



LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

Portfolio Performance Review

Quarter Ending March 31, 2012



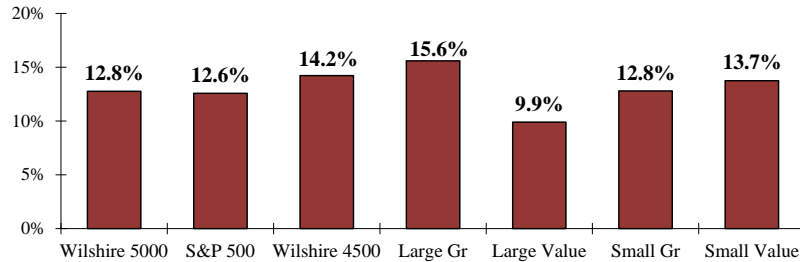
LACERS

LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

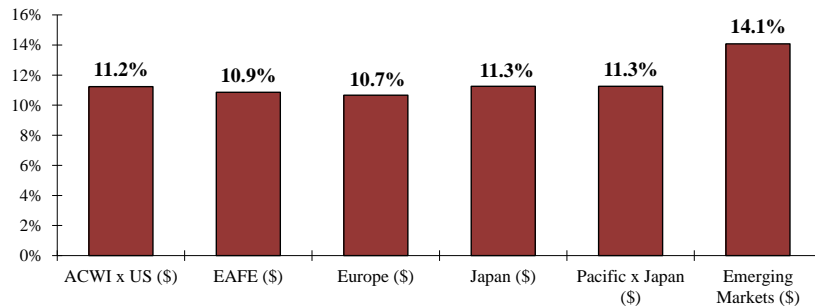
Executive Summary

Market and Economic Review

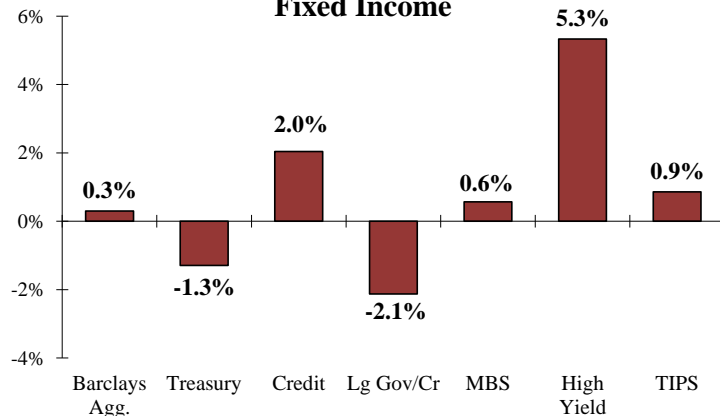
U.S. Equity



Non U.S. Equity



Fixed Income



- Equity markets continued their double digit rally from 4Q11, fueled by the signs of an improving U.S. economy and optimism about the unfolding of European debt crisis
- U.S. GDP posted an annualized growth rate of 2.2% in 1Q12, a decrease from 3.0% in 4Q11
- Unemployment rate continued to drop in 1Q12 to 8.2%, compared to 8.5% in 4Q11
- Consumer Price Index climbed to 1.7% for the quarter, a significant increase from -0.5% in 4Q11
- Fed Funds Rate remained unchanged at the range of 0% to 0.25%
- All major non-U.S. markets had positive returns for the quarter, with Emerging Markets performing the best
- U.S. dollar strengthened against the Japanese Yen, but weakened against the Euro and the U.K. Pound
- U.S. yield curve increased for all maturities compared to 4Q11
- Investors rotated into higher risk assets and were net sellers of U.S. Treasuries. This event caused U.S. Treasuries, especially those with longer term maturities, to underperform
- High Yield was the best performing sector of fixed income market

Performance Overview

- *LACERS investment portfolio ended the 1st quarter with a market value of \$10.9 billion, up \$0.7 billion from the previous quarter. The Fund's net of fee return was 8.1% for the quarter and 3.7% for the one-year period.*
- *The Total Fund underperformed its policy benchmark by 0.5% for the quarter and by 1.8% for the one-year period.*
- *In a comparison to other public funds with market values greater than \$1 billion in TUCS (Trust Universe Comparison Service), LACERS ranked in the 25th percentile for the quarter and in the 55th percentile for the one-year period.*
- *All asset classes produced positive returns in the 1st quarter of 2012.*
- *All publicly traded portfolios outperformed their respective benchmarks for the quarter.*
- *Real Estate and Alternative Investments underperformed their benchmarks by 1.4% and 10.1%, respectively.*

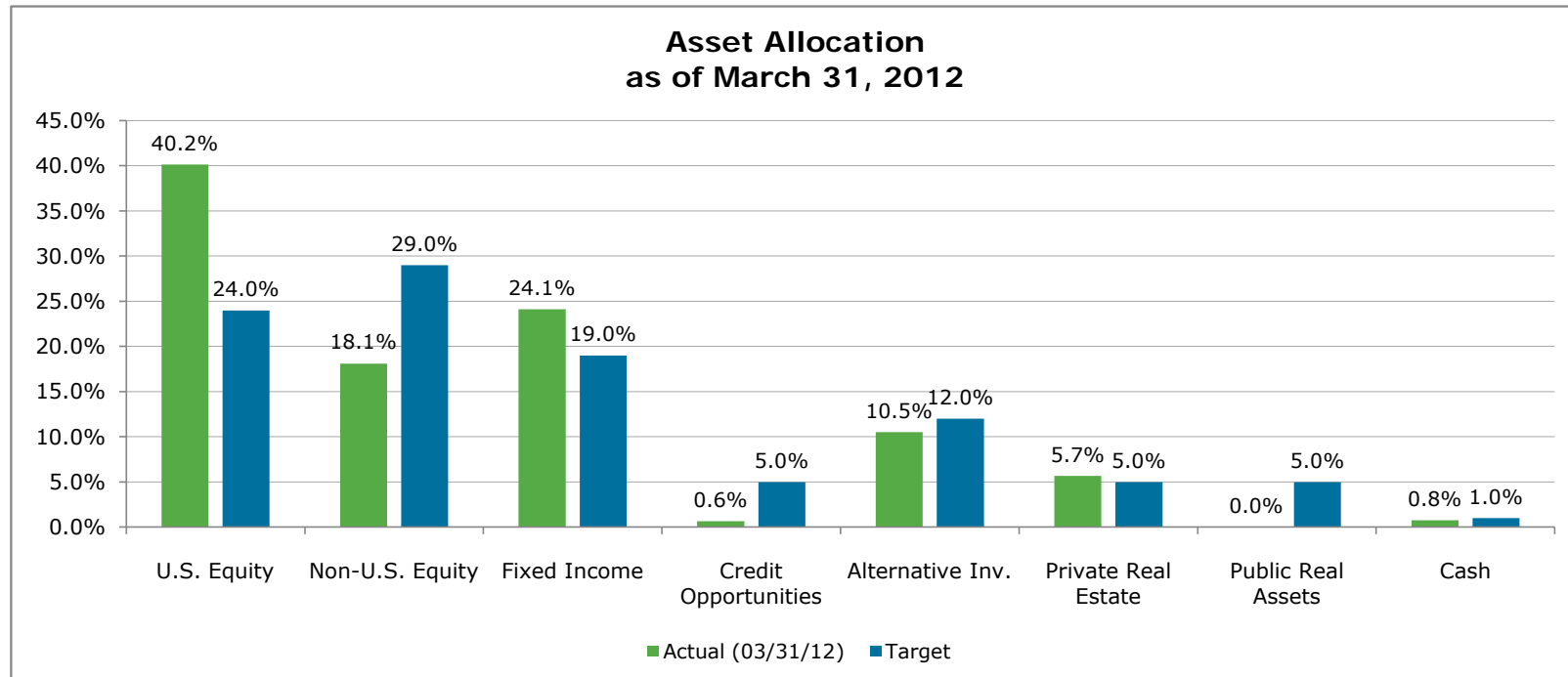
Note: Due to the J-curve effect in early stages of a fund's life, returns may lag prior to realization of proceeds in later years.



LACERS

LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

Fund Overview



	Actual	Target*	Min.	Max
U.S. Equity	40.2%	24.0%	19.0%	29.0%
Non-U.S. Equity	18.1%	29.0%	24.0%	34.0%
Fixed Income	24.1%	19.0%	15.0%	22.0%
Credit Opportunities	0.6%	5.0%	0.0%	10.0%
Alternative Inv.	10.5%	12.0%	n/a	n/a
Private Real Estate	5.7%	5.0%	n/a	n/a
Public Real Assets	0.0%	5.0%	2.0%	8.0%
Cash	0.8%	1.0%	0.0%	2.0%

* Revised 1st Qtr 2012: decrease U.S. Equity from 37% to 29%; increase Non-U.S. Equity from 20% to 29%; decrease Fixed Income from 26% to 19%; allocate 5% in Credit Opportunities; increase Alternative Inv. From 9% to 12%; decrease Private Real Estate from 7% to 5%; allocate 5% in Public Real Assets. The implementation of the new Asset Allocation will be in stages over a period of 18 months.

LACERS Total Fund

(Returns are Gross of Fees)

	Market Value (\$million)	% to Total Fund	Current Quarter	One Year	Three Years	Five Years	Ten Years	Fifteen Years	Since Inception	5 Year Tracking Error
LACERS Master Trust	\$ 10,910	100.0%	8.2	3.9	16.3	2.6	6.5	6.8	8.1	2.5
<i>Policy Benchmark</i>			8.6	5.5	18.2	3.0	6.3	7.1	8.2	
Excess Return			-0.4	-1.6	-1.9	-0.4	0.2	-0.3	-0.1	
US Equity	\$ 4,383	40.2%	13.2	4.7	24.1	1.9	5.0	7.1	9.5	1.4
<i>Russell 3000</i>			12.9	7.2	24.3	2.2	4.7	5.9	8.0	
Excess Return			0.3	-2.5	-0.2	-0.3	0.3	1.2	1.5	
International Equity	\$ 1,977	18.1%	12.0	-6.8	19.3	-1.2	7.5	4.2	4.7	1.7
<i>MSCI ACWI ex US *</i>			11.2	-7.2	19.1	-1.6	7.3	5.5	5.4	
Excess Return			0.8	0.4	0.2	0.4	0.2	-1.3	-0.7	
Total Fixed Income	\$ 2,704	24.8%	1.9	6.9	12.0	7.2	7.0	7.2	7.5	2.7
<i>BC US Universal *</i>			0.9	7.6	7.9	6.2	6.1	6.2	6.5	
Excess Return			1.0	-0.7	4.1	1.0	0.9	1.0	1.0	
Real Estate**	\$ 618	5.7%	1.6	11.7	-9.7	-6.7	3.0	5.4	5.7	10.3
<i>NCREIF Property (Lagged)</i>			3.0	14.3	2.4	3.1	8.1	9.4	9.3	
Excess Return			-1.4	-2.6	-12.1	-9.8	-5.1	-4.0	-3.6	
Alternative Investments**	\$ 1,147	10.5%	3.8	10.0	13.1	8.0	10.9	10.7	9.6	19.9
<i>Russell 3000 + 400 bps</i>			13.9	11.2	28.3	6.2	8.7	9.9	12.0	
Excess Return			-10.1	-1.2	-15.2	1.8	2.2	0.8	-2.4	

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

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

LACERS Total Fund

(Returns are Net of Fees)

	Market Value (\$million)	% to Total Fund	Current Quarter	One Year	Three Years	Five Years	Ten Years	Fifteen Years ¹	Since Inception ¹	5 Year Tracking Error
LACERS Master Trust	\$ 10,910	100.0%	8.1	3.7	16.0	2.4	6.3	6.8	8.1	2.5
<i>Policy Benchmark</i>			8.6	5.5	18.2	3.0	6.3	7.1	8.2	
Excess Return			-0.5	-1.8	-2.2	-0.6	0.0	-0.3	-0.1	
U.S. Equity	\$ 4,383	40.2%	13.1	4.4	23.8	1.7	4.8	7.1	9.5	1.4
<i>Russell 3000</i>			12.9	7.2	24.3	2.2	4.7	5.9	8.0	
Excess Return			0.2	-2.8	-0.5	-0.5	0.1	1.2	1.5	
Non-U.S. Equity	\$ 1,977	18.1%	11.9	-7.1	18.9	-1.6	7.2	4.2	4.7	1.7
<i>MSCI ACWI ex U.S.*</i>			11.2	-7.2	19.1	-1.6	7.3	5.5	5.4	
Excess Return			0.7	0.1	-0.2	0.0	-0.1	-1.3	-0.7	
Total Fixed Income	\$ 2,704	24.8%	1.9	6.6	11.8	7.0	6.9	7.2	7.5	2.7
<i>BC U.S. Universal</i>			0.9	7.6	7.9	6.2	6.1	6.2	6.5	
Excess Return			1.0	-1.0	3.9	0.8	0.8	1.0	1.0	
Real Estate **	\$ 618	5.7%	1.6	11.5	-9.8	-6.9	2.9	5.4	5.7	10.3
<i>NCREIF Property (Lagged)</i>			3.0	14.3	2.4	3.1	8.1	9.4	9.3	
Excess Return			-1.4	-2.8	-12.2	-10.0	-5.2	-4.0	-3.6	
Alternative Investments **	\$ 1,147	10.5%	3.8	10.0	13.1	8.0	10.8	10.7	9.6	19.9
<i>Russell 3000 + 400 bps</i>			13.9	11.2	28.3	6.2	8.7	9.9	12.0	
Excess Return			-10.1	-1.2	-15.2	1.8	2.1	0.8	-2.4	

¹ Indicates gross returns

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

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