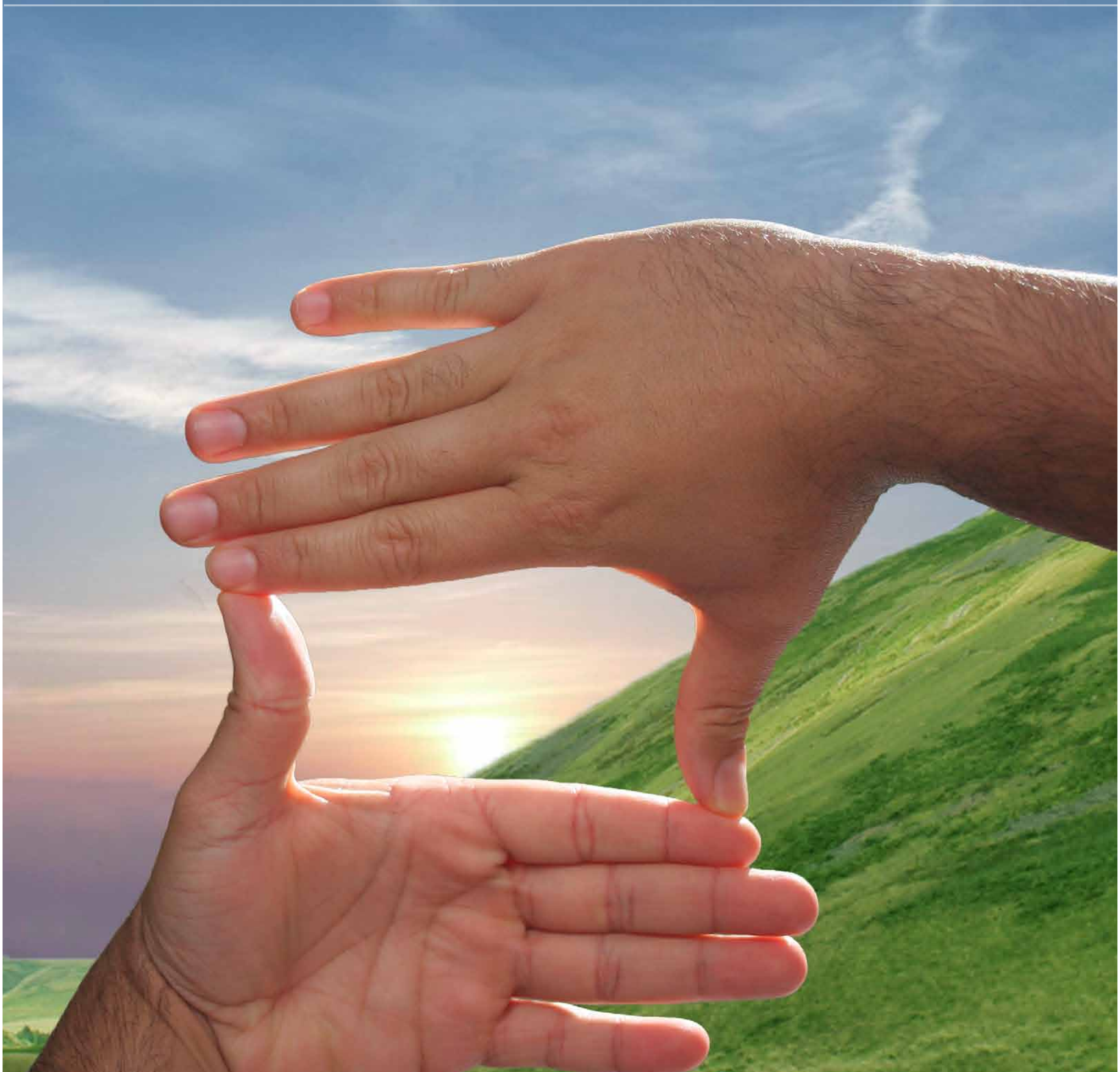
Framing your Future

Alameda County Employees' Retirement Association

A Comprehensive Annual Financial Report for the Year Ended December 31, 2011



A Pension Trust Fund of the County of Alameda and Participating Employers | Oakland, California

Framing your Future

A Comprehensive Annual Financial Report for the Year Ended December 31, 2011

Issued By:

Vincent P. Brown

Chief Executive Officer

ACERA

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
475 14th Street, Suite 1000, Oakland, CA 94612

A Pension Trust Fund of the County of Alameda
(State of California) and Participating Employers

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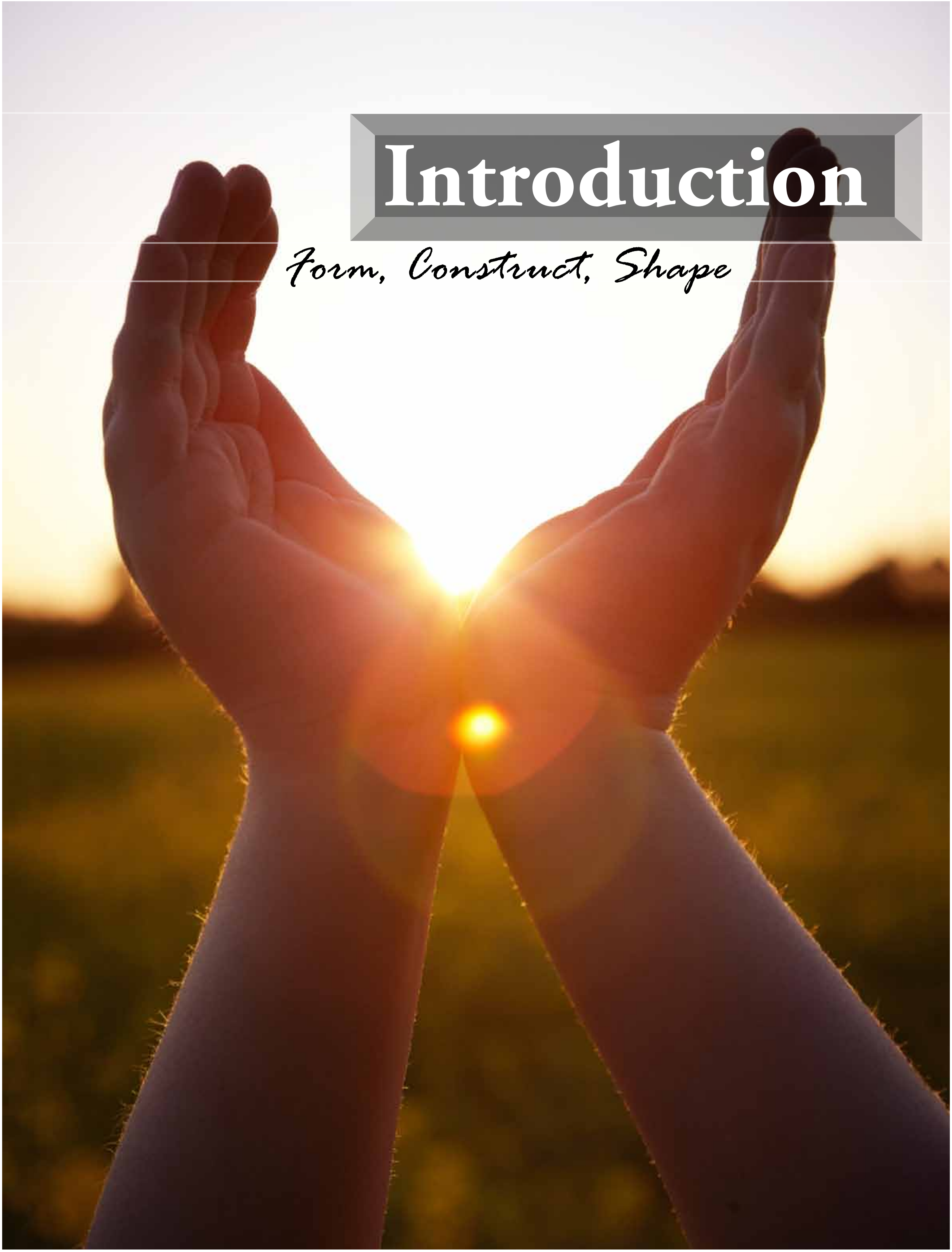
Introduction

Form, Construct, Shape



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

475 14th Street, Suite 1000, Oakland, CA 94612 800/838-1932 510/628-3000 fax: 510/268-9574 www.acera.org

Letter of Transmittal

Dear Board Members:

I am pleased to submit this *Comprehensive Annual Financial Report (CAFR) of the Alameda County Employees' Retirement Association for the Year Ended December 31, 2011.*

This report presents the financial condition of the Pension Plan, the Other Postemployment Medical Benefits (OPEB), and Non-OPEB Benefits, as well as, investment results for the year ended December 31, 2011. It also includes the current actuarial valuation as of December 31, 2010. All data and information presented are accurate and reliable, conform to generally accepted accounting principles, and are free of material misstatements.

ACERA 2011 – OVERVIEW

Mission

ACERA provides members and employers with flexible, cost-effective, participant-oriented benefits through prudent investment management. Under the supervision and direction of the Board of Retirement (the Board), ACERA deploys competent, professional, impartial, and open procedures designed to treat all members fairly and with courtesy and respect. ACERA manages investments, balancing the need for financial security of its members with superior performance.

ACERA and its Services

ACERA was established by the Alameda County Board of Supervisors in 1947 under the County Employees Retirement Law of 1937 (CERL) to provide retirement allowances and other benefits for County employees. ACERA's membership base has increased and now spans the following participating employers:

- Alameda County
- Alameda County Medical Center
- Alameda County Office of Education
- First 5 Alameda County
- Housing Authority of the County of Alameda
- Livermore Area Recreation and Park District
- The Superior Court of California for the County of Alameda

In accordance with the CERL and ACERA's investment policies, ACERA collects and invests employer and member contributions to fund member benefits (including lifetime retirement, disability, and death benefits), pay administration expenses, and offer non-vested benefit programs for select medical, supplemental COLA, and death benefits (subject to annual Board approval under CERL Article 5.5).

Political Developments

In 2011, California public pensions were in the spotlight again with over 60 state bills touching the topic. The proposals in AB 340 (the leading bill that was withdrawn in September) would have had minimal effect on the calculations used to determine retirement benefits but would have greatly increased ACERA's roll in regulating the data used to calculate benefits. More recently, Governor Brown's proposal would require all newly-hired state workers to enroll in a hybrid plan—including a defined contribution component similar to a 401(k)—with a higher retirement age. Contributions for current members would increase under the proposal.

Investment Performance

In the midst of a weak domestic economy and cataclysmic world events (especially in Japan, Thailand, Egypt, and Greece), the market value of ACERA's investments declined by $162.3 million, representing a -0.4% rate of return and ranking ACERA's fund in the 86th percentile for the year ending December 31, 2011. ACERA's annualized rate of return over the last five and ten years was 1.8% and 6.1%, ranking ACERA's fund in the 59th and 15th percentiles, respectively. ACERA's overall investment policy targets a ranking in the top 25th percentile of U.S. public pension funds larger than $100 million.

Financial Reporting

ACERA management is responsible for the accuracy, completeness, and fair presentation of the information in this report. Williams, Adley & Company-CA, LLP provides external audit services to determine whether the financial statements are presented in conformity with generally accepted accounting principles and government auditing standards. The Management Discussion and Analysis (MD&A) Section starting on page 12 provides a thorough analysis of ACERA's operations and financial status.

Actuarial Funding Status

ACERA engages an independent firm to conduct annual actuarial valuations. The Pension Plan's Actuarial Accrued Liability increased from $5,899.3 million in 2009 to $6,162.7 million in 2010 as of December 31. The plan's actuarial value of assets decreased from $4,789.0 million in 2009 to $4,776.1 million in 2010 as of December 31. The Unfunded Actuarial Accrued Liability increased from $1,110.3 million in 2009 to $1,386.6 million in 2010 as of December 31 with the funded ratio decreasing from 81.2% to 77.5%. The Actuarial Section of this report contains a more detailed discussion of the funding requirements.

Supplemental Retiree Benefits Reserve

ACERA administers a Supplemental Retiree Benefits Reserve (SRBR) funded by excess earnings above the assumed actuarial investment rates. As of December 31, 2010 the SRBR held $630.6 million in actuarial value of assets which will fund the current benefit structure until the year 2027 for Postemployment Medical Benefits and 2031 for Non-OPEB Benefits, even if no new excess investment earnings are available.

Membership

ACERA's active membership decreased from 10,849 to 10,746 as the number of retired members receiving pension benefits increased from 7,548 to 7,903. Deferred membership decreased slightly from 1,847 to 1,826. Total membership increased from 20,244 to 20,475.

2011 ACCOMPLISHMENTS

Administration

After conducting a national search, I was hired by the ACERA Board, (from my CEO post at the Santa Barbara County Employees' Retirement System) to become ACERA's new Chief Executive Officer effective July 5, 2011.

Administrative staff efficiency efforts have continued and accomplishments include completion of the Electronic Document Management System (EDMS), a formalized internal audit plan, a revamped budget process, departmental workload analyses, an adjusted reporting structure, a successfully tested business continuity plan, and the in-house production of almost all strategic communications materials.

Investments

During 2011, the Board of Retirement approved a new asset allocation class—Real Return Pool—which is targeted to make up 5% of ACERA's total asset allocation. ACERA made $122.5 million in new commitments to its Private Equity and Alternatives Return Leading Strategy (PEARLS) asset class increasing the total PEARLS allocation to 3.7% of the portfolio (approaching its 10.0% target allocation). ACERA adopted an amended Real Estate Strategic Plan and replaced the NCREIF Property Index (NPI) with the NCREIF Fund Level Open-End Diversified Core Equity Index (ODCE) to improve comparability. ACERA conducted a currency manager search and hired a new currency manager.

The Investment Section of this report details ACERA's investment results, asset allocation, investment holdings, and other investment-related information.

Benefits

Active member service levels were enhanced by fine-tuning the call center and educational sessions; all 2011 seminars and counseling sessions were fully enrolled. Retired members received multimedia training on health and diet through ACERA's Wellness and Disease Management Initiative. ACERA's membership was surveyed to gauge preferences on various SRBR scenarios.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to ACERA for its Comprehensive Annual Financial Report for the year ended December 31, 2010 (see page 5). This was the fifteenth consecutive year ACERA has received this prestigious award.

In addition, ACERA was a second-time winner of the Public Pensions Standards Award from the Public Pension Coordination Council for its professional plan design and administration.

ACKNOWLEDGEMENTS

The compilation of this report reflects the combined effort of ACERA's management and staff under the leadership of the Board of Retirement. This report—and the corresponding Popular Annual Financial Report—are available to members and the general public on ACERA's website at www.acera.org.

Over the past several months, I have been privileged to meet individually with each of ACERA's trustees and managers, as well as with groups of ACERA staff. The dedication of ACERA staff forms the nucleus of our service mission and I wish to express deep gratitude to them for the success of our operation.

Respectfully submitted,

Vincent P. Brown

Vincent P. Brown

Chief Executive Officer

June 7, 2012

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alameda County Employees' Retirement Association, California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Linda C. Davidson

President

Jeffrey R. Esser

Executive Director

ALSO AWARDED EACH YEAR FROM 1996 THROUGH 2009

PPC

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2011

Presented to

Alameda County Employees' Retirement Association

In recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle

Alan H. Winkle
Program Administrator

ALSO AWARDED IN 2010

Members of the Board of Retirement as of January 1, 2012

George Dewey
Chair
Appointed by the Board of Supervisors

Dale E. Amaral
First Vice Chair
Elected by Safety Members

Keith Carson
Second Vice Chair
Appointed by and Member of the Board of Supervisors

Ophelia B. Basgal
Appointed by the Board of Supervisors

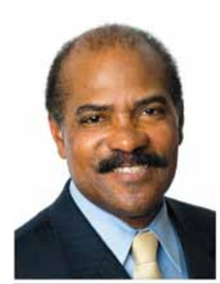
Annette Cain-Darnes
Appointed by the Board of Supervisors

Liz Koppenhaver
Elected by Retired Members

Elizabeth Rogers
Elected by General Members

David M. Safer
Alternate
Elected by Retired Members

Darryl L. Walker Sr.
Alternate
Elected by Safety Members



Donald R. White
Ex-Officio Member
Treasurer-Tax Collector, County of Alameda

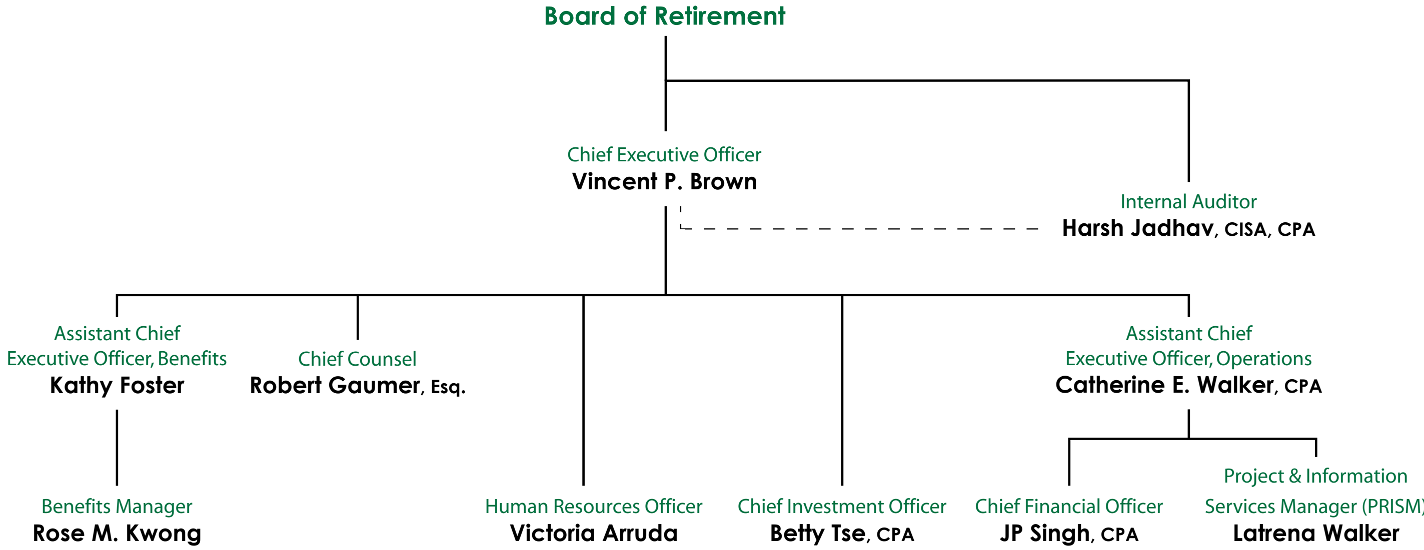
George Wood
Elected by General Members

2011 Board of Retirement

George Wood (***Chair)***, George Dewey (***First Vice Chair)*** , Dale E. Amaral (***Second Vice Chair)***, Ophelia B. Basgal, Annette Cain-Darnes, Keith Carson, Liz Koppenhaver, Elizabeth Rogers, Donald R. White, David M. Safer (***Alternate Retiree)***, Darryl L. Walker, Sr (***Alternate Safety***)

Administrative Organizational Chart

As of December 31, 2011



Professional Consultants[1]

Actuary
The Segal Company[2]

Administration
CPS Human Resources Services

Benefits
Keenan

Woodruff-Sawyer Inc.

Human Resources
Lakeside Group

Independent Auditors
Williams, Adley & Company-CA, LLP

Information Technology
CTG Inc. of Illinois dba Novanis

L.R. Wechsler, Ltd.

Legal
Aiken Welch Court Reporters

Amy Oppenheimer

Barry Winograd

Corporate Executive

DigiStream Investigations

Hanson, Bridgett, LLP

Ice Miller

Manatt, Phelps & Phillips, LLP

Precise Aim Consulting

Reed Smith, LLP

Other Specialized Services
Convergent Consulting

Tobico LLC dba Tobi Designs

1 Investment Professionals are listed on page 74 of this report. Not all of the professional consultants listed above are required to file a Statement of Economic Interests (Form 700) under ACERA's Conflict of Interest Policy.

2 The Segal Company also provides Administration and Benefits consulting services.

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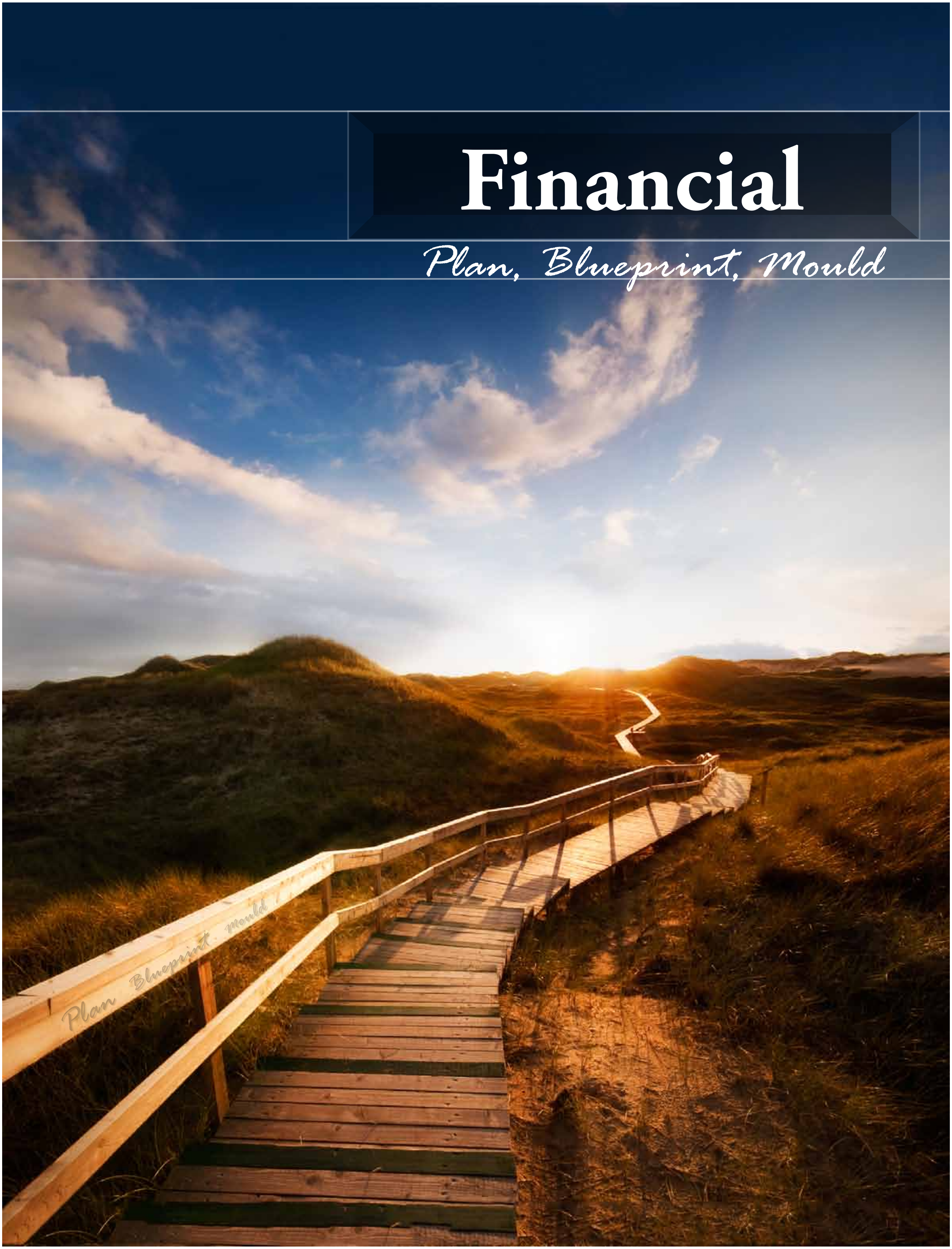
Financial

Plan, Blueprint, Mould



WILLIAMS ADLEY

Independent Auditors' Report

Board of Retirement
Alameda County Employees' Retirement Association
Oakland, California

We have audited the accompanying statement of plan net assets of the Alameda County Employees' Retirement Association (ACERA), as of December 31, 2011, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of ACERA'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 ACERA's 2010 financial statements on which our report dated June 14, 2011, expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ACERA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 plan net assets as of December 31, 2011, and the changes in plan net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in note 1 to the financial statements, ACERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 59, *Financial Instruments Omnibus*.

WILLIAMS, ADLEY & COMPANY-CA, LLP
Certified Public Accountants / Management Consultants
1330 Broadway, Ste. 1825 • Oakland, CA 94612 • (510) 893-8114 • Fax: (510) 893-2603
5 Thomas Mellon Circle, Ste. 104 • San Francisco, CA 94134 • (415) 656-1330 • Fax: (415) 467-6106
www.williamsadley.com

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2012 on our consideration of ACERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12-18 and the schedules of funding progress and employer contributions on pages 48-50 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an 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 audit 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 audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of investment expenses, payments to other consultants, and administration expense on pages 52 and 53, and the introduction, investment, actuarial, and statistical sections, are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules of investment expenses, payments to other consultants, and administration expense 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 audit 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. The introduction, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Williams, Adley & Company-CA, LLP

June 7, 2012

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

475 14th Street, Suite 1000, Oakland, CA 94612 800/838-1932 510/628-3000 fax: 510/268-9574 www.acera.org

Management's Discussion and Analysis

We are pleased to provide this overview and analysis of ACERA's financial position and combined results of its operations for the Pension Plan, the Other Postemployment Benefits (OPEB), and the Non-OPEB Benefits for the year ended December 31, 2011. The information presented here, in conjunction with the Financial Statements and the Notes to the Financial Statements beginning on page 22, provides a fair presentation of ACERA's overall financial position and the results of its operations. This discussion and analysis should be read in conjunction with the Chief Executive Officer's Letter of Transmittal on pages 2 to 4 of this Comprehensive Annual Financial Report.

FINANCIAL HIGHLIGHTS

- ACERA's Net Assets at the close of 2011 were $5.1 billion. These Net Assets are held in trust to meet ACERA's specific ongoing program obligations for Pension, Postemployment Medical Benefits, and Non-OPEB Benefits to plan members and their beneficiaries.
- 2011 ended the year with a $150.1 million, or a 3% decrease in ACERA's Net Assets over the prior year. This 3% decrease was primarily attributable to a decline in investment performance in 2011. ACERA's investments portfolio posted a negative 0.4% investment return.
- As of the December 31, 2010 actuarial valuation, the funded ratio for ACERA's Pension Plan compared to the December 31, 2009 valuation declined from 81.2% to 77.5%. This 3.7% decline is a result of a drop in the market value of assets and increase in actuarial accrued liabilities.
- As of December 31, 2010, the funded ratios for ACERA's Postemployment Medical Benefits and Non-OPEB Benefits were 76.6% and 39.2%, respectively. The Postemployment Medical Benefits funded ratio declined by 0.8% mainly due to lower than expected interest crediting rate/investment return to SRBR. However, the freeze in monthly medical allowance (MMA) helped the OPEB plan funding ratio not to decrease further. The Non-OPEB Benefits funded ratio decreased by 3.7% also due to lower than expected interest crediting rate/investment return to SRBR.
- As of December 31, 2010, the date of the actuarial valuation used in the 2011 CAFR, there were no changes in the actuarial economic assumptions. The actuarial investment rate of return continued at 7.9%, the inflation rate at 3.5% and across-the-board salary increases at 0.5%.
- ACERA had $263.4 million of unrecognized investment losses representing 5.0% of the market value of assets as of the December 31, 2010 actuarial valuation date. These losses will be recognized in determining the actuarial value of assets for funding purposes over the next five years. Unless offset by future investment gains in excess of the 7.9%

actuarially assumed net rate of investment return per year or other favorable actuarial experience, these losses are expected to result in higher future employer contribution rates.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to ACERA's Basic Financial Statements, which include the following four components:

- Statement of ACERA's Net Assets
- Statement of Changes in ACERA's Net Assets
- Notes to the Basic Financial Statements
- Required supplementary schedules and supporting schedules

The Basic Financial Statements report the components of ACERA's Net Assets held in trust for member benefits (ACERA's Net Assets), the components of the changes in these Net Assets (additions and deductions), along with explanatory notes to the Basic Financial Statements. These Basic Financial Statements include separate columns for ACERA's Pension Plan, Postemployment Medical Benefits, and Non-OPEB Benefits. In addition to the Basic Financial Statements, this report contains required supplementary information and supporting schedules intended to assess the historical context of ACERA's progress in meeting benefit obligations through funding of contributions and investment income.

The *Statement of ACERA's Net Assets* on page 19 shows a snapshot of account balances at year-end. It indicates the assets available for future benefit payments as well as current liabilities outstanding at year end.

The *Statement of Changes in ACERA's Net Assets* on pages 20 and 21 provides a summary view of the additions to and deductions from ACERA's Net Assets that occurred over the course of the year.

The financial statements include all assets and liabilities, using the accrual basis of accounting, in compliance with Generally Accepted Accounting Principles, similar to the accounting method used by most private-sector companies. All of the year's asset additions and deductions are taken into account regardless of when the corresponding cash is received or paid. All investment purchases and sales are reported as of the trade date. Investments are reported at current fair value. Both realized and unrealized investment gains and losses are recognized. Each depreciable component of capital assets is depreciated over its useful life.

Notes to the Basic Financial Statements on pages 22–47 provide additional information essential to a full understanding of the Basic Financial Statements.

Required Supplementary Schedules on pages 48-51 show ACERA's funding progress with its obligations to provide Pension, Postemployment Medical Benefits, and Non-OPEB Benefits to members, as well as historical trend information reflecting how much employers have contributed in relation to their annual required contributions.

Supporting Schedules of investment expenses, payments to other consultants, and administration expense are presented on pages 52 and 53.

Table 1 and Table 2 present condensed information about ACERA's financial position and results of operations for the current year in comparison to the preceding year, and are the basis for the following discussion.

Table 1: ACERA's Net Assets (Condensed)

As of December 31, 2011 and 2010 (Dollars in Millions)

	2011	2010	Increase (Decrease) Amount	Percent Change
Current Assets	$ 483.2	$ 574.2	$ (91.0)	(16%)
Investments at Fair Value	5,053.2	5,215.5	(162.3)	(3%)
Capital Assets, net	6.3	4.4	1.9	43%
Total Assets	**5,542.7**	**5,794.1**	**(251.4)**	**(4%)**
Current Liabilities	468.3	569.6	(101.3)	(18%)
Total Liabilities	**468.3**	**569.6**	**(101.3)**	**(18%)**
Net Assets Held in Trust for Benefits	**$ 5,074.4**	**$ 5,224.5**	**$ (150.1)**	**(3%)**

Table 2: Changes In ACERA's Net Assets (Condensed)

For the Years Ended December 31, 2011 and 2010 (Dollars in Millions)	2011	2010	Increase (Decrease) Amount	Percent Change
ADDITIONS				
Member Contributions	$ 78.0	$ 77.6	$ 0.4	1%
Employer Contributions	162.9	147.5	15.4	10%
Net Investment Income (Loss)	(40.7)	648.1	(688.8)	(106%)
Miscellaneous Income	0.7	0.5	0.2	40%
Transfer to Employers' Advance Reserve from SRBR for Employer Contributions to 401(h) Account	32.3	29.5	2.8	9%
Transfer to Employers' Advance Reserve from SRBR for Implicit Subsidy	4.4	5.3	(0.9)	(17%)
Transfer from Employers' Advance Reserve to SRBR for OPEB Related Administrative Expenses	0.4	-	0.4	0%
Total Additions	**238.0**	**908.5**	**(670.5)**	**(74%)**
DEDUCTIONS				
Retirement Benefit Payments	300.2	277.7	22.5	8%
Postemployment Medical Benefits	31.6	29.8	1.8	6%
Member Refunds	5.4	5.6	(0.2)	(4%)
Administration	13.8	13.0	0.8	6%
Transfer from SRBR to Employers' Advance Reserve for Employer Contributions to 401(h) Account	32.3	29.5	2.8	9%
Transfer from SRBR to Employers' Advance Reserve for Implicit Subsidy	4.4	5.3	(0.9)	(17%)
Transfer to SRBR from Employers' Advance Reserve for OPEB Related Administrative Expenses	0.4	-	0.4	0%
Total Deductions	**388.1**	**360.9**	**27.2**	**7%**
Net Increase (Decrease)	**(150.1)**	**547.6**	**(697.7)**	**(127%)**
Beginning Net Assets Held in Trust for Benefits	**5,224.5**	**4,676.9**	**547.6**	**12%**
Ending Net Assets Held in Trust for Benefits	**$ 5,074.4**	**$ 5,224.5**	**$ (150.1)**	**(3%)**

ANALYSIS OF FINANCIAL POSITION

ACERA's Net Assets held in trust for pension and other postemployment benefits consist of assets less liabilities. Table 1 shows condensed information on ACERA's Net Assets, which as of December 31, 2011, totaled $5.1 billion. This was $150.1 million or 3% less than the prior year, primarily a result of a decrease in the fair value of ACERA's investments. The Investment section starting on page 56 provides further details about ACERA's investment performance.

Current Assets

The components of current assets are detailed on the Statement of ACERA's Net Assets on page 19. Current assets decreased $91.0 million from $574.2 million in 2010 to $483.2 million in 2011. This decrease was mostly due to an $84.5 million reduction in securities lending cash collateral. The cash collateral decrease was the result of lower securities lending activity. The securities lending cash collateral is matched by an equal amount of offsetting securities lending liability reported as part of ACERA's current liabilities. Most other current assets decreased by a net of $6.5 million, due primarily to the foreign exchange contracts receivable.

Investments at Fair Value

The fair value of ACERA's investments decreased by $162.3 million or 3% in 2011, from $5,215.5 million in 2010 to $5,053.2 million in 2011. The U.S. equity markets experienced mixed results during 2011. The domestic equity investments decreased by $65.5 million. The international equity investments also delivered negative returns as Europe continued to be hindered by the sovereign debt concerns. The international equity investments decreased by $110.7 million. The fixed income investments also performed poorly and decreased by $134.5 million (inclusive of $17.5 million in short term investments). The real estate investments experienced a modest increase of $42.2 million. The private equity and alternatives funds decreased slightly by $2.7 million. ACERA also set up the Real Return Pool, a new asset class which concluded the year at $108.9 million.

Capital Assets, Net

Capital assets include equipment, furniture, information systems, leasehold improvements, and construction-in-progress. In 2011, capital assets had a net increase of $1.9 million, primarily due to the Electronic Document Management System (EDMS) project. The EDMS project was completed in 2011.

Current Liabilities

The components of current liabilities are detailed on the Statement of ACERA's Net Assets on page 19. Current liabilities decreased from $569.6 million in 2010 to $468.3 million in 2011. This $101.3 million decrease was primarily due to the $84.5 million decrease in securities lending cash collateral. All other current liabilities decreased by net $16.8 million primarily due to the timing of cash disbursements for unsettled trades and foreign exchange contracts.

ANALYSIS OF RESULTS OF OPERATIONS

Changes in ACERA's Net Assets consist of total additions less total deductions. Table 2 on page 14 shows condensed information about this financial activity. ACERA's Net Assets decreased by $150.1 million. The decrease was primarily the result of investment losses.

Additions to ACERA's Net Assets

The primary funding sources for ACERA's member benefits are member contributions, employer contributions, and net investment income. This report includes ACERA's Pension Plan, Postemployment Medical Benefits, and Non-OPEB Benefits. Additions to and deductions from ACERA's Net Assets include transfers to and from the Employers' Advance Reserve and SRBR.

Total additions to ACERA's Net Assets for the years ended December 31, 2011 and 2010 were $238.0 million and $908.5 million, respectively. For 2011, total additions decreased $670.5 million compared to the prior year, primarily due to net investment losses. In 2011, ACERA had $688.8 million less in net investment income compared to 2010. See the Net Investment Income (Loss) section for a discussion of this decrease.

The December 31, 2010 actuarial valuation report recommended contribution rates which were approved by the Board of Retirement and became effective September 2011. Average member contribution rates increased slightly, while the aggregate employer rate increased by almost 11% of pay. See the Member Contributions and Employer Contributions sections for a discussion of these increases.

Member Contributions

Total member contributions for 2011 were $78.0 million, up by $0.4 million from 2010. The aggregate member rate has increased slightly from 8.67% to 8.68% of payroll as a result of change in membership demographics.

Employer Contributions

Total employer contributions for 2011 were $162.9 million, which was $15.4 million higher than 2010. This was primarily attributable to the 2010 increase in employer contribution rates. Effective September 2010, the aggregate employer rate increased from 18.57% to 20.84%, an increase of 2.3%. The change was attributable to the lower than expected return on investments after smoothing and amortizing the prior year's unfunded actuarial accrued liability (UAAL).

Net Investment Income (Loss)

Net investment income was $688.8 million lower than the prior year, from a $648.1 million gain in 2010 to a $40.7 million loss in 2011. The decline in net investment income was primarily due to the net depreciation in fair value of investments. The net depreciation of investments in 2011 was $155.3 million compared to net appreciation in 2010 of $542.1 million, a drop in fair value of $697.4 million. 2011 net investment loss represents ACERA's gross investment return of negative 0.4% compared to 14.6% return in 2010.

The Investment Section of this report describes investment results and comparatives in greater detail.

Miscellaneous Income

Miscellaneous income primarily consists of class action securities litigation settlements and was $0.7 million in 2011 compared to $0.5 million for the prior year. The $0.2 million increase resulted principally from slightly more class action settlements during 2011.

Transfers between Employers' Advance Reserve and SRBR

Postemployment Medical Benefits are paid from the 401(h) account. The Participating Employers identify a portion of their contributions as 401(h) contributions. For the years 2011 and 2010, the employers funded $32.3 million and $29.5 million, respectively, as 401(h) contributions. The $2.8 million year-to-year increase was attributable to higher medical insurance premiums. See 401(h) Postemployment Medical Benefits Account on page 30.

In July 2011, ACERA applied the provisions of Senate Bill 1479 (SB 1479) and allocated a portion of the 401(h) contributions towards 2011 administrative costs. As a result, $461.5 thousand was transferred from the Employers' Advance Reserve to SRBR.

Transfers of $4.4 million and $5.3 million for the years 2011 and 2010, respectively, were made to the Employers' Advance Reserve from the SRBR to compensate the County for the implicit subsidy. The 2011 transfer was for the Alameda County 2010 implicit subsidy. This implicit subsidy amount decreased because health plan providers identified some reduction in the utilization rates for retirees under age 65.

Deductions from ACERA's Net Assets

The five main categories of deductions from ACERA's Net Assets are retirement benefits, Postemployment Medical Benefits, Non-OPEB Benefits, member refunds, and the expenses of administering the system.

Total deductions from ACERA's Net Assets for 2011 were $388.1 million, an increase of $27.2 million or 8% over the prior year. Most of this increase was a result of a $22.5 million or 8% increase in retirement benefit payments.

Retirement Benefits Payments

Retirement benefit payments in 2011 were $300.2 million, a $22.5 million or 8% increase over the prior year. Retirement benefits include service retirement allowances, disability allowances, death payments, and supplemental cost-of-living adjustments. The increase in retirement benefit payments was partially due to a 5% net increase in the number of retirees during the year. The increase was also attributable to higher average benefits of retirees added to the retirement payroll compared to the lower average retirement allowance of those retirees removed from the retirement payroll.

Postemployment Medical Benefits

Postemployment Medical Benefits paid from the 401(h) account for 2011 were $31.6 million, up $1.8 million or 6% over the prior year. This increase was largely due to the 5% net increase in the number of retirees receiving these benefits. The maximum monthly medical benefits remained at $522 in 2011.

Member Refunds

Member refunds arise from either a member separation from service (termination) or active member death. Member refunds were $5.4 million in 2011, which were $0.2 million or 4% less than 2010. The decrease was primarily due to a drop in termination refunds.

Administration Expense

Administration expense covers the basic costs of operating the retirement system. These include staffing, professional service expenses, communications, software maintenance, depreciation, insurance, and other expenses. Approximately 62% of total administration expense is for staffing (wages, fringe benefits, and temporary labor). Professional services expense includes the cost of member communications, audit fees, and legal fees. The annual amount of administrative expense is subject to legal and budgetary restrictions. Every year the ACERA Board adopts an administration expense budget for the following year in accordance with legal spending restrictions outlined in the County Employee Retirement Law of 1937 ("1937 Act"). Note 10 to the Basic Financial Statements on page 46 describes these legal limitations. ACERA's administration expense for 2011 was in compliance with the 1937 Act.

Total administration expense was $13.8 million for 2011, a $0.8 million or 6% increase from the prior year. The $0.8 million net increase was due to $0.9 million increase in staffing costs and $0.6 million increase in total administrative expenses subject to statutory limit per AB 609 which includes legal, technology, business continuity and actuarial expenses. Offsetting these increases are $0.3 million decrease in computer services, $0.1 million decrease in communication and other office expenses, and $0.3 million decrease in software maintenance and support.

CURRENTLY KNOWN FACTS AND EVENTS

In September 2011, ACERA's Board approved a reduction in the actuarial investment rate of return from 7.9% to 7.8%. No other changes were made to the assumptions.

An actuarial valuation was performed as of December 31, 2011 for the Pension Plan using the economic assumptions adopted by ACERA's Board in September 2011. The funded ratio as of December 31, 2011 was 76.6%.

FIDUCIARY RESPONSIBILITIES

ACERA's Board and management are fiduciaries of the retirement plan. Under the California Constitution and the County Employees Retirement Law of 1937, assets of the retirement plan can be used only for the exclusive benefit for the plan participants and their beneficiaries.

REQUESTS FOR INFORMATION

This report is designed to provide the Board of Retirement, our membership, Participating Employers, taxpayers, investment managers, vendors, and other interested parties with a general overview of ACERA's financial condition, financial activities, and funding status. Questions regarding any of the information provided in this report or requests for additional information should be addressed to:

ACERA
Accounting Department
475 14th Street, Suite 1000
Oakland, California 94612-1900

You can also contact us by e-mail at info@acera.org or by phone at (510) 628-3000 during normal business hours. Our website www.acera.org contains a wealth of information and is always accessible.

Respectfully submitted,

Vincent P. Brown

Vincent P. Brown
Chief Executive Officer
June 1, 2012

Statement of ACERA's Net Assets

As of December 31, 2011, with Comparative Totals as of December 31, 2010 (Dollars in Thousands)

	Pension Plan	Post Employment Medical Benefits	Non-OPEB Benefits	Total 2011	Total 2010
Assets					
Cash	$ 530	$ -	$ -	$ 530	$ 1,118
Securities Lending Cash Collateral	439,350	-	-	439,350	523,857
RECEIVABLES					
Contributions	14,217	-	-	14,217	12,765
Investment Receivables	18,773	-	-	18,773	19,511
Unsettled Trades - Investments Sold	6,510	-	-	6,510	6,998
Future Contracts - Equity Index	1,648	-	-	1,648	1,865
Equity Index Swaps	-	-	-	-	81
Foreign Exchange Contracts	1,342	-	-	1,342	7,199
Other Receivables	302	-	-	302	303
Total Receivables	**42,792**	**-**	**-**	**42,792**	**48,722**
Prepaid Expenses	543	-	-	543	562
Total Current Assets	**483,215**	**-**	**-**	**483,215**	**574,259**
INVESTMENTS AT FAIR VALUE					
Short-Term Investments	144,922	-	-	144,922	127,347
Domestic Equity	1,194,408	-	-	1,194,408	1,336,675
Domestic Equity Commingled Funds	848,614	-	-	848,614	771,880
International Equity	987,022	-	-	987,022	1,216,473
International Equity Commingled Funds	196,391	-	-	196,391	77,621
Domestic Fixed Income	774,484	-	-	774,484	903,232
International Fixed Income	290,971	-	-	290,971	314,241
Real Estate - Separate Properties	96,828	-	-	96,828	88,034
Real Estate - Commingled Funds	223,929	-	-	223,929	190,568
Real Return Pool	108,926	-	-	108,926	-
Private Equity and Alternatives	186,716	-	-	186,716	189,407
Total Investments	**5,053,211**	**-**	**-**	**5,053,211**	**5,215,478**
Due from Pension Plan	(614,367)	547,347	67,020	-	-
Capital Assets at Cost (Net of Accumulated Depreciation and Amortization)	6,274	-	-	6,274	4,383
Total Assets	**4,928,333**	**547,347**	**67,020**	**5,542,700**	**5,794,120**
Liabilities					
Securities Lending Liability	439,350	-	-	439,350	523,857
Unsettled Trades - Investments Purchased	12,361	-	-	12,361	27,813
Future Contracts - Equity Index	1,698	-	-	1,698	1,178
Equity Index Swaps	43	-	-	43	-
Foreign Exchange Contracts	2,475	-	-	2,475	7,208
Investment-Related Payables	8,006	-	-	8,006	4,518
Accrued Administration Expenses	2,064	-	-	2,064	2,450
Members Benefits & Refunds Payable	2,293	-	-	2,293	2,587
Retirement Payroll Deductions Payable	12	-	-	12	14
Total Liabilities	**468,302**	**-**	**-**	**468,302**	**569,625**
Net Assets Held in Trust for Benefits	**$ 4,460,031**	**$ 547,347**	**$ 67,020**	**$ 5,074,398**	**$ 5,224,495**

The accompanying notes to the Basic Financial Statements are an integral part of these Basic Financial Statements.

Statement of Changes in ACERA's Net Assets

For the Year Ended December 31, 2011, with Comparative Totals for the Year Ended December 31, 2010 (Dollars in Thousands)

	Pension Plan	Postemployment Medical Benefits	Non-OPEB Benefits	Total 2011	Total 2010
ADDITIONS					
CONTRIBUTIONS					
Member	$ 77,991	$ -	$ -	$ 77,991	$ 77,605
Employer	130,559	32,320	-	162,879	147,543
Total Contributions	**208,550**	**32,320**	**-**	**240,870**	**225,148**
INVESTMENT INCOME					
From Investment Activities:					
Net Appreciation (Depreciation) in Fair Value of Investments	(155,274)	-	-	(155,274)	542,132
Dividends, Interest, & Other Investment Income	141,342	-	-	141,342	128,525
Total Income from Investment Activities	**(13,932)**	**-**	**-**	**(13,932)**	**670,657**
Total Investment Expenses	(29,166)	-	-	(29,166)	(24,624)
Net Income from Investment Activities	**(43,098)**	**-**	**-**	**(43,098)**	**646,033**
From Securities Lending Activities:					
Securities Lending Income	3,329	-	-	3,329	3,510
Securities Lending Expenses					
Borrower Rebates	(346)	-	-	(346)	(914)
Management Fees	(591)	-	-	(591)	(519)
Total Securities Lending Activity Expenses	(937)	-	-	(937)	(1,433)
Net Income from Securities Lending Activities	**2,392**	**-**	**-**	**2,392**	**2,077**
Earnings Allocated	(19,583)	17,449	2,134	-	-
Total Net Investment Income (Loss)	**(60,289)**	**17,449**	**2,134**	**(40,706)**	**648,110**
MISCELLANEOUS INCOME	664	-	-	664	508
Transfer to Employers' Advance Reserve from SRBR for Employer Contributions to 401(h) Account	32,320	-	-	32,320	29,460
Transfer to Employers' Advance Reserve from SRBR for Implicit Subsidy	4,403	-	-	4,403	5,288
Transfer from Employers' Advance Reserve to SRBR for OPEB Related Administrative Expense	-	462	-	462	-
Total Additions	**$ 185,648**	**$ 50,231**	**$ 2,134**	**$ 238,013**	**$ 908,514**

Statement of Changes in ACERA's Net Assets (Continued)

For the Year Ended December 31, 2011, with Comparative Totals for the Year Ended December 31, 2010 (Dollars in Thousands)

	Pension Plan	Postemployment Medical Benefits	Non-OPEB Benefits	Total 2011	Total 2010
DEDUCTIONS					
BENEFITS					
Service Retirement and Disability Benefits	$ 293,429	$ -	$ 936	$ 294,365	$ 271,496
Death Benefits	2,397	-	-	2,397	2,269
Burial Benefits	-	-	878	878	954
Supplemental Cost of Living Allowance	-	-	2,556	2,556	2,984
Post Employment Medical Benefits	-	31,555	-	31,555	29,802
Total Benefit Payments	**295,826**	**31,555**	**4,370**	**331,751**	**307,505**
MEMBER REFUNDS	5,406	-	-	5,406	5,645
ADMINISTRATION					
Administrative Expenses	9,675	462	-	10,137	9,951
Legal Expenses	1,827	-	-	1,827	2,260
Technology Expenses	888	-	-	888	-
Actuarial Expenses	367	-	-	367	259
Business Continuity Expenses	549	-	-	549	531
Total Administration	**13,306**	**462**	**-**	**13,768**	**13,001**
Transfer from SRBR to Employers' Advance Reserve for Employer Contributions to 401(h) Account	-	32,320	-	32,320	29,460
Transfer from SRBR to Employers' Advance Reserve for Implicit Subsidy	-	4,403	-	4,403	5,288
Transfer to SRBR from Employers' Advance Reserve for OPEB Related Administrative Expense	462	-	-	462	-
Total Deductions	**315,000**	**68,740**	**4,370**	**388,110**	**360,899**
Net Increase	**(129,352)**	**(18,509)**	**(2,236)**	**(150,097)**	**547,615**
NET ASSETS HELD IN TRUST FOR BENEFITS					
January 1	**4,589,383**	**565,856**	**69,256**	**5,224,495**	**4,676,880**
December 31	**$ 4,460,031**	**$ 547,347**	**$ 67,020**	**$ 5,074,398**	**$ 5,224,495**

The accompanying notes to the Basic Financial Statements are an integral part of these Basic Financial Statements.

Notes to the Basic Financial Statements

(an integral part of the Basic Financial Statements)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACERA is an independent public employee retirement system with its own governing board. ACERA's financial statements are included in the County of Alameda's financial statements as a pension and other employee benefit fiduciary trust fund.

Basis of Accounting

ACERA follows the accounting principles and reporting guidelines set forth by the Governmental Accounting Standards Board (GASB). The major pronouncements that proscribe ACERA defined benefit Pension Plan and other postemployment benefit's for financial reporting are GASB 25, 26, 43, 45, 50 and 51.

ACERA's (fiduciary trust fund) financial statements are prepared on the accrual basis of accounting. Employer and employee contributions are recognized when due, pursuant to formal commitments as well as statutory or contractual requirements. Security purchases and sales are recognized in the financial statements as of the trade date. Retirement benefits and member refunds are recognized as liabilities when due and payable in accordance with the terms of the plan. Other expenses are recognized when the corresponding liabilities are incurred.

Implementation of New Accounting Principle

ACERA implemented the provisions of Governmental Accounting Standards Board Statement No. 59 *Financial Instruments Omnibus*, for fiscal year ended December 31, 2011. This Statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The impact of the implementation of GASB Statement No. 59 is described in Note 7.

Cash

Cash includes cash on hand, deposits with a financial institution, and deposits in a pooled account managed by the Alameda County Treasurer. The reported amounts of deposits in the pooled account are reported at the fair value. All participants in the pooled account share earnings and losses proportionately.

Investments

Investments are reported at fair value.

Fair value for investments of publicly traded stocks and bonds and issues of the U.S. Government and its agencies is based on the last reported sale price as of the fiscal year end. Fair value of securities denominated in a foreign currency reflects exchange rates in effect at fiscal year end. The fair value of ACERA's short-term investments held in external investment pools managed by the master custodian and securities lending agent is provided by the pool manager and is reported at net asset per share value for the pool. Fair value of investments in commingled funds of debt securities, equity securities, and real estate is based on the fund share price provided by the fund manager which is based on net asset value. Fair value of investments in real estate separate properties is based on prices in a competitive market as determined by specialists relying on periodic appraisals and is reported net of the outstanding balance of associated mortgages. Fair value of investments in private equity and alternative investments are ACERA's respective net asset values as a limited partner. The fair value of private equity and alternative investments is typically determined by the fund's general partner based on a variety of valuation methods including current market multiples for comparable companies, recent sales of comparable companies, net present value of expected cash flows, appraisals and adjustments to prevailing public market values based on control and/or liquidity as appropriate. The funds are audited annually by the funds' independent auditors.

Investment Income

Interest income is recognized as it accrues. Dividend income is recognized when the dividends are declared. Realized gains and losses and unrealized gains and losses on investments are combined and reported together as the net appreciation (depreciation) in the fair value of investments.

Securities Lending Activity

Securities lending transactions are short-term collateralized loans of ACERA's securities for the purpose of generating additional investment income. For each lending transaction, ACERA receives either cash collateral or non-cash collateral.

The underlying securities out on loan are reported on ACERA's Statement of Net Assets as if the lending transaction had not occurred.

Cash collateral held (or any security that can be sold or pledged without a default by the borrower) is separately reported on the Statement of ACERA's Net Assets in current assets. A corresponding liability of an equal amount (the obligation to return the cash collateral) is reported as a liability.

Non-cash collateral held is not reported on ACERA's Statement of Net Assets nor is there a corresponding liability reported on this statement.

Derivatives

ACERA's investments include the following types of investment derivatives: future contracts-equity index, currency forward contracts, equity index swaps, rights, and warrants. ACERA enters into derivative contracts for investment purposes and to manage risks associated with its investment portfolio.

The fair value of exchange traded derivatives such as futures contracts, rights and warrants are based on quoted market prices. The fair value of non-exchange traded derivatives such as currency forward contracts, equity index swaps, and certain futures contracts are determined using external pricing service using various proprietary methods.

The fair value of derivative contracts is reported in investments as assets or liabilities on the Statement of ACERA's Net Assets.

Collateral and Margin Account

For the equity index futures, an initial margin is required to open a position and there is a collateral maintenance requirement that must be kept until the position is closed out.

ACERA reports the collateral for the equity index futures in short term investments.

Capital Assets

Capital assets are carried at cost, net of accumulated depreciation or amortization. Capital assets with an initial cost of $3,000 or more and an estimated useful life in excess of one year are capitalized and depreciated. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the depreciable assets or over the term of the lease on leasehold improvements.

For each asset, ACERA recognizes one-half year of expense in the year the asset is placed in service and one-half year of expense in the year of retirement. The estimated useful lives for the assets in each category are as follows:

	Years
Leasehold Improvements	27.5
Information System - Retirement	7.0
Office Furniture	7.0
Business Continuity Assets	5.0
Computer Hardware	5.0
Offsite Office Equipment	5.0
Electronic Document Management System	5.0
Information System - Accounting	3.0
Computer Software	3.0

In December 2011 ACERA placed its new Electronic Document Management System (EDMS) into service.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

2. PLAN DESCRIPTION

ACERA is an independent public employees' retirement system which operates a cost-sharing multiple-employer defined benefit Pension Plan serving Participating Employers. In addition, ACERA administers Other Postemployment Medical Benefits (OPEB) and Non-OPEB Benefits.

ACERA is governed by the California Constitution, the County Employees Retirement Law of 1937 ("1937 Act") found in the California Government Code at Section 31450 et. seq., and the bylaws and policies adopted by the ACERA Board of Retirement. ACERA began operations in its present form on January 1, 1948.

ACERA is not affiliated with the California Public Employees' Retirement System (CalPERS).

The 1937 Act governs ACERA's plan structure and operation. The provisions of the 1937 Act govern requirements concerning membership, governance, contributions, benefits, service, retirement eligibility, disability, cost of living adjustment, financial provisions, optional allowances, reciprocal benefits, administration expenses, etc.

ACERA meets member and beneficiary obligations through member contributions, Participating Employer contributions, and investment income. Contributions are prudently invested in accordance with the 1937 Act and ACERA's investment policies to generate investment income to fund benefits and pay administration expenses.

ACERA provides basic lifetime retirement, disability, and death benefits to members who meet the minimum age and length-of-service requirements. In addition, ACERA administers supplemental retirees postemployment medical, dental care, vision care, cost of living adjustment, and death benefit programs. (In this report, "basic" benefits refers to vested benefits provided for in accordance with the 1937 Act, whereas "supplemental" benefits refers to additional non-vested benefits paid at the discretion of the Board of Retirement and subject to available funding.)

Board of Retirement

The ACERA Board of Retirement has sole and exclusive responsibility over the assets of the system and the responsibility to administer the system to assure prompt delivery of benefits and related services as provided in Article XVI of the California Constitution.

The Board has nine members and two alternates. The Alameda County Board of Supervisors appoints four members, and four are elected by ACERA's membership. The County Treasurer serves as an *ex-officio* Board member. One alternate member is elected by safety members and one alternate member is elected by retired members.

Board members, with the exception of the County Treasurer, serve three-year terms in office, with no term limits. The four elected Board members are selected as follows:

- Two Board members are elected by General members of ACERA.
- One Board member is elected by Safety members of ACERA.
- One Board member is elected by retired members of ACERA.

The Board of Retirement oversees the Chief Executive Officer and staff in the performance of their duties in accordance with the 1937 Act, ACERA's by-laws, and Board policies.

Authority for Establishing and Amending Benefit Provisions

The 1937 Act provides the authority for the establishment of ACERA's benefit provisions. In most cases where the law provides options concerning the allowance of credit for service, the offering of benefits, or the modification of benefit levels, the law generally requires approval of the employers' governing boards for the option to take effect.

Separately, in 1984 the Alameda County Board of Supervisors and the Board of Retirement approved the adoption of Article 5.5 of the 1937 Act. This adoption permitted the establishment of an SRBR for ACERA.

Article 5.5 provides for the systematic funding of the SRBR and stipulates that its assets be used only for the benefit of retired members and their beneficiaries. The 1937 Act grants exclusive authority over the use of SRBR funds to the Board of Retirement. The SRBR provides funding for non-vested and non-pension benefits including Supplemental COLA, Retiree Death Benefit and Active Death Equity Benefit. Other non-vested retiree health benefits are provided in agreement with ACERA's Participating Employers through the use of Internal Revenue Code 401(h) accounts. These retiree health benefits include dental and vision care, Medicare Part B reimbursement, and the Monthly Medical Allowance (MMA). 401(h) benefits are funded by employer contributions. ACERA treats an equal amount of SRBR assets as employer contributions for pensions. The provision of all supplemental benefits is subject to annual review and authorization by the Board of Retirement.

ACERA operates as a defined benefit Pension Plan, qualified under section 401(a) of the Internal Revenue Code and is not subject to tax under present income tax laws. All assets accumulated for the payment of benefits may legally be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of the plan.

PARTICIPATING EMPLOYERS

ACERA operates as a cost-sharing multiple-employer defined benefit plan for Alameda County (the "County"), the Superior Court of California for the County of Alameda, and five other Participating Employers (which are special districts) located in the County but not under the control of the County Board of Supervisors. In this report, Alameda County and special districts are referred to as "Participating Employers". All risks and costs, including benefit costs, are shared by the Participating Employers. The five other Participating Employers are:

- Alameda County Medical Center
- Alameda County Office of Education
- First 5 Alameda County
- Housing Authority of the County of Alameda
- Livermore Area Recreation and Park District

PLAN MEMBERSHIP

All full-time employees of Participating Employers who are appointed to permanent positions are statutorily required to become members of ACERA.

SAFETY AND GENERAL MEMBERS

ACERA has two membership types, Safety and General, which are based on job classifications:

- Safety members are employees working in active law enforcement, deferred firefighters, or positions that have been designated Safety positions by the Board of Retirement (e.g., Juvenile Hall Group Counselors and Probation Officers).
- General members are all other members.

Defined Benefit Pension Plan

ACERA's Membership

As of December 31, 2011

Members, Survivors, and Beneficiaries Now Receiving Benefits	
Service Retirement	6,000
Disability Retirement	814
Beneficiaries and Survivors	1,089
Subtotal	**7,903**
Active Members	
Active Vested Members	7,914
Active Non-vested Members	2,832
Subtotal	**10,746**
Deferred Members	1,826
Total Membership	**20,475**

MEMBERSHIP STATUS AND VESTING

Members are considered to be active members, so long as they remain employed full-time by a Participating Employer (or subsequently change to part-time employment and elect to continue to make contributions).

Members become vested in retirement benefits upon completion of five years of credited service.

SERVICE RETIREMENT

ACERA's regular (service) retirement benefits are based on years of credited service, final average salary, and age at retirement, according to the applicable statutory formula. Members who qualify for service retirement are entitled to receive monthly service retirement benefits for life.

Vested General members may retire at age 50, with 10 years of qualifying service, or at any age with 30 years of qualifying service, or at age 70, regardless of service credit.

Vested Safety members may retire at age 50, with 10 years of qualifying service, or at any age, with 20 years of qualifying service, or age 70, regardless of service credit.

DEATH BENEFITS

ACERA provides specified death benefits to beneficiaries and members' survivors. The death benefits provided depend on whether the member is active or retired.

The basic active member death benefit consists of a member's retirement contributions plus interest plus one month's pay for each full year of service (up to the maximum of six month's pay). Other death benefits may be available based on years of service, marital status, and whether the member has minor children.

TIER 1, TIER 2, AND TIER 3 BENEFIT LEVELS

The structure of the plan provides for three benefit levels or tiers within General membership and two tiers within Safety membership. The tiers differ mainly in the magnitude of contributions required and benefits received. Generally, members with an entry date prior to July 1, 1983, belong to Tier 1, while those with an entry date on or after July 1, 1983 belong to Tier 2. Most active ACERA members belong to Tier 2. Alameda County Housing Authority members are mostly in Tier 1, but effective September 30, 2011, new hires are in Tier 2. Relative to the Tier 1 members, active members in Tier 2 contribute somewhat less to the Pension Plan as a percent of compensation and will receive somewhat lower retirement benefits. Effective October 1, 2008, Livermore Area Recreation and Park District (LARPD) implemented a General Tier 3 plan for new employees and current employees. Those who elect General Tier 3 membership, will receive an enhanced benefit of 2.5% at 55, which is higher than the Tier 1 benefit (at most retirement ages) as a result of higher employer and employee contributions rates. Effective October 17, 2010, there are three benefit formula options for Safety membership Tier 2. Two new benefit formulas of 2% at 50 and 3% at 55 were implemented for new Safety members with different contribution rates. The existing Safety members are still under the benefit formula of 3% at 50. Note 3 Contributions starting on page 28 explains retirement plan contribution rates.

INTEGRATION WITH SOCIAL SECURITY

The contributions and benefits associated with the federal Social Security program are completely separate from ACERA members' contributions and benefits. Most General members of ACERA are covered by Social Security, and most Safety members are not.

ACERA contributions and benefits are integrated with Social Security for members who are covered by Social Security. The purpose of integration is to reduce the degree to which ACERA's plan coverage overlaps Social Security coverage.

BASIC COST OF LIVING ADJUSTMENT

Retirement allowances are indexed for inflation. Retirees receive automatic basic Cost-of-Living Adjustments (COLAs) based upon the Consumer Price Index (CPI) for the San Francisco Bay Area. The adjustments go into effect on April 1 each year. Under the 1937 Act annual COLA increases are capped at 3% for Tier 1 and LARPD Tier 3, and 2% for Tier 2 members. The expected impact of future basic Cost-of-Living Adjustments is a factor in setting the contribution rates for members and employers. In any year that the basic COLA adjustment for a retiree falls short of the CPI increase for that year due to the statutory cap, the shortfall is carried over and applied in a future year to the extent that the CPI falls short of the statutory cap in the future year.

For 2011, there was a maximum of 3.0% granted COLA increase for Tier 1 and Tier 3 members, and a maximum of 2.0% granted COLA increase for Tier 2 members, depending on the retirement dates.

Postemployment Medical Benefits

ACERA administers a medical benefits program for eligible retired members. Benefits include monthly medical allowances and Medicare Part B premium reimbursements. All retirees are eligible to enroll in dental and vision coverage. The benefits are paid through a 401(h) account, in accordance with federal tax laws. The maximum levels of the monthly medical allowance are reviewed by the Board of Retirement annually.

PROGRAM MEMBERSHIP

Retired members with a minimum of ten years of service or those who retire due to duty disability are eligible to receive a monthly medical allowance benefit if they enroll in one of the ACERA-sponsored medical plans. Retired members eligible for the monthly medical allowance benefit may also be reimbursed for the Medicare Part B premium with proof of enrollment in Medicare Part B. All retired members are eligible to receive dental and vision benefits.

Non-OPEB Benefits

ACERA also provides other non-health Postemployment benefits. Benefits include supplemental COLA, retired member death benefit, and active death equity benefit.

Separately from the Basic Cost-of-Living Adjustment, the Board of Retirement implemented an ad-hoc supplemental Cost-of-Living Adjustment (supplemental COLA) program effective January 1, 1998. The supplemental COLA is structured to maintain each retiree's purchasing power at no less than 85% of the purchasing power of the original benefit. Under this program, each retiree's current allowance is adjusted, as necessary, so that the adjusted allowance becomes at least 85% of the original benefit amount indexed with the CPI.

The retired member death benefit is a one-time $4,250 lump sum death benefit payable to the beneficiary of a retiree. This benefit is only paid upon the death of a retiree; it is not paid upon the death of a beneficiary.

The active death equity benefit is available to an eligible beneficiary of an active member with five or more years of service. ACERA will fund the difference between the member's vested surviving spouse/domestic partner annuity benefit and a 100% surviving spouse/domestic partner annuity benefit.

PROGRAM MEMBERSHIP

All retired members are eligible to receive the supplemental COLA once they fall under 85% of the purchasing power of the original benefit and their beneficiaries will receive the retired member death benefit.

Actuarial Valuation

An actuarial valuation is normally performed annually for the Pension Plan. In addition, there is a separate actuarial valuation conducted annually for Postemployment Medical Benefits and Non-OPEB Benefits. Note 5 Actuarial Valuation starting on page 31 provides additional information about this topic.

3. CONTRIBUTIONS

Pension Plan

AUTHORITY FOR ESTABLISHING AND AMENDING OBLIGATIONS TO MAKE CONTRIBUTIONS

The 1937 Act establishes the basic obligations for Participating Employers and active members to make contributions to the Pension Plan. Member and employer contribution rates are based on recommendations made by an independent actuary and adopted by the Board of Retirement. These rates are based on membership type (General and Safety) and tier (Tier 1, Tier 2, and Tier 3). The Pension Plan under the 1937 Act has no legal or contractual maximum contribution rates.

FUNDING OBJECTIVE

One of the funding objectives of the Pension Plan is to establish member and Participating Employer contribution rates that will remain as level as possible over time as a percentage of payroll, unless plan benefit provisions are changed. The funding for retirement benefits arises from three sources: member contributions, employer contributions, and the earnings on investments held by the plan.

MEMBER CONTRIBUTIONS AND REFUNDS

Active members are required by statute to contribute toward Pension Plan benefits. The member contribution rates are formulated on the basis of age at the date of entry and actuarially calculated benefits. The 1937 Act authorizes Participating Employers to pay all or a portion of an employee's retirement contribution obligation on the employee's behalf. These employer payments are called contribution offsets. Member contributions and credited interest are refundable upon termination of membership.

The employer paid contribution offsets may or may not be refundable, as determined by the code section of the 37 Act that the employer adopted. Note 4 Reserves explains semi-annual interest crediting.

EMPLOYER CONTRIBUTIONS

The Pension Plan provides lifetime retirement and disability benefits to its members. Participating Employers are required by statute to contribute the necessary amounts to fund these estimated benefits not otherwise funded by member contributions or expected investment earnings.

Employer contribution rates vary from year to year and depend on the level of benefits established, the rate of return on investments, and the cost of administering benefits.

MEMBER RATES BASED ON AGE-AT-DATE-OF-ENTRY

The ranges of current member contribution rates based on age-at-date-of-entry are shown below (effective September, 2011). Generally, each pair of percentages ranges from youngest to oldest age-at-date-of-entry within the category.

Current Member Contribution Rates

Effective September, 2011	
Tier 1: (entry date prior to July 1, 1983)	
General	9.39% - 14.14%
Safety 3% @ 50	17.69% - 20.92%
Tier 2: (entry date July 1, 1983 or later)	
General	6.37% - 10.29%
Safety 3% @ 50	14.43% - 17.92%
Tier 2: (entry date October 17, 2010 or later)	
Safety 2% @ 50	11.02% - 14.40%
Safety 3% @ 55	16.34% - 19.81%
Tier 3: (LARPD only)	
General	11.02% -15.07%

For members covered by Social Security the contribution rates shown apply to biweekly salary over $161 (a one-third reduction in the rates applies to the first $161 of biweekly salary).

Postemployment Medical Benefits and Contributions

In accordance with federal tax law, Postemployment Medical Benefits and related administrative expenses are paid through a 401(h) account with contributions from the Participating Employers. There is no requirement and no guarantee that the employers will continue to contribute to the 401(h) account. If authorized by the Board of Retirement, ACERA treats an equal amount of SRBR assets as employer contributions available for paying pension benefits. ACERA's Board of Retirement has no authority to demand future payments from employers to fund the 401(h) account. These benefits can only be paid as long as assets are available. When assets are fully depleted, no Postemployment Medical Benefits will be paid by ACERA. Effective July 1, 2011, ACERA adopted SB 1479 and State Government Code Section 31618.5. In compliance with this law, employers allocate a portion of their contribution to the 401(h) account for administrative cost related to providing benefits, in addition to contributions for the Postemployment Medical Benefits.

Pension Obligation Bonds

In 1995 and 1996 Alameda County issued pension obligation bonds and contributed the net bond proceeds to the ACERA Pension Plan. ACERA received aggregate net proceeds of $591 million from these bonds. Alameda County Medical Center, First 5 Alameda County, and the Superior Court of California for the County of Alameda (Employers) were part of the County of Alameda when the pension obligation bonds were issued. They subsequently separated and became discretely presented component units or special districts of the County of Alameda. These net bond proceeds contributions allow ACERA to provide "pension obligation bond credits" to these Employers (thus reducing contributions otherwise payable) over the period of time used by ACERA to amortize its unfunded actuarial accrued liability (UAAL). These Employers received pension obligation bond credits of approximately $42.7 million in the year ended December 31, 2011.

4. RESERVES

Reserves represent components of ACERA's Net Assets. The annual change in ACERA's reserves equals the annual change in ACERA's Net Assets.

Actuarial Asset Smoothing

Net investment income reported on the Statement of Changes in ACERA's Net Assets affects the reserves indirectly through an actuarial asset "smoothing" process approved by the Board of Retirement. This process is intended to minimize the impact of short-term investment gains or losses. This process is conducted semi-annually with calculation periods ending June 30 and December 31. It involves spreading the difference between actual and expected market returns over ten successive semi-annual periods to determine the actuarial value of assets.

Semi-annual Interest Crediting

ACERA updates reserve balances on a semi-annual basis as of June 30 and December 31 each year. At these times, ACERA carries out a multi-step process to calculate new reserve balances as specified in Article 5.5 of the 1937 Act. The amount of "net earnings" to be credited for the semi-annual period is calculated based on the actuarial smoothing process described above. To the extent that net earnings are available, interest is credited to specified components of reserves in a prescribed sequence after crediting the Contingency Reserve as described on page 30. Interest credited is based upon the actuarial assumed interest rate (or the actual rate if lower). This is defined as "Regular Earnings." If there are investment earnings that are above the target investments return remaining, 50% is credited to the SRBR and the remaining 50% is credited proportionally to all other reserves (except for the Contingency Reserve and the Market Stabilization Reserve).

While a member is active, member and employer contributions associated with that member are accumulated in two separate components of reserves—the Member Reserve and Employers' Advance Reserve. At the time of the member's retirement, ACERA makes a one-time transfer of the associated contributions plus credited interest from these two components of reserves to the Retired Member Reserve.

Components of Reserves

The Member Reserve represents the total accumulated member contributions of current active and inactive (deferred) members. Additions include member contributions and credited interest; deductions include refunds of member contributions along with credited interest and transfers to Retired Member Reserve made when a member retires.

The Employers' Advance Reserve represents the total net accumulated employer contributions for future retirement payments to active and deferred members. Additions include contributions from the employers and credited interest; and deductions include transfers to Retired Member Reserve made when each member retires. Employer contribution rates are actuarially determined taking into account other events such as members electing refund of contributions. Therefore, a refund of member contributions should not have an adverse impact in the accumulation of funds in the Employers' Advance Reserve.

Effective July 1, 2011, since the adoption of SB 1479, to the extent that an employer contributes to the 401(h) account to pay the cost of administering Postemployment Medical Benefits, there is an annual transfer from the Employers' Advance Reserve to the Supplemental Retirees Benefit Reserve for an amount equal to the Postemployment Medical Benefit related administrative expenses. For the year ended December 31, 2011, the transfer amount was $461.5 thousand.

The Retired Member Reserve represents funds accumulated to pay retirement benefits to retired members. This reserve represents the total net accumulated transfers from the Member Reserve and the Employers' Advance Reserve (both made at the time each member retires), and credited interest, reduced by payments to retired members, beneficiaries, and survivors.

The Supplemental Retirees Benefit Reserve (SRBR) was established on January 1, 1985 under Article 5.5 of the 1937 Act. The SRBR represents funds required by statute to be set aside from Regular Earnings and investment earnings that are above the target investments return to provide supplemental benefits to retirees. Effective December 31, 2006, the Board of Retirement approved an allocation from the SRBR and other reserves to the Postemployment Medical Benefits and Non-OPEB Benefits. The Board of Retirement decides on an annual basis what member benefits to pay from the SRBR. The reserves table on page 31 shows the amounts of the SRBR currently available to pay for non-vested benefits. When there are funds available in the SRBR, the Board of Retirement can approve a transfer of an amount equal to the Participating Employers' 401(h) contributions and 401(h) administrative cost contributions from the SRBR to the Employers' Advance Reserve. The Board of Retirement may also approve a transfer from the SRBR to the Employers' Advance Reserve to reimburse the employers' payment of implicit subsidy to pay the full cost of Postemployment Medical Benefits. Non-vested benefits currently paid by the SRBR are described in the following two paragraphs.

The 401(h) Postemployment Medical Benefits Account is used to pay the medical allowance, Medicare Part B reimbursement, dental, and vision and the associated administrative cost. The account is set up under the provisions of Internal Revenue Code section 401(h), which provides for payment of benefits on a tax-free basis. Participating Employers decide each year whether to contribute the funds needed and identify them as 401(h) account contributions. For the year ended December 31, 2011, the employers funded $32.3 million of 401(h) contributions including $31.9 million of estimated cost of Postemployment Medical Benefits and $461.5 thousand of 401(h) administrative cost contributions.

The Non-OPEB Benefits Reserve is used to pay for the Supplemental COLA, active death equity benefits, and death (burial) benefits. A total amount of $2.6 million was paid for the Supplemental COLA for the year ended December 31, 2011. An amount of $0.9 million in death burial benefits was paid, and an amount of $0.9 million was transferred to survivors death benefit reserve for future annuity payment of active death equity benefits for the year ended December 31, 2011. The reserve is increased through Regular Earnings and investment earnings that are above the target investments return.

The Contingency Reserve represents reserves accumulated to satisfy the statutory requirement of establishing a reserve against deficiencies in future interest crediting. The size of the reserve is determined semi-annually by the Board. The 1937 Act stipulates that the contingency reserve cannot exceed 3.0% of total assets and that, if the reserve falls below 1.0% of total assets, earnings from subsequent periods shall fund the reserve until the reserve level is at least 1.0% of total assets. The Board set the contingency reserve to be a minimum of 1.4% as of June 30, 2009. The reserve is accumulated from Regular Earnings before crediting other reserves as described on page 29 under Semi-annual Interest Crediting.

The Market Stabilization Reserve Account represents the deferred balance of investment earnings or losses not yet credited to other reserves. This balance arises from the five-year actuarial smoothing process for investment earnings. The Market Stabilization Reserve Account balance thus represents the difference between (1) the aggregate amounts initially deferred (smoothed) from the ten most recent semi-annual periods and (2) the amounts subsequently recognized for semi-annual interest crediting from these same ten periods.

Allocation of Earnings to Reserves for 2011

ACERA had losses of $53.8 million for the year ended December 31, 2011. $3.5 million of losses were allocated to the Contingency Reserve for the year ended December 31, 2011. The Market Stabilization Reserve decreased by $218.5 million for 2011 as a result of applying the actuarial five-year smoothing process and the actuarial value corridor limits. All other reserve accounts received interest credit of approximately $168.2 million.

Reserves

As of December 31, 2011

(Dollars in Thousands)

	Pension	Postemployment Medical Benefits	Non-OPEB Benefits	Total
Member Reserves	$ 1,106,170	$ -	$ -	$ 1,106,170
Employers' Advance Reserve	448,669	-	-	448,669
Retired Member Reserves	3,309,438	-	-	3,309,438
SRBR	-	542,001	60,906	602,907
401(h) Account	-	5,347	-	5,347
Basic Death (Burial) Benefit	-	-	6,114	6,114
Contingency Reserve	77,598	-	-	77,598
Total Reserves	**4,941,875**	**547,348**	**67,020**	**5,556,243**
Under Funded Reserve Accounts				
Market Stabilization Reserve Account	(481,845)	-	-	(481,845)
Total Reserves and Underfunded Accounts	**$ 4,460,030**	**$ 547,348**	**$ 67,020**	**$ 5,074,398**

5. ACTUARIAL VALUATION

ACERA retains an independent actuarial firm to conduct actuarial valuations of the Pension Plan, Postemployment Medical Benefits and Non-OPEB Benefits, to monitor ACERA's funding status and to establish the contribution rate requirements for the Pension Plan.

Pension Plan

The purpose of the valuations is to reassess the magnitude of ACERA's benefit commitments in comparison with the assets currently available to support those commitments. As a result, employer and member contribution rates can be adjusted accordingly. For the Pension Plan, the actuarial assumptions have been selected in order to estimate as closely as possible what the actual cost of the plan will be so as to permit an orderly method for setting aside contributions today to provide benefits in the future, and to maintain equity among generations of participants and taxpayers.

Contribution requirements are determined under the entry age normal actuarial cost method. This method is designed to collect contributions as a level percentage of pay. Any actuarial gains or losses that occur under this method are amortized as a level percentage of pay. To minimize the impact of short-term investment gains or losses, the Board of Retirement adopted an asset smoothing process described on page 29 under Actuarial Asset Smoothing. The December 31, 2010 actuarial valuation determined that the Pension Plan was 77.5% funded.

The information for the funding progress of the Pension Plan, which includes the actuarial value of assets, the actuarial accrued liability, the UAAL, the funded ratio, the annual covered payroll, and the ratio of UAAL to annual covered payroll are all presented in the Funded Status and Funding Progress - Pension Plan table on page 34. There are no legal or contractual maximum contribution rates under the 1937 Act that would affect the projection of benefits for financial reporting purposes.

Postemployment Medical Benefits and Non-OPEB Benefits

If Participating Employers continue to make contributions to the 401(h) account and the Board of Retirement continues to treat equal amounts of SRBR assets as contributions for pensions, then the Postemployment Medical Benefits are 76.6% funded assuming that the current benefit continues in perpetuity. This is the GASB 43 "funded ratio." The December 31, 2010 actuarial valuation determined that the Non-OPEB Benefits were 39.2% funded. The information for the funding progress of the Postemployment Medical Benefits and Non-OPEB Benefits, which includes the actuarial value of assets, the actuarial accrued liability, the UAAL, the funded ratio, the annual covered payroll, and the ratio of UAAL to annual covered payroll is presented in two separate tables on page 34.

Assuming future investment earnings at the assumed rate of 7.9% per year, it is anticipated that available assets will be sufficient to fund Postemployment Medical Benefits through year 2027 and the Supplemental COLA and death benefits program through year 2031.

Actuarial Methods and Assumptions

The status and funding progress for the Pension Plan, Postemployment Medical Benefits, and Non-OPEB Benefits are calculated based on the following actuarial methods and assumptions.

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, and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

	Pension Plan	Postemployment Medical Benefits	Non-OPEB Benefits
Valuation Date	12/31/10		
Actuarial Cost Method	Entry Age Normal		
Amortization of UAAL	Closed period 30 years (decreasing)		
Remaining Amortization Period	22 years	25 years	25 years
Assets Valuation Method	Difference between actual and expected market return smoothed over ten 6-months periods		
Actuarial Assumptions	Interest Rate: 7.90% Inflation Rate: 3.50% Across-the-Board Salary Increases: 0.50% Salary Increases: General 4.7% – 8.0% Safety 5.3% – 9.1% Demographic: refer to page 84		
Health care Cost Trend Rates:			
Medical	Graded down from 10% by 0.5% per annum until ultimate rate of 5%		
Dental and Vision	5%		
Medicare Part B	5%		
Postemployment Benefit Increases	For Tier 1 and 3 Members: 3.00% For Tier 2 Members: 2.00%	Dental, vision, and Medicare Part B subsidies are assumed to increase at 100% of the health care cost trend rates for these benefits. Monthly Medical Allowance (MMA) subsidies are assumed to increase at 50% of the health care cost trend rates for the MMA benefit.	Supplemental COLA benefits, payable when the current allowance from the Pension Plan drops below 85% of the original Pension Plan benefit indexed with CPI, are assumed to increase by the difference between inflation and the cost-of-living benefit guaranteed in the Pension Plan (3.00% for Tier 1 and Tier 3; and 2.00% for Tier 2, Tier 2C and Tier 2D), subject to other limitations.

The required schedules of funding progress on pages 48 to 51 present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits over time. The calculation of the unfunded actuarial accrued liabilities each year is based on the benefits provided under the terms of the respective plan in effect at the time of each valuation and on the pattern of cost sharing between the employer and plan members up to that date.

The funded status and funding progress of the Pension Plan, Postemployment Medical Benefits, and Non-OPEB Benefits as of December 31, 2010, the actuarial valuation date, are as follows:

Funded Status and Funding Progress – Pension Plan

(Dollar Amounts in Thousands)

Actuarial Value of Assets[1] (a)	Actuarial Accrued Liability (AAL)[2] (b)	Unfunded AAL (UAAL) (b–a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b–a) /c
$ 4,776,128[3]	$ 6,162,740	$ 1,386,612	77.5	$ 898,342	154.4

1 Excludes assets for SRBR and other non-valuation reserves.
2 Excludes liabilities for SRBR and other non-valuation reserves.
3 Includes estimated $4,500,000 transferred from the SRBR to the employers' advance reserve to compensate the County for 2010 implicit subsidy.

Funded Status and Funding Progress – Postemployment Medical Benefits Without Limit [2]

(Dollar Amounts in Thousands)

Actuarial Value of Assets [1] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b–a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b–a) /c
$ 561,356	$ 732,905	$ 171,549	76.6	$ 898,342	19.1

1 SRBR assets that may be treated as employer contributions to the extent that Participating Employers make contributions to the 401(h) account. ACERA has no authority to require future funding from Participating Employers to the 401(h) account.
2 Postemployment Medical Benefits are paid from the 401(h) account. The funded status for the Postemployment Medical Benefits does not incorporate the potential effect of legal or contractual funding limitations. Please refer to Required Supplementary Information for limitations imposed under Article 5.5 of the County Employees Retirement Law of 1937.

Funded Status and Funding Progress – Non-OPEB Benefits Without Limit [2]

(Dollar Amounts in Thousands)

Actuarial Value of Assets [1] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b–a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b–a) /c
$ 69,256	$ 176,501	$ 107,245	39.2	$ 898,342	11.9

1 Portion of SRBR assets allocated to Non-OPEB Benefits for non-vested Supplemental COLA and death benefits.
2 The funded status for the Non-OPEB Benefits does not incorporate the potential effect of legal or contractual funding limitations. Please refer to Required Supplementary Information for limitations imposed under Article 5.5 of the County Employees Retirement Law of 1937.

6. POSTEMPLOYMENT MEDICAL BENEFITS

ACERA administers a medical benefits program for retired members and their eligible dependents. The County negotiates the medical contracts with the providers covering both active and retired members. This arrangement results in "blended" medical premium rates that allow early retirees not yet medicare-eligible to purchase medical care from one of these providers at rates lower than otherwise available (an "implicit subsidy"). ACERA and the County collectively determined that the total amount of implicit subsidy for the blended medical premium rate for the year 2010 was $4.4 million. SRBR assets in this amount were treated as a pension contribution in 2011 upon the Board's approval to compensate the County for the implicit subsidy. The implicit subsidy amount for 2011 has not yet been determined. Approximately 75.9% of ACERA's retirees purchased medical coverage as of December 31, 2011. Approximately 99.8% of retirees were enrolled in vision and dental through this program as of December 31, 2011.

ACERA's retirees are eligible to receive a subsidy for medical premiums funded by the Participating

Employer's 401(h) account contributions. This subsidy takes the form of a monthly medical allowance. The allowance is subject to annual reauthorization by the Board of Retirement.

The actual amount of the allowance for each retiree depends on the retiree's number of years of service. The subsidy ranges from 50% for retirees with 10 years of service to 100% for retirees with 20+ years of service. Disability retirees are also eligible for the medical benefits program; the amount of their subsidy depends on the type of disability retirement (service connected or non-service connected).

Postemployment Medical Benefits Paid by the 401(h) Account

For the Year ended December 31, 2011
(Dollars in Thousands)

Medical Premium Account Balance	$ 5,347
Health Insurance Subsidies Paid	$ 31,555
Number of Subsidized Retirees	
Medical	5,171
Medicare Part B	3,363
Dental and Vision	6,802

The program may be amended, revised or discontinued at any time.

7. DEPOSITS AND INVESTMENTS

The 1937 Act gives the Board of Retirement exclusive control over ACERA's investment portfolio. Except as otherwise restricted by the California Constitution or other laws, the 1937 Act allows the Board to prudently invest, or delegate the authority to invest the investment portfolio through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction.

Moreover, the 1937 Act requires the Board, its officers, and employees to discharge their duties with respect to ACERA and the investment portfolio under the following rules:

- "The members of the retirement board shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.
- The members of the retirement board shall discharge their 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.
- The members of the retirement board shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so."

The Board of Retirement investment authority granted under the 1937 Act was also incorporated into the state constitution as the California Pension Protection Act of 1992 (Article 16, Section 17 of the California Constitution).

Deposits

Operational cash accounts held with a financial institution are swept daily into a pooled money market fund, which invests in repurchase agreements and U.S. treasury bills and notes.

ACERA also participates in the Alameda County Treasurer's investment pool. The pool invests in Local Agency Investment Funds (LAIF), banker's acceptances, collateralized time deposits, negotiable certificates of deposits, commercial paper, corporate notes and bonds, money market funds, federal agency notes and bonds, federal agency discount notes, and U.S. treasury notes.

Investments

In 2011, the Board adopted real return as a new asset class in ACERA's portfolio. ACERA's other asset classes include domestic equity, international equity, domestic fixed income, international fixed income, real estate, and private equity and alternative investments. Investments in any asset class may be held in direct form, pooled form, or both.

GASB Statement No. 59, *Financial Instruments Omnibus*, issued in June 2010 was effective for financial statements for periods beginning after June 15, 2010. The objective of this Statement is to modify financial reporting requirements for certain financial instruments and external investment pools. GASB Statement No. 59 clarifies that investments in 2a7-like pools must satisfy all the requirements of SEC Rule 2a7 and should be measured at the net asset value per share provided by the pool. ACERA has implemented GASB No. 59 in one of its external investment pools and reported the value based on the net asset per share value for the pool.

As of December 31, 2011, thirteen external investment managers managed securities portfolios, seven investment managers were used for real estate investments, and fifteen investment managers were used for private equity and alternative investments.

Available cash held by investment managers is swept daily into a pooled short-term investment fund managed by the custodial bank. This short term investment fund holds short-term obligations and deposits, including U.S. treasury and agency obligations, corporate bonds, commercial paper, repurchase agreements, certificates of deposit, banker's acceptances, time deposits, and floating-rate notes.

Likewise, cash collateral received in connection with the securities lending program in which ACERA participates is held in a separate short-term investment pool.

These two investment pools are each held in a trust fund sponsored by State Street Bank and Trust Company, the investment custodian and securities lending agent. They are regulated by the Federal Reserve, the Massachusetts Commissioner of Banks, and the U.S. Department of Labor.

The value of the underlying instruments in these investments pools is adjusted to fair value. The fair value of ACERA's position in these investment pools is not materially different from the value of the pool shares.

Derivatives

ACERA has the following types of derivatives: futures contracts equity index, equity index swaps, currency forward contracts, rights, and warrants. An equity index future contract represents an agreement to purchase or sell an equity index for a given price at a specified future date. An equity index swap represents an agreement between two parties to swap two sets of equity index values. Currency forward contracts generally serve to hedge or offset, the impact of foreign currency exchange rate fluctuations on the reported U.S. dollar fair value of investments denominated in foreign currencies. Rights and warrants allow the holder the option to buy securities for a given price within a specified time period.

The Investment Derivatives schedule below reports the fair value balances, changes in fair value, and notional amounts of derivatives outstanding as of and for the year ended December 31, 2011, classified by type. For financial reporting purposes, all ACERA derivatives are classified as investment derivatives.

Derivative Investments

For Year Ended December 31, 2011 (Dollars in Thousands)

Derivative Type	Classification	Notional Value	Fair Value	Changes in Fair Value[2]
Future Contracts - Equity Index	Receivable/Liability	$ 59,453	$ -	$ (9,028)
Equity Index Swaps	Receivable/Liability	(4,918)	(43)	(1,431)
Rights	International Equity	-	-	265
Warrants	International Equity	26,083 shares	69	80
Currency Forward Contracts	Receivable/Liability[1]	545,594	(1,124)	(11,187)
Total			**$ (1,098)**	**$ (21,301)**

1 Currency forward contracts are reported as Foreign Exchange Contracts. Spot contracts are not considered as derivatives.
2 Change in fair value includes realized and unrealized gains and losses on derivatives and is included in Net Appreciation (Depreciation) in Fair Value of Investments on the Statement of Changes in ACERA's Net Assets.

Securities Lending Activity

Board of Retirement policies authorize ACERA to participate in a securities lending program. Securities lending transactions are short-term collateralized loans of ACERA's securities for the purpose of generating additional investment income. ACERA has a securities lending agreement in place that authorizes the securities lending agent to lend ACERA's securities to broker-dealers and banks pursuant to a loan agreement. For securities on loan, ACERA receives either cash or non-cash collateral. ACERA invests the cash collateral in a pooled short-term investment fund maintained by the securities lending agent and receives earnings on it in exchange for paying a loan rebate fee to the borrower. In the case of non-cash collateral, the borrower pays ACERA a loan premium.

For the year ended December 31, 2011, on behalf of ACERA, the securities lending agent lent ACERA's securities (government bonds, corporate stocks, corporate bonds, and international equities and fixed income) to borrowers under the securities lending agreement and ACERA received cash (U.S. and foreign currency), securities issued or guaranteed by the United States government, and sovereign debt or irrevocable bank letters-of-credit as collateral.

ACERA did not have the ability to pledge or sell collateral securities delivered absent a borrower default (therefore, such non-cash collateral is not reported on the statement of ACERA's Net Assets).

Borrowers were required to deliver collateral for each loan equal to:

- Loaned securities denominated in U.S. dollars or sovereign debt issued by foreign governments, with a margin of at least 102% of the market value of the loaned securities; and
- Loaned securities not denominated in U.S. dollars, or whose primary trading market was not located in the United States, with a margin of at least 105% of the market value of the loaned securities.

Moreover, borrowers were required to maintain the designated margin percentage of collateral on a daily basis.

ACERA did not impose any restrictions for the year ended December 31, 2011 on the amount of the loans that the securities lending agent made on its behalf. In the event the borrower failed to return the loaned securities, the securities lending agent indemnified ACERA by agreeing to purchase replacement securities. If the collateral was inadequate to replace the securities lent, the securities lending agent will supplement the amount of cash collateral. If the borrower failed to pay ACERA for any income distributions on loaned securities, the securities lending agent will also supplement the income amount due to ACERA. There were no losses during the year ended December 31, 2011 resulting from a default of the borrowers or the securities lending agent.

For the year ended December 31, 2011, ACERA and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders in a short term investment pool managed by the securities lending agent. For the fiscal year 2011, the short term investment fund is separated into two investment pools: 1) a liquidity pool and 2) a duration pool. As of December 31, 2011, the liquidity pool had an average duration of 26 days and an average weighted final maturity of 71 days for USD collateral. The duration pool had an average duration of 35 days and an average weighted final maturity of 648 days for USD collateral. For the year ended December 31, 2011, ACERA had no credit risk exposure to borrowers because, for each borrower, the value of borrower collateral held exceeded the value of the securities on loan to the borrower.

As of December 31, 2011, ACERA had securities on loan with a total fair value of $428.2 million and the cash collateral held against the loaned securities of $439.3 million.

Deposit, Investment and Derivative Risks

GASB Statements No. 40 and 53 require the disclosure of specific risks that apply to ACERA's deposits, investments and derivatives. They identify the following risks:

- Custodial Credit Risk—Deposits and Investments
- Concentration of Credit Risk
- Credit Risk—Investments and Derivatives
- Interest Rate Risk
- Fair Value Highly Sensitive to Changes in Interest Rates
- Foreign Currency Risk

Investment Policies

GASB Statement No. 40 requires the disclosure of deposit or investment policies (or the lack thereof) that relate to investment and custodial risks.

ACERA has chosen to manage the investment risks described by GASB Statements No. 40 and 53 by contractually requiring each portfolio investment manager to abide by restrictive investment guidelines specifically tailored to that individual manager rather than adopting across the board investment policies with respect to these investment risks. The guidelines stipulate the investment style, performance objective, performance benchmarks, and portfolio characteristics.

For example, in the case of foreign currency risk, the policy guidelines for the U.S. dollar equity portfolios differ from those for the non-U.S. dollar equity portfolios. Likewise, in the case of credit risk, the guidelines for one fixed income manager stipulate a minimum acceptable credit rating for each debt instrument while the guidelines for a different fixed income portfolio merely require that the average of credit ratings for a certain fair value percentage of the portfolio meet a minimum requirement.

Each manager is likewise subject to a "manager standard of care" that establishes a fiduciary relationship requiring the manager to act prudently and solely in the best interest of ACERA.

Separately, ACERA's guidelines also require each manager's investment return performance to compare favorably with the performance of the relevant passive market index such as the Barclays Capital Aggregate Bond Index.

ACERA's investment staff continually monitors all investment managers for compliance with the respective guidelines.

Custodial Credit Risk—Deposits

Custodial Credit Risk for Deposits is the risk that, in the event of the failure of a depository financial institution, ACERA will not be able to recover deposits nor be able to recover collateral securities that are in the possession of an outside party. ACERA has no general policy on custodial credit risk for deposits.

By necessity, ACERA maintains operational cash deposits to support day-to-day cash management requirements. As of December 31, 2011, cash held with a financial institution in a pooled money market fund amounted to $226.0 thousand, of which $118.8 thousand is uninsured and uncollateralized. The cash held in the Alameda County Treasurer's investment pool was $107.1 thousand as of December 31, 2011. These deposits are uninsured and uncollateralized, and subject to custodial credit risk.

Custodial Credit Risk—Investments

The Custodial Credit Risk for Investments is the risk that, in the event of the failure of a counterparty to a transaction, ACERA will not be able to recover the value of investment securities that are in the possession of an outside party. The individual investment guidelines for each investment manager require that managed investments be held and maintained with the master custodian in the name of ACERA. The master custodian may rely on sub-custodians. The custodial requirement does not apply to real estate investments, investments in commingled pools, and private equity and alternative investments. As of December 31, 2011, ACERA had no investments that were exposed to custodial credit risk.

Custodial Credit Risk—Derivatives

ACERA's investments include collateral associated with derivatives activity. As of December 31, 2011, collateral for derivatives were $2.2 million. The collateral margins are maintained in margin accounts at financial services firms that provide brokerage services. Each account is uninsured and uncollateralized, and subject to custodial credit risk.

Concentration of Credit Risk

Concentration of Credit Risk is the risk of loss attributed to the magnitude of ACERA's investment in a single issuer of securities. The individual investment guidelines for each fixed income manager restrict concentrations greater than 5% in the securities of any one issuer (excluding all government and agency securities). As of December 31, 2011, ACERA had no investments in a single issuer that equaled or exceeded 5% of ACERA's Net Assets.

Credit Risk—Investments

Credit Risk is the risk that the issuer of a debt security or other counterparty to an investment will not fulfill its obligations. The individual investment guidelines for each fixed income investment manager describe applicable restrictions on credit risk. The credit risk restrictions by investment portfolio are as follows:

- Medium-Grade Fixed Income: A minimum of 51% of the market value of the portfolio must be rated BBB- or higher by Standard & Poor's (S&P) or Baa3 or higher by Moody's Investor Services (Moody's).
- Enhanced Index Fixed Income: Investments must be rated Baa/BBB or better by Moody's/S&P at time of purchase.
- Global Fixed Income: The average credit quality of the portfolio shall be grade "A" or better based on Moody's and/or S&P. Individual securities shall be of investment-grade quality, i.e., Baa3/BBB- and above.

The credit quality ratings of a security, (e.g., from Moody's or S&P) give an indication of the degree of credit risk for that security.

The Credit Risk Analysis schedule on page 40 discloses credit ratings of ACERA's debt investments by type and for each external investment pool as of December 31, 2011.

Credit Risk Analysis

As of December 31, 2011 (Dollars in Thousands)

Debt Investments By Type	Total	Adjusted Moody's Credit Rating[1] Aaa	Aa	A	Baa	Ba	B	Caa	Ca and Below	Not Rated
Collateralized Mortgage Obligations	$ 108,105	$ 53,458	$ 9,800	$ 4,641	$ 6,784	$ 1,791	$ 10,224	$ 17,752	$ 3,655	$ -
Convertible Bonds	36,562	-	-	6,782	893	12,718	6,385	3,576	-	6,208
Corporate Bonds	371,531	13,638	24,958	71,947	150,749	36,526	57,388	5,544	2,309	8,472
Federal Home Loan Mortgage Corp.	34,980	-	34,980	-	-	-	-	-	-	-
Federal National Mortgage Assn.	75,098	-	75,098	-	-	-	-	-	-	-
Government National Mortgage Assn. I, II	22,987	-	22,987	-	-	-	-	-	-	-
Government Issues	377,259	86,934	24,814	58,084	39,515	23,776	-	-	1,237	142,899
Municipal	9,268	-	404	8,005	859	-	-	-	-	-
Other Asset Backed Securities	29,665	2,405	-	1,802	3,479	5,254	1,191	10,307	5,227	-
Subtotal Debt Investments	**1,065,455**	**156,435**	**193,041**	**151,261**	**202,279**	**80,065**	**75,188**	**37,179**	**12,428**	**157,579**
EXTERNAL INVESTMENT POOLS OF DEBT SECURITIES										
Securities Lending Cash Collateral Fund										
Liquidation Pool	383,450	-	-	-	-	-	-	-	-	383,450
Duration Pool	53,066	-	-	-	-	-	-	-	-	53,066
Master Custodian Short-Term Investment Fund	106,503	-	-	-	-	-	-	-	-	106,503
Subtotal External Investment Pools	**543,019**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**543,019**
Total	**$1,608,474**	**$156,435**	**$193,041**	**$151,261**	**$ 202,279**	**$ 80,065**	**$ 75,188**	**$ 37,179**	**$ 12,428**	**$700,598**

1 Adjusted Moody's Credit Rating: This schedule displays the fair value of investments by credit rating in increasing magnitude of risk. Investments are classified by Moody's credit rating, or by the Moody's rating that corresponds to the Standard & Poor's (S&P) credit rating if the investment has a S&P rating but not a Moody's rating. Also whenever both ratings for an investment exist and the S&P rating for the investment indicates a greater degree of risk than the Moody's rating, then the investment's Moody's credit rating is adjusted, solely for the purpose of this disclosure, to the Moody's rating corresponding to the greater degree of risk.

Credit Risk—Derivatives

ACERA is exposed to credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to credit risk include currency forward contracts, equity index swaps, and synthetic futures (which are included in Future Contracts Equity Index). To minimize credit risk exposure, ACERA's investment managers continually monitor credit ratings of counterparties. Should there be a counterparty failure, ACERA would be exposed to the loss of the fair value of derivatives that are in asset positions and any collateral provided to the counterparty, net of the effect of applicable netting arrangements. ACERA has no general investment policy with respect to netting arrangements or collateral requirements. Netting arrangements legally provide ACERA with a right of setoff in the events of bankruptcy or default by the counterparty. ACERA's investment managers may have collateral posting provisions associated with equity index swaps and currency forward contracts. In the event of counterparty failure, ACERA would be exposed to loss of collateral provided to the counterparty. Collateral provided by the counterparty to ACERA reduces its credit risk exposure. The collateral associated with investments derivatives is disclosed on page 39 under Custodial Credit Risk—Derivatives.

The following Credit Risk—Derivatives schedule discloses the counterparty credit ratings of

ACERA's investment derivatives in asset positions by type, as of December 31, 2011. These amounts represent the maximum loss that would be recognized if all counterparties fail to perform as contracted, without respect to any collateral or other security, or netting arrangement.

Credit Risk Analysis – Investment Derivatives Subject to Credit Risk

As of December 31, 2011
(Dollars in Thousands)

Adjusted Moody's Credit Rating[1]	Currency Forward Contracts	Equity Index Swaps	Total
AA	$ 20	$ -	$ 20
A	3,820	-	3,820
Subtotal Derivatives in Asset position	**3,840**	**-**	**3,840**
Derivatives in Liability Position	(4,964)	(43)	(5,007)
Total Derivatives in Asset/(Liability) Position	**$(1,124)**	**$ (43)**	**$(1,167)**

1 See footnote 1 on page 40.

As of December 31, 2011 the $3.8 million maximum exposure of derivatives credit risk was reduced by $5.0 million of liabilities included in netting arrangements, resulting in a net exposure to credit risk of negative $1.2 million.

ACERA has investment derivative concentration of credit risk. As of December 31, 2011, 32.5% of the net exposure to credit risk is with one counterparty, with a credit rating of A.

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

ACERA has investments in three fixed income portfolios containing individual debt securities as well as investments in external investment pools containing debt securities. All of these investments are subject to interest rate risk. ACERA has no general policy on interest rate risk for the fixed income portfolios or for the investments in external pools. ACERA manages interest rate risk for the three fixed-income portfolios by setting limits on portfolio duration for each portfolio. The duration restrictions by investment portfolio (with portfolio style) are as follows:

- Duration Band: Barclays Baa Credit Capital Index duration +/- 2.5 years (Medium Grade Fixed Income)
- Duration: Match the Barclays Capital Aggregate Bond Index duration (Enhanced Index Fixed Income)
- Duration Band: 1–10 years duration (Global Fixed Income)

The following Interest Rate Risk Analysis—Duration schedule discloses the duration of ACERA's debt investments by type and the duration of each of the external investment pools of debt securities. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present values of cash flows, weighted for those cash flows as a percentage of the investment's full price. The Master Custodian Short-Term Investment Fund had an average weighted maturity of 22 days as of December 31, 2011.

Interest Rate Risk Analysis – Duration

As of December 31, 2011 (Dollars in Thousands)

Debt Investments by Type	Fair Value	Duration in Years
Collateralized Mortgage Obligations	$ 108,105	3.5
Convertible Bonds	36,561	7.9
Corporate Bonds	371,532	6.4
Federal Home Loan Mortgage Corp.	34,980	2.4
Federal National Mortgage Assn.	75,098	3.2
Government National Mortgage Assn. I, II	22,987	2.6
Government Issues	377,258	7.2
Municipal	9,268	11.5
Other Asset Backed Securities	29,666	4.2
Total of Debt Investments	**$ 1,065,455**	

External Investment Pools of Debt Securities	Fair Value	Duration
Securities Lending Cash Collateral Fund	-	-
Liquidity Pool	$ 383,450	26 days
Duration Pool	53,066	35 days
Master Custodian Short-Term Investment Fund	106,503	-
Total External Investment Pools	**$ 543,019**	

Interest Rate Risk Analysis – Highly Sensitive

Investment with Fair Values Highly Sensitive to Changes in Interest Rates

As of December 31, 2011 (Dollars in Thousands)

Investment Type	Investment Description	Interest Rates	Fair Value
Collateralized Mortgage Obligations	Mortgage-related Securities	5.5 to 6.0%	$ 4,792

Fair Value Highly Sensitive to Changes in Interest Rates

Debt investment terms may cause its fair value to be highly sensitive to interest rate changes. The Interest Rate Risk Analysis table described above discloses the degree to which ACERA's investments are sensitive to interest rate changes due simply to the remaining term to maturity. In contrast, ACERA's investments with fair values that are highly sensitive to interest rates due to other factors are disclosed on the Interest Rate Risk Analysis - Highly Sensitive schedule on page 42. ACERA has no general investment policy with respect to investments with fair values that are highly sensitive to changes in interest rates.

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment or deposit. ACERA has no general investment policy with respect to foreign currency risk.

Foreign Currency Risk—Investments

The Foreign Currency Risk Analysis schedule on page 44 shows the fair value of investments that are exposed to this risk by currency denomination and investment type. This provides an indication of the magnitude of foreign currency risk for each currency.

Foreign Currency Risk—Equity Index Swaps and Futures

Equity Index swaps and equity index future contracts are derivatives. An equity index swap represents an agreement between two parties to swap two sets of equity index values. An equity index future contract represents an agreement to purchase or sell an equity index for a given price at a specified future date.

For those equity index swaps and equity index future contracts which are dollar-denominated securities issued by foreign countries, there is an exposure to a foreign currency risk.

Foreign Currency Risk—Foreign Exchange Contracts

Foreign exchange contracts are subject to foreign currency risk. Foreign exchange contracts include currency forward contracts and spot contracts. Currency forward contracts are derivatives and are described in the derivatives section of this note. Spot contracts are generally used when ACERA is required to make or receive payments in a foreign currency. Spot contracts are agreements to buy or sell a certain amount of foreign currency at the current market rate, for settlement in two business days.

The dollar impact that foreign exchange contracts have on foreign currency risk is equal to the foreign currency settlement amounts translated in the same manner as the investments (i.e. spot exchange rate at the end of the year). The impact appears in the column labeled Foreign Currency on the schedule on page 44. The Net Exposure column of the schedule indicates the net foreign currency risk, i.e., the gross risk associated with the investments less the risk hedged by the outstanding foreign exchange contracts.

Foreign Currency Risk Analysis

Fair Value of Investments Exposed to Foreign Currency Risk by Currency

As of December 31, 2011 (Dollars in Thousands)

Currency	Investment Type						
	Common Stock and Depository Receipts	International Equity Mutual Fund/Private Equity	Corporate Bonds	Foreign Currency	Government Issues	Currency Swaps	Net Exposure
Australian Dollar	$ 49,085	$ -	$ 8,535	$ (195)	$ 26,956	$ (1,794)	$ 82,587
Brazilian Real	3,686	-	4,337	-	12,510	390	20,923
Canadian Dollar	51,961	-	-	105	34,483	(61)	86,488
Chilean Peso	-	-	946	-	-	(160)	786
Colombian Peso	-	-	1,430	-	1,207	-	2,637
Danish Krone	11,836	-	-	17	-	29	11,882
Euro Currency	270,166	-	895	24,710	6,983	1,262	304,016
Hong Kong Dollar	51,761	-	-	255	-	24	52,040
Hungarian Forint	-	-	-	-	7,968	-	7,968
Indian Rupee	6,100	-	1,796	-	1,134	-	9,030
Indonesian Rupiah	3,552	-	1,947	-	8,993	3	14,495
Israeli Shekel	2,361	-	-	-	-	(2)	2,359
Japanese Yen	170,833	-	592	23	-	(348)	171,100
Malaysian Ringgit	2,256	-	-	239	13,668	7	16,170
Mexican Peso	3,757	-	1,058	1,009	25,798	(135)	31,487
New Taiwan Dollar	5,554	-	-	-	-	8	5,562
New Zealand Dollar	591	-	1,890	5	16,461	66	19,013
Norwegian Krone	1,656	-	-	36	10,359	(338)	11,713
Philippine Peso	-	-	-	-	6,889	-	6,889
Polish Zloty	3,574	-	-	-	13,964	17	17,555
Pound Sterling	171,508	-	-	134	23,790	(193)	195,239
Singapore Dollar	14,648	-	5,566	57	-	(50)	20,221
South African Rand	8,512	-	-	91	10,443	57	19,103
South Korean Won	14,624	-	5,993	1,628	12,753	41	35,039
Swedish Krona	18,849	-	-	15	-	(67)	18,797
Swiss Franc	69,544	-	-	99	-	425	70,068
Thailand Baht	3,213	-	-	46	-	(25)	3,234
Turkish Lira	-	-	-	9	-	(514)	(505)
Yuan ReFnminbi	-	-	-	-	-	224	224
Various Currencies	-	136,725	-	-	-	-	136,725
Total	**$ 939,627**	**$ 136,725**	**$ 34,985**	**$ 28,283**	**$ 234,359**	**$ (1,134)**	**$ 1,372,845**

Real Estate

Real Estate Investment Income – Separate Properties

For the Year ended December 31, 2011
(Dollars in Thousands)

Real Estate Investment Income	$ 12,176
Real Estate Expenses	
Non-Operating Expenses[1]	271
Operating Expenses	6,558
Total Expenses	**6,829**
Real Estate Net Income	**$ 5,347**

1 Non-Operating Expenses include interest expense resulting from loans on properties.

The remaining balance of real estate related debt outstanding associated with the separate properties as of December 31, 2011 was $12.4 million.

8. CAPITAL ASSETS

ACERA's capital assets include equipment and furniture, Electronic Document Management System, information systems, leasehold improvements, and construction-in-progress. See the following table for details.

Capital Assets and Accumulated Depreciation

For the Year ended December 31, 2011 (Dollars in Thousands)

	January 1, 2011	Additions	Deletions / Transfers	December 31, 2011
CAPITAL ASSETS - DEPRECIABLE				
Equipment and Furniture	$ 2,777	$ 341	-	$ 3,118
Electronic Document Management System	-	3,922	-	3,922
Information Systems	10,457	-	-	10,457
Leasehold Improvements	2,465	93	-	2,558
Subtotal	**15,699**	**4,356**	**-**	**20,055**
CAPITAL ASSETS - NON DEPRECIABLE				
Construction-in Progress	2,024	2,497	(4,341)	180
Total Capital Assets (Cost)	**17,723**	**6,853**	**(4,341)**	**20,235**
ACCUMULATED DEPRECIATION AND AMORTIZATION				
Equipment and Furniture	(2,502)	(135)	-	(2,637)
Electronic Document Management System	-	(395)		(395)
Information Systems	(10,457)	-	-	(10,457)
Leasehold Improvements	(381)	(91)	-	(472)
Total Accumulated Depreciation and Amortization	**(13,340)**	**(621)**	**-**	**(13,961)**
Capital Assets - Net of Accumulated Depreciation and Amortization	**$ 4,383**	**$ 6,232**	**$ (4,341)**	**$ 6,274**

9. LEASES

ACERA leases office space from Oakland 14th St. Office, a title holding corporation formed by ACERA. The term of the lease is seven years and seven months, with an option to renew for five additional years. Under the terms of the lease agreement, ACERA's base rent is abated. However, ACERA is required to pay its proportionate share of building operating expenses as defined in the lease. ACERA's share of these operating expenses was approximately $92,000 for the year ended December 31, 2011.

In addition, ACERA leases photocopy machines and water coolers to support operations. Equipment rental expenses were approximately $28,000 for the year ended December 31, 2011. The future estimated minimum rental payments for these leases are as follows:

Future Minimum Rental Payments

As of December 31 (Dollars in Thousands)

Year	Amount
2012	$ 28
2013	24
2014	16
2015	8
2016	-
Total	**$ 76**

10. ADMINISTRATION EXPENSE

ACERA's Board of Retirement annually adopts an operating expense budget covering expenses to be incurred in the following fiscal year. The operating budget includes the administration expense budget which is subject to the statutory limit based on exclusions specified in the 1937 Act.

In 2005, the Board adopted a provision of the 1937 Act (Section 31596.1) that allows ACERA to exclude actuarial, investment, legal (Section 31529.9), and business continuity (Section 31522.6) related expenses from that portion of administration expense subject to the statutory limit.

Assembly Bill 609 (AB 609) was passed by the California legislature and signed into law by the Governor in September 2010. It became effective January 1, 2011. ACERA produced its 2011 budget under the new rules (Section 31580.2 (a)(1)) which changes the 1937 Act administrative expense cap from 0.18 percent of total assets to 0.21 percent of the Accrued Actuarial Liability. In addition to the change in cap base, AB 609 also allows for the exclusion of technology direct costs from administrative expense. These exclusions (other than investment related expenses) totaled $3.6 million for 2011 and $3.0 million for 2010. Investment related expenses were offset against investment income.

With the passage of AB 609, ACERA's policy is to assess its compliance with the limitation based on Actuarial Accrued Liabilities as of December 31 of the year in which the budget is adopted.

A schedule of Administration Expense is included in the Supporting Schedules on page 53.

Application of Statutory Limit on Administration Expense

For the Year ended December 31, 2011 (Dollars in Thousands)

Total Accrued Actuarial Liability as of December 31, 2010	$ 7,072,146
Limit: Maximum Allowable fraction of Total Accrued Actuarial Liability (0.21%) times Total Accrued Actuarial Liability	$ 14,852
Portion of Administrative Expenses for the Fiscal Year subject to the Statutory Limit	10,137
Excess of Limit over Portion of Administration Expense Subject to Limit	**$ 4,715**
Portion of Administration Expense Subject to Limit as a Percentage of Accrued Actuarial Liability	**0.14%**

11. RELATED PARTY TRANSACTIONS

By necessity, ACERA is involved in various business transactions with the County of Alameda, the primary plan sponsor. These include reimbursement to the County for the salary and benefits of ACERA staff members paid through the County and reimbursement to the Alameda County Human Resources Department for personnel consulting services and for administering ACERA's retired members' health benefits. Also, under Board of Retirement policy, ACERA reimburses the County for a portion of the salary and benefits of each County employee elected to the Board of Retirement. Lastly, ACERA reimburses the County for the cost of services provided in the following areas: insurance/risk management, information technology, and telecommunications.

At December 31, 2011, the balance of such costs that were not yet reimbursed to the County was approximately $218,000 mainly for the salary and benefits of ACERA staff members.

Also, ACERA leases office space from Oakland 14th St. Office, a title holding company controlled by ACERA. Note 9—Leases describes this arrangement.

Related Party Transactions

For the Year ended December 31, 2011

(Dollars in Thousands)

Reimbursed Cost of ACERA	
Staff Members	$ 11,091
Reimbursed Costs of County Services	433
State-Mandated Benefit Replacement	
Program (415M)	140
County Personnel Services	77
Partial Salary/Benefits Reimbursement for	
Elected Board Members	220
Total	**$ 11,961**

Required Supplementary Schedules

Schedule of Funding Progress – Pension Plan (Actuary's Exhibit IX)

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets [1] (a)	Actuarial Accrued Liability (AAL)[2] (b)	Unfunded AAL (UAAL) (b–a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b–a) /c
12/31/05	$ 3,781,843	$ 4,548,213	$ 766,370	83.2	$ 709,783	108.0
12/31/06	4,127,841[3]	4,825,157	697,316	85.5	762,139	91.5
12/31/07	4,560,213 [3]	5,112,403	552,190	89.2	793,558	69.6
12/31/08	4,644,010 [3]	5,537,919	893,909	83.9	864,260	103.4
12/31/09	4,789,000 [3]	5,899,331	1,110,331	81.2	882,606	125.8
12/31/10	4,776,128 [3]	6,162,740	1,386,612	77.5	898,342	154.4

1 Excludes assets for SRBR and other non-valuation reserves.
2 Excludes liabilities for SRBR and other non-valuation reserves.
3 Includes the following amounts transferred from the SRBR to the employers' advance reserve to compensate the County for the implicit subsidy: 2005 and 2006-$6,303,514; 2007-$3,091,493; 2008-$4,149,463; 2009-$5,287,767; 2010 (estimate provided by ACERA) -$4,500,000.

Schedule of Employer Contributions – Pension Plan

(Dollar Amounts in Millions)

Year Ended December 31	Annual Required Contribution [1]	Percentage (%) Contributed [2]
2005	$ 101	100
2006	127	100
2007	130	100
2008	130	100
2009	132	100
2010	148	100

1 This schedule is prepared by ACERA's management and includes SRBR assets treated as Participating Employer contributions for pension benefits to the extent that Participating Employers make contributions to the 401(h) account.

2 With the implementation of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, some Participating Employers have allocated total contributions paid to ACERA between the Pension and OPEB Benefits based on the assumption that the annual required contribution to the Pension Plan would have been lower if SRBR had not transferred an equal amount as employer contributions to fulfill part of the annual required contribution.

Schedule of Funding Progress – Postemployment Medical Benefits Without Limit [1, 3]

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets[2] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (%) (a / b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b - a) / c
12/31/08	$ 608,314	$ 703,320	$ 95,006	86.5	$ 864,260	11.0
12/31/09	591,289	763,501	172,212	77.4	882,606	19.5
12/31/10	561,356	732,905	171,549	76.6	898,342	19.1

Schedule of Funding Progress – Postemployment Medical Benefits With Limit [1, 4] (Actuary's SRBR Exhibit I)

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets[2] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (%) (a / b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b - a) / c
12/31/08	$ 608,314	$ 608,314	0	100.0	$ 864,260	0
12/31/09	591,289	591,289	0	100.0	882,606	0
12/31/10	561,356	561,356	0	100.0	898,342	0

Schedule of Employer Contributions – Postemployment Medical Benefits

(Dollar Amounts in Thousands)

	Annual Required Contribution		
Year Ended December 31	Without Limit[3]	With Limit[4]	Percentage (%) Contributed[5]
2008	$ 31,718	$ 0	0
2009	38,658	0	0
2010	35,305	0	0

1 Postemployment Medical Benefits are paid from the 401(h) account.

2 Postemployment SRBR assets that may be treated as employer contributions to the extent that Participating Employers make contribution to the 401(h) account. ACERA has no authority to require future funding from Participating Employers to the 401(h) account.

3 In accordance with the GASB 43 "substantive plan" definition, this information is presented using the assumptions that: Participating Employers continue the same benefits offered and pay contributions to the 401(h) account as of December 31, 2010; and that the Board of Retirement continues to treat available SRBR assets as pension contributions without the limits described under note 4. This information discloses the "without limit" UAAL and "funded ratio" using the actuarial values of assets as described in footnote 2 and benefits provided as of December 31, 2010. Based on the amount of SRBR assets available for this purpose as of December 31, 2010, there are sufficient SRBR assets to continue substituting for the employer pension contributions until the year 2027.

4 The "funded ratio" is 100% using the assumption that the Participating Employers will cease contribution to the 401(h) account when there are no SRBR assets available to subsidize Participating Employer pension contributions. Article 5.5 of the County Employees Retirement Law of 1937 provides that assets added to the SRBR reserve are limited to the Regular Earning on the current SRBR reserve plus the investment earnings that are above the target investments return. Participating Employers decide on an annual basis whether to continue these benefits and what amount to contribute to the 401(h) account.

5 Some Participating Employers consider a portion of the transfer of investment earnings that are above the target investments return to the SRBR to be an employer contribution under GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.

Schedule of Funding Progress – Non-OPEB Benefits Without Limit[1]

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets[2] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (%) (a / b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b - a) / c
12/31/08	$ 76,005	$ 202,534	$ 126,529	37.5	$ 864,260	14.6
12/31/09	73,481	171,178	97,697	42.9	882,606	11.1
12/31/10	69,256	176,501	107,245	39.2	898,342	11.9

Schedule of Funding Progress – Non-OPEB Benefits With Limit[3] (Actuary's SRBR Exhibit I)

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets[2] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (%) (a / b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b - a) / c
12/31/08	$ 76,005	$ 76,005	$ 0	100.0	$ 864,260	0
12/31/09	73,481	73,481	0	100.0	882,606	0
12/31/10	69,256	69,256	0	100.0	898,342	0

Schedule of Employer Contributions – Non-OPEB Benefits

(Dollar Amounts in Thousands)

	Annual Required Contribution		
Year Ended December 31	Without Limit[1]	With Limit[3]	Percentage (%) Contributed[4]
2008	$ 19,359	$ 0	0
2009	15,975	0	0
2010	16,619	0	0

1 In accordance with the GASB 43 "substantive Plan" definition, this information is presented using the assumption that the Board of Retirement continues the same benefits offered as of December 31, 2010 without the limits described under note 3. This information discloses the "without limit" UAAL and "funded ratio" using the actuarial values of assets and benefits as of December 31, 2010. Based on the amount of SRBR and Death (Burial) Benefit Reserve assets allocated for this purpose as of December 31, 2010, there are sufficient assets to provide these benefits until the year 2031.

2 Death (Burial) Benefit Reserve and portion of SRBR assets allocated to Non-OPEB Benefits for non-vested supplemental COLA and death benefits.

3 The funding for these benefits is limited to the portion of reserves allocated to Non-OPEB Benefits. As a result, there is no UAAL and the "funded ratio" is 100%. The Board of Retirement has the authority to change or discontinue these benefits. Article 5.5 of the County Employees Retirement Law 1937 provides that assets added to the SRBR reserve are limited to the Regular Earnings on the current SRBR reserve plus the investment earnings that are above the target investments return. If SRBR reserves are depleted, no funds will be available to pay these benefits and they will cease. The Board of Retirement decides on an annual basis whether to continue these benefits and in what amount.

4 Some Participating Employers consider a portion of the transfer of investment earnings that are above the target investments return from the Pension Plan to the SRBR to be an employer contribution under GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.

Notes to Required Supplementary Schedules

PENSION PLAN

The information presented in the supplemental schedules was determined as part of the actuarial valuations as of the dates indicated. Additional information, as of the actuarial valuation date, December 31, 2010, is as follows:

Actuarial Cost Method: Entry Age Normal Cost Method

Asset Valuation Method: The Actuarial Value of Assets is determined by phasing in any difference between actual and expected market return over 10 six-month interest crediting periods. For valuation purposes the Actuarial Value of Assets has to be between 60%/140% of the Market Value of Assets. Furthermore, the Actuarial Value of Assets is reduced by the value of the non-valuation reserves such as the SRBR for valuation purposes.

Amortization of UAAL: The annual contribution rate, which if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the actuarial assumed interest rate. The employer contribution is designed to remain as a level percentage of future active member payroll (including payroll of new members as they enter ACERA) assuming a constant number of active members. To remain as a level percentage of payroll, amortization payments are scheduled to increase by the assumed annual inflation rate plus the assumed across-the-board salary increase percent (the total of these two is 4.00% per annum).

The UAAL of ACERA's Pension Plan is being funded over a declining 22-year period following December 31, 2010.

Amortization Approach: Closed

Amortization of Actuarial Gains and Losses: Any new actuarial gains and losses will be combined with all prior unamortized gains and losses and amortized over the amortization period of 22 years following December 31, 2010.

Cost-of-Living Adjustments: The maximum statutory annual increase in retirement allowance is 3% per year for Tier 1 and Tier 3; and 2% for Tier 2 members. The increases are based on the change in the Bay Area Consumer Price Index for the calendar year prior to the April 1, effective date.

Actuarial Assumed Interest Rate: 7.90% per annum

Assumed Salary Increases:

General: 4.7%–8.0% per annum

Safety: 5.3%–9.1% per annum

These total assumed salary increases include:

Inflation: 3.50% per annum

Across-the-Board: 0.50% per annum

POSTEMPLOYMENT MEDICAL BENEFITS

The actuarial assumptions used for the Postemployment Medical Benefits valuation were consistent with those applied to the Pension Plan with the exception of remaining amortization period, which is 25 years. All other assumptions noted for the Pension Plan were applicable, including: the Actuarial Cost Method, Asset Valuation Method, Amortization of UAAL, Amortization Approach, Actuarial Assumed Interest Rate, Assumed Salary Increases, Assumed Inflation Rate, and Assumed Across-the-Board Salary Increase. The Health Care Cost Trend Rate assumptions described below were specific to the Postemployment Medical Benefits.

Health Care Cost Trend Rates

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The trend rate for a particular plan year must be applied to that year's cost to yield the next year's projected cost.

All Non-Medicare plans: 10% for 2011 to 2012, reduced by 0.5% per annum until ultimate rate of 5%.

Medicare Advantage plans: 9% for 2011 to 2012, reduced by 0.5% per annum until ultimate rate of 5%.

Medicare Supplement plans: 8% for 2011 to 2012, reduced by 0.5% per annum until ultimate rate of 5%.

Dental and Vision: 5%

Medicare Part B: 5%

NON-OPEB BENEFITS

The actuarial assumptions used for the Non-OPEB Benefits valuation were consistent with those applied to the Pension Plan with the exception of remaining amortization period, which is 25 years. All other assumptions noted for the Pension Plan were applicable, including: the Actuarial Cost Method, Asset Valuation Method, Amortization of UAAL, Amortization Approach, Actuarial Assumed Interest Rate, Assumed Salary Increases, Assumed Inflation Rate, and Assumed Across the Board Salary Increase.

Supplemental COLA benefits, payable when the current allowance from the Pension Plan drops below 85% of the original Pension Plan benefit indexed with CPI, are assumed to increase by the difference between inflation and the cost-of-living benefit guaranteed in the Pension Plan (3.00% for Tier 1 and Tier 3; and 2.00% for Tier 2, Tier 2C and Tier 2D)), subject to other limitations.

Supporting Schedules

Investment Expenses

For the Year Ended December 31, 2011
(Dollars in Thousands)

Investment Manager Fees[1]	$	22,454
Brokerage Commissions		2,743
Investment Allocated Costs		2,233
Investment Consultants		1,025
Other Investment Expenses		274
Investment Custodians		437
Total Investment Expenses	**$**	**29,166**

1 The Investment Section of this report provides details of Investment Manager Fees by type of investment manager.

Payments to Other Consultants[2]

For the Year Ended December 31, 2011
(Dollars in Thousands)

Actuarial & Audit Services	$	477
Disability Medical		126
Human Resources Consulting		77
Legal Services		46
Other Specialized Services		188
Total Payments to Consultants	**$**	**914**

2 These are payments to outside consultants other than investment advisors. See the table to the left for fees paid to investment professionals.

Administration Expense

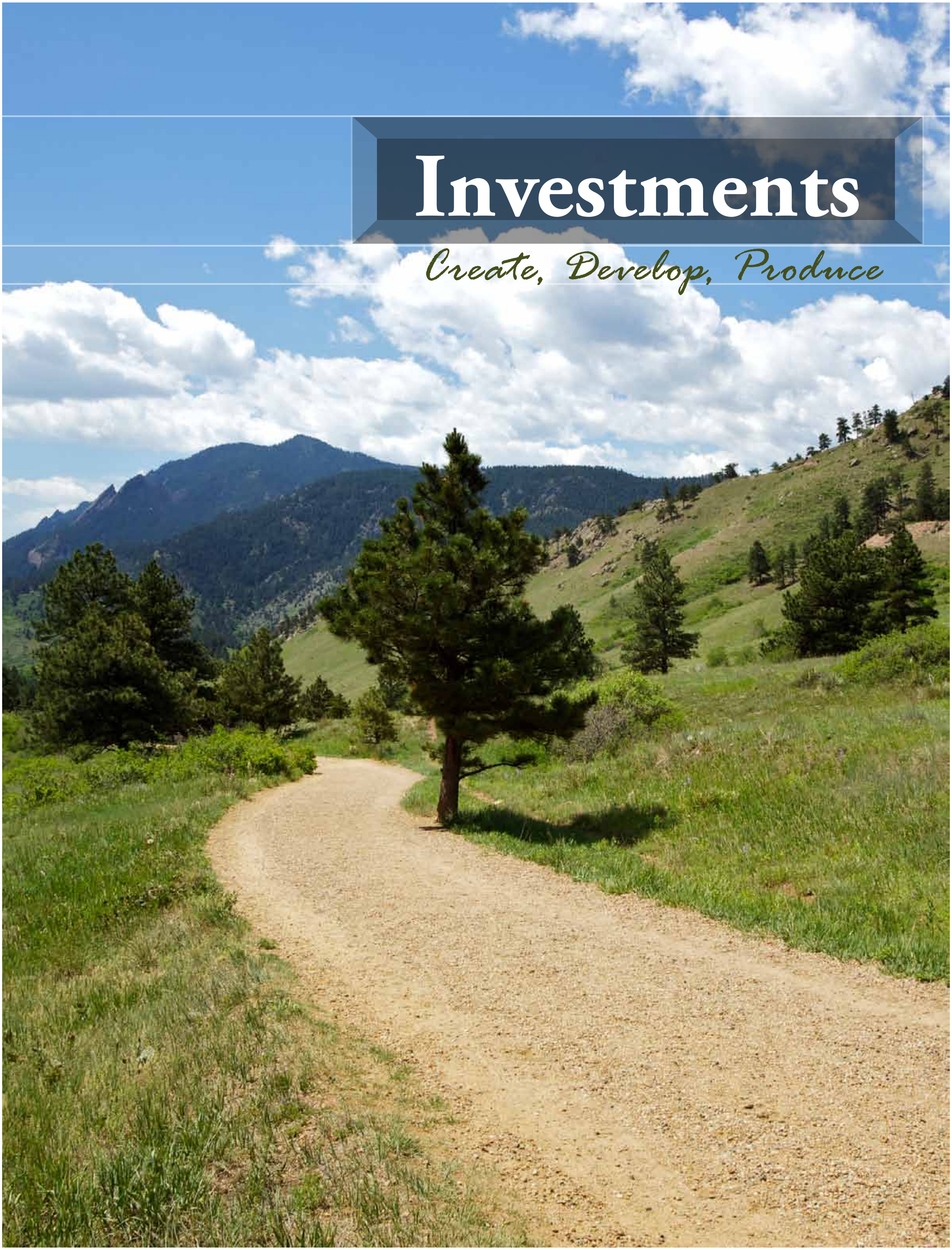
For the Year Ended December 31, 2011
(Dollars in Thousands)

PERSONNEL SERVICES	
Staff Wages	$ 5,075
Fringe Benefits	2,554
Temporary Services	849
EDMS Internal Labor Cost[2]	(10)
Total Personnel Services	**8,468**
PROFESSIONAL SERVICES	
Computer Services	257
Audit	83
Total Professional Services	**340**
COMMUNICATIONS	
Printing	70
Postage	52
Communication	80
Total Communications	**202**
RENTAL/UTILITIES	
Office Space	63
Equipment Leasing	19
Total Rental/Utilities	**82**
OTHER	
Software Maintenance and Support	-
Depreciation and Amortization	101
Board Operating Expenses	228
Insurance	266
Miscellaneous	240
Training	118
Maintenance- Equipment	53
Supplies	39
Total Other	**1,045**
Subtotal: Administrative Expense Subject to Statutory Limit	**10,137**
Legal Expenses	1,827
Technology Expenses	888
Business Continuity	549
Actuarial Expenses	367
Subtotal: Administration Expense Excluded from Statutory Limit	**3,631**
Total Administration Expense	**$ 13,768**

1 Legal expenses, business continuity, and investment expenses include an allocation of administration overhead expenses.
2 Staffing cost capitalized associated with the development of the EDMS.

Investments

Create, Develop, Produce



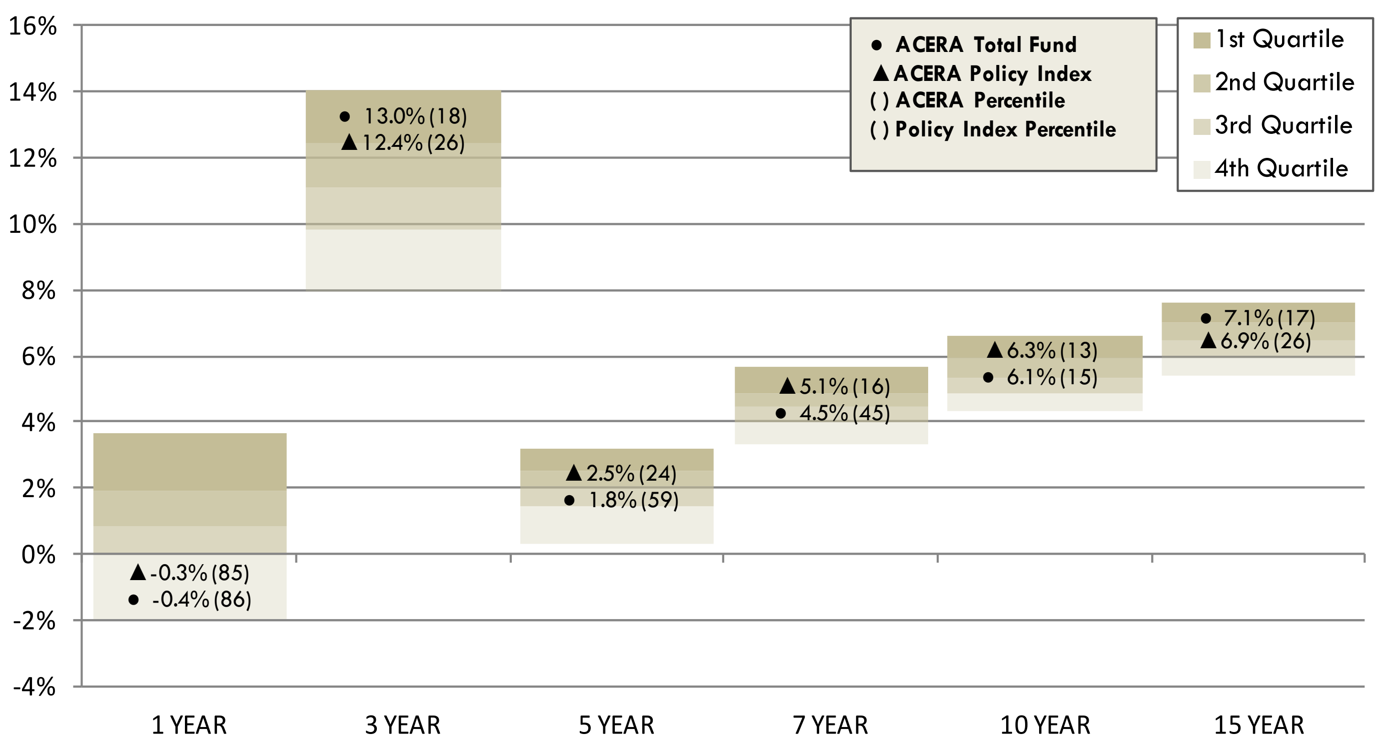
ACERA
ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
475 14th Street, Suite 1000, Oakland, CA 94612 800/838-1932 510/628-3000 fax: 510/268-9574 www.acera.org

Chief Investment Officer's Report

Performance Highlights of ACERA's 2011 Investment Fund (Fund)	
(Gross Results)	**2011**
Total Fund Return	**(0.4)%**
Policy Return	(0.3)%
Median Return	0.9%
Domestic Equity Return	0.8%
International Equity Return	(12.6)%
Fixed Income Return	6.9%
Real Estate Return	15.5%
PEARLS Return	(1.8)%
Year-end Fund Value (billions)	**$5.1**

ACERA Total Fund Returns vs. Total Public Funds (Above $100 Million) Annualized Returns

Periods Ended December 31, 2011



The primary goals of the ACERA Board of Retirement (the Board) in managing the Fund are the following:

1. To ensure that sufficient funds are available to pay vested benefits and maintain supplemental benefits;
2. To comply with all applicable fiduciary standards; and
3. To add marginal value that will help reduce the costs of the plan and/or increase the benefits for our beneficiaries.

These are the primary goals as stated in the ACERA General Investment Guidelines, Policies and Procedures ("General Policy"). ACERA believes that prudent management of risk is a central element of the investment function and that diversification among asset classes will reduce risk and enhance returns of the overall investment portfolio over the long term. ACERA has strong controls in place to monitor and manage portfolio risks and to ensure compliance with all relevant fiduciary standards.

Defining the performance of ACERA's Total Fund in 2011 by end of year numbers, a modest performance of -0.4% compared to the Policy Index of -0.3% and compared to the median return of 0.9% for funds of larger than $100 million, simply does not tell the story of dynamic swings that have taken place in the investment world, which at the time of this report have once again moved toward the very positive. The U.S. equity markets concluded a stellar first quarter 2012 during which the Dow Jones Industrials returned 8.1%, the S&P 500 returned 12% and the NASDAQ returned 19%. Slightly increased U.S. consumer spending is mentioned as the reason for the best first quarter rally since 1998.

As we turned the half-year corner on June 30, 2011, ACERA's Total Fund performance was up 5.8% compared to the Policy Index of 5.2% and versus the median return of 5.3%. At that time, looking back one year, to July 1, 2010, the Total Fund had advanced 25.5% compared to the Policy Index of 24.7%, versus the median return of 21.6%. This result ranked ACERA number one in performance among peers in the California State Association of County Retirement Systems (SACRS).

The most important understanding for our pension fund members in 2011 is the observation that, when long-term measurements are made, the ACERA Total Fund has been exceptional at tracking the Policy Index.

For example, looking at the 3-year return of 13.0%, the Total Fund outperformed the Policy Index of 12.4% by 0.6% and ranked in the upper 18th percentile among funds holding in excess of $100 million. Over the much longer term the Fund's results are quite impressive. The 10-year return of 6.1% ranked the Fund in the upper 15th percentile, exceeding the median return of similar funds by 0.8%. The 15-year result is equally impressive at 7.1%, exceeding the Policy Index of 6.9% and surpassing the median fund return of 6.4%. This performance places ACERA in the upper 17th percentile since 1996.

Referring to the annual Performance Highlights table above, Real Estate earned the highest 2011 returns on a percentage basis of 15.5% and represented 6.3% of the overall portfolio. Fixed Income, which represented 22.6% of the Fund at year-end, had the second highest return at 6.9%. The International Equity portfolio was down 12.6% in 2011, representing 25% of ACERA's assets. Returns for Domestic Equity, 40.2% of the Total Fund, and PEARLS, 3.7% (funded level) of total, were more stable, coming in at 0.8% and -1.8%, respectively.

Compared with our actuarial assumed rate of 7.8% or its Policy Index of -0.3% for 2011, it proved to be a year of consolidation for ACERA's investment program.

ANALYSIS OF FACTORS AFFECTING ACERA'S PORTFOLIO IN 2011

The Board's Actions

In 2011, ACERA's Board continued to diversify and enhance ACERA's portfolio with several decisions designed to meet the portfolio's investment goals over the long term. The Board adopted a new Real Return Pool asset class with a target allocation of 5% of the total Fund. To accommodate the new asset category, U.S. Equity and Fixed Income were reduced to 34% and 20% from 37% and 24%, respectively. International Equity was increased to 25% from 23%. The Board left PEARLS and Real Estate unchanged at 10% and 6%, respectively. Accordingly, ACERA adjusted the Total Fund

Policy Index weightings to reflect the changes for the addition of the Real Return Pool.

The Board approved the new Real Return Pool Policy as an addendum to the General Policy. It also approved the following policies: 1) the amended Directed Brokerage Policy, 2) the amended ACERA's Private Equity and Alternatives Return Leading Strategies Policy (PEARLS), 3) the amended ACERA Placement Agent Disclosure Policy, 4) the amended ACERA Proxy Voting Guidelines and Procedures Policy, and 5) the amended Real Estate Strategic Plan and 2011 Investment Plan for ACERA's Real Estate Portfolio.

ACERA's Portfolio – Detail

ACERA's portfolio is designed to be conservative and structured to be well-diversified among six major asset classes, namely, domestic equities, international equities, fixed income, real estate, private equity and alternatives investments, and the real return pool. This diversification positions ACERA to weather various market conditions and affords the Fund an opportunity to grow relatively steadily over the long-term. In short, the volatility of the Fund's results is moderated as compared to the volatility of traditional equity index results.

U.S. Equity	
Portfolio Percentage – Actual	40.2%
Portfolio Percentage – Target	34.0%
Return	0.8%
Benchmark (Russell 3000 Index)	1.0%
Over/(Under) Performance - relative to Benchmark	(0.2)%
U.S. Equity Median	(0.1)%

The U.S. equity markets ended mixed for the year 2011 with the DJIA and S&P 500 up in the single digits for the year, and the NASDAQ composite down slightly. ACERA's U.S. equity investments returned slightly less than the class's benchmark and accounted for 40.2% of the total Fund at the end of 2011. The large cap active equity composite was the best performing component of the Fund's overall domestic equity portfolio, with one large cap manager's portfolio returning 5.6% for the year and representing 7.0% of the portfolio. Accounting for 15.9% of the total Fund's assets, the large cap active equity composite returned 0.6%, underperforming its benchmark, Russell 1000, by 0.9%. ACERA's U.S. small cap equity composite did not perform as well for the year. Accounting for 7.5% of the total Fund, the U.S. small cap equity composite returned -5.5%, underperforming its benchmark Russell 2000 by 1.3%. The Fund's S&P 500 Index portfolio recorded a gain of 2.1%, which was exactly in line with its benchmark, the S&P 500 Index. It represented a 16.8% allocation, the largest single component of the Fund.

International Equity	
Portfolio Percentage – Actual	25.0%
Portfolio Percentage – Target	25.0%
Return	(12.6)%
Benchmark (MSCI AC World – ex US IMI Index)	(13.8)%
Over/(Under) Performance – relative to Benchmark	1.2%
Int'l Equity All Country ex U.S. Median	(13.6)%

ACERA's international equity composite portfolio returned -12.6%, outperforming its benchmark (Morgan Stanley Capital International All Country World Investable Market Index – ex U.S.) by 1.2% for the year 2011. Accounting for 7.6% of the total Fund, the value-oriented international equity manager outperformed its benchmark (MSCI All County World Index Ex-U.S. or MSCI ACWI Ex U.S. Index) by 8.1%. However, ACERA's core/growth and quantitative-oriented international equity managers underperformed the same benchmark by 3.5% and 2.3%, respectively. These two international managers accounted for 15.1% of the total Fund. In addition to the three managers listed above, ACERA also hired an international small-cap manager, Franklin Templeton International Small Cap, with an investment of $140 million in April 2011; this new manager accounts for 2.4% of the total Fund and is benchmarked to the MSCI ACWI Ex U.S. Small Cap Index.

Both the developed markets index (Morgan Stanley Capital International Europe, Australasia, and Far East Index or MSCI EAFE Index) and the emerging markets index (MSCI Emerging Markets Index) experienced returns of -12.1% and -18.2%, respectively. Despite a positive fourth quarter, overall returns for international markets were negative for the year owing to the debt crisis experienced in several European countries, e.g. Greece, and to policy changes from major central banks.

Fixed Income	
Portfolio Percentage – Actual	22.6%
Portfolio Percentage – Target	20.0%
Return	6.9%
Benchmark (75% BC Agg/15% Citi WGBI-ex US/10% BC HY)	7.2%
Over/(Under) Performance – relative to Benchmark	(0.3)%

*No combined U.S. and Global Fixed Income Median available

ACERA's fixed income portfolio returned 6.9% in 2011, and underperformed its blended benchmark (75% Barclays Aggregate Bond Index, 15% Citigroup World Government Bond Index ex-U.S., and 10% Barclays Corporate High Yield Index) by 0.3%. The underperformance can be attributed to one of the U.S. High Yield fixed income managers 2.5% one year return, which underperformed the Barclays Baa Credit Index by 7.0%. The two remaining U.S. fixed income and global fixed income managers outperformed their benchmark by 0.2% and 2.3%, respectively.

Real Estate	
Portfolio Percentage – Actual	6.3%
Portfolio Percentage – Target	6.0%
Return	15.5%
Benchmark (NCREIF ODCE Property Index)*	16.0%
Over/(Under) Performance – relative to Benchmark	(0.5)%
Real Estate Median	12.5%

*Source: The Townsend Group

The on-going stabilization of the real estate market in general translated into continued underperformance of the real estate sector in ACERA's Total Fund relative to the benchmark. ACERA's real estate portfolio returned 15.5% in 2011, underperforming the benchmark, NCREIF ODCE property Index, by 0.5%. On the other hand, ACERA's real estate portfolio return exceeded the median return, which was 12.5%. It is also notable that 2011's return of 15.5% is an improvement over 2010's 11.7% return. And lastly, 2011 is the second sequential year of positive annual return since 2007.

PEARLS	
Portfolio Percentage – Actual Funded	3.7%
Portfolio Percentage – Target	10.0%
Return	(1.8)%
Benchmark (Russell 3000 Index + 100 bps)	2.3%
Over/(Under) Performance – relative to Benchmark	(4.1)%

*No PEARLS Median

ACERA's PEARLS portfolio returned -1.8% for the year (one commodity fund is represented for the first nine months in the PEARLS return), underperforming the benchmark Russell 3000 + 100 bps by 4.1%. The PEARLS portfolio, which currently has 20 fund managers, is segregated in three general fund strategies: venture capital, debt-related/special situation, and buyout-focused funds. PEARLS continues to be an important part of the total Fund's return, providing diversification and cash-flow in forms of distributions from private equity partnerships. As of 12/31/2011, ACERA added $122.5 million of additional commitments for the PEARLS portfolio. Total commitments to ACERA's PEARLS portfolio through the end of 2011 reached approximately $367.5 million; these commitments will not be invested fully until called by the general partners of the various investment partnerships.

Real Return Pool (4th Qaurter 2011 Returns)	
Portfolio Percentage – Actual	2.2%
Portfolio Percentage – Target	5.0%
Return	2.5%
Benchmark (CPI + 300 bps)	0.7%
Over/(Under) Performance – relative to Benchmark	1.8%

*No RRP Median

The Real Return Pool asset class which was established in October of 2011 had a fourth quarter return of 2.5%, outperformed its benchmark (Consumer Price Index +300 bps) by 1.8%.

General Economy and Investment Markets in 2011

Global markets experienced upward momentum during the first quarter, but began to wane in the second quarter. From July through October, the equity markets fell precipitously as European Sovereign Debt worries again escalated and the Bureau of Economic Analysis (BEA) made a downward revision to the Gross Domestic Product (GDP). Since then, markets have been more volatile, and turned cautious. However, with the resilience of U.S. manufacturing and the slightly confident consumer, the domestic stock markets finished flat by year-end.

The year 2011 will be remembered for a series of market declines at mid-year, after a strong rise in the first half of the year, triggered by several domestic and international events. Japan's tragic tsunami and resulting nuclear disaster in March, caused supply chain disruptions to key industries in the United States. The debate in Washington D.C. over the debt crisis and the subsequent U.S. credit downgrade in August did not help the confidence of the U.S. markets. Add on top of that the issues related to the Eurozone, and specifically Greece, and the U.S. markets, which had rallied in the beginning of the year, fell back to almost flat by the end of the year.

The 2011 economic and market performance highlights are as follows:

In 2011, various macro-economic indicators ranging from real GDP growth to the unemployment rate showed gradual signs of stabilization in the US, despite disruptions from the sovereign debt crisis experienced by the Eurozone.

- Estimated Real GDP increased 1.7% in 2011 versus an increase of 3.0% in 2010. The increase in real GDP in 2011 primarily reflected positive contributions from personal consumption expenditures, exports, and nonresidential fixed investment. The deceleration in real GDP in 2011 primarily reflected downturns in private inventory investment, Federal government spending and a deceleration in exports.
- The Consumer Price Index for All Urban Consumers (CPI-U) over the last 12 months increased 3.0% on a seasonally adjusted basis compared with an increase of 1.5% for 2010.
- The Federal Reserve interest rate target range remained unchanged at 0% to 0.25%.
- The annual U.S. budget deficit was $1.3 trillion in Fiscal Year (FY) 2011, the same as the budget deficit in 2010, after hitting a record high of $1.4 trillion in FY 2009. The U.S. Office of Management and Budget forecasts FY 2012 to experience a deficit of $1.3 trillion, again.
- The U.S. International Trade deficit in goods and services was $558.0 billion in FY 2011, up from the $500.0 billion deficit in FY 2010. As a percentage of U.S. GDP, the goods and services deficit increased to 3.7% in 2011 as compared to 3.4% in 2010. The international trade balance has posted a deficit almost continuously since the 1980s. Any trade deficit is a drag on U.S. GDP growth, but a smaller deficit adds to growth, while a larger deficit decreases GDP growth.
- From December 2010 to December 2011, the unemployment rate fell in December 2010 to January 2011 from 9.4% to 9.1%, and then was relatively flat hovering around 9.0% (+/- .1%) through October , then dropping at the end of the year to 8.5%. The State of California ended the year with a 10.9%% unemployment rate, compared to an unemployment rate of 12.1% at the end of 2010.
- Personal income increased 5.1% in 2011 from its 2010 level.
- Activity in residential real estate markets largely held steady at very low levels, with the exception of further increases in the construction of multifamily residences. The pace of single-family home sales remained sluggish throughout the country. Since the plunge in housing prices began in 2006, the market endured a three-year stretch of rapid declines and two years of a market that is bottoming out but has not yet stabilized, according to S&P Case Shiller.
- The yield curve (U.S. Treasury interest rates over the range of maturities) can be considered a simple indicator of future economic growth. Normally, the greater the yield on longer dated treasuries over shorter term treasuries, the less likely the possibility of a recession. During the last 3 months of 2011, the slope of the yield curve became steeper, indicating a low likelihood of a recession in the future.
- In 2011, the U.S. equity markets total return, as measured by the DJIA, S&P 500, and the NASDAQ, returned 8.4%, 2.1% and -1.8% respectively. The DJIA is up for the third consecutive year, and is up 39.2% over the three-year period.
- Returns for the MSCI Emerging Markets Index and the MSCI EAFE were -18.2% and -12.1% in 2011, respectively.

Similar to the financial markets, ACERA's Fund performed well during the first half of the year. ACERA's Fund ranked number one in its State Association of County Retirement Systems (SACRS) peer group in California for the fiscal year ending June 30, 2011. In the third quarter, the Fund declined 11.5%, slightly more than the 11.1% decline of the Policy Index. The Median manager had a decline of 9.0%. This correction in the third quarter was part of a larger market decline that ACERA had no control over. As with any substantial decline, volatility increased as markets adjusted to base-building levels. Domestic markets in the fourth quarter provided a substantial recovery leg with markets climbing (S&P 500 + 11.8%). For the full year 2011, ACERA's portfolio's beginning Total Fund value was $5.2 billion and ended the year at $5.1 billion. With the significant amount of volatility witnessed in the market over the past year, ACERA was successful in preserving the Fund's capital. After all contributions and benefit distributions are taken into account, the Total Fund was down only 1.9%.

It is important to put 2011 in context of the past ten to fifteen years as the global market and its evolvement is very much part of normal market and economic cycles, including corrections as extreme as the technology bubble or the housing bubble. Every market cycle has its updrafts and downdrafts as economic expectations and geopolitical issues are discounted into valuations; it is the surprises that result in quicker adjustments. The recent financial crisis affected everyone economically, psychologically, and emotionally much more than a typical recession. The years 2009 and 2010 were strong market rebound years. Domestic corporate earnings and profits in 2011, in fact, have exceeded the 2007 peak. Unemployment is coming down. Not unlike other recoveries, different parts of the economy recover at different rates. The unwinding of leverage continues, austerity measures are being contemplated where currencies cannot be devalued, and political posturing seems to be on the rise.

Through the efforts of the governments of developed and developing countries worldwide, equity and debt markets have been subject to support, especially in the third quarter. The most notable is the continued easy-money policy by central banks worldwide with the U.S. announcing the continuance of its easy-money policies into the year 2014 and the European Central Bank growing its balance sheet in light of the European Sovereign debt crisis. In spite of the credit rating downgrade of U.S. Treasuries, Treasuries and the bond markets have remained strong. The U.S. Dollar and U.S. Treasury continue to be the safe haven for non-risk holdings. Many European Sovereigns have been downgraded as well. The fiscal crisis in peripheral Europe and the accompanying fragile economic outlook continued to weigh on the Euro, which ended the year as the worst performer amongst G10 currencies. While the ECB's Long Term Refinancing Operation sparked sizable demand and a consequent improvement in the outlook for European bank liquidity, it also contributed to a weaker Euro.

The U.S. economy continues to carry a higher than normal national debt load, economic growth in coming years is likely to be more moderate than the levels of previous years. Also, longer average lifetimes of the U.S. population means a greater portion of that population will be in retirement which supports the thesis that economic growth will slow slightly. The final quarter in 2011 saw some glimmers of optimism from the U.S. and Europe. Employment conditions and growth data improved gradually in the U.S., while the dollar swap announcement and the ECB's policy responses managed to arrest the contagion within the Eurozone. However, investors remained cautious and defensive – illustrated by the U.S. yield curve, which barely moved in the fourth quarter – adopting a continued cautious stance. All of the above gives reason enough to temper portfolio performance expectations into future years. It also explains why allocating portfolio funds to private equity and other alternatives is so important to future results of the portfolio and, ultimately of course, to beneficiaries of the Fund's portfolio investments.

Equity Markets - Domestic and International

For 2011, the S&P 500 Index was up 2.1% and the Russell 3000 was up 1.0% for the year. The market experienced strong growth in the first half of the year but turned down during the second half, finishing the year slightly higher than where it started. Over the past two and a half years, the U.S. economy has been gradually recovering from the recent deep recession. While conditions have improved over this period, the pace of the recovery has been slow, due to numerous factors including an above average unemployment rate and a depressed housing market.

Collectively, the developed and emerging international equity markets had a difficult year in 2011. The developed international market, measured by the MSCI EAFE index, returned -12.1% for the year. Accounting for approximately 45.0% of the developed international market combined, Japan and the U.K. had returns of -14.3% and -2.6%, respectively. Although accounting for a weight of only 0.1%, Greece continued to have debt problems and had the most negative return in the index, -62.8%. Only two countries under the developed markets index had positive returns: Ireland with a return of 13.7% and New Zealand with a return of 5.5%. The MSCI Emerging Markets index had a return of -18.2% for 2011. Accounting for approximately 48.0% of the index, Brazil, China and Korea returned -21.8%, -18.4% and -12.0%, respectively. Only two countries within the emerging markets index had positive returns: Indonesia with a return of 6.0% and Malaysia with a return of 0.1%.

Fixed Income Markets - Domestic and Global

The year 2011 was filled with macro drama such as the potential of Greek debt default and speculation that Euro currency and the Euro zone in general may not survive beyond 2012 in its current form. Such uncertainty and fear of a double-dip recession led to strong demand for relative safe haven instruments such as U.S. Treasuries. The heightened demand for U.S. Treasuries, along with the Fed's "Operation Twist" to lower longer term treasury yields contributed to the flattening of the yield curve in 2011. The economic uncertainty also caused widening of yield spreads in the bond markets during the third quarter, especially for high yield, investment grade corporate, and Collateral Mortgage-Backed Securties (CMBS) issues. Investors in general avoided risky issues. Spreads in the Finance sector continued to widen on general concern that large financial institutions will not be immune from the European debt contagion.

Treasuries returned a healthy 9.8% for 2011 due to heightened demand and a further decline in yields. Municipal bonds also had a stellar year with a 10.7% return as demand exceeded limited supply of new issues. Investment Grade Corporate issues returned 8.15% despite a widening of yields during the 2nd half of 2011. Securitized issues such as CMBS, Mortgage Backed Securities (MBS), and Asset Backed Securities (ABS) had respectable returns at 6.0%, 6.2% and 5.2%, respectively. The Treasury Inflation Protected Securities (TIPS) sector had the highest return at 13.6%.

High Yields underperformed in the third quarter of 2011 as the market avoided risky issues due to the European debt crisis. The High Yield sector, however, recovered nicely in the fourth quarter of 2011 to finish the year with a positive 4.98% return for the year. ACERA's High Yield fixed income performance also reflected this trend with a weak third quarter performance, but with a recovering fourth quarter performance for 2011. ACERA's enhanced index portfolio and global bond portfolio in comparison held somewhat steady in their performance relative to benchmark.

Real Estate Markets

At the beginning of 2011, popular market consensus for the U.S. was for a healthy GDP growth translating into further recovery in real estate demand. By the end of 2011, however, what materialized was growing economic uncertainty and an increased fear of an economic slowdown. As a result, the Industrial sector returned -5.5% according to the NAREIT Developed North America Index Property Type Returns. The continuing economic uncertainty also dragged down returns for the lodging/resorts sector at -16.0% for the year. Performance for the office sector was somewhat flat at -0.5%. Residential sector returned 15.9% for the year as rental demand remained healthy owing to continued weakness in residential housing market. As there are more renters than home owners, the self-storage sector returned a stellar 35.2% due to strong demand for extra storage space. Lastly, healthcare sector also outperformed with a 14.0% return as companies took advantage of attractively priced capital to make acquisitions. For 2011, ACERA's Core portfolio and Value-Added real-estate portfolio underperformed their respective benchmarks by -2.7% and -4.6%, respectively. The underperformance can be attributed to ACERA's total real estate portfolios having 47.6% of its holdings in the office sector, compared with 37.6% for the NCREIF Open-end Diversified Core Equity (ODCE) Property Index.

Such an overweight exposure detracted from Total Fund performance as the office sector experienced slightly negative returns, as mentioned before. ACERA's retail sector exposure stands at 10.9%, whereas ODCE exposure stands at 17.6%. Had ACERA's retail sector exposure been closer to the ODCE sector allocations, total portfolio performance would have been better as the retail sector returned a healthy 13.0%.

Private Equity Markets

2011 was a year of significant private equity (PE) deal-flow, exit, and fund raising activities that surpassed the low levels seen in 2009. The first half of 2011 was characterized by the return of leverage and what appeared to be a recovering economy, until the European sovereign debt crisis erupted during the second half of 2011 which led to macro-uncertainties and a pull back in deal financings for new investments.

Despite a challenging second half of 2011 in the private markets, there were approximately 1,738 completed PE investments totaling $147 billion of invested capital. As for deal size, small and middle-market deals (under $500 million) continued to dominate deal flows with 85% of all activities. Deal sizes of at least $1 billion accounted for a smaller share of activities at 7%. Due to a tougher financing environment and increased company valuations, debt as a percentage of deal size declined from 57% in 2010 to a low of 46%. As a result, investors were forced to put in a larger share of equity to get deals closed, which coincides with PE firms effort to utilize approximately $425 billion in "dry powder" net uncalled commitments. In light of a challenging second half of 2011, PE exit activity for third and fourth quarter of 2011 increased slightly from those of the first and second quarters. There were 415 completed transactions (i.e. completed sales or Initial Public Offerings) during 2011 totaling $107.5 billion. Fund raising among PE firms was flat during 2010 and 2011, holding steady at $93 billion. Business, Products and Services remained the most active industry for PE investments with a 32% share of activities. Next most active was Consumer Products and Services with 22% of deal flows, followed by Information Technology at 13% and Healthcare with 12%. As economic conditions remained weaker than expected throughout 2011, ACERA remained cautious in selecting venture capital funds, with only one new venture capital commitment to an existing investment. Two additional commitments were made in the distressed debt space to take advantage of attractive debt related opportunities.

ECONOMIC OUTLOOK FOR 2012

The financial markets, as measured by broad market indices, completed its first three year leg of the general recovery in 2011. The S&P 500 was up 102% from the March 2009 trough and retraced approximately 77% of the decline from its pre-crisis peak, before the third quarter correction. Most recently, investors' focus has been on the international markets, especially Europe. However, the remnant of the headwinds created by the collapse of the U.S. real estate market and its consequent damage to the financial markets and household balance sheets in the U.S. has abated. There is uncertainty in ACERA's investment outlook for 2012, especially in a presidential election year. We are cautious in our approach as we expect challenging conditions in the global economy and in the global and domestic financial markets in 2012.

The European economic and possible financial fragmentation continues to unfold. As the European Debt Crisis continues to spread out there may be additional downside surprises. Similar to the downgrade of U.S. Treasury debt in 2011, several European countries are subject to rating downgrades. There is no easy clear resolution as new economic policies are also very political. Early in 2011, disruptions in the Middle East made headlines. The geopolitical risks still run high as many Arab countries are experiencing political unrest. Central banks have played a critical role in the stabilization of the global markets, as well as world economies, but their balance sheets have ballooned to very high levels. The U.S. still faces a sizable and increasing structural budget gap. To a significant extent, they are the result of an aging population and, especially, fast-rising health-care costs, both of which have been predicted for decades. Having a large and increasing level of government debt relative to national income runs the risk of serious economic consequences.

On a brighter note, Americans are hopeful that one of the primary benefits of a presidential election will be the attention paid to factors affecting our economy. Indeed, corporate balance sheets are stronger, operating earnings estimates are above 2007 levels, unemployment is slowly improving, and home sales and inventories, while not yet normal, are much closer to parity. The Institute for Supply Management Manufacturing Index has been steadily increasing since July 2011 and is safely over 50, which indicates an expansion. At present, there are no significant overvalued asset classes. U.S. Treasuries presently provide very low returns compared to historical norms. Interst rates have continued to move down on the intermediate and long-term basis. The shape of the curve was flattening at the end of 2011, possibly suggesting a softer economy and/or the Fed extending its easy money stance.

Inflation trends over the near term are expected to remain relatively low. Though the Consumer Price Index (CPI) in the U.S. ran at 3% up from 1.50% in 2010, price inflation moderated considerably over the course of 2011, and trended back down to the 1.50% level the second half of the year. Against that backdrop, the Federal Open Market Committee (FOMC) decided to maintain its highly accommodative stance of monetary policy. The FOMC is expected to keep the target range for the federal funds rate at 0 to ¼ percent at least through 2014.

Consumer spending, which drives two-thirds of the economy, was sluggish by year end. Income is the major determinant of consumer spending and with the unemployment rate improving, consumer spending still has a long way to go before returning to a normal level. Given the defensive attitude of consumers, the continued deleveraging and various austerity measures, it is expected that GDP will grow at a rate similar to population growth, instead of income growth.

Many equity prices have recovered sharply from their oversold levels in 2009. Housing starts have picked up some and home sales are improving. Commercial real estate prices have initially recovered and unemployment levels appear to be improving. The U.S. once again appears to have resumed the growth path, but slowly and cautiously. The U.S. consumer, though addicted to debt-fueled consumption, has stopped buying beyond his/her means. The reality of too little capital and too much debt will still hold the markets in check. Global trade has slowly been waning after peaking the first half of 2010. Import and export prices have waned since peaking the beginning of the third quarter 2011.

Last year, we wrote that the 2011 economic recovery would be muted when compared with past recoveries. This, in fact, has proved to be the case. The deleveraging process continues to progress with the U.S. economy far ahead of other countries. It is expected that U.S. households will soon return to sustainable debt levels. In the meantime, we expect to see a sluggish recovery with cautious optimism that the presidential politics will motivate genuine bipartisan efforts to expedite our economic recovery.

It is expected the global stock markets will continue to stay flat to slightly up until some resolution occurs with the European and other debt crises and completion of private and public deleveraging. Emerging Markets are expected to outperform International Equities; and there is an overall apprehension with Fixed Income values beyond 2012.

Once again, the expectation in 2012 is for a gradual, market-correcting, self-sustaining slow U.S. economic recovery, based on governmental support. It will likely take longer for unemployment to improve compared to other recoveries. Whether the U.S. economic recovery can be sustained will grow out of the U.S. and world markets reestablishing sustainable levels of indebtedness. It is important to keep in mind that financial markets are forward indicators of future economic and geopolitical events.

GENERAL INFORMATION

External investment management firms manage ACERA's assets. Professional investment consultants, along with ACERA's investment staff, closely monitor the activity of these managers and assist the Board with the implementation of investment policies and long-term strategies. ACERA's goal remains to achieve a level of performance that will rank the Fund in the upper quartile of comparable pension funds on a risk-adjusted basis. ACERA also seeks to be as fully funded as possible so that its benefit costs do not become a burden upon future generations of members and taxpayers.

Summary of ACERA's General Investment Guidelines, Policies and Procedures

The Board, having sole and exclusive authority and fiduciary responsibility for the investment and administration of the Fund, has adopted the General Policy for the management of ACERA's investments. The General Policy is subject to the Board's annual review to ascertain that the goals, guidelines, and expectations set forth in the document are consistent with the Board's expectations. The Board reserves the right to amend, supplement, or rescind this General Policy at any time. The General Policy establishes investment program goals and policies, asset allocation policies, performance objectives, investment management policies, and risk controls. It also defines the principal duties of the Board, staff, investment managers, master custodian, and consultants.

ACERA's primary investment objective is to take prudent risk, as necessary, to maximize the return on the portfolio and to minimize the cost of meeting the obligations of the Fund. The strategic asset allocation policy is an integral part of the overall investment policy. The allocation policy is designed to provide an optimal mix of asset categories with return expectations that reflect expected risk. The end result is a well-diversified portfolio that helps protect the Fund from declines that a particular asset class may experience in a given period. Both traditional assets (cash, domestic equities, domestic fixed income) and non-traditional assets (real estate, international equities, global fixed income, private equity and alternatives and real return pool) are included in the mix.

SUMMARY OF ACERA'S OTHER INVESTMENT-RELATED POLICIES

Private Equity And Alternatives Return Leading Strategy (PEARLS) Policy

The ACERA Private Equity and Alternatives Return Leading Strategies (PEARLS) Policy governs all ACERA investments in the Private Equity and Alternatives asset class.

The purpose of the PEARLS Policy includes the following: 1) to set forth the private equity and alternatives investment policies and guidelines which are deemed to be appropriate and prudent; 2) to establish criteria against which private markets and alternatives investment opportunities are to be measured; and 3) to serve as a review document to guide the ongoing oversight of ACERA's PEARLS Portfolio (PEARLS Portfolio) on a consistent basis.

The objectives of ACERA's PEARLS include the following: 1) to generate returns superior to those available in the public equity market to compensate the Fund for the long term and for its illiquid commitments associated with Private Equity and Alternatives investments; 2) to enhance ACERA's long-term risk adjusted return and provide additional diversification to ACERA's overall investment Fund; 3) to generate returns above the median of comparative universe returns; and 4) to generate total PEARLS Portfolio returns approximately 100 basis points over U.S. public market equity investments, as measured by the Russell 3000 Index, net of all fees and expenses.

The target allocation to the Private Equity and the Alternatives asset class is 10% of the total Fund, with each component contributing 5% of that target. The strategic allocations to the PEARLS Portfolio is measured by actual dollars invested and not by dollars committed to underlying Investment Managers or funds.

Real Estate Strategic Plan

ACERA has determined that, over the long term, inclusion of equity real estate investments should provide the following benefits (in order of relative importance):

- Lower total portfolio risk due to low correlation with other portfolio asset classes
- Generate a stable, predictable income stream to assist in providing cash flow needs
- Provide growth through appreciation
- Serve as a hedge against unanticipated inflation
- Provide an opportunity to enhance portfolio return through higher total return investments

In order to achieve the above benefits, ACERA's Real Estate Strategic Plan establishes the specific objectives, policies and procedures involved in the implementation and oversight of ACERA's real estate program. The objectives define the specific risk tolerance and return expectations for the program. The policies provide specifications for acceptable investment styles and management of the various risks associated with the asset class. The procedures provide guidelines for the implementation and oversight of said policies.

The implementation of the real estate program is also subject to ACERA's General Policy as established by the ACERA Board.

Emerging Investment Manager Policy

The Emerging Investment Manager Policy governs the Emerging Manager Program, the strategic objective of which is to add incremental value to the Fund through the hiring of the most talented Emerging Investment Managers (EMs) to manage ACERA's assets. The primary goals of the EM Program are as follows: 1) to identify and gain early access to the most talented investment managers in their early business stages; 2) to generate superior Fund return performance through the EM Program; 3) to identify superior EMs and/or investment opportunities in California and Alameda County that are equal to or superior to comparable available investments; and 4) to further diversify the Fund's overall investment program so as to enhance risk-adjusted returns of the Fund.

Directed Brokerage Policy

The Directed Brokerage Policy governs the Directed Brokerage (DB) Program, the strategic objective of which is to recapture a portion of trade commissions paid to brokers. The primary goals of the DB Program are to: 1) recapture 50% or more of commissions paid on a specific percentage of trades sent to correspondent brokers on a timely basis; 2) identify a target percentage range of trades that may be subject to recapture to allow Investment Managers to have access to the research they need; 3) seek "Best Execution" through third-party administration oversight and outside consultant monitoring; and 4) encourage local broker and/or emerging broker participation through the use of an open correspondent network program.

Real Return Pool Policy

ACERA adopted a Real Return Pool Asset Class in April 2011 for a 5% allocation target of the ACERA total Fund. In September of the same year, the Real Return Pool Policy was adopted by the Board. Real Return Pool investments consist of Real Assets that are expected to produce positive returns with a bias toward periods of unexpected U.S. inflation and increasing U.S. inflation expectations. The strategy is implemented using a diverse set of exposures to inflation sensitive instruments, hedges intended to reduce various risk exposures, and active strategies intended to provide additional sources of absolute returns by under- and over-weighting the strategic risk target of the various inflation sensitive instruments and securities. All Real Return Pool investments/strategies are Alternative Investments.

Proxy Voting Guidelines and Procedures (Proxy Guidelines)

In recognition of its duty to manage retirement plan assets in the best interest of plan participants, the Board has established the Proxy Guidelines. They are intended to assist in the faithful discharge of the Board's duty to vote proxies on behalf of the plan participants. The Board incorporated the International Proxy Voting Guidelines into the Proxy Guidelines in 2005.

The Proxy Guidelines consist of preferences regarding specific, recurring proxy-voting issues followed by a general statement of voting policies. ACERA will, at all times, strive to cast proxy votes in accordance with the Proxy Guidelines towards advancing the overall good of the plan participants.

SPECIFIC INVESTMENT RESULTS BY ASSET CLASSIFICATION

As of December 31, 2011, ACERA's Fund was over-weighted in total equities, with 65.2% in total equities versus the target of 59.0%. Domestic equities were over-weighted at 40.2% versus the target of 34.0%. International equities were 25.0% which was exactly on target. Total fixed income was also over-weighted at 22.6% versus the target of 20.0% . Real estate was slightly above its 6.0% target at 6.3%. PEARLS was 3.8% funded and 7.3% committed (fair value of total commitments of $367.5 million) which is below the target of 10.0%. Real Return Pool was 2.2% which is below the target of 5.0%.

During 2011, ACERA's U.S. equity composite returned 0.8%, underperforming its benchmark (Russell 3000 Index) by 0.2% and outperforming the median equity manager by 0.9%. ACERA's international equity composite returned -12.6%, outperforming its benchmark (MSCI ACWI ex-U.S. IMI) by 1.2% and the median international equity manager by 1.0%. ACERA's total fixed income composite returned 6.9%, underperforming its benchmark (75% Barclays Aggregate/15% Citigroup WGBI ex-U.S./10% Barclays High Yield) by 0.3%. ACERA's real estate composite returned 15.5%, underperforming its benchmark (NCREIF ODCE) by 0.5%. The PEARLS composite returned -1.8%, underperforming its benchmark (Russell 3000 + 100 bps (net)) by 4.1%. The Real Return Pool composite returned 2.5% for the 4th quarter outperforming its benchmark (Core CPI + 300 bps) by 1.8%.

Results of all publicly traded investments are presented in a format consistent with the CFA Institute's Global Investment Performance Standards®.

Respectfully Submitted,

Betty Tse, CPA, MBA
Chief Investment Officer, ACERA
March 30, 2012

Investment Consultant's Report

STRATEGIC INVESTMENT SOLUTIONS, INC.

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Alameda County Employees' Retirement Association
2011 INVESTMENT CONSULTANT'S REPORT

SUMMARY

During 2011, capital markets were buffeted by global concerns over the worsening sovereign debt in Europe and the possibility of economic weakness or outright double dip recession in the developed economies. As anxious market participants reacted to the largely political news produced by European bureaucrats struggling to cope with spreading sovereign debt issues, a "risk on" versus "risk off" pattern of highly volatile returns dominated the markets. Although signs of improvement were apparent by year end, for most of 2011 the news was predominantly discouraging, and the overall result disappointing for long term strategic portfolios.

Against this backdrop, the US Equity market experienced a highly volatile year, with several episodes of wrenching decline, but managed to post a slightly positive overall return as buyers gravitated to the refuge of defensive sectors and higher yielding equities. The Developed International country equities experienced negative performance in 2011. Europe especially continued to struggle with its crisis brought on by its day of reckoning with slow economic growth and enormous accumulated sovereign debt. Japan too suffered during the year in the aftermath of its earthquake and nuclear disaster that crippled the country. Emerging Market country equities, which had led other equity markets in recent years, faltered and performed worst of all the world's equity regions in 2011. Fears of the possibility of a slowdown in China, the potential impact of a European crisis on the Emerging economies, and a general aversion to riskier assets, all weighed on the outlook for the region as a whole. With regard to the style segments of the global markets, growth companies again led the markets in 2011, and smaller cap companies generally outperformed large cap companies across the broad developed and emerging markets.

In the bond markets, the Federal Reserve, along with virtually all developed market central banks, continued its all-out effort to remain as accommodative as possible. The Fed followed up its second round of quantitative easing with a new program to buy longer-dated Treasury securities that became known as "Operation Twist." The Fed also issued a statement late in the year that was interpreted by investors as a virtual guarantee that short rates would remain low for a period of years. But it was not the Fed, but market forces, in the form of European crisis fears, and downgrade of the US sovereign credit rating, that caused an astonishing investor rush to quality in the fall of the year. In one month, the yields on US Treasury notes and bonds fell by over one percent. Though the Fed's dramatic easy money policies raised concerns about long term inflation risk, actual levels of recorded inflation remained fairly steady throughout the year.

Against this backdrop, market returns were flat to negative for most risk assets. For the year 2011, the broad US large cap equity market returned 1.5%, while small cap US stocks lost 4.2%. International Equity, due largely to events in Europe, did not fare as well for US based investors, posting a total return of -13.3% for the year, with Developed Markets returning -11.7% and Emerging Markets -18.2%. Low risk Investment Grade US Bonds provided better returns, as the Barclays Aggregate returned 7.8% for the year, while the riskier high yield bonds returned only 5.0%.

For the year, ACERA returned -0.4%, which was just below its Policy Benchmark return of -0.3%, and also well below its actuarial return expectation. For only the second time in the last eleven years, the total plan underperformed its median large public plan peer's 0.9% return in 2011.

The macro led instability of the markets created a difficult environment for active management, and results were mixed for ACERA's active managers in 2011. In aggregate, the US equity managers came in just below the Russell 3000 Index benchmark. The Fund's Large Cap Growth and Micro Cap Growth manager contributed returns above their benchmarks, while the Large Cap Value manager suffered a poor performance year. The International Equity composite did outperform the benchmark, due entirely to an excellent year for Mondrian, ACERA's value-oriented International manager.

ACERA's Fixed Income managers in aggregate underperformed the total bond benchmark by 30 basis points for the year, as excellent performance by the Global Opportunistic manager, Brandywine, only partially offset a very tough year for the plan's credit manager Loomis Sayles, that suffered in the general risk aversion of 2011. The Real Estate managers in aggregate performed well with a 15.5% return, beating the NCREIF Property Index benchmark by 120 basis points and the median Real Estate composite portfolio by 300 basis points. Finally, the new Real Return pool, which was funded on October 1, is off to a strong start with a return well above its benchmark in its first quarter of existence.

Investment Guidelines, Policies and Practices

In 2011 ACERA continued funding its plan initiative called the Private Equity and Returns Leading Strategies (PEARLS) program. The program is designed to enhance portfolio performance through the addition of return-enhancing and diversifying private equity and other non-traditional investments. PEARLS is initially targeted at an allocation of 10% of total plan assets, and is being funded opportunistically over an expected three to five year period. The PEARLS portfolio is anchored in a diverse array of Private Equity investments, with Currency, Absolute Return, and other return-enhancing and uncorrelated investments also potentially included in the portfolio.

During 2011, the Association completed several enhancements to both the traditional and the PEARLS portfolio, including the following:

- An International Small Capitalization Equity Mandate
- A Currency Alpha Mandate in PEARLS
- A Hedge Fund of Funds Mandate in PEARLS
- An Asset Allocation to a Real Return Pool

Investment Objectives

In 2011 the ACERA portfolio, like most pension portfolios, experienced a difficult year, and something of a detour, in its ongoing recovery from the damaging effects of the market crisis of the fall of 2008. Though in 2011 the Association fell slightly short of its goal of adding value over its policy index, it did once again reach its goals of complying with applicable fiduciary standards, of continuously enhancing the portfolio, and most importantly, of ensuring the availability of sufficient funds to pay vested benefits and maintain supplemental benefits.

Investment Results *

		ANNUALIZED	
	2011	THREE YEARS	FIVE YEARS
DOMESTIC EQUITY			
Total Domestic Equity	0.8%	16.5%	0.2%
Median	-0.1%	15.8%	1.0%
Benchmark: Russell 3000	1.0%	14.9%	0.0%
INTERNATIONAL EQUITY			
Total International Equity	-12.6%	9.9%	-2.0%
Median	-13.6%	9.6%	-3.3%
Benchmark: MSCI ACWI ex US	-13.8%	11.0%	-2.6%
FIXED INCOME			
Total Fixed Income	6.9%	14.1%	7.3%
Median	6.1%	9.3%	6.9%
Benchmark: Hybrid Index	7.2%	8.2%	6.8%
REAL ESTATE			
Total Real Estate	15.5%	-2.5%	-0.6%
Benchmark: NCREIF	14.3%	2.4%	3.1%
PEARLS			
Total PEARLS	-1.8%	0.3%	-
Benchmark: R3000 + 150 bps	2.3%	16.3%	-
REAL RETURN **			
Total Real Return	-	-	-
Benchmark: CPI+300 bps	-	-	-
TOTAL FUND			
ACERA Total Fund	-0.4%	13.0%	1.8%
Median	0.9%	11.1%	2.0%
Benchmark: Policy Index	-0.3%	12.4%	2.5%

* NOTE: Returns for periods greater than one year are annualized. Monthly return calculations are time-weighted, and market value based. Results of all publicly traded investments are presented in a format consistent with the CFAI Global Investment Performance Standards®.

** Funded October 1, 2011; no period returns available.

Asset Allocation

	PERCENTAGE TARGET	12/31/11 ACTUAL
U.S. Equity	34%	40.2%
Non-U.S. Equity	25%	25.0%
Fixed Income	20%	22.6%
Real Estate	6%	6.3%
Private Equity and Alternatives	10%	3.7%
Real Return	5%	2.2%
Cash	0%	0.1%

The fortitude demonstrated by ACERA's decision-makers in 2008 and 2009 in adhering to its strategic plan and in funding its strategic initiatives since that time has been rewarded with superior returns. In the three-year period since December 31, 2008 (near the deepest point of the crisis) the ACERA fund has returned 13.0%, well above the return on both its policy index and the median large public plan. At the same time, the Association has aggressively funded the important PEARLS portfolio, an initiative designed to improve fund returns in the future, and its Real Return portfolio, an initiative designed to hedge the risk of future inflation. SIS firmly believes that ACERA's resolve in holding to its strategic plan, has benefited, and will continue to benefit, the Association's participants and beneficiaries for many years to come.

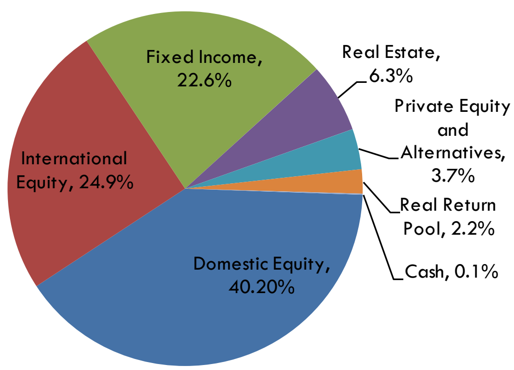
Patrick Thomas, CFA
Vice President
March 18, 2012

Asset Allocation

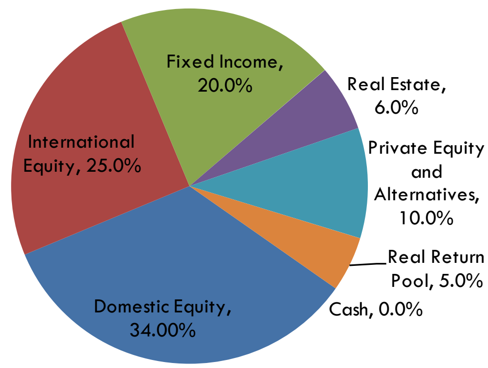
As of December 31, 2011

Investment Asset Class	Actual Asset Allocation	Target Asset Allocation	Actual Allocation Over/-Under Target Allocation
Domestic Equity	40.2%	34.0%	6.2%
International Equity	24.9%	25.0%	-0.1%
Fixed Income	22.6%	20.0%	2.6%
Real Estate	6.3%	6.0%	0.3%
Private Equity and Alternatives	3.7%	10.0%	-6.3%
Real Return Pool	2.2%	5.0%	-2.8%
Cash	0.1%	0.0%	0.1%
Total	**100.0%**	**100.0%**	**0%**

Actual Asset Allocation



Target Asset Allocation



Investment Professionals

For the Year Ended December 31, 2011

INVESTMENT MANAGERS

Domestic Equities

Bivium Capital Partners, LLC
Kennedy Capital Management
Mellon Capital Management
Next Century Growth Investors
Pzena Investment Management
Trust Company of the West

International Equities

AQR Capital Management, LLC
Capital Guardian Trust Company
Mondrian Investment Partners Ltd.
Franklin Templeton Investment
Fixed Income
Baird Advisors
Brandywine Global Investment Management
Loomis, Sayles & Company

Real Estate

AEW Capital Management
BlackRock, Inc.
CIM Urban REIT

Real Estate (continued)

Heitman Capital Management
J.P.Morgan Asset Management
Prudential Real Estate Investors
RREEF America

Private Equity and Alternatives

Avista Capital Partners
ABRY Partners, LLC
Centerbridge Strategic Credit Partners
Cerberus Capital Management, L.P.
FX Concepts, LLC
Great Hill Partners
Gresham Investment Management
Insight Equity
Khosla Ventures
Lindsay Goldberg
New Enterprise Associates
Oak Hill Advisors
Partners Group
Sheridan Production Partners
Third Rock Ventures

INVESTMENT CONSULTANTS

Capital Institutional Services - Third-Party Directed Brokerage Administrator

Doug McCalla - Optimized Portfolio Rebalancing

Zeno Consulting Group - Trading Cost & Directed Brokerage

Risk Metrics Group - Proxy Voting

Strategic Investment Solutions - General Investment and Private Equity and Alternatives

The Townsend Group - Real Estate Investment

MASTER INVESTMENT CUSTODIAN AND SECURITIES LENDING AGENT

State Street Bank and Trust Company

Investment Summary

As of December 31, 2011 (Dollars in Thousands)

Investment Asset Class	Fair Value	Percentage of Total Fair Value
Short-Term Investments	$ 144,922	2.9%
Domestic Securities	1,194,408	23.6%
International Securities	987,022	19.5%
Domestic & Int'l Equity Commingled Funds	1,045,005	20.7%
Fixed Income Securities	1,065,455	21.1%
Real Estate - Separate Properties	96,828	1.9%
Real Estate - Commingled Funds	223,929	4.4%
Private Equity and Alternatives	186,716	3.7%
Real Return Pool	108,926	2.2%
Total Investments at Fair Value	**$ 5,053,211**	**100.0%**

This schedule excludes Investment receivable and payable balances as of December 31, 2011.

Brokerage Commissions

For the Year Ended December 31, 2010

Brokerage Firm	Rank	Commissions (in Thousands)	Shares/Par Value Traded (in Thousands)	Commission Per Share
Capital Institutional Services Inc/	1	$ 230	$ 7,556	$ 0.030
Instinet	2	142	10,699	0.013
Barclays Capital Inc.	3	131	3,250	0.040
Merrill Lynch + Co., Inc	4	125	24,019	0.005
Morgan Stanley And Co.	5	111	13,865	0.008
Credit Suisse Securities Ltd.	6	109	5,739	0.019
Liquidnet Inc.	7	97	7,610	0.013
Knight Securities International	8	94	5,048	0.019
Goldman Sachs + Co.	9	89	14,830	0.006
Bny Brokerage	10	85	2,411	0.035
Jp Morgan Securities Inc	11	84	16,940	0.005
Ubs Securities Llc.	12	73	13,513	0.005
Citigroup Global Markets Inc.	13	67	5,990	0.011
Deutsche Bank Securities Inc.	14	65	14,629	0.004
Cantor Fitzgerald + Co.	15	56	1,851	0.030
Stifel Nicolaus + Co Inc.	16	52	1,428	0.036
Sanford C. Bernstein Ltd.	17	47	8,888	0.005
Weeden + Co.	18	42	1,971	0.021
Macquarie Securities Limited	19	39	9,693	0.004
Baird Robert W. & Co. Inc.	20	38	1,002	0.038
Top 20 Firms by Commission Dollars		**1,775**	**170,932**	**0.010**
All Other Brokerage Firms		968	54,225	0.018
Total Brokerage Commissions		**2,743**	**225,157**	**0.012**
Brokerage Commission Recapture		(239)	-	-
Net Brokerage Commission		**$ 2,504**	**$ 225,157**	**$ 0.011**

Investment Manager Fees

For the Years Ended December 31, 2011 (Dollars in Thousands)

Investment Asset Class	2011
Domestic Equity	$ 5,744
International Equity	7,007
Fixed Income	2,926
Real Estate	2,553
Private Equity and Alternatives	3,774
Real Return Pool	450
Total Investment Manager Fees	**$ 22,454**

Investment Assets Under Management (Fair Value)

For the Years Ended December 31, 2011 (Dollars in Thousands)

Investment Asset Class	2011
Domestic Equity	$ 2,033,655
International Equity	1,263,515
Fixed Income	1,146,637
Real Estate	321,772
Private Equity and Alternatives	186,716
Real Return Pool	108,926
Cash	2,915
Total Investment Assets Under Management	**$ 5,064,136**

[1] This schedule includes Investment receivable and payable balances as of December 31, 2011.

Largest Stock Holdings[1]

As of December 31, 2011 (Dollars in Thousands)

Rank	Shares	Issuer	Fair Value	Percentage of Holdings
1	64,531.00	Apple Inc	$ 26,135	1.20%
2	243,395.00	Exxon Mobil Corp	20,630	0.95
3	376,526.00	Qualcomm Inc	20,596	0.94
4	743,090.00	Hewlett Packard Co	19,142	0.88
5	298,521.00	American Tower Corp ClA	17,914	0.82
6	27,433.00	Google Inc ClA	17,719	0.81
7	282,941.00	Northrop Grumman Corp	16,546	0.76
8	1,186,375.00	Staples Inc	16,479	0.76
9	224,928.00	Royal Dutch Shell Plc Adr	16,440	0.75
10	579,375.00	Allstate Corp	15,881	0.73
Total of Largest Stock Holdings			**187,482**	**8.60%**
Total Stock Holdings			**$ 2,181,430**	**100.00%**

Largest Bond Holdings[1]

As of December 31, 2011 (Dollars in Thousands)

Rank	Par Value	Issuer	Securities	Description	Fair Value	Percentage of Holdings
1	31,000,000	US Treasury N/B	4.25%	15-Nov-40	$ 39,535	3.71%
2	22,050,000	US Treasury N/B	6.25	15-Aug-23	31,559	2.96
3	14,590,000	Tsy 4 1/2 2013	4.50	7-Mar-13	23,790	2.23
4	20,150,000	US Treasury N/B	2.38	31-Jul-17	21,657	2.03
5	16,500,000	US Treasury N/B	4.38	15-Feb-38	21,331	2.00
6	251,250,000	Mex Bonos Desarr Fix Rt	8.50	31-May-29	20,037	1.88
7	17,212,863	Fed Hm Ln Pc Pool C03490	4.50	1-Aug-40	18,250	1.71
8	13,175,000	US Treasury N/B	5.25	15-Nov-28	18,165	1.70
9	12,830,000	New S Wales Treasury Crp	6.00	1-Apr-16	14,048	1.32
10	12,230,000	Canadian Government	2.00	1-Sep-12	12,092	1.13
Total of Largest Bond Holdings					**220,464**	**20.69%**
Total Bond Holdings					**$ 1,065,455**	**100.00%**

1 The Holdings Schedules pertain to holdings of individual securities; they do not reflect ACERA's investments in commingled funds. A complete list of portfolio holdings is available upon request.

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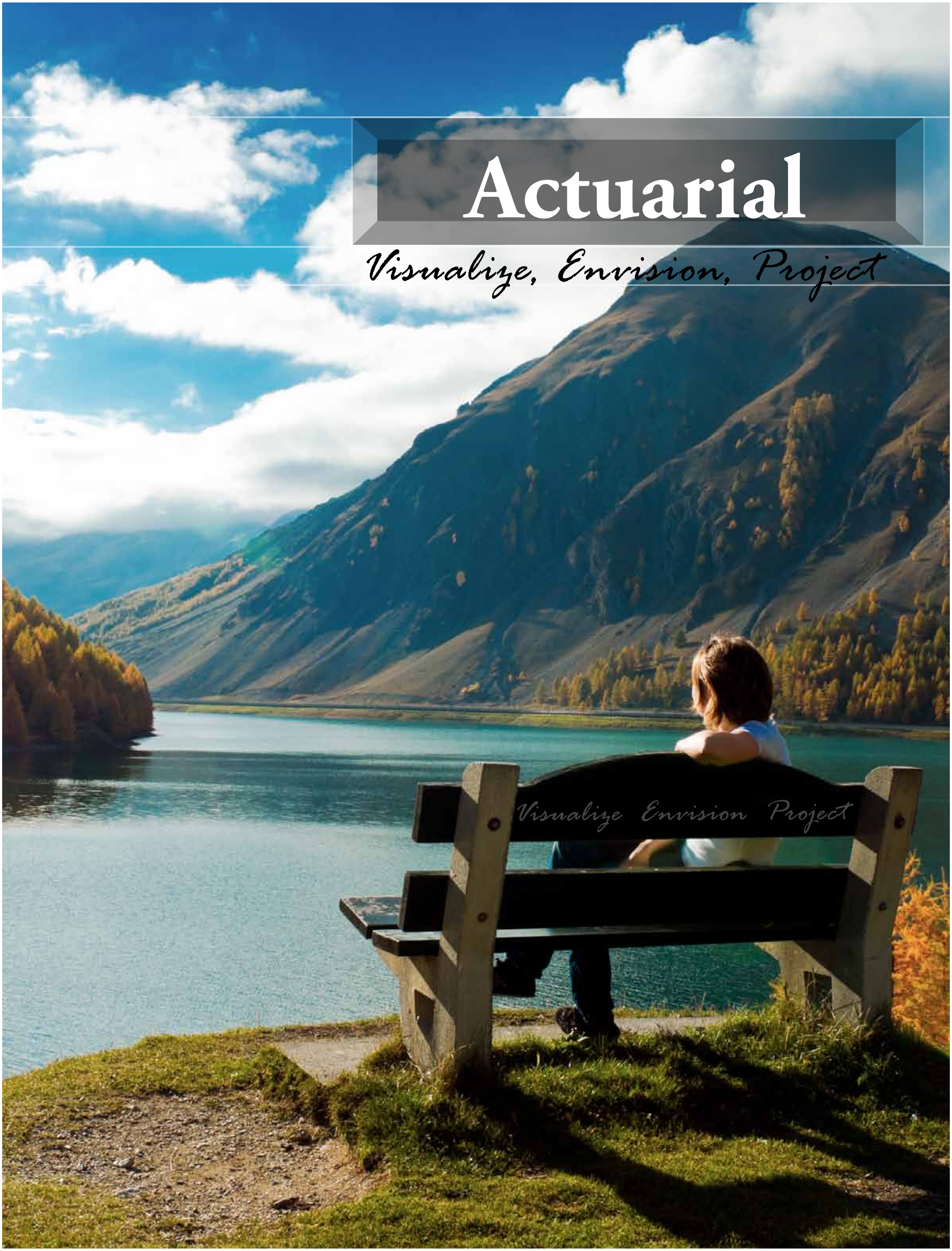
Actuarial
Visualize, Envision, Project
Visualize Envision Project

Actuary's Certification Letter—Pension Plan

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May 24, 2012

Board of Retirement
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, California 94612-1900

Re: Alameda County Employees' Retirement Association
Statutory Retirement Plan Benefits

Dear Members of the Board:

The Segal Company (Segal) prepared the December 31, 2010 actuarial valuation of the statutory Retirement Plan benefits of the Alameda County Employees' Retirement Association (ACERA). We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No 25.

As part of the December 31, 2010 actuarial valuation, Segal conducted an examination of all participant data for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the Association's financial statements. For actuarial valuation purposes, Retirement Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return over 10 six-month periods.

One funding objective of the Plan is to establish rates, which, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed. Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL). Actuarial gains and losses are incorporated into the UAAL and are amortized over the same period.

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The UAAL is amortized as a level percentage of payroll over a 22-year period. The progress being made towards meeting the funding objective through December 31, 2010 is illustrated in the Schedule of Funding Progress.

A listing of supporting schedules Segal prepared for inclusion in the actuarial, statistical, and financial sections of the Association's CAFR is provided below:

Exhibit I	Schedule of Active Member Valuation Data(1);
Exhibit II	Retirees and Beneficiaries Added To and Removed From Retiree Payroll(1);
Exhibit III	Solvency Test;
Exhibit IV	Actuarial Analysis of Financial Experience;
Exhibit V	Schedule of Average Benefit Payments for Retirees and Beneficiaries;
Exhibit VI	Schedule of Participating Employers and Active Members Statistics(1);
Exhibit VII	Schedule of Benefit Expenses by Type(1);
Exhibit VIII	Schedule of Retiree Members by Type of Benefit and Option Selected;
Exhibit IX	Schedule of Funding Progress(2); and
Exhibit X	Employer Contribution Rates (Percent of Payroll).

(1) As permitted by the Actuarial Standard of Practice Statement No. 4 (Measuring Pension Obligations), Segal has utilized participant data provided by ACERA as of November 30, 2010 adjusted to December 31, 2010 (to reflect estimated increase in Salary and Service for active members) in calculating the liabilities for the December 31, 2010 valuation.

(2) The schedule of funding progress is the only schedule that Segal has prepared for the Financial Section of the CAFR. In particular, the Schedule of Employer Contributions has been prepared by ACERA.

The non-economic valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on our recommendations following the November 30, 2007 Experience Analysis. The economic valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on our recommendations following the December 31, 2009 Review of Economic Actuarial Assumptions. Note that the investment return assumption was developed without taking into consideration the impact of the 50/50 excess earnings allocation between the statutory retirement and Supplemental Retirees Benefit Reserve asset pools. It is our opinion that the assumptions used in the December 31, 2010 valuation produce results, which, in aggregate, reflect the future experience of the statutory Retirement Plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years and the actuarial assumptions adopted by the Board resulting from the experience analysis performed as of November 30, 2010 will first become effective in the next valuation as of December 31, 2011.

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In the December 31, 2010 valuation, the ratio of the valuation assets to actuarial accrued liabilities (funded percentage) decreased from 81.2% to 77.5%. The employer's rate has increased from 18.57% of payroll to 20.84% of payroll, while the employee's rate has increased from 8.67% of payroll to 8.68% of payroll.

Under the Actuarial Value of assets method, the total unrecognized investment losses are $263.4 million as of December 31, 2010. These investment losses will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, and will offset any investment gains that may occur after December 31, 2010. This implies that if the Association earns the assumed net rate of investment return of 7.90% per year on a market value basis, it will result in investment losses on the actuarial value of assets in the next few years. So, if the actual market return is equal to the assumed 7.90% rate and all other actuarial assumptions are met, the contribution requirements would increase in each of the next few years.

The deferred losses of $263.4 million represent 5.0% of the market value of assets as of December 31, 2010. Unless offset by future investment gains or other favorable experience, the recognition of the $263.4 million market losses is expected to have a significant impact on the Association's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:

- If the deferred losses were recognized immediately and entirely in the valuation value of assets, the funded percentage would decrease from 77.5% to 73.2%.
- If the deferred losses were recognized immediately and entirely in the valuation value of assets, the aggregate employer rate would increase from 20.84% to about 22.8% of payroll.

We are Members of the American Academy of Actuaries and we are qualified to render the actuarial opinion contained herein.

Sincerely,

Andy Yeung, ASA, EA, MAAA, FCA
Vice President and Associate Actuary

Paul Angelo, FSA, EA, MAAA, FCA
Senior Vice President and Actuary

AW/gxk
Enclosures

Actuary's Certification Letter—SRBR

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May 24, 2012

Board of Retirement
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, California 94612-1900

Re: Alameda County Employees' Retirement Association
Discretionary SRBR Benefits

Dear Members of the Board:

The Segal Company (Segal) prepared the December 31, 2010 actuarial valuation of the discretionary benefits provided through the Supplemental Retirees Benefit Reserve (SRBR) of the Alameda County Employees' Retirement Association (ACERA). We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for accounting disclosure purposes, including the calculation of the Actuarial Accrued Liability, meet the parameters of the Governmental Accounting Standards Board (GASB) Statements No. 25 and No 43.

As part of the December 31, 2010 actuarial valuation, Segal conducted an examination of all participant data for reasonableness. A summary of the average health or Other Postemployment Benefits (OPEB) for new retired members, by years of service, is enclosed as Exhibit II. We did not audit the Association's financial statements. For actuarial valuation purposes, SRBR assets are valued at Actuarial Value. Under this method, the assets used to determine the liabilities of the SRBR and the number of years the SRBR can continue to pay its current level of benefits take into account market value by recognizing the differences between the total return at market value and the expected investment return over 10 six-month periods.

The discretionary benefits provided through the SRBR include OPEB and non-OPEB. Benefits classified under OPEB and reportable under GASB No. 43 include: post retirement medical, dental, and vision benefits. Benefits classified under non-OPEB and reportable under GASB No. 25 include: supplemental COLAs, burial allowance, and the Active Death Equity Benefit.

For valuation purposes, the total cost of providing future postemployment benefits is projected, using actuarial assumptions that are common for both the statutory retirement and the discretion-

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ary SRBR benefits (e.g., turnover, mortality, disability, retirement, etc.) and assumptions that are unique to the discretionary SRBR OPEB (e.g., health care trend assumptions, etc.). The future cost is then discounted to determine an actuarial present value of projected benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan allocated to these benefits.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. The UAAL is amortized as a level percentage of payroll over a 25-year period as of December 31, 2010.

Based on directions provided by the Association, we limited the AAL of the OPEB and non-OPEB paid from the SRBR to the Actuarial Value of Assets (AVA) allocated to the SRBR as of December 31, 2010. This leads to an ARC of 0% because there is no unfunded AAL to amortize and no normal cost to accrue. In addition, the GASB No. 43 funded ratio is 100% for OPEB and the GASB No. 25 funded ratio is 100% for non-OPEB, with this limitation. The funded status of the OPEB and non-OPEB is provided in the enclosed Exhibit I (Schedule of Funding Progress).

Based on the AVA available as of December 31, 2010, the SRBR would only be able to pay benefits until 2027 for OPEB and 2031 for non-OPEB. As we indicated in our certification letter for the statutory retirement plan benefits, the Association had deferred investment losses of $263.4 million that were not yet recognized in determining the combined actuarial value of assets for the Pension Plan and the SRBR Plan as of December 31, 2010. The deferred losses of $263.4 million represent 5.0% of the market value of assets as of December 31, 2010, and will substantially reduce the rate of return on the actuarial value of assets over the next few years.

Even though the actuarial value of assets in the SRBR would not be reduced to reflect the recognition of the above losses over the next several years, we would still anticipate the terminal years of the SRBR to shorten and the funding ratios to deteriorate over the next several years. This is because the liabilities associated with future SRBR benefit payments have been discounted at the assumed rate of 7.9% and it would take investment income of at least 7.9% on the actuarial value of assets to maintain the terminal years and the funding ratios.

Our calculations were based upon the benefits provided under the terms of the substantive plan in effect at the time of the December 31, 2010 valuation.

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A listing of supporting schedules Segal prepared for inclusion in the actuarial, statistical, and financial sections of the Association's CAFR is provided below:

Exhibit I	Schedule of Funding Progress – OPEB and non-OPEB(1);
Exhibit II	Schedule of Average Other Postemployment Benefits (OPEB); and
Exhibit III	Solvency Test.

(1) The schedule of funding progress is the only schedule that Segal has prepared for the Financial Section of the CAFR. In particular, the Schedule of Employer Contributions has been prepared by ACERA.

The non-economic valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on our recommendations following the November 30, 2007 Experience Analysis and specific health care related assumptions recommended for the December 31, 2010 SRBR valuation. In addition, the economic valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on our recommendations following the December 31, 2009 Review of Economic Actuarial Assumptions. Note that the investment return assumption was developed without taking into consideration the impact of the 50/50 excess earnings allocation between the retirement and SRBR asset pools.

The actuarial assumptions common to both the statutory retirement and discretionary SRBR benefits are provided in the Actuarial Section. Additional assumptions specific to the OPEB are included as an attachment to this letter (Schedule of Actuarial Assumptions). It is our opinion that the assumptions used in the December 31, 2010 valuation produce results, which, in aggregate, reflect the future experience of the SRBR. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years, and the actuarial assumptions adopted by the Board resulting from the experience analysis performed as of November 30, 2010 will first become effective in the next valuation as of December 30, 2011.

We are Members of the American Academy of Actuaries and we are qualified to render the actuarial opinion contained herein.

Sincerely,

Andy Yeung, ASA, EA, MAAA,FCA
Vice President and Associate Actuary

Paul Angelo, FSA, EA, MAAA,FCA
Senior Vice President and Actuary

Patrick Twomey, ASA, EA, MAAA
Assistant Actuary

AW/gxk
Enclosures

Summary of Actuarial Assumptions and Methods

Assumptions for Pension Plan

The following assumptions have been adopted by the Board for December 31, 2010 valuation.

Summary of Assumptions

Actuarial Assumed Interest Rate	7.90%
Inflation Rate	3.50%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases	
General:	4.7% to 8.0%
Safety:	5.3% to 9.1%
These rates include inflation and real across-the-board salary increases.	
Retiree Cost-of-Living Adjustment (Basic)	
for Tier 1 and 3 members:	3.00%
for Tier 2 members:	2.00%
Employee Contribution Crediting Rate	7.90%

Retirement Age and Benefit for Deferred Vested Members

For current deferred vested members, retirement age assumptions are as follows:

General Age 58

Safety Age 55

We assume that 35% of future General and 45% of future Safety deferred vested members will continue to work for a reciprocal employer. For reciprocals, we assume 5.1% and 5.4% compensation increases per annum for General and Safety, respectively.

Future Benefit Accruals

One year of service per year of employment plus 0.008 year of additional service to anticipate conversion of unused sick leave for each year of employment.

The following post-retirement and pre-retirement demographic assumptions are based on the plan's actuarial experience through the last triennial experience study as of November 30, 2007.

Post-Retirement Mortality

The actuarial valuation uses the RP-2000 Combined Healthy Mortality table adjusted as follows:

(A) HEALTHY	
General Members and All Beneficiaries	set back one year
Safety Members	set back two years
(B) DISABILITY	
General Members	set forward four years
Safety Members	set forward three years
(C) FOR EMPLOYEE CONTRIBUTION RATE PURPOSES	
General Members	set back one year, weighted 30% male and 70% female.
Safety Members	set back two years, weighted 75% male and 25% female.

Inclusion of Deferred Vested Members

All deferred vested members are included in this valuation.

Percent of Members Married

75% of male members and 55% of female members.

Age of Spouse

Wives are 3 years younger than their husbands.

Employee Contribution Crediting Rate

7.9%, compounded semi-annually, subject to the availability of net earnings. ACERA operates under the Alternate Financial Provisions of Article 5.5 of the 1937 Act. The employee contribution crediting rate is the assumed actuarial investment rate to the extent that "net earnings" as defined in Article 5.5 are available. In addition, whenever there is a remaining balance of "net earnings", after all other required crediting, a portion of that remaining balance is also credited, as described in Article 5.5.

Salary Increases

The annual rate of compensation increase has three components: inflation, across-the-board salary increases (other than inflation), and merit/promotional increases based on age:

Inflation: 3.50%
Across-the-Board Salary Increase: 0.50%

Merit/Promotional Increases based on age:

Age	General	Safety
25	4.0%	5.1%
30	3.0%	3.5%
35	2.4%	2.2%
40	1.8%	1.5%
45	1.5%	1.5%
50	1.1%	1.4%
55	1.0%	1.3%
60	0.8%	0.0%
65	0.7%	0.0%

Consumer Price Index (San Francisco Bay Area)

Inflation assumption is 3.50% per year. Retiree COLA increases due to CPI are subject to 3% maximum change per year for General Tier 1, General Tier 3 and Safety Tier 1; and 2% maximum change per year for General Tier 2, Safety Tier 2, Safety Tier 2C, and Safety Tier 2D.

Net Investment Return

For valuation purposes, the assumed rate of return on the valuation value of assets was 7.9%, net of administration and investment expenses (approximately 1% of assets).

Actuarial Value of Assets

The Actuarial Value of Assets is determined by smoothing in any difference between actual and expected market return over ten six-month interest crediting periods.

Actuarial Cost Method

Entry Age Normal Actuarial Cost Method. Entry Age is the age at the member's date of entry into ACERA. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation. The Normal Cost is calculated on an aggregate basis by taking the Present Value of Future Normal Costs divided by the Present Value of Future Salaries to obtain a normal cost rate. This normal cost rate is then multiplied by the total of current salaries.

Terminal Pay Assumptions

Additional pay elements are expected to be received during a member's final average earnings period. The percentages, added to the final year salary, used in this valuation are:

Membership Category	Service Retirement	Disability Retirement
General Tier 1	8.0%	7.0%
General Tier 2	3.0%	2.8%
General Tier 3	8.0%	7.0%
Safety Tier 1	9.5%	8.5%
Safety Tier 2	4.0%	2.8%
Safety Tier 2C	4.0%	2.8%
Safety Tier 2D	4.0%	2.8%

Changes in Actuarial Assumptions

There were no changes in assumptions from the December 31, 2009 valuation.

Assumptions for Other Post Employment Benefits (OPEB) Plan

Per Capita Health Costs

The combined monthly per capita dental and vision claims cost for plan year 2011 was assumed to be $46.40. The Medicare Part B premium is $96.40. For calendar year 2011, medical costs for a retiree with 20+ years of service were assumed to be as follows:

Medical Plan	Election Assumption	Monthly Premium	Maximum Monthly Medical Allowance[1]
Under Age 65			
Kaiser HMO	80%	$556.48	$522.16
PacifiCare HMO	20%	699.68	522.16
Over Age 65			
Kaiser Senior Advantage	70%	$295.02	$295.02
Senior Supplement	25%	514.52	514.52
Medicare Complete	5%	405.30	405.30

1 The Maximum Monthly Medical Allowance of $552.16 is subject to the following subsidy schedule:

Completed Years of Service	Percentage Subsidized
10-14	50%
15-19	75%
20+	100%

Implicit Subsidy

The estimated average per capita premium for retirees under age 65 is $7,021 per year. Because premiums for retirees under age 65 include active participants for purposes of underwriting, the retirees receive an implicit subsidy from the actives. Had the retirees under age 65 been underwritten as a separate group, their age-based premiums would be higher for most individuals. The excess of the age-based premium over the per capita premium charged makes up the subsidy. Below is a sample of the age-based costs for the retirees under age 65.

Age-Based Average Medical Costs for Retirees Under Age 65

	Retiree		Spouse	
Age	Male	Female	Male	Female
50	$ 7,062	$ 8,044	$ 4,933	$ 6,459
55	8,387	8,659	6,601	7,476
60	9,960	9,333	8,836	8,671
64	11,427	9,901	11,155	9,759

Health Care Cost Trend Rates

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are "net" and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that must be applied to prior year's cost to yield the shown year's projected cost. For example, the projected 2012 calendar year premium for Kaiser (under age 65) is $612.13 per month ($556.48 increased by 10%).

	Rate (%)			
Calendar Year	All Non-Medicare Plans	Medicare Advantage Plans[1]	Medicare Supplement Plans[2]	Dental, Vision and Medicare Part B
2012	10.0	9.0	8.0	5.0
2013	9.5	8.5	7.5	5.0
2014	9.0	8.0	7.0	5.0
2015	8.5	7.5	6.5	5.0
2016	8.0	7.0	6.0	5.0
2017	7.5	6.5	5.5	5.0
2018	7.0	6.0	5.0	5.0
2019	6.5	5.5	5.0	5.0
2020	6.0	5.0	5.0	5.0
2021	5.5	5.0	5.0	5.0
2022 & Later	5.0	5.0	5.0	5.0

1 For the 2011 calendar year, the Medicare Advantage plan offered is Kaiser Senior Advantage and Medicare Complete.

2 For the 2011 calendar year, the Medicare Supplement plan offered is Senior Supplement.

Participation and Coverage Election

Based on proportion of current retirees receiving a medical benefit subsidy, actuary estimates that 85% of employees eligible to retire and receive subsidized postretirement medical coverage will elect to participate in the plan.

Dependents

Demographic data was available for spouses of current retirees. For future retirees, husbands were assumed to be three years older than their wives. Of the future retirees who elect to continue their medical coverage at retirement, 40% males and 20% females were assumed to have an eligible spouse who also opts for health coverage at that time.

Please note that these assumptions are only used to determine the cost of the implicit subsidy.

Plan Design

Development of plan liabilities was based on the plan of benefits in effect as described in Exhibit III.

Administrative Expenses

An administrative expense load was not added to projected incurred claim costs in developing per capita health costs.

Annual Maximum Benefits

For the "substantive plan design" shown in this report, actuary has assumed:

a) Maximum medical allowances for 2012 will remain at the 2011 level and then increase with 50% of trend for Medicare Supplement plans.
b) Dental and vision premium reimbursement for 2012 will be 2.2845% higher than in 2011 and then increase with full trend thereafter.
c) Medicare B premium reimbursement will increase with full trend.

Missing Participant Data

Any missing census items for a given participant was set to equal to the average value of that item over all other participants of the same membership status for whom the item is known.

Active Member Valuation Data (Actuary's Exhibit I)

As of December 31[1]

Year	Plan Type	Number	Annual Payroll[2]	Annual Average Pay	% Increase in Average Pay[3]
2006	General	9,279	$ 639,880,000	$ 68,960	5.64%
	Safety	1,383	122,259,000	88,401	6.61%
	Total	**10,662**	**762,139,000**	**71,482**	**5.78%**
2007	General	9,415	662,309,000	70,346	2.01%
	Safety	1,497	131,249,000	87,675	-0.82%
	Total	**10,912**	**793,558,000**	**72,723**	**1.74%**
2008	General	9,599	716,012,000	74,592	6.04%
	Safety	1,574	147,526,000	93,727	6.90%
	Total	**11,173**	**863,538,000**	**77,288**	**6.28%**
2009	General	9,407	730,681,649	77,674	4.13%
	Safety	1,520	151,923,235	99,949	6.64%
	Total	**10,927**	**882,604,884**	**80,773**	**4.51%**
2010	General	9,391	747,336,146	79,580	2.45%
	Safety	1,488	151,005,579	101,482	1.53%
	Total	**10,879**	**898,341,725**	**82,576**	**2.23%**
2011	General	9,283	745,444,475	80,302	0.91%
	Safety	1,441	147,044,625	102,043	0.55%
	Total	**10,724**	**892,489,100**	**83,224**	**0.78%**

1 As permitted by the Actuarial Standard of Practice Statement No. 4 (Measuring Pension Obligation), the actuarial valuation has been prepared based on participant data provided by ACERA as of November 30.
2 Salary projected from 11/30 to 12/31 for each year. Projected compensation was calculated by increasing the prior year's compensation (assuming every employee will work full time) by the salary increase assumption.
3 The Percent Increase in Average Pay reflects the increase in average salary for members at the beginning of the year versus those at the end of the year. It does not reflect the average salary increases received by members who worked the full year.

Retirees and Beneficiaries Added To and Removed From Retiree Payroll (Actuary's Exhibit II)

	Added to Rolls		Removed from Rolls		Rolls at End of Year			
Plan Year[1]	Number	Annual Allowance[2] in $000's	Number	Annual Allowance in $000's	Number	Annual Allowance in $000's	% Increase in Retiree Allowance	Average Annual Allowance
2006	444	$ 21,784	(226)	$ (4,018)	6,936	$ 203,092	9.59%	$ 29,281
2007	494	25,051	(247)	(4,971)	7,183	223,172	9.89%	31,069
2008	403	23,056	(340)[3]	(5,743)	7,246	240,485	7.76%	33,189
2009	378	21,731	(291)	(5,780)	7,333	256,436	6.63%	34,970
2010	489	27,700	(264)	(5,956)	7,558	278,180	8.48%	36,806
2011	577	30,660	(229)	(6,177)	7,906	302,663	8.80%	38,283

1 As permitted by the Actuarial Standard of Practice Statement No. 4 (Measuring Pension Obligation), the actuarial valuation has been prepared based on participant data provided by ACERA as of November 30.

2 Includes data adjustments and automatic cost of living adjustments granted on April 1.

3 Includes data adjustments made by ACERA on beneficiary file.

Solvency Test[1] (Actuary's Exhibit III)

(Dollars in Thousands)

	Aggregate Accrued Liabilities For:					Portion of Aggregate Accrued Liabilities Covered by Reported Assets For:		
Valuation Date	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)	Total	Actuarial Value of Assets	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)
12/31/05	802,277	2,353,106	1,392,830	4,548,213	3,781,843	100%	100%	45%
12/31/06	842,479	2,550,170	1,432,508	4,825,157	4,127,841	100%	100%	51%
12/31/07	898,321	2,794,861	1,419,221	5,112,403	4,560,213	100%	100%	61%
12/31/08	970,152	3,036,649	1,531,118	5,537,919	4,644,010	100%	100%	42%
12/31/09	962,821	3,244,535	1,691,975	5,899,331	4,789,000	100%	100%	34%
12/31/10	953,663	3,487,411	1,721,666	6,162,740	4,776,128	100%	100%	19%

1 This schedule includes actuarial funded liabilities and assets. The non-valuation reserves such as Supplemental Retirees Benefit Reserve, Death Benefit Reserve, and Market Stabilization Reserve, etc., are not included.
Events affecting year-to-year comparability for each valuation date:

12/31/2005 - Investment return assumption increased from 7.8% to 7.9%; inflation assumption decreased from 4.0% to 3.75%.

12/31/2006 - Investment return assumption increased from 7.9% to 8.0%.

12/31/2008 - Change in non-economic assumptions. Terminal pay assumption for Service Retirement decreased from 8.8% to 8.0% for General Tier 1 and General Tier 3, and increased from 3.0% to 4.0% for Safety Tier 2. Benefit improvement (2.5% @ 55 formula) for electing LARPD members (new General Tier 3), effective October 1, 2008.

12/31/2009 - Investment return assumption decreased from 8.00% to 7.90%; inflation assumption decreased from 3.75% to 3.50%; across-the-board salary increase assumption increased from 0.25% to 0.50%.

12/31/2010 - Investment return assumption remained at 7.90%

Solvency Test - OPEB With Limit (Actuary's SRBR Exhibit III)

Actuarial Accrued Liability Limited to Actuarial Value of Assets

(Dollars in Thousands)

	Aggregate Accrued Liabilities For:					Portion of Aggregate Accrued Liabilities Covered by Reported Assets For:		
Valuation Date	Active Member Contributions	Retired/ Vested Members[1]	Active Members (Employer Financed Portion)[1]	Total[1]	Actuarial Value of Assets	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)
12/31/2005	N/A	$ 273,300	$ 175,800	$ 449,100	$ 449,100	N/A	100%	100%
12/31/2006	N/A	290,000	206,200	496,200	496,200	N/A	100%	100%
12/31/2007	N/A	334,615	279,829	614,444	614,444	N/A	100%	100%
12/31/2008	N/A	342,568	265,746	608,314	608,314	N/A	100%	100%
12/31/2009	N/A	346,718	244,571	591,289	591,289	N/A	100%	100%
12/31/2010	N/A	338,672	222,684	561,356	561,356	N/A	100%	100%

Solvency Test - OPEB Without Limit (Actuary's SRBR Exhibit III)

Actuarial Accrued Liability Limited Not to Actuarial Value of Assets

(Dollars in Thousands)

	Aggregate Accrued Liabilities For:					Portion of Aggregate Accrued Liabilities Covered by Reported Assets For:		
Valuation Date	Active Member Contributions	Retired/ Vested Members[2]	Active Members (Employer Financed Portion)[2]	Total[2]	Actuarial Value of Assets	Active Member Contributions	Retired/ Vested Members[3]	Active Members (Employer Financed Portion)[3]
12/31/2005	N/A	$ 329,200	$ 238,800	$ 568,000	$ 449,100	N/A	100%	50%
12/31/2006	N/A	341,000	250,500	591,500	496,200	N/A	100%	62%
12/31/2007	N/A	367,096	272,725	639,821	614,444	N/A	100%	91%
12/31/2008	N/A	397,550	305,770	703,320	608,314	N/A	100%	69%
12/31/2009	N/A	428,232	335,269	763,501	591,289	N/A	100%	49%
12/31/2010	N/A	417,456	315,449	732,905	561,356	N/A	100%	46%

1 Accrued liabilities have been limited to benefits expected to be paid before the exhaustion of actuarial value of assets.

2 Accrued liabilities have not been limited to benefits expected to be paid before the exhaustion of actuarial value of assets.

3 Assuming actuarial value of assets is first used to entirely fund the liabilities for retired/vested members before it is used to fund the liabilities for active members.

Events affecting year to year comparability:

12/31/05 - Investment return assumption increased from 7.80% to 7.90%; inflation assumption decreased from 4.0% to 3.75%.

12/31/06 - Investment return assumption increased from 7.90% to 8.00%.

12/31/08 - Change in non-economic assumptions. Terminal pay assumption for Service Retirement decreased from 8.8% to 8.0% for General Tier 1 and General Tier 3, and increased from 3.0% to 4.0% for Safety Tier 2.

12/31/09 - Investment return assumption decreased from 8.00% to 7.90%; inflation assumption decreased from 3.75% to 3.50%; cross-the-board salary increase assumption increased from 0.25% to 0.50%.

12/31/10 - Investment return assumption remained at 7.90%

Note: Each valuation date, health care cost trend rates have been updated and starting premium costs have been revised to reflect updated data.

Solvency Test - Non-OPEB With Limit (Actuary's SRBR Exhibit III)

Actuarial Accrued Liability Limited to Actuarial Value of Assets
(Dollars in Thousands)

	Aggregate Accrued Liabilities For:					Portion of Aggregate Accrued Liabilities Covered by Reported Assets For:		
Valuation Date	Active Member Contributions	Retired/ Vested Members[1]	Active Members (Employer Financed Portion)[1]	Total[1]	Actuarial Value of Assets	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)
12/31/2005	N/A	$ 44,000	$ 18,800	$ 62,800	$ 62,800	N/A	100%	100%
12/31/2006	N/A	46,000	20,300	66,300	66,300	N/A	100%	100%
12/31/2007	N/A	52,032	26,394	78,426	78,426	N/A	100%	100%
12/31/2008	N/A	46,095	29,910	76,005	76,005	N/A	100%	100%
12/31/2009	N/A	40,777	32,704	73,481	73,481	N/A	100%	100%
12/31/2010	N/A	41,675	27,581	69,256	69,256	N/A	100%	100%

Solvency Test - Non-OPEB Without Limit (Actuary's SRBR Exhibit III)

Actuarial Accrued Liability Not Limited to Actuarial Value of Assets

(Dollars in Thousands)

	Aggregate Accrued Liabilities For:					Portion of Aggregate Accrued Liabilities Covered by Reported Assets For:		
Valuation Date	Active Member Contributions	Retired/ Vested Members[2]	Active Members (Employer Financed Portion)[2]	Total[2]	Actuarial Value of Assets	Active Member Contributions	Retired/ Vested Members[3]	Active Members (Employer Financed Portion)[3]
12/31/2005	N/A	$ 74,000	$ 96,800	$ 170,800	$ 62,800	N/A	85%	0%
12/31/2006	N/A	80,900	105,400	186,300	66,300	N/A	82%	0%
12/31/2007	N/A	91,441	112,427	203,868	78,426	N/A	86%	0%
12/31/2008	N/A	80,182	122,352	202,534	76,005	N/A	95%	0%
12/31/2009	N/A	63,808	107,370	171,178	73,481	N/A	100%	9%
12/31/2010	N/A	68,955	107,546	176,501	69,256	N/A	100%	0%

1 Accrued liabilities have been limited to benefits expected to be paid before the exhaustion of actuarial value of assets.

2 Accrued liabilities have not been limited to benefits expected to be paid before the exhaustion of actuarial value of assets.

3 Assuming actuarial value of assets is first used to entirely fund the liabilities for retired/vested members before it is used to fund the liabilities for active members.

Events affecting year to year comparability:

12/31/05 - Investment return assumption increased from 7.80% to 7.90%; inflation assumption decreased from 4.0% to 3.75%.

12/31/06 - Investment return assumption increased from 7.90% to 8.00%.

12/31/08 - Change in non-economic assumptions. Terminal pay assumption for Service Retirement decreased from 8.8% to 8.0% for General Tier 1 and General Tier 3, and increased from 3.0% to 4.0% for Safety Tier 2.

12/31/09 - Investment return assumption decreased from 8.00% to 7.90%; inflation assumption decreased from 3.75% to 3.50%; across-the-board salary increase assumption increased from 0.25% to 0.50%

12/31/10 - Investment return assumption remained at 7.90%.

Actuarial Analysis of Financial Experience (Actuary's Exhibit IV)

(Dollars in Millions)

	2010	2009	2008	2007	2006	2005
Prior Valuation Unfunded/(Prefunded) Actuarial Accrued Liability	$ 1,110	$ 894	$ -	$ 697	$ 766	$ -
a) Before Benefit Improvement		-	552	-	-	683
b) After Benefit Improvement[1]		-	553	-	-	778
Salary Increase Greater (Less) than Expected	(80)	(25)	38	(42)	2	(35)
COLA Increase Greater (Less) than Expected	(7)	(31)	-	-	-	-
Asset Return Less (Greater) than Expected	339	179	245[2]	(125)	(57)	30
Other Experience (Including Scheduled UAAL Payment)	25	29	40	22	42	55
Economic Assumption Changes		64	-	-	(56)	(81)
Non-economic Assumption Changes		-	9	-	-	-
Benefit Change[3]		-	-	-	-	19
Data Corrections		-	9	-	-	-
Ending Unfunded/(Prefunded) Actuarial Accrued Liability	$ 1,387	$ 1,110	$ 894	$ 552	$ 697	$ 766

1 Improved Safety benefit in Plan Year 2005 and improved General Tier 3 benefit in Plan Year 2008.

2 Includes effect of change in the market value corridor for the calculation of the actuarial value of assets, from 80%-120% to 60%-140%.

3 Additional improved Safety benefit.

Summary of Plan Provisions

BENEFITS SECTIONS 31676.1, 31676.12, 31676.18, 31664, 31664.1, and 31664.2 OF THE COUNTY EMPLOYEES RETIREMENT LAW OF 1937 ("1937 Act")

Briefly summarized below are major provisions of the 1937 Act as amended through December 31, 2010, and as adopted by Alameda County or other Participating Employers.

Membership Eligibility

Each person appointed to a full-time, permanent position with the County of Alameda or Participating Employer is eligible and required to become a member of ACERA. Membership with ACERA usually begins with the second pay period following appointment to a full time County or Participating Employer position. ACERA members who change from full-time to part-time may elect to continue membership at ACERA (with future contributions and benefits adjusted accordingly).

Tiers (Benefit Levels)

General and Safety Tier 1 include all General and Safety members hired on or before June 30, 1983. General and Safety Tier 2 include, depending on the employer, General and Safety members hired after June 30, 1983. General Tier 3 was effective October 1, 2008 for electing General active members of the Livermore Area Recreation and Park District (LARPD). LARPD adopted a benefit improvement for all service under the 2.5% @ 55 formula as an option to their employees. The County has adopted new Safety Tier 2 formulas, 2% @ 50 (Safety Tier 2C) and 3% @ 55 (Safety Tier 2D), for new hires starting October 17, 2010. See page 112 for employer and employee contribution rates.

Final Compensation for Benefit Determination ("Final Average Salary")

Final Average Salary (FAS) is defined as the highest 12 consecutive months of compensation earnable for Tier 1 and Tier 3; and the highest 36 consecutive months for Tier 2.

Return of Contributions

If a member should resign or die before becoming eligible for retirement, his or her contributions plus interest will be refunded upon request. In lieu of receiving a return of contributions, a vested member or member terminated after January 1, 2003 may elect to leave his or her contributions on deposit and receive a deferred vested benefit when eligible for retirement.

Eligibility for Service Retirement

General members are eligible to retire: at age 50 with 10 years of service; at age 70 regardless of years of service, or at any age with 30 years of service. Safety members are eligible to retire: at age 50 with 10 years of service; at age 70 regardless of years of service; or at any age with 20 years of service.

Eligibility for Deferred Service Retirement

Vested deferred members (i.e., terminated members who have completed five years of service and leave accumulated contributions in the retirement fund) become eligible to retire at any time at which the member could have retired, had the member remained an active member in a full-time position.

Service Retirement Benefit

The monthly service retirement benefit depends on age at retirement and is based on a percentage of the Final Average Salary (divided by 12 or 36 depending on Tier to get a monthly amount) multiplied by years of service. It is illustrated below for selected age-at-retirement figures.

For members integrated with Social Security, the benefit is reduced by one-third of the percentage shown below times the first $350 of monthly Final Average Salary per year of service credited after January 1, 1956.

Percentage of Final Average Salary for Selected Age-at-Retirement

	General			Safety			
Age-at-Retirement	Tier 1	Tier 2	Tier 3	Tier 1*	Tier 2*	Tier 2C	Tier 2D
50	1.34%	1.18%	2.00%	3.00%	3.00%	2.00%	2.29%
55	1.77%	1.49%	2.50%	3.00%	3.00%	2.62%	3.00%
60	2.34%	1.92%	2.50%	3.00%	3.00%	2.62%	3.00%
62	2.62%	2.09%	2.50%	3.00%	3.00%	2.62%	3.00%
65 and over	2.62%	2.43%	2.50%	3.00%	3.00%	2.62%	3.00%

* Only available for those members who terminated after the County improved the benefit to Sec. 31664.1 in 2004.

Maximum Benefit

The maximum basic benefit payable to a member or beneficiary is 100% of Final Average Salary.

Disability Benefit

Members with five years of service, regardless of age, are eligible to apply for non-service connected disability benefits. As with the service retirement benefit, the disability benefit is based on a percentage of Final Average Salary (FAS).

The disability benefit is 1.8% per year of service for General Tier 1 and Tier 3 members; and 1.5% per year of service for General Tier 2 members. If this benefit does not exceed one-third of FAS, the benefit is increased by the above percentage of FAS for the years which would have been credited to age 62 for General Tier 1 and Tier 3 members; and age 65 for General Tier 2 members.

The disability benefit is 1.8% per year of service for Safety members. If this benefit does not exceed one-third of FAS, the benefit is increased by the above percentage of FAS for the years which would have been credited to age 55.

In each case where the disability benefit has been increased as described above, the total benefit cannot exceed one-third of the FAS, unless the benefit calculated from the member's age, years of service, and salary is greater.

If the disability is service connected ("job-related"), then there is no age or service requirement. This benefit is the greater of 50% of FAS, or the benefit amount derived from the member's age, years of service, and salary.

Members who apply for disability retirement benefits must be able to prove they are permanently unable to perform the usual duties of their current job. In addition, those who apply for a service connected disability must prove their incapacity to perform their duties was job-related.

Active Member Death Benefit

In addition to the return of contributions with credited interest, a lump sum death benefit is payable to the member's beneficiary or estate equal to one month's salary for each completed year of service under the retirement system, based on the final year's average salary, but not to exceed six months' salary.

If a member dies while eligible for service retirement or non-service connected disability, the eligible surviving spouse/domestic partner may elect to receive 60% of the allowance that the member would have received for retirement on the day of his or her death in lieu of the above mentioned lump sum.

Active Death Equity Benefit (ADEB)

In 2000, the Board of Retirement authorized the ADEB option which provides a continuance to the surviving spouse/domestic partner of a member who died because of non-service connected disability equal to 100% of the member's reduced allowance under the option 2 provision.

The funding of the ADEB benefit (the difference in the benefit between the 60% continuance under the unmodified option and 100% continuance provided under option 2) is provided from assets held in the SRBR. The ADEB is a non-vested benefit and may be discontinued at any time and for any reason. The Board of Retirement reserves the right to terminate the ADEB for future recipients.

Service Connected Death Benefit

If a member dies in the performance of duty, the eligible surviving spouse/domestic partner may elect to receive 50% of the member's FAS (or 100% of the service retirement benefit, if greater).

Retired Member Death Benefit

If a member dies after retirement, a lump sum amount up to $5,000 is paid to the beneficiary or estate. ($4,250 of this death benefit is not vested and is funded through the SRBR, subject to Board approval and available funding.)

In addition, if the retirement was for service connected disability, 100% of the member's allowance as it was at death is continued to the qualified surviving spouse/domestic partner for life.

If the retirement was for other than service connected disability, 60% of the member's unmodified allowance is continued to the qualified surviving spouse/domestic partner for life.

Basic Cost-of-Living Adjustments (COLA)

The basic Cost-of-Living Adjustments are based on the change in the San Francisco Bay Area Consumer Price Index (CPI) for the calendar year prior to the April 1 effective date. The basic COLA increase in retirement allowance is up to 3% per year for Tier 1 and Tier 3; and up to 2% for Tier 2 members. For any year in which the CPI exceeds the COLA percentage cap for a member, the excess percentage is accumulated ("banked") for that member and subsequently applied as an increase to the allowance in a later year when the CPI figure falls short of the relevant cap.

Supplemental Benefits Excluded from Actuarial Valuation

Non-vested supplemental COLA and retiree healthcare program benefits are paid to eligible retirees and survivors. These supplemental benefits have been excluded from the Pension Plan valuation, but are included in the SRBR, OPEB and Non-OPEB Benefits valuation.

Contribution Rates

Basic member contribution rates are based on a formula reflecting the age at entry into the Association. The rates are such as to provide, for each year of service, an average annuity at age 60 of 1⁄100 of FAS for General members under Tier 1; at age 60 of 1⁄120 of FAS for General members under Tier 2; at age 55 of 1/100 of FAS for General members under Tier 3; and at age 50 of 1⁄100 of FAS for Safety members. Note that in estimating FAS, we have included an assumption to anticipate how much unused vacation would be available for conversion at retirement. Member cost of living contribution rates are actuarially determined to pay for one-half of future cost of living liabilities.

For members whose benefits are integrated with Social Security, the above contributions are reduced by one-third of that portion of such contribution payable with respect to the first $161 of biweekly salary. Member contributions are refundable upon termination from employment.

Employer contribution rates are actuarially determined to provide for the balance of the contributions needed to fund the benefits promised under the Pension Plan.

Exemption from Contributions After Thirty Years of Service

Safety members with 30 or more years of service and General members hired on or before March 7, 1973 with 30 or more years of service are exempt from paying member contributions.

Assumed Termination and Retirement Rates

The following schedules indicate the assumed rates before retirement for disability, termination, and mortality, as well as retirement rates.

The rates shown for each cause represent the likelihood that a given member will terminate at a particular age or with the particular service for the indicated reason. For example, if the rate of retirement for a General Tier 1 member age 50 is 3.00, then we are assuming that 3.00 percent of the General members in this age bracket will receive service retirement during the year.

Assumed Retirement Rates

Rates (%)

Age	General Tier 1	General Tier 2	General Tier 3	Safety Tier 1[1]	Safety Tier 2,2D[1]	Safety Tier 2C[1]
50	3.00	2.00	6.00	35.00	4.00	4.00
51	3.00	2.00	3.00	25.00	4.00	2.00
52	3.00	2.00	5.00	25.00	5.00	2.00
53	3.00	2.00	6.00	30.00	5.00	3.00
54	4.00	3.00	6.00	35.00	6.00	6.00
55	6.00	3.00	12.00	35.00	10.00	10.00
56	8.00	4.00	13.00	35.00	15.00	12.00
57	10.00	5.00	13.00	35.00	20.00	20.00
58	10.00	6.00	14.00	40.00	10.00	10.00
59	13.00	6.00	16.00	40.00	15.00	15.00
60	20.00	6.00	21.00	100.00	60.00	60.00
61	20.00	8.00	20.00	100.00	60.00	60.00
62	30.00	20.00	30.00	100.00	60.00	60.00
63	30.00	16.00	25.00	100.00	60.00	60.00
64	30.00	20.00	25.00	100.00	100.00	100.00
65	35.00	25.00	30.00	100.00	100.00	100.00
66	30.00	20.00	25.00	100.00	100.00	100.00
67	25.00	20.00	25.00	100.00	100.00	100.00
68	20.00	30.00	25.00	100.00	100.00	100.00
69	45.00	40.00	50.00	100.00	100.00	100.00
70	100.00	100.00	100.00	100.00	100.00	100.00

1 Retirement rate is 100% after a member accrues a benefit of 100% of FAS.

Assumed Termination Rates Before Retirement

DISABILITY

	Rate (%) Disability	
Age	General[1]	Safety[2]
20	0.00	0.00
25	0.01	0.00
30	0.07	0.24
35	0.16	0.46
40	0.26	0.62
45	0.36	0.94
50	0.49	1.34
55	0.67	1.68
60	0.84	0.72

TERMINATION (RATE %)

Less than 5 Years of Service [3]

Years of Service	General	Safety
0	13.00	5.00
1	10.00	5.00
2	9.00	5.00
3	7.00	3.00
4	5.00	3.00

5 Years of Service or More [4]

Age	General	Safety
20	5.00	3.00
25	5.00	3.00
30	5.00	2.40
35	4.70	1.70
40	3.72	1.20
45	2.54	1.00
50	1.92	1.00
55	1.62	1.00
60	1.20	0.40

MORTALITY[5]

Rate (%)

	General		Safety	
Age	Male	Female	Male	Female
25	0.04	0.02	0.04	0.02
30	0.04	0.02	0.04	0.02
35	0.07	0.04	0.06	0.04
40	0.10	0.06	0.10	0.06
45	0.14	0.10	0.13	0.09
50	0.20	0.16	0.19	0.14
55	0.32	0.24	0.29	0.22
60	0.59	0.44	0.53	0.39
65	1.13	0.86	1.00	0.76

1 80% of General disabilities are assumed to be service connected disabilities. The other 20% are assumed to be non-service connected disabilities.

2 100% of Safety disabilities are assumed to be service connected disabilities.

3 80% of terminating members are assumed to choose a refund of contributions and 20% are assumed to choose a deferred vested benefit.

4 30% of terminating members are assumed to choose a refund of contributions and 70% are assumed to choose a deferred vested benefit. No termination is assumed after a member is eligible for retirement.

5 100% of pre-retirement deaths are assumed to be non-service connected.

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Statistical

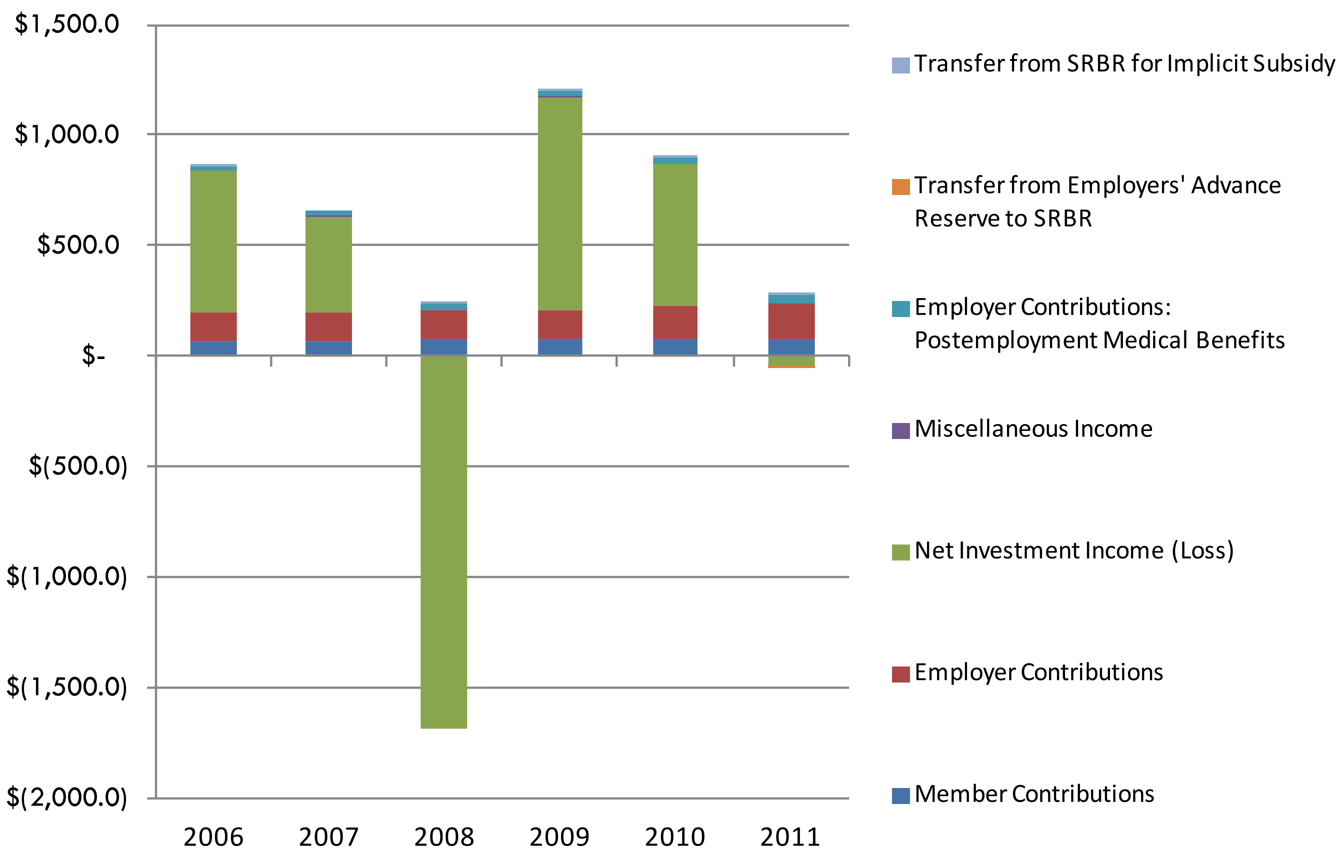
Fashion, Organize, Outline

Statistical

This section provides additional historical perspective, context, and detail in order to provide a more comprehensive understanding of this year's financial statements, note disclosures, and supplementary information, covering Pension Plan Benefits, Postemployment Medical Benefits and Non-OPEB Benefits. This section also provides multi-year trend of financial and operating information to facilitate comprehensive understanding of how the organization's financial position and performance has changed over time. More specifically, the financial and operating information provides contextual data for ACERA's Net Assets, benefits, refunds, contribution rates and different types of retirement benefits. This information was produced by either ACERA's actuary or from ACERA's member database. Some historical comparative information is not available for periods prior to ACERA's implementation of GASB 44 for the year ended December 31, 2006.

Additions to ACERA's Net Assets by Source

(Dollars in Millions)



Additions to ACERA's Net Assets by Source

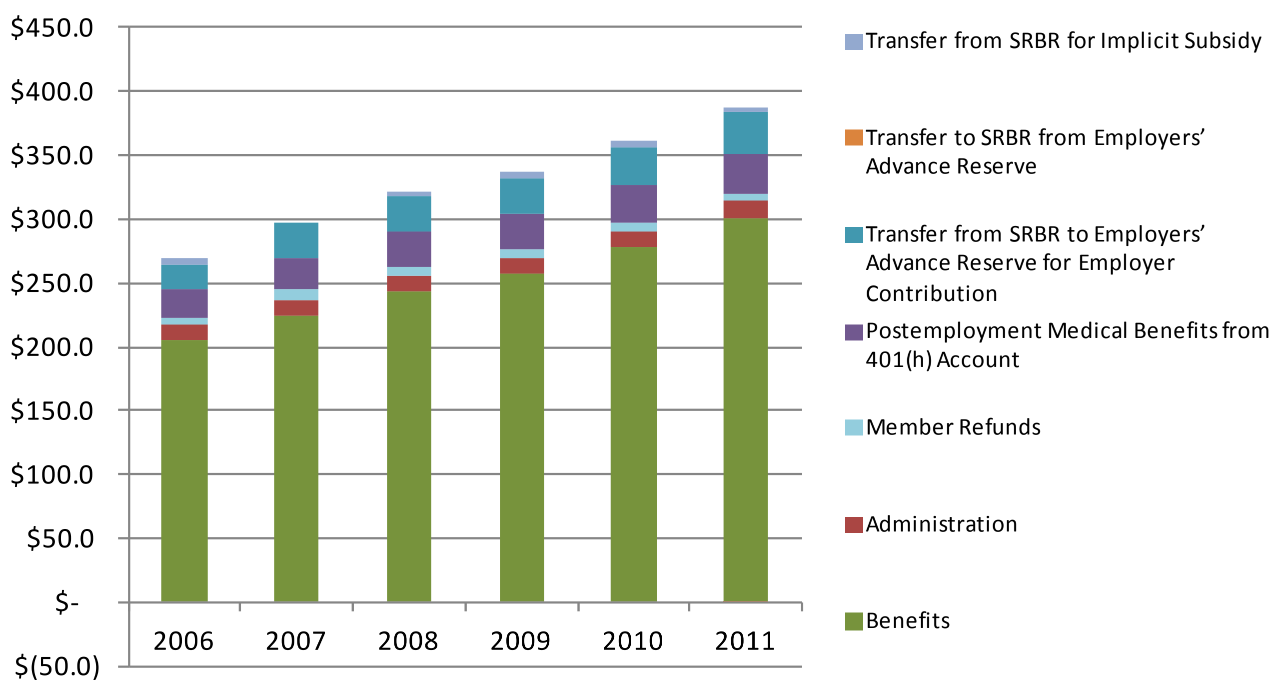
(Dollars in Millions)

Year Ended December 31	Member Contributions: Pension Plan	Employer Contributions:	Net Investment Income (Loss)	Misc. Income	Employer Contributions: Postemployment Medical Benefits	Transfer from Employers' Advance Reserve[1] to SRBR	Transfer from SRBR for Implicit Subsidy	Total Additions
2006	$70.2	$127.1	$637.8	$0.4	$19.0	-	$6.3	$860.8
2007	72.3	130.0	430.9	1.0	27.3	-	-	661.5
2008	75.6	129.7	(1,685.2)	0.5	28.5	-	3.1	(1,447.8)
2009	77.3	132.2	963.6	2.3	27.9	-	4.1	1,207.4
2010	77.6	147.5	648.1	0.5	29.5	-	5.3	908.5
2011	78.0	162.9	(40.7)	0.7	32.3	0.4	4.4	238.0

1 Effective July 1, 2011, ACERA adopted SB 1479 and State Government Code Section 31618.5. In compliance with this law, employers allocate a portion of their contribution to the 401(h) account for estimated administrative cost of these benefits, in addition to contributions for the Postemployment Medical Benefits.

Deductions from ACERA's Net Assets by Type

(Dollars in Millions)



Deductions from ACERA's Net Assets by Type

(Dollars in Millions)

Year Ended December 31	Benefits	Administration	Member Refunds	Postemployment Medical Benefits from 401(h) Account	Transfer from SRBR to Employers' Advance Reserve for Employer Contribution	Transfer to SRBR from Employers' Advance Reserve[1]	Transfer from SRBR for Implicit Subsidy	Total Deductions
2006	$205.8	$10.8	$5.8	$22.2	$19.0	$-	$6.3	$269.9
2007	224.8	12.2	7.8	24.7	27.3	-	-	296.8
2008	242.9	13.3	6.5	26.7	28.5	-	3.1	321.0
2009	256.7	12.3	7.7	27.8	27.9	-	4.1	336.5
2010	277.7	13.0	5.6	29.8	29.5	-	5.3	360.9
2011	300.2	13.8	5.4	31.6	32.3	0.4	4.4	388.1

1 Effective July 1, 2011, ACERA adopted SB 1479 and State Government Code Section 31618.5. In compliance with this law, employers allocate a portion of their contribution to the 401(h) account for estimated administrative cost of these benefits, in addition to contributions for the Postemployment Medical Benefits.

Changes in Pension Plan Net Assets Last Ten Fiscal Years[1]

For the Years Ended December 31 (Dollars in Thousands)

	2011	2010	2009	2008	2007	2006
Additions						
Member Contributions	$77,991	$77,605	$77,271	$75,608	$72,342	$70,174
Employer Contributions	130,559	118,083	104,263	101,113	102,749	108,088
Total Contributions	**208,550**	**195,688**	**181,534**	**176,721**	**175,091**	**178,262**
Investment and Miscellaneous Income (Net of Expenses)	(40,042)	648,618	965,921	(1,684,744)	431,789	638,305
Transfer from Postemployment Medical Benefits on Behalf of Employers	32,320	29,460	27,935	28,547	27,291	19,008
Transfer from Postemployment Medical Benefits for Employers Implicit Subsidy	4,403	5,288	4,149	3,091	-	6,304
Earnings Allocated to Postemployment Medical Benefits Reserve	(17,449)	(4,370)	(16,102)	(24,701)	(145,957)	(75,636)
Earnings Allocated to Non-OPEB Benefits Reserve	(2,134)	(541)	(1,997)	(3,137)	(18,307)	(9,962)
Total Additions	**185,648**	**874,143**	**1,161,440**	**1,504,223**	**469,907**	**756,281**
Deductions						
Benefit Payments	295,826	272,937	252,126	237,273	218,618	199,423
Refunds	5,406	5,645	7,718	6,527	7,778	5,817
Administration Expenses	13,306	13,001	12,255	13,315	12,211	10,778
Transfer to SRBR from Employers' Advance Reserve[2]	462	-	-	-	-	-
Total Deductions	**315,000**	**291,583**	**272,099**	**257,115**	**238,607**	**216,018**
Changes in Pension Plan Net Assets	**$(129,352)**	**$582,560**	**$889,341**	**$(1,761,338)**	**$231,300**	**$540,263**

1 Acera implemented GASB 44 for year ended December 31, 2006. Prior to GASB 44 implementation, changes in Net Assets data for Pension Plan, Postemployment Medical Benefits, and Non-OPEB Benefits were aggregated in one fund. Therefore, no separate data for each plan is available prior to 2006.

2 Effective July 1, 2011, ACERA adopted SB 1479 and State Government Code Section 31618.5. In compliance with this law, employers allocate a portion of their contribution to the 401(h) account for estimated administrative cost of these benefits, in addition to contributions for the Postemployment Medical Benefits.

Changes in Postemployment Medical Benefits Net Assets Last Ten Fiscal Years[1]

For the Years Ended December 31 (Dollars in Thousands)

	2011	2010	2009	2008	2007	2006
Additions						
Employer Contributions	$32,320	$29,460	$27,935	$28,547	$27,291	$19,008
Earnings Allocated to Postemployment Medical Benefits	17,449	4,370	16,102	24,701	145,957	75,636
Transfer from Employers' Advance Reserve to SRBR[2]	462	-	-	-	-	-
Total Additions	**50,231**	**33,830**	**44,037**	**53,248**	**173,248**	**94,644**
Deductions						
Administrative Expenses[2]	462	-	-	-	-	-
Postemployment Medical Benefits payments[3]	31,555	29,802	27,839	26,681	24,668	22,205
Transfer to Employers' Advance Reserve for SRBR Employer Contributions	32,320	29,460	27,935	28,547	27,291	19,008
Transfer to Employers' Advance Reserve for Implicit Subsidy	4,403	5,288	4,149	3,091	-	6,304
Total Deductions	**68,740**	**64,550**	**59,923**	**58,319**	**51,959**	**47,517**
Changes in Postemployment Medical Benefits Net Assets	**$(18,509)**	**$(30,720)**	**$(15,886)**	**$(5,071)**	**$121,289**	**$47,127**

1 ACERA implemented GASB 44 for year ended December 31, 2006. Prior to GASB 44 implementation, changes in Net Assets data for Pension Plan, Postemployment Medical Benefits, and Non-OPEB Benefits were aggregated in one fund. Therefore, no separate data for each plan is available prior to 2006.

2 Effective July 1, 2011, ACERA adopted SB 1479 and State Government Code Section 31618.5. In compliance with this law, employers allocate a portion of their contribution to the 401(h) account for estimated administrative cost of these benefits, in addition to contributions for the Postemployment Medical Benefits.

3 Postemployment Medical Benefits are paid from the 401(h) account.

Changes in Non-OPEB Benefits Net Assets Last Ten Fiscal Years[1]

For the Years Ended December 31 (Dollars in Thousands)

	2011	2010	2009	2008	2007	2006
Addition						
Earnings Allocated to Non-OPEB Benefits	$2,134	$541	$1,997	$3,137	$18,307	$9,962
Total Addition	**2,134**	**541**	**1,997**	**3,137**	**18,307**	**9,962**
Deduction						
Non-OPEB Benefits Payments	4,370	4,766	4,522	5,558	6,217	6,422
Total Deduction	**4,370**	**4,766**	**4,522**	**5,558**	**6,217**	**6,422**
Changes in Non-OPEB Benefits Net Assets	**$(2,236)**	**$(4,225)**	**$(2,525)**	**$(2,421)**	**$12,090**	**$3,540**

1 ACERA implemented GASB 44 for year ended December 31, 2006. Prior to GASB 44 implementation, changes in Net Assets data for Pension Plan, Postemployment Medical Benefits, and Non-OPEB Benefits were aggregated in one fund. Therefore, no separate data for each plan is available prior to 2006.

Benefit Expenses by Type (Actuary's Exhibit VII)

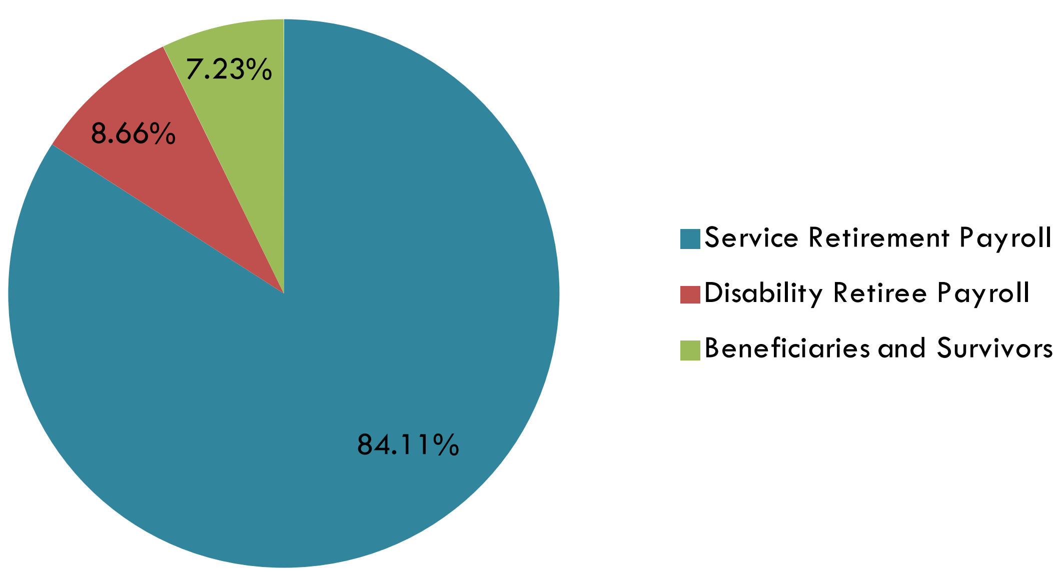
For the Years Ended December 31[1]

	2011	2010	2009	2008	2007	2006
Service Retirement Payroll						
Basic	$204,448,010	$184,844,536	$168,693,544	$156,159,546	$144,273,097	$131,381,072
COLA	50,113,311	48,000,607	44,596,368	43,190,182	39,321,355	35,620,880
Total	**254,561,321**	**232,845,143**	**213,289,912**	**199,349,728**	**183,594,452**	**167,001,952**
Disability Retiree Payroll						
Basic	20,674,628	19,859,910	19,140,681	18,548,535	17,741,212	16,180,690
COLA	5,534,001	5,211,156	4,793,397	4,466,521	3,978,243	3,536,042
Total	**26,208,629**	**25,071,066**	**23,934,078**	**23,015,056**	**21,719,455**	**19,716,732**
Beneficiaries and Survivors						
Basic	13,557,820	12,484,348	11,886,758	11,212,504	11,090,773	10,082,760
COLA	8,334,829	7,778,954	7,325,211	6,907,819	6,767,815	6,290,813
Total	**21,892,649**	**20,263,302**	**19,211,969**	**18,120,323**	**17,858,588**	**16,373,573**
Total	**$302,662,599**	**$278,179,511**	**$256,435,959**	**$240,485,107**	**$223,172,495**	**$203,092,257**

1 As permitted by the Actuarial Standard of Practice Statement No. 4 (Measuring Pension Obligation), the actuarial valuation has been prepared based on participant data provided by ACERA as of November 30.

Benefit Expenses by Type

For the Year Ended December 31, 2011



Benefit and Refund Deductions Combined from Pension Plan, Post-employment Medical Benefits, and Non-OPEB Benefits Net Assets by Type Last Ten Fiscal Years[1,2]

For the Years ended December 31 (Dollars in Thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
TYPE OF BENEFIT										
Age and Service Benefits:										
Retirees	$ 279,581	$ 259,279	$ 237,590	$ 221,532	$ 205,010	$ 187,376	$ 171,924	$ 153,763	$ 137,338	$ 127,706
Survivors	17,059	15,183	14,787	15,033	14,150	13,340	12,538	11,812	11,429	10,985
Death in Service Benefits:										
Survivors	2,641	2,362	2,161	4,030	2,017	1,882	1,680	1,505	1,301	1,292
Disability Benefits:										
Retirees - Duty	26,836	25,586	25,094	23,981	23,461	20,955	19,591	17,746	14,231	12,516
Retirees - Non-Duty	3,796	3,473	3,332	3,539	3,450	3,210	3,020	2,949	2,414	2,348
Supplemental disability	64	59	138	80	192	109	75	51	97	69
Survivors	1,774	1,563	1,385	1,317	1,223	1,178	1,036	906	808	629
Total Benefits	**331,751**	**307,505**	**284,487**	**269,512**	**249,503**	**228,050**	**209,864**	**188,732**	**167,618**	**155,545**
Type of Refund										
Death	890	2,097	1,608	1,093	2,219	1,831	2,481	1,411	1,294	1,653
Miscellaneous	39	28	81	74	89	136	123	147	97	273
Separation	4,477	3,520	6,029	5,360	5,470	3,850	3,476	3,632	5,194	4,522
Total Refunds	**$ 5,406**	**$ 5,645**	**$ 7,718**	**$ 6,527**	**$ 7,778**	**$ 5,817**	**$ 6,080**	**$ 5,190**	**$ 6,585**	**$ 6,448**

1 ACERA implemented GASB 44 for year ended December 31, 2006.
2 Postemployment Medical Benefits are paid from the 401(h) account.

Benefit and Refund Deductions from Pension Plan Net Assets by Type Last Ten Fiscal Years[1]

For the Years ended December 31 (Dollars in Thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
TYPE OF BENEFIT										
Age and Service Benefits:										
Retirees	$ 248,890	$229,982	$210,938	$196,469	$180,410	$164,638	$149,934	$ 133,355	$ 118,415	$ 110,793
Survivors	16,032	14,086	13,570	12,760	12,252	11,419	11,042	10,238	9,568	9,225
Death in Service Benefits:										
Survivors	2,539	2,258	2,051	3,384	1,840	1,702	1,528	1,342	1,124	1,107
Disability Benefits:										
Retirees - Duty	23,300	22,047	21,344	20,304	19,963	17,889	16,775	15,285	12,226	10,923
Retirees - Non-duty	3,291	2,997	2,755	2,960	2,826	2,569	2,417	2,364	1,878	1,839
Supplemental disability	63	58	137	79	104	28	27	16	49	11
Survivors	1,711	1,509	1,331	1,317	1,223	1,178	1,036	906	808	629
Total Benefits	**295,826**	**272,937**	**252,126**	**237,273**	**218,618**	**199,423**	**182,759**	**163,506**	**144,068**	**134,527**
Type of Refund										
Death	890	2,097	1,608	1,093	2,219	1,831	2,481	1,411	1,294	1,653
Miscellaneous	39	28	81	74	89	136	123	147	97	273
Separation	4,477	3,520	6,029	5,360	5,470	3,850	3,476	3,632	5,194	4,522
Total Refunds	**$ 5,406**	**$ 5,645**	**$ 7,718**	**$ 6,527**	**$ 7,778**	**$ 5,817**	**$ 6,080**	**$ 5,190**	**$ 6,585**	**$ 6,448**

1 ACERA implemented GASB 44 for year ended December 31, 2006.

Benefit and Refund Deductions from Postemployment Medical Benefits Net Assets by Type - Last Ten Fiscal Years[1,2]

For the Years ended December 31 (Dollars in Thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
TYPE OF BENEFIT										
Age and Service Benefits:										
Retirees	$27,743	$26,039	$23,801	$22,743	$21,030	$19,011	$18,944	$16,968	$14,908	$12,453
Survivors	-	-	-	-	2	2	2	1	1	6
Disability benefits:										
Retirees - Duty	3,371	3,355	3,555	3,473	3,207	2,787	2,595	2,222	1,752	1,323
Retirees - Non-duty	440	407	482	465	429	405	426	398	342	301
Supplemental disability	1	1	1	1	-	-	-	-	-	-
Survivors	-	-	-	-	-	-	-	-	-	-
Total Benefits	**$31,555**	**$29,802**	**$27,839**	**$26,682**	**$24,668**	**$22,205**	**$21,967**	**$19,589**	**$17,003**	**$14,083**

2 ACERA implemented GASB 44 for year ended December 31, 2006.
3 Postemployment Medical Benefits are paid from the 401(h) account.

Benefit and Refund Deductions from Non-OPEB Benefits Net Assets by Type - Last Ten Fiscal Years[1]

For the Years ended December 31 (Dollars in Thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
TYPE OF BENEFIT										
Age and Service Benefits:										
Retirees	$ 2,948	$ 3,258	$ 2,851	$ 2,320	$ 3,570	$ 3,737	$ 3,055	$ 3,448	$ 4,022	$ 4,465
Survivors	1,027	1,097	1,217	2,273	1,896	1,919	1,494	1,573	1,860	1,754
Death in Service Benefits:										
Survivors	102	104	110	646	177	170	143	155	170	180
Disability Benefits:										
Retirees - Duty	165	184	195	204	291	279	221	239	253	270
Retirees - Non-duty	65	69	95	114	195	236	177	187	194	208
Supplemental disability	-	-	-	-	88	81	48	35	48	58
Survivors	63	54	54	-	-	-	-	-	-	-
Total Benefits	**$4,370**	**$4,766**	**$4,522**	**$5,557**	**$6,217**	**$6,422**	**$5,138**	**$5,637**	**$6,547**	**$6,935**

1 ACERA implemented GASB 44 for year ended December 31, 2006.

Employer Contribution Rates (Percent of Payroll) (Actuary's Exhibit X) Last Ten Years

Fiscal Year Beginning July 1 - Effective month of September

	County[2]							ACMC, Superior Court and First 5[3]		Other Participating Employers	
	General Member		Safety Member					General Member		General Member	
Year	Tier 1	Tier 2	Tier 1	Tier 2	Tier 2C[5]	Tier 2D[5]	Aggregate[1]	Tier 1	Tier 2	Tier 1	Tier 3[4]
2002	5.90	3.37	5.96	7.16			4.37	5.90	3.37	16.21	-
2003	12.78	10.53	17.40	18.76			12.16	12.78	10.53	17.37	-
2004	14.63	12.10	21.51	20.91			13.95	14.63	12.10	19.21	-
2005	17.91	14.96	36.81	29.09			18.07	17.91	14.96	22.74	-
2006	16.46	14.30	37.05	29.84			17.26	16.46	14.30	21.53	-
2007	14.36	13.19	35.95	28.98			17.03	14.43	13.26	19.38	-
2008	13.81	11.89	34.90	27.46			15.85	13.92	12.00	18.89	22.11
2009	14.60	13.05	43.51	33.51			18.23	14.74	13.19	19.50	22.65
2010	15.78	14.47	48.72	37.14	36.37	34.36	20.10[6]	15.98	14.67	20.79	24.12
2011	17.61	16.35	53.65	41.32	41.14	40.50	22.42	17.86	16.60	22.74	24.66

1 The aggregate rate is based on payroll as of the prior December 31.

2 County employer rates net of credits for implicit health benefit subsidies. In 2006, a credit was applied for $6.3 million amortized over 26 years. In 2008, an additional credit was applied for $3.1 million amortized over 25 years. In 2009, an additional credit was applied for $4.1 million amortized over 24 years. In 2010, an additional credit was applied for $5.3 million amortized over 23 years. In 2011, $4.4 million credit was applied and amortized over 22 years.

3 Rate combined with the County before December 31, 2006 valuation.

4 Tier 3 rate only applies to LARPD effective from October 1, 2008.

5 Rate for new Sheriff's Department employees (excluding Probation Officers) hired on or after October 17, 2010.

6 Aggregate rate is calculated based on December 31, 2009 valuation projected payroll. It is determined prior to the establishment of Safety Tiers 2C and 2D.

Employee Contribution Rates (Percent of Payroll) – Last Ten Years

Fiscal Year Beginning July 1 - Effective month of September

	County and Other Participating Employers							
	General Member			Safety Member				
Year	Tier 1	Tier 2	Tier 3[7]	Tier 1	Tier 2	Tier 2C[8]	Tier 2D[8]	Aggregate
2002	8.00	7.01	-	10.38	10.12			7.70
2003	8.96	7.88	-	9.84	10.61			8.47
2004	9.05	7.58	-	9.66	10.53			8.27
2005	9.93	7.91	-	15.51	14.32			9.24
2006	9.31	7.52	-	15.32	13.78			8.81
2007	10.09	7.35	-	14.98	13.54			8.71
2008	9.57	7.36	12.53	14.70	13.53			8.64
2009	9.42	7.22	12.44	14.37	14.29			8.66
2010	9.64	7.31	12.59	13.56	14.46	11.23	16.65[9]	8.74
2011	9.79	7.29	12.74	13.33	14.41	11.51	17.41[9]	8.68

7 Tier III rate only applies to LARPD effective from October 1, 2008.

8 New Tiers starting as early as October 17, 2010. Estimated assuming new members would have the same demographic profile as current active members hired during the last three years prior to the December 31, 2009 valuation date, as actual data is not available.

9 Rate includes the 5% cost-sharing contribution.

Retired Members by Type of Benefit and Option Selected (Actuary's Exhibit VIII)

Summary of Monthly Allowances Being Paid for the Month of December 31, 2011[1]

		Monthly Allowance		
	Number	Basic	Cost of Living	Total
GENERAL MEMBERS				
Service Retirement				
Unmodified	4,504	$11,082,189	$2,957,599	$14,039,788
Option 1	242	539,636	93,723	633,359
Option 2	281	567,818	130,920	698,738
Option 3	18	38,016	9,832	47,848
Option 4	13	42,321	2,349	44,670
Total	**5,058**	**12,269,980**	**3,194,423**	**15,464,403**
Disability				
Unmodified	573	1,014,449	272,745	1,287,194
Option 1	23	25,250	7,716	32,966
Option 2	0	-	-	-
Option 3	1	2,220	486	2,706
Option 4	1	3,498	1,474	4,972
Total	**598**	**1,045,417**	**282,421**	**1,327,837**
Beneficiaries	898	823,223	536,353	1,359,576
Total General	**6,554**	**$14,138,619**	**$4,013,197**	**$18,151,816**

		Monthly Allowance		
	Number	Basic	Cost of Living	Total
SAFETY MEMBERS				
Service Retirement				
Unmodified	860	$4,434,526	$934,200	$5,368,726
Option 1	22	107,613	9,130	116,743
Option 2	57	215,079	35,078	250,157
Option 3	2	4,406	2,919	7,325
Option 4	1	5,730	359	6,089
Total	**942**	**4,767,354**	**981,686**	**5,749,040**
Disability				
Unmodified	205	658,510	171,927	830,437
Option 1	6	15,724	3,956	19,680
Option 2	0	-	-	-
Option 3	2	3,235	2,862	6,097
Option 4	0	-	-	-
Total	**213**	**677,469**	**178,746**	**856,215**
Beneficiaries	197	306,596	158,216	464,812
Total Safety	**1,352**	**$5,751,419**	**$1,318,648**	**$7,070,067**
Total General and Safety	**7,906**	**$19,890,038**	**$5,331,845**	**$25,221,884**

1 As permitted by the Actuarial Standard of Practice Statement No. 4 (Measuring Pension Obligation) the actuarial valuation has been prepared based on participant data provided by ACERA as of November 30.

Note: Results may not add due to rounding.

Retired Members by Type of Benefit – Pension Plan

As of December 31, 2011

Amount of Monthly Benefit	Number of Retired Members	Type of Benefit: Duty Disability Retirement	Non-Duty Disability Retirement	DRO Lifetime Annuity	Service Retirement	Survivorship	Continuance	Supplemental Disability	Option Selected: Unmodified - 60% Contingent Joint & Survivor	Option 1 - Single Life	Option 2 - 100% Contingent Joint & Survivor	Option 3 - 50% Contingent Joint & Survivor	Option 4 - 33% Contingent Joint & Survivor
$ 1 to $ 300	314	3	2	14	220	4	71	-	174	104	35	1	-
301 to 600	471	-	7	19	334	15	96	-	283	152	34	2	-
601 to 900	548	-	18	10	391	26	102	1	349	165	32	2	-
901 to 1,200	564	5	29	10	412	16	91	1	381	143	38	2	-
1,201 to 1,500	630	22	42	8	446	16	95	1	438	141	50	1	-
1,501 to 1,800	581	80	29	3	391	9	69	-	374	114	91	2	-
1,801 to 2,100	533	110	11	5	348	8	50	1	327	85	120	1	-
2,101 to 2,400	452	89	10	7	304	4	38	-	286	61	103	1	1
2,401 to 2,700	390	65	7	3	275	3	37	-	247	62	80	1	-
2,701 to 3,000	340	49	6	2	242	5	36	-	224	53	62	1	-
Over $3,000	3,080	217	9	5	2,709	17	123	-	2,483	256	331	9	1
Total	**7,903**	**640**	**170**	**86**	**6,072**	**123**	**808**	**4**	**5,566**	**1,336**	**976**	**23**	**2**

Retired Members by Type of Benefit – Postemployment Medical Benefits

As of December 31, 2011

Amount of Monthly Benefit	Number of Retired Members	Type of Benefit: Duty Disability Retirement	Non-Duty Disability Retirement	DRO Lifetime Annuity	Service Retirement	Survivorship	Continuance	Supplemental Disability	Option Selected: Unmodified - 60% Contingent Joint & Survivor	Option 1 - Single life	Option 2 - 100% Contingent Joint & Survivor	Option 3 - 50% Contingent Joint & Survivor	Option 4 - 33% Contingent Joint & Survivor
$ 1 to $ 300	1,648	76	80	-	1,491	-	-	1	1,306	90	243	8	1
301 to 600	4,531	468	82	-	3,981	-	-	-	3,713	192	612	13	1
601 to 900	621	96	7	-	518	-	-	-	489	12	118	2	-
901 to 1,200	2	-	-	-	2	-	-	-	2	-	-	-	-
1,201 to 1,500	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**6,802**	**640**	**169**		**5,992**	**-**	**-**	**1**	**5,510**	**294**	**973**	**23**	**2**

Retired Members by Type of Benefit – Non-OPEB Benefits

As of December 31, 2011

Amount of Monthly Benefit	Number of Retired Members	Type of Benefit: Duty Disability Retirement	Non-Duty Disability Retirement	DRO Lifetime Annuity	Service Retirement	Survivorship	Continuance	Supplemental Disability	Option Selected: Unmodified - 60% Contingent Joint & Survivor	Option 1 - Single life	Option 2 - 100% Contingent Joint & Survivor	Option 3 - 50% Contingent Joint & Survivor	Option 4 - 33% Contingent Joint & Survivor
$ 1 to $ 300	375	5	11	5	193	10	151	-	193	172	10	-	-
301 to 600	144	4	8	-	67	8	57	-	74	66	4	-	-
601 to 900	73	8	-	-	21	4	40	-	20	45	8	-	-
901 to 1,200	23	3	-	-	7	1	12	-	7	13	3	-	-
1,201 to 1,500	7	1	-	-	5	-	1	-	4	2	1	-	-
1,501 to 1,800	1	-	-	-	1	-	-	-	1	-	-	-	-
1,801 to 2,100	1	-	-	-	1	-	-	-	1	-	-	-	-
2,101 to 3,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**624**	**21**	**19**	**5**	**295**	**23**	**261**	**-**	**300**	**298**	**26**	**-**	**-**

Average Pension Benefit Payments (Actuary's Exhibit V) – Last Ten Fiscal Years[2]

	Years of Service						
Retirement Effective Dates[1]	0–5	5–10	10–15	15–20	20–25	25–30	30+
PERIOD 1/1/02–12/31/02							
Average Monthly Pension Benefit	NA	NA	NA	NA	NA	NA	NA
Average Final Average Salary	$6,059	$5,174	$4,413	$4,903	$5,591	$6,777	$6,276
Number of Retired Members Added	14	32	38	42	52	25	32
PERIOD 1/1/03–12/31/03							
Average Monthly Pension Benefit	NA	NA	NA	NA	NA	NA	NA
Average Final Average Salary	$5,316	$4,794	$4,798	$5,036	$6,093	$7,922	$7,759
Number of Retired Members Added	36	26	47	46	58	51	70
PERIOD 1/1/04–12/31/04							
Average Monthly Pension Benefit	NA	NA	NA	NA	NA	NA	NA
Average Final Average Salary	$6,517	$5,962	$5,069	$5,422	$6,161	$7,026	$7,685
Number of Retired Members Added	31	34	76	75	78	64	89
PERIOD 1/1/05–12/31/05							
Average Monthly Pension Benefit	NA	NA	NA	NA	NA	NA	NA
Average Final Average Salary	$7,155	$5,433	$5,154	$5,289	$6,095	$7,413	$7,991
Number of Retired Members Added	34	33	53	71	89	65	80
PERIOD 1/1/06–12/31/06[3]							
Average Monthly Pension Benefit	$1,095	$1,229	$1,426	$2,230	$3,193	$5,397	$6,750
Average Final Average Salary	$5,702	$6,004	$4,702	$5,847	$6,367	$7,861	$8,400
Number of Retired Members Added	22	23	44	66	66	59	75
PERIOD 1/1/07–12/31/07[3]							
Average Monthly Pension Benefit	$936	$1,535	$1,635	$2,206	$3,287	$5,791	$6,762
Average Final Average Salary	$6,216	$6,963	$5,940	$6,000	$6,619	$8,326	$8,111
Number of Retired Members Added	20	22	52	66	76	53	85
PERIOD 1/1/08–12/31/08[3]							
Average Monthly Pension Benefit	$805	$1,471	$1,825	$2,257	$3,445	$5,772	$7,014
Average Final Average Salary	$7,749	$6,730	$6,270	$5,983	$6,667	$7,863	$8,449
Number of Retired Members Added	21	30	43	38	70	45	76
PERIOD 1/1/09–12/31/09[3]							
Average Monthly Pension Benefit	$956	$1,163	$1,681	$2,295	$3,653	$6,730	$6,913
Average Final Average Salary	$6,507	$5,698	$6,041	$6,700	$6,922	$9,144	$8,080
Number of Retired Members Added	17	19	26	27	70	58	70
PERIOD 1/1/10–12/31/10[3]							
Average Monthly Pension Benefit	$558	$1,417	$1,816	$2,512	$3,397	$5,336	$7,220
Average Final Average Salary	$8,930	$5,863	$6,998	$6,623	$6,831	$7,944	$8,790
Number of Retired Members Added	13	47	57	49	117	65	91
PERIOD 1/1/11–12/31/11[3]							
Average Monthly Pension Benefit	$638	$1,180	$1,735	$2,598	$3,852	$5,704	$6,799
Average Final Average Salary	$7,660	$6,031	$6,461	$6,426	$7,357	$8,320	$8,325
Number of Retired Members Added	21	59	84	63	124	83	90

1 As permitted by the Actuarial Standard of Practice Statement No. 4 (Measuring Pension Obligation), the actuarial valuation has been prepared based on participant data provided by ACERA as of November 30. All data prior to 2006 is based on calendar year ending December 31.

2 ACERA implemented GASB 44 for year ended December 31, 2006. No historical average pension benefit data are available prior to 2006 due to system constraints.

3 Excludes new retirees and beneficiaries with incomplete data: 12/31/06 – 89; 12/31/07 – 120; 12/31/08 – 80; 12/31/09 – 91; 12/31/10 – 50; 12/31/11 – 53.

Average Monthly Other Postemployment Benefits (OPEB)[3] (Actuary's SRBR Exhibit II) – Last Ten Fiscal Years[2]

Retirement Effective Dates[1]	Years of Service						
	0–5	5–10	10–15	15–20	20–25	25–30	30+
PERIOD 1/1/02–12/31/02							
Average OPEB	NA	NA	NA	NA	NA	NA	NA
Number of Retired Members Added	14	32	38	42	52	25	32
PERIOD 1/1/03–12/31/03							
Average OPEB	$37	$37	$165	$237	$299	$313	$326
Number of Retired Members Added	15	13	46	39	59	49	112
PERIOD 1/1/04–12/31/04							
Average OPEB	$37	$37	$169	$285	$354	$373	$372
Number of Retired Members Added	15	23	74	70	85	67	156
PERIOD 1/1/05–12/31/05							
Average OPEB	$36	$36	$168	$298	$375	$374	$394
Number of Retired Members Added	19	26	38	58	81	57	107
PERIOD 1/1/06–12/31/06							
Average OPEB	$36	$36	$166	$296	$396	$385	$394
Number of Retired Members Added	14	21	35	59	71	60	103
PERIOD 1/1/07–12/31/07							
Average OPEB	$37	$37	$138	$312	$425	$449	$461
Number of Retired Members Added	14	20	50	58	77	49	119
PERIOD 1/1/08–12/31/08							
Average OPEB	$37	$37	$148	$257	$363	$402	$434
Number of Retired Members Added	19	28	42	37	72	46	90
PERIOD 1/1/09–12/31/09							
Average OPEB	$43	$43	$211	$296	$497	$489	$508
Number of Retired Members Added	24	21	26	33	76	59	70
PERIOD 1/1/10–12/31/10							
Average OPEB	$43	$43	$242	$313	$496	$534	$523
Number of Retired Members Added	13	45	54	44	116	63	90
PERIOD 1/1/11–12/31/11							
Average OPEB	$46	$46	$184	$301	$535	$561	$535
Number of Retired Members Added	15	55	82	50	119	75	98

1 As permitted by the Actuarial Standard of Practice Statement No. 6 (Measuring Retiree Group Benefit Obligation), the actuarial valuation has been prepared based on participant data provided by ACERA as of November 30. All data prior to 2002 is based on December 31.

2 ACERA implemented GASB 44 for the year ended December 31, 2006. No historical data are available prior to 2003 due to system constraints.

3 These benefits include the Monthly Medical Allowance, Dental, Vision and Medicare Part B. All retired members are qualified for the monthly Vision and Dental Allowances. Retired members with 10 or more service years are qualified for the Monthly Medical Allowance.

Note: The "Average Final Average Salary" is not provided since OPEB benefits are not dependent on salary.
Non-OPEB include supplemental COLA, retired member death benefit, and active death equity benefit. Non-OPEB are not based upon years of service. Only members retired for 20 years or more are eligible for supplemental COLA, thus are not included herein.

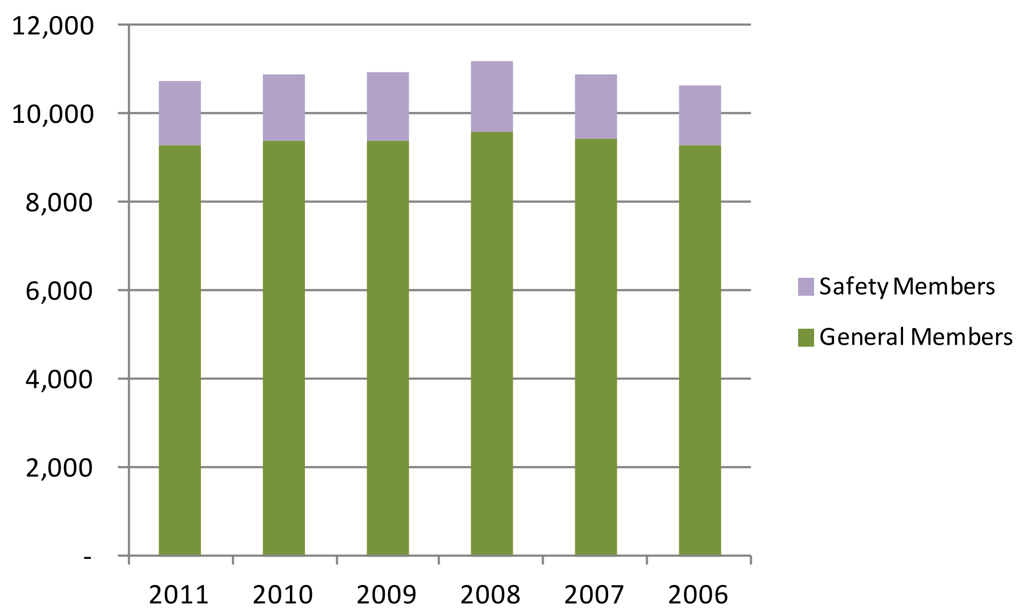
Participating Employers and Active Members (Actuary's Exhibit VI)

As of November 30[1]

	2011	2010	2009	2008	2007	2006
County of Alameda						
General Members	6,361	6,417	6,415	6,446	6,322	6,261
Safety Members	1,441	1,488	1,520	1,574	1,497	1,383
Total	**7,802**	**7,905**	**7,935**	**8,020**	**7,819**	**7,644**
Other Participating Employers (General Members)						
Alameda County Medical Center	2,028	2,030	2,030	2,097	2,044	2,007
Alameda County Office of Education	1	1	1	1	1	2
First 5 Alameda County	62	62	61	63	59	57
Housing Authority of the County of Alameda	65	73	71	72	74	75
Livermore Area Recreation & Park District	61	64	69	72	70	67
The Superior Court of California for the County of Alameda	705	744	760	848	845	810
Total	**2,922**	**2,974**	**2,992**	**3,153**	**3,093**	**3,018**
Total Active Membership						
General Members	9,283	9,391	9,407	9,599	9,415	9,279
Safety Members	1,441	1,488	1,520	1,574	1,497	1,383
Total	**10,724**	**10,879**	**10,927**	**11,173**	**10,912**	**10,662**

1 As permitted by the Actuarial Standard of Practice Statement No. 4 (Measuring Pension Obligation), the actuarial valuation has been prepared based on participant data provided by ACERA as of November 30.

Total Active Membership



Principal Participating Employers for Pension Plan, Postemployment Medical Benefits and Non-OPEB Benefits Current Year and Nine Years Ago

As of December 31

Participating Employers	2011			2002		
	Covered Employees	Rank	Percentage of Total System	Covered Employees	Rank	Percentage of Total System
County of Alameda	7,783	1	72 %	9,049	1	79 %
Alameda County Medical Center	2,075	2	19	2,133	2	19
The Superior Court of California for the County of Alameda[1]	700	3	6	-	-	-
Housing Authority of the County of Alameda	65	4	1	75	4	1
Livermore Area Recreation & Park District	61	5	1	76	3	1
First 5 Alameda County[2]	61	6	1	-	-	-
Alameda County Office of Education	1	7	-	5	5	-
Total	**10,746**		**100 %**	**11,338**		**100 %**

1 The data for the Superior Court was included with County of Alameda before 2005.
2 First 5 Alameda County joined ACERA in 2004.

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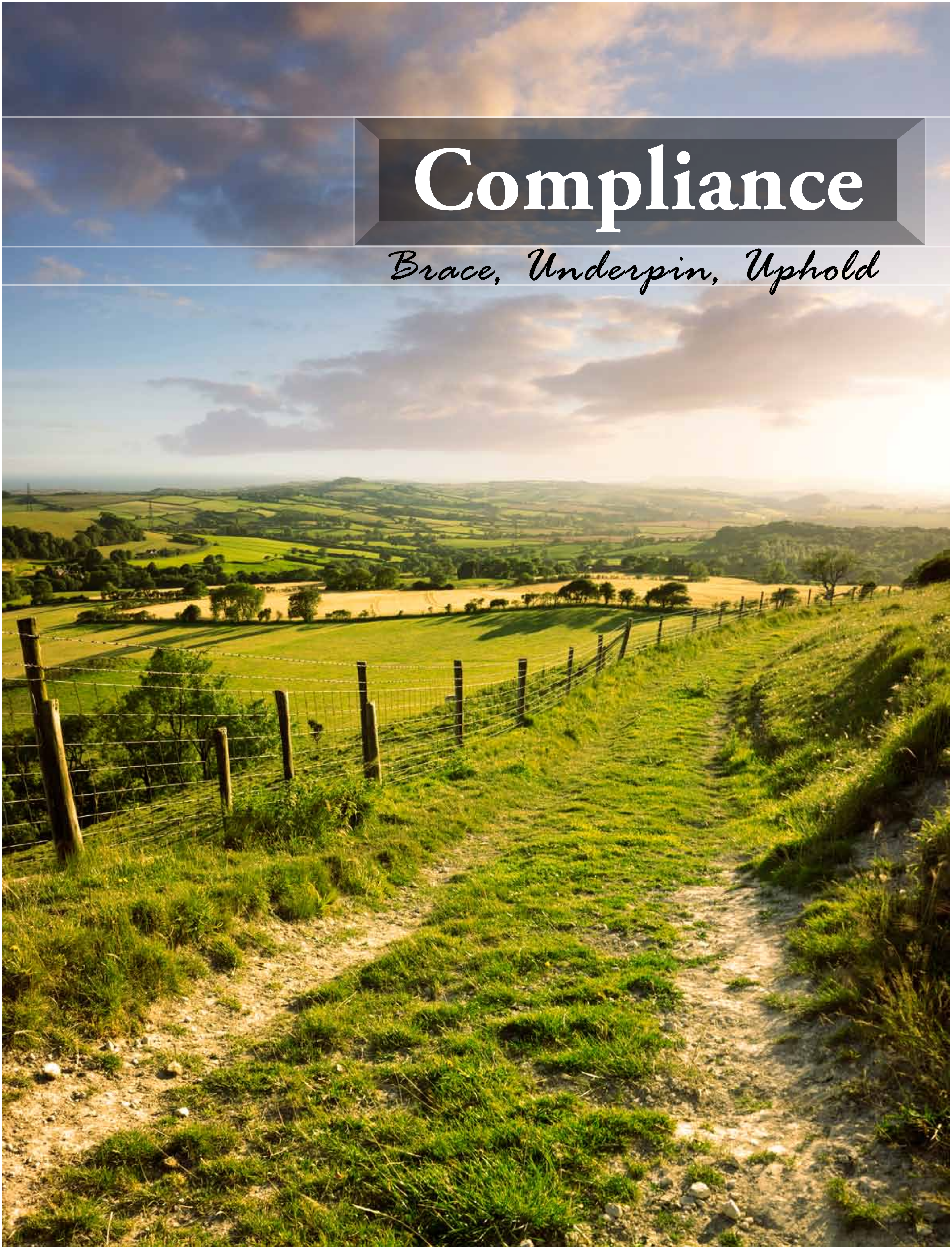
Compliance

Brace, Underpin, Uphold



Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Retirement
Alameda County Employees' Retirement Association
Oakland, California

We have audited the financial statements of the Alameda County Employees' Retirement Association (ACERA), as of and for the year ended December 31, 2011, and have issued our report thereon dated May 29, 2012. Our report on the financial statements was modified to indicate that ACERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 59, *Financial Instruments Omnibus*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of ACERA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered ACERA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ACERA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ACERA's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACERA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Audit Committee, the Board of Retirement, others within the entity, and the Controller of the State of California, and is not intended to be and should not be used by anyone other than these specified parties.

Williams, Adley & Company-CA, LLP

June 7, 2012