



2010

A Pension Trust Fund of the County of Los Angeles, California
Popular Annual Financial Report
for the year ended June 30, 2010

LACERA Popular Annual Financial Report (PAFR)

This LACERA Popular Annual Financial Report (PAFR) summarizes the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. The financial data presented in the PAFR is derived from the CAFR and is consistent with Generally Accepted Accounting Principles (GAAP).^{*} The PAFR is published to provide you with a general understanding of LACERA's overall financial condition and enhanced services. This report does not replace the CAFR. For more detailed information, refer to the CAFR online at lacera.com.^{**}

Our Mission: How We See It

We see our mission as vast, yet personal. Although it is framed by statutes and diligently executed by highly-trained professionals, it is implemented each day on a personal level, with a personal touch. We see efficient service through education and compassion. We also see a prudently invested retirement fund (the Fund), strategically positioned for long-term growth.

When we look at the members we serve, we see more than 156,000 individuals, each with a unique set of circumstances. And we see opportunity. For our active members, we see the opportunity to eventually retire with a secure future and we see our opportunity to provide them with the knowledge they need to make strategic choices throughout their careers that will enhance their retirements. For our retirees, we see more than the disbursement of a monthly benefit. We see the opportunity to provide the peace of mind that comes with knowing they will not outlive their hard-earned retirement allowances and that their eligible designated survivors will receive any benefits to which they are entitled.

We see an association that takes its job personally.

^{*}The CAFR was prepared by LACERA in conformity with Generally Accepted Accounting Principles (GAAP) and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB).

^{**}The CAFR will be posted on lacera.com in January 2011.

Highlights of LACERA Accomplishments for Fiscal Year 2009-2010

We continue to place great value on the scope and quality of services we provide our members. This emphasis on customer service extends throughout our association, as evidenced by the efficiency with which our divisions handle the tremendous volume of documents, member requests, and other information that crosses their desks each year. From the scanning and indexing of some 600,000 pages of member documents and 310,000 pieces of mail, to one-on-one counseling sessions with more than 22,750 members, to the paying of 98.44 percent of new retirees and survivors within one payroll cycle, and the answering of more than 127,000 member phone inquiries during this fiscal year, we reconfirmed our commitment to delivering prompt, accurate, and comprehensive service.

We made gains “behind the scenes,” as well, through updates to our operating system and business processes. Highlights of these gains include significant progress on the review, processing, and conversion of more than 50 years of microfiche records (dating back to our inception in 1938) to electronic image files. To date, we have completed half of this herculean task and expect to have the remainder completed in 2011. Our advances on this project have already streamlined our operational efficiency, which ultimately leads to enhanced service to our members. During this fiscal year, we also upgraded our member data software program. This important upgrade resulted in increased efficiency, productivity, and improvement of our overall operation.

Administrative Services Division

This division provides vital daily support services to LACERA’s overall organization and also oversees various special programs.

- The Document Processing Center (DPC) scanned, indexed and provided same-day processing for approximately 200,000 documents, which amounted to over 600,000 pages of member information.



- DPC processed 310,000 pieces of mail, including more than 190,000 responses to member inquiries.

Claims Processing Division

The Claims Processing Division processes benefit requests from active and retired members and their beneficiaries.

- Processed 2,794 new retirees and survivors into the retiree payroll, of which 98.44 percent were paid within one payroll cycle.
- Maintained a 98 percent accuracy level on overall benefit processing.



We See a Personal Touch

When we view our diverse membership, we see more than a range of careers, age groups, and ethnicities; we see 156,000 individuals, each with a unique story.

Communications Division

All of LACERA's print and web content and design are created and produced by the Communications Division.

- Produced Maximize Your Retirement, an interactive educational game on lacera.com. The game will also be used by LACERA's Outreach team during workshops to engage members in active learning.



- Created *Q&A: Survivor & Death Benefits* brochure to assist with the process following the death of a member.

Disability Retirement Services Division

This division reviews and processes disability retirement applications and ensures they are in compliance with legal requirements.

- Processed and presented 332 disability applications and referee recommendations to the Board of Retirement (BOR).
- Provided disability retirement information to 402 members at LACERA's Public Counter.

Human Resources Division

New employee recruitment and ongoing training and development for LACERA's employees are among the duties of the Human Resources Division.

- Researched, coordinated, and managed enrollment for offsite skill-building workshops for over 121 staff members; contracted and managed enrollment of onsite training for more than 345 staff members.
- Conducted 28 recruitments, yielding 9 new hires and 21 promotions.

Internal Audit Division

This division provides independent, objective quality assurance and consulting activities to management and staff.

- Completed an organization-wide risk and control assessment.
- Completed 67 audit projects, resulting in the enhancement of LACERA's risk-control processes.

Legal Office

The Legal Office gives legal counsel and advice to LACERA's Boards, management and staff on various issues, and also represents LACERA in litigation.

- Filed an application on behalf of LACERA to join as a named plaintiff in a class-action securities fraud lawsuit against IndyMac Bank and other defendants.
- Successfully defeated a motion by other defendants to dismiss LACERA's securities fraud lawsuit against Merrill Lynch and other defendants, allowing the suit to proceed. The case is pending in U.S. District Court, Southern District of New York.

Member Services Division

This division serves LACERA members with accuracy, efficiency, and professionalism through its different units: Outreach Team, Call Center, and Correspondence Unit.

- Provided one-on-one counseling to 22,758 members; met with 13,701 of those members at our Public Counter, and answered over 127,336 telephone inquiries from members.
- Presented more than 300 workshops serving 7,746 people at 221 different locations, and processed and/or replied to approximately 1,489 emails and 2,185 letters.

Quality Assurance & Metrics Division

The specialists in this division create strategies and policies to promote accuracy, productivity, and compliance in the administration of retirement benefits.

- Audited 9,335 Claims Processing and Member Services Divisions transactions to monitor accuracy, timeliness, and volume of services provided to members.
- Delivered 264 hours of training to staff on business processes and changes in the retirement law.

Retiree Health Care Division

This division administers the Health Care Benefits Program for LACERA retirees, survivors, and eligible dependents.

- Implemented premium rate changes for 2010 plan year, mailed the annual letter and insurance rate booklet, along



with Notice of Creditable Coverage to more than 40,000 members.

- Continued facilitation of the Medicare Part D Retiree Drug Subsidy (RDS) for the LACERA-administered Health Care Benefits Program, including the completion of applications and reconciliation with the Centers for Medicare & Medicaid Services.



We See a Ripple Effect

We see how the educational workshops and one-on-one counseling sessions provided by our Retirement Benefits Specialists equip our members with the knowledge they need to make strategic choices during their careers and we see how those choices can enable them to gain the maximum advantage in retirement.

Systems Division

The Systems Division staff provides and maintains LACERA's information technology and also supplies ongoing technical assistance to LACERA employees.

- Completed the eHR Payroll Conversion and Implementation project, moving from a monthly to a semimonthly payroll.
- Added two self-service web tools to My LACERA, on lacera.com: Additional Retirement Credit (ARC) estimate allows the members to calculate their own ARC estimates; Tax Withholding Election allows retirees and survivors to adjust tax withholding and submit changes online.



Additions and Deductions to Pension Plan Net Assets

The primary sources which finance the retirement benefits LACERA provides are investment income and the collection of member (employee) and employer retirement contributions. For fiscal year 2010, Total Additions amounted to an increase of \$5.1 billion, achieved primarily due to positive investment performance with a total fund return of 11.6 percent, net of fees.

The primary uses of LACERA's assets include the payment of benefits to members and their beneficiaries, the refund of contributions to terminated employees, and the cost of administering the Plan. These deductions for fiscal year 2010 totaled \$2.2 billion.

The Boards of Retirement (BOR) and Investments (BOI) jointly approve the annual budget, which controls administrative expenses and represents approximately 0.15 percent of total Plan Net Assets.

As of June 30, 2010, Net Assets Held in Trust for Pension Benefits total \$33.4 billion, and constitute the assets available for future payments to retirees and their beneficiaries. This amount represents an increase of \$2.9 billion, or 9.6 percent from the prior year.

Additions and Deductions to Plan Net Assets

For the Fiscal Years Ended June 30, 2010 and 2009

(Dollars in Millions)

	2010	2009
Net Investment Income/(Loss)	\$ 3,840	\$ (7,408)
Contributions and Miscellaneous Income	1,275	1,248
Total Additions/(Declines)	5,115	(6,160)
Benefit Payments and Refunds	(2,131)	(2,016)
Administrative and Miscellaneous Expense	(49)	(50)
Total Deductions	(2,180)	(2,066)
Net Increase/(Decrease) During the Year	2,935	(8,226)
Plan Net Assets at Beginning of Year	30,499	38,725
Plan Net Assets at End of Year	\$ 33,434	\$ 30,499



STAR Program

The BOR, together with the BOI, has unanimously supported the Supplemental Targeted Adjustment for Retirees (STAR) Program, a supplemental cost-of-living benefit for retirees or their survivors who have lost 20 percent or more of the purchasing power of their original retirement benefit.

Except for Program Years 2005 and 2010, the LACERA BOR made permanent the 2001 through 2009 STAR Programs at an 80 percent level as authorized in the California Government Code. There were no new retirees or beneficiaries entitled to additional STAR benefits for Program Years 2005 and 2010 due to the modest Consumer Price Index (CPI) percentage increase and all eligible members had cost-of-living accumulation accounts below the 20 percent threshold for providing STAR benefits. Permanent STAR benefits become part of the member's retirement allowance and are payable for life.

The STAR Program benefit cost for calendar year 2009 was \$28.8 million, and is anticipated to be less for calendar year 2010.

Investments

LACERA's investment program objective is to provide LACERA participants with retirement benefits, as required by the County Employees Retirement Law of 1937. The BOI has exclusive control of all retirement system investments. There are a total of nine BOI members: two are elected by active members and two by retired members, and four are appointed by the Los Angeles County Board of Supervisors. The County Treasurer and Tax Collector serves as an ex-officio member.

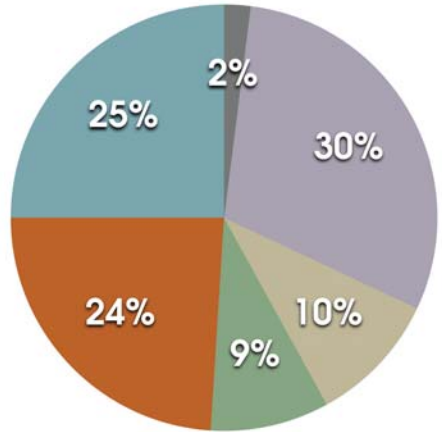
The BOI adopted an Investment Policy Statement, which provides a framework for the management of LACERA's investments. This Statement establishes LACERA's investment policies and objectives and defines the principal duties of the BOI, investment staff, investment managers, master custodian, and consultants.

A pension fund’s strategic asset allocation policy is generally recognized to have the most impact on a fund’s investment performance. The BOI implements the asset allocation plan by hiring investment managers to invest assets on LACERA’s behalf, subject to investment guidelines incorporated into each firm’s investment management contract.

Actual Asset Allocation

As of June 30, 2010

- Commodities
- Fixed-Income & Cash
- Private Equity
- Real Estate
- International Equity
- Domestic Equity

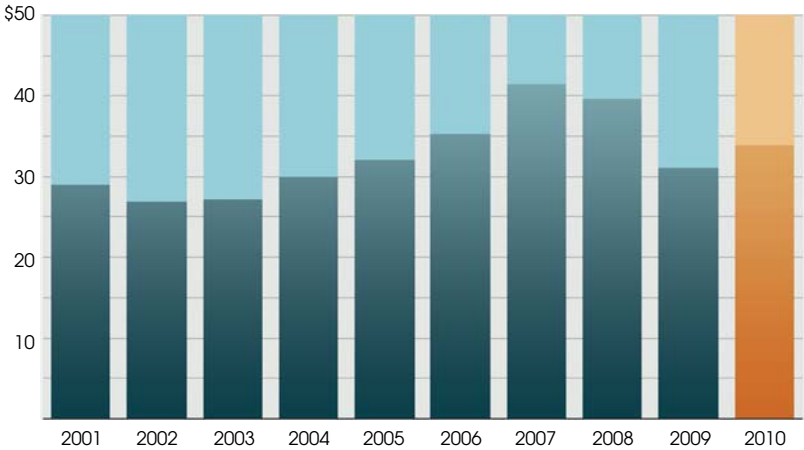


This fiscal year witnessed slow economic growth as unemployment remains high, consumer confidence remains weak, and business spending tepid. The total fund returned 11.6 percent (net of fees) for this fiscal year. LACERA’s five-year and seven-year annualized returns are 3.8 percent and 6.5 percent respectively, net of fees.

Growth of Investments

Last Ten Fiscal Years

(Dollars in Billions)



Funding Status

In order to determine whether Plan Net Assets will be sufficient to meet future obligations, the actuarial funding status needs to be calculated. An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the actuarial liabilities, which are the actuarial present value of all future benefits expected to be paid for each member. The purpose of the valuation is to determine what future contributions by the members and the County of Los Angeles are needed to pay all expected future benefits.

LACERA's independent actuary, Milliman, Inc., performed an actuarial valuation as of June 30, 2009 and determined the funded ratio of the actuarial assets to the actuarial accrued liability is 88.9 percent. For the fiscal year ending 2009, LACERA's investment returns were significantly less than the assumed rate of 7.75 percent.

The large recognized asset loss for 2009 had the largest impact of any factor affecting the 2009 valuation results. It is Milliman's opinion that LACERA continues in sound financial condition as of the June 30, 2009 actuarial valuation.

Valuation Date	Funded Ratio
June 30, 2005	85.8%
June 30, 2006	90.5%
June 30, 2007	93.8%
June 30, 2008	94.5%
June 30, 2009	88.9%

LACERA Membership

As of June 30, 2010

	2010	2009	2008
Service Retirement	37,398	36,437	35,868
Disability Retirement	8,990	8,996	9,018
Survivors	7,783	7,636	7,464
Total Retired Members	54,171	53,069	52,350
Active Members	94,410	95,788	94,492
Terminated Vested/Deferred	7,938	8,051	11,834
Total Membership	156,519	156,908	158,676

	2007	2006
Service Retirement	34,965	34,594
Disability Retirement	9,045	9,064
Survivors	7,382	7,200
Total Retired Members	51,392	50,858
Active Members	92,096	88,631
Terminated Vested/Deferred	7,911	7,459
Total Membership	151,399	146,948



We See Beyond Today

We see a forward-thinking association... an organization that embraces the infinite scope of its mission... an organization geared to provide the promised benefits, now and throughout the century. With a Fund structured on a long-term investment horizon, and an array of service options focused on positioning members to gain the greatest available advantage when they eventually retire, we see a retirement system with a panoramic perspective. As the role of technology escalates, we see an organization that securely incorporates advanced technology at every opportunity to continually enhance the quality and scope of the services it provides.



We see a retirement system focused on today and committed to tomorrow.

Award for Outstanding Achievement in Popular Annual Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to LACERA for its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2009. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious international award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. LACERA's PAFR has received a GFOA Award for the last twelve consecutive years. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA for consideration.



The 2010 Annual Report was designed by LACERA's Communications Division.
All photos are of L.A. County employees.



Members of the Board of Retirement

CHAIR

Les Robbins

Appointed by the
Board of Supervisors
Term expires 12-31-12

VICE CHAIR

Simon S. Russin

Elected by General Members
Term expires 12-31-12

SECRETARY

Yves Chery

Elected by General Members
Term expires 12-31-11

MEMBER

Mark J. Saladino

Treasurer and Tax Collector
Ex-officio Member

MEMBER

Edward L. Blecksmith

Appointed by the
Board of Supervisors
Term expires 12-31-10

MEMBER

William de la Garza

Elected by Retired Members
Term expires 12-31-11

MEMBER

Edward "Ed" C. Morris

Alternate Member
Elected by Retired Members
Term expires 12-31-11

MEMBER

William R. Pryor

Elected by Safety Members
Term expires 12-31-10

MEMBER

Vacant

Alternate Member
Elected by Safety Members
Term expires 12-31-10

MEMBER

Vacant

Appointed by the
Board of Supervisors
Term expires 12-31-11

MEMBER

Vacant

Appointed by the
Board of Supervisors
Term expires 12-31-11

Members of the Board of Investments

CHAIR

Herman Santos

Elected by General Members
Term expires 12-31-12

VICE CHAIR

John M. Barger

Appointed by the
Board of Supervisors
Term expires 12-31-11

SECRETARY

Diane A. Sandoval

Elected by Retired Members
Term expires 12-31-11

MEMBER

Mark J. Saladino

Treasurer and Tax Collector
Ex-officio Member

MEMBER

William R. Pryor

Elected by Safety Members
Term expires 12-31-10

MEMBER

Simon S. Russin

Elected by General Members
Term expires 12-31-11

MEMBER

Michael S. Schneider

Appointed by the
Board of Supervisors
Term expires 12-31-11

MEMBER

Leonard Unger

Appointed by the
Board of Supervisors
Term expires 12-31-10

MEMBER

Estevan R. Valenzuela

Appointed by the
Board of Supervisors
Term expires 12-31-12

Financial Report Issued by:

Gregg Rademacher, Chief Executive Officer

Janice Golden, Assistant Executive Officer

Robert R. Hill, Assistant Executive Officer



Mixed Sources

Product group from well-managed
forests, controlled sources and
recycled wood or fiber
www.fsc.org Cert no. SGS-COC-001005
© 1996 Forest Stewardship Council

Fiscal Year Ended
June 30, 2010
**Popular Annual
Financial Report**

How We See It...

LACERA

300 N. Lake Avenue Pasadena, CA 91101
626-564-6000 lacera.com