eligibility: age 60 with at least 10 years from the first date of membership.

Amount
See Normal Retirement Benefit

Age & Service Requirement

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

Amount
See Early Retirement Benefit

Withdrawal of Contributions Benefit (Ordinary Withdrawal)

Refund of employee contributions with interest.

Changes in Plan Provisions

There have been no changes in plan provisions, benefit amounts and eligibility requirements since the last valuation, except for the change in the member rates prescribed by ERIP Ordinance 180926.

Actuarial Certification

November 3, 2010

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of Los Angeles City Employees' Retirement System's other postemployment benefit programs as of June 30, 2010, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements No. 43 and No. 45 for the determination of the liability for postemployment benefits other than pensions.

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

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

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

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

Dave Bergerson

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

Patrick Twomey, ASA, MAAA, EA
Assistant Actuary

Actuarial Analysis of Financial Experience

Development of Unfunded Actuarial Accrued Liability
for the Year Ended June 30, 2010

1. Unfunded actuarial accrued liability at beginning of year(1)	$715,680,301
2. Employer normal cost at beginning of year	69,782,153
3. Total employer contributions at July 15	(96,511,234)
4. Interest	55,467,146
5. Expected unfunded actuarial accrued liability	744,418,366
6. Change due to the combined effect of experience loss and updated assumptions and methods	63,730,049
7. Unfunded actuarial accrued liability at end of year	$808,148,415

(1) Based on revised June 30, 2009 valuation.

Actuarial Balance Sheet

Assets	
1. Actuarial value of assets	$1,425,726,017
2. Present value of future normal costs	823,266,036
3. Unfunded actuarial accrued liability	808,148,415
4. Present value of current and future assets	$3,057,140,468
Liabilities	
5. Actuarial present value of total projected benefits	$3,057,140,468

Summary of Actuarial Assumptions and Actuarial Cost Method

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

Termination Rates before Retirement

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

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

All deaths are assumed to be non-duty related.

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

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

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

Measurement Date

June 30, 2010

Discount Rate

8.00%

Postretirement Mortality Rates

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

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

Active Retirement Rates

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

Retirement Age and Benefit for Inactive Vested Participants

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

Exclusion of Inactive Vested

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

The following actuarial assumptions were adopted by the Board on October 12, 2010.

Per Capita Cost Development

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

Maximum Dental Subsidy (same as premium)

Carrier	Participation Percent	Monthly 2010-2011 Fiscal Year Subsidy
MetLife PPO	76.4	$36.16
SafeGuard	23.6	$12.38

Medical Subsidy
Participant Under Age 65 or Not Eligible for Medicare A & B
2010-2011 Fiscal Year

Carrier	Election Percent	Single Party Subsidy	Married/with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser	60.0	$578.98	$1,155.98	$578.98
Blue Cross PPO	21.5	$955.66	$1,156.50	$578.98
Blue Cross HMO	18.5	$660.46	$1,156.50	$578.98

Medical Subsidy
Participant Eligible for Medicare A & B
2010-2011 Fiscal Year

Carrier	Election Percent	Single Party Subsidy	Married/with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser	57.5	$205.45	$408.91	$205.45
Blue Cross PPO	30.1	$460.25	$661.10	$460.25
Secure Horizons	12.4	$208.28	$412.31	$208.28

Marital Status

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

Spouse Age Difference

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

Surviving Spouse Coverage

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

Participation

Retiree Medical and Dental Coverage Election:

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

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

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

Health Care Cost Subsidy Trend Rates

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

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

First Fiscal Year (July 1, 2010 through June 30, 2011)

Plan	Trend to be applied to 2010-2011 Fiscal Year premium
Blue Cross PPO, Under Age 65	8.44%
Blue Cross PPO, Age 65 and Over	8.52%
Kaiser HMO, Under Age 65	7.84%
Senior Advantage	4.39%
Blue Cross HMO, Under 65	10.03%
Secure Horizons	8.55%

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Health Care Cost Subsidy Trend Rates (Continued)

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

Fiscal Year	Trend (Approx)	Calendar Year	Trend (applied to calculate following year premium)
2011-2012	9.75%	2011	10.00%
2012-2013	9.25%	2012	9.50%
2013-2014	8.75%	2013	9.00%
2014-2015	8.25%	2014	8.50%
2015-2016	7.75%	2015	8.00%
2016-2017	7.25%	2016	7.50%
2017-2018	6.75%	2017	7.00%
2018-2019	6.25%	2018	6.50%
2019-2020	5.75%	2019	6.00%
2020-2021	5.25%	2020	5.50%
2021 & later	5.00%	2021 & later	5.00%

Dental Premium Trend: 5.00% for all years.

Medicare Part B Premium Trend: Trend for the 2010-11 fiscal year will be calculated based on actual increase in Medicare Part B premium from 2010 to 2011 when it becomes available. 5.00% for years following the 2011 calendar year.

Administrative Expenses

No administrative expenses were valued separately from the claim costs.

Actuarial Value of Assets

The market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a seven year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets. Both the seven year smoothing and the 60% to 140% corridor were adopted for the June 30, 2010 valuation. A five year smoothing period and a 50% to 150% corridor were used in the prior valuation.

Actuarial Cost Method

Projected Unit Credit Cost Method.

Funding Policy

The plan sponsor of the City of Los Angeles Employees' Retirement System makes contributions equal to the normal cost adjusted by an amount to amortize any surplus or unfunded actuarial accrued liability. Both the normal cost and the actuarial accrued liability are determined under the Projected Unit Credit cost method. All the bases on or before June 30, 2005, except those arising from the phase-in of contribution rates for the 2002 experience study, were combined and amortized over 30 years effective June 30, 2005. Under the current funding policy, any future changes in the UAAL due to actuarial gains/losses will be amortized over separate 15 year periods. Any future changes in the UAAL due to assumption or method changes will be amortized over separate 30 year periods, except that health cost subsidy trend rates and other health benefit assumptions subject to annual review and approval will be amortized over 15 year periods. Plan changes, including the 2009 ERIP, will be amortized over separate 15 year periods. Future ERIPs will be amortized over 5 years. And actuarial surplus will be amortized over 30 years.

Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service.

In no event will the recommended contribution be less than the minimum Annual Required Contribution (ARC) as determined under GASB Statements 43 and 45.

Assumption Changes since Prior Valuation

The assumptions that changed from the previous valuation are as follows:

- Premiums were updated.
- Health care trend rates were updated.
- Medical and dental carrier election assumptions were updated.

Summary of Plan Provisions

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

Summary of Plan Provisions (Continued)

Eligibility

Retirees (§4.1103.2)

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

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

Health Subsidy for Members

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

The System will pay 4% of the maximum health subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2010, the maximum health subsidy was $1,123 per month, and will increase to $1,190 per month on January 1, 2011.

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

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

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

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

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

Dental Subsidy for Members (§4.1105.2)

The System will pay 4% of the maximum dental subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2010, the maximum dental subsidy was $36.16 per month and will remain at $36.16 on January 1, 2011.

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

Medicare Part B Subsidy for Members (§4.1104)

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

Surviving Spouse Subsidy (§4.1107 & §4.1107.1)

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

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

The maximum health subsidy available for survivors is the Kaiser single-party premium ($562.36 per month as of July 1, 2010, increasing to $595.60 on January 1, 2011) or the single-party premium of the plan in which the survivor is enrolled, whichever is less.

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

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

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

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Statistical

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Statistical Section

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

The financial and operating trend information is as follows:

Schedule of Additions by Source - Retirement Plan

(Dollars in Thousands)

Fiscal Year	Member Contribution	Employer Contribution Dollars	Employer Contribution % of Annual Covered Payroll	Net Investment Income (Loss)*	Total
2001	$69,460	$79,861	4.9%	$(300,649)	$(151,328)
2002	75,654	51,879	2.5	(320,330)	(192,797)
2003	83,068	70,923	3.8	220,326	374,317
2004	93,418	120,057	6.9**	1,097,366	1,310,841
2005	94,268	175,947	10.7**	673,389	943,604
2006	98,262	244,283	14.2**	925,399	1,267,944
2007	106,234	293,160	16.9**	1,591,647	1,991,041
2008	114,678	302,810	16.5**	(550,386)	(132,898)
2009	118,592	288,516	15.0***	(1,800,906)	(1,393,798)
2010	126,961	266,240	14.2***	911,088	1,304,289

* Includes change in unrealized gain and loss of investment.
** Contributions received at the beginning of the fiscal year with discounted rate.
*** Contributions received on July 15th of the fiscal year with discounted rate.

Schedule of Deductions by Type - Retirement Plan

(In Thousands)

Fiscal Year	Benefit Payments	Refunds of Contributions	Administrative Expenses	Miscellaneous Expenses	Total
2001	$308,636	$12,923	$7,196	$ -	$328,755
2002	332,747	13,049	7,137	-	352,933
2003	358,196	14,679	7,706	-	380,581
2004	380,276	11,338	9,066	-	400,680
2005	405,456	10,679	9,303	-	425,438
2006	431,232	13,021	10,284	-	454,537
2007	457,847	17,452	9,501	-	484,800
2008	484,549	15,149	11,987	5,366*	517,051
2009	510,634	21,325	12,829	-	544,788
2010	569,938	27,971	14,204	-	612,113

* Transfer to Fire and Police Pension.

Schedule of Additions by Source - Postemployment Healthcare Plan

(Dollars in Thousands)

Fiscal Year	Employer Contribution Dollars	Employer Contribution % of Annual Covered Payroll	Miscellaneous Income	Net Investment Income (Loss)*	Total
2001	$ 8,036	0.7 %	$ -	$ (48,668)	$ (40,632)
2002	27,589	2.2	-	(50,163)	(22,574)
2003	26,608	2.0	-	26,999	53,607
2004	20,144	1.4 **	-	155,151	175,295
2005	53,190	3.6 **	-	91,412	144,602
2006	76,116	4.8 **	-	128,473	204,589
2007	115,233	7.0 **	-	231,613	346,846
2008	108,848	6.3 **	11,000***	(96,007)	23,841
2009	95,122	5.2 ****	-	(309,334)	(214,212)
2010	96,511	5.3 ****	-	155,745	252,256

* Includes change in unrealized gain and loss of investment.
** Contributions received at the beginning of the fiscal year with discounted rate.
*** Return of Excess Reserve.
**** Contributions received on July 15th of the fiscal year with discounted rate.

Schedule of Deductions by Type - Postemployment Healthcare Plan

(In Thousands)

Fiscal Year	Benefit Payments	Administrative Expenses	Miscellaneous Expenses	Total
2001	$34,469	$1,004	$ -	$35,473
2002	42,069	996	-	43,065
2003	50,784	1,459	-	52,243
2004	58,254	1,805	-	60,059
2005	63,756	1,693	-	65,449
2006	62,351	1,924	-	64,275
2007	65,090	1,856	-	66,946
2008	70,096	2,367	854*	73,317
2009	73,839	2,569	-	76,408
2010	83,196	2,859	-	86,055

* Transfer to Fire and Police Pension.

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

(In Thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Additions										
City Contributions	$ 79,861	$ 51,879	$ 70,923	$ 120,057	$ 175,947	$ 244,283	$ 293,160	$ 302,810	$ 288,516	$ 266,240
Member Contributions	69,460	75,654	83,068	93,418	94,268	98,262	106,234	114,678	118,592	126,961
Net Investment Income (Loss)	(300,649)	(320,330)	220,326	1,097,366	673,389	925,399	1,591,647	(550,386)	(1,800,906)	911,088
Total Additions	(151,328)	(192,797)	374,317	1,310,841	943,604	1,267,944	1,991,041	(132,898)	(1,393,798)	1,304,289
Deductions										
Benefit Payments	308,636	332,747	358,196	380,276	405,456	431,232	457,847	484,549	510,634	569,938
Refunds of Contributions	12,923	13,049	14,679	11,338	10,679	13,021	17,452	15,149	21,325	27,971
Administrative Expenses	7,196	7,137	7,706	9,066	9,303	10,284	9,501	11,987	12,829	14,204
Miscellaneous Expenses	-	-	-	-	-	-	-	5,366*	-	-
Total Deductions	328,755	352,933	380,581	400,680	425,438	454,537	484,800	517,051	544,788	612,113
Change in Plan Net Assets	$(480,083)	$(545,730)	$ (6,264)	$ 910,161	$ 518,166	$ 813,407	$1,506,241	$(649,949)	$(1,938,586)	$ 692,176

* Transfer to Fire and Police Pension.

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

(In Thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Additions										
City Contributions	$ 8,036	$ 27,589	$ 26,608	$ 20,144	$ 53,190	$ 76,116	$115,233	$108,848	$ 95,122	$ 96,511
Miscellaneous Income	-	-	-	-	-	-	-	11,000*	-	-
Net Investment Income (Loss)	(48,668)	(50,163)	26,999	155,151	91,412	128,473	231,613	(96,007)	(309,334)	155,745
Total Additions	(40,632)	(22,574)	53,607	175,295	144,602	204,589	346,846	23,841	(214,212)	252,256
Deductions										
Benefit Payments	34,469	42,069	50,784	58,254	63,756	62,351	65,090	70,096	73,839	83,196
Administrative Expenses	1,004	996	1,459	1,805	1,693	1,924	1,856	2,367	2,569	2,859
Miscellaneous Expenses	-	-	-	-	-	-	-	854**	-	-
Total Deductions	35,473	43,065	52,243	60,059	65,449	64,275	66,946	73,317	76,408	86,055
Change in Plan Net Assets	$(76,105)	$(65,639)	$ 1,364	$115,236	$ 79,153	$140,314	$279,900	$ (49,476)	$(290,620)	$ 166,201

* Return of Excess Reserve.
** Transfer to Fire and Police Pension.

Schedule of Benefit Expenses by Type - Retirement Plan

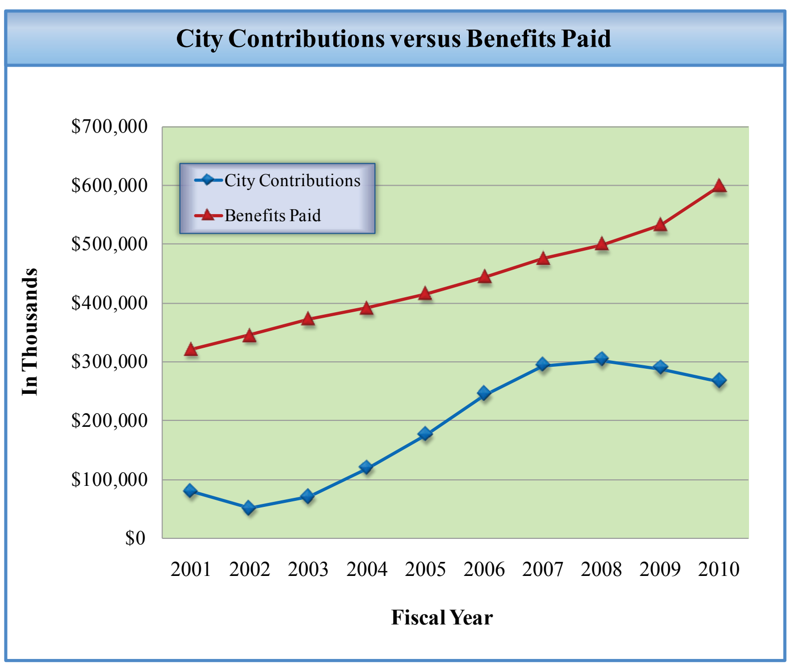
(In Thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Type of Benefit										
Age & Service Benefits:										
Retirants	$ 256,395	$ 277,241	$ 298,599	$ 318,135	$ 338,907	$ 360,515	$ 383,558	$ 406,891	$ 428,819	$ 483,295
Survivors	34,653	37,094	39,915	42,017	44,558	47,509	50,497	53,064	56,716	60,299
Death in Service Benefits:	2,626	2,996	2,667	2,814	2,960	3,053	2,746	2,600	2,735	2,699
Disability Benefits:										
Retirants	10,688	10,803	11,999	12,003	13,355	14,173	14,856	15,390	15,462	16,268
Survivors	4,274	4,613	5,016	5,307	5,677	5,982	6,190	6,604	6,902	7,377
Sub-total	308,636	332,747	358,196	380,276	405,457	431,232	457,847	484,549	510,634	569,938
Refunds of Contributions:										
Separation	10,364	10,329	12,497	8,792	7,833	9,616	14,393	10,973	17,081	21,814
Death in Service	1,158	1,359	810	1,531	1,294	1,473	1,216	1,279	1,312	1,269
Unused Contributions	674	758	777	339	680	851	570	1,048	1,390	1,094
Miscellaneous	727	603	595	676	872	1,081	1,273	1,849	1,542	3,794
Sub-total	12,923	13,049	14,679	11,338	10,679	13,021	17,452	15,149	21,325	27,971
Total Benefits Paid	$ 321,559	$ 345,796	$ 372,875	$ 391,614	$ 416,136	$ 444,253	$ 475,299	$ 499,698	$ 531,959	$ 597,909

City Contributions versus Benefits Paid - Retirement Plan

(In Thousands)

Fiscal Year	City Contributions	Benefits Paid
2001	$ 79,861	$ 321,559
2002	51,879	345,796
2003	70,923	372,875
2004	120,057	391,614
2005	175,947	416,136
2006	244,283	444,253
2007	293,160	475,299
2008	302,810	499,698
2009	288,516	531,959
2010	266,240	597,909



Schedule of Benefit Expenses by Type - Postemployment Healthcare Plan

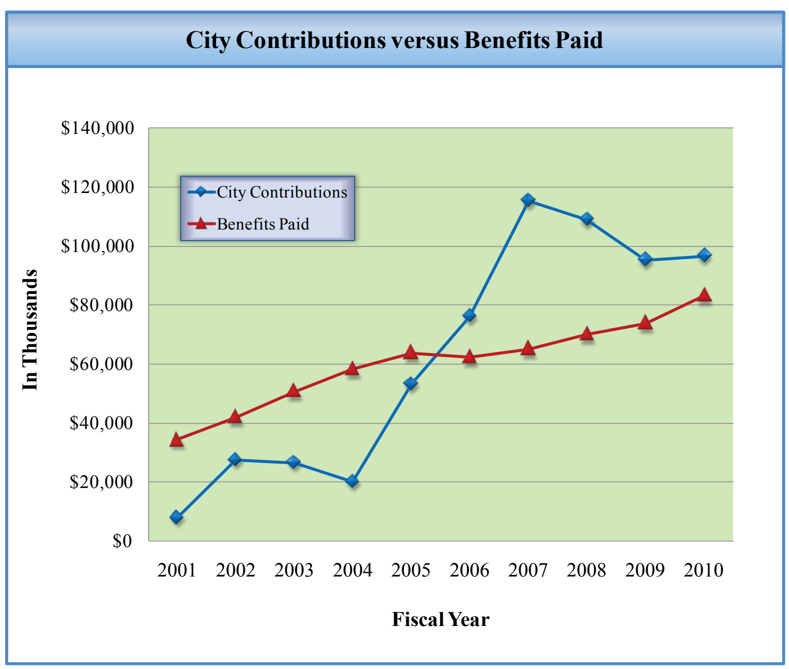
(In Thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Type of Benefit										
Age & Service Benefits:										
Retirants	$ 28,635	$ 35,051	$ 42,335	$ 48,735	$ 53,291	$ 52,127	$ 54,529	$ 58,863	$ 62,009	$ 70,548
Survivors	3,870	4,690	5,659	6,436	7,006	6,869	7,179	7,676	8,201	8,802
Death in Service Benefits:	293	379	378	431	465	441	390	376	396	394
Disability Benefits:										
Retirants	1,194	1,366	1,701	1,839	2,100	2,049	2,112	2,226	2,236	2,375
Survivors	477	583	711	813	893	865	880	955	997	1,077
Total Benefits Paid	$ 34,469	$ 42,069	$ 50,784	$ 58,254	$ 63,755	$ 62,351	$ 65,090	$ 70,096	$ 73,839	$ 83,196

City Contributions versus Benefits Paid - Postemployment Healthcare Plan

(In Thousands)

Fiscal Year	City Contributions	Benefits Paid
2001	$ 8,036	$ 34,469
2002	27,589	42,069
2003	26,608	50,784
2004	20,144	58,254
2005	53,190	63,755
2006	76,116	62,351
2007	115,233	65,090
2008	108,848	70,096
2009	95,122	73,839
2010	96,511	83,196



Schedule of Retired Members by Type of Benefits - Retirement Plan

Amount of Monthly Benefits	Number of Retirants*	Type of Benefits ** 1	2	3	4	5	6	7	8	9	10	11
$1-250	228	45	25	1	42	2	10	1	19	-	82	1
251-500	521	120	129	-	90	6	34	15	48	1	75	3
501-750	779	120	251	4	109	33	107	57	47	1	50	-
751-1,000	926	228	285	14	136	74	51	66	58	-	14	-
1,001-1,250	1,082	273	294	21	109	247	20	63	37	-	18	-
1,251-1,500	1,078	348	285	34	99	211	13	53	28	-	7	-
1,501-1,750	993	466	210	24	70	158	10	28	21	-	6	-
1,751-2,000	860	473	175	28	63	88	4	17	9	-	3	-
Over 2,000	11,064	9,733	754	177	216	85	12	35	43	-	9	-
Total	17,531	11,806	2,408	303	934	904	261	335	310	2	264	4

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

** Type of Benefits

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

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

Amount of Monthly Benefits	Number of Retirants	Type of Benefits *** 1	2	3	4	5	6	7
Medical								
$0-200	1,253	777	241	37	60	78	31	29
201-400	3,348	2,385	687	56	104	70	18	28
401-600	4,249	3,432	470	78	146	89	14	20
601-800	1,688	1,611	-	-	53	24	-	-
801-1,000	990	898	-	-	77	15	-	-
1,001-1,123*	1,698	1,674	-	-	20	4	-	-
Total	13,226	10,777	1,398	171	460	280	63	77
Dental								
$0-10	2,232	585	1,104	142	93	172	53	83
11-20	2,602	2,393	-	-	125	84	-	-
21-30	954	792	-	-	112	50	-	-
31-36.16**	7,052	6,914	-	-	115	23	-	-
Total	12,840	10,684	1,104	142	445	329	53	83

* Maximum medical subsidy for plan year 2010.
** Maximum dental subsidy for plan year 2010.
*** Type of Benefits

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

Schedule of Average Benefit Payments - Retirement Plan

Retirement Effective Dates July 1, 2000 to June 30, 2010	Years Credited Service 0-10 yrs	11-15 yrs	16-20 yrs	21-25 yrs	26-30 yrs	Over 30 yrs
Period 7/1/00 to 6/30/01						
Average Monthly Benefit	$891	$1,212	$1,603	$2,175	$3,018	$4,184
Average Final Monthly Salary *	$3,436	$4,009	$4,115	$4,368	$4,875	$5,384
Number of Active Retirants	24	72	53	44	71	312
Period 7/1/01 to 6/30/02						
Average Monthly Benefit	$670	$1,124	$1,719	$2,174	$3,019	$4,059
Average Final Monthly Salary *	$3,481	$4,027	$4,594	$4,463	$4,871	$5,377
Number of Active Retirants	24	64	76	45	75	304
Period 7/1/02 to 6/30/03						
Average Monthly Benefit	$785	$1,206	$1,716	$2,461	$3,034	$4,179
Average Final Monthly Salary *	$3,245	$4,250	$4,608	$5,134	$5,120	$5,632
Number of Active Retirants	31	65	73	70	61	322
Period 7/1/03 to 6/30/04						
Average Monthly Benefit	$724	$1,525	$1,763	$2,629	$3,027	$4,348
Average Final Monthly Salary *	$4,224	$4,999	$4,800	$4,915	$5,263	$6,051
Number of Active Retirants	33	47	82	66	51	288
Period 7/1/04 to 6/30/05						
Average Monthly Benefit	$1,335	$1,639	$1,881	$2,673	$3,537	$4,734
Average Final Monthly Salary *	$5,790	$4,824	$5,116	$5,074	$6,082	$6,450
Number of Active Retirants	36	37	77	72	86	316
Period 7/1/05 to 6/30/06						
Average Monthly Benefit	$1,200	$1,338	$2,122	$2,468	$3,492	$4,828
Average Final Monthly Salary *	$3,798	$4,664	$5,422	$5,262	$5,937	$6,380
Number of Active Retirants	40	33	59	88	93	271
Period 7/1/06 to 6/30/07						
Average Monthly Benefit	$1,023	$1,301	$1,991	$2,633	$3,227	$4,997
Average Final Monthly Salary *	$3,702	$5,170	$5,223	$5,514	$5,515	$6,543
Number of Active Retirants	41	33	62	85	74	230
Period 7/1/07 to 6/30/08						
Average Monthly Benefit	$883	$1,191	$2,105	$3,246	$3,818	$5,127
Average Final Monthly Salary *	$3,846	$4,336	$5,139	$5,922	$6,482	$6,754
Number of Active Retirants	22	36	50	91	69	229
Period 7/1/08 to 6/30/09						
Average Monthly Benefit	$759	$1,626	$2,348	$3,109	$4,150	$5,513
Average Final Monthly Salary *	$4,561	$5,739	$5,820	$6,078	$6,241	$6,954
Number of Active Retirants	25	21	51	63	55	121
Period 7/1/09 to 6/30/10						
Average Monthly Benefit	$907	$1,964	$2,810	$3,911	$4,674	$5,818
Average Final Monthly Salary *	$3,755	$5,525	$6,030	$6,316	$6,514	$6,708
Number of Active Retirants	94	140	137	365	559	1,238

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

Schedule of Average Benefit Payments - Postemployment Healthcare Plan

	Years Credited Service				
Retirement Effective Dates July 1, 2000 to June 30, 2010	Under 10 yrs *	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 07/1/00 to 06/30/01					
Health Insurance					
Average Monthly Benefit	$ -	$254	$339	$397	$606
Number of Active Retirants	2	56	52	57	400
Dental Insurance					
Average Monthly Benefit	$ -	$12	$16	$22	$28
Number of Active Retirants	2	56	44	53	387
Period 7/1/01 to 6/30/02					
Health Insurance					
Average Monthly Benefit	$ -	$273	$361	$487	$616
Number of Active Retirants	1	61	62	64	386
Dental Insurance					
Average Monthly Benefit	$ -	$12	$18	$23	$29
Number of Active Retirants	1	59	59	58	375
Period 7/1/02 to 6/30/03					
Health Insurance					
Average Monthly Benefit	$ -	$279	$449	$498	$628
Number of Active Retirants	1	61	65	67	393
Dental Insurance					
Average Monthly Benefit	$ -	$12	$18	$23	$27
Number of Active Retirants	4	57	64	64	382
Period 7/1/03 to 6/30/04					
Health Insurance					
Average Monthly Benefit	$ -	$317	$413	$558	$600
Number of Active Retirants	3	50	86	76	340
Dental Insurance					
Average Monthly Benefit	$ -	$12	$19	$21	$28
Number of Active Retirants	3	48	81	71	337
Period 7/1/04 to 6/30/05					
Health Insurance					
Average Monthly Benefit	$ -	$333	$419	$490	$675
Number of Active Retirants	5	58	88	100	391
Dental Insurance					
Average Monthly Benefit	$ -	$14	$19	$22	$29
Number of Active Retirants	3	56	75	89	380
Period 7/1/05 to 6/30/06					
Health Insurance					
Average Monthly Benefit	$ -	$310	$471	$530	$656
Number of Active Retirants	-	51	84	90	372
Dental Insurance					
Average Monthly Benefit	$ -	$12	$18	$28	$28
Number of Active Retirants	4	46	76	82	363

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

Retirement Effective Dates July 1, 2000 to June 30, 2010	Years Credited Service				
	Under 10 yrs *	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/06 to 6/30/07					
Health Insurance					
Average Monthly Benefit	$ -	$297	$469	$562	$664
Number of Active Retirants	2	33	94	100	357
Dental Insurance					
Average Monthly Benefit	$ -	$13	$17	$25	$27
Number of Active Retirants	4	34	91	93	352
Period 7/1/07 to 6/30/08					
Health Insurance					
Average Monthly Benefit	$ -	$348	$425	$580	$646
Number of Active Retirants	3	33	60	86	327
Dental Insurance					
Average Monthly Benefit	$ -	$12	$20	$25	$28
Number of Active Retirants	2	32	50	85	315
Period 7/1/08 to 6/30/09					
Health Insurance					
Average Monthly Benefit	$ -	$354	$508	$613	$661
Number of Active Retirants	-	20	56	50	251
Dental Insurance					
Average Monthly Benefit	$ -	$12	$16	$20	$23
Number of Active Retirants	2	20	51	48	251
Period 7/1/09 to 6/30/10					
Health Insurance					
Average Monthly Benefit	$ -	$385	$562	$634	$786
Number of Active Retirants	8	116	110	267	1,978
Dental Insurance					
Average Monthly Benefit	$ -	$12	$21	$26	$28
Number of Active Retirants	11	120	102	261	1,987

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

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

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