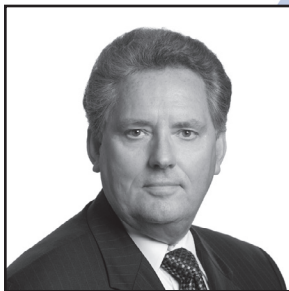


# WHAT'S UP?

NEWS FOR ACERA MEMBERS

## The Chuck Conrad Years



In May, 2010, ACERA said goodbye to its leader of over 13 years, Chief Executive Office Charles F. Conrad, known to ACERA staff, county government, and retirement officials and legislators all over the state of California, as Chuck. Chuck retired, and ACERA staff began to reminisce over the Chuck Conrad years, in an effort to communicate his legacy to ACERA's members, as well as express our appreciation for his years of service to the County and the community.

Chuck was appointed by ACERA's Board of Retirement in August of 1996. ACERA at that time was a small department of Alameda County, with around \$2 billion in assets and just over 5,000 members. There were just over a dozen staff members to handle it all including only two staff members in Finance and just four Retirement Specialists tasked with calculating all the retirement allowances, providing all the benefit estimates, performing all service audits, and communicating with members. All processes were manual, which meant that when members retired, all of the audits and calculations associated with determining their

retirement allowances were done manually. ACERA had to look to the County or outside consultants for its unique legal and investment management needs.

Chuck had worked for the state of California's retirement system, CalPERS, as Assistant Executive Officer as well as Director of Governmental Affairs for 16 years. Chuck then worked as Chief Executive Officer of LA County's retirement system for 6 years. When he came to work for ACERA, he brought many of the ideas with him that he developed during his tenure at both of those organizations.

**(continues)**

(continued from cover page)

Chuck restructured ACERA, creating departments where major work needed to be accomplished, hiring competent managers for Human Resources, Benefits, and Finance as well as a Chief Counsel and Chief Investment Officer. He then took a step back and let them do their jobs. He was a visionary; rather than handing down orders, he would describe his vision, and let you see if you could catch it and make it happen.

Chuck created a strategic communications plan to increase the communications ACERA had with its members and participating employers. ACERA began developing print communications, sending out a quarterly newsletter and developing a member handbook, a disability retirement handbook, and eventually both an employer handbook and a retired member benefits handbook. ACERA launched its first website in 2000, placing all of these communications on the web, as well as more detailed descriptions of the retirement system, information on ACERA's investments and the Board of Retirement, and a place to download ACERA's many forms. ACERA also began offering monthly live seminars to actively working members to help them learn the intricacies of the retirement system so they can plan ahead, knowing what to expect when they retire. He instituted a Call Center so that members could call and speak to experts on the retirement system any time during business hours.

Automation and data security increased at ACERA from numerous technical improvements. In 1999, ACERA implemented a new pension database system, Pension Gold, that keeps track of all of ACERA's member data and assists ACERA's retirement specialists in doing retirement calculations. All of the processes that were formally done manually are now automated, which helps staff fulfill the increasing requests of

ACERA's members whose understanding of the retirement system and their options continues to grow due to the increasing communications. Chuck also stewarded a Business Continuity Plan, which in the case of a natural disaster, allows ACERA to perform its crucial functions of paying retiree monthly benefits from a backup site. ACERA also embarked on a still ongoing project to scan our 3.6 million paper documents into an Electronic Document Management System that will ensure member records are backed up and always available to ACERA staff.

One of Chuck's major accomplishments was the creation of Board of Retirement governance policies, investment policies, operational policies, and a governance structure ensuring ACERA is transparent and legally compliant. One of the major policies Chuck worked with the Board of Retirement to establish was a Supplemental Retiree Benefits Reserve Policy, which set forth the supplemental benefits provided by this reserve fund to retirees, such as the lump sum death benefit, as well as the process by which the County can offer tax-free reimbursements for health care premiums to retirees.

In 13 years, Chuck transformed a small retirement department managing \$2 billion in assets for 5,000 members into a professional organization which now manages over \$5 billion in assets for over 20,000 members, providing benefits through prudent investment management and superior member services.

ACERA staff would like to recognize and commend Charles F. Conrad for his many years of dedicated public service and express deep gratitude and appreciation for his many accomplishments working at ACERA and in the interest of the County, ACERA's participating employers, and for the betterment of the community we share.

## ACERA Board of Retirement 2010 Election Results

Votes for the Alameda County Employees' Retirement Association (ACERA) Board of Retirement election were counted on Thursday, December 16, 2010 at the Alameda County Registrar of Voters (ROV) Office for the following:

Third Member to represent General Members		Seventh Member and Alternate to represent Safety Members		Eighth Member to represent Retired Members	
Eligible Voters	11,036	Eligible Voters	1,635	Eligible Voters	6,479
Ballots Voted	1,657	Ballots Voted	404	Ballots Voted	2,553
Paul Akinjo	412	Dale E. Amaral	304	Bruce D. Fletcher	161
Steve Hunter	264	Angela Rose Gutierrez	10	Liz Koppenhaver	2,376
George Wood	962	Darryl L. Walker, Sr.	87	Write-in	16
Write-in	19	Write-in	3		
George Wood received the highest number of votes and was declared elected by the ROV for the position of the Third Member on the Board of Retirement.		Dale E. Amaral received the highest number of votes and was declared elected by the ROV for the position of the Seventh Member on the Board of Retirement. Darryl L. Walker, Sr. was declared elected by the ROV for the position of the Alternate Seventh Member on the Board of Retirement.		Liz Koppenhaver received the highest number of votes and was declared elected by the ROV for the position of the Eighth Member on the Board of Retirement.	

# message from the CEO

Dear Members,

Public pension plans are not in crisis. Most state and local government employee retirement systems have substantial assets to withstand the current economic climate. It is important to understand that pensions are funded and paid out over decades. Nationally, there is currently \$2.7 trillion already set aside in pension trusts for current and future retirees, and that amount grows every year as the plans' investments earn money. Further, state and local government retirees do not draw down their pensions all at once. Employees must reach certain age and/or years of service before they are eligible for a pension; once retired, they must receive their pension in installments over their retirement years (as an annuity).

Unlike Social Security, state and local government pensions are not paid out of general operating revenues, but instead, a trust that public retirees and their employers contributed to while they were working. Only about 3% of state and local government spending is dedicated to retirement system contributions.<sup>1</sup>

Public employees live in every city and county in the nation; more than 90% retire where they worked. The over \$175 billion in annual benefit distributions from pension trusts are a critical source of economic stimulus to communities throughout the nation, and act as an economic stabilizer in difficult financial times.

Recent studies by the National Institute on Retirement Security have documented public retirement system pension distributions annually generate over \$29 billion in federal tax revenue, more than \$21 billion in annual state and local government tax revenue, and a total economic impact of more than \$358 billion.<sup>2</sup>

Since 1985—a period that has included three economic recessions and four years of negative median public fund investment returns—actual public pension investment returns have exceeded assumptions.<sup>3</sup> For the 25-year period ended 12/31/09, the median public pension investment return was 9.25%.<sup>4</sup> Moreover, for the year ended 6/30/10, this return was 12.8%.<sup>5</sup> These actual returns exceed the 8% average public pension investment assumption, as well as the average assumed rate of return used by the largest corporate pension plans.<sup>6</sup>

Public employees count on their pensions to provide an efficient investment of their deferred wages, and a sound and reliable source of income after retirement.



Catherine E. Walker  
Acting Chief Executive Officer

## investment performance

In the fourth quarter of 2010, the Board reviewed ACERA's fixed income manager structure and decided to increase the global bond exposure by 5% and to decrease the enhanced index core bond exposure by the same percentage. The Board also voted to retain Franklin Templeton Investments as ACERA's new international small cap equity manager.

For the final quarter 2010, every major domestic equity index posted positive returns. The DJIA, S&P500, and NASDAQ returned +8.04%, +10.76%, and +12.0%, respectively. The Barclays Capital Aggregate Bond Index returned -1.3%.

ACERA's total Fund returned 7.3% in the fourth quarter 2010 and ranked in the upper 11th percentile among public funds greater than \$100 million. The Fund exceeded its policy index of 7.2% during this time period. Longer term, the 5-year, 10-year, and 15-year returns ranked in the upper 42nd percentile and upper 13th percentile for the latter two periods, with 4.7%, 5.8% and 8.1% annualized returns, respectively. The market value of the total Fund as of 12/31/10 was \$5,215,227,671.

### Investment Returns for 4th Quarter, 2010\*

	4th Quarter	1 Year	3 Year	5 Year
TOTAL FUND	7.3%	14.6%	0.3%	4.7%
Policy Index**	7.2%	13.7%	1.3%	5.5%

\* Returns for periods greater than one year are annualized. Results of all publicly traded investments are presented in a format consistent with the with CFA Institute's Global Investment Performance Standards.<sup>®</sup>

\*\* The Policy Index is 37% Russell 3000 / 18% Barclays Aggregate / 3.6% Citigroup WCBI - ex US / 2.4% Barclays High Yield / 23% MSCI AC World - ex US / 6% NCREIF Property Index / 10% Russell 3000+150 bps.

### message from the CEO notes

- 1 NASRA Issue Brief: State and Local Government Spending on Public Employee Retirement Systems
- 2 Pensionomics: Measuring the Economic Impact of State and Local Pension Plans, National Institute on Retirement Security
- 3 Investment Return Assumption for Public Funds: The Historical Record, Callan Investments Institute Research
- 4 NASRA Issue Brief: Public Pension Plan Investment Return Assumptions
- 5 The Public Fund Survey
- 6 Milliman 2010 Pension Funding Study

## Remember Play?

When you were a child, you played tag. You swam with friends until someone made you get out of the pool. You raced your sibling from the outfield to the concession stand, and competed in hopscotch and jump rope.

These days, instead of playing, you exercise. And exercise is, well, boring. You have to take a deep breath and make yourself do it. Gyms know this, so they install a bank of TVs in front

Play, however, engages your mind because there are thousands of unique situations for you to tackle during play. Your ace racquetball opponent might serve you a Drive, a Z, a Jam, or a Lob; you have a choice on how to return the ball and then there will be another new variation when your opponent hits it back. You can get good at play, become an ace yourself, and drive fear into the hearts of your opponents. Because it



of the cardio equipment to give your mind something to do while you're on the stair stepper. Boredom may even lead you to quit exercise.

### **So why is exercise so dull and play so fun?**

In exercise, there is little mental engagement because there are usually only a handful of choices: you either finish your 30 minute run on the treadmill, you give up at 20, or you stick it out, but walk the last 10. Over and over again. And you don't really get "good" at exercise; you just get faster or last longer. The lack of mental stimulation makes it not much fun, and easy to skip if something potentially more engaging comes along.

is ever changing, play is fun, and you become increasingly drawn to it.

And there are so many ways to play. Some involve competition with others, like basketball or laser tag. Others involve competition with yourself to get better, like salsa dancing or rock climbing. Still others are non-competitive, but involve learning movements that allow your mind to flower, such as yoga or tai chi. And if you like running on the treadmill, you'll love trail running.

Find a pickup game, find a class, find a team. Play to your heart's content.

# NON-VESTED BENEFITS PRIMER

## Did you know, your ACERA retirement healthcare benefits are not guaranteed?

### ACERA Vested Retirement Benefits

As an ACERA retiree, you are guaranteed the following vested benefits upon eligibility:

- A monthly service retirement allowance for your lifetime
- An annual Cost of Living Adjustment (COLA) to that allowance

### ACERA Non-Vested Retirement Benefits

ACERA also currently offers retirees a variety of non-vested (non-guaranteed) benefits, based on annual approval by the Board of Retirement. These benefits currently are:

#### Healthcare Benefits

- Monthly Medical Allowance (MMA)
- Dental Coverage Subsidy
- Vision Coverage Subsidy
- Medicare Part B Reimbursement Plan
- Implicit Subsidy

#### Death Benefits

- Lump Sum Death Benefit
- Active Death Equity Benefit

#### Financial Benefits

- Supplemental COLA

### How Non-Vested Benefits are Paid For

ACERA maintains a separate reserve account called the Supplemental Retiree Benefits Reserve (SRBR). The Death Benefits and Financial Benefits are paid directly from the SRBR. ACERA's participating employers pay the Healthcare Benefits (excluding the implicit subsidy) so they can be provided to retirees tax free; ACERA then uses an equal amount of money from the SRBR as the employers' mandatory retirement contributions, so that the Healthcare Benefits are not an additional cost for the employers.

Consequently, ACERA's ability to maintain these non-vested benefits relates directly to how much money is in the SRBR.

### How Long Will the SRBR Last?

As of December 31, 2010, the Supplemental Retiree Benefits Reserve (SRBR) was valued at \$624 million. The SRBR grows when ACERA's investments earn excess funds, but because ACERA is currently making up for the losses incurred during the 2008 worldwide financial meltdown, the SRBR hasn't been growing.

ACERA's SRBR Policy states that the Board of Retirement must annually review the SRBR to ensure it will be continually sustainable for at least 15 years into the future. If it is reported that the lifespan of the fund will be less than 15 years, the Board may adjust benefits until the fund again is at 15 years sustainability.

Based on our actuary's preliminary estimates of the value of the SRBR as of December 31, 2010 and the assumption that ACERA's fund will make its 7.9% assumed rate of return exactly, our actuary anticipates that available SRBR assets will be sufficient to fund Postemployment Medical Benefits to 2027 and the Supplemental COLA and death benefits program to 2031.

### IMPLICIT SUBSIDY: ONE OF YOUR NON-VESTED BENEFITS

Healthcare is expensive. Generally, the bigger the insurance group you belong to, the lower the premium. And if you're still actively working, your employer pays for a big part of, if not all of the premiums.

After you retire, ACERA offers you the opportunity to enroll in group health insurance together with your fellow retirees. ACERA's medical plans are included as part of Alameda County's medical plan contracts. This works towards the benefit of Early Retirees who are not yet Medicare eligible because they are included in a pool with the County's active employees. This keeps the premiums down for the Early Retirees, but it increases the premiums for the active employees because retirees are higher utilizers of the medical plans. In order to keep the retirees blended with the actives, ACERA pays the County the difference between what the actives would be charged without the retirees in the mix and the actual premiums charged, also known as the "Implicit Subsidy." The implicit subsidy cost for 2010 was \$4.4 million.

The Implicit Subsidy amount is paid from the Supplemental Retiree Benefit Reserve. Although early retirees do not see this benefit directly, it is definitely beneficial that the Board of Retirement has agreed to pay this on their behalf. For instance, the current Kaiser early retiree premium is \$556.48 per month. If the early retirees were not blended with the actives, their premium would be \$726.12. The difference between Pacificare/United Health Care premiums is even higher. Early retirees would pay \$217.46 more per month.

S	M	T	W	T	F	S
JUNE						
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	JULY	
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
AUGUST						
31	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31	SEPTEMBER		
4	5	6	7	8	9	10
11	12	13	14	15	16	17

# ACERA Calendar

## ■ PRE-RETIREMENT PLANNING SEMINARS

August 4, September 1,  
September 29; 9:00-12:00

## ○ POST SESSIONS

August 4, 12:15-12:45,  
Guardianship & Conservators;  
September 29, 12:15-12:45,  
Wills, Trusts, & Powers of Attorney

## ■ RETIREE EDUCATIONAL SEMINARS

July 14, 9:30-12:00,  
Medicare Transition;  
August 26, 9:30-12:00, Solving the  
Mystery of Credit Reports;  
September 8, 9:30-12:00, Medicare  
Transition

All seminars are held at ACERA,  
475 14th Street, 10th Floor, Oakland. To  
register, contact ACERA at 510-628-3000  
or 800-838-1932 and specify the seminar  
you wish to attend. Space is limited.

## ■ 2010 CHECK AND DIRECT DEPOSIT PAYABLE DATES

Jun 30, Jul 29, Aug 31, Sep 30

## ■ 2010 RETIREMENT BOARD MEETINGS

Jun 16, Jul 21, Aug 18, Sep 15

Third Thursday of each month C.G.  
"Bud" Quist Board Room 10th Floor,  
2:00 p.m.

**WEBSITE: WWW.ACERA.ORG**

**TELEPHONE: 510-628-3000**

**TOLL-FREE: 1-800-838-1932**

PRESORTED STANDARD  
U.S. POSTAGE  
PAID  
Oakland, CA  
PERMIT NO. 2285

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

**ACTING CHIEF EXECUTIVE OFFICER**  
Catherine E. Walker

**ALAMEDA COUNTY EMPLOYEES'  
RETIREMENT ASSOCIATION**  
475 14th Street  
Oakland, California 94612-1900

