



We continue to employ
solid investment and
business strategies designed to serve
the **best interests** of our
members and their beneficiaries.

PROTECT

INVESTMENTS

Standards of “Care, Skill, Prudence, and Diligence” Guide Fund Management

Pursuant to strict guidelines set forth by our Board of Investments (BOI), Fund assets are invested in conformity with recognized standards of care, skill, prudence, and diligence. Under the BOI policy of Corporate Governance, external investment managers are subject to ongoing scrutiny and regular review by LACERA’s Investment Staff, as well as the BOI.

CUSTOMER SERVICE

We Are the Guardians of Our Members’ Futures

The lifetime benefits provided by LACERA retirement plans deliver more than financial security; they afford our retirees and their beneficiaries the emotional security created by knowing their benefits will never run out. To ensure accurate administration of those benefits, we maintain an expert staff of internal auditors and quality assurance specialists.



INVESTMENT SECTION
Independent Consultant's Report

September 11, 2009

Board of Investments
 Los Angeles County Employees Retirement Association
 Gateway Plaza
 300 North Lake Avenue, Suite 850
 Pasadena, CA 91101



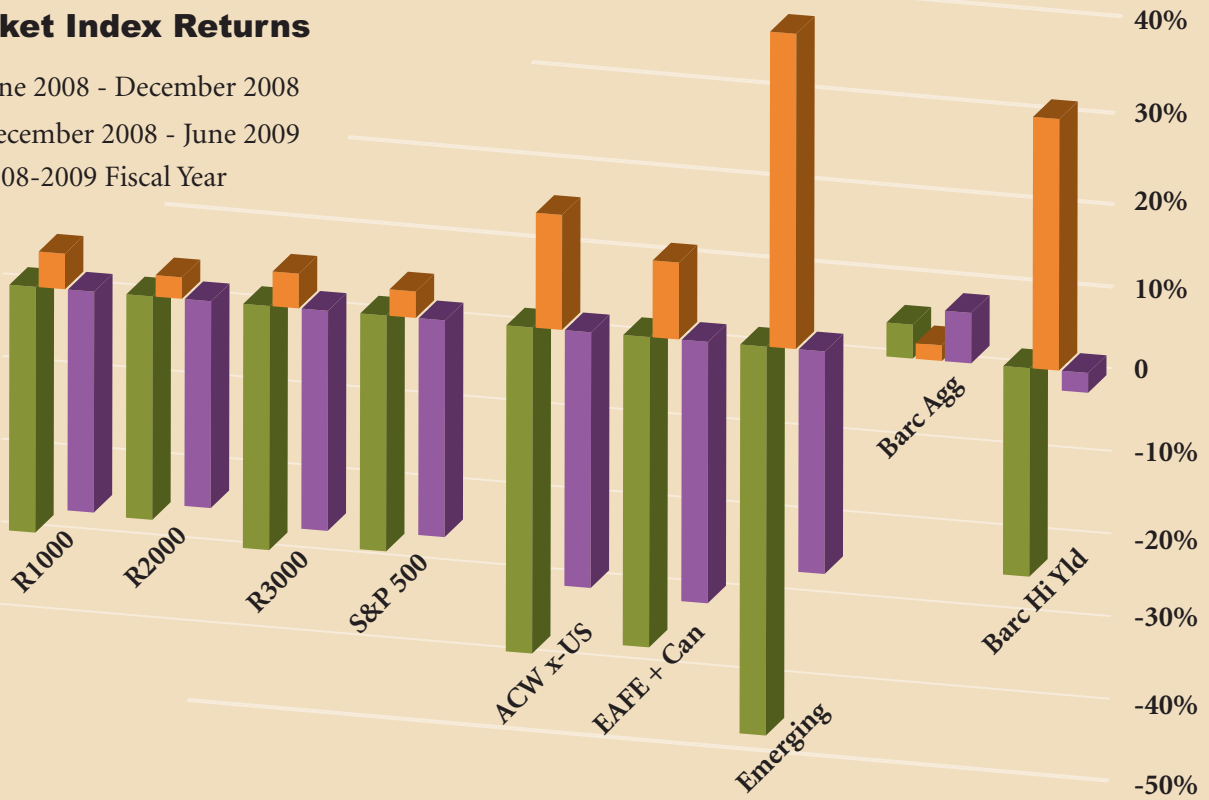
Dear Board Members:

Wilshire Associates Incorporated (Wilshire), investment consultant to the Los Angeles County Employees Retirement Association (LACERA), is pleased to present this review of LACERA's investment performance over the past year. The fiscal year ending June 30, 2009 may be characterized as an extraordinary period of volatility in the capital markets. Public equity market returns in the second half of 2008 experienced one of the worst periods of performance since the 1930's. Additionally, fixed income markets experienced a credit crisis followed by a liquidity crisis that severely impacted returns of bonds with credit exposure. Both equity and fixed income markets improved considerably in the second quarter of 2009.

The graph below highlights capital market conditions for various periods during the fiscal year ending June 30, 2009.

Market Index Returns

- June 2008 - December 2008
- December 2008 - June 2009
- 2008-2009 Fiscal Year



Annual Consultant Review

LACERA's 2009 fiscal year total fund performance trailed the total fund policy benchmark by 379 basis points (3.79 percent). The total fund return of -18.2 percent (gross of fees) ranked in the 73rd percentile of the Wilshire Public Funds Plan Sponsor Universe, while the -14.4 percent return of the policy benchmark ranked in the 40th percentile. The Universe, comprised of 133 public funds, had a one-year median return of -15.1 percent. For the three-year period ending June 30, 2009, the total fund return of -1.3 percent lagged the -0.3 percent return of the policy benchmark by 107 basis points (1.07 percent). The total fund return ranked in the 38th percentile of the Wilshire Public Funds Plan Sponsor Universe, while the policy ranked in the 24th percentile. The three-year median fund return was -2.2 percent. Over the five-year period ending June 30, 2009, the total fund return of 3.9 percent ranked in the 5th percentile of the Wilshire Public Funds Plan Sponsor Universe and trailed the 4.2 percent policy return by 36 basis points (0.36 percent); the policy return ranked in the 2nd percentile of the Public Funds Plan Sponsor Universe. The five-year median fund return was 1.8 percent.

During fiscal year 2009, the LACERA Investment Staff and Wilshire have worked cooperatively to address goals and implement ideas designed to improve the investment program. Among the projects completed or currently underway are:

- Implementation of Performance Reporting
- Asset/Liability Analysis
- Fixed Income Investment Structure Analysis
- Iran-Free Index Analysis
- Review of Investment Policy Statement

We look forward to the successful accomplishment of the ongoing implementation plans of LACERA.

Sincerely,



William G. Bensus, Jr., CFA
Managing Director

WILSHIRE ASSOCIATES INCORPORATED
210 Sixth Avenue, Suite 3720, Pittsburgh, PA 15222
TEL 412.434.1580 FAX 412.434.1584 www.wilshire.com

INVESTMENT SECTION

Chief Investment Officer's Report

Chief Investment Officer's Report

As of June 30, 2009

Investment Policy

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

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

The assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the pension fund. LACERA employs Modern Portfolio Theory principles that recognize higher levels of investment risk are expected to be rewarded with higher returns in the long run. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification to meet this objective. These activities are executed in a manner that serves the best interests of LACERA members.

Asset Allocation

A pension fund's strategic asset allocation policy is generally recognized to have the most impact on investment performance. The asset allocation policy determines a fund's optimal long-term asset class mix (target allocation). This Policy is expected to achieve a specific set of investment goals such as risk and return objectives. The Policy also establishes ranges around the optimal target asset class mix which act as a trigger for reallocating assets to ensure adherence to target weights.

The BOI last reviewed the Fund's Asset Allocation Policy in fiscal year 2008/2009. The following factors were considered in establishing this Policy:

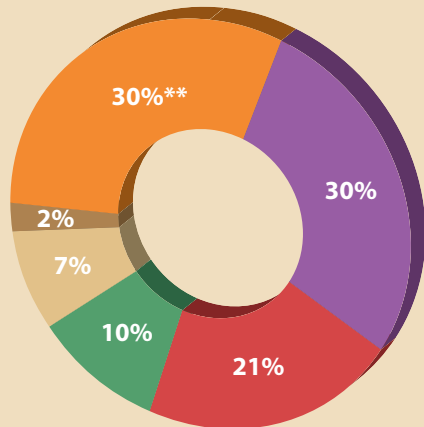
- Projected actuarial assets, liabilities, benefit payments, and contributions
- Expected long-term capital market risk and return targets
- Expected future economic conditions, including inflation and interest rate levels
- LACERA's current and projected funding status



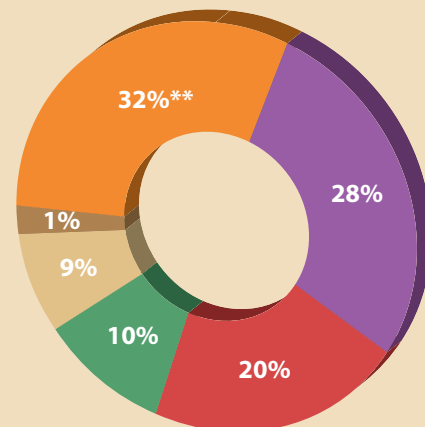
Lisa Mazzocco
Chief Investment Officer

The following graphs display LACERA's actual and target asset allocations as of fiscal year-end June 30, 2009. As shown, the allocations are within BOI-approved Policy ranges.

2009 Target Asset Allocation



2009 Actual Asset Allocation*



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

*The 2009 Actual Asset Allocation is based upon the Investment Summary in this Section.

**Cash may include Corporate and Government Bonds, Certificates of Deposit, and Overnight Deposits.

The BOI implements the asset allocation plan by hiring investment managers to invest assets on LACERA's behalf, subject to investment guidelines. LACERA's investment staff closely monitors manager activities and assists the BOI with the implementation of investment policies and long-term investment strategies.

Economic and Market Review

The credit crisis, which began with turmoil in the housing market, was considered a year old in the summer of 2008. The events that subsequently transpired, however, were unlike those witnessed by anyone in a generation. In a matter of one short month last autumn, the country's financial markets and institutions were dramatically altered. The fallen included financial stalwarts such as: Merrill Lynch, Fannie Mae, Freddie Mac, Lehman Brothers, and insurance giant American International Group.

To avert another Great Depression, the Federal Reserve (Fed) took unprecedented action. It lowered the Federal Funds interest rate to a range of 0 to 25 basis points for the first time in history. It also instituted numerous rescue programs such as the Term Asset-Backed Securities Loan Facility (TALF) and the Commercial Paper Funding Facility to revive the seriously ailing credit markets. These programs were in addition to the legislative action initiated by the U.S. Treasury to create the Troubled Asset Relief Program (TARP).

During this historical period, credit markets seized up, curtailing new financial lending and essentially halting all commercial activity. Business investment contracted sharply and executives responded by laying off employees and subsequently cutting back production. Falling home prices, plunging stock values, and increasing unemployment resulted in plummeting consumer confidence.

INVESTMENT SECTION

Chief Investment Officer's Report

When investors realized how seriously the financial crisis would impact future economic growth and corporate earnings, stock markets around the world dropped precipitously. For the fiscal year ended June 2009, the Russell 3000 Index, a broad-based measure of the U.S. stock market, returned -26.6 percent. While this return is terrible, in the broader context of volatility experienced during this period, it could have been worse. For example, the Russell 3000 Index declined almost 18 percent in October 2008 alone. Moreover, the calendar year 2008 return (-37.3 percent) was one of the worst returns in stock market history.

Although the credit crisis started in the United States, it quickly engulfed world markets. The broad-based world equity benchmark, the Morgan Stanley Capital International-All Country World Investable Market Index excluding the United States (MSCI ACWI), tumbled 30.5 percent for the fiscal year ended June 2009. Contrasted with prior crises, emerging markets fared slightly better, as the MSCI Emerging Markets Index Investable Market Index fell 26.9 percent. Prospects of stronger economic growth and limited exposure to the credit crisis were the primary reasons for this better relative performance.

Fixed income securities, which are typically considered low risk relative to equities, experienced unprecedented volatility. Investors flocked to the safe haven of Treasuries and sold bonds with any perceived credit risk. For example, during calendar year 2008, Treasuries returned 13.7 percent while high quality corporate bonds returned -4.9 percent, an astounding 18.6 percent return difference. For the fiscal year ended June 2009, the Barclays Capital Aggregate Bond Index (BC Bond Index) returned 1.90 percent.

In early March 2009, as Fed actions started to take effect and investors realized the financial world was not coming to an end, investors' aversion to risk began subsiding. Both stock and bond markets rallied strongly. From March 9, 2009, through July 31, 2009, the Russell 3000 was up almost 50 percent.

In the bond market from March 9, 2009 to July 31, 2009, the BC Bond Index returned 4.8 percent. In contrast with calendar year 2008, however, high quality corporate bonds generated a 16.3 percent return while Treasuries are down 1.2 percent. Another sign of investors' increased appetite for risk was shown by the CCC high yield bonds which earned 71.1 percent compared with losing almost 45 percent last year.

Subtle signs of economic growth coupled with Fed Policies have begun to reestablish investors' confidence. The challenge is determining the sustainability of any economic recovery: will it be a sharp rebound, a double dip, or tepid growth? Prior history is not the best guide; more recent recessions were not preceded by a severe credit crisis. Until clear signs of economic recovery and earnings growth appear, guarded optimism is appropriate with the expectation of volatile markets in the interim.

In the end, it was a year for the record book.

Summary of Performance

As the credit crisis deepened, there were few safe havens for institutional investors. Furthermore, traditional Modern Portfolio Theory, which advocates the benefits of diversification by employing multiple asset classes, did not work in this systemic crisis.

As a result, LACERA was significantly impacted, as the Fund's return dropped 18.2 percent for the fiscal year ended June 2009. The Fund also lagged its Policy benchmark, which returned -14.4 percent. While this one-year return is disappointing, in four of the last five fiscal years prior to this year, LACERA's Fund generated positive double digits returns.

LACERA's fixed income portfolio was the best performing asset class for the fiscal year, earning 4.1 percent. This return, while respectable from an absolute perspective, trailed both the Fund's custom benchmark and BC Bond Index, which returned 5.8 percent and 6.0 percent, respectively. The Fund's limited exposure to U.S. Treasuries was the primary reason for this underperformance.

The domestic and non-U.S. stock portfolio returns closely tracked their assigned benchmarks, although both sustained large absolute losses. LACERA's domestic equity portfolio declined 26.3 percent, but exceeded its Russell 3000 benchmark by 30 basis points. The non-U.S. equity portfolio lagged its MSCI ACWI benchmark by 30 basis points. Both portfolios are structured to minimize risk relative to their respective benchmarks.

Last fiscal year, commodities were the Fund's best performing asset class. This year, commodities were the poorest performing asset class, returning -47.7 percent. This return also underperformed the Policy benchmark, the Dow Jones-UBS Commodity Index, by 60 basis points. Investor concern about global economic growth resulting from the credit crisis caused a sharp sell-off of all commodities.

Private market valuations lag public markets by one quarter. These asset classes (real estate and private equity) were not immune to the crisis despite their illiquid, long-term characteristics. LACERA's real estate and private equity portfolios returned -19.1 percent and -23.5 percent, respectively. At this juncture, it is anticipated the majority of the markdowns have been reflected in the current valuations.

LACERA's custodian, BNY Mellon, calculated the Fund's public market and total fund returns. LACERA's consultant for real estate (The Townsend Group) and private equity (Credit Suisse Customized Fund Investment Group) calculated their respective private market returns. The asset class performance figures are time-weighted rates of return. Total Fund performance is based on the weighted average returns of the asset classes.

Consistent with its fiduciary duty, the BOI continues to evaluate and adopt new investment opportunities, when appropriate. Key items accomplished during the year included:

- Adoption of a new asset allocation policy which created a global equity allocation rather than separate allocations for domestic and non-U.S. equity portfolios.
- Adoption of a new fixed income benchmark, the Barclays U.S. Universal Index.
- Adoption of a new real estate benchmark, NCREIF Property Index.
- Review and update of the Fund's Investment Policy Statement.
- Implementation of the third part of the new Private Equity program structure resulting in the selection of a new fund manager to invest in middle market private equity firms.

INVESTMENT SECTION

Chief Investment Officer's Report

Conclusion

LACERA's BOI and Investment Staff will remain diligent when evaluating new investment opportunities while carefully considering the potential risks associated with these strategies. On behalf of LACERA's Investment Staff, I welcome this opportunity to serve the BOI and the Plan's participants by prudently investing the Fund's assets to ensure long-term success.

Respectfully submitted,

Lisa Mazzocco

Lisa Mazzocco
Chief Investment Officer

Investment Summary
For the Year Ended June 30, 2009

(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Domestic Equity and Convertibles	\$ 8,760,407	28.3%
International Equity	6,093,675	19.7%
Total Equities and Convertibles	14,854,082	48.0%
Short-Term Investments	786,691	2.5%
Mortgages	237,041	0.8%
Subtotal Short-Term and Mortgages	1,023,732	3.3%
U.S. Government and Agency Instruments	3,216,278	10.4%
Domestic Corporate Fixed Income	4,949,034	16.0%
International Fixed Income	46,288	0.2%
Private Placement Fixed Income	565,103	1.8%
Subtotal U.S. Instruments and Fixed Income	8,776,703	28.4%
Total Fixed Income	9,800,435	31.7%
Private Equity	2,815,826	9.1%
Real Estate and Title Holdings	3,057,774	9.9%
Commodities	389,940	1.3%
Total Investments	\$ 30,918,057	100.0%

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Investment Results Based on Fair Value*

As of June 30, 2009

	Annualized		
	Current Year	3-year	5-year
Domestic Equity	-26.3%	-8.6%	-2.1%
Benchmark: Russell 3000	-26.6	-8.3	-1.8
International Equity	-30.8	-5.5	4.7
Benchmark: MSCI ACWI X U.S. IMI	-30.5	-5.6	4.6
Fixed Income	4.1	5.3	4.8
Benchmark: Fixed Income Custom Index ¹	5.8	6.3	5.2
Benchmark: Barclays U.S. Universal Index ¹	4.9	5.9	5.0
Real Estate ²	-19.1	2.1	8.3
Benchmark: NPI minus 25 bps ³	-14.9	3.9	9.2
Private Equity ²	-23.5	7.4	14.2
Benchmark: Private Equity Target Return	2.7	2.7	2.7
Commodities	-47.7		
Benchmark: DJ-UBS Commodity Index	-47.1		
Total Fund (Gross of Fees)	-18.2	-1.3	3.9
Total Fund (Net of Fees)	-18.3	-1.5	3.6
Total Fund Policy Benchmark⁴	-14.4	-0.3	4.2

*Asset class returns are calculated based on time-weighted rates of return; Total Fund performance is calculated based on the weighted average returns of the asset classes.

¹Inception to 3/31/09: A combination of the Barclays U.S. Aggregate Bond Index and the Barclays U.S. High Yield Ba/B Index. The weights have varied over time, but as of 9/30/06, the mix was 93% Aggregate and 7% High Yield. 3/31/09 to Present: 100% Barclays U.S. Universal.

²One Quarter in arrears.

³The Real Estate benchmark was changed to the NCREIF Property Index (NPI) minus 25 bps beginning with the 06/30/09 performance results.

⁴The Total Fund Policy Benchmark has been revised historically for the new Real Estate benchmark returns.

Largest Equity Holdings (by Fair Value)

As of June 30, 2009

(Dollars in Thousands)

Shares	Description	Fair Value
607,416	Exxon Mobil Corporation	\$ 42,464
1,052,760	Microsoft Corporation	25,024
921,642	AT&T, Inc.	22,894
396,094	Johnson & Johnson	22,498
2,606,738	DBS Hldgs Sgd1	21,252
413,883	Proctor & Gamble Company	21,149
393,020	Wal-Mart Stores, Inc.	19,038
743,939	Royal Dutch Shell	18,574
532,580	JPMorgan Chase & Company	18,166
169,144	IBM Corporation	17,662

Largest Fixed Income Holdings (by Fair Value)

As of June 30, 2009

(Dollars in Thousands)

Par	Description*			Fair Value
65,000,000	Commit to Pur FNMA SF Mtg	5.500%	08/01/2039	\$65,306
61,300,000	Commit to Pur FNMA SF Mtg	6.000%	07/01/2039	64,059
63,483,000	U.S. Treasury Note	3.125%	05/15/2019	61,420
54,600,000	Commit to Pur FHLMC Gold SFM	5.500%	08/01/2039	56,153
46,344,000	U.S. Treasury Note	2.625%	06/30/2014	46,504
40,339,000	U.S. Treasury Note	2.250%	05/31/2014	39,810
36,760,000	U.S. Treasury Note	4.000%	08/31/2009	36,998
35,506,164	Small Business GTD 08-910B 1	5.944%	08/10/2018	36,738
34,621,342	U.S. Treas-CPI Inflation Index	1.875%	07/15/2013	35,552
61,100,000	U.S. Treas BD Strip Prin Pmt		11/15/2021	35,436

*A complete list of portfolio holdings is available upon request.

INVESTMENT SECTION

Schedule of Investment Management Fees

For the Years Ended June 30, 2009 and 2008

(Dollars in Thousands)

	2009	2008
Investment Activity:		
Equity Managers		
Domestic	\$ 11,770	\$ 18,570
International	9,476	13,303
Subtotal	21,246	31,873
Fixed Income Managers	14,674	15,846
Cash and Short-Term Managers	500	627
Mortgage Loan Servicers	579	676
Private Equity Managers	4,589	4,409
Real Estate Managers	56,073	52,917
Commodity Managers	1,256	1,096
Total Fees from Investment Activity	98,917	107,444
Securities Lending Activity:		
Management Fee	1,338	1,644
Total Investment Management Fees	\$100,255	\$109,088

Cash & Short-Term

Western Asset Management Company

Equities – Domestic

American Century Investment Management, Inc.
Barclays Global Investors, N.A.
Delta Asset Management
Eagle Asset Management, Inc.
FIS Group, Inc.
Frontier Capital Management, LLC
Goldman Sachs Asset Management, LP
INTECH Investment Management, LLC
Northern Trust Global Advisors, Inc.
Relational Investors, LLC
Shamrock Capital Advisors, Inc.
Stinson Capital Partners, LLP
Twin Capital Management, Inc.
Western Asset Management Company
Westwood Management Corporation

Equities – International

Acadian Asset Management, LLC
Barclays Global Investors, N.A.
Batterymarch Financial Management, Inc.
Capital Guardian Trust Company
GAM International Management, Ltd.
Genesis Investment Management, LLP

Fixed Income

Barclays Global Investors, N.A.
BlackRock Financial Management, Inc.
Dodge & Cox
Dolan McEniry Capital Management, LLC
Goldman Sachs Asset Management, LP
GW Capital, Inc.
LM Capital Group, LLC
Loomis, Sayles & Company, LP
Oaktree Capital Management, LP
Pacific Investment Management Company (PIMCO)
PENN Capital Management Company, Inc.
Post Advisory Group, LLC
Principal Global Investors, LLC
Pugh Capital Management, Inc.
Wells Capital Management
Western Asset Management Company

Private Equity

Adams Street Partners
Credit Suisse CFG
GTB Capital Partners, LP
HarbourVest International Private Equity Partners
Invesco Private Capital, Inc.
Knightsbridge Advisers, Inc.

Real Estate

AIG Global Real Estate
Capmark Investments, LP
Capri Capital Advisors, LLC
CB Richard Ellis
CityView
Cornerstone Real Estate Advisers, LLC
Emmes Asset Management Company, LLC
Europa Capital
European Investors
Invesco Institutional NA, Inc.
LaSalle Investment Management, Inc.
Phoenix Realty Group, LLC
RREEF America, LLC
TA Associates Realty
The Carlyle Group
TriPacific Capital Advisors, LLC
Urban America, LP

Mortgage Loan Servicer

Chase Home Finance, LLC
CitiMortgage, Inc.
GMAC Mortgage Corporation

Commodities

NB Alternative Fund Management, LLC
Pacific Investment Management Company (PIMCO)

Securities Lending Program

The Bank of New York Mellon Cash Investment
Strategies
The Bank of New York Mellon Global Securities
Lending
Goldman Sachs & Company
Wachovia Global Securities Lending