



LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

Portfolio Performance Review

Quarter Ending March 31, 2011



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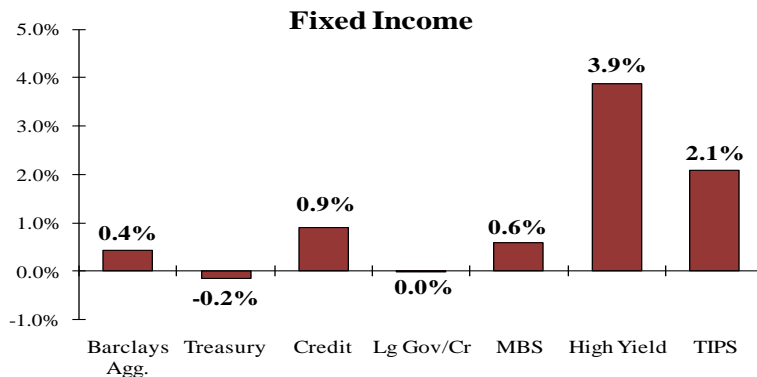
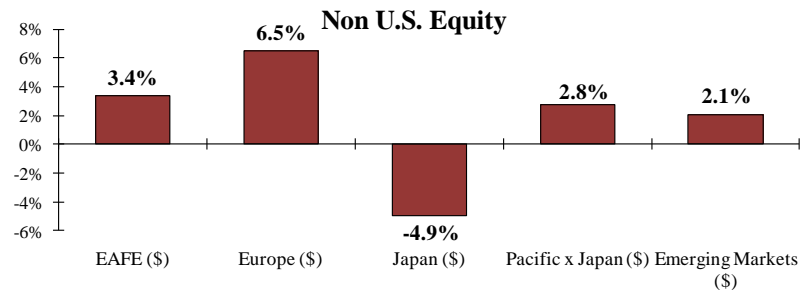
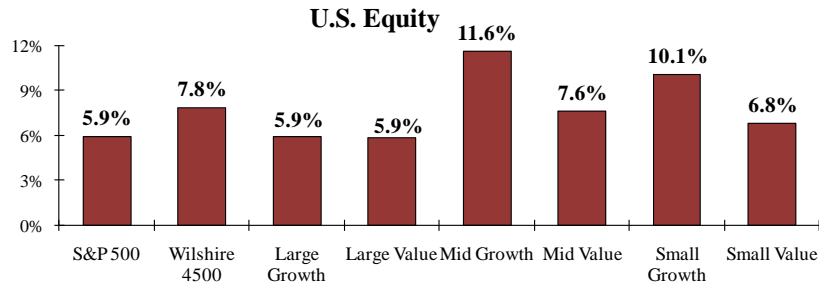
Executive Summary

Performance Overview

- *LACERS investment portfolio ended the 1st quarter with a market value of \$10.8 billion, approximately \$0.3 billion higher than the previous quarter. The Fund posted a positive net and gross return of 4.2% for the quarter and 13.8% (14.0% gross) for the year.*
- *The Total Fund matched the policy benchmark for the quarter and the one-year periods.*
- *All asset classes produced positive returns in the 1st quarter of 2011.*
- *Publicly traded portfolios outperformed their respective benchmarks, except for Non-US Equity.*
- *Real Estate continued to experience decline and Alternative Investments underperformed its respective benchmark.*

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.

Market and Economic Review

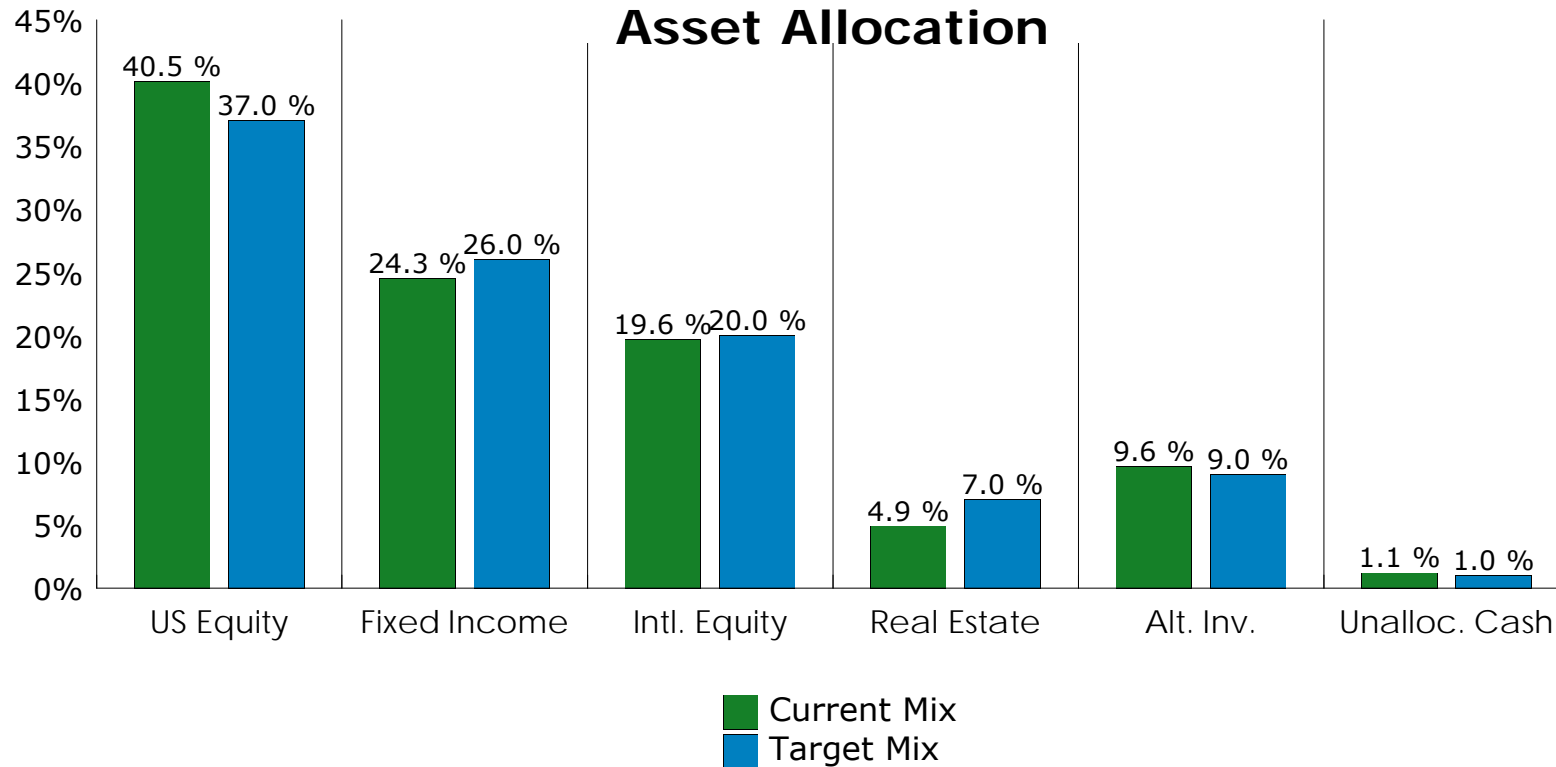


- Equity markets ended the quarter in positive territory, despite political uprisings in Middle East and Africa, price hikes in commodities, and Japan's natural disaster.
- US GDP posted annualized growth rate of 1.8% in the first quarter of 2011, a decrease from 3.2% annual rate seen in 4Q/2010.
- 1Q unemployment rate dropped to 8.8% from the year-end 2010 level of 9.4%.
- Spike in oil and related rise in food prices pushed Consumer Price Index sharply higher to 1.96% for the quarter.
- Fed Funds Rate remained unchanged at the range of 0% to 0.25%.
- All major non-US markets had positive returns for the quarter, with the exception of Japan. Weak US dollar increase the returns for US investors.
- European markets outperformed all other markets in USD terms.
- Developed Pacific region stock market performance was held back for the quarter mainly due to performance in Japan.
- US dollar lost ground against the Euro; however, it strengthened compared to Japanese Yen.
- US yield curve rose for all maturities compared to 4Q10; however, it is still lower than 1Q10.
- The Fed continued with the second phase of quantitative easing (QE2), a liquidity-enhancing policy set to end in June.
- Treasury yields continued moving upwards fueled by investor rotation into equities and credit sector. Yield spreads continued to tighten for all maturities.
- High Yield continued to outshine all other sectors for the quarter.



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Fund Overview



	As of 3/31/2011	Target *	Minimum	Maximum
US Equity	40.5%	37.0%	33.0%	42.0%
Fixed Income	24.3%	26.0%	23.0%	29.0%
Intl Equity	19.6%	20.0%	17.0%	24.0%
Real Estate	4.9%	7.0%	4.0%	10.0%
Alternative Inv.	9.6%	9.0%	6.0%	12.0%
Unallocated Cash	1.1%	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%.

Fund Overview

LACERS' total portfolio was valued at \$10.8 billion at the end of the 1st quarter. Its net of fees return matched its policy benchmark of 4.2% for the quarter and 13.8% for the one-year periods. In a comparison to other public funds in TUCS (Trust Universe Comparison Service) with a market values greater than \$1 billion, LACERS ranked in the 40th percentile for the quarter and in the 37th percentile for the one-year period.

The U.S. equity portfolio surpassed its policy benchmark by 0.4% for the quarter with a 6.8% return. For the one-year period, it also outperformed its policy benchmark by 1.7%, returning 19.1%.

The Non-U.S. equity portfolio underperformed for the quarter with a return of 2.1% versus 3.4% for the policy benchmark. The composite outperformed its policy benchmark by 0.3% for the one-year period with a 13.4% return.

The fixed income portfolio returned 1.3% for the quarter, outperforming its policy benchmark by 0.6%. The composite returned 7.8% for the one-year period, besting its policy benchmark by 2.1%.

The real estate portfolio continued to underperform, returning 2.7% for the quarter versus a return of 4.6% for its benchmark. For the one-year period, the portfolio significantly underperformed by 7.0% with a 6.1% return.

The alternative investments portfolio trailed its policy benchmark by 1.1% for the quarter with a 6.3% return. The portfolio underperformed its benchmark by 4.1% for the one-year period.

LACERS Total Fund

(Returns are Gross of Fees)

	Market Value (\$million)	Current Quarter	One Year	Three Years	Five Years	5 Year Tracking Error
LACERS Master Trust	\$ 10,830	4.2	14.0	2.9	4.2	2.4
<i>Policy Benchmark</i>		4.2	13.8	3.2	4.3	
Excess Return		0.0	0.2	-0.3	-0.1	
US Equity	\$ 4,389	6.9	19.4	4.6	2.9	1.2
<i>Russell 3000</i>		6.4	17.4	3.4	2.9	
Excess Return		0.5	2.0	1.2	0.0	
Non-US Equity	\$ 2,120	2.1	13.8	0.2	3.9	1.8
<i>MSCI ACWI ex US*</i>		3.4	13.1	-0.8	3.6	
Excess Return		-1.3	0.7	1.0	0.3	
Total Fixed Income	\$ 2,626	1.3	7.9	8.0	7.2	2.5
<i>BC US Universal*</i>		0.7	5.7	5.7	6.1	
Excess Return		0.6	2.2	2.3	1.1	
Real Estate**	\$ 536	2.8	6.2	-18.2	-6.6	10.1
<i>NCREIF Property</i>		4.6	13.1	-4.2	3.5	
Excess Return		-1.8	-6.9	-14.0	-10.1	
Alternative Investments**	\$ 1,044	6.3	17.3	1.6	10.4	18.6
<i>Russell 3000 + 4%</i>		7.4	21.4	7.4	6.9	
Excess Return		-1.1	-4.1	-5.9	3.5	

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

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LACERS Total Fund

(Returns are Net of Fees)

	Market Value (\$million)	Current Quarter	One Year	Three Years	Five Years	5 Year Tracking Error
LACERS Master Trust	\$ 10,830	4.2	13.8	2.7	4.0	2.4
<i>Policy Benchmark</i>		4.2	13.8	3.2	4.3	
Excess Return		0.0	0.0	-0.5	-0.3	
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