



LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

Portfolio Performance Review

Quarter Ending September 30, 2011



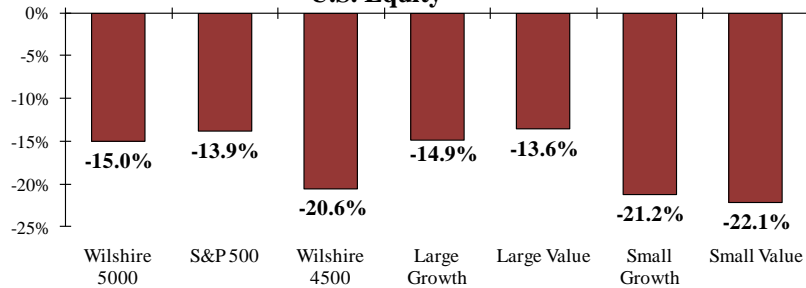
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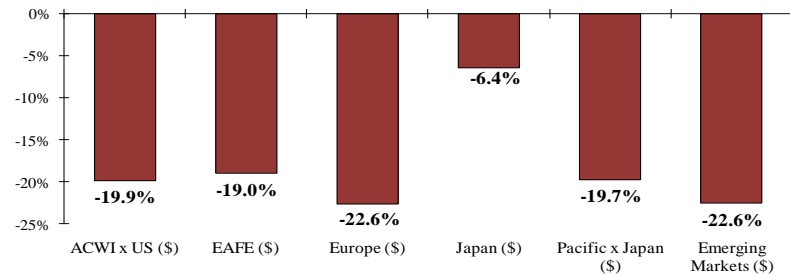
Executive Summary

Market and Economic Review

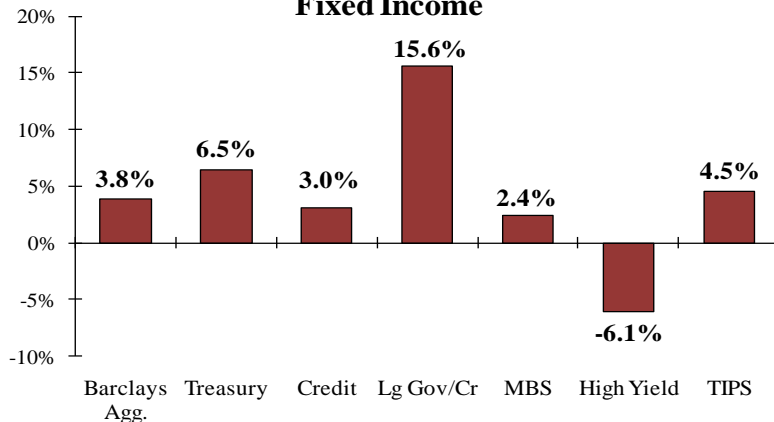
U.S. Equity



Non U.S. Equity



Fixed Income



- Equity markets ended the quarter in negative territory due to increased prospects of a global recession and the European debt crisis
- U.S. GDP posted an annualized growth rate of 2.5% in 3Q11, an increase from 1.3% in 2Q11
- Private sector hiring slightly improved in 3Q and the unemployment rate declined slightly to 9.1% from 9.2% in 2Q
- Consumer Price Index fell to 0.5% for the quarter from 1.0% in 2Q, helped by declining food and energy prices
- Fed Funds Rate remained unchanged at the range of 0% to 0.25%
- All major non-U.S. markets declined significantly for the quarter in USD terms
- European and emerging markets were the worst performers as the debt crisis in Europe and concerns of slowing growth in China's economy dominated the markets
- Japan outperformed all other markets in USD terms
- U.S. dollar strengthened against major currencies; however, it lost ground against the Japanese Yen
- U.S. yield curve dropped for all maturities and flattened compared to 2Q11
- The Fed enacted "Operation Twist" with a goal of lowering long term interest rates
- Treasury yields fell for the quarter; fueled by investors' flight to safety. Yield spreads continued to rise from the previous quarter and widened during 3Q
- High Yield was the weakest sector of the fixed income market

Performance Overview

- *LACERS investment portfolio ended the 3rd quarter with a market value of \$9.8 billion, down \$1 billion from the previous quarter. The Fund's net of fee return was -10.4% for the quarter and 1.1% for the one-year period.*
- *The Total Fund underperformed its policy benchmark by 0.2% for the quarter and outperformed by 0.2% for the one-year period.*
- *In a comparison to other public funds with market values greater than \$1 billion in TUCS (Trust Universe Comparison Service), LACERS ranked in the 86th percentile for the quarter and in the 70th percentile for the one-year period.*
- *With the exception of U.S. and Non-U.S. Equities, all asset classes produced positive returns in the 3rd quarter of 2011.*
- *All publicly traded portfolios and Real Estate underperformed their respective benchmarks for the quarter.*
- *Alternative Investments outperformed its benchmark by 16.6%.*

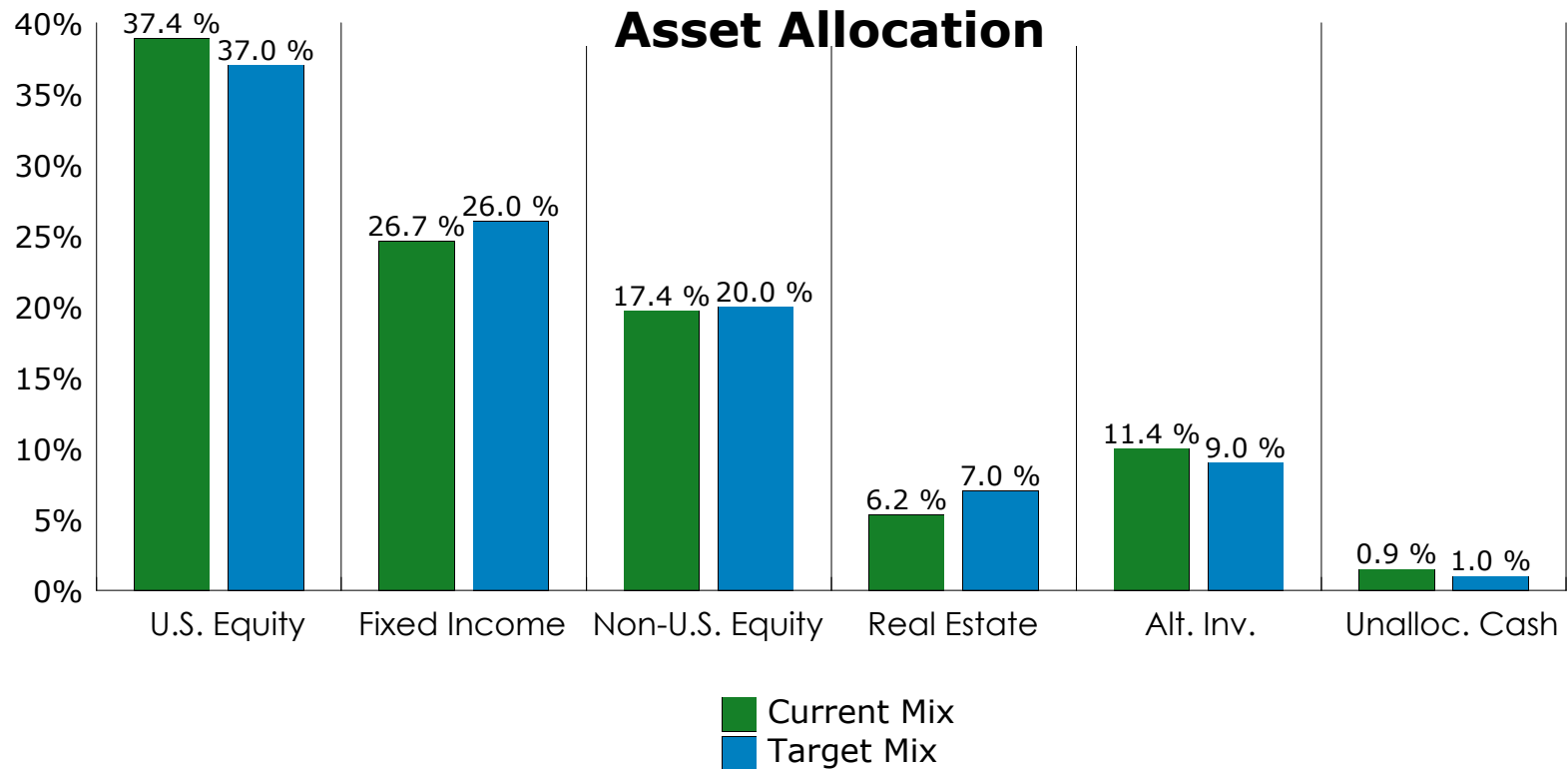
Note: Due to the J-curve effect in early stages of a fund's life, returns may lag prior to realization of proceeds in later years.



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Fund Overview



	As of 9/30/2011	Target*	Minimum	Maximum
U.S. Equity	37.4%	37.0%	33.0%	42.0%
Fixed Income	26.7%	26.0%	23.0%	29.0%
Non-U.S. Equity	17.4%	20.0%	17.0%	24.0%
Real Estate	6.2%	7.0%	4.0%	10.0%
Alternative Inv.	11.4%	9.0%	6.0%	12.0%
Unallocated Cash	0.9%	1.0%	0.0%	3.0%

* Revised 4th Qtr 2009 - decrease US Equity from 42% to 37%; increase Fixed Income from 22% to 26%; increase Alternative Inv. from 8% to 9%.

LACERS Total Fund

(Returns are Gross of Fees)

	Market Value (\$million)	% to Total Fund	Current Quarter	One Year	Three Years	Five Years	Ten Years	Fifteen Years	Since Inception	5 Year Tracking Error
LACERS Master Trust	\$ 9,830	100.0%	-10.4	1.3	3.1	1.6	6.0	6.1	7.5	2.5
<i>Policy Benchmark</i>			-10.2	0.9	3.4	1.6	5.5	6.4	7.5	
Excess Return			-0.2	0.4	-0.3	0.0	0.5	-0.3	0.0	
US Equity	\$ 3,674	37.4%	-17.6	-1.0	1.2	-1.2	4.2	5.9	8.2	1.3
<i>Russell 3000</i>			-15.3	0.5	1.5	-0.9	3.5	4.9	6.8	
Excess Return			-2.3	-1.5	-0.3	-0.3	0.7	1.0	1.4	
International Equity	\$ 1,709	17.4%	-19.9	-11.7	1.2	-1.3	7.2	3.3	3.9	1.8
<i>MSCI ACWI ex US *</i>			-19.9	-10.8	0.5	-1.6	6.8	4.5	4.6	
Excess Return			0.0	-0.9	0.7	0.3	0.4	-1.2	-0.7	
Total Fixed Income	\$ 2,622	26.7%	0.4	3.7	10.9	6.9	6.7	7.1	7.4	2.6
<i>BC US Universal *</i>			2.9	4.8	8.2	6.4	5.9	6.2	6.6	
Excess Return			-2.5	-1.1	2.7	0.5	0.8	0.9	0.8	
Real Estate**	\$ 605	6.2%	3.3	15.8	-15.5	-5.9	3.1	5.5	5.7	10.4
<i>NCREIF Property (Lagged)</i>			3.9	16.7	-2.6	3.4	7.6	9.3	9.2	
Excess Return			-0.6	-0.9	-12.9	-9.3	-4.5	-3.8	-3.5	
Alternative Investments**	\$ 1,120	11.4%	2.3	21.9	5.8	10.7	9.6	10.5	9.9	19.2
<i>Russell 3000 + 400 bps</i>			-14.3	4.5	5.5	3.1	7.5	8.9	10.8	
Excess Return			16.6	17.4	0.3	7.6	2.1	1.6	-0.9	

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

** Due to the J-Curve effect in early stages of a fund's life, returns may lag prior to realization of proceeds in later years.

LACERS Total Fund

(Returns are Net of Fees)

	Market Value (\$million)	% to Total Fund	Current Quarter	One Year	Three Years	Five Years	Ten Years	Fifteen Years ¹	Since Inception ¹	5 Year Tracking Error
LACERS Master Trust	\$ 9,830	100.0%	-10.4	1.1	2.9	1.4	5.8	6.1	7.5	2.5
<i>Policy Benchmark</i>			-10.2	0.9	3.4	1.6	5.5	6.4	7.5	
Excess Return			-0.2	0.2	-0.5	-0.2	0.3	-0.3	0.0	
U.S. Equity	\$ 3,674	37.4%	-17.6	-1.2	1.0	-1.4	3.9	5.9	8.2	1.3
<i>Russell 3000</i>			-15.3	0.5	1.5	-0.9	3.5	4.9	6.8	
Excess Return			-2.3	-1.7	-0.5	-0.5	0.4	1.0	1.4	
Non-U.S. Equity	\$ 1,709	17.4%	-20.0	-12.0	0.8	-1.6	6.9	3.3	3.9	1.8
<i>MSCI ACWI ex U.S.*</i>			-19.9	-10.8	0.5	-1.6	6.8	4.5	4.6	
Excess Return			-0.1	-1.2	0.3	0.0	0.1	-1.2	-0.7	
Total Fixed Income	\$ 2,622	26.7%	0.3	3.5	10.7	6.8	6.6	7.1	7.4	2.6
<i>BC U.S. Universal</i>			2.9	4.8	8.2	6.4	5.9	6.2	6.6	
Excess Return			-2.6	-1.3	2.5	0.4	0.7	0.9	0.8	
Real Estate **	\$ 605	6.2%	3.3	15.7	-15.6	-6.0	3.0	5.5	5.7	10.4
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Excess Return			-0.6	-1.0	-13.0	-9.4	-4.6	-3.8	-3.5	
Alternative Investments **	\$ 1,120	11.4%	2.3	21.9	5.8	10.7	9.5	10.5	9.9	19.2
<i>Russell 3000 + 400 bps</i>			-14.3	4.5	5.5	3.1	7.5	8.9	10.8	
Excess Return			16.6	17.4	0.3	7.6	2.0	1.6	-0.9	

¹ Indicates gross returns

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