BROWN
ARMSTRONG
CERTIFIED
PUBLIC
ACCOUNTANTS

MAIN OFFICE
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com
560 CENTRAL AVENUE
SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218
8050 N. PALM AVENUE
SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593
790 E. COLORADO BLVD.
SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

BROWN ARMSTRONG
Certified Public Accountants

REQUIRED COMMUNICATION TO THE BOARD OF ADMINISTRATION IN ACCORDANCE WITH PROFESSIONAL STANDARDS

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

We have audited the financial statements of Los Angeles City Employees' Retirement System (the System) for the year ended June 30, 2011, and have issued our report thereon dated December 29, 2011. Professional standards require that we provide you with the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the System are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the System during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

We noted no transactions entered into by the System during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the fair market value of investments.

> Management's estimate of the fair market value of investments is derived by various methods as detailed in Note 1 to the financial statements. We evaluated the key factors and assumptions used to develop the fair market value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was: the disclosure of the fair value of investments in Note 1.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated December 29, 2011.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the System's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the System's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Administration and management of the System and is not intended to be and should not be used by anyone other than these specified parties. However this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Connie Perez

By: Connie M. Perez

Pasadena, California
December 29, 2011

LACERS
SUMMARY OF UNADJUSTED AUDIT DIFFERENCES
6/30/2011

	Increase (Decrease) in Net Assets (In 000's)
Known Audit Differences:	
Differences from timing of real estate and alternative investments fair market value reporting	$ 53,500
Total Unadjusted Audit Differences	$ 53,500

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO MANAGEMENT

FOR THE YEAR ENDED JUNE 30, 2011

BROWN
ARMSTRONG
CERTIFIED
PUBLIC
ACCOUNTANTS

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4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
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FAX 661.324.4997
EMAIL info@bacpas.com
560 CENTRAL AVENUE
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TEL 661.746.2145
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790 E. COLORADO BLVD.
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PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

BROWN ARMSTRONG
Certified Public Accountants

REPORT TO MANAGEMENT

Board of Administration
Los Angeles City Employees' Retirement System
360 East Second Street, 2nd Floor
Los Angeles, California 90012

In planning and performing our audit for the Los Angeles City Employees' Retirement System ("LACERS") for the year ended June 30, 2011, we considered the internal control structure in order to determine our auditing procedures and not to provide assurance on the internal control structure. Although our audit was not designed to provide assurance on the internal control structure, we do review matters involving the internal control structure and its operations, and offer related recommendations designed to help LACERS make improvements and achieve operational efficiencies. Our attached comments reflect our desire to be of continuing assistance to LACERS.

We appreciate the cooperation that we have received from LACERS during our audit, and the opportunity to have been of service to you and others at LACERS. Should you have any questions about this letter, or other matters, please contact either Connie Perez, Engagement Partner, or Rosalva Flores, Engagement Manager, at (661) 324-4971.

This letter and accompanying attachments are intended solely for the information and use of management and others within LACERS.

Sincerely,

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Connie Perez

By: Connie M. Perez

Pasadena, California
December 29, 2011

**LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM**

TABLE OF CONTENTS

I. CURRENT YEAR OBSERVATIONS AND RECOMMENDATIONS

There were no current year findings.

II. DISPOSITION OF PRIOR YEAR COMMENTS

There were no prior year findings.

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

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

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

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

Table of Contents

BROWN
ARMSTRONG

CERTIFIED
PUBLIC
ACCOUNTANTS

MAIN OFFICE
4200 TRUXTUN AVENUE
SUITE 300
BAK RSFIELD, CA 93309
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BROWN ARMSTRONG
Certified Public Accountants

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, 2011, 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 2010 financial statements and, in our report dated November 18, 2010, 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, 2011 and 2010, and the Changes in Net Assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The schedules of administrative expenses and investment expenses, as 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

Connie Perez

Pasadena, California
December 29, 2011

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, 2011. 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, 2011 was $10,693,604,000.
- Compared with the value of the plan net assets of LACERS as of June 30, 2010, the value of the net assets increased by $1,692,239,000, or 18.8% during the reporting period.
- The plan assets under the Retirement Plan and Postemployment Healthcare Plan are pooled for investment purposes. Investment income for the year was $1,950,148,000, as compared with an investment income of $1,066,833,000 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 $414,133,000. This amount included an annual contribution of $410,957,000, which was 24.49% of the City's estimated covered payroll of $1,678,059,000, Member contribution defrayal of $2,982,000, and City's matching contribution for Family Death Benefit Insurance Plan in the amount of $194,000.
- The employer contributions to the Retirement Plan represented 100% of the Annual Required Contribution 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 Annual Required Contribution as defined by GASB Statements No. 43 and No. 45.
- Deductions from net assets of LACERS included benefit payments, refunds of Member contributions, and administrative expenses. The total deductions from net assets were $786,773,000, a 12.7% increase from the prior fiscal year.
- Based on the most recent actuarial valuation as of June 30, 2011, the funded ratio for the Retirement Plan was 72.4% and the funded ratio for the Postemployment Healthcare Plan was 78.6%. The total funded ratio for LACERS was 73.2%. The funded ratio compares the actuarial value of assets to the actuarial accrued liabilities of a pension plan. The ratios change every valuation year, reflecting investment performance, demographic changes, actuarial assumption/method changes, benefit structure changes, or a variety of other actuarial gains and losses.

Overview of the Financial Statements

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

Financial Statements

There are two financial statements presented by LACERS. The Statement of Plan Net Assets gives a snapshot of the account balances at year-end and shows the amount of the net assets (the difference between the assets and liabilities) available to pay future benefits. Over time, increases or decreases in net assets may serve as a useful indicator of whether the net assets of LACERS are improving or deteriorating. The Statement of Changes in Plan Net Assets provides a view of current year additions to, and deductions from, the plan net assets. The two statements can be found on pages 11 and 12 of this report.

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 13 – 26 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 27 – 30 of this report.

Supplemental Schedules

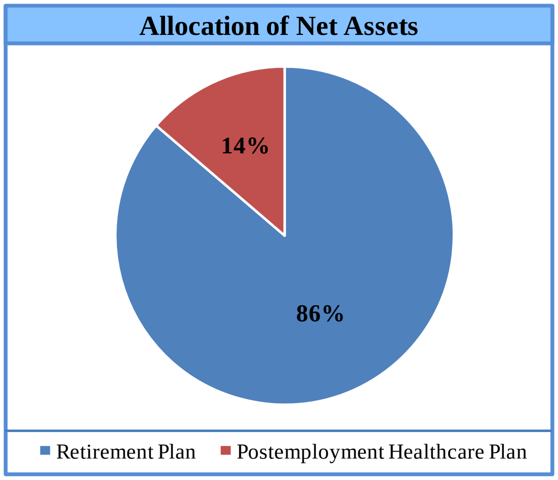
The supplemental schedules, including a Schedule of Administrative Expenses and a Schedule of Investment Expenses, are presented to provide additional financial information on LACERS operations for the current year. They can be found on pages 31 and 32 of this report.

Financial Analysis

Allocation of Net Assets

Net assets may serve as a useful indicator of a plan's financial position. The total plan net assets are allocated between the Retirement Plan and Postemployment Healthcare Plan, as required by the existing reporting standards. The following information provides a brief description of the asset allocation between the Retirement Plan and the Postemployment Healthcare Plan as of June 30, 2011 (dollars in thousands):

	Net Assets	Percent
Retirement Plan	$ 9,227,219	86.3%
Postemployment Healthcare Plan	1,466,385	13.7
Net Assets	$10,693,604	100.0%



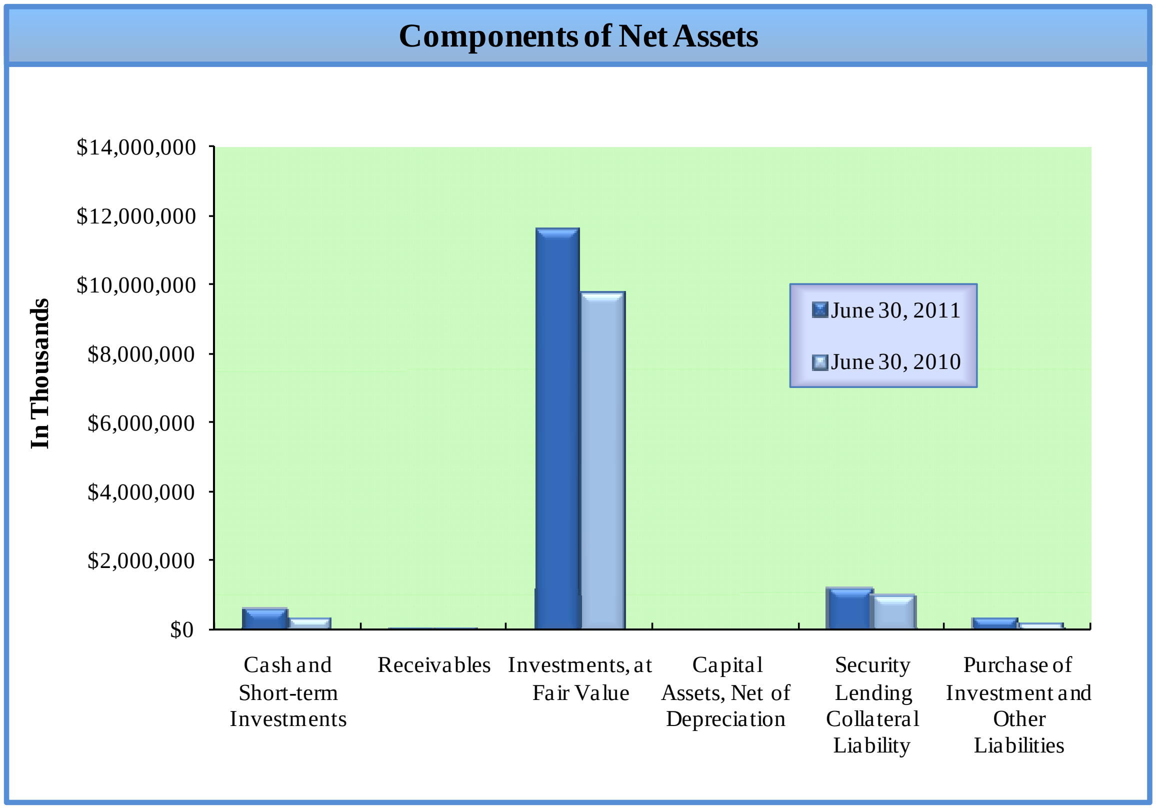
Net Assets

The following table and graph represent the detailed information regarding the components of the net assets of LACERS as of June 30, 2011 and 2010 (dollars in thousands):

	June 30, 2011	June 30, 2010	Change	
Cash and Short-term Investments	$ 609,897	$ 372,183	$ 237,714	63.9 %
Receivables	74,353	75,188	(835)	(1.1)
Investments, at Fair Value	11,593,552	9,740,098	1,853,454	19.0
Capital Assets, Net of Depreciation	250	380	(130)	(34.2)
Total Assets	12,278,052	10,187,849	2,090,203	20.5
Security Lending Collateral Liability	1,229,579	987,637	241,942	24.5
Purchase of Investment and Other Liabilities	354,869	198,847	156,022	78.5
Total Liabilities	1,584,448	1,186,484	397,964	33.5
Net Assets	$ 10,693,604	$ 9,001,365	$ 1,692,239	18.8 %

Financial Analysis (Continued)

Net Assets (Continued)



The majority of LACERS net assets are contained in its investment portfolio, which consists of cash and short-term investments, receivables, fixed income, equities, and other asset classes. Net assets increased by $1,692,239,000, or 18.8%, during this fiscal year. The increase is primarily attributable to investment gain, including $1,722,445,000 of net appreciation in fair value of investments, as a result of a continued market recovery from the global financial and economic crisis of 2008.

Change in Net Assets

The increase 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):

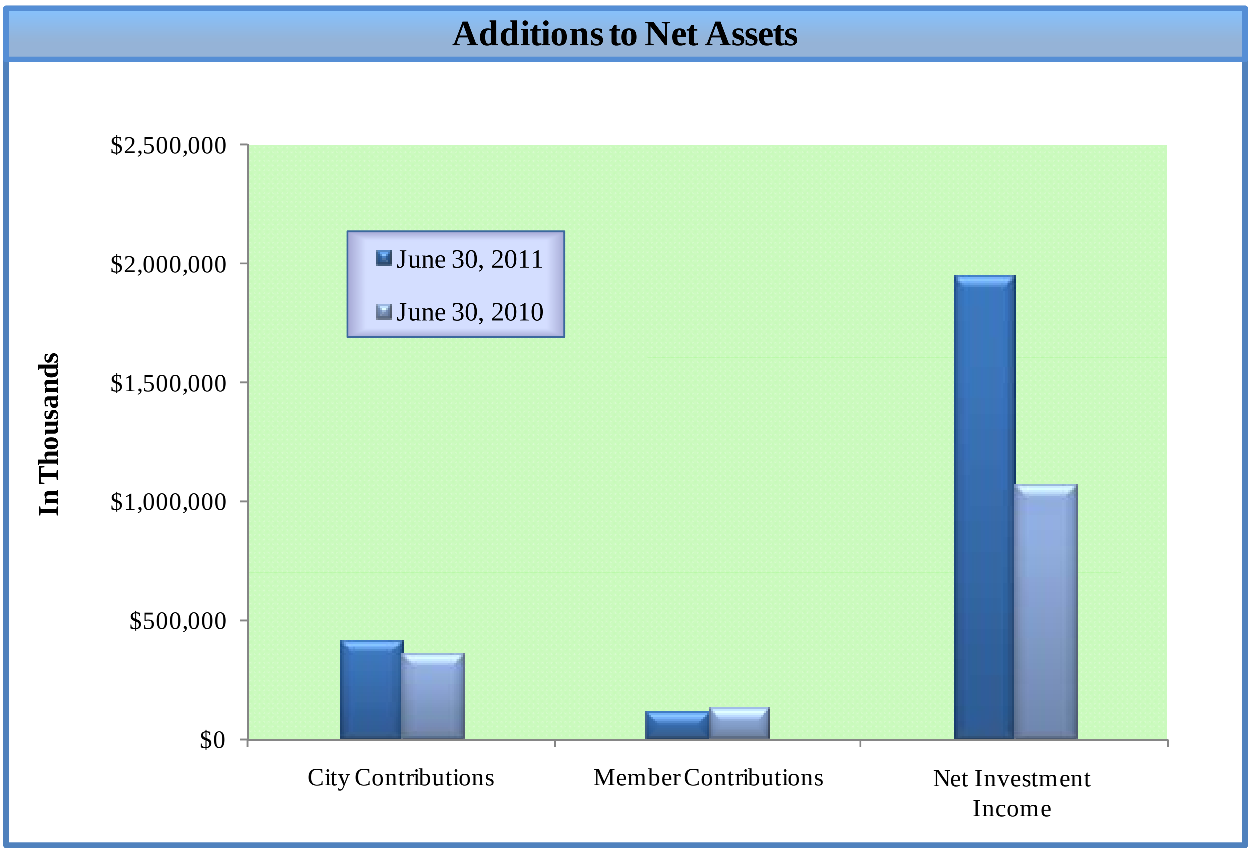
	June 30, 2011	June 30, 2010	Change	
Additions	$ 2,479,012	$ 1,556,545	$ 922,467	59.3 %
Deductions	(786,773)	(698,168)	(88,605)	12.7
Net Increase	1,692,239	858,377	833,862	97.1
Net Assets, Beginning of Year	9,001,365	8,142,988	858,377	10.5
Net Assets, End of Year	$ 10,693,604	$ 9,001,365	$ 1,692,239	18.8 %

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, 2011 and 2010 (dollars in thousands):

	June 30, 2011	June 30, 2010	Change
City Contributions	$ 414,133	$ 362,751	14.2 %
Member Contributions	114,731	126,961	(9.6)
Net Investment Income	1,950,148	1,066,833	82.8
Additions to Net Assets	$ 2,479,012	$ 1,556,545	59.3 %



Financial Analysis (Continued)

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

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

City Contributions to the Retirement Plan, the Postemployment Healthcare Plan and the Family Death Benefit Insurance Plan were $414,133,000 during the year, or $51,382,000 more than the prior fiscal year due to the increased contribution rate recommended by the actuary in its June 30, 2009 actuarial valuation. The City contribution rate was 24.49% of the total City payroll ($1,678,059,000) for the fiscal year 2010-11, or 18.09% due to the Retirement Plan and 6.40% due to the Postemployment Healthcare Plan. The actual contribution to the Retirement Plan was equal to 100% of the Annual Required Contribution (ARC) of $303,561,000 as defined by GASB Statements No. 25 and No. 27. The actual contribution to the Postemployment Healthcare Plan was equal to 100% of the Annual Required Contribution (ARC) of $107,396,000 as defined by GASB Statements No. 43 and No. 45.

Factors that may affect the amount of Member Contributions include the change in number and composition of Members, the change in Member salaries, and the change in Member contribution rates. During the year, the number of active Members decreased by 3.0%, and the total Members' contribution was $114,731,000, which was $12,230,000 or 9.6% less than the prior year. The decrease was mainly due to the inflated base in the prior year resulting from Early Retirement Incentive Program (ERIP) participants' purchase of additional service credit or additional annuities to supplement their retirement benefits. However, the noted decrease is to some extent lessened by the additional 2% employee contributions implemented by the City for some of the bargaining groups of active Members effective April 24, 2011 or May 22, 2011 (Refer to Note 2 on page 15 – Retirement Plan Description).

The net investment income of $1,950,148,000 reflected the continued recovery of the financial and stock market from the heavy losses of years 2008-09. This is discussed in more detail in the next section.

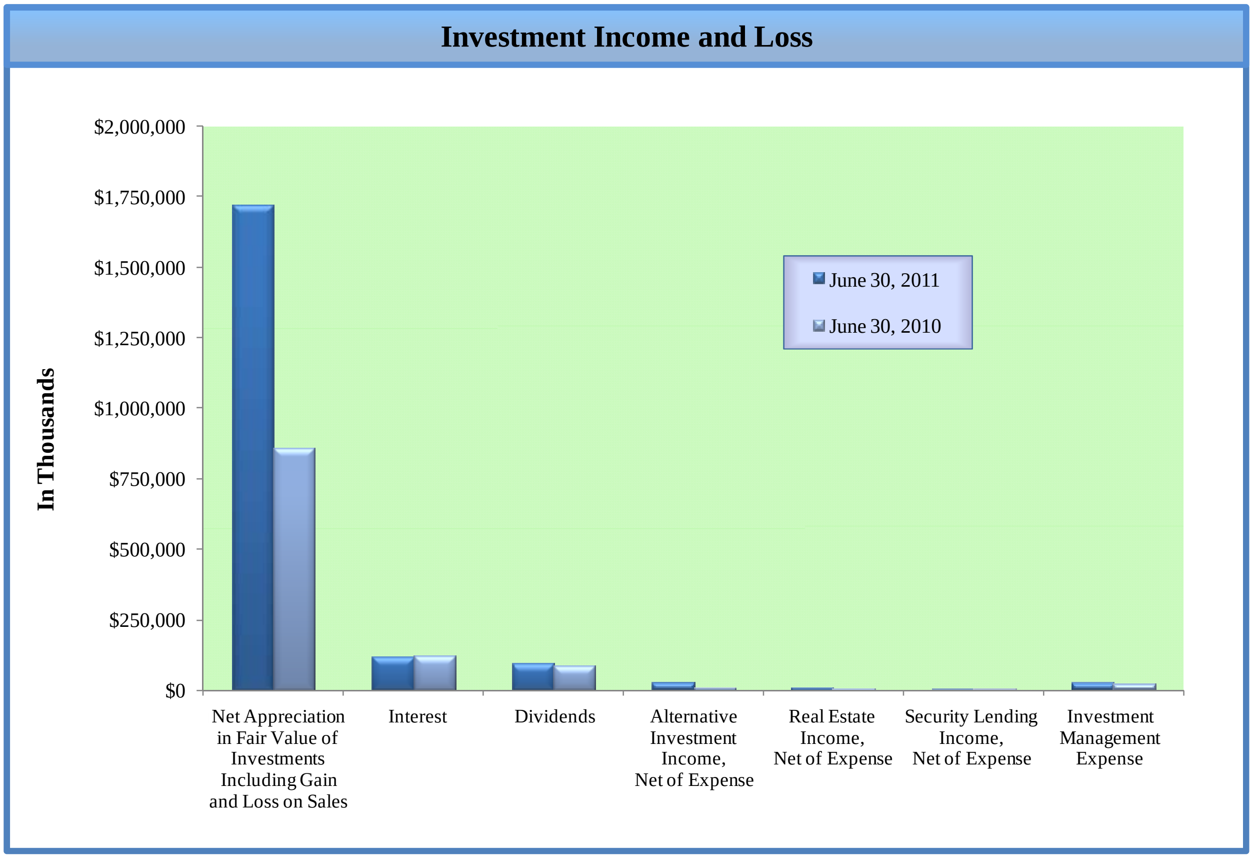
Investment Income and Loss

The following table and graph present the detail of investment income and loss, net of investment management expenses for the years ended June 30, 2011 and 2010 (dollars in thousands):

	June 30, 2011	June 30, 2010	Change
Net Appreciation in Fair Value of Investments Including Gain and Loss on Sales	$ 1,722,445	$ 859,186	100.5 %
Interest	117,112	122,720	(4.6)
Dividends	94,544	88,995	6.2
Alternative Investment Income, Net of Expense	27,527	9,023	205.1
Real Estate Income, Net of Expense	10,484	6,445	62.7
Security Lending Income, Net of Expense	4,103	3,822	7.4
Sub-Total	1,976,215	1,090,191	81.3
Less: Investment Management Expense	(26,067)	(23,358)	11.6
Net Investment Income	$ 1,950,148	$ 1,066,833	82.8 %

Financial Analysis (Continued)

Investment Income and Loss (Continued)



The net investment income for the current fiscal year was $1,950,148,000, as compared with the income of $1,066,833,000 for the previous fiscal year (82.8% increase). This increased investment income which included $1,722,445,000 of both realized and unrealized capital gain and loss, was primarily due to the increases in the value of domestic and international equity holdings, as well as private equity investments. Several factors contributed to the favoring of equity market: 1) The Federal Reserve applied the quantitative easing policy to increase the money supply to the economy; 2) interest rates were continued to be kept at historic lows; 3) improvement in U.S. corporate profits and consumer confidence level; 4) extension of Bush-Era tax cuts to individual and business; and 5) improvement of world markets especially on emerging markets. As a result, the Dow Jones Industrial Average was up 27.0% while the S&P 500 Index was up 28.1% during the reporting period.

With the exception of the interest income, all other components of the investments reported either a modest or strong increase.

Interest income derived from bonds decreased by $5,608,000 (-4.6%). Since December 2008, the Federal Reserve has maintained a target range for the federal funds rate of 0.00 to 0.25 percent which have adversely affected the income from bond yields for three consecutive years.

The dividend income derived from stocks increased by $5,549,000 (6.2%) due to stronger than expected earnings posted by U.S. corporations.

Alternative investment income showed a significant increase of $18,504,000 (205.1%), which is more than double the prior year. This increase in alternative investment income was primarily due to a period of recovery versus rescue in the public markets, with Initial Public Offer (IPO) activity doubling for this period. Real estate income also increased by $4,039,000 (62.7%) as compared to the prior year primarily as a reflection of the current market stabilization and increased transaction activities. Currently, investors have concerns with the lagging U.S. economy and the possibility of a double dip recession as well as the Eurozone sovereign debt crisis which creates the potential for increase market volatility.

Financial Analysis (Continued)

Investment Income and Loss (Continued)

LACERS earns additional investment income by lending securities to borrowers through its custodian bank. The borrowers provide cash or non-cash collateral to the System's custodial bank. The custodian bank then 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 7.4%, or $281,000 more than a year ago as the security lending markets were more stable compared to the prior year.

Investment management expense for the current fiscal year increased by $2,709,000 (11.6%) as compared to the prior year. The increase corresponds with the higher fair value of investment portfolio, as the investment management fees are based on the value of investment assets.

Change in Net Assets – Deductions from Net Assets

The following table and graphs provide information related to the deductions from net assets for the years ended June 30, 2011 and 2010 (dollars in thousands):

	June 30, 2011	June 30, 2010	Change
Benefit Payments	$ 752,540	$ 653,134	15.2 %
Refunds of Contributions	18,215	27,971	(34.9)
Administrative Expenses	16,018	17,063	(6.1)
Deductions from Net Assets	$ 786,773	$ 698,168	12.7 %

LACERS deductions from net assets in the reporting period can be summarized as Benefit Payments, Refunds of Contributions, and Administrative Expenses. These deductions represent the types of benefit delivery operations undertaken by LACERS and the costs associated with them. Total deductions increased by $88,605,000 or 12.7%.

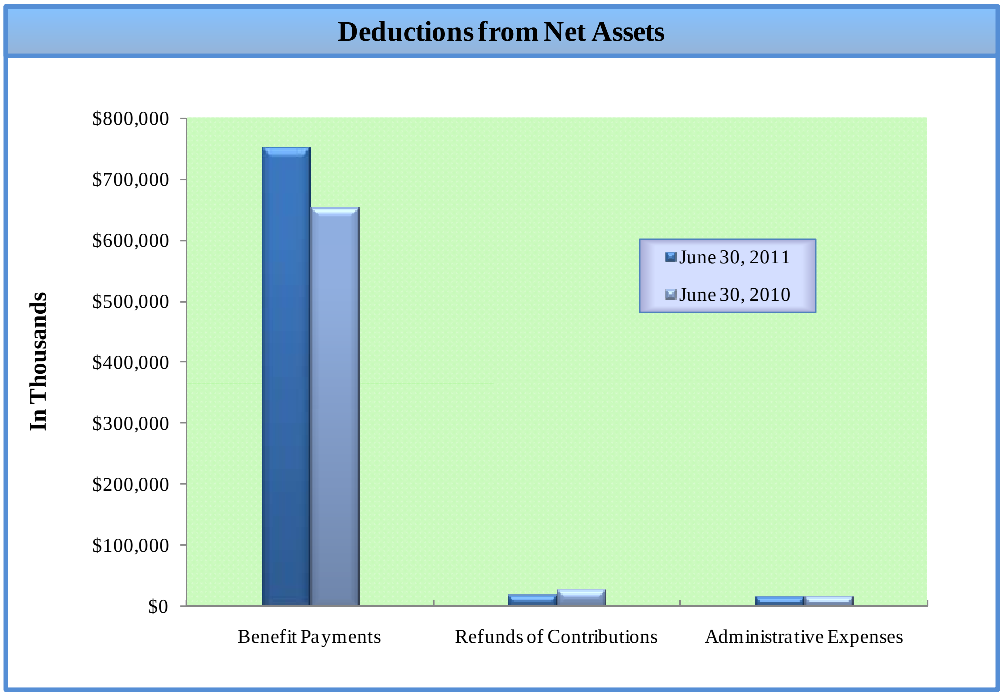
Benefit payments increased by $99,406,000, or 15.2%, compared to the prior year. This increase is predominately due to the increased number of retired members resulted from City's Early Retirement Incentive Program (ERIP) which began in November 2009 and concluded at the end of the prior fiscal year. ERIP significantly increased the number of retired members receiving Retirement and Postemployment Healthcare benefits. Consequently, there was a substantial increase in benefit payments for the whole current fiscal year, as compared with the prior fiscal year when the higher benefit payments due to the ERIP only affected a partial year. The total benefit payments for this reporting year increased by 15.2%, which also included the average annual cost of living adjustment (COLA) of approximately 2.0%. Although the average annual percentage change in the Consumer Price Index (CPI) for the Los Angeles area applicable for determining the July 2010 COLA was negative 0.8%, the majority of LACERS retired members and beneficiaries still received a COLA up to maximum of 3% by drawing down their COLA banks which represent past CPI changes in excess of 3% accumulated for applying in future years when CPI changes are less than 3%. Compared to the prior fiscal year, the benefit payments for the Retirement Plan and the Postemployment Healthcare Plan were increased by $84,446,000 (14.8%) and $14,960,000 (18.0%), respectively. The total benefit payments represent 95.6% of total deductions from System's net assets.

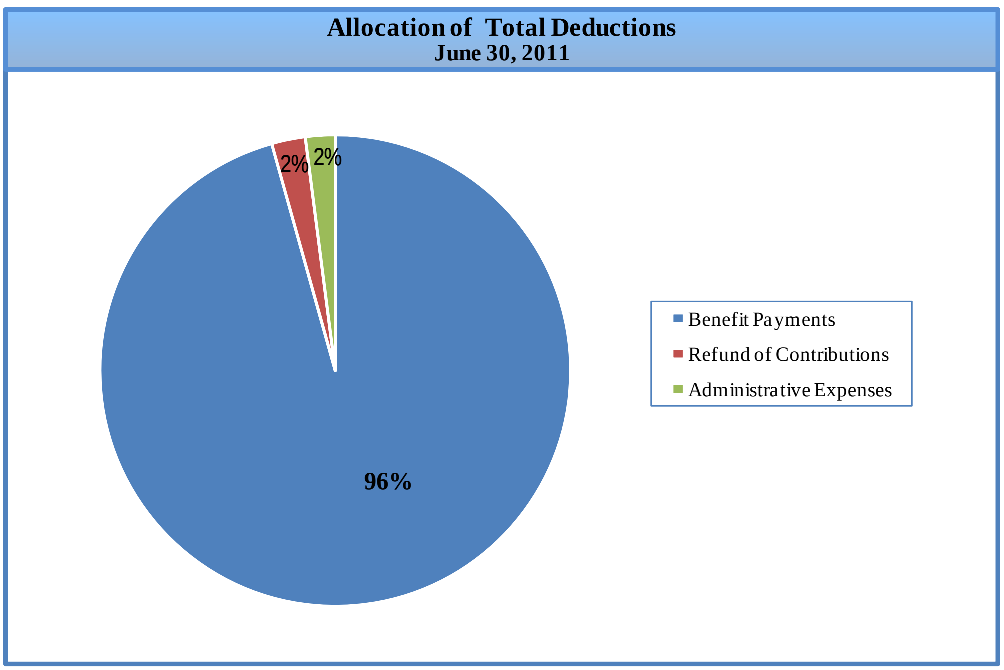
Refunds of contributions decreased by $9,756,000 or 34.9%. The decrease was mainly the result of decreased transfer of funds to the Department of Water and Power (DWP) Employees' Retirement Plan under the reciprocity program and the higher base in the prior year. During the last fiscal year, substantially larger number of City employees moved to DWP as one of the City's measures to resolve the budget deficit. For this reporting year, such transfers, in the amount of $8,980,000, represent a decrease of $9,049,000 from the last fiscal year.

Administrative expense also decreased by $1,045,000 or 6.1% from the prior year. The decrease was mainly attributable to an inflated base of prior fiscal year which included additional costs for the salaries/wages of loaned employees and overtime costs for LACERS employees incurred to administer the ERIP during the prior year, as compared to the current fiscal year wherein the System returned to its normal level of administrative expenses in carrying out its operations.

Financial Analysis (Continued)

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





Requests for Information

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

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

AUDITED FINANCIAL STATEMENTS

Statement of Plan Net Assets
Retirement Plan and Postemployment Healthcare Plan
As of June 30, 2011, with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Healthcare Plan	2011 Total	2010 Total
Assets				
Cash and Short-Term Investments	$ 526,263	$ 83,634	$ 609,897	$ 372,183
Receivables				
Accrued Investment Income	29,667	4,715	34,382	33,362
Proceeds from Sales of Investments	28,399	4,513	32,912	37,692
Other	6,091	968	7,059	4,134
Total Receivables	64,157	10,196	74,353	75,188
Investments, at Fair Value				
U.S. Government Obligations	504,067	80,106	584,173	395,086
Municipal Bonds	5,043	801	5,844	1,365
Domestic Corporate Bonds	801,669	127,401	929,070	1,081,526
International Bonds	206,151	32,761	238,912	192,270
Opportunistic Debt	126,827	20,155	146,982	107,792
Domestic Stocks	3,548,577	563,938	4,112,515	3,269,880
International Stocks	1,823,312	289,760	2,113,072	1,688,388
Mortgages	453,929	72,138	526,067	550,445
Government Agencies	40,816	6,487	47,303	54,556
Derivative Instruments	432	69	501	-
Real Estate	499,776	79,424	579,200	459,720
Venture Capital and Alternative Investments	932,191	148,143	1,080,334	951,433
Security Lending Collateral	1,060,970	168,609	1,229,579	987,637
Total Investments	10,003,760	1,589,792	11,593,552	9,740,098
Capital Assets				
Furniture, Fixtures and Equipment (Net of Depreciation)	216	34	250	380
Total Assets	10,594,396	1,683,656	12,278,052	10,187,849
Liabilities				
Accounts Payable and Accrued Expenses	114,285	18,162	132,447	29,685
Derivative Instruments	-	-	-	25
Purchases of Investments	191,922	30,500	222,422	169,137
Security Lending Collateral	1,060,970	168,609	1,229,579	987,637
Total Liabilities	1,367,177	217,271	1,584,448	1,186,484
Net Assets Held in Trust for Pension Benefits and Post-employment Healthcare Benefits	**$ 9,227,219**	**$ 1,466,385**	**$ 10,693,604**	**$ 9,001,365**

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, 2011, with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Healthcare Plan	2011 Total	2010 Total
Additions				
Contributions				
City Contributions	$ 306,737	$ 107,396	$ 414,133	$ 362,751
Member Contributions	114,731	-	114,731	126,961
Total Contributions	421,468	107,396	528,864	489,712
Investment Income				
Net Appreciation in Fair Value of Investments Including Gain and Loss on Sales	1,458,050	264,395	1,722,445	859,186
Interest	100,795	16,317	117,112	122,720
Dividends	81,372	13,172	94,544	88,995
Alternative Investment Income, Net of Expense	23,976	3,551	27,527	9,023
Real Estate Operating Income, Net of Expense	9,156	1,328	10,484	6,445
Security Lending Income	4,077	660	4,737	4,451
Less: Security Lending Expense	(537)	(97)	(634)	(629)
Sub-Total	1,676,889	299,326	1,976,215	1,090,191
Less: Investment Management Expense	(22,065)	(4,002)	(26,067)	(23,358)
Net Investment Income	1,654,824	295,324	1,950,148	1,066,833
Total Additions	2,076,292	402,720	2,479,012	1,556,545
Deductions				
Benefits Payments	654,384	98,156	752,540	653,134
Refunds of Contributions	18,215	-	18,215	27,971
Administrative Expenses	13,232	2,786	16,018	17,063
Total Deductions	685,831	100,942	786,773	698,168
Net Increase	1,390,461	301,778	1,692,239	858,377
Net Assets Held in Trust for Pension Benefits and Postemployment Healthcare Benefits				
Beginning of Year	7,836,758	1,164,607	9,001,365	8,142,988
End of Year	**$ 9,227,219**	**$ 1,466,385**	**$ 10,693,604**	**$ 9,001,365**

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. All Notes to the Financial Statements apply to both plans unless indicated otherwise.

Basis of Accounting

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

Basis of Presentation

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

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

Fair Value of Investments

Funds of the System are invested pursuant to the Los Angeles City Charter and the System's investment policy established by the Board under Article XI Section 1106(d) of the City Charter. The System's investment portfolios are composed of domestic and international equities, domestic and international bonds, derivative instruments, real estate and alternative investments, and short-term investments.

Securities traded on national or international exchanges are valued at the last reported sales price at the current exchange rates. Short-term investments, bonds, stocks and alternative investments are reported at fair value. The fair values of real estate investment funds are provided by the individual real estate fund managers based on periodic appraisals, in the form of either annual in-house appraisals or longer-term appraisals by outside professionals, in accordance with 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.

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.

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

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

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

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, 2011, were as follows (in thousands):

Reserve for Retirement Plan		
Member Contributions	$ 1,496,091	
Basic Pensions	7,132,285	
Annuity	558,321	
Larger Annuity	26,221	
Family Death Benefits	14,301	$ 9,227,219
Reserve for Postemployment Healthcare Plan		1,466,385
Total Reserves		$ 10,693,604

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.

At June 30, 2011, the components of the System's membership were as follows:

Active:	
Vested	20,113
Non-vested	5,336
	25,449
Inactive:	
Non-vested	4,058
Terminated Entitled to Benefits, Not Yet Receiving Benefits	1,565
Retired	17,197
Total	48,269

Note 2 – Retirement Plan Description (Continued)

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, 2011, the annual required contribution to the Retirement Plan by the City was 18.09% of covered payroll, determined by the June 30, 2009 actuarial valuation. The actual contribution made by the City for fiscal year 2010-11 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 Annual Required Contribution (ARC) as determined under GASB Statements 25 and 27.

Prior to the ERIP, there were two different types of contributions from Members. Members who entered the System prior to February 1983 (Defrayal Group) contributed from 8.22% to 13.33% of their salaries based upon their ages when they entered the System; however, these contributions were subsidized by the City under a collective bargaining agreement (see Note 6 – Defrayal Portion of Member Contributions-Retirement Plan). Members entering the System subsequent to January 1983 contributed a flat rate of 6%. Starting November 8, 2009, as ERIP Ordinance became effective, all Members of the System contributed a flat rate of 6% of pay regardless of their entry date. ERIP Ordinance also stipulates a 1% increase the Member contribution rate for all employees effective on 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, Members' contribution rates at the end of reporting period are either 6% or 8% of pay. Effective July 1, 2011, Members' contribution rates will be 7%, 9% or 11% of pay, depending upon the terms and conditions of specific Memoranda Of Understanding (MOU) to which a member is subject.

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

As of June 30, 2011, the most recent actuarial valuation date, the Plan was 72.4% funded. The actuarial accrued liability for benefits was $13,391,704,000 and the actuarial value of assets was $9,691,011,000, resulting in an unfunded actuarial accrued liability (UAAL) of $3,700,693,000. The covered payroll as of June 30, 2011 valuation was $1,833,392,000. The ratio of UAAL to the covered payroll was 201.9%.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan Members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan Members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial methods and significant assumptions used in the valuation year of June 30, 2011 are summarized in this note to conform to the disclosure requirements for GASB Statement No. 50.

Note 2 – Retirement Plan Description (Continued)

Funding Policies and Funded Status and Progress (Continued)

Valuation Date	June 30, 2011
Actuarial-Cost Method	Projected Unit Credit Cost Method – assuming a closed group.
Amortization Method	Level Percent of Payroll – assuming a 4.25% increase in total covered payroll.
Remaining Amortization Period	Multiple layers. Actuarial gains/losses are amortized over 15 years. Assumption or method changes 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 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.
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 this fiscal year, the City adopted an Ordinance to freeze the maximum medical subsidy at the current year level of $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 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, 2011, approximately 63% 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, 2011, was 6.4% of covered payroll, determined by the June 30, 2009 actuarial valuation. As of June 30, 2011, the most recent actuarial valuation date, the Plan was 78.6% funded. The actuarial accrued liability for benefits was $1,968,708,000 and the actuarial value of assets was $1,546,884,000, resulting in an unfunded actuarial accrued liability (UAAL) of $421,824,000. The covered payroll as of the June 30, 2011 valuation was $1,833,392,000. The ratio of UAAL to the covered payroll was 23.0%.

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 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.

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, 2011
Actuarial-Cost Method	Projected Unit Credit Cost Method – assuming a closed group.
Amortization Method	Level Percent of Payroll – assuming a 4.25% increase in total covered payroll.
Remaining Amortization Period	Multiple layers. Actuarial gains/losses are amortized over 15 years. Assumption or method changes 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 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 is 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 2011-2012 and later years are:

First Fiscal Year (July 1, 2011 through June 30, 2012)		
Carrier	Under Age 65	Age 65 & Over
Kaiser HMO	4.33%	5.38%
Blue Cross HMO	6.81%	N/A
Blue Cross PPO	3.98%	-3.11%
UnitedHealthcare (formerly Secure Horizons)	N/A	8.01%

Fiscal Year 2012 - 2013 and later	
Fiscal Year	Trend (Approx)
2012 - 2013	8.75%
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 from 2011-12 to 2012-13 is 4.33%, and 5.00% assumed for all following years.

Note 4 – Contributions Required and Contributions Made

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

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, 2011, in the amount of $528,864,000 ($421,468,000 for the Retirement Plan and $107,396,000 for the Postemployment Healthcare Plan), were made in accordance with actuarially-determined requirements computed by the actuarial valuation dated June 30, 2009.

Contributions to the System consisted of the following for the year ended June 30, 2011 (in thousands):

	Retirement Plan	Postemployment Healthcare Plan
City Contributions:		
Required Contribution	$ 303,561	$ 107,396
Defrayal Portion of Member Contributions	2,982	-
Family Death Benefit Insurance Plan	194	-
Total City Contributions	306,737	107,396
Member Contributions	114,731	-
Total Contributions	$ 421,468	$ 107,396

The City contributions made for the Retirement Plan under the Required Contribution category in the amount of $303,561,000 were equal to 100% of the Annual Required Contributions (ARC) of the employer as defined by GASB Statements No. 25 and No. 27. The City contributions made for the Postemployment Healthcare Plan, in the amount of $107,396,000, represents 100% of the ARC as defined by GASB No. 43 and No. 45. Member contributions in the amount of $114,731,000 were made toward the Retirement Plan and voluntary Family Death Benefit Insurance Plan.

Note 5 – Historical Trend Information

Historical trend information designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due is presented on pages 27 through 28 for the Retirement Plan and pages 29 through 30 for the Postemployment Healthcare Plan.

Note 6 – Defrayal Portion of Member Contributions-Retirement Plan

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

As all Members of the System, including the Defrayal Group, contributed 6% starting November 8, 2009 and a large number of members in the Defrayal Group retired during ERIP election of last fiscal year, the subsidized amount to the Defrayal Group by the City for the current fiscal year decreased to $2,982,000, which is approximately 0.97% of total City contributions paid to the Retirement Plan for the year ended June 30, 2011. The City's subsidy will be discontinued after June 30, 2011.

Note 7 – Cash and Short-Term Investments and Investments

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

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

The System considers investments with maturity of 12 months or less to be short-term investments. The carrying value of cash and short-term investments at June 30, 2011, on the Retirement Plan and Postemployment Healthcare Plan, included approximately $1,013,000 held in the System's general operating accounts with the City Treasurer and short-term investments funds (STIF) of $608,884,000 for a total of $609,897,000. 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, 2011, short-term investments included collective STIF of $211,452,000, international STIF of $286,559,000 and future initial margin of $110,873,000.

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 $501,000 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 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, 2011 are as follows (in thousands):

Derivative Type	Notional Amount	Fair Value	Change in Fair Value
Future Contracts -			
Equity Index	$ 12,673	$ 144	$ 236
Interest Rate	(58,048)	149	149
Currency Forward			
Contracts	51,703	59	85
Right / Warrants	N/A	149	56
Total Value		$ 501	$ 526

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, 2011 are as follows (dollars in thousands):

S & P Ratings	Fair Value	Percentage
AAA *	$ 516,401	27.07 %
AA	40,132	2.10
A	336,986	17.66
BBB	480,318	25.18
BB	172,963	9.07
B	96,020	5.03
CCC	31,383	1.64
CC	2,390	0.13
C	1,011	0.05
D	8,574	0.45
Not Rated	221,744	11.62
	1,907,922	100.00 %
U.S. Government Guaranteed Securities **	570,578	
Total Fixed Income Securities	$ 2,478,500	

* Includes FNMA and FHLMC of $419,415 in total which were downgraded to AA+ by S&P in August 2011.

** Includes U.S. Government Bonds and Notes and GNMA Mortgage-Backed Securities which had the AAA rating. However, these securities were downgraded 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, 2011, 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	Amount
AA-	$ 36
A+	457
Total Credit Risk	$ 493

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, 2011, the System has exposure to such risk in the amount of $27,686,000, or 1.08% of the fair value of total international investments. The amount represents non-invested cash denominated in foreign currencies, managed by 13 different investment managers, and held outside of the System's custodial bank. The System's policy requires each individual publicly traded equities investment managers to hold no more than 10% of their portfolios in the form of cash. The 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, 2011 contained no concentration of investments in any one entity that represented 5 percent or more of the total investment portfolio.

Interest Rate Risk

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

Investment Type	Amount	Weighted Average Duration (in Years)
Asset-Backed Securities	$ 33,155	1.15
Commercial Mortgage-Backed Securities	91,756	4.47
Corporate Bonds	1,060,082	5.99
Government Agencies	51,417	2.91
Government Bonds	561,813	3.07
Government Mortgage-Backed Securities	434,311	2.73
Index Linked Government Bonds	57,276	2.58
Municipal/Provincial Bonds	10,785	5.25
Non-Government Backed C.M.O.s	30,775	3.76
Opportunistic Debt *	146,982	2.72
Derivative Instruments	148	4.30
Total Fixed Income Securities	$ 2,478,500	

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

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	Amount
Asset Backed Securities	$ 33,155
Commercial Mortgage-Backed Securities	91,756
Government Agencies	51,417
Government Mortgage-Backed Securities	434,311
Non-Government Backed C.M.O.s	30,775
Total Asset-Backed Investments	$ 641,414

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, 2011, which represents 18.9% of fair value of total investments, are as follows (in thousands):

Foreign Currency Type	Cash and Adjustments to Cash	Equity	Fixed Income	Derivatives Instruments	Other Investments	Total Fair Value in USD
Argentine peso	$ 65	$ -	$ -	$ -	$ -	$ 65
Australian dollar	3,098	133,299	5,635	14	-	142,046
Brazilian real	449	18,390	3	1	-	18,843
British pound sterling	(2,064)	299,722	-	407	21,343	319,408
Canadian dollar	8,436	71,763	13,533	9	-	93,741
Columbian peso	-	665	-	-	-	665
Czech koruna	11	435	-	-	-	446
Danish krone	(166)	16,621	-	-	-	16,455
Egyptian pound	27	925	-	-	-	952
Euro	5,172	514,561	-	(324)	106,368	625,777
Hong Kong dollar	1,935	142,220	-	14	-	144,169
Hungarian forint	6	1,379	-	-	-	1,385
Indian rupee	879	30,839	-	-	-	31,718
Indonesian rupiah	(158)	13,294	-	-	-	13,136
Japanese yen	584	304,373	-	93	35,971	341,021
Malaysian ringgit	139	4,988	-	-	-	5,127
Mexican peso	298	4,377	12,178	-	-	16,853
New Israeli shekel	1,036	3,821	-	-	-	4,857
New Taiwan dollar	1,517	46,053	-	-	-	47,570
New Zealand dollar	10	962	-	-	-	972
Norwegian krone	1,226	18,716	2,458	-	-	22,400
Philippine peso	229	16,770	-	-	-	16,999
Polish zloty	(104)	3,446	-	-	-	3,342
Singapore dollar	685	35,499	-	-	-	36,184
South African rand	385	27,619	-	-	-	28,004
South Korean won	1,076	82,350	-	-	-	83,426
Swedish krona	2,661	33,122	-	-	-	35,783
Swiss franc	2,174	106,125	-	11	-	108,310
Thai baht	(55)	25,426	-	121	-	25,492
Turkish lira	93	4,981	-	-	-	5,074
United Arab Emirates dirham	43	1,307	-	-	-	1,350
Total Investments Held in Foreign Currency	$ 29,687	$ 1,964,048	$ 33,807	$ 346	$ 163,682	$ 2,191,570

Note 8 – Securities Lending Agreement

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

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

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

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

As of June 30, 2011, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceed the amounts the borrowers owed the System. The System had no losses on securities lending transactions resulting from default of a borrower or lending agent. Due to the nature of the securities lending program and Northern Trust's collateralization of loans at 102% and 105% plus accrued interest for fixed income securities, it was previously believed that there were no material credit risks to the System as defined in GASB Statement No. 28 and GASB Statement No. 40 by our participation in the securities lending program.

For this current fiscal year, the System recognized a realized loss related to the security lending in the amount of $95,663,000, which is included in the "Net Appreciation in Fair Value of Investments Including Gain and Loss on Sales" on page 12. The amount represents the System's payment to the custodian on July 7, 2011 to cover the collateral deficiency resulting from impairment of securities purchased with the cash collateral, pursuant to contract requirements. The collateral deficiency originated in fiscal year 2008-09, but the amount was not measurable with certainty until this fiscal year.

To reduce reinvestment risk exposures, the System has approved a securities lending policy and strengthened existing securities lending guidelines to incorporate the use of only the highest quality securities.

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, 2011 (in thousands):

Fair value of collateral received for loaned securities as of June 30, 2011:

Securities Lent	Cash	Non-Cash	Total Collateral Value
U.S. Government and Agency Securities	$ 361,531	$ 6,000	$ 367,531
Domestic Corporate Fixed Income Securities	151,099	-	151,099
International Fixed Income Securities	9,764	96,401	106,165
Domestic Stocks	625,059	10,410	635,469
International Stocks	82,126	239,181	321,307
	$1,229,579	$ 351,992	$1,581,571

Note 8 – Securities Lending Agreement (Continued)

Fair value of loaned securities as of June 30, 2011:

Securities Lent	Cash	Non-Cash	Total Fair Value of Underlying Securities
U.S. Government and Agency Securities	$ 354,237	$ 5,875	$ 360,112
Domestic Corporate Fixed Income Securities	148,209	-	148,209
International Fixed Income Securities	9,158	91,542	100,700
Domestic Stocks	613,472	10,235	623,707
International Stocks	78,346	220,553	298,899
	$ 1,203,422	$ 328,205	$ 1,531,627

As of June 30, 2011, the fair value of the lent securities was $1,531,627,000. The fair value of associated collateral was $1,581,571,000. Of this amount, $1,229,579,000 represents the fair value of cash collateral and $351,992,000 represents the fair value of the non-cash collateral. Non-cash collateral, which the System does not have the ability to sell unless the borrower defaults, is not reported in the statement of plan net assets. The System's income and expenses related to securities lending were $4,737,000 and $634,000, respectively, for the year ended June 30, 2011.

Note 9 – Futures and Forward Contracts

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

At June 30, 2011, the System had outstanding equity index future contracts with an aggregate notional amount of $12,673,000, and interest rate future contracts with a negative notional amount of $58,048,000 due to short position. In addition, at June 30, 2011, the System had outstanding forward purchase commitments with a notional amount of $51,703,000 and offsetting forward sales commitments with notional amounts of $51,703,000, which expire through September 2011. The System maintains margin collateral on the positions with brokers, consisting of cash and U.S. Treasury Bills. The total collateral margin was $110,873,000 as of June 30, 2011.

Note 10 – Commitments and Contingencies

At June 30, 2011, the System was committed to future purchases of real estate and alternative investments at an aggregate cost of approximately $679,468,000.

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 post-employment healthcare plans 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.

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, 2006	$ 7,674,999	$ 9,870,662	$ 2,195,663	77.8 %	$ 1,733,340	126.7 %
June 30, 2007	8,599,700	10,526,874	1,927,174	81.7	1,896,609	101.6
June 30, 2008	9,438,318	11,186,404	1,748,086	84.4	1,977,645	88.4
June 30, 2009*	9,577,747	12,041,984	2,464,237	79.5	1,816,171	135.7
June 30, 2010	9,554,027	12,595,025	3,040,998	75.9	1,817,662	167.3
June 30, 2011	9,691,011	13,391,704	3,700,693	72.4	1,833,392	201.9

* Based on revised June 30, 2009 actuarial valuation.

Schedule of Employer Contributions

	Employer Contributions Total	
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2006	$ 227,741	100 %
2007	277,517	100
2008	288,119	100
2009	274,555	100
2010	258,643	100
2011	303,561	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.

Certain members are required to make additional contributions pursuant to various Memoranda of Understanding and City Ordinances adopted by the City Council in 2011, as mentioned in Note 2. Actuarially, Member contributions substitute for City contributions with a slight discount to compensate for the refundability of Member contributions.

Due to 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, 2011, there is a combined unrecognized investment loss in the amount of $587,038,000. The amount is significantly smaller than that of the previous year, which was $2,018,219,000. The deferred loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. This implies that earning the assumed rate of investment return of 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, 2006	$ 990,270	$ 1,730,799	$ 740,529	57.2 %	$ 1,733,340	42.7 %
June 30, 2007	1,185,544	1,730,400	544,856	68.5	1,896,609	28.7
June 30, 2008	1,342,920	1,928,043	585,123	69.7	1,977,645	29.6
June 30, 2009*	1,342,497	2,058,177	715,680	65.2	1,816,171	39.4
June 30, 2010	1,425,726	2,233,874	808,148	63.8	1,817,662	44.5
June 30, 2011	1,546,884	1,968,708	421,824	78.6	1,833,392	23.0

* Based on revised June 30, 2009 actuarial valuation.

Schedule of Employer Contributions

	Employer Contributions Total	
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2006	$ 76,116	100 %
2007	115,233	100
2008	108,848	100
2009	95,122	100
2010	96,511	100
2011	107,396	100

Required Supplementary Information
Postemployment Healthcare Plan
Notes to Required Supplementary Information

Note 1 – Description

The historical trend information about the System is presented as required supplementary information. The information is intended to help users assess the funding status of the Plan on a going-concern basis and to assess progress made in accumulating assets by paying benefits when due. The Board decided to comply with the requirements in GASB No. 43 and No. 45 for the actuarial valuation of the Postemployment Healthcare Plan as of June 30, 2005. As the annual required contribution (ARC) for fiscal year ended June 30, 2006 was determined prior to June 30, 2005 valuation, it was not calculated using all the parameters required by GASB 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 on page 15 – Retirement Plan Description and Note 3 on page 17 – Postemployment Healthcare Plan Description. The subsidy freeze reduces the actuarial liability of the Postemployment Healthcare benefits as well as the employer contributions. As of June 30, 2011, 37% of the non-retired members are subject to the subsidy freeze.

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.

Due to 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, 2011, there is a combined unrecognized investment loss in the amount of $587,038,000. The amount is significantly smaller than that of the previous year, which was $2,018,219,000. The deferred loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. This implies that earning the assumed rate of investment return of 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.

SUPPLEMENTAL SCHEDULES

Schedule of Administrative Expenses
For the Year Ended June 30, 2011
(In Thousands)

	Retirement Plan	Postemployment Healthcare Plan	Total
Personnel Services:			
Staff Salaries	$ 8,639	$ 1,567	$ 10,206
Staff Benefits	1,272	232	1,504
Total Personnel Services	9,911	1,799	11,710
Professional Services:			
Actuarial	106	19	125
Data Processing	652	118	770
Audit	89	16	105
Retirees' Health Consulting	-	386	386
Legal Counsel	557	101	658
Medical for Temporary Disability	89	16	105
Total Professional Services	1,493	656	2,149
Communication:			
Printing	71	13	84
Telephone	15	3	18
Postage	89	16	105
Member Outreach Program	1	-	1
Travel	69	13	82
Total Communication	245	45	290
Rentals:			
Office Space	1,091	197	1,288
Equipment Leasing	42	8	50
Total Rentals	1,133	205	1,338
Miscellaneous:			
Office	318	57	375
Depreciation	132	24	156
Total Miscellaneous	450	81	531
Total Administrative Expenses	$ 13,232	$ 2,786	$ 16,018

Schedule of Investment Expenses
For the Year Ended June 30, 2011
(In Thousands)

	Assets Under Management	Fees
Retirement Plan		
Investment Management Expense:		
Fixed Income Managers	$ 2,138,631	$ 6,033
Equity Managers	5,372,193	14,653
Subtotal Investment Management Expense	7,510,824	20,686
Other Investment Expense:		
Alternative Investments Consulting Fee	-	882
Real Estate and Other Consulting Fee	-	497
Subtotal Other Investment Expense	-	1,379
Postemployment Healthcare Plan		
Investment Management Expense:		
Fixed Income Managers	339,869	1,094
Equity Managers	853,746	2,657
Subtotal Investment Management Expense	1,193,615	3,751
Other Investment Expense:		
Alternative Investments Consulting Fee	-	160
Real Estate and Other Consulting Fee	-	90
Subtotal Other Investment Expense	-	250
Total Investment Management Expense and Other Investment Expense, Excluding Alternative Investments, Real Estate and Securities Lending	$ 8,704,439	$ 26,066
Alternative Investments Managers' Fees:		
Retirement Plan	$ 932,191	$ 16,947
Postemployment Healthcare Plan	148,143	3,073
Total Alternative Investments Managers' Fees	$ 1,080,334	$ 20,020
Real Estate Managers' Fees:		
Retirement Plan	$ 499,776	$ 7,950
Postemployment Healthcare Plan	79,424	1,442
Total Real Estate Managers' Fees	$ 579,200	$ 9,392
Security Lending Fees:		
Retirement Plan	$ 1,060,970	$ 537
Postemployment Healthcare Plan	168,609	97
Total Security Lending Fees	$ 1,229,579	$ 634