LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
(A DEPARTMENT OF THE MUNICIPALITY OF
THE CITY OF LOS ANGELES, CALIFORNIA)

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

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(A DEPARTMENT OF THE MUNICIPALITY OF THE CITY OF LOS ANGELES, CALIFORNIA)

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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 Municipality of the City of Los Angeles, California, as of June 30, 2012, 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 2011 financial statements and, in our report dated December 29, 2011, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the Net Assets of the Retirement Plan and Postemployment Healthcare Plan of the Los Angeles City Employees' Retirement System as of June 30, 2012 and 2011, and the Changes in Net Assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that 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 Governmental Accounting Standards Board (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 listed in the table of contents, 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Pasadena, California
December 10, 2012

MANAGEMENT’S DISCUSSION AND ANALYSIS

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, 2012. 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, 2012 was $10,595,701,000. Compared with the value of the plan net assets of LACERS as of June 30, 2011, the value of the net assets decreased by $97,903,000, or 0.9% 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 $83,019,000, as compared with an investment income of $1,950,148,000 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 $423,921,000. This amount included an annual contribution of $423,749,000, which was 24.71% of the City's estimated covered payroll of $1,715,197,000, and the City's matching contribution for the Family Death Benefit Plan in the amount of $172,000.
- The employer contributions to the Retirement Plan represented 100% of the Annual Required Contribution (ARC) as defined by the Governmental Accounting Standards Board (GASB) Statements No. 25 and No. 27. The employer contributions to the Postemployment Healthcare Plan represented 100% of the ARC as defined by GASB Statements No. 43 and No. 45.
- Deductions from net assets of LACERS included benefits payments, refunds of Member contributions, and administrative expenses. The total deductions from net assets were $783,089,000, a 0.5% decrease from the prior fiscal year.
- Based on the most recent actuarial valuation as of June 30, 2012, the funded ratio for the Retirement Plan was 69.0% and the funded ratio for the Postemployment Healthcare Plan was 71.6%. The total funded ratio for LACERS was 69.4%. The funded ratio compares the actuarial value of assets to the actuarial accrued liabilities of a pension plan. The ratios change every valuation year, reflecting investment performance, demographic changes, actuarial assumption/method changes, benefit structure changes, or a variety of other actuarial gains and losses.

Overview of the Financial Statements

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

Financial Statements

There are two financial statements presented by LACERS. The Statement of Plan Net Assets on page 12 gives a snapshot of the account balances at year-end and shows the amount of the net assets (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 on page 13 provides a view of current year additions to, and deductions from, the plan net assets.

Notes to the Basic 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 basic financial statements can be found on pages 14 – 28 of this report.

Required Supplementary Information

In addition to this Management's Discussion and Analysis, 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 multi-year format as required by the applicable financial reporting standards. This required supplementary information can be found on pages 29 – 32 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 33 and 34 of this report.

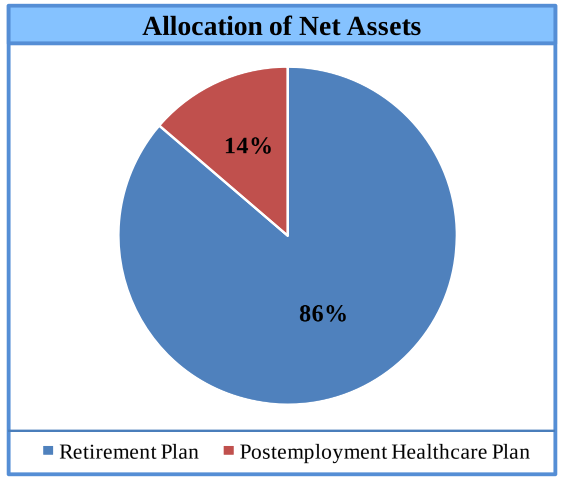
Management's Discussion and Analysis

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, 2012 (dollars in thousands):

	Net Assets	Percent
Retirement Plan	$ 9,098,161	85.9%
Postemployment Healthcare Plan	1,497,540	14.1%
Net Assets	$10,595,701	100.0%



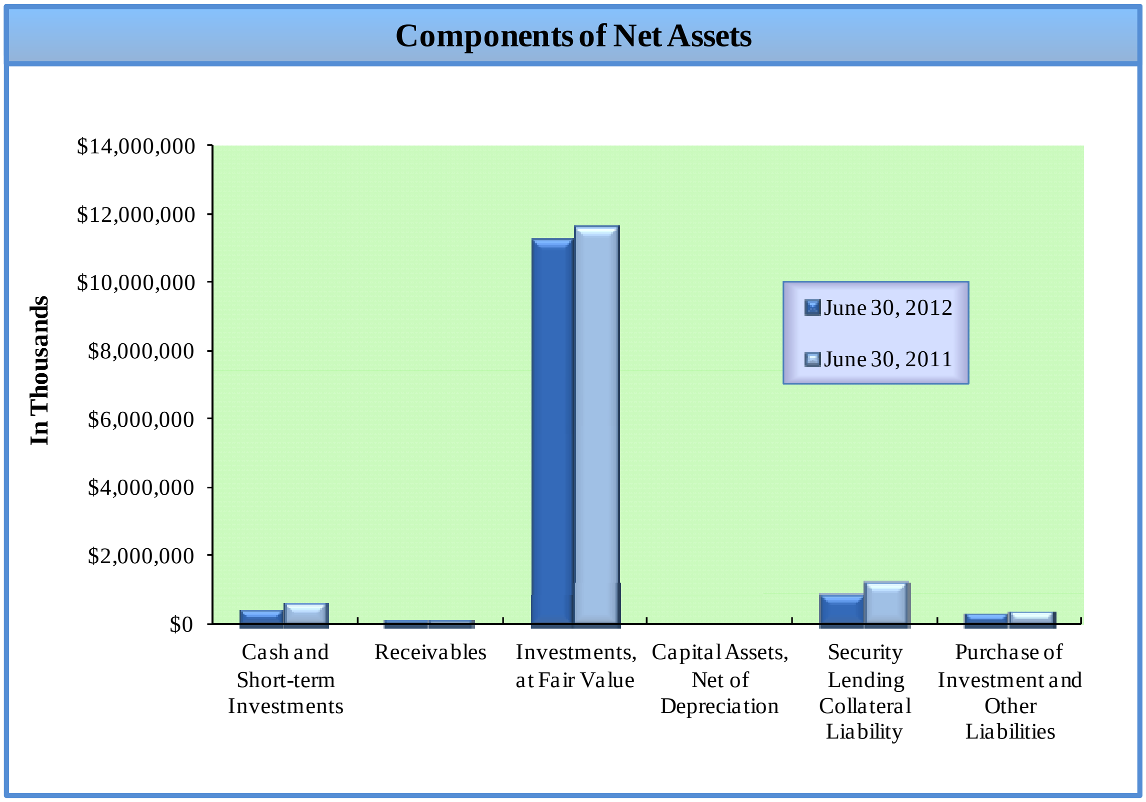
Net Assets

The following table and graph represent the detailed information regarding the components of the net assets of LACERS as of June 30, 2012 and 2011 (dollars in thousands):

	June 30, 2012	June 30, 2011	Change	
Cash and Short-Term Investments	$ 392,892	$ 609,897	$ (217,005)	(35.6) %
Receivables	99,746	74,353	25,393	34.2
Investments, at Fair Value	11,231,662	11,593,552	(361,890)	(3.1)
Capital Assets, Net of Depreciation	214	250	(36)	(14.4)
Total Assets	11,724,514	12,278,052	(553,538)	(4.5)
Security Lending Collateral Liability	850,183	1,229,579	(379,396)	(30.9)
Purchase of Investments and Other Liabilities	278,630	354,869	(76,239)	(21.5)
Total Liabilities	1,128,813	1,584,448	(455,635)	(28.8)
Net Assets	$ 10,595,701	$ 10,693,604	$ (97,903)	(0.9) %

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 decreased by $97,903,000, or 0.9%, during this fiscal year. The decrease is primarily attributable to the $146,888,000 net depreciation in fair value of investments, as a result of global economic woes.

Change in Net Assets

The decrease in net assets during the reporting period was the net effect of a combination of factors that either added to or deducted 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, 2012	June 30, 2011	Change	
Additions	$ 685,186	$ 2,479,012	$ (1,793,826)	(72.4) %
Deductions	783,089	786,773	(3,684)	(0.5)
Net Increase (Decrease)	(97,903)	1,692,239	(1,790,142)	(105.8)
Net Assets, Beginning of Year	10,693,604	9,001,365	1,692,239	18.8
Net Assets, End of Year	$ 10,595,701	$ 10,693,604	$ (97,903)	(0.9) %

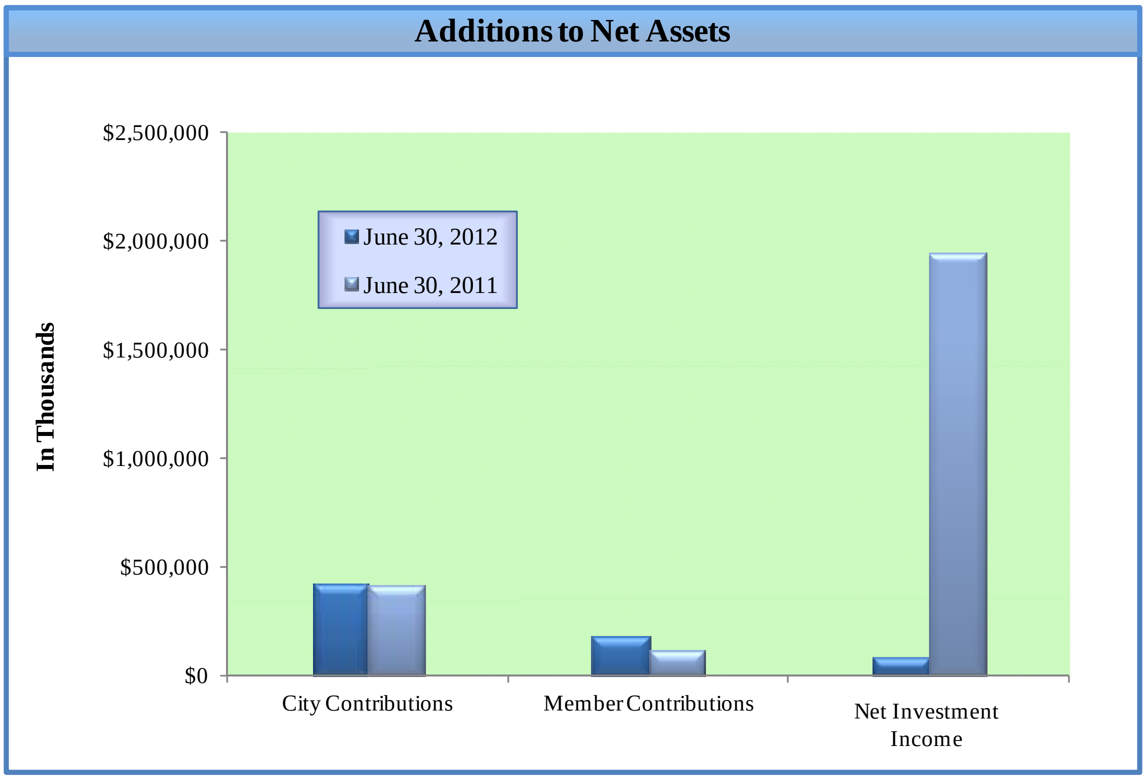
Management's Discussion and Analysis

Financial Analysis (Continued)

Change in Net Assets – Additions to Net Assets

The following table and graph represent the components that make up the additions to net assets for LACERS for the years ended June 30, 2012 and 2011 (dollars in thousands):

	June 30, 2012	June 30, 2011	Change
City Contributions	$ 423,921	$ 414,133	2.4 %
Member Contributions	178,246	114,731	55.4
Net Investment Income	83,019	1,950,148	(95.7)
Additions to Net Assets	$ 685,186	$ 2,479,012	(72.4) %



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 Plan were $423,921,000 during the year or $9,788,000 (2.4%) more than the prior fiscal year due to the increased payroll base and a slightly higher contribution rate recommended by the actuary. The City payroll and the recommended contribution rate are the two main factors that determine the City contributions. The total City payroll for fiscal year 2011-12 was $1,715,197,000, which is $37,138,000 greater than the prior fiscal year payroll of $1,678,059,000. In the beginning of fiscal year 2011-12, the City payroll was broken down into two different Member groups in applying the contribution rate; a lower City contribution rate was applied to the payroll for Members who make additional employee contributions in order to obtain a vested right to future increase in the maximum medical subsidy in accordance with the existing and anticipated Memoranda Of Understanding (MOUs) between the City and various Employee Labor Organizations (refer to Note 3 on page 19 – Postemployment Healthcare Plan Description). Toward the end of the fiscal year, LACERS actuary recalculated the contribution rate to take into consideration additional employee contributions made by various groups in accordance with actual MOUs settled at the time. The composite employer contribution rate so determined was 24.71%; 17.99% for the Retirement Plan and 6.72% for the Postemployment Healthcare Plan, respectively. The contribution rate was a little higher than the fiscal year 2010-11 rate of 24.49%. On the other hand, City defrayal of employee contribution for the age-rated members was completely phased out effective July 1, 2011, pursuant to the Early Retirement Incentive Plan (ERIP) Ordinance of 2009. The phase out caused a slight decrease in City contributions, when compared with the prior year contribution. The actual contribution to the Retirement Plan was equal to 100% of the ARC of $308,540,000 as defined by GASB Statements No. 25 and 27. The actual contribution to the Postemployment Healthcare Plan was equal to 100% of the ARC of $115,209,000 as defined by GASB Statements No. 43 and 45.

Factors that may affect the amount of Member Contributions include the change in number and composition of Members, the change in Member salaries, and the change in Member contribution rates. In fiscal year 2011-12, Member contributions were $178,246,000, which was $63,515,000 or 55.4% greater than the prior year. This significant increase was primarily attributable to the higher Member contribution rates. Effective July 1, 2011, Member contribution rates were increased to either 7%, 9% or 11% of pay depending upon the specific MOU to which a member is subject. As a comparison, Member contribution rates at the end of prior fiscal year were either 6% or 8%. The increase is due to: 1) all Members were required to contribute an additional 1% as a requirement of the ERIP Ordinance of 2009 to recover the cost of the ERIP; 2) Members who previously contributed at 8% are required to contribute another 2% in addition to the 1% for ERIP. This group of Members, which consists of approximately 66% of the total City payroll, contributed 11% of their pay; and 3) Members who previously contributed 6%, started to contribute additional 2%, in addition to the 1% for ERIP. This group of Members, which consists approximately 4% of the total City payroll, contributed 9% of pay, and they are further required to contribute 11% of pay effective January 1, 2013. The majority of the remainders who contributed 7% during the fiscal year ended June 30, 2012 are required to contribute 11% of pay effective July 1, 2012 (refer to Note 2 – Retirement Plan Description and Note 3 – Postemployment Healthcare Plan Description on pages 16 and 19, respectively).

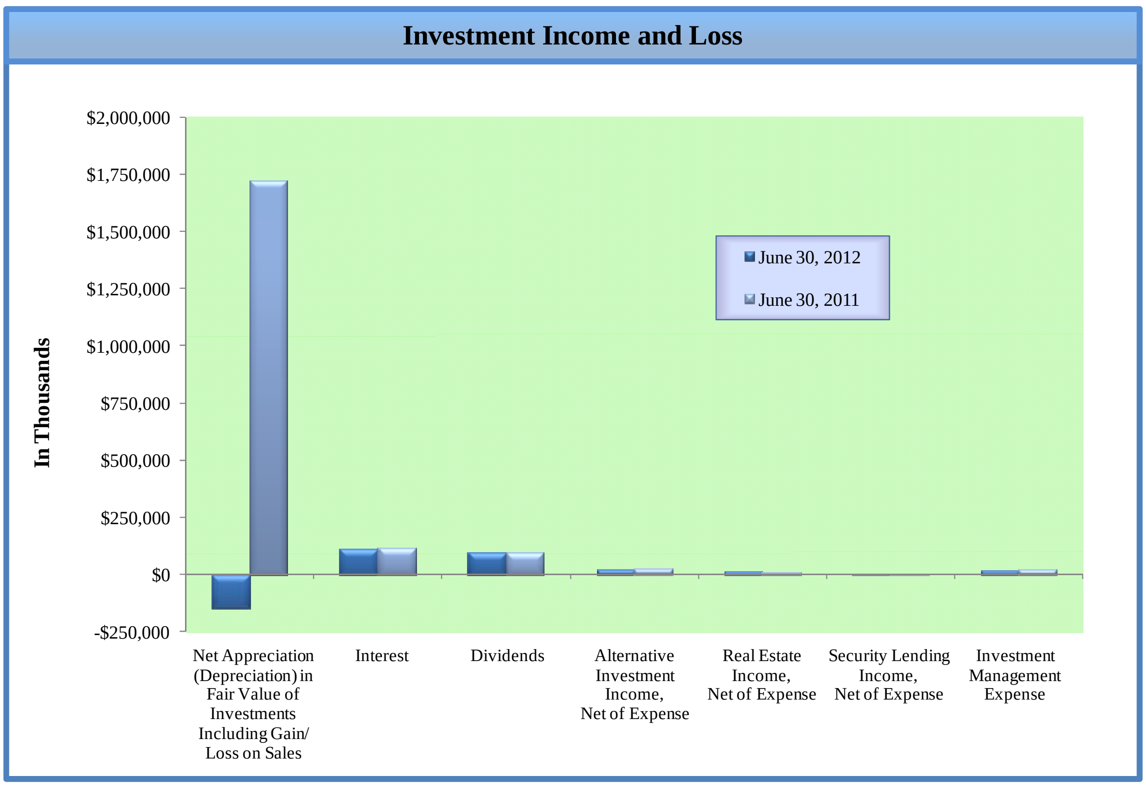
The net investment income of $83,019,000, which included $146,888,000 of net depreciation in fair value of investments, reflected the economic volatility worldwide, especially in the Euro zone that cooled the global equity market. This is discussed in more detail in the next section.

Financial Analysis (Continued)

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, 2012 and 2011 (dollars in thousands):

	June 30, 2012	June 30, 2011	Change
Net Appreciation (Depreciation) in Fair Value of Investments including Gain/Loss on Sales	$ (146,888)	$ 1,722,445	(108.5) %
Interest	111,809	117,112	(4.5)
Dividends	94,552	94,544	0.0
Alternative Investment Income, Net of Expense	24,385	27,527	(11.4)
Real Estate Income, Net of Expense	15,234	10,484	45.3
Security Lending Income, Net of Expense	4,600	4,103	12.1
Sub-Total	103,692	1,976,215	(94.8)
Less: Investment Management Expense	(20,673)	(26,067)	(20.7)
Net Investment Income	$ 83,019	$ 1,950,148	(95.7) %



Financial Analysis (Continued)

Investment Income and Loss (Continued)

The net investment income for the current fiscal year was $83,019,000, as compared with the income of $1,950,148,000 for the previous fiscal year (a 95.7% decrease). This large decrease was primarily due to the decreases in the fair value of non-U.S. equity holdings. The ongoing European debt crisis, and the growth slowdown in China and other emerging markets, was a drag on the performance outside the U.S. LACERS non-U.S. equities were down 14.1% during the reporting period, which closely tracked the Morgan Stanley All Country World Index excluding U.S. (MS ACWI ex U.S.). The depreciation of the Euro and the British Pound, the two largest foreign currencies used by LACERS to invest in foreign securities, also contributed to the drop of international portfolio market value when converted into U.S. dollars. LACERS domestic equities, however, managed to earn a modest gain of 1.7% during the fiscal year due to more favorable market conditions brought about by the U.S. Federal Reserve's "Operation Twist" program of late 2011 and 2012, which helped to stimulate the economy by keeping interest rates at historic lows. In addition, the U.S. economic data continued to yield positive expectations, thus raising hopes of domestic sustainable growth. As a result, the Dow Jones Industrial Average and the S&P 500 Index were up 3.8% and 3.1%, respectively, during the reporting period.

Interest income derived from bonds decreased by $5,303,000 (-4.5%), attributable to the Federal Reserve's policy to suppress interest rates to historic low, which weakened the interest income.

Dividend income derived from stocks in the amount of $94,552,000 was similar to that of the prior fiscal year.

Alternative investment income in the current fiscal year decreased by $3,142,000 (-11.4%) due to slowdown in venture and buyout activities in a sluggish economy and uncertain global financial markets. Real estate income increased by $4,750,000 (45.3%) due to increasing housing market activity, appreciation of real estate market value, and a historic low interest rate environment.

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 custodian bank. The custodian bank, in turn, invests the cash collateral on behalf of the borrowers in short and intermediate term fixed income securities. LACERS security lending income (net of expense) increased by 12.1%, or $497,000 higher than it received a year ago as the security lending markets improved as compared to the prior year.

Investment management expense for the current fiscal year decreased by $5,394,000 (-20.7%) from the prior year. This decrease corresponds with the lower fair value of the investment portfolio, especially with respect to international equities, and the lower fee rates that LACERS was able to negotiate with several investment managers at the contract renewal process.

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, 2012 and 2011 (dollars in thousands):

	June 30, 2012	June 30, 2011	Change
Benefits Payments	$ 756,063	$ 752,540	0.5 %
Refunds of Contributions	11,100	18,215	(39.1)
Administrative Expenses	15,926	16,018	(0.6)
Deductions from Net Assets	$ 783,089	$ 786,773	(0.5) %

Financial Analysis (Continued)

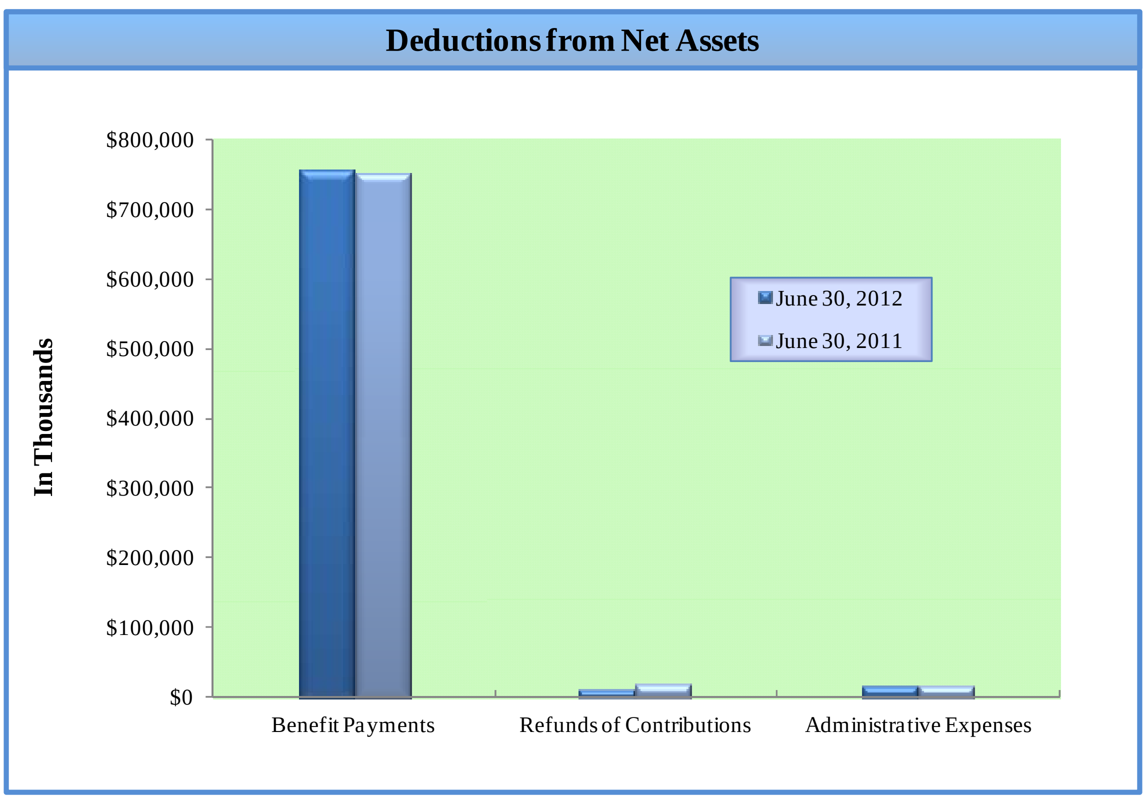
Change in Net Assets – Deductions from Net Assets (Continued)

LACERS deductions from net assets in the reporting period can be summarized as Benefits 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 decreased by $3,684,000 or 0.5%.

Compared to the prior year, benefits payments increased by $3,523,000, or 0.5%. The benefits payments for the Retirement Plan increased by $10,242,000 (1.6%) mainly due to the annual cost of living adjustments (COLA) (approximately 1.4% increase on average up to a maximum 3%); and the average retirement allowance of newly retired members was higher than those of the deceased members who were removed from the retirement payroll. Conversely, the Postemployment Healthcare Plan benefits decreased by $6,719,000 (-6.8%) due to the defrayal received from the Federal Early Retiree Reinsurance Program (ERRP), which enabled the System to reduce the subsidy cost, and an one-time defrayal received for the return of excess premium stabilization reserve from a Postemployment Healthcare provider.

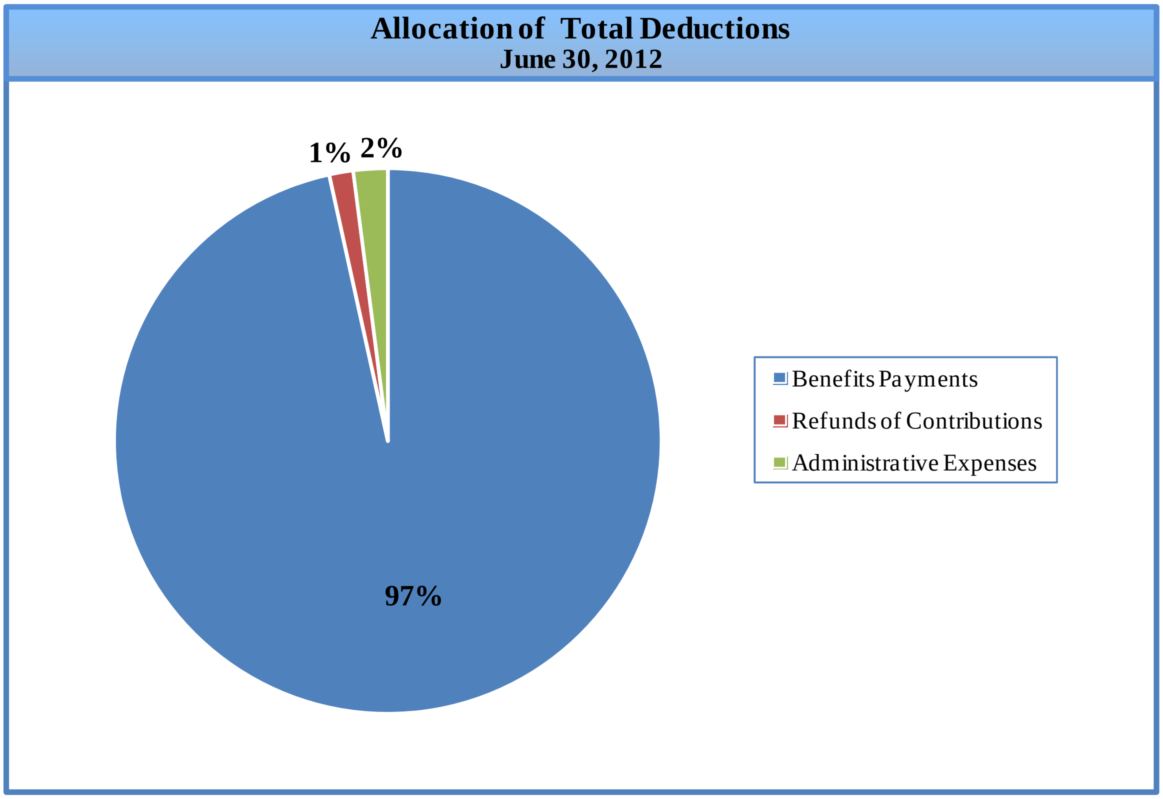
The decrease in refunds of contributions by $7,115,000 (-39.1%) was mainly due to fewer employees transferring to the Department of Water and Power (DWP), and therefore decreased transfer of funds to the DWP Employees' Retirement Plan under the reciprocity program with LACERS.

LACERS administrative expenses decreased slightly by $92,000 (-0.6%) from the prior year. During the reporting period, there was a decrease in salaries and wages because of personnel turnover and fewer temporary workers being hired during the current fiscal year. There was also a decrease in lease payments for the System's offices due to an overcharge credit from the landlord as a result of an audit of common area maintenance charges. However, the System invested more in information technology to avail itself of technological improvements. The professional consulting fees such as legal and actuarial consulting services also increased as the System continues its tax compliance audit, and conducts various actuarial studies.



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
202 W. First Street, Suite 500
Los Angeles, CA 90012-4401

AUDITED FINANCIAL STATEMENTS

Statement of Plan Net Assets
Retirement Plan and Postemployment Healthcare Plan
As of June 30, 2012, with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Healthcare Plan	2012 Total	2011 Total
Assets				
Cash and Short-Term Investments	$ 337,363	$ 55,529	$ 392,892	$ 609,897
Receivables				
Accrued Investment Income	30,041	4,945	34,986	34,382
Proceeds from Sales of Investments	49,089	8,080	57,169	32,912
Other	6,518	1,073	7,591	7,059
Total Receivables	85,648	14,098	99,746	74,353
Investments, at Fair Value				
U.S. Government Obligations	590,867	97,255	688,122	584,173
Municipal Bonds	5,457	898	6,355	5,844
Domestic Corporate Bonds	861,942	141,874	1,003,816	929,070
International Bonds	258,297	42,515	300,812	238,912
Bank Loans	3,617	596	4,213	-
Opportunistic Debt	67,770	11,155	78,925	146,982
Domestic Stocks	3,493,969	575,100	4,069,069	4,112,515
International Stocks	1,537,725	253,107	1,790,832	2,113,072
Mortgages	476,192	78,381	554,573	526,067
Government Agencies	42,359	6,972	49,331	47,303
Derivative Instruments	365	59	424	501
Real Estate	551,643	90,799	642,442	579,200
Venture Capital and Alternative Investments	1,024,014	168,551	1,192,565	1,080,334
Security Lending Collateral	730,023	120,160	850,183	1,229,579
Total Investments	9,644,240	1,587,422	11,231,662	11,593,552
Capital Assets				
Furniture, Fixtures and Equipment (Net of Depreciation)	184	30	214	250
Total Assets	10,067,435	1,657,079	11,724,514	12,278,052
Liabilities				
Accounts Payable and Accrued Expenses	34,260	5,639	39,899	132,447
Purchases of Investments	204,991	33,740	238,731	222,422
Security Lending Collateral	730,023	120,160	850,183	1,229,579
Total Liabilities	969,274	159,539	1,128,813	1,584,448
Net Assets Held in Trust for Pension Benefits and Post-employment Healthcare Benefits	**$ 9,098,161**	**$ 1,497,540**	**$ 10,595,701**	**$ 10,693,604**

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, 2012, with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Healthcare Plan	2012 Total	2011 Total
Additions				
Contributions				
City Contributions	$ 308,712	$ 115,209	$ 423,921	$ 414,133
Member Contributions	178,246	-	178,246	114,731
Total Contributions	486,958	115,209	602,167	528,864
Investment Income				
Net Appreciation (Depreciation) in Fair Value of Investments Including Gain and Loss on Sales	(123,474)	(23,414)	(146,888)	1,722,445
Interest	95,156	16,653	111,809	117,112
Dividends	80,469	14,083	94,552	94,544
Alternative Investment Income, Net of Expense	20,949	3,436	24,385	27,527
Real Estate Operating Income, Net of Expense	13,059	2,175	15,234	10,484
Security Lending Income	4,605	806	5,411	4,737
Less: Security Lending Expense	(681)	(130)	(811)	(634)
Sub-Total	90,083	13,609	103,692	1,976,215
Less: Investment Management Expense	(17,378)	(3,295)	(20,673)	(26,067)
Net Investment Income	72,705	10,314	83,019	1,950,148
Total Additions	559,663	125,523	685,186	2,479,012
Deductions				
Benefits Payments	664,626	91,437	756,063	752,540
Refunds of Contributions	11,100	-	11,100	18,215
Administrative Expenses	12,995	2,931	15,926	16,018
Total Deductions	688,721	94,368	783,089	786,773
Net Increase (Decrease)	(129,058)	31,155	(97,903)	1,692,239
Net Assets Held in Trust for Pension Benefits and Postemployment Healthcare Benefits				
Beginning of Year	9,227,219	1,466,385	10,693,604	9,001,365
End of Year	**$ 9,098,161**	**$ 1,497,540**	**$ 10,595,701**	**$ 10,693,604**

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 Municipality 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 (pages 15 – 21). All Notes to the Basic Financial Statements apply to both plans unless indicated otherwise.

Basis of Accounting

The financial statements are maintained on the accrual basis of accounting. Contributions from the employer and Members were recognized when due pursuant to formal commitments and contractual requirements. Benefits, refunds, and other expenses 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.

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, bank loans, derivative instruments, real estate and alternative investments, and short-term investments.

Securities traded on national or international exchanges are valued at the last reported sales price at the current exchange rates. Short-term investments, bonds, bank loans, 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 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 liquidating events 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.

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.

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

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 recognized actuarial methods. The Los Angeles City Charter establishes reserves for the following:

Reserves for Retirement Plan

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.

Basic Pensions – City contributions and investment earnings (losses) including net appreciation (depreciation) in fair value of investments, 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 Benefit Plan (FDBP) – Member contributions, matching City contributions, and investment earnings (losses) including net appreciation (depreciation) in fair value of investments, reserved to pay benefits under the Family Death Benefit Plan established by the System, less payments to beneficiaries.

Reserve for Postemployment Healthcare Plan

City contributions and investment earnings (losses) including net appreciation (depreciation) in fair value of investments, accumulated to provide healthcare benefits for retirees, less payments to insurance providers and/or reimbursements to retired Members.

Reserve balances as of June 30, 2012, were as follows (in thousands):

Reserve for Retirement Plan		
Member Contributions	$ 1,640,820	
Basic Pensions	6,900,567	
Annuity	517,452	
Larger Annuity	26,106	
FDBP	13,216	$ 9,098,161
Reserve for Postemployment Healthcare Plan		1,497,540
Total Reserves		$10,595,701

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 Defined Benefit 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.

Note 2 – Retirement Plan Description (Continued)

Plan Description (Continued)

At June 30, 2012, the components of the System's membership were as follows:

Active:	
Vested	21,410
Non-vested	3,507
	24,917
Inactive:	
Non-vested	4,174
Terminated Entitled to Benefits, Not Yet Receiving Benefits	1,634
Retired	17,223
Total	47,948

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, 2012, the annual required contribution (ARC) to the Retirement Plan by the City was 17.99% of covered payroll, determined by the June 30, 2010 actuarial valuation. The actual contribution made by the City for fiscal year 2011-12 was equal to the 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 ARC as determined under GASB Statements No. 25 and No. 27.

Prior to the Early Retirement Incentive Program (ERIP) in 2009, 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 until June 30, 2011, under various collective bargaining agreements (refer to Note 6 on page 22 – Defrayal Portion of Member Contributions-Retirement Plan). Starting November 8, 2009, as the ERIP Ordinance became effective, all Members of the System contributed a flat rate of 6% of pay regardless of their entry date. The ERIP Ordinance also stipulates a 1% increase the Member contribution rate for all employees effective July 1, 2011 for a period of 15 years, or until the ERIP Cost Obligation is fully paid, whichever comes first. Further, new Ordinances adopted by the City Council in 2011 provide that Members represented by certain bargaining groups are required to contribute an additional 2% or 4% of pay beginning April 24, 2011. As a result, effective July 1, 2011, Members contribution rates were increased to 7%, 9% or 11% of pay. The majority of Members currently contribute 9% or 11% depending upon the terms and conditions of the specific MOU to which a member is subject. Most of the Members who currently contribute 7% or 9% will be required to contribute 11% effective July 1, 2012 and January 1, 2013, respectively. Negotiations continue for a little less than one half of the remaining members (refer to Note 3 on page 19 – Postemployment Healthcare Plan Description).

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 who is at least age 70 or has five or more years of service terminates employment, the Member has the option of receiving retirement benefits when eligible or withdrawing from the System, or having his or her contributions and accumulated interest refunded. Benefits are based upon age, length of service, and compensation.

As of June 30, 2012, the most recent actuarial valuation date, the Plan was 69.0% funded. The actuarial accrued liability for benefits was $14,393,959,000 and the actuarial value of assets was $9,934,959,000, resulting in an unfunded actuarial accrued liability (UAAL) of $4,459,000,000. The covered payroll as of June 30, 2012 valuation was $1,819,270,000. The ratio of UAAL to the covered payroll was 245.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, 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 29 following the notes to financial statements, provides multi-year 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)

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. In October 2012, the Board modified the LACERS funding policy to: 1) change the actuarial cost method for the existing retirement benefits and health benefits from the Projected Unit Credit (PUC) method to the Entry Age Normal (EAN) method beginning with the June 30, 2012 valuation. (The EAN cost method is known to produce more stability in the plan sponsor's year-to-year contribution obligation by spreading contributions in a more level pattern throughout a Member's career); and 2) amortize all UAAL layers as of June 30, 2012 over 30 years, except the layers created in 2004 and 2005 for GASB compliance and the layers created in 2009 as a result of the ERIP, which will maintain their original amortization schedules. The actuarial methods and significant assumptions used in the valuation year of June 30, 2012 are summarized in this note to conform to the disclosure requirements of GASB Statement No. 50.

Note 2 – Retirement Plan Description (Continued)

Actuarial Methods and Assumptions (Continued)

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Normal 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. All UAAL layers as of June 30, 2012 are combined and amortized over 30 years, except the layers created in 2004 and 2005 for GASB compliance and the layers created in 2009 as a result of the ERIP, which will maintain their original amortization schedules. Prospectively, actuarial gains/losses are amortized over 15 years. Assumption or method changes resulting from triennial experience study 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 the 2009 ERIP, are amortized over 15 years. Future ERIP liability 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 7-year period. The result of such smoothing process shall fall between 60% - 140% of Market Value.
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Includes Inflation at	3.50%
Real Across-the-Board Salary Increase	0.75%
Projected Salary Increases	Ranges from 11.25% to 6.50% for Members with less than 5 years of service. Ranges from 6.50% to 4.65% 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 2 years for males and set back 1 year for females.
Mortality Table for Disabled Retirees	RP-2000 Combined Healthy Mortality Table, set forward 5 years for males and set forward 6 years for females.
Percent Married / Domestic Partner	76% of male participants; 50% of female participants are assumed to be married or have a qualified domestic partner.
Spouse Age Difference	Female spouses are 3 years younger than their 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. Prior to the retirement effective date of July 1, 2011, the benefits of this single employer Postemployment Healthcare Plan were 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, 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.

During the 2011 fiscal year, the City adopted an Ordinance to freeze the maximum medical subsidy at $1,190 for those members who retire on or after July 1, 2011. However, Members who at any time prior to retirement contribute the additional 2% or 4% of pay pursuant to the Ordinances mentioned in Note 2 on page 16 are exempted from the freeze and obtain a vested right to future increases in the maximum medical subsidy at an amount not less than the dollar increase in the Kaiser two-party Non-Medicare Part A and Part B premium. As of June 30, 2012, approximately 76% of non-retired members were making the additional contributions, and therefore not subject to the medical subsidy freeze.

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, 2012, was 6.72% of covered payroll, determined by the June 30, 2010 actuarial valuation. As of June 30, 2012, the most recent actuarial valuation date, the Plan was 71.6% funded. The actuarial accrued liability for benefits was $2,292,400,000 and the actuarial value of assets was $1,642,374,000, resulting in an UAAL of $650,026,000. The covered payroll as of the June 30, 2012 valuation was $1,819,270,000. The ratio of UAAL to the covered payroll was 35.7%.

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 31 following the notes to financial statements, provides multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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, 2012
Actuarial Cost Method	Entry Age Normal 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. All UAAL layers as of June 30, 2012 are combined and amortized over 30 years, except the layers created in 2004 and 2005 for GASB compliance and the layers created in 2009 as a result of the ERIP, which will maintain their original amortization schedules. Prospectively, actuarial gains/losses are amortized over 15 years. Assumption or method changes resulting from triennial 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 the 2009 ERIP, are amortized over 15 years. Future ERIP liability 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 7-year period. The result of such smoothing process shall fall between 60% - 140% of Market Value.
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Mortality Table for Retirees and Beneficiaries	RP-2000 Combined Healthy Mortality Table, set back 2 years for males and set back 1 year for females.
Mortality Table for Disabled Retirees	RP-2000 Combined Healthy Mortality Table, set forward 5 years for males and set forward 6 years for females.
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 are assumed to be covered by both Parts A and B.

Note 3 – Postemployment Healthcare Plan Description (Continued)

Actuarial Methods and Assumptions (Continued)

Healthcare Cost Trend Rates

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

Medical Premium Trend Rates to be applied to Fiscal Year 2012-2013 and later years are:

First Fiscal Year (July 1, 2012 through June 30, 2013)		
Carrier	Under Age 65	Age 65 & Over
Kaiser HMO	11.45%	5.52%
Blue Cross HMO	5.77%	N/A
Blue Cross PPO	7.99%	7.76%
UnitedHealthcare (formerly Secure Horizons)	N/A	4.25%

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

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

Medicare Part B Premium Trend for 2012-13 fiscal year will be calculated based on the actual increase in Medicare Part B premium from 2012 to 2013 when it becomes available, and a 5.00% assumed for all following years.

Note 4 – Contributions Required and Contributions Made

The System used the projected unit credit cost method in the June 30, 2010 actuarial valuation to determine the fiscal year 2011-12 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 UAAL which is the difference between LACERS actuarial liabilities and actuarial assets.

The components of the UAAL are amortized as a level percent of pay. Based on the System's funding policy, increases or decreases in the UAAL due to assumption changes are amortized over 30 years, except that health cost trend and premium assumption changes are amortized over 15 years. Plan changes and 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, 2012, in the amount of $602,167,000 ($486,958,000 for the Retirement Plan and $115,209,000 for the Postemployment Healthcare Plan), were made in accordance with actuarially-determined requirements computed by the actuarial valuation dated June 30, 2010.

Contributions to the System consisted of the following for the year ended June 30, 2012 (in thousands):

	Retirement Plan	Postemployment Healthcare Plan
City Contributions:		
Required Contributions	$ 308,540	$ 115,209
FDBP	172	-
Total City Contributions	308,712	115,209
Member Contributions	178,246	-
Total Contributions	$ 486,958	$ 115,209

The City contributions made for the Retirement Plan under the Required Contribution category in the amount of $308,540,000 were equal to 100% of the 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 $115,209,000, represents 100% of the ARC as defined by GASB Statements No. 43 and No. 45. Member contributions in the amount of $178,246,000 were made toward the Retirement Plan and the voluntary Family Death Benefit 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 29 - 30 for the Retirement Plan and pages 31 - 32 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. Effective July 1, 2011, the City's subsidy was discontinued.

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 expert 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 a maturity of 12 months or less to be short-term investments. The carrying value of cash and short-term investments at June 30, 2012, on the Retirement Plan and Postemployment Healthcare Plan, included approximately $546,000 held in the System's general operating accounts with the City Treasurer and short-term investments funds (STIF) of $392,346,000 for a total of $392,892,000. 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, 2012, short-term investments included collective STIF of $111,274,000, international STIF of $166,243,000 and future initial margin of $114,829,000.

The fair value of derivative instruments, including equity index and interest rate future contracts, currency forward contracts, and rights and warrants, are recorded in the Statement of Plan Net Assets with a net value of $424,000 and reported as a (current) Asset. 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 of the System's derivatives for the current and previous fiscal years are classified as investment derivatives.

The notional amount and the fair value of derivative instruments as of June 30, 2012 are as follows (in thousands):

Derivative Type	Notional Amount	Fair Value	Change in Fair Value
Future Contracts -			
Equity Index	$ 11,749	$ 210	$ 66
Interest Rate	(111,076)	189	40
Currency Forward			
Contracts	40,540	(20)	(79)
Right / Warrants	N/A	45	(104)
Total Value		$ 424	$ (77)

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, 2012 are as follows (dollars in thousands):

S & P Ratings	Fair Value	Percentage
AAA	$ 34,415	1.73 %
AA*	535,664	26.89
A	420,420	21.11
BBB	587,353	29.49
BB	145,032	7.28
B	72,426	3.64
CCC	27,337	1.37
CC	5,367	0.27
D	8,675	0.44
Not Rated	154,998	7.78
	1,991,687	100.00 %
U.S. Government Guaranteed Securities **	694,649	
Total Fixed Income Securities	$ 2,686,336	

* FNMA and FHLMC were downgraded from AAA to AA+ by S&P in August 2011. The System had $486,268 of these securities at June 30, 2012.

**U.S. Government Bonds and Notes and GNMA Mortgage-Backed Securities were downgraded from AAA to AA+ by S&P in August 2011.

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 derivative 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 the counterparty's default.

As of June 30, 2012, without respect to netting arrangements, the System's maximum loss on derivative instruments subject to credit risk, namely currency forward contracts, is as follows (in thousands):

S & P Ratings	Fair Value
AA-	$ 32
A+	141
Total Credit Risk	$ 173

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, 2012, the System has exposure to such risk in the amount of $41,853,000, or 1.81% of the fair value of total international investments. The amount represents non-invested cash denominated in foreign currencies, managed by 12 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 System 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, 2012 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	Fair Value	Weighted Average Duration (in Years)
Asset-Backed Securities	$ 15,026	4.50
Bank Loans	4,213	0.25
Commercial Mortgage-Backed Securities	106,276	3.83
Corporate Bonds	1,213,870	6.56
Government Agencies	56,655	5.11
Government Bonds	651,317	3.29
Government Mortgage-Backed Securities	448,297	1.23
Index Linked Government Bonds	79,463	6.61
Municipal/Provincial Bonds	6,954	7.53
Non-Government Backed C.M.O.s	25,151	3.29
Opportunistic Debt *	78,925	3.62
Derivative Instruments	189	(4.33)
Total Fixed Income Securities	$ 2,686,336	

* Due to the lack of sufficient data for a security in this category to report Weighted Average Effective Duration, the Modified Duration was reported instead for the security.

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 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	Fair Value
Asset-Backed Securities	$ 15,026
Commercial Mortgage-Backed Securities	106,276
Government Agencies	56,655
Government Mortgage-Backed Securities	448,297
Non-Government Backed C.M.O.s	25,151
Total Asset-Backed Investments	$ 651,405

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, 2012, which represent 17.1% of the fair value of total investments, are as follows (in thousands):

Foreign Currency Type	Cash and Adjustments to Cash	Equity	Fixed Income	Derivative Instruments	Other Investments	Total Fair Value in USD
Argentine peso	$ 59	$ -	$ -	$ -	$ -	$ 59
Australian dollar	3,319	106,358	-	(56)	-	109,621
Brazilian real	(366)	12,497	335	-	-	12,466
British pound sterling	2,236	247,907	-	52	19,990	270,185
Canadian dollar	7,035	72,511	9,788	39	-	89,373
Columbian peso	-	572	-	-	-	572
Czech koruna	37	696	-	-	-	733
Danish krone	(1,784)	17,469	-	-	-	15,685
Egyptian pound	73	1,204	-	-	-	1,277
Euro	14,924	375,025	-	2	104,024	493,975
Hong Kong dollar	474	136,172	-	26	-	136,672
Hungarian forint	7	366	-	-	-	373
Indian rupee	202	28,070	-	-	-	28,272
Indonesian rupiah	208	10,580	-	-	-	10,788
Japanese yen	(4,798)	275,658	-	170	36,865	307,895
Malaysian ringgit	95	966	-	-	-	1,061
Mexican peso	293	3,694	22,556	-	-	26,543
New Israeli shekel	730	3,375	-	-	-	4,105
New Taiwan dollar	761	35,937	-	-	-	36,698
New Zealand dollar	54	1,024	-	-	-	1,078
Norwegian krone	1,255	11,531	-	-	-	12,786
Philippine peso	235	15,945	-	-	-	16,180
Polish zloty	27	3,620	-	-	-	3,647
Singapore dollar	2,069	47,951	-	-	-	50,020
South African rand	323	17,899	-	(2)	-	18,220
South Korean won	369	75,434	-	-	-	75,803
Swedish krona	3,163	43,019	-	-	-	46,182
Swiss franc	37	112,034	-	-	-	112,071
Thai baht	63	28,419	-	-	-	28,482
Turkish lira	80	6,250	-	-	-	6,330
United Arab Emirates dirham	87	1,211	-	-	-	1,298
Total Investments Held in Foreign Currency	$ 31,267	$ 1,693,394	$ 32,679	$ 231	$ 160,879	$ 1,918,450

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 the 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. To reduce reinvestment risk exposure, the System has approved a securities lending policy and strengthened existing securities lending guidelines to incorporate the use of only the highest quality securities. Cash collateral may be invested separately or pooled in a separate fund for investing in money market or cash equivalent investments. It is the responsibility of the custodian to monitor the collateralization on a daily basis. If the collateral is below the minimum collateralization level, additional collateral will be requested from the borrower to meet the requirement. Collateral requested each morning is required to be received on the same day. If the borrower fails to deliver additional collateral, the custodian would notify the borrower that they are in default under the securities lending agreement. If the borrower does not provide the necessary collateral after receiving notification, the legal agreement allows the custodian to close the contract with the borrower and buy-in the securities on behalf of the System.

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 values on the Statement of Plan Net Assets.

As of June 30, 2012, 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 the custodian bank's collateralization of loans at 102% and 105% plus accrued interest for fixed income securities, it is deemed that there were no material credit risks to the System as defined in GASB Statement No. 28 and GASB Statement No. 40 by its participation in the securities lending program.

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, 2012 (in thousands):

Fair value of collateral received for loaned securities as of June 30, 2012:

Securities Lent	Cash	Non-Cash	Total Collateral Value
U.S. Government and Agency Securities	$ 104,050	$ -	$ 104,050
Domestic Corporate Fixed Income Securities	202,780	-	202,780
International Fixed Income Securities	7,552	20,455	28,007
Domestic Stocks	430,824	2,709	433,533
International Stocks	104,977	90,461	195,438
	$ 850,183	$ 113,625	$ 963,808

Note 8 – Securities Lending Agreement (Continued)

Fair value of loaned securities as of June 30, 2012:

Securities Lent	Cash	Non-Cash	Total Fair Value of Underlying Securities
U.S. Government and Agency Securities	$ 102,148	$ -	$ 102,148
Domestic Corporate Fixed Income Securities	200,404	-	200,404
International Fixed Income Securities	7,316	19,174	26,490
Domestic Stocks	428,357	2,707	431,064
International Stocks	101,856	87,326	189,182
	$ 840,081	$ 109,207	$ 949,288

As of June 30, 2012, the fair value of the lent securities was $949,288,000. The fair value of associated collateral was $963,808,000. Of this amount, $850,183,000 represents the fair value of cash collateral and $113,625,000 represents the fair value of the non-cash collateral. Due to the domestic and foreign securities markets being up strongly at the report date, the minimum collateralization requirements were not met as of June 30, 2012. On the next business day, the custodian requested borrowers to deliver additional collateral by the end of the same day to maintain the collateral requirements. 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 $5,411,000 and $811,000, respectively, for the year ended June 30, 2012.

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 on pages 23 and 24).

As of June 30, 2012, the System had outstanding equity index future contracts with an aggregate notional amount of $11,749,000, and interest rate future contracts with a negative notional amount of $111,076,000 due to its short position. In addition, at June 30, 2012, the System had outstanding forward purchase commitments with a notional amount of $40,540,000 and offsetting forward sales commitments with notional amounts of $40,540,000, which expire through September 2012. The System maintains margin collateral on the positions with brokers, consisting of cash and U.S. Treasury Bills. The total collateral margin was $114,829,000 as of June 30, 2012.

Note 10 – Commitments and Contingencies

At June 30, 2012, the System was committed to future purchases of real estate and alternative investments at an aggregate cost of approximately $742,807,000.

The Patient Protection and Affordable Care Act (PPACA) of 2010 contains a provision that would impose a forty percent excise tax on the annual value of health plan costs that exceed certain dollar thresholds beginning in 2018. If there is no change in the law or LACERS plan provisions between now and 2018, and if the current medical cost trend stays substantially the same during the same period, some of LACERS postemployment healthcare benefits will be subject to the excise tax in 2018. GASB has not yet issued any guidance on accounting or financial reporting of this potential future liability.

Note 11 – Subsequent Events

Establishment of New Tier (Tier 2)

On October 26, 2012, the Los Angeles City Council approved amending Chapter 10 and 11 of Division 4 of the Los Angeles Administrative Code to establish a second tier (Tier 2) with different retirement and postemployment healthcare benefits, and conditions of entitlement for new hires who become Members of the LACERS on or after July 1, 2013.

Date of Management's Review

Subsequent events were evaluated through December 10, 2012, which is the date the financial statements were available to be issued.

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, 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
June 30, 2011	9,691,011	13,391,704	3,700,693	72.4	1,833,392	201.9
June 30, 2012	9,934,959	14,393,959	4,459,000	69.0	1,819,270	245.1

* Based on revised June 30, 2009 actuarial valuation.

Schedule of Employer Contributions

	Employer Contributions Total	
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2007	$ 277,517	100 %
2008	288,119	100
2009	274,555	100
2010	258,643	100
2011	303,561	100
2012	308,540	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

On October 25, 2011, the Board lowered the investment return assumption used in the June 30, 2011 actuarial valuation, and ongoing, from 8% to 7.75% and approved phasing in over five years the cost impact of the assumption change and other assumption changes adopted by the Board as a result of the triennial Experience Study. The lower investment return assumption causes the actuarial liability and the employer contributions to increase. However, the increase of employer contributions in the near future is mitigated by the five-year phase-in approach.

Most of the Members are required to make additional contributions up to 4% of pay pursuant to various MOUs and City Ordinances adopted by the City Council in 2011, as mentioned in Note 2 – Retirement Plan Description on page 16. Actuarially, Member contributions substitute for City contributions with a slight discount to compensate for the refundability of Member contributions.

On October 23, 2012, the Board modified the funding policy to change the actuarial cost method from the projected unit credit (PUC) method to entry age normal (EAN) method beginning with the June 30, 2012 valuation, and to combine and re-amortize all UAAL layers, with some exceptions, over 30 years, to mitigate the immediate impact on the employer contributions. The cost method change increased the UAAL by $538.4 million, which reflects the difference in funding patterns under the two methods and does not affect the total cost of the System. The funded ratio also declined as a result. The newly adopted EAN method will provide more stabilized employer contributions in the future, especially helpful when the System's new Tier 2 is created and the current Tier will be closed for new members (refer to Note 11 – Subsequent Events on page 28).

Due to seven-year asset smoothing, the large investment losses from the fiscal year 2008-09 have not been fully recognized in the actuarial valuation. As of June 30, 2012, there is a combined unrecognized investment loss in the amount of $1,024,757,000. The amount is greater than that of the previous year, which was $587,038,000, due to the current-year investment loss. 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 7.75% per year (net of expenses) on a market value basis will result in investment losses in the next few years in terms of the actuarial value of assets. Therefore, the contribution requirements would increase in the next few years even if the actual market return is equal to the assumed 7.75% 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, 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
June 30, 2011	1,546,884	1,968,708	421,824	78.6	1,833,392	23.0
June 30, 2012	1,642,374	2,292,400	650,026	71.6	1,819,270	35.7

* Based on revised June 30, 2009 actuarial valuation.

Schedule of Employer Contributions

	Employer Contributions Total	
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2007	$ 115,233	100 %
2008	108,848	100
2009	95,122	100
2010	96,511	100
2011	107,396	100
2012	115,209	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. The Board decided to comply with the requirements in GASB Statements No. 43 and No. 45 for the actuarial valuation of the Postemployment Healthcare Plan as of June 30, 2005. As the annual required contribution (ARC) for fiscal year ended June 30, 2006 was determined prior to the June 30, 2005 valuation, it was not calculated using all the parameters required by GASB Statements No. 43 and No. 45.

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

On October 11, 2011, the Board adopted annual health benefits-related assumptions for the June 30, 2011 actuarial valuation, which include a retiree health subsidy freeze for non-retired members not making the 2% or 4% additional contributions as mentioned in Note 2 – Retirement Plan Description on page 16 and Note 3 – Postemployment Healthcare Plan Description on page 19. The subsidy freeze reduces the actuarial liability of the Postemployment Healthcare benefits as well as the employer contributions. As of June 30, 2012, 24% of non-retired members are subject to the subsidy freeze, however, most of these members will be making the 4% additional contributions effective July 1, 2012.

On October 25, 2011, the Board lowered the investment return assumption used in the June 30, 2011 actuarial valuation, and ongoing, from 8% to 7.75% and approved phasing in over five years the cost impact of the assumption change and other assumption changes adopted by the Board as a result of the triennial Experience Study. The lower investment return assumption causes the actuarial liability and the employer contributions to increase. However, the increase of employer contributions in the near future is mitigated by the five-year phase-in approach.

On October 23, 2012, the Board modified the funding policy to change the actuarial cost method from the projected unit credit (PUC) method to entry age normal (EAN) method beginning with the June 30, 2012 valuation, and to combine and re-amortize all UAAL layers, with some exceptions, over 30 years, to mitigate the immediate impact on the employer contributions. The cost method change increased the UAAL by $101.3 million, which reflects the difference in funding patterns under the two methods and does not affect the total cost of the System. The funded ratio also declined as a result. The newly adopted EAN method will provide more stabilized employer contributions in the future, especially helpful when the System's new Tier 2 is created and the current Tier will be closed for new members (refer to Note 11 – Subsequent Events on page 28).

Due to the seven-year asset smoothing, the large investment losses from the fiscal year 2008-09 have not been fully recognized in the actuarial valuation. As of June 30, 2012, there is a combined unrecognized investment loss in the amount of $1,024,757,000. The amount is greater than that of the previous year, which was $587,038,000, due to the current-year investment loss. 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 7.75% per year (net of expenses) on a market value basis will result in net investment losses in the next few years in terms of the actuarial value of assets. Therefore, the contribution requirements would increase in the next few years even if the actual market return is equal to the assumed 7.75% rate and all other actuarial assumptions are met.

SUPPLEMENTAL SCHEDULES

Schedule of Administrative Expenses
For the Year Ended June 30, 2012
(In Thousands)

	Retirement Plan	Postemployment Healthcare Plan	Total
Personnel Services:			
Salaries	$ 8,312	$ 1,576	$ 9,888
Employee Development and Benefits	1,271	241	1,512
Total Personnel Services	9,583	1,817	11,400
Professional Services:			
Actuarial	186	35	221
Audit	68	13	81
Legal Counsel	789	150	939
Disability Evaluation Services	145	27	172
Retirees' Health Admin Consulting	-	467	467
Benefit Payroll Processing	184	35	219
Other Consulting	116	22	138
Total Professional Services	1,488	749	2,237
Information Technology:			
Computer Hardware and Software	412	78	490
Computer Maintenance and Support	224	43	267
Total Information Technology	636	121	757
Leases:			
Office Space	773	147	920
Office Equipment	41	8	49
Total Leases	814	155	969
Other Expenses:			
Fiduciary Insurance	161	30	191
Educational and Due Diligence Travel	54	10	64
Office Expenses	165	31	196
Depreciation	94	18	112
Total Other Expenses	474	89	563
Total Administrative Expenses	$ 12,995	$ 2,931	$ 15,926

Schedule of Investment Expenses
For the Year Ended June 30, 2012
(In Thousands)

	Assets Under Management	Fees
Retirement Plan		
Investment Management Expense:		
Fixed Income Managers	$ 2,306,664	$ 3,070
Equity Managers	5,031,896	12,988
Subtotal Investment Management Expense	7,338,560	16,058
Other Investment Expense:		
Alternative Investments Consulting Fee	-	759
Real Estate and Other Consulting Fee	-	561
Subtotal Other Investment Expense	-	1,320
Postemployment Healthcare Plan		
Investment Management Expense:		
Fixed Income Managers	379,672	582
Equity Managers	828,240	2,463
Subtotal Investment Management Expense	1,207,912	3,045
Other Investment Expense:		
Alternative Investments Consulting Fee	-	144
Real Estate and Other Consulting Fee	-	106
Subtotal Other Investment Expense	-	250
Total Investment Management Expense and Other Investment Expense, Excluding Alternative Investments, Real Estate and Securities Lending	$ 8,546,472	$ 20,673
Alternative Investments Managers' Fees:		
Retirement Plan	$ 1,024,014	$ 15,768
Postemployment Healthcare Plan	168,551	2,990
Total Alternative Investments Managers' Fees	$ 1,192,565	$ 18,758
Real Estate Managers' Fees:		
Retirement Plan	$ 551,643	$ 7,565
Postemployment Healthcare Plan	90,799	1,435
Total Real Estate Managers' Fees	$ 642,442	$ 9,000
Security Lending Fees:		
Retirement Plan	$ 730,023	$ 681
Postemployment Healthcare Plan	120,160	130
Total Security Lending Fees	$ 850,183	$ 811