



Alameda County Employees' Retirement Association  
BOARD OF RETIREMENT

AUDIT COMMITTEE/BOARD MEETING  
NOTICE and AGENDA

ACERA MISSION:

To provide ACERA members and employers with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services.

Thursday, May 21, 2026  
12:30 p.m.

LOCATION AND TELECONFERENCE	COMMITTEE MEMBERS	
<p>ACERA C.G. "BUD" QUIST BOARD ROOM 475 14<sup>TH</sup> STREET, 10<sup>TH</sup> FLOOR OAKLAND, CALIFORNIA 94612-1900 MAIN LINE: 510.628.3000 FAX: 510.268.9574</p> <p>The public can observe the meeting and offer public comment by using the below Webinar ID and Passcode after clicking on the below link or calling the below call-in number.</p> <p>Link: <a href="https://zoom.us/join">https://zoom.us/join</a> Call-In: 1 (669) 900-6833 US Webinar ID: 879 6337 8479 Passcode: 699406 For help joining a Zoom meeting, see: <a href="https://support.zoom.us/hc/en-us/articles/201362193">https://support.zoom.us/hc/en-us/articles/201362193</a></p>	STEVEN WILKINSON, CHAIR	APPOINTED
	HENRY LEVY, VICE-CHAIR	TREASURER
	KEITH CARSON	APPOINTED
	ROSS CLIPPINGER	ELECTED SAFETY
	ELIZABETH ROGERS	ELECTED RETIRED

The Alternate Retired Member votes in the absence of the Elected Retired Member, or, if the Elected Retired Member is present, then votes if both Elected General Members, or the Safety Member and an Elected General Member, are absent.

This is a meeting of the Audit Committee if a quorum of the Audit Committee attends, and it is a meeting of the Board if a quorum of the Board attends. This is a joint meeting of the Audit Committee and the Board if a quorum of each attends.

Note regarding accommodations: If you require a reasonable modification or accommodation for a disability, please contact ACERA between 9:00 a.m. and 5:00 p.m. at least 72 hours before the meeting at accommodation@acera.org or at 510-628-3000.

Public comments are limited to four (4) minutes per person in total. The order of items on the agenda is subject to change without notice. Board and Committee agendas and minutes and all documents distributed to the Board or a Committee in connection with a public meeting (unless exempt from disclosure) are posted online at www.acera.org and also may be inspected at 475 14<sup>th</sup> Street, 10<sup>th</sup> Floor, Oakland, CA 94612-1900.

# **AUDIT COMMITTEE/BOARD MEETING**

NOTICE and AGENDA, Page 2 of 3 - Thursday, May 21, 2026

**Call to Order** 12:30 p.m.

## **Roll Call**

## **Public Input (Time Limit: 4 minutes per speaker)**

## **Action Items: Matters for Discussion and Possible Motion by the Committee**

### *External Audit:*

**1. Discussion and possible motion to recommend approval of the December 31, 2025 Audited Financial Statements and Independent Auditor's Report**

- Lisa Johnson  
- Robert Griffin, Partner  
- Kenneth Yu, Sr. Manager  
Williams, Adley & Company-CA, LLP

### *Recommendation:*

*Staff recommends the Audit Committee recommend that the Board of Retirement approve the December 31, 2025 Audited Financial Statements and Independent Auditor's Report.*

**2. Discussion and possible motion to recommend adoption of the Government Accounting Standards Board (GASB) Statement No. 67 Actuarial Valuation and addendum as of December 31, 2025**

- Lisa Johnson  
- Dan Siblik, Segal  
- Eva Yum, Segal

### *Recommendation:*

*Staff recommends the Audit Committee recommend that the Board of Retirement adopt the Government Accounting Standards Board (GASB) Statement No. 67 Actuarial Valuation and addendum as of December 31, 2025.*

**3. Discussion and possible motion to recommend adoption of the Government Accounting Standards Board (GASB) Statement No. 74 Actuarial Valuation and addendum as of December 31, 2025**

- Lisa Johnson  
- Dan Siblik, Segal  
- Eva Yum, Segal

### *Recommendation:*

*Staff recommends the Audit Committee recommend that the Board of Retirement adopt the Government Accounting Standards Board (GASB) Statement No. 74 Actuarial Valuation and addendum as of December 31, 2025.*

# ***AUDIT COMMITTEE/BOARD MEETING***

NOTICE and AGENDA, Page 3 of 3 - Thursday, May 21, 2026

**Information Items: These items are not presented for Committee action but consist of status updates and cyclical reports.**

## *Internal Audit*

1. ACE Award Recognition - Harsh Jadhav
2. Progress Report on the Internal Audit Plan - Harsh Jadhav
3. Presentation of the Benefit Audit – Divorced Members - Caxton Fung
4. Cybersecurity Update - Vijay Jagar

## **Trustee Remarks**

## **Future Discussion Items**

## **Establishment of Next Meeting Date**

June 18, 2026



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MEMORANDUM TO THE AUDIT COMMITTEE

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DATE: May 21, 2026

TO: Members of the Audit Committee

FROM: Lisa Johnson, Assistant Chief Executive Officer 

SUBJECT: December 31, 2025, Audited Financial Statements and Independent Auditor's Report

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**Executive Summary**

Williams, Adley & Co., has completed its independent audit of ACERA's 2025 financial statements. The December 31, 2025, end-of-year financial audit encompassed ACERA's basic financial statements, that is:

- Statement of Fiduciary Net Position;
- Statement of Changes in Fiduciary Net Position;
- Notes to the Basic Financial Statements and Supplementary Information; and,
- Supplemental Schedules.

The auditor's responsibility is to express an opinion of ACERA's financial statements in accordance with the *Government Auditing Standards*. To that end, Williams Adley & Co. is here to present its findings for reasonable assurance about whether ACERA's financial statements are free from material misstatement.

**Recommendation**

Staff recommends that the Audit Committee recommend to the Board of Retirement that the Board accept and file the December 31, 2025, audited financial statements and independent auditor's report.

Attachment: Audited Financial Statements and Independent Auditor's Report

# Annual Comprehensive Financial Report

*Financial Statements for the Year Ended:*

**DECEMBER 31, 2025**

*Draft Version,*

**May 21, 2026**



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475 14TH STREET, SUITE 1000, OAKLAND, CA 94612

A Component Unit of the County of Alameda  
(State of California)

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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the Alameda County Employees' Retirement Association (ACERA), as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise ACERA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of ACERA as of December 31, 2025, and the change in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ACERA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of Matters*

##### *Net Pension Liability of Employers*

As described in note 5, based on the most recent actuarial valuation as of December 31, 2025, ACERA's independent actuaries determined that, at December 31, 2025, the total pension liability exceeded the pension plan's fiduciary net position by \$5 billion.

##### *Net OPEB Liability of Employers*

As described in note 7, based on the most recent actuarial valuation as of December 31, 2025, ACERA's independent actuaries determined that, at December 31, 2025, the OPEB plan's fiduciary net position exceeded the total OPEB asset by \$22.6 million.

##### *Investment Valuation*

As described in Note 8, the financial statements include investments valued at \$3,707,687,000 (which represents 26.4 percent of total fiduciary net position) at December 31, 2025, whose fair values have been estimated by management in the absence of readily determinable market values. Given that publicly listed prices are not available, management uses alternative sources of information, including audited financial statements, unaudited capital statements, independent appraisals, and other similar sources of information, to determine the fair value of investments.

Our opinion is not modified with respect to these matters.

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#### WILLIAMS, ADLEY & COMPANY-CA, LLP

*Certified Public Accountants / Management Consultants*

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<https://waclp.com>

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ACERA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ACERA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Report on Summarized Comparative Information***

We have previously audited ACERA's 2024 financial statements, and our report dated June 26, 2025, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net pension liability and related ratios, schedule of employer contributions for the pension plan and non-OPEB, schedule of investment returns, schedule of changes in the net OPEB liability and related ratios, and the schedule of employer contributions for OPEB, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise ACERA's basic financial statements. The schedules of administration expense, investment expenses, and payments to other consultants are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June \_\_, 2026, 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 solely 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 the effectiveness of ACERA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ACERA's internal control over financial reporting and compliance.

Oakland, California

June \_\_, 2026

# Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) presents the financial activities of the Alameda County Employees' Retirement Association (ACERA) for the year ended December 31, 2025. It provides an overview of the financial position and the combined results of operations for the pension plan and non-OPEB and Other Postemployment Benefits (OPEB). The narrative, in conjunction with the financial statements starting on [page 14](#), presents ACERA's overall financial position, and the results of its operations. ACERA's funding is a combination of participating employer and member contributions and earnings on invested assets. The Chief Executive Officer's Letter of Transmittal starting on [page 2](#) of this Annual Comprehensive Financial Report (ACFR) should be read along with the MD&A narrative.

(Note: Amounts in this section are rounded and may not agree to other sections of this ACFR.)

## Overview of the Financial Statements

This discussion and analysis serve as an introduction to ACERA's Basic Financial Statements, which comprise the following five components.

- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position
- Notes to the Basic Financial Statements
- Required Supplementary Information (RSI) and Notes to RSI
- Supplemental Schedules

The basic financial statements report the components of the fiduciary net position restricted for benefits, the components of the changes in the fiduciary net position (additions and deductions), along with explanatory notes to the basic financial statements.

ACERA's basic financial statements have two reporting columns. The first column reports the pension plan and

non-OPEB, and the second column reports the postemployment medical benefits. ACERA's pension benefits and the non-OPEB are valued together for the purpose of determining and reporting the NPL. In addition to the basic financial statements, this report contains required supplementary information and supplemental schedules intended to assess the historical context of ACERA's progress in meeting benefit obligation through funding of contributions and investment income.

*The Statement of Fiduciary Net Position* on [page 14](#) provides a snapshot of account balances at year's end. It includes the assets available for future benefit payments as well as liabilities outstanding at year's end.

ACERA did not have any transactions that met the criteria for deferred outflows of resources or deferred inflows of resources as defined in GASB Statement No. 63 and GASB Statement No. 65. As a result, those line items are not displayed on the Statement of Fiduciary Net Position.

The *Statement of Changes in Fiduciary Net Position* starting on [page 15](#) provides a view of the additions to and deductions from the fiduciary net position that occurred over the course of the 2025 financial year.

The *Basic 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. Additions and deductions are included 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 and in accordance with GASB Statement No. 31. 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* starting on [page 17](#) provide additional information essential for a complete understanding of the basic financial statements.

*Required Supplementary Information and Notes to Required Supplementary Information* starting on [page 15](#) illustrate the GASB Statement No. 67 financial reporting requirements in the Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, Schedule of Investment Returns, and Notes to Required Supplementary Information for the Pension Plan and Non-OPEB.

Also reported are the requirements of GASB Statement No. 74 in the Schedules of Changes in Net OPEB Liability and Related Ratios and Schedule of Employer Contributions, along with the Notes to the Required Supplementary Information for Postemployment Medical Benefits.

*Supplemental Schedules* of administrative expenses, investment expenses and payments to other consultants are presented on [page 62](#). These schedules provide details of the expense categories reported at an aggregate level on the basic financial statements.

## Financial Summary

Tables 1 and 2, starting below, present condensed information about ACERA's financial position and results of operations for the current year in comparison to the preceding year, and form the basis for this financial discussion.

**Table 1: Fiduciary Net Position (Condensed)**

As of December 31, 2025 and 2024 (Dollars in Millions)

	2025	2024	Increase (Decrease) Amount	Percent Change
<b>ASSETS</b>				
Current Assets	\$ 355.6	\$ 209.1	\$ 146.5	70%
Investments at Fair Value	14,015.7	12,010.9	2,004.8	17%
Capital Assets, net	11.7	12.4	(0.7)	-6%
<b>Total Assets</b>	<b>14,383.0</b>	<b>12,232.4</b>	<b>2,150.6</b>	<b>18%</b>
<b>LIABILITIES</b>				
Current Liabilities	330.4	197.9	132.5	67%
Long-term Lease and Subscription Liabilities	0.1	0.1	-	0%
<b>Total Liabilities</b>	<b>330.5</b>	<b>198.0</b>	<b>132.5</b>	<b>67%</b>
<b>NET POSITION</b>				
Restricted for Benefits	\$14,052.5	\$12,034.4	\$ 2,018.1	17%

**Table 2: Changes In Fiduciary Net Position (Condensed)**

For the Years Ended December 31, 2025 and 2024 (Dollars in Millions)

	2025	2024	Increase (Decrease) Amount	Percent Change
<b>ADDITIONS</b>				
Member Contributions	\$ 144.5	\$ 134.5	\$ 10.0	7%
Employer Contributions	717.4	311.1	406.3	131%
Net Investment Income (Loss)	1,902.6	1,025.2	877.4	86%
Miscellaneous Income	0.8	0.4	0.4	100%
Transfer to Employers' Advance Reserve from SRBR for Employer Contributions to 401(h) Account	54.0	51.9	2.1	4%
Transfer to Employers' Advance Reserve from SRBR for Implicit Subsidy	2.4	4.0	(1.6)	-40%
Transfer from Employers' Advance Reserve to SRBR for OPEB Related Administrative Expenses	2.2	2.0	0.2	10%
<b>Total Additions</b>	<b>2,823.9</b>	<b>1,529.1</b>	<b>1,294.8</b>	<b>85%</b>
<b>DEDUCTIONS</b>				
Retirement Benefit Payments	663.9	634.0	29.9	5%
Postemployment Medical Benefits	52.8	50.2	2.6	5%
Member Refunds	8.6	10.1	(1.5)	-15%
Administration	21.9	20.4	1.5	7%
Transfer from SRBR to Employers' Advance Reserve for Employer Contributions to 401(h) Account	54.0	51.9	2.1	4%
Transfer from SRBR to Employers' Advance Reserve for Implicit Subsidy	2.4	4.0	(1.6)	-40%
Transfer to SRBR from Employers' Advance Reserve for OPEB Related Administrative Expenses	2.2	2.0	0.2	10%
<b>Total Deductions</b>	<b>805.8</b>	<b>772.6</b>	<b>33.2</b>	<b>4%</b>
<b>CHANGE IN NET POSITION</b>	<b>2,018.1</b>	<b>756.5</b>	<b>1,261.6</b>	<b>167%</b>
<b>NET POSITION RESTRICTED FOR BENEFITS</b>				
<b>BEGINNING OF YEAR</b>	<b>12,034.4</b>	<b>11,278.8</b>	<b>755.6</b>	<b>7%</b>
<b>CUMULATIVE EFFECT OF ACCOUNTING CHANGE</b>	<b>-</b>	<b>(0.9)</b>	<b>0.9</b>	<b>100%</b>
<b>BEGINNING NET POSITION AS RESTATED</b>	<b>12,034.4</b>	<b>11,277.9</b>	<b>756.5</b>	<b>7%</b>
<b>END OF YEAR</b>	<b>\$ 14,052.5</b>	<b>\$ 12,034.4</b>	<b>\$ 2,018.1</b>	<b>17%</b>

## Analysis of Financial Position and Results of Operations

### *Fiduciary Net Position*

Fiduciary net position is restricted for benefits, equals assets net of liabilities. Table 1, on [page 7](#), displays the condensed information of the fiduciary net position, which as of December 31, 2025, totaled approximately \$14.1 billion. This is \$2.0 billion or a 17% increase from the prior year, primarily a result of an increase in the fair value of ACERA's invested assets and additional voluntary advance UAAL contributions of \$400 million received from the County of Alameda. The Investment Section, starting on [page 73](#), provides further details about ACERA's investment performance.

### *Current Assets*

The components of current assets are detailed on the Statement of Fiduciary Net Position on [page 14](#). Total current assets increased by \$146.5 million from \$209.1 million in 2024 to \$355.6 million in 2025. This 70% increase was primarily due to increases in securities lending cash collateral of \$135.1 million, investment receivables of \$7.2 million and cash of \$3.9 million.

### *Investments at Fair Value*

ACERA's investments at fair value increased 17% from \$12.0 billion in 2024 to \$14.0 billion in 2025. The \$2.0 billion increase was partially due to the additional \$400 million in advance UAAL contribution received from the County and is net of ACERA's \$294.0 million cash draw in 2025 on the portfolio to pay retirement benefits and administrative costs.

### *Capital Assets, Net*

Capital assets include equipment, furniture, information systems, leasehold improvements, right-to-use leased assets and subscription-based software. The value of capital assets decreased from \$12.4 million in 2024 to \$11.7 million in 2025. The net decrease of \$0.7 million or 6% was mainly due to the decrease in capital expenditure for the pension administration system upgrade.

### *Total Assets*

In all, total assets experienced a net increase of \$2.2 billion, from \$12.2 billion in 2024 to \$14.4 billion in 2025. The increase in total investments at fair value accounted for almost all the increase in total assets.

### *Liabilities*

The components of ACERA's current liabilities are detailed in the Statement of Fiduciary Net Position on [page 14](#). Current liabilities increased by \$132.5 million or 67% from \$197.9 million in 2024 to \$330.4 million in 2025. The net increase is mainly attributed to the \$135.1 million increase in securities lending liability partially offset by the decreases in foreign exchange contracts of \$2.9 million. As of December 31, 2025, the long-term lease and subscription-based liabilities totaled \$0.1 million, with a slight decrease from prior year due to all subscription-based software contracts had remaining contract terms of 12 month or under at year end.

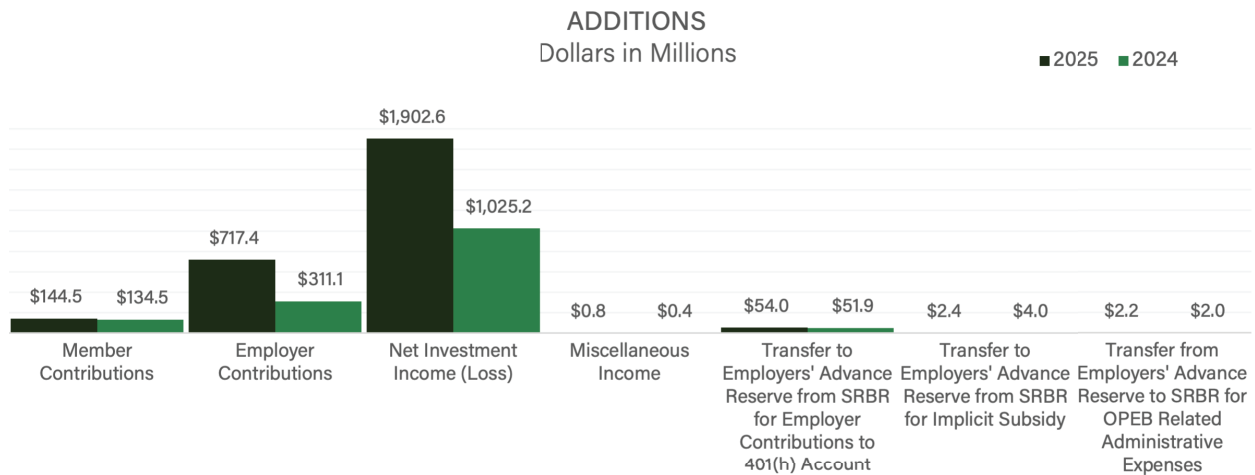
### *Changes in Fiduciary Net Position*

The change in fiduciary net position equals total additions, less total deductions. Table 2, on [page 8](#), displays condensed information about ACERA's 2025 financial activity.

### *Additions to Fiduciary Net Position*

The primary funding sources for ACERA's member benefits are member contributions, employer contributions, and net investment income. Additions to and deductions from the fiduciary net position include transfers to and from the employers' advance reserve and the supplemental retiree benefits reserve.

Total additions to ACERA's fiduciary net position for the years ended December 31, 2025, and 2024, were \$2.8 billion and \$1.5 billion, respectively. The increase in total investments income accounted for most of the increase in net position.



**Member Contributions**

Total member contributions for 2025 were \$144.5 million, up \$10.0 million or 7% over 2024 total member contributions of \$134.5 million. The increase is mainly due to a slight increase in active member payroll or pensionable wages.

The actuarial valuation report as of December 31, 2024, recommended a slight decrease in the member contribution rate. The Board of Retirement approved the decrease to be in effect by September 2025. The aggregate member contribution rate decreased from 9.87% to 9.84% of payroll. The rate decrease was mainly due to changes in active member demographics.

**Employer Contributions**

Total employer contributions collected for 2025 were \$717.4 million, an increase of 131% or \$406.3 million over the \$311.1 million in total contributions collected in 2024. The \$406.3 million increase was mainly due to the \$400 million additional contribution made by the County to pay down a portion of the UAAL for the general membership group. The remaining increase of \$6.3 billion was due to a slight increase in the average employer contribution rate and pensionable wages.

The aggregate employer contribution rate increased from

23.51% to 23.67% of payroll. This change was primarily due to greater than expected salary increases and slightly less than expected investment returns.

**Net Investment Income (Loss)**

Net investment income (loss) for 2025 was \$1.9 billion. The \$0.9 billion increase in net investment income over 2024 was primarily due to appreciation in the fair value of invested assets. The 2025 net appreciation of investments was \$1.8 billion compared to a 2024 net appreciation of \$0.8 billion.

**Miscellaneous Income**

Miscellaneous income for 2025 totaled \$0.8 million, up by \$0.4 million from 2024. This increase is mainly due to increase in class action securities litigation settlements.

**Transfers between Employers’ Advance Reserve and SRBR**

Postemployment medical benefits are paid from employers’ 401(h) accounts. Participating employers identify a portion of their contributions as 401(h) contributions. Employers funded \$54.0 million and \$51.9 million to their 401(h) accounts for 2025 and 2024, respectively. See 401(h) Postemployment Medical Benefits Account on [page 27](#).

In July 2011, ACERA applied the provisions of the 1937 Act (Section 31596.1) and allocated a portion of the 401(h) contributions towards administrative costs. As a result, \$2.2 million and \$2.0 million was transferred from the employers' advance reserve to SRBR for 2025 and 2024, respectively.

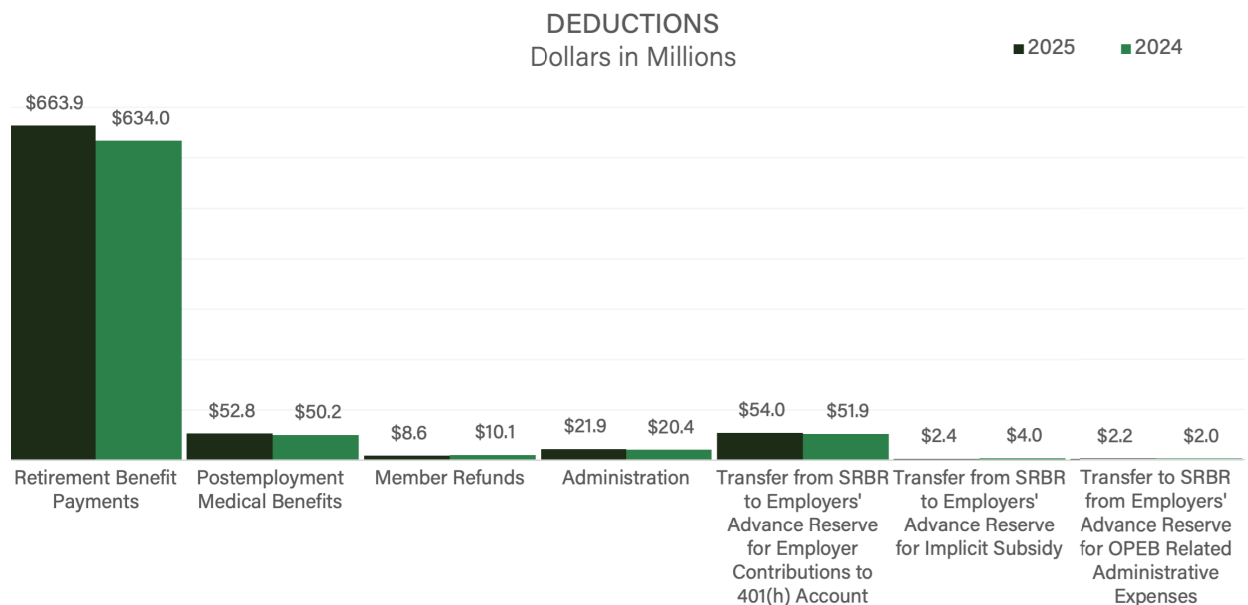
There was a \$2.4 million transfer from the SRBR to the employers' advance reserve in 2025 to compensate Alameda County for the 2024 blended rate health care implicit subsidy. The implicit subsidy transfer decreased by \$1.6 million or 40% from the \$4.0 million implicit subsidy transfer in 2024. This decrease was primarily due to lower differences between the County's blended and unblended medical insurance rates for 2024 versus 2023.

### Deductions from Fiduciary Net Position

Total deductions are composed of four main categories, i.e., retirement benefits (including service retirement and disability payments, death benefits, non-OPEB burial benefits and supplemental COLA), postemployment medical benefits, member refunds, and administration expenses of the retirement system.

Total deductions from the fiduciary net position for 2025 were \$805.8 million. This is \$33.2 million or a 4% increase over the \$772.6 million in total deductions for 2024.

The increase in total deductions was mainly due to 5% increases in service retirement and disability benefit payments and postemployment medical benefits over 2024.



### Retirement Benefit Payments

Retirement benefit payments in 2025 totaled \$663.9 million, a \$29.9 million or 5% increase over \$634.0 million in 2024. The increase in benefit payments is primarily due 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 in 2025 were \$52.8 million, an increase of \$2.6 million over the \$50.2 million paid from the 401(h) account in 2024. This increase was due to increases in medical premiums. ACERA's maximum monthly medical benefit for 2025 was \$662.37 per member. For retirees 65 years and older, enrolled in the Medicare Exchange individual plans, ACERA utilized Health Reimbursement Accounts (HRAs). Retirees 65 years

and older, who were on the Medicare Exchange, received a maximum of \$507.43 Monthly Medical Allowance (MMA).

### **Member Refunds**

Member refunds originate from either a member separation from service (termination) or an active member death. Member refunds decreased by \$1.5 million or 15% from \$10.1 million in 2024 to \$8.6 million in 2025. The decrease was primarily due to decreases in termination refunds.

### **Administration Expense**

Total administration expenses for 2025 increased to \$21.9 million, from \$20.4 million in 2024. Administration expenses cover the basic cost of operating the retirement system. Some expenses are subject to the statutory limit, as defined in the following paragraph, and others are excluded from the statutory limit.

In accordance with legal spending restrictions outlined in the County Employee Retirement Law of 1937 (1937 Act), ACERA's Board of Retirement adopts an operating expense and administrative budget, effective for the following year. The annual amount of administrative budget is subject to legal and budgetary restrictions.

Note 11 to the Basic Financial Statements, [page 52](#), further describes the legal limitations. Consequently, the administrative budget for 2025 was kept in compliance with the "1937 Act" legal spending restrictions of 0.21% of the actuarial accrued liability of the retirement system.

Administrative expenses subject to the statutory limit increased by 5% or \$0.9 million, from \$16.4 million in 2024 to \$17.3 million in 2025. The major categories of operating expenses subject to the statutory limit include personnel services, professional services, communications, and utilities, and other (i.e., depreciation, board of retirement operating expenses, insurance, miscellaneous, training, maintenance-equipment, and supplies).

Administrative expenses excluded from the statutory limit increased from \$4.0 million in 2024 to \$4.6 million in 2025. The categories of operating expenses not subject to the statutory limit include legal, technology, actuarial, investment and business continuity expenses.

### **Actuarial Information**

As of December 31, 2025, the Net Pension Liability (NPL) was \$474.9 million, compared to \$1,464.4 million as of December 31, 2024. The \$989.5 million decrease was primarily as a result of \$400 million in additional voluntary County General contributions to reduce their UAAL and associated contribution rates and favorable investment return during calendar year 2025.

As of December 31, 2025, the Net OPEB Liability (Asset) NOL/(NOA) was \$(22.6) million, compared to \$229.0 million as of December 31, 2024. The \$251.6 million decrease from a liability to a surplus was primarily due to the result of favorable investments and demographic experience gains during calendar year 2025. The investment result allocations to the Supplemental Retiree Benefits Reserve (SRBR), are credited by semi-annual transfers to the reserve as defined by Article 5.5 of the County Employees' Retirement Law of 1937 (1937 Act).

As of December 31, 2024, the date of the pension plan actuarial funding and the SRBR sufficiency actuarial valuations used for the 2025 ACFR, the actuarial investment rate of return assumption used was 7.00%. The inflation rate assumption was 2.50% with assumed payroll growth increase of 3.00%.

As of December 31, 2024, ACERA had \$82.6 million in net deferred investment loss based on the actuarial value of assets. These deferred losses represent 0.7% of the fair value of assets, as of December 31, 2024, actuarial valuation date. Unless offset by future investment gains or other favorable experience, the recognition of the \$82.6 million deferred market losses is expected to have an unfavorable impact on the Association's future funded percentage and contribution rate requirements.

### **Capital Asset Activity**

ACERA has a capital asset project in development to replace its accounting system. The project started in fourth quarter of 2025 and is scheduled to be completed in the third quarter of 2026. As of December 31, 2025, the development-in-progress balance of this project was \$60 thousand.

In the third quarter of 2025, a right-to-use asset of leased office equipment with a value of \$7 thousand was retired at the end of the lease term. It was replaced with new lease with a 5-year term and value of \$20 thousand.

## Currently Known Facts, Decisions, or Conditions

**New Participating Employer:** Alameda Local Agency Formation Commission (LAFCO), separated from the County of Alameda and transitioned to a full administrative and fiscal independence and became an independent public employer effective January 1, 2026. The Alameda LAFCO has voted to continue its employees' membership with ACERA and will join ACERA as a new participating employer in 2026.

## Requests for Information

This report is designed to provide the Board of Retirement, the membership, participating employers, taxpayers, investment managers, vendors, and other

stakeholders or 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  
Fiscal Services Department  
475 14th Street, Suite 1000  
Oakland, California 94612-1900

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

Respectfully submitted,

Lisa Johnson,  
Assistant Chief Executive Officer  
May 13, 2026

## Basic Financial Statements

### Statement of Fiduciary Net Position

As of December 31, 2025, with Comparative Totals as of December 31, 2024 (Dollars in Thousands)

	Pension Plan & Non-OPEB	Postemployment Medical Benefits	Total 2025	Total 2024
<b>ASSETS</b>				
Cash	\$ 5,839	\$ -	\$ 5,839	\$ 1,898
Securities Lending Cash Collateral	284,406	-	284,406	149,260
<b>Receivables</b>				
Contributions	30,475	-	30,475	30,653
Investment Receivables	32,382	-	32,382	25,203
Unsettled Trades - Investments Sold	1,062	-	1,062	1,221
Futures Contracts	314	-	314	59
Foreign Exchange Contracts	5	-	5	20
Other Receivables	376	-	376	230
<b>Total Receivables</b>	<b>64,614</b>	<b>-</b>	<b>64,614</b>	<b>57,386</b>
Prepaid Expenses	721	-	721	571
<b>Total Current Assets</b>	<b>355,580</b>	<b>-</b>	<b>355,580</b>	<b>209,115</b>
<b>Investments at Fair Value</b>				
Short-Term Investments	776,516	-	776,516	255,540
Domestic Equity	768,805	-	768,805	737,932
Domestic Equity Commingled Funds	3,132,357	-	3,132,357	2,669,271
International Equity	1,034,844	-	1,034,844	794,383
International Equity Commingled Funds	1,977,856	-	1,977,856	1,907,232
Domestic Fixed Income	1,823,072	-	1,823,072	1,473,966
International Fixed Income	219,846	-	219,846	147,748
International Fixed Income Commingled Funds	42,890	-	42,890	26,866
Real Estate - Separate Properties	25,052	-	25,052	34,056
Real Estate - Commingled Funds	790,123	-	790,123	780,273
Real Assets	884,056	-	884,056	732,743
Absolute Return	968,672	-	968,672	1,000,261
Private Equity	1,008,180	-	1,008,180	1,145,602
Private Credit	563,449	-	563,449	305,035
<b>Total Investments</b>	<b>14,015,718</b>	<b>-</b>	<b>14,015,718</b>	<b>12,010,908</b>
Due to Non-OPEB Assets	127,420	-	127,420	117,558
Due (from) Pension Plan & to OPEB Assets	(1,285,001)	1,157,581	(127,420)	(117,558)
Capital Assets at Cost (Net of Accumulated Depreciation and Amortization)	11,701	-	11,701	12,339
<b>Total Assets</b>	<b>13,225,418</b>	<b>1,157,581</b>	<b>14,382,999</b>	<b>12,232,362</b>
<b>LIABILITIES</b>				
Securities Lending Liability	284,406	-	284,406	149,260
Unsettled Trades - Investments Purchased	17,906	-	17,906	18,268
Futures Contracts	2,399	-	2,399	1,310
Foreign Exchange Contracts	2,109	-	2,109	5,035
Investment-Related Payables	12,178	-	12,178	13,557
Accrued Administration Expenses	4,011	-	4,011	3,823
Members Benefits & Refunds Payable	6,945	-	6,945	6,117
Retirement Payroll Deductions Payable	404	-	404	391
Current Lease Liability	76	-	76	107
Long-term Lease and Subscription Liability	87	-	87	139
<b>Total Liabilities</b>	<b>330,521</b>	<b>-</b>	<b>330,521</b>	<b>198,007</b>
<b>NET POSITION - Restricted for Benefits</b>	<b>\$ 12,894,897</b>	<b>\$ 1,157,581</b>	<b>\$ 14,052,478</b>	<b>\$ 12,034,355</b>

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

## Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2025, with Comparative Totals for the Year Ended December 31, 2024 (Dollars in Thousands)

	Pension Plan & Non-OPEB	Postemployment Medical Benefits	Total 2025	Total 2024
<b>ADDITIONS</b>				
<b>Contributions</b>				
Member	\$ 144,467	\$ -	\$ 144,467	\$ 134,490
Employer	663,400	53,985	717,385	311,106
<b>Total Contributions</b>	<b>807,867</b>	<b>53,985</b>	<b>861,852</b>	<b>445,596</b>
<b>Investment Income</b>				
<b>From Investment Activities:</b>				
Net Appreciation (Depreciation) in Fair Value of Investments	1,775,418	-	1,775,418	822,032
Dividends, Interest, & Other Investment Income	269,193	-	269,193	274,742
<b>Total Income (Loss) from Investment Activities</b>	<b>2,044,611</b>	<b>-</b>	<b>2,044,611</b>	<b>1,096,774</b>
Total Investment Expenses	(142,632)	-	(142,632)	(72,254)
<b>Net Income (Loss) from Investment Activities</b>	<b>1,901,979</b>	<b>-</b>	<b>1,901,979</b>	<b>1,024,520</b>
<b>From Securities Lending Activities:</b>				
<b>Securities Lending Income</b>	<b>7,785</b>	<b>-</b>	<b>7,785</b>	<b>10,366</b>
<b>Securities Lending Expenses</b>				
Borrower Rebates	(6,945)	-	(6,945)	(9,481)
Management Fees	(165)	-	(165)	(177)
<b>Total Securities Lending Activity Expenses</b>	<b>(7,110)</b>	<b>-</b>	<b>(7,110)</b>	<b>(9,658)</b>
<b>Net Income from Securities Lending Activities</b>	<b>675</b>	<b>-</b>	<b>675</b>	<b>708</b>
Earnings Allocated to Non-OPEB	11,355	-	11,355	7,900
Earnings Allocated (from) Pension Plan & to OPEB	(116,894)	105,539	(11,355)	(7,900)
<b>Total Net Investment Income (Loss)</b>	<b>1,797,115</b>	<b>105,539</b>	<b>1,902,654</b>	<b>1,025,228</b>
<b>Miscellaneous Income</b>				
Miscellaneous Income	807	-	807	390
Transfer to Employers' Advance Reserve from SRBR for Employer Contributions to 401(h) Account	53,985	-	53,985	51,852
Transfer to Employers' Advance Reserve from SRBR for Implicit Subsidy	2,454	-	2,454	4,038
Transfer from Employers' Advance Reserve to SRBR for OPEB Related Administrative Expense	-	2,163	2,163	1,957
<b>Total Additions</b>	<b>\$ 2,662,228</b>	<b>\$ 161,687</b>	<b>\$ 2,823,915</b>	<b>\$ 1,529,061</b>

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

**Statement of Changes in Fiduciary Net Position (Continued)**

For the Year Ended December 31, 2025, with Comparative Totals for the Year Ended December 31, 2024 (Dollars in Thousands)

	Pension Plan & Non-OPEB	Postemployment Medical Benefits	Total 2025	Total 2024
<b>DEDUCTIONS</b>				
<b>Benefits</b>				
Service Retirement and Disability Benefits	\$ 658,832	\$ -	\$ 658,832	\$ 628,985
Death Benefits	3,554	-	3,554	3,439
Burial Benefits - Non-OPEB	193	-	193	379
Supplemental Cost of Living Allowance - Non-OPEB	1,300	-	1,300	1,243
Post Employment Medical Benefits	-	52,784	52,784	50,187
<b>Total Benefit Payments</b>	<b>663,879</b>	<b>52,784</b>	<b>716,663</b>	<b>684,233</b>
<b>Member Refunds</b>	<b>8,593</b>	<b>-</b>	<b>8,593</b>	<b>10,081</b>
<b>Administration</b>				
Administrative Expenses	15,121	2,163	17,284	16,395
Legal Expenses	922	-	922	891
Technology Expenses	2,583	-	2,583	2,016
Actuarial Expenses	432	-	432	400
Business Continuity Expenses	713	-	713	678
<b>Total Administration</b>	<b>19,771</b>	<b>2,163</b>	<b>21,934</b>	<b>20,380</b>
Transfer from SRBR to Employers' Advance Reserve for Employer Contributions to 401(h) Account	-	53,985	53,985	51,852
Transfer from SRBR to Employers' Advance Reserve for Implicit Subsidy	-	2,454	2,454	4,038
Transfer to SRBR from Employers' Advance Reserve for OPEB Related Administrative Expense	2,163	-	2,163	1,957
<b>Total Deductions</b>	<b>694,406</b>	<b>111,386</b>	<b>805,792</b>	<b>772,541</b>
<b>CHANGE IN NET POSITION</b>	<b>1,967,822</b>	<b>50,301</b>	<b>2,018,123</b>	<b>756,520</b>
<b>NET POSITION RESTRICTED FOR BENEFITS</b>				
<b>BEGINNING OF YEAR</b>	<b>10,927,075</b>	<b>1,107,280</b>	<b>12,034,355</b>	<b>11,278,821</b>
CUMULATIVE EFFECT OF ACCOUNTING CHANGE	-	-	-	(986)
<b>BEGINNING NET POSITION AS RESTATED</b>	<b>10,927,075</b>	<b>1,107,280</b>	<b>12,034,355</b>	<b>11,277,835</b>
<b>END OF YEAR</b>	<b>\$ 12,894,897</b>	<b>\$ 1,157,581</b>	<b>\$14,052,478</b>	<b>\$ 12,034,355</b>

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

### Reporting Entity

ACERA is an independent, public employees' retirement system with its own governing board. ACERA is a fiduciary component unit of the County of Alameda (the County). The majority of ACERA's nine-member governing board is appointed by the County's Board of Supervisors. The County Treasurer serves as ex-officio board member, and four other board members are directly appointed by the County Board of Supervisors. The County is also the primary participating employer of ACERA with more than 50 percent of the annual contribution to the plan. ACERA's financial statements are included in the County's financial statements as a fiduciary component unit, within the pension and other employee benefit trust funds.

### Basis of Accounting

ACERA follows generally accepted accounting principles in the United States and reporting guidelines set forth by the Governmental Accounting Standards Board (GASB).

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.

### 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 the investment manager relying on periodic appraisals and

is reported net of the outstanding balance of associated mortgages. The fair value of private equity, private credit, absolute return, and real assets is based on ACERA's pro rata share and 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 prices based on control and/or liquidity, as appropriate. All 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 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 the Statement of Fiduciary Net Position 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 Fiduciary Net Position 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 the Statement of Fiduciary Net Position nor is there a corresponding liability reported on this statement.

### Derivative Instruments

ACERA's investments include the following types of investment derivative instruments: futures, forwards, spot contracts, rights, and swaps. ACERA enters into derivative instrument contracts for investment purposes and to

manage risks associated with its investment portfolio.

The fair value of exchange traded derivative instruments such as futures, swaps, rights, and spot contracts is based on quoted market prices. The fair value of non-exchange traded derivative instruments such as forward contracts and certain futures contracts is determined by an external pricing service using various proprietary methods.

The fair value of derivative instrument contracts is reported in investments as assets or liabilities on the Statement of Fiduciary Net Position.

### Collateral and Margin Account

For the equity index futures, there is an initial margin requirement to open a contract position as well as 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. ACERA's capitalization threshold is an initial unit cost of \$10,000 and two years or more of useful life. 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.

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

## 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. Naturally, actual results may differ from estimates.

## Income Taxes

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 current 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.

## New Accounting Pronouncements

GASB Statement No. 102, *Certain Risk Disclosures*, was issued in December 2023. The objective of this Statement is to provide the financial statement users with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The Statement requires that a government should disclose in notes to the financial statements the information related to risks associated with concentrations or constraints, if the risk meets all of the following criteria: (a) a concentration or constraint is known to the government prior to the issuance of the financial statements; (b) the concentration or constraint makes the reporting unit vulnerable to the risk of a substantial impact; and (c) an event or events associated with the concentration or constraint that could cause a substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. This Statement is expected to improve financial reporting by providing users with information that will help them to understand and anticipate the impact of certain risks on a government's financial statements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024. ACERA implemented the provisions of this Statement for the year ended December 31, 2025. The implementation of GASB 102 did not impact ACERA's financial statements.

ACERA implemented the provisions of GASB Statement No. 103, *Financial Reporting Model Improvements*, for the year ended December 31, 2025. As a result of the implementation of this Statement, changes were made to the presentation of the Management's Discussion and Analysis (MD&A). The MD&A is now structured according to the five sections prescribed under Statement No. 103.

ACERA implemented the provisions of GASB Statement No. 104, *Disclosure of Certain Capital Assets*, for the year ended December 31, 2025. The Capital Assets table in Note 9 has been modified to separately disclose lease assets reported in accordance with Statement No. 87, *Leases*, and subscription-based assets recognized in accordance with Statement No. 96, *Subscription Based Information Technology Arrangements*.

GASB Statement No. 105, *Subsequent Events*, was issued in December 2025. The requirements of this Statement will improve financial reporting related to subsequent events by clarifying the subsequent events time frame and events that constitute recognized and non-recognized events and specifying the information items that are required to be disclosed about the subsequent events. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. The Statement also requires that date through which subsequent events have been evaluated to be disclosed. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. ACERA will implement the provisions of this Statement for the year ending December 31, 2027.

## Accounting and Reporting Changes

The presentation of ACERA's financial statement changed because of implementations of GASB 103 and GASB 104. The changes affected the structure of MD&A, and the Capital Assets note disclosure.

The applicable provisions of GASB 103 were those related to the MD&A, which changed ACERA's presentation of the information into five sections to conform with the format prescribed by the Statement. The detailed

analysis section of the MD&A was also tailored to explain the main reasons for the changes in balances and activities.

The capital assets table in Note 9 was modified to meet the reporting format prescribed by GASB 104. Before the implementation of GASB 104, ACERA’s capital assets were already disclosed by major class of underlying assets. To comply with GASB 104, the capital assets table has been modified to follow the recommended table structure and order. The requirements for additional disclosures of capital assets held for sale were not applicable to ACERA.

## 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 a cost-sharing multiple-employer defined benefit Other Postemployment Medical Benefits (OPEB) and Non-OPEB even though there is no direct contribution made to fund these nonvested benefits. ACERA began operations in its present form on January 1, 1948.

ACERA is governed by the California constitution, and state and federal laws, including but not limited to the 1937 Act, beginning at California Government Code Section 31450 et. seq., PEPRRA and the bylaws and policies adopted by the Board of Retirement.

These laws and policies govern ACERA’s plan structure and operation. The provisions of state and federal laws 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 is not affiliated with the California Public Employees’ Retirement System (CalPERS).

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.

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 retiree postemployment medical, dental care, vision care, and cost-of-living adjustments 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 funds.

### Board of Retirement

The Board of Retirement has sole and exclusive responsibility over plan assets and the administration of the retirement system to ensure prompt delivery of benefits and related services as provided in Article XVI of the California Constitution.

The Board of Retirement 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 retired members and one alternate member is elected by safety members. The alternate seat for safety members is vacant as of January 1, 2026 and will remain vacant for the remainder of the current three-year term, which ends in December 2028. The Board of Retirement is currently composed of the following members:

### Board of Retirement

Type of Member	Elected / Appointed By	# Of Members
County Treasurer	Ex-Officio Member	1
County Resident	Appointed by Board of Supervisors	4
General Member	Elected by General Members	2
Safety Member	Elected by Safety Members	1
Retired Member	Elected by Retired Members	1
Alternate Retired Member	Elected by Retired Members	1

Board members, with the exception of the County Treasurer, serve a three-year term in office, with no term limits.

The Board of Retirement oversees the Chief Executive Officer in the performance of his duties in accordance with the law and ACERA's board policies.

### Authority for Establishing and Amending Benefit Provisions

State and federal laws, as well as the California constitution, provide the authority for establishing ACERA's benefit provisions. In most cases, where the 1937 Act 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 a Supplemental Retiree Benefits Reserve (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 and retired member death 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). Employer contributions fund the 401(h) benefits. 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.

### Participating Employers

ACERA operates as a cost-sharing, multiple-employer, defined benefit plan for Alameda County (the "County"), 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, the 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:

- Superior Court of California for the County of Alameda
- Alameda Health System
- First 5 Alameda County
- Housing Authority of the County of Alameda
- Livermore Area Recreation and Park District

Alameda County Office of Education is no longer an active participating employer as the last active member under this employer retired on December 30, 2016. However, this employer still owes an unfunded actuarial accrued liability to ACERA as ACERA still pays retirement benefits to several of its retired members.

### Plan Membership

With the exception of Alameda Health System, all full-time employees of participating employers who are appointed to permanent positions are statutorily required to become members of ACERA. With the passage of AB1008 in 2013, employees of newly acquired hospitals by Alameda Health System are not eligible for membership unless they are subject to an existing memorandum of understanding. Effective October 31, 2013, all newly hired unrepresented employees of any Alameda Health System facility are prohibited from membership.

### 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, 2025

<b>Members, Survivors, and Beneficiaries Now Receiving Benefits</b>	
Service Retirement	8,965
Disability Retirement	1,033
Beneficiaries and Survivors	1,392
<b>Subtotal</b>	<b>11,390</b>
<b>Active Members</b>	
Active Vested Members	7,755
Active Non-vested Members	4,408
<b>Subtotal</b>	<b>12,163</b>
<b>Deferred Members</b>	
	4,110
<b>Total Membership</b>	<b>27,663</b>

### Membership Status and Vesting

Members are considered to be active, as long as they remain employed full-time by a participating employer (or subsequently change to part-time employment).

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 service credit, 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.

Non-Tier 4 vested General members may retire at age 50, with 5 years of service credit and a total of 10 years of qualifying membership, or at any age with 30 years of service, or at age 70, regardless of service credit.

Non-Tier 4 vested Safety members may retire at age 50, with 5 years of service credit and a total of 10 years of qualifying membership, or at any age, with 20 years of service, or at age 70, regardless of service credit.

Tier 4 General members may retire at age 52, with 5 years of service credit or at age 70, regardless of service credit.

Tier 4 Safety members may retire at age 50, with 5 years of service credit or at age 70, regardless of service credit.

### Active Member Death Benefits

ACERA provides specified active member death benefits to beneficiaries and members' survivors.

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, Tier 3, and Tier 4 Benefit Levels

The structure of the plan provides for four benefit levels or tiers within General membership and three 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, and before January 1, 2013, belong to Tier 2, and members with an entry date on or after January 1, 2013, belong to Tier 4.

Most active ACERA members belong to Tier 2. Alameda County Housing Authority members are mostly in Tier 1, but those hired between September 30, 2011, and January 1, 2013, belong to 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 current and new employees. Those LARPD members hired before October 1, 2008, who elect General Tier 3 membership, and those hired after October 1, 2008, but before January 1, 2013, 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 contribution rates.

Effective October 17, 2010, and before January 1, 2013, there are three benefit formula options for Safety membership within Tier 2. Two benefit formulas of 2% at 50 and 3% at 55 were implemented for new Safety members with different contribution rates. The Safety

members hired before October 17, 2010, are still under the benefit formula of 3% at 50.

In accordance with PEPRA, General and Safety members hired on or after January 1, 2013, belong to Tier 4. Tier 4 members are required to contribute at least 50% of the normal cost rate. Under the Tier 4 formulas, General members will receive a benefit of 2.5% at age 67 and Safety members will receive a benefit of 2.7% at age 57. Note 3, Contributions, starting on [page 24](#) 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 non-Tier 4 members who are covered by Social Security. The purpose of integration is to reduce the degree in 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 Tier 3, and 2% for Tier 2 and Tier 4 members. The expected impact of future basic COLA is a factor in setting 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.

The CPI calculation for 2025 was 2.38% and was rounded to 2.50%, the nearest one-half percent, in accordance with California Government Code Section 31870 and 31870.1. There was a maximum of 3.0% COLA increase granted for Tier 1 and Tier 3 members,

who retired on or before April 1, 2023, due to carry over banked COLA from prior years. Tier 1 and Tier 3 members who retired after April 1, 2023, received a COLA increase of 2.50%. A maximum COLA increase of 2.0% was granted to all Tier 2 and Tier 4 members. Tier 1 and Tier 3 members will bank 0.00%, as the 2025 COLA does not exceed the 3% maximum and Tiers 2 and 4 members will bank 0.50% in 2025, as the 2025 CPI exceeds the 2% maximum for Tiers 2 and 4.

### **Postemployment Medical Benefits**

ACERA administers a medical benefits program for eligible retired members. Benefits include monthly medical allowances and Medicare Part B premium reimbursements. Dental and vision coverages are also available for eligible retired members. These benefits are paid through a 401(h) account, in accordance with federal tax laws. The maximum levels of the monthly medical allowances are reviewed annually by the Board of Retirement.

### ***Program Membership***

Retired members with a minimum of ten years of service credit or those who retired due to a service connected disability are eligible to receive a monthly medical allowance benefit if they enroll in one of the ACERA sponsored medical plans or Medicare exchange. Retired members eligible for the monthly medical allowance benefit may also be reimbursed for the lowest standard Medicare Part B premium with proof of enrollment in Medicare Part B.

Members receiving a service retirement or a non-service connected disability, with ten or more years of ACERA service credit will be eligible to receive dental and vision allowances. The following are exemptions of the years-of-service eligibility requirements: (a) non-service connected disability recipients with less than ten years of ACERA service credit and with a retirement date effective prior to February 1, 2014; and, (b) all service connected disability recipients, regardless of years of service.

### **Non-OPEB**

ACERA also provides non-health, postemployment benefits, such as supplemental COLA and a lump sum retired member death benefit.

Separate from the basic COLA, 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.

A lump sum retired member death benefit of \$1,000 is provided to beneficiaries.

### ***Program Membership***

All retired members are eligible to receive supplemental COLA and retired member death benefit.

### **Actuarial Valuation**

An annual actuarial funding valuation is performed for the pension plan. In addition, there is a separate annual actuarial valuation performed for Postemployment Medical Benefits and Non-OPEB. Note 6, Actuarial Valuation, starting on [page 32](#) provides additional information about this topic.

## **3. Contributions**

### **Pension Plan**

#### ***Authority for Establishing and Amending Obligations to Make Contributions***

The California constitution, as well as state and federal laws, establishes the basic obligations for participating employers and active members to make contribution payments 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 (Tiers 1, 2, 3, and 4).

#### ***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 invested assets.

### ***Member Contributions and Refunds***

Active members are required by statute to contribute toward pension plan benefits. The non-Tier 4 member contribution rates are formulated on the basis of age-at-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. Note 4, Reserves, starting on [page 26](#) explains semi-annual interest crediting. The employer-paid contribution offsets may or may not be refundable.

Pursuant to PEPRA Section 7522.30, Tier 4 members are required to contribute 50% of the normal cost rate. The code also prohibits participating employers from paying any portion of the 50% share of member contributions on the employee's behalf.

### ***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 established level of benefits, 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 non-Tier 4 member contribution rates based on age-at-date-of-entry are shown as follows (effective September 2024). Generally, each pair of percentages ranges from youngest to oldest within each category. In November 2012, the Board of Retirement approved the use of a single, flat contribution rate, regardless of the age-at-date-of-entry for Tier 4 members.

## Current Member Contribution Rates

Effective September 2025

<b>Tier 1: (entry date prior to July 1, 1983)</b>	
General	7.36% - 16.11%
<b>Tier 2: (entry date July 1, 1983, and before January 1, 2013)</b>	
General	5.49% - 12.15%
Safety 3% @ 50	14.02% - 20.93%
<b>Tier 2: (entry date October 17, 2010, and before January 1, 2013)</b>	
Safety 2% @ 50	10.82% - 17.62%
Safety 3% @ 55 (with less than 5 years of vesting service)	16.14% - 23.14%
Safety 3% @ 55 (with 5 or more years of vesting service)	14.14% - 21.14%
<b>Tier 3: (LARPD only - entry date prior to January 1, 2013)</b>	
General	9.24% - 18.20%
<b>Tier 4: (entry date January 1, 2013 or later)</b>	
General	9.00%
Safety	17.86%

For non-Tier 4 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). The one-third reduction in the rates for the first \$161 of biweekly salary does not apply to Tier 4 member contributions.

## 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. Consequently, 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. In compliance with 1937 Act Section 31618.5, employers allocate a

portion of their contribution to the 401(h) account for administrative costs related to providing benefits in addition to contributions for the postemployment medical benefits.

## Pension Obligation Bonds

In 1995 and 1996, the 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 Health System, First 5 Alameda County, and the Superior Court of California for the County of Alameda were part of the County when the pension obligation bonds were issued. They subsequently separated and became discretely presented component units or special districts of the County. The 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 \$67.8 million in the year ended December 31, 2025.

## Advance UAAL Contributions

On June 29, 2021, the County and LARPD made voluntary contributions. The County made an \$800 million advance contribution to reduce a portion of the UAAL for its safety membership group. LARPD issued pension obligation bonds on June 22, 2021 and contributed \$12.6 million to reduce a portion of its UAAL. As a result of these advance UAAL payments, the County and LARPD received contribution rate credits effective September 1, 2021, when the contribution rates based on the December 31, 2020 actuarial valuation went into effect. On June 27, 2025, the County made a \$400 million voluntary contribution to reduce a portion of the UAAL for its general membership group. This advance UAAL payment received from the County resulted in contribution rate credit for the general membership group effective September 1, 2025. These advance UAAL contribution payments are accounted for in a separate reserve account and amortized by applying the contribution rate credits

for the respective participating employers at each semi-annual interest crediting period. The amortized amounts are transferred from the advance UAAL contribution reserve account to the employers' advance reserve and COLA reserve accounts in proportion to the applicable Basic and COLA contribution rate credit percentages. For the year ended December 31, 2025, the amortized balances were \$86.2 million, \$1.1 million, and \$18.2 million for County Safety, LARPD, and County General respectively.

#### 4. Reserves

Reserves represent components of the fiduciary net position. The annual change in ACERA's reserves equals the annual change in the fiduciary net position.

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. When a member retires, ACERA makes a one-time transfer of the associated contributions plus credited interest from these two reserve components into the retired member reserve, of an amount equal to the estimated lifetime benefits.

##### Actuarial Asset Smoothing

Net investment income reported on the Statement of Changes in Fiduciary Net Position 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. Smoothing of asset gains or losses is conducted semi-annually in conjunction with interest crediting, 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 earlier. To the extent that net earnings are available, interest is credited to all components of the reserves, with the exception of the market stabilization reserve and the contingency reserve. Interest credited is based upon the actuarial assumed interest rate (or the actual rate if lower). This is defined as "Regular Earnings."

In June 2014, the Board of Retirement approved the use of the contingency reserve to fund the interest shortfall, whenever the Regular Earnings during the 6-month interest crediting period are less than the assumed rate of return, but not negative.

If there are investment earnings above the target investment return rate, 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).

##### 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; and deductions include refunds of member contributions along with credited interest and transfers to the 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 the retired member reserve made when each member retires or payment of benefits upon the death of an active member. Employer contribution rates are actuarially determined, taking into account other events such as a member electing a refund of contributions. Therefore, a refund of member contributions should not have an adverse impact on the accumulation of funds in the employers' advance reserve.

According to Section 31618.5 of the 1937 Act, 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 retiree benefits reserve for an amount equal to the administrative expenses related to postemployment medical benefit. For the year ended December 31, 2025, the transferred amount was \$2.2 million.

**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 a member retires), and credited interest, reduced by payments to retired members, beneficiaries, and survivors.

**The Supplemental Retiree Benefits 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 above the assumed rate of return to provide supplemental benefits to retirees. The reserves table on [page 29](#) shows the amounts of the SRBR currently available to pay for non-vested benefits. The Board of Retirement decides on an annual basis what member benefits to pay from the SRBR.

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 funded by the SRBR are described in the following two paragraphs.

**The 401(h) Postemployment Medical Benefits Account** is used to pay the medical allowances, 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. Each year participating employers decide whether to contribute the funds needed and to identify them as 401(h) account contributions. For the year ended December 31, 2025, the employers funded \$54.0 million of 401(h) contributions, including \$51.8 million for estimated cost of postemployment medical benefits and \$2.2 million for administrative cost of the 401(h) account.

**The Non-OPEB Reserve** is used to pay for the Supplemental COLA and the retired member death benefit. For the year ended December 31, 2025, \$1.3 million of Supplemental COLA and \$0.2 million of retired member death benefits were paid. The reserve is increased through interest crediting of regular earnings and investment earnings above the assumed rate of return.

**The Advance UAAL Contribution Reserve** represents reserves of voluntary contributions received from the County to reduce a portion of the UAAL balance for its safety membership group and LARPD to reduce a portion of its UAAL for its general membership. The advance UAAL payments of \$800 million from the County and \$12.6 million from LARPD were received on June 29, 2021. As a result, the balances were not eligible to share interest crediting from the net deferred gains accumulated in the Market Stabilization Reserve for the five-year interest crediting cycle through June 30, 2021. These balances in the advance UAAL contribution reserve were eligible for interest crediting of regular and excess earnings beginning with the December 31, 2021, semi-annual interest crediting cycle.

The County of Alameda made additional voluntary contributions of \$400 million on June 27, 2025, to reduce the UAAL balances for its general membership group. The \$400 million is not eligible to share interest crediting from the net deferred gains accumulated in the Market Stabilization Reserve for the five-year interest crediting cycle through June 30, 2025. The balance was eligible to receive interest credits effective with the December 31, 2025, semi-annual interest crediting cycle.

The advance UAAL payments are amortized over time by multiplying the pensionable wages during a particular

interest crediting period by the respective contribution rate credits received by the affected membership groups. The amortized balances are transferred to the employers' advance reserve and the COLA reserve accounts in proportion to the rate credit allocation or breakdown between the Basic and COLA contributions. From September 2024 through August 2025, the UAAL rate credit applied to the County safety membership was 39.10% and the rate credit for LARPD's general membership was 30.23%. Effective September 2025, the UAAL rate credit applied to the County safety membership is 37.31%, the rate credit for LARPD's general membership is 33.21%, and the County general membership is 6.30%.

**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 of Retirement. 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. Effective with the June 30, 2014, interest crediting cycle, the Board of Retirement set the contingency reserve to be a minimum of 1.0% of total assets and authorized the use of funds in the contingency reserve to cover interest shortfalls whenever earnings during the 6-month interest crediting period are less than the assumed rate of return, but not negative.

**The Market Stabilization Reserve Account** represents the deferred balance of investment gains or losses not yet realized in the interest crediting process. 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 2025

ACERA had \$1.9 billion gains from investment activities net of administrative expenses for the year ended December 31, 2025. The Contingency Reserve was increased by \$112.6 million to adjusted its balance to 1% of total assets or \$143.8 million at December 31, 2025. There was no subsequent withdrawal of funds from the Contingency Reserve.

The Market Stabilization Reserve account increased by \$844.3 million during 2025 as a result of applying the actuarial five-year smoothing process and the actuarial value corridor limits. The advance UAAL contribution reserve accounts received interest crediting of approximately \$55.2 million and all other reserve accounts (excluding the contingency and market stabilization reserves) received interest crediting of approximately \$869.4 million.

## Reserves

As of December 31, 2025 (Dollars in Thousands)

	Pension and Non-OPEB	Postemployment Medical Benefits	Total
Member Reserve	\$ 2,134,809	\$ -	\$ 2,134,809
Employers' Advance Reserve	2,301,423	-	2,301,423
Retired Member Reserve	6,419,472	-	6,419,472
SRBR	127,420	1,147,271	1,274,691
401(h) Account	-	10,310	10,310
<b>Subtotal of All Other Reserves</b>	<b>10,983,124</b>	<b>1,157,581</b>	<b>12,140,705</b>
County General Membership - Adv. UAAL Reserve	396,744	-	396,744
County Safety Membership - Adv. UAAL Reserve	598,719	-	598,719
LARPD General Membership - Adv. UAAL Reserve	10,726	-	10,726
<b>Subtotal of Advance UAAL Contribution Reserve</b>	<b>1,006,189</b>	<b>-</b>	<b>1,006,189</b>
Contingency Reserve	143,830	-	143,830
Market Stabilization Reserve Account	761,754	-	761,754
<b>Total Reserves</b>	<b>\$ 12,894,897</b>	<b>\$ 1,157,581</b>	<b>\$ 14,052,478</b>

## 5. Net Pension Liability

The components of the Net Pension Liability were as follows:

### Net Pension Liability

(Dollars in Thousands)

	December 31, 2025	December 31, 2024
Total Pension Liability	\$ 13,036,367	\$ 12,397,161
Plan's Fiduciary Net Position <sup>1</sup>	12,561,432	10,932,717
<b>Net Pension Liability</b>	<b>\$ 474,935</b>	<b>\$ 1,464,444</b>
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	96.36%	88.19%

<sup>1</sup> For 2025, the Plan's Fiduciary Net Position amount shown (\$12,561,432) includes the net fair value of assets (\$14,052,478) less OPEB-related SRBR assets (\$1,491,046). The OPEB-related SRBR assets include \$1,137,880 in the SRBR-OPEB reserve (after reducing the reserve by the \$9,391 SRBR implicit subsidy transfer), and \$10,310 in the 401(h) reserve, plus a proportionate share of one-half of the net deferred market gains commensurate with the size of the OPEB to total SRBR and 401(h) reserve to valuation and 401(h) reserves of \$342,856. For 2024, the Plan's Fiduciary Net Position amount shown (\$10,932,717) includes the net fair value of assets (\$12,034,355) less OPEB-related SRBR assets (\$1,101,638). The OPEB-related SRBR assets include \$1,094,287 in the SRBR-OPEB reserve (after reducing the reserve by the \$2,472 SRBR implicit subsidy transfer), and \$10,521 in the 401(h) reserve, minus a proportionate share of the deferred market losses commensurate with the size of the OPEB to total SRBR and 401(h) reserve to valuation and 401(h) reserves of (\$3,170).

The Net Pension Liability (NPL) for the plan was measured as of December 31, 2025 and 2024. The Plan's Fiduciary Net Position was valued as of the measurement dates and the Total Pension Liability was determined based upon rolling forward the Total Pension Liability (TPL) from actuarial valuations as of December 31, 2024 and 2023, respectively.

The Total Pension Liability and the Plan's Fiduciary Net Position include liabilities and assets for non-OPEB. The assets for non-OPEB are held in the SRBR to pay non-vested Supplemental COLA and the retired member death benefit.

## Actuarial Assumptions

The actuarial assumptions used to develop the December 31, 2025 and 2024 TPLs were based on the results of an experience study for the period December 1, 2019 through November 30, 2022, applied to all periods included in the measurement. They are the same assumptions used in the December 31, 2025 and December 31, 2024 funding valuations for ACERA, respectively.

### Key Assumptions Used in the Measurement

Valuation Date	December 31, 2025	December 31, 2024
Inflation	2.50%	2.50%
Salary Increases	General: 8.00% to 3.45% and Safety: 11.40% to 4.00%, vary by service, including inflation	General: 8.00% to 3.45% and Safety: 11.40% to 4.00%, vary by service, including inflation
Investment Rate of Return	7.00%, net of pension plan investment expense, including inflation	7.00%, net of pension plan investment expense, including inflation
Other Assumptions Based on Actuarial Experience Study of	December 1, 2019 through November 30, 2022	December 1, 2019 through November 30, 2022

### Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments<sup>1</sup> was determined in 2023 using a building-block method in which expected arithmetic real rates of return (expected returns, net of inflation and any applicable investment management expenses) are developed for each major asset class. These returns are combined to produce the long-term expected arithmetic rate of return for the portfolio by weighting the expected arithmetic real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses<sup>2</sup> and a

risk margin. The portfolio return is further adjusted to an expected geometric real rate of return for the portfolio.

The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class (after deducting inflation and applicable investment management expenses) are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption in the actuarial funding valuation as of December 31, 2025. This information will be subject to change every three years based on the results of an actuarial experience study.

<sup>1</sup> Note that the investment return assumption for funding purposes was developed net of both investment and administrative expenses; however, the same investment return assumption was used for financial reporting purposes, and it was considered gross of administrative expenses for financial reporting purposes. (This resulted in an increase in the margin for adverse deviation when using that investment return assumption for financial reporting.)

<sup>2</sup> Investment expenses include investment consulting fees, custodian fees and other miscellaneous investment expenses and fees, and exclude investment manager fees.

### Target Asset Allocation and Projected Arithmetic Real Rate of Return

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return*
US Large Cap Equity	21.60%	6.00%
US Small Cap Equity	2.40%	6.65%
International Developed Equity	16.30%	7.01%
International Small Cap Equity	2.90%	7.34%
Emerging Markets Equity	4.80%	8.80%
Core Fixed Income	10.50%	1.97%
High Yield Bonds	1.50%	4.63%
Global Fixed Income	2.00%	1.17%
Private Equity	11.00%	9.84%
Core Real Estate	6.30%	3.86%
Value Added Real Estate	1.80%	6.70%
Opportunistic Real Estate	0.90%	8.60%
Commodities	0.90%	4.21%
Private Credit	4.00%	6.47%
Absolute Return	8.00%	2.10%
Infrastructure	5.10%	7.30%
<b>Total</b>	<b>100.00%</b>	<b>5.89%</b>

\* Arithmetic real rates of return are net of inflation.

### Discount Rate

The discount rate used to measure the Total Pension Liability (TPL) was 7.00% as of December 31, 2025 and December 31, 2024. Article 5.5 of the Statute, which authorizes the allocation of 50% of excess earnings to the SRBR, does not allow for the use of a different investment return assumption for funding than is used for interest crediting. In order to reflect the provisions of Article 5.5, future allocations to the SRBR have been treated as an additional outflow against the Plan's Fiduciary Net Position in the GASB crossover test<sup>1</sup>. It is estimated that the additional outflow would average approximately 0.75% of assets over time, based on the results of the actuarial stochastic modeling of the 50% allocation of future excess earnings to the SRBR.

The projection of cash flows used to determine the discount rate assumes plan member contributions will be

made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially determined contribution rates<sup>2</sup> plus additional future contributions that would follow from the future allocation of excess earnings to the SRBR. Projected employer contributions that are intended to fund the service costs for the future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of both December 31, 2025 and December 31, 2024.

1 The purpose of the GASB crossover test is to determine if the full expected return (or 7.00% in this case) can be used as the discount rate to determine the TPL and the NPL. That is, if there is no crossover point where the projected benefit payments would exceed the Plan's Fiduciary Net Position, then the full expected return assumption can be used. ACERA does pass the crossover test, which means that the full 7.00% investment rate of return assumption can be used as the discount rate to determine the TPL and the resulting NPL.

2 For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability as of December 31, 2025, calculated using the current

discount rate of 7.00%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1 percentage-point higher (8.00%) than the current rate:

As of December 31, 2025 (Dollars in Thousands)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
<b>Net Pension Liability (Asset)</b>	\$ 2,139,577	\$ 474,935	\$ (890,297)

### Money-Weighted Rate of Return

The annual money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. For the year ended December 31, 2025, the annual money-weighted rate of return on the total investments (pension plan and OPEB) was 15.74%. For trend information, refer to the Schedule of Investment Returns under the RSI section on [page 56](#).

## 6. Actuarial Valuation

ACERA retains an independent actuarial firm to conduct actuarial valuations of the pension plan, postemployment medical benefits, and non-OPEB to monitor ACERA's funding status and to establish the contribution rate requirements for the pension plan.

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 health care cost trends. 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

The purpose of the valuation 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 are adjusted accordingly. For the pension plan, actuarial assumptions have been selected 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 in the present to provide benefits in the future, and to maintain equity among generations of participants and taxpayers.

Contribution requirements are determined under the entry age 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 starting on [page 26](#) under Actuarial Asset Smoothing.

There are no legal or contractual maximum contribution rates under the 1937 Act that would affect the projection of benefits for financial reporting purposes.

## ACTUARIAL METHODS AND ASSUMPTIONS - Pension Plan

The status and funding progress for the pension plan is calculated based on the following actuarial methods and assumptions.

Valuation Date	12/31/2024
Actuarial Cost Method	Entry Age
Amortization Method	Level percent of compensation
Amortization of UAAL (Prior to January 1, 2012)	Closed 30 years decreasing period
Remaining Amortization Period (Prior to January 1, 2012)	8 years
	The voluntary County Safety UAAL contributions are amortized over a 13-year period effective July 1, 2021 (with 9.5 years remaining as of December 31, 2024). The voluntary LARPD General UAAL contributions are amortized over a 16-year period effective July 1, 2021 (with 12.5 years remaining as of December 31, 2024). Effective December 31, 2024, the existing LARPD General UAAL layers are amortized over 12.5 years and the December 31, 2024 UAAL is amortized over 20 years.
Amortization of New UAAL (On or after January 1, 2012)	Plan amendments are amortized over separate decreasing 15-year periods. Early retirement incentive programs (ERIPs) are amortized over separate decreasing 5-year periods. Assumption and method changes are amortized over separate decreasing 20-year periods. Experience gains/losses are amortized over separate decreasing 20-year periods.
Asset Valuation Method	Actuarial Value of Assets is determined by phasing in any difference between actual and expected market return semi-annually over a five-year period.
Valuation Value of Assets	The Actuarial Value of Assets reduced by the value of the non-valuation reserves.
	Interest Rate: 7.00%
	Inflation Rate: 2.50%
Actuarial Assumptions	Across-the-Board Salary Increases: 0.50% Salary Increases: General 8.00% - 3.45% and Safety 11.40% - 4.00% Demographic: refer to <a href="#">page 110</a>
Postemployment Benefit Increases	2.75% of Tier 1 and Tier 3 retirement income 2.00% of Tier 2 and Tier 4 retirement income

### Postemployment Medical 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 82.0% funded as of December 31, 2024, assuming that the current benefit continues in perpetuity.

Actuarial calculations reflect a long-term perspective and

employ methods and assumptions that are designed to reduce short-term volatility.

Under the actuarial assumed rate of 7.00% per year for future investment earnings, it is anticipated that available assets will be sufficient to fund postemployment medical benefits through the year 2045.

### ACTUARIAL METHODS AND ASSUMPTIONS - Postemployment Medical Benefits

The status and funding progress for the postemployment medical benefits is calculated based on the following actuarial methods and assumptions.

Valuation Date	12/31/2024
Actuarial Cost Method	Entry Age
Asset Valuation Method	Same as Pension Plan
Actuarial Assumptions	Same as Pension Plan
Health Care Cost Trend Rates:	
<b>Non-Medicare Plan</b>	Starting at 7.75% in 2025, then grading down by 0.25% each year for 13 years until reaching an ultimate rate of 4.50%.
<b>Medicare Advantage Plan</b>	Starting at 7.50% in 2025, then grading down by 0.25% each year for 12 years until reaches an ultimate rate of 4.50%.
<b>Dental</b>	6.00% in 2025, 5.00% in 2026, 4.50% in 2027, and 4.00% each year thereafter.
<b>Vision</b>	3.00% in 2025, and each year thereafter.
<b>Medicare Part B</b>	Trend assumptions will be increased to 6.20% for calendar years 2025 through 2033, 5.75% for calendar year 2034, then grading down by 0.25% per year until an ultimate rate of 4.50%.
Postemployment Benefit Increases:	
<b>Dental, Vision, and Medicare Part B</b>	Subsidies are assumed to increase at 100% of the health care cost trend rates for these benefits.
<b>Monthly Medical Allowance (MMA)</b>	Subsidies for 2026 will increase to \$687.21 per month (\$526.46 for individual Medicare plans), then increase with 50% trends for medical plans, or 3.625%, graded down to the ultimate rate of 2.25% over 11 years.

#### Non-OPEB

Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility.

Under the actuarial assumed rate of 7.00% per year for future investment earnings, it is anticipated that available assets will be sufficient to fund the Supplemental COLA and retired member death benefit program through year 2048.

### ACTUARIAL METHODS AND ASSUMPTIONS - Non-OPEB

The status and funding progress for the non-OPEB is calculated based on the following actuarial methods and assumptions.

Valuation Date	12/31/2024
Actuarial Cost Method	Entry Age
Asset Valuation Method	Same as Pension Plan
Actuarial Assumptions	Same as Pension Plan
Postemployment Benefit Increases:	
<b>Supplemental COLA Benefits</b>	Payable when the current allowance from the pension plan drops below 85% of the original pension plan benefit indexed with CPI. Benefits 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, Tier 2D, and Tier 4), subject to other limitations.

## 7. Postemployment Medical Benefits and Net OPEB Liability

### Plan Description

ACERA administers a cost-sharing multiple-employer defined benefit non-vested medical benefits program for eligible retired members even though there is no direct contribution made to fund these non-vested benefits. Retirees can also purchase medical benefits for eligible dependents on an out-of-pocket basis. The postemployment medical, dental and vision benefits and the related administrative costs are paid through a 401(h) account funded by the participating employers' 401(h) account contributions.

The plan provides the following postemployment benefits:

- Health care subsidy in the form of monthly medical allowance,
- Medicare Part B reimbursement, and
- Dental and vision subsidies.

These benefits are paid in the form of a monthly medical allowance. The allowance is subject to annual reauthorization by the Board of Retirement.

### Plan Membership

Demographic Data as of December 31, 2025
Retired members receiving medical benefits
Retired members receiving dental and vision benefits
Vested terminated members entitled to, but not receiving benefits
Active members

### Benefits Provided

The County negotiates medical contracts with the providers covering both active and retired members. This arrangement results in "blended" medical premium rates that allow early retirees under 65 years of age, not yet Medicare-eligible, to purchase medical insurance 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

2024 was \$2.4 million. SRBR assets in this amount were treated as a pension contribution in 2025 upon the Board of Retirement's approval to compensate the County for the implicit subsidy. The estimated implicit subsidy amount for 2025 is \$9.4 million. Outside of the County negotiated group plans, retirees over the age of 65 have the option to purchase individual Medicare insurance through a Medicare exchange. ACERA utilizes Health Reimbursement Accounts (HRAs) to facilitate the monthly medical allowance for these members.

### Benefit Eligibility

Only ACERA's retirees are eligible to receive the medical, dental and vision subsidies; dependents are ineligible to receive these benefits. Retirees eligible for monthly medical allowance are also eligible for reimbursement of Medicare Part B premiums. The 2025 maximum monthly allowance for group plans and under age-65 members enrolled in individual insurance exchange was \$662.37 and \$507.43 for members enrolled in the individual plans through the Medicare exchange. The maximum monthly combined dental and vision subsidy was \$55.68 in 2025.

The actual amount of the monthly medical allowance for each retiree depends on the retiree's number of years of service. A minimum of 10 years of service is required for service retirement and non-duty disability retirement. There is no minimum service requirement for duty disability retirees. The subsidies are 50% for retirees with 10-14 years of service, 75% for retirees with 15-19 years of service, and 100% for retirees with 20+ years of service.

### Covered Retirees

Retirees currently enrolled in the medical, dental, and vision plans through the program are as follows:

As of December 31, 2025	
Number of Subsidized Retirees	
Medical	5,427
Medicare Exchange	1,939
Medicare Part B	6,267
Dental and Vision	9,652

### Contributions and Reserves

There are no legal or contractual contribution requirements for the OPEB plan. Please refer to Note 3 starting on [page 24](#) for details.

Reserve requirements of the SRBR are disclosed under Note 4 starting on [page 26](#).

### Investments

ACERA's OPEB plan is unique in that there are no direct contributions to invest for this plan. Funding for the OPEB plan relies entirely on semi-annual earnings

allocations from the total fund to the Supplemental Retiree Benefits Reserve (SRBR) as mandated by Article 5.5 of the 1937 Act. ACERA's total fund includes assets of the pension plan and SRBR. The OPEB assets are accumulated in the 401(h) account and the SRBR OPEB reserve account. Therefore, references to investment target allocations, long-term expected rate of return, and discount rate all apply to the total fund.

The total fund's annual money-weighted rate of return on investments, net of investment expenses is reported on [page 56](#) of the RSI.

### Net OPEB Liability

The components of the Net OPEB Liability were as follows:

(Dollars in Thousands)

	December 31, 2025	December 31, 2024
Total OPEB Liability	\$ 1,468,484	\$ 1,330,606
Plan's Fiduciary Net Position <sup>1</sup>	1,491,046	1,101,638
<b>Net OPEB Liability (Asset)</b>	<b>\$ (22,562)</b>	<b>\$ 228,968</b>
Plan's Fiduciary Net Position as a Percentage of the Total OPEB Liability	101.54%	82.79%

<sup>1</sup> For 2025, the Plan's Fiduciary Net Position amount shown (\$1,491,046) includes the OPEB-related SRBR reserve of \$1,137,880 (after reducing the reserve by the SRBR implicit subsidy transfer of \$9,391) and the 401(h) reserve of \$10,310, plus the proportionate share of one-half of the net deferred investment gains that is commensurate with the size of the OPEB SRBR reserve of \$342,856. For 2024, the Plan's Fiduciary Net Position amount shown (\$1,101,638) includes the OPEB-related SRBR reserve of \$1,094,287 (after reducing the reserve by the SRBR implicit subsidy transfer of \$2,472) and the 401(h) reserve of \$10,521, less the proportionate share of the net deferred investment loss that is commensurate with the size of the OPEB SRBR reserve of (\$3,170).

The Net OPEB Liability (Asset) was measured as of December 31, 2025 and 2024. The Plan's Fiduciary Net Position was valued as of the measurement date, while the Total OPEB Liability was determined by rolling forward the Total OPEB Liability as of December 31, 2024 and 2023, respectively.

### Plan Provisions

The plan provisions used in the measurement of the Net OPEB Liability (Asset) as of December 31, 2025 and 2024 are the same as those used for the SRBR sufficiency valuation as of December 31, 2024 and 2023, respectively.

### Actuarial Assumptions

The actuarial assumptions used for the December 31, 2025 and 2024 valuations were based on the results of the experience study for the period from December 1, 2019 through November 30, 2022 that were approved by the Board effective with the December 31, 2023 valuation and the health care trend assumptions recommended for the sufficiency studies for the SRBR as of December 31, 2025 and 2024, respectively. The assumptions used in the December 31, 2025 and December 31, 2024 SRBR OPEB actuarial valuations for ACERA were applied to all periods included in the measurement.

## Key Assumptions Used in the Measurement

Valuation Date	December 31, 2025	December 31, 2024
Investment Rate of Return	7.00%, net of OPEB investment expense, including inflation	7.00%, net of OPEB investment expense, including inflation
Inflation	2.50%	2.50%
Health Care Premium Trend Rates	Used to project health care cost after calendar year 2026:	Used to project health care cost after calendar year 2025:
<b>Non-Medicare medical plan</b>	8.00% graded to ultimate 4.50% over 14 years.	7.75% graded to ultimate 4.50% over 13 years.
<b>Medicare medical plan</b>	7.50% graded to ultimate 4.50% over 12 years.	7.50% graded to ultimate 4.50% over 12 years.
<b>Dental</b>	5.00% graded to ultimate 4.00% over 2 years.	6.00% in 2025, then 5.00% graded to ultimate 4.00% over 3 years.
<b>Vision</b>	3.00%	3.00%
<b>Medicare Part-B<sup>1</sup></b>	6.75% until 2033, then 6.25% graded to ultimate 4.50% over 4 years.	6.20% until 2033, then 5.75% graded to ultimate 4.50% over 6 years.
Other Assumption Based on Actuarial Experience Study	December 1, 2019 through November 30, 2022	December 1, 2019 through November 30, 2022

<sup>1</sup> The actual 2025 premium increase of 9.68% reflecting the standard 2026 premium of \$202.90 per month was reflected in the current year GASB 74 valuation with December 31, 2025 measurement date. The proposed 6.75% initial trend assumption represents the average trend shown for years 2026 through 2033 of the Trustees report.

## Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments<sup>1</sup> was determined in 2023 using a building-block method in which expected arithmetic real rates of return (expected returns, net of inflation and any applicable investment management expenses) are developed for each major asset class. These returns are combined to produce the long-term expected arithmetic rate of return for the portfolio by weighting the expected arithmetic real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses (including investment consulting fees, custodian fees and other miscellaneous investment expenses and fees but excluding investment manager fees) and a risk margin. The portfolio return is further adjusted to an expected

geometric real rate of return for the portfolio.

The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class (after deducting inflation and applicable investment management expenses) are shown in the target asset allocation and projected arithmetic real rate of return table. This information was used in the derivation of the long-term expected investment rate of return assumption in the actuarial valuations as of December 31, 2025 and December 31, 2024. This information will be subject to change every three years based on the results of an actuarial experience study. The target asset allocation and projected arithmetic real rate of return table is shown on [page 31](#) Note 05.

<sup>1</sup> Note that the investment return assumption for funding purposes was developed net of both investment and administrative expenses; however, the same investment return assumption was used for financial reporting purposes, and it was considered gross of administrative expenses for financial reporting purposes. (This resulted in an increase in the margin for adverse deviation when using that investment return assumption for financial reporting.)

### Discount Rate

The discount rate used to measure the Total OPEB Liability was 7.00% as of December 31, 2025 and December 31, 2024. The projection of cash flows used to determine the discount rate assumed benefits are paid out of the current OPEB SRBR assets. Based on those assumptions, the SRBR OPEB Plan's Fiduciary Net

Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on the OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability as of December 31, 2025 and December 31, 2024.

### Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB Liability (Asset) as of December 31, 2025, calculated using the current discount rate of 7.00%, as well as what the Net OPEB Liability (Asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

As of December 31, 2025 (Dollars in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
	(6.00%)	(7.00%)	(8.00%)
<b>Net OPEB Liability (Asset)</b>	\$ 177,434	\$ (22,562)	\$ (187,813)

### Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the Net OPEB Liability (Asset) as of December 31, 2025, calculated using healthcare cost trend rates as well as what the Net OPEB Liability (Asset) would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare trend rates.

As of December 31, 2025 (Dollars in Thousands)

	1% Decrease Health Care Cost Trend Rates	Current Health Care Cost Trend Rates	1% Increase Health Care Cost Trend Rates
<b>Net OPEB Liability (Asset)</b>	\$ (203,498)	\$ (22,562)	\$ 200,941

## 8. 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 of Retirement 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.

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), which 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.”

## 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.

## Investments

ACERA's asset classes include domestic equity, international equity, domestic fixed income, international fixed income, real estate, private equity, absolute return, private credit and real assets. Investments in any asset class may be held in direct form, commingled/pooled form, or both.

As of December 31, 2025, twelve investment managers managed the stock and fixed income securities portfolios, fourteen investment managers were used for real estate investments, twenty-five investment managers were used for private equity, five investment managers were used for absolute return, seventeen investment managers were used for private credit and fourteen investment managers were used for real assets 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, bankers' 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 managed by State Street Global Advisors.

These two investment pools are each held in a trust fund sponsored by State Street Bank and Trust Company, the investment custodian, and the securities lending agent.

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.

Governmental Accounting Standards Board, Statement No. 72 (GASB 72), Fair Value Measurement and Application, generally requires investments to be measured at fair value, using the appropriate valuation techniques under the circumstances and for which sufficient data are available to measure the fair value. The three approaches to measuring fair value are:

1. Market Approach (actual market transactions for identical or similar items);
2. Cost Approach (the current cost to replace the service capacity of an asset); and
3. Income Approach (discounting the current value of the future cash flows).

The quality of the data (inputs) used to determine fair value can vary. Some inputs are directly or indirectly observable (independently verifiable). Other inputs are unobservable. GASB 72 establishes a three-tier hierarchy of inputs used to measure fair value consisting of:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date. Level 1 investments include public equity securities and other publicly traded securities such as widely held domestic and international stocks, certain derivative instruments and U.S. Treasury securities.

2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs. Fair values may be based on market multiples techniques and/or matrix pricing techniques. Level 2 investments include fixed or variable-income securities, commingled funds, certain derivative instruments and other assets that are valued using market information.
3. Level 3 inputs are unobservable inputs for an asset or liability. Included in this level are corporate bonds that are restricted and do not trade readily. The fair value of investments in real estate separate properties which is based on prices in a competitive market as determined by the investment manager relying on periodic appraisals is also included in Level 3 investments.

GASB 72 allows a government entity to use Net Asset Value (NAV) per share (or its equivalent) for an investment in a nongovernmental entity that does not have a readily determined fair value. Investments measured at NAV without determinable fair value are excluded from the level of fair value hierarchy. Selected additional disclosures are required for investments measured at NAV such as fair value measurement, government's

unfunded commitments related to the investment type, general description of the terms and conditions upon which a government may redeem investments, and an estimate of when the redemption restriction might lapse for investments restricted from redemption. For investments in private vehicles (i.e. limited partnerships), such as those found in the real assets, private equity, private credit, absolute return, and real estate asset classes, ACERA relies on the audited financial statements, unaudited capital account statements from the partnerships, cash flows into the partnerships (i.e. capital calls), distributions from the partnerships (i.e. distributions), and appraisals. The inputs used by the general partner include some or all of the following: the original transaction price, recent private transactions in the same or similar instruments, completed or pending third-party transactions in comparable businesses, recapitalizations and other transactions across the capital structure, public market valuation multiples for similar offerings in the equity or debt capital markets, discounted cash-flow ("DCF") valuations based on projected cash flows, as well as changes in the investment's earnings before interest, taxes, depreciation and amortization, cash flows, implied yields and leverage ratios.

## Investments and Derivative Instruments Measured at Fair Value - Pension Plan

As of December 31, 2025 (Dollars in Thousands)

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
<b>Cash Equivalents</b>				
Government Issues	\$ 31,260	\$ -	\$ 31,260	\$ -
STIF-Type Instruments	740,137	740,137	-	-
<b>Total Cash Equivalents</b>	<b>771,397</b>	<b>740,137</b>	<b>31,260</b>	<b>-</b>
<b>Fixed Income Securities</b>				
Auto Loan Receivable	7,902	-	7,902	-
Bank Loan	30,427	-	30,427	-
CMO	126,452	-	126,452	-
Convertible Bonds	13,027	-	13,027	-
Corporate Bonds	777,014	-	777,014	-
FHLMC	65,763	-	65,763	-
FNMA	184,033	-	184,033	-
GNMA I	460	-	460	-
GNMA II	39,665	-	39,665	-
Government Issues	735,644	58,153	677,491	-
Municipals	6,480	-	6,480	-
Other Asset Backed	56,051	-	56,051	-
Mutual Funds	42,890	-	42,890	-
<b>Total Fixed Income Securities</b>	<b>2,085,808</b>	<b>58,153</b>	<b>2,027,655</b>	<b>-</b>
<b>Equity Securities</b>				
Non-U.S. Equity	1,034,844	1,035,584	(740)	-
Pooled Investments	5,110,213	3,132,357	1,607,124	370,732
U.S. Equity	768,805	768,805	-	-
<b>Total Equity Securities</b>	<b>6,913,862</b>	<b>4,936,746</b>	<b>1,606,384</b>	<b>370,732</b>
<b>Real Assets</b>				
Mutual Funds	506,793	-	506,793	-
<b>Total Real Assets</b>	<b>506,793</b>	<b>-</b>	<b>506,793</b>	<b>-</b>
<b>Real Estate</b>				
Properties	25,052	-	-	25,052
<b>Total Real Estate</b>	<b>25,052</b>	<b>-</b>	<b>-</b>	<b>25,052</b>
<b>Collateral from Securities Lending</b>	<b>284,406</b>	<b>284,406</b>	<b>-</b>	<b>-</b>
<b>Total Investments by Fair Value Level</b>	<b>10,587,318</b>	<b>\$ 6,019,442</b>	<b>\$ 4,172,092</b>	<b>\$ 395,784</b>
<b>Investments Measured at Net Asset Value (NAV)</b>				
Real Assets	377,263			
Private Equity	1,008,180			
Private Credit	563,449			
Absolute Return	968,672			
Real Estate	790,123			
<b>Total Investments Measured at NAV</b>	<b>3,707,687</b>			
<b>Total Investments</b>	<b>\$ 14,295,005</b>			
<b>Derivatives</b>				
Futures	\$ (2,085)	\$ (2,085)	\$ -	\$ -
Forwards and Spot Contracts	(2,104)	(2,104)	-	-
<b>Total Derivative Instruments</b>	<b>\$ (4,189)</b>	<b>\$ (4,189)</b>	<b>\$ -</b>	<b>\$ -</b>

## Investments Measured at the NAV

As of December 31, 2025 (Dollars in Thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real Assets <sup>1</sup>	\$ 377,263	\$ 103,427	Not Eligible, Daily, & Quarterly	N/A, a few days, & 90 days
Private Equity <sup>2</sup>	1,008,180	416,949	Not Eligible	N/A
Absolute Return <sup>3</sup>	968,672	9,678	Not Eligible, Daily, & Quarterly	N/A, a few days, & 90 Days
Real Estate <sup>4</sup>	790,123	141,402	Not Eligible or Quarterly	N/A or up to 90 Days
Private Credit <sup>5</sup>	563,449	288,626	Not Eligible	N/A
<b>Total Investments Measured at NAV</b>	<b>\$ 3,707,687</b>	<b>\$ 960,082</b>		

- 1 Real Assets – The Real Assets portfolio consists of 19 funds which include 18 limited partnerships and 1 separately managed account. The 18 limited partnerships are commingled vehicles that invest in private infrastructure and natural resources. These limited partnerships are valued at net asset value on a quarterly basis and, due to contractual limitations, 17 out of the 18 limited partnerships are not eligible for redemption but rather distribute capital proceeds over the funds' lifespans, which are up to 12 years. One of the 18 limited partnerships is a perpetual limited partnership that offers quarterly liquidity with 90 days' notice. The one separately managed account holds shares in two commingled vehicles. These commingled vehicles invest in publicly traded infrastructure and natural resources equities and are valued at net asset value on a daily basis. The separately managed account offers daily liquidity with several days' notice.
- 2 Private Equity – The Private Equity portfolio consists of 57 funds, which invest primarily in buyout, growth equity, and venture capital opportunities. The fair value of these funds is determined using net asset value represented in the audited financial statements plus/minus the latest quarterly cash flows. These funds are not eligible for redemption but rather distribute capital proceeds over the funds' lifespans in either cash or "in-kind" shares of the funds' portfolio companies. Distributions to the funds' investors occur over the span of approximately 8 to 15 years.
- 3 Absolute Return – The Absolute Return portfolio consists of 5 funds. Two of the funds are custom fund of hedge fund accounts. One of these custom accounts is a limited partnership while the other is a limited liability company. These accounts are valued at net asset value on a monthly basis and provide quarterly liquidity with 90-days' notice. Outside of the custom fund of hedge fund accounts, there are three commingled, idiosyncratic funds. Of the three idiosyncratic funds, one is a perpetual limited partnership that is valued at net asset value on a monthly basis and provides quarterly liquidity with 90-days' notice. One is an illiquid limited partnership, valued at net asset value on a quarterly basis, that does not have a formal term or liquidity schedule but is seeking to wind down its portfolio and return capital to limited partners. Finally, one fund is a perpetual, liquid, limited liability company which is valued at net asset value on a daily basis and offers daily liquidity with several days' notice.
- 4 Real Estate – The Real Estate portfolio consists of 21 funds and a separate building (1), which also serves as ACERA's headquarters. The Real Estate funds in the portfolio invest primarily in U.S. commercial real estate (office, industrial, retail, multi-family, and other). These funds are designed as open-end commingled funds or as limited partnerships (private equity structure). The investments that are structured as limited partnerships are not eligible for redemption but rather distribute proceeds over the funds' lifespan as distributions or return of capital. The primary objectives of the real estate portfolio are income and appreciation; distribution income is typically made on a quarterly basis throughout the lives of the funds. The fair value of these funds is determined using third-party appraisals every three years or an internal appraisal. Net asset values are typically reported one quarter in arrears, plus/minus the latest quarter's cash flows (capital calls, management fees, and distributions). The open-end commingled funds are eligible for redemption, typically, with up to 90 days' notice. These open-end commingled funds may also be subject to a withdrawal queue.
- 5 Private Credit – The Private Credit portfolio is comprised of 26 funds. The funds are illiquid limited partnerships and are valued at net asset value on a quarterly basis. Due to contractual limitations, the funds are not eligible for redemption but rather distribute capital proceeds over the funds' lifespans, which are up to ten years. Private Credit investments include performing senior secured and unsecured loans, preferred equity, and a range of opportunistic, structured, and stressed and distressed debt securities.

## Derivative Instruments

ACERA has the following types of derivative instruments: futures contracts, currency forward contracts, spot contracts, rights, and swap contracts. A futures contract represents an agreement to purchase or sell a particular asset for a given price at a specified future date. 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. A swap is a derivative contract through which two parties exchange the

cash flows or liabilities from two different financial instruments. Rights allow the holder the right, but not the obligation, to buy or sell a security for a given price within a specified time period.

The following Investment Derivative Instruments schedule reports the fair value balances, changes in fair value, and notional amounts of derivative instruments outstanding as of and for the year ended December 31, 2025, classified by type. For financial reporting purposes, all ACERA derivative instruments are classified as investment derivative instruments.

## Investment Derivative Instruments

For Year Ended December 31, 2025 (Dollars in Thousands)

Derivative Instruments Type	Classification	Notional Value/Shares	Fair Value	Changes in Fair Value <sup>1</sup>
Fixed Income Futures Long	Futures	\$ 441,800	\$ -	\$ 4,748
Fixed Income Futures Short	Futures	(133,000)	-	(2,898)
Foreign Currency Futures Long	Futures	18,700	-	117
Currency Forward Contracts	Receivable/Liability <sup>2</sup>	453,019	(2,106)	1,568
Index Futures Long	Futures	147	-	64,882
Rights	Common Stock	-	-	(7)
<b>Total</b>			<b>\$ (2,106)</b>	<b>\$ 68,410</b>

1 Changes in fair value includes realized and unrealized gains and losses on derivative instruments and are reported as Net Appreciation (Depreciation) in Fair Value of Investments on the Statements of Changes in ACERA's Fiduciary Net Position.

2 Currency forward contracts are reported in Foreign Exchange Contracts, which includes spot contracts which are not derivative instruments.

## Securities Lending Activity

The 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, 2025, on behalf of ACERA, the securities lending agent lent ACERA's securities (government bonds, corporate stocks, corporate bonds, international equities, and international 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 Fiduciary Net Position).

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 fair value of the loaned securities; or
- 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 fair 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, 2025, 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 supplemented 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, 2025, resulting from a default of the borrowers or the securities lending agent.

For the year ended December 31, 2025, 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 collective investment fund comprised of a liquidity pool. As of December 31, 2025, the Compass Fund had an average duration of 13.58 days and an average weighted final maturity of 97.70 days for U.S. dollars collateral. For the year ended December 31, 2025, 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, 2025, ACERA had securities on loan with a total fair value of \$359.04 million; however, the fair value of collateral held against the loaned securities was \$369.37 million which is more than the total fair value of loaned securities by \$10.33 million.

### Deposit, Investment, and Derivative Instrument Risks

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

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

### Investment Policies

GASB 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 40 and GASB 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. dollars equity portfolios differ from those for the non-U.S. dollars 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 credit ratings for a certain fair value percentage of the portfolio meet a minimum requirement.

Each separate account 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, 2025, cash held with a financial institution in a pooled money market fund amounted to \$7.05 million, of which \$0.25 million was insured and \$6.80 million was uninsured and uncollateralized 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, private equity, absolute return, private credit and real assets. As of December 31, 2025, ACERA had no investments that were exposed to custodial credit risk.

### Custodial Credit Risk—Derivative Instruments

ACERA's investments include collateral associated with derivative instruments. As of December 31, 2025, net collateral for derivative instruments was \$1.5 million. Each account was 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 direct obligations of the U.S. and/or eligible foreign governments, and those explicitly guaranteed by the U.S. and/or eligible foreign governments). As of December 31, 2025, ACERA had no investments in a single issuer that equaled or exceeded 5% of the fiduciary net position.

### 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:

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 46](#) discloses credit ratings of ACERA's debt investments by type and for each external investment pool as of December 31, 2025.

## Credit Risk Analysis

As of December 31, 2025 (Dollars in Thousands)

Debt Investments By Type	Adjusted Moody's Credit Rating <sup>1</sup>									
	Total	Aaa	Aa	A	Baa	Ba	B	Caa	Ca and Below	Not Rated
Auto Loan Receivable	\$ 7,902	\$ 6,778	\$ 205	\$ 613	\$ 306	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Loans	30,427	-	-	-	-	-	-	-	-	30,427
Collateralized										
Mortgage Obligations	126,452	105,961	2,311	1,042	1,028	322	992	519	-	14,277
Convertible Bonds	13,027	-	-	-	1,064	-	-	3,241	-	8,722
Corporate Bonds	777,014	-	8,264	125,956	483,561	110,428	24,619	21,042	1,343	1,801
Federal Home Loan Mortgage Corp. <sup>2</sup>	65,763	-	-	-	-	-	-	-	-	65,763
Federal National Mortgage Assn. <sup>2</sup>	184,033	-	-	-	-	-	-	-	-	184,033
Government National Mortgage Assn. I, II <sup>2</sup>	40,125	-	-	-	-	-	-	-	-	40,125
Government Issues <sup>3</sup>	735,644	-	552,434	5,434	30,998	11,380	1,355	2,542	-	131,501
Municipal	6,480	5,103	70	1,307	-	-	-	-	-	-
Other Asset Backed Securities	56,051	48,001	52	594	3,496	-	50	-	2,024	1,834
<b>Subtotal Debt Investments</b>	<b>2,042,918</b>	<b>165,843</b>	<b>563,336</b>	<b>134,946</b>	<b>520,453</b>	<b>122,130</b>	<b>27,016</b>	<b>27,344</b>	<b>3,367</b>	<b>478,483</b>
<b>Securities Lending Cash Collateral Fund</b>										
Liquidity Pool <sup>4</sup>	284,451	-	-	-	-	-	-	-	-	284,451
Master Custodian Short-Term Investment Fund <sup>4</sup>	740,137	-	-	-	-	-	-	-	-	740,137
<b>Subtotal External Investment Pools</b>	<b>1,024,588</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,024,588</b>
<b>Total</b>	<b>\$3,067,506</b>	<b>\$165,843</b>	<b>\$563,336</b>	<b>\$134,946</b>	<b>\$520,453</b>	<b>\$122,130</b>	<b>\$ 27,016</b>	<b>\$27,344</b>	<b>\$ 3,367</b>	<b>\$1,503,071</b>

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.

2 The investments in the following debt instruments —i.e., Federal Home Loan Mortgage Corp., Federal National Mortgage Assn., and Government National Mortgage Assn., that are Not Rated are implicitly guaranteed by the U.S. Government.

3 In Government Issues, the domestic investments that are Not Rated are guaranteed by the U.S. Government and the foreign investments that are Not Rated are guaranteed by the foreign governments issuing the debt.

4 The external investment pools are not rated.

### Credit Risk—Derivative Instruments

ACERA is exposed to credit risk on investment derivative instruments that are traded over the counter and are reported in asset positions. Derivative instruments exposed to credit risk include currency forward contracts, and synthetic futures (which are included in futures

contracts). 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 derivative instruments 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 set-off in the events of bankruptcy or default by the counterparty. ACERA's investment managers may have collateral posting provisions associated with 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 investment derivative instruments is disclosed on [page 45](#) under Custodial Credit Risk—Derivative Instruments.

The following Credit Risk—Derivative Instruments schedule discloses the counterparty credit ratings of ACERA's investment derivative instruments in asset positions by type, as of December 31, 2025. 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 Derivative Instruments Subject to Credit Risk

As of December 31, 2025 (Dollars in Thousands)

Adjusted Moody's Credit Rating <sup>1</sup>	Fair Value	%
AA	\$ 512	10%
A	4,256	86%
BBB	181	4%
<b>Subtotal Derivative in Asset Position</b>	<b>4,949</b>	<b>100%</b>
Derivative in Liability Position	(7,055)	
<b>Total Derivative Instruments in Asset/(Liability) Position</b>	<b>\$ (2,106)</b>	

<sup>1</sup> See footnote 1 on [page 46](#).

As of December 31, 2025, the \$4.95 million maximum exposure of derivative instruments credit risk was reduced by (\$7.06) million of liabilities included in netting arrangements, resulting in a net exposure to credit risk of (\$2.11) million (rounded).

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. For example, interest rates are inversely correlated with the prices of fixed-rate bonds – when interest rates rise, the prices of fixed-rate bonds decline. Interest rates also affect the discount rates used for valuing investments under the discounted-cash-flow valuation methodology – as interest rates rise, discount rates used to discount the value of an investment's future cash flows rise too, making the future cash flows of an investment less valuable in the present and negatively impacting investment valuations.

ACERA has investments in three fixed income portfolios containing individual debt securities as well as investments in external investment pools containing debt securities, which contain floating-rate debt in addition to fixed-rate debt. All of the fixed-rate debt 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 are as follows:

- Baird Advisors: match the Bloomberg US Aggregate Bond Index (fka Lehman Brothers Aggregate Bond Index) duration.
- Loomis Sayles & Company: Bloomberg US Credit BAA Bond Index (fka Barclays Baa Credit Index) duration +/- 4 years.
- Brandywine Global Investment Management: 1 – 10 years.

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 38 days as of December 31, 2025.

## Interest Rate Risk Analysis – Duration

As of December 31, 2025 (Dollars in Thousands)

Debt Investments by Type	Fair Value	Duration in Years
Auto Loan Receivable	\$ 7,902	2.0
Bank Loan	30,427	0.1
Collateralized Mortgage Obligations	126,452	2.7
Convertible Bonds	13,027	0.0
Corporate Bonds	777,014	5.1
Federal Home Loan Mortgage Corp.	65,763	5.3
Federal National Mortgage Assn.	184,033	5.6
Government National Mortgage Assn. I, II	40,125	4.6
Government Issues	735,644	7.4
Municipal Bonds	6,480	7.3
Other Asset Backed Securities	56,051	2.2
<b>Total of Debt Investments</b>	<b>\$ 2,042,918</b>	
External Investment Pools of Debt Securities	Fair Value	Duration
Securities Lending Cash Collateral Fund		
Liquidity Pool	\$ 284,451	14 days
Master Custodian Short-Term Investment Fund	740,137	-
<b>Total External Investment Pools</b>	<b>\$ 1,024,588</b>	

### Fair Value Highly Sensitive to Changes in Interest Rates

The Interest Rate Risk Analysis table below 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 below. ACERA has no general investment policy with respect to investments with fair values that are highly sensitive to changes in interest rates.

## Interest Rate Risk Analysis – Highly Sensitive Investment with Fair Values Highly Sensitive to Changes in Interest Rates

As of December 31, 2025 (Dollars in Thousands)

Investment Type	Investment Description	Interest Rates	Fair Value
Collateralized Mortgage Obligations	Various debt related Securities	5.88% to 7.47%	\$ 1,435
Government Issues	Various debt related Securities	1.25% to 4.75%	\$ 32,661

### 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 50](#) 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—Swap and Futures Contracts

Swap and futures contracts are derivative instruments. A swap is a derivative contract through which two parties exchange the cash flows or liabilities from two

different financial instruments. A futures contract represents an agreement to purchase or sell a particular asset for a given price at a specified future date.

For those swap and futures 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 derivative instruments and are described in the derivative instruments 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 50](#). 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, 2025 (Dollars in Thousands)

Trade Currency Name	Investment Type							
	Common Stock	Corporate Bonds	Foreign Currency	Government Issues	Lmtd Partnership Units	Preferred Stock	Currency Swap	Net Exposure
Australian Dollar	\$16,347	\$ -	\$ 37	\$ -	\$ -	\$ -	\$ 14	\$ 16,398
Brazilian Real	252	-	37	6,306	-	-	(16)	6,579
Canadian Dollar	45,485	-	3,600	-	-	-	339	49,424
Chilean Peso	-	-	-	-	-	-	510	510
Colombian Peso	-	-	-	7,638	-	-	(124)	7,514
Czech Koruna	182	-	-	-	-	-	-	182
Danish Krone	39,251	-	22	-	-	-	-	39,273
Egyptian Pound	-	-	-	-	-	-	1,521	1,521
Euro Currency	385,351	1,452	751	1,642	32,043	1,943	480	423,662
Hong Kong Dollar	43,103	-	35	-	-	-	-	43,138
Hungarian Forint	173	-	-	4,761	-	-	(6)	4,928
Indonesian Rupiah	228	-	17	-	-	-	-	245
Japanese Yen	196,319	-	76	-	-	-	(4,639)	191,756
Mexican Peso	217	-	8	23,435	-	-	(229)	23,431
New Israeli Sheqel	5,375	-	46	-	-	-	-	5,421
New Taiwan Dollar	336	-	8	-	-	-	-	344
New Zealand Dollar	-	-	-	-	-	-	(45)	(45)
Norwegian Krone	12,659	-	-	-	-	-	(20)	12,639
Philippine Peso	-	-	1	-	-	-	-	1
Polish Zloty	-	-	1	-	-	-	-	1
Pound Sterling	146,049	-	13	54,183	-	-	507	200,752
Singapore Dollar	17,540	-	541	-	-	-	-	18,081
South African Rand	-	-	2	5,342	-	-	-	5,344
South Korean Won	485	-	-	-	-	-	(397)	88
Swedish Krona	23,658	-	161	-	-	-	1	23,820
Swiss Franc	63,343	-	-	-	-	-	-	63,343
Turkish Lira	-	-	-	3,616	-	-	-	3,616
UAE Dirham	468	-	-	-	-	-	-	468
Uruguayan Peso	-	-	-	2,312	-	-	-	2,312
Yuan Renminbi	257	-	-	-	-	-	-	257
<b>Grand Total</b>	<b>\$997,078</b>	<b>\$ 1,452</b>	<b>\$ 5,356</b>	<b>\$109,235</b>	<b>\$32,043</b>	<b>\$ 1,943</b>	<b>\$ (2,104)</b>	<b>\$1,145,003</b>

## Real Estate

**Real Estate Investment Income –  
Separate Properties**For the Year Ended December 31, 2025  
(Dollars in Thousands)

Real Estate Investment Income	\$	4,592
Less Operating Expenses		(3,102)
<b>Real Estate Net Income</b>	<b>\$</b>	<b>1,490</b>

There is no outstanding real estate related debt associated with the separate properties as of December 31, 2025.

**9. Capital Assets**

ACERA's capital assets include equipment and furniture, right-to-use leased office equipment, right-to-use subscription-based software, electronic document management system, information systems, leasehold improvements, and development-in-progress. See the following table for details.

**Capital Assets and Accumulated Depreciation/Amortization**

For the Year Ended December 31, 2025 (Dollars in Thousands)

	January 1, 2025	Additions	Deletions / Transfers	December 31, 2025
<b>CAPITAL ASSETS - NON DEPRECIABLE</b>				
Development-in-Progress - Software	\$ -	\$ 1,374	\$ (1,314)	\$ 60
<b>Total Capital Assets (Cost)</b>	<b>-</b>	<b>1,374</b>	<b>(1,314)</b>	<b>60</b>
<b>CAPITAL ASSETS - DEPRECIABLE</b>				
Leasehold Improvements	2,585	-	-	2,585
Equipment and Furniture	3,114	-	-	3,114
Electronic Document Management System	4,181	-	-	4,181
Information Systems	22,561	1,314	-	23,875
Right-to-Use Leased Office Equipment	157	20	(7)	170
Right-to-Use Subscription-Based Software	234	-	-	234
<b>Total Capital Assets Being Depreciated</b>	<b>32,832</b>	<b>1,334</b>	<b>(7)</b>	<b>34,159</b>
<b>ACCUMULATED DEPRECIATION AND AMORTIZATION</b>				
Leasehold Improvements	(1,704)	(95)	-	(1,799)
Equipment and Furniture	(3,100)	(7)	-	(3,107)
Electronic Document Management System	(4,180)	(1)	-	(4,181)
Information Systems	(11,353)	(1,819)	-	(13,172)
Right-to-Use Leased Office Equipment	(39)	(32)	7	(64)
Right-to-Use Subscription-Based Software	(117)	(78)	-	(195)
<b>Total Accumulated Depreciation and Amortization</b>	<b>(20,493)</b>	<b>(2,032)</b>	<b>7</b>	<b>(22,518)</b>
<b>CAPITAL ASSETS - NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION</b>	<b>\$ 12,339</b>	<b>\$ 676</b>	<b>\$ (1,314)</b>	<b>\$ 11,701</b>

Separate disclosures have been provided for leases that meet the requirements of GASB 87 and those that do not fall under the provisions of GASB 87.

ACERA has two leases that fall under GASB 87 and the details of these leases are as follows:

ACERA entered into a five-year lease for photocopiers

and printers on December 1, 2023. The payments are due monthly in arrears. The monthly payment of \$4,258 included a lease portion of \$3,246 and a non-lease/ service portion of \$1,012 at the beginning of a lease. The lessor will increase the rental amount by 3.00% after year one of the lease term. ACERA estimated the same percentage increase over the lease term in the lease liability calculation.

ACERA renewed a five-year lease for a postage machine on August 1, 2025. The payments are due quarterly in advance. The quarterly payment of \$1,594 included a lease portion of \$1,141 and a non-lease/ service portion of \$453 at the beginning of a lease. As per the lease agreement, there will not be any increase in lease payments except for taxes. ACERA used a risk-free benchmark rate of 4.33% to calculate the lease liability.

No variable and other payments were recognized during the year which were not previously included in lease liability. There are no outstanding lease commitments and no impairment losses were recognized.

### Future Lease Payment Maturity Schedule under GASB 87

As of December 31, 2025 (Dollars in Thousands)

Year	Principal	Interest	Total Payment
2026	\$ 34	\$ 13	\$ 47
2027	39	8	47
2028	42	3	45
2029	4	-	4
2030	2	-	2
<b>Total</b>	<b>\$ 121</b>	<b>\$ 24</b>	<b>\$ 145</b>

There are two software license subscriptions that fall under GASB 96 and the details of these subscription-based softwares are lease as follows:

ACERA entered into a three-year license subscription with SoftwareOne for Microsoft software on January 1, 2023. The payments are due annually in advance. The annual payment of \$51,208 included a lease portion of \$47,474 and a non-lease/ service portion of \$3,734 at the beginning of subscription. There is no annual increase in payment during the subscription term, ending December 2025. ACERA used the risk-free borrowing rate of 4.47% to calculate the subscription

liability. ACERA does plan to renew after the completion of the lease term on December 31, 2025.

ACERA entered into a three-year license subscription for a budget software on February 28, 2024. Payments are due annually in advance. The initial annual payment of \$35,857, which included a lease portion of \$35,857 at the start of the subscription. The lessor will increase the subscription amount by 3.5% in the second and third year of the lease, which ends on February 27, 2027. ACERA used a benchmark rate of 5.32% to calculate the subscription liability.

### Future Subscription Payment Maturity Schedule under GASB 96

As of December 31, 2025 (Dollars in Thousands)

Year	Principal	Interest	Total Payment
2026	\$ 42	\$ 3	\$ 45
2027	-	-	-
<b>Total</b>	<b>\$ 42</b>	<b>\$ 3</b>	<b>\$ 45</b>

## 10. Leases

ACERA leases office space from Oakland 14th St. Office, a title holding corporation formed by ACERA. The lease term expires on December 31, 2028. 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, taxes and insurance costs as defined in the lease.

ACERA's share of these operating expenses was approximately \$65,566 for the year ended December 31, 2025.

## 11. 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.

ACERA has adopted the provisions of the 1937 Act which allows ACERA to exclude actuarial, investment, legal, business continuity and technology direct costs from administration expenses. Since investment related expenses were offset against investment income, the remaining exclusions totaled \$4.6 million for 2025.

ACERA also conforms to the provision of the 1937 Act that limits the administration cap to 0.21 percent of the Actuarial Accrued Liability (AAL). ACERA uses the AAL as of December 31 of the year in which the budget

is adopted for this purpose.

A schedule of Administration Expense is included in the Supplemental Schedules on [page 62](#).

### Application of Statutory Limit on Administration Expense

For the Year Ended December 31, 2025 (Dollars in Thousands)

Total Actuarial Accrued Liability as of December 31, 2024	\$	13,895,595
Limit: Maximum Allowable Fraction of Total Actuarial Accrued Liability (0.21%) times Total Actuarial Accrued Liability	\$	29,181
Portion of Administrative Expenses for the Fiscal Year Subject to the Statutory Limit		17,284
Excess of Limit over Portion of Administration Expense Subject to Limit	\$	11,897
Portion of Administration Expense Subject to Limit as a Percentage of Actuarial Accrued Liability		0.12%

## 12. Related Party Transactions

By necessity, ACERA is involved in various business transactions with the County, 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 the 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.

Also, ACERA leases office space from Oakland 14th St. Office, a title holding company controlled by ACERA. Note 10—Leases describes this arrangement.

### Related Party Transactions

For the Year Ended December 31, 2025  
(Dollars in Thousands)

Reimbursed Cost of ACERA	
Staff Members	\$ 18,576
Reimbursed Costs of County Services	691
State Mandated Benefit Replacement Program IRC 415(m)	693
County Personnel Services	148
Partial Salary/Benefits Reimbursement for Elected Board Members	378
<b>Total</b>	<b>\$ 20,486</b>

## 13. Compensated Absences and Long-term Lease Liabilities

Compensated absences for vacation are recorded as a liability when the benefits are earned; and compensated absences liability for sick leave are recognized based on accumulated leave balances that more likely than not could be used for time off but not available to be paid in cash. The measurement of sick leave liability is based on average usage of the past five-year. The changes in the compensated absences liabilities are included in accrued administration expenses in the statement of changes in net position. The Changes in the accrued leave balances for the year ended December 31, 2025 are summarized in the table below.

### Compensated Absences Liability

(Dollars in Thousands)

	January 1, 2025	Net Change	December 31, 2025	Amounts Due within One Year
Vacation	\$ 1,304	\$ (27)	\$ 1,277	\$ 1,277
Sick Leave	1,042	253	1,295	1,295
<b>Total Accrued Leave</b>	<b>\$ 2,346</b>	<b>\$ 226</b>	<b>\$ 2,572</b>	<b>\$ 2,572</b>

ACERA enters into long-term lease contracts for office equipment and subscription-based software licenses. Detailed disclosure of these leases is included in the Capital Assets note. The following table presents the lease liability activities for the year ended December 31, 2025.

**Long-term Lease Liabilities**

(Dollars in Thousands)

	January 1, 2025	Additions	Reductions	December 31, 2025	Amounts Due within One Year
Leased Office Equipment	\$ 127	\$ 20	\$ (26)	\$ 121	\$ 34
Subscription-based Software	119	-	(77)	42	42
<b>Total Lease Liability</b>	<b>\$ 246</b>	<b>\$ 20</b>	<b>\$ (103)</b>	<b>\$ 163</b>	<b>\$ 76</b>

**14. Subsequent Events**

Management has evaluated subsequent events through June XX, 2026, the date the financial statements were

issued, and has determined that no adjustment or disclosures are necessary to the amounts reported in the financial statements.

# Required Supplementary Information (RSI)

## Pension Plan and Non-OPEB

### Schedule of Changes in Net Pension Liability and Related Ratios

For the Years Ended December 31 (Dollars in Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>Total Pension Liability (TPL)</b>										
Service Cost <sup>1</sup>	\$ 284,955	\$ 266,109	\$ 257,507	\$ 245,467	\$ 235,099	\$ 221,824	\$ 215,625	\$ 209,890	\$ 187,409	\$ 175,642
Interest	864,211	833,369	800,570	767,151	741,739	718,927	688,655	659,592	636,556	603,168
Changes of benefit terms	-	-	13,985	-	-	-	-	-	-	-
Differences between expected and actual experience	162,512	(19,414)	123,460	58,261	(50,360)	33,007	24,548	13,710	17,516	(68,176)
Changes of assumptions	-	-	(103,670)	-	-	236,513	-	-	316,728	150,677
Benefit payments, including refunds of member contributions	(672,472)	(644,127)	(619,679)	(591,337)	(556,269)	(530,763)	(504,185)	(471,943)	(445,288)	(422,223)
<b>Net Change in Total Pension Liability</b>	<b>639,206</b>	<b>435,937</b>	<b>472,173</b>	<b>479,542</b>	<b>370,209</b>	<b>679,508</b>	<b>424,643</b>	<b>411,249</b>	<b>712,921</b>	<b>439,088</b>
<b>Total Pension Liability - Beginning</b>	<b>12,397,161</b>	<b>11,961,224</b>	<b>11,489,051</b>	<b>11,009,509</b>	<b>10,639,300</b>	<b>9,959,792</b>	<b>9,535,149</b>	<b>9,123,900</b>	<b>8,410,979</b>	<b>7,971,891</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 13,036,367</b>	<b>\$ 12,397,161</b>	<b>\$ 11,961,224</b>	<b>\$ 11,489,051</b>	<b>\$ 11,009,509</b>	<b>\$ 10,639,300</b>	<b>\$ 9,959,792</b>	<b>\$ 9,535,149</b>	<b>\$ 9,123,900</b>	<b>\$ 8,410,979</b>
<b>Plan's Fiduciary Net Position (FNP)</b>										
Contributions - employer <sup>2</sup>	\$ 717,385	\$ 311,106	\$ 288,640	\$ 281,647	\$ 1,116,576	\$ 309,753	\$ 298,527	\$ 269,684	\$ 247,064	\$ 241,729
Contributions - member	144,467	134,490	126,472	120,673	111,091	106,104	103,117	94,736	89,326	85,736
Net investment income	1,459,106	931,187	1,126,919	(755,045)	1,115,980	755,501	1,165,767	(216,308)	1,065,908	423,718
Benefit payments, including refunds of member contributions	(672,472)	(644,127)	(619,679)	(591,337)	(556,269)	(530,763)	(504,185)	(471,943)	(445,288)	(422,223)
Administrative expense	(19,771)	(18,423)	(15,865)	(15,369)	(15,040)	(14,810)	(15,274)	(15,246)	(14,571)	(14,618)
Other <sup>3</sup>	-	-	54,206	-	-	-	-	-	-	-
<b>Net Change in Plan's Fiduciary Net Position</b>	<b>1,628,715</b>	<b>714,233</b>	<b>960,693</b>	<b>(959,431)</b>	<b>1,772,338</b>	<b>625,785</b>	<b>1,047,952</b>	<b>(339,077)</b>	<b>942,439</b>	<b>314,342</b>
<b>Plan's Fiduciary Net Position<sup>4</sup> - Beginning</b>	<b>10,932,717</b>	<b>10,218,484</b>	<b>9,257,791</b>	<b>10,217,222</b>	<b>8,444,884</b>	<b>7,819,099</b>	<b>6,771,147</b>	<b>7,110,224</b>	<b>6,167,785</b>	<b>5,853,443</b>
<b>Plan's Fiduciary Net Position<sup>4</sup> - Ending (b)</b>	<b>\$ 12,561,432</b>	<b>\$ 10,932,717</b>	<b>\$ 10,218,484</b>	<b>\$ 9,257,791</b>	<b>\$ 10,217,222</b>	<b>\$ 8,444,884</b>	<b>\$ 7,819,099</b>	<b>\$ 6,771,147</b>	<b>\$ 7,110,224</b>	<b>\$ 6,167,785</b>
<b>Net Pension Liability (NPL) - Ending (a) - (b)</b>	<b>\$ 474,935</b>	<b>\$ 1,464,444</b>	<b>\$ 1,742,740</b>	<b>\$ 2,231,260</b>	<b>\$ 792,287</b>	<b>\$ 2,194,416</b>	<b>\$ 2,140,693</b>	<b>\$ 2,764,002</b>	<b>\$ 2,013,676</b>	<b>\$ 2,243,194</b>
<b>FNP as a Percentage of the TPL</b>	<b>96.36%</b>	<b>88.19%</b>	<b>85.43%</b>	<b>80.58%</b>	<b>92.80%</b>	<b>79.37%</b>	<b>78.51%</b>	<b>71.01%</b>	<b>77.93%</b>	<b>73.33%</b>
<b>Covered Payroll<sup>5</sup></b>	<b>\$ 1,474,012</b>	<b>\$ 1,342,932</b>	<b>\$ 1,251,821</b>	<b>\$ 1,198,970</b>	<b>\$ 1,153,918</b>	<b>\$ 1,111,849</b>	<b>\$ 1,081,587</b>	<b>\$ 1,046,034</b>	<b>\$ 995,178</b>	<b>\$ 947,568</b>
<b>NPL as a Percentage of Covered Payroll</b>	<b>32.22%</b>	<b>109.05%</b>	<b>139.22%</b>	<b>186.10%</b>	<b>68.66%</b>	<b>197.37%</b>	<b>197.92%</b>	<b>264.24%</b>	<b>202.34%</b>	<b>236.73%</b>

1 The service cost is based on the previous year's valuation, meaning the December 31, 2025 measurement date values are based on the valuation as of December 31, 2024.

2 Employer contributions are on a net basis after (i) considering the total cash contributions made by the employers, (ii) reducing by the employer contributions made to the 401(h) account, and (iii) increasing by the amount of transfer from the SRBR to the Employer Advance Reserve for employer contribution made to the 401(h) account in (ii). Also, the County and LARPD made voluntary contributions of \$800 million (County Safety and \$12.61 million (LARPD General), respectively in 2021. The County made additional voluntary contributions of \$400 million in 2025 to pay down a portion of the UAAL for its General membership.

3 A \$54.2 million transfer from the OPEB SRBR to the non-OPEB SRBR was made by the Board of Retirement in 2023 to equalize the sufficiency periods of the OPEB and non-OPEB SRBR benefits.

4 For 2025, the Plan's Fiduciary Net Position amount shown \$12,561,432 includes the net fair value of assets \$14,052,478 less OPEB-related SRBR assets \$1,491,046. The OPEB-related SRBR assets include \$1,137,880 in the SRBR-OPEB reserve (after reducing the reserve by the \$9,391 SRBR implicit subsidy transfer), and \$10,310 in the 401(h) reserve, plus a proportionate share of one-half of the net deferred market gains commensurate with the size of the OPEB to total SRBR and 401(h) reserve to valuation and 401(h) reserves of \$342,856. For 2024, the Plan's Fiduciary Net Position amount shown \$10,932,717 includes the net fair value of assets \$12,034,355 less OPEB-related SRBR assets \$1,101,638. The OPEB-related SRBR assets include \$1,094,287 in the SRBR-OPEB reserve (after reducing the reserve by the \$2,472 SRBR implicit subsidy transfer), and \$10,521 in the 401(h) reserve, minus a proportionate share of the deferred market losses commensurate with the size of the OPEB to total SRBR and 401(h) reserve to valuation and 401(h) reserves of \$3,170.

5 For years ended December 31, 2017 and later, covered payroll represents compensation earnable and pensionable compensation and is defined as the payroll on which contributions to the pension plan are based. For the years ended before December 31, 2017, covered payroll represents compensation earnable and pensionable compensation that would go into the determination of retirement benefits are included.

### Schedule of Employer Contributions

Last Ten Fiscal Years (Dollars in Thousands)

Year Ended December 31	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll <sup>1</sup>	Contributions as a Percentage of Covered Payroll
2016	\$ 241,728	\$ 241,728	\$ -	\$ 947,568	25.51%
2017	247,064	247,064	-	995,178	24.83%
2018	269,684	269,684	-	1,046,034	25.78%
2019	298,527	298,527	-	1,081,587	27.60%
2020	309,759	309,753	6 <sup>2</sup>	1,111,849	27.86%
2021	303,965	1,116,576	(812,611) <sup>3</sup>	1,153,918	96.76% <sup>4</sup>
2022	281,647	281,647	-	1,198,970	23.49%
2023	288,640	288,640	-	1,251,821	23.06%
2024	311,106	311,106	-	1,342,932	23.17%
2025	317,385	717,385	(400,000) <sup>5</sup>	1,474,012	48.67% <sup>6</sup>

- 1 For years ended December 31, 2017 and later, covered payroll represents compensation earnable and pensionable compensation and is defined as the payroll on which contributions to the pension plan are based. For the years ended before December 31, 2017, covered payroll represents compensation earnable and pensionable compensation that would go into the determination of retirement benefits are included.
- 2 Actuarially Determined Contribution for the Alameda County Office of Education of \$78 less actual contribution paid of \$72.
- 3 Voluntary County Safety contributions of \$800.0 million and LARPD General contributions of \$12.6 million to reduce their UAAL contribution rates.
- 4 Contributions as a percentage of covered payroll is 26.34% if excluding the voluntary County Safety and LARPD General contributions.
- 5 Voluntary County General contributions of \$400.0 million to reduce their UAAL contribution rates.
- 6 Contributions as a percentage of covered payroll is 21.53% if excluding the voluntary County General contributions.

### Schedule of Investment Returns

Last Ten Fiscal Years (As of December 31)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual Money-Weighted Rate of Return, net of Investment Expense	15.74%	9.20%	12.30%	-11.01%	16.12%	11.70%	18.10%	-4.44%	19.02%	7.16%

## Postemployment Medical Benefits

### Schedule of Changes in Net OPEB Liability and Related Ratios

For the Years Ended December 31 (Dollars in Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability<sup>1</sup></b>									
Service Cost <sup>2</sup>	\$ 39,641	\$ 37,369	\$ 36,611	\$ 33,756	\$ 33,440	\$ 31,511	\$ 27,678	\$ 31,577	\$ 26,991
Interest	94,101	89,705	87,185	84,971	84,144	79,142	73,843	73,427	69,879
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(24,479)	(27,445)	(23,139)	(27,434)	(24,112)	(13,871)	(41,706)	(27,712)	(21,627)
Changes of assumptions	81,399	12,356	(16,794)	(15,643)	(36,048)	57,696	12,524	(11,430)	58,973
Benefit payments	(52,784)	(50,187)	(47,072)	(46,711)	(45,917)	(46,021)	(43,562)	(40,879)	(37,904)
<b>Net Change in Total OPEB Liability</b>	<b>137,878</b>	<b>61,798</b>	<b>36,791</b>	<b>28,939</b>	<b>11,507</b>	<b>108,457</b>	<b>28,777</b>	<b>24,983</b>	<b>96,312</b>
<b>Total OPEB Liability - Beginning</b>	<b>1,330,606</b>	<b>1,268,808</b>	<b>1,232,017</b>	<b>1,203,078</b>	<b>1,191,571</b>	<b>1,083,114</b>	<b>1,054,337</b>	<b>1,029,354</b>	<b>933,042</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$1,468,484</b>	<b>\$1,330,606</b>	<b>\$1,268,808</b>	<b>\$1,232,017</b>	<b>\$1,203,078</b>	<b>\$1,191,571</b>	<b>\$1,083,114</b>	<b>\$1,054,337</b>	<b>\$1,029,354</b>
<b>Plan's Fiduciary Net Position (FNP)</b>									
Contributions - employer <sup>3</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions - member	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	\$ 444,355	\$ 93,445	\$ 122,605	\$ (534,552)	\$ 486,212	\$ 262,140	\$ 193,656	\$ (138,333)	\$ 243,189
Benefit payments	(52,784)	(50,187)	(47,072)	(46,711)	(45,917)	(46,021)	(43,562)	(40,879)	(37,904)
Administrative expense	(2,163)	(1,957)	(1,711)	(1,657)	(1,537)	(1,416)	(1,354)	(1,224)	(1,204)
Other	-	-	(54,206)	-	-	-	-	-	-
<b>Net Change in Plan's Fiduciary Net Position</b>	<b>389,408</b>	<b>41,301</b>	<b>19,616</b>	<b>(582,920)</b>	<b>438,758</b>	<b>214,703</b>	<b>148,740</b>	<b>(180,436)</b>	<b>204,081</b>
<b>Plan's Fiduciary Net Position<sup>4</sup> - Beginning</b>	<b>1,101,638</b>	<b>1,060,337</b>	<b>1,040,721</b>	<b>1,623,641</b>	<b>1,184,883</b>	<b>970,180</b>	<b>821,440</b>	<b>1,001,876</b>	<b>797,795</b>
<b>Plan's Fiduciary Net Position<sup>4</sup> - Ending (b)</b>	<b>\$1,491,046</b>	<b>\$1,101,638</b>	<b>\$1,060,337</b>	<b>\$1,040,721</b>	<b>\$1,623,641</b>	<b>\$1,184,883</b>	<b>\$ 970,180</b>	<b>\$ 821,440</b>	<b>\$1,001,876</b>
<b>Net OPEB Liability (Asset) NOL/ (NOA) - Ending (a) - (b)</b>	<b>\$ (22,562)</b>	<b>\$ 228,968</b>	<b>\$ 208,471</b>	<b>\$ 191,296</b>	<b>\$ (420,563)</b>	<b>\$ 6,688</b>	<b>\$ 112,934</b>	<b>\$ 232,897</b>	<b>\$ 27,478</b>
<b>FNP as a Percentage of the Total OPEB Liability</b>	<b>101.54%</b>	<b>82.79%</b>	<b>83.57%</b>	<b>84.47%</b>	<b>134.96%</b>	<b>99.44%</b>	<b>89.57%</b>	<b>77.91%</b>	<b>97.33%</b>
<b>Covered-Employee Payroll<sup>5</sup></b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

1 Total OPEB liability is not available for years prior to December 31, 2017. Information will be presented in future years as it becomes available.

2 The service cost is based on the previous year's valuation, meaning the December 31, 2025 measurement date values are based on the valuation as of December 31, 2024.

3 Employer contributions are on a net basis. Benefits are funded by employer contributions to the 401(h) account and similar amounts are transferred from the SRBR to the Employer Advance Reserve to backfill the employer contributions that would have otherwise been made to the Retirement Plan.

4 For 2025, the Plan's Fiduciary Net Position amount shown \$1,491,046 includes the OPEB-related SRBR reserve of \$1,137,880 (after reducing the reserve by the SRBR implicit subsidy transfer of \$9,391) and the 401(h) reserve of \$10,310, plus the proportionate share of one-half of the net deferred investment gains that is commensurate with the size of the OPEB SRBR reserve of \$342,856. For 2024, the Plan's Fiduciary Net Position amount shown \$1,101,638 includes the OPEB-related SRBR reserve of \$1,094,287 (after reducing the reserve by the SRBR implicit subsidy transfer of \$2,472) and the 401(h) reserve of \$10,521, less the proportionate share of the net deferred investment loss that is commensurate with the size of the OPEB SRBR reserve of \$3,170.

5 Covered-employee payroll is not shown as contributions to the OPEB plan are not based on a measure of pay. Covered-employee payroll represents Compensation Earnable and Pensionable Compensation. Only Compensation Earnable and Pensionable Compensation that would go into the determination of retirement benefits would otherwise be included.

### Schedule of Employer Contributions - OPEB

Last Ten Fiscal Years (Dollars in Thousands)

Year Ended December 31	Actuarially Determined Contributions (ADC) <sup>1</sup>	Contributions in Relation to ADC <sup>1</sup>	Contribution Deficiency (Excess)	Covered-Employee Payroll <sup>2</sup>	Contributions as a Percentage of Covered-Employee Payroll
2016	N/A	N/A	-	N/A	N/A
2017	N/A	N/A	-	N/A	N/A
2018	N/A	N/A	-	N/A	N/A
2019	N/A	N/A	-	N/A	N/A
2020	N/A	N/A	-	N/A	N/A
2021	N/A	N/A	-	N/A	N/A
2022	N/A	N/A	-	N/A	N/A
2023	N/A	N/A	-	N/A	N/A
2024	N/A	N/A	-	N/A	N/A
2025	N/A	N/A	-	N/A	N/A

1 Benefits are funded by employer contributions to the 401(h) account and similar amounts are transferred from the SRBR to the Employers Advance Reserve to backfill the employer contributions that would have otherwise been made to the Pension Plan.

2 Covered-employee payroll is not shown as contributions to the OPEB plan are not based on a measure of pay. Covered-employee payroll represents Compensation Earnable and Pensionable Compensation. Only Compensation Earnable and Pensionable Compensation that would go into the determination of retirement benefits would otherwise be included.

The Schedule of Investment Returns for the total fund is reported on [page 56](#) of the RSI.

# Notes to Required Supplementary Information

## PENSION PLAN AND NON-OPEB

### Actuarial Assumptions

The Total Pension Liabilities (TPLs) as of the measurement dates were calculated by rolling forward the liabilities from prior years' actuarial valuations. The actuarial assumptions used to develop the TPLs are the same assumptions used for the respective funding valuations as of the measurement date of the TPL. The TPL as of December 31, 2025 was determined by rolling forward the TPL from the actuarial funding valuation as of December 31, 2024. The key assumptions used for calculating the TPL as of December 31, 2025, are as follows:

Investment Rate of Return	7.00%, net of pension plan investment expense, including inflation
Inflation	2.50%
Salary Increases	General: 8.00% to 3.45% and Safety: 11.40% to 4.00%, vary by service, including inflation and across-the-board salary increase

### Methods and Assumptions Used to Establish Actuarially Determined Contribution (ADC) Rates

Actuarially determined contribution rates for the first six months of calendar year 2025 (or the second half of fiscal year 2024-2025) are calculated based on the December 31, 2023, valuation. Actuarially determined contribution rates for the last six months of calendar year 2025 (or the first half of fiscal year 2025-2026) are calculated based on the December 31, 2024, valuation.

Valuation Date	December 31, 2024	December 31, 2023
Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percentage of payroll (3.00% payroll growth assumed)	Level percentage of payroll (3.00% pay-roll growth assumed)
Remaining Amortization Period	<p>Prior to January 1, 2012, the total UAAL was amortized on a 30-year decreasing period, with 21 years remaining as of December 31, 2011 (and 8 years remaining as of December 31, 2024).</p> <p>On or after January 1, 2012, any new UAAL resulting from plan amendments are amortized over separate decreasing 15-year periods.</p> <p>Early retirement incentive programs (ERIPs) are amortized over separate decreasing 5-year periods.</p> <p>Assumption and method changes are amortized over separate decreasing 20-year periods.</p> <p>Experience gains/losses are also amortized over separate decreasing 20-year periods.</p> <p>The Voluntary County Safety UAAL Contributions are amortized over a 13-year period effective July 1, 2021 (with 9.5 years remaining as of December 31, 2024). The voluntary LARPD General UAAL contributions are amortized over a 16-year period effective July 1, 2021. All existing LARPD General UAAL layers as of December 31, 2024 (except the December 31, 2024 UAAL) are amortized over 12.5 years. The UAAL as of December 31, 2024 is amortized over 20 years.</p>	<p>Prior to January 1, 2012, the total UAAL was amortized on a 30-year decreasing period, with 21 years remaining as of December 31, 2011 (and 9 years remaining as of December 31, 2023).</p> <p>On or after January 1, 2012, any new UAAL resulting from plan amendments are amortized over separate decreasing 15-year periods.</p> <p>Early retirement incentive programs (ERIPs) are amortized over separate decreasing 5-year periods.</p> <p>Assumption and method changes are amortized over separate decreasing 20-year periods.</p> <p>Experience gains/losses are also amortized over separate decreasing 20-year periods.</p> <p>The voluntary County Safety UAAL contributions are amortized over a 13-year period effective July 1, 2021 (with 10.5 years remaining as of December 31, 2023). The voluntary LARPD General UAAL contributions are amortized over a 16-year period effective July 1, 2021 (with 13.5 years remaining as of December 31, 2023). Effective December 31, 2023, the existing LARPD General UAAL layers are amortized over 13.5 years.</p>
Asset Valuation Method	<p>The actuarial value of assets is determined by recognizing any difference between the actual and the expected market return over 10 six-month interest crediting periods. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets. The valuation value of assets is the actuarial value of assets reduced by the value of the non-valuation reserves.</p>	

Actuarial Assumptions:	December 31, 2024	December 31, 2023
Investment rate of return	7.00%, net of pension plan administrative and investment expense, including inflation	7.00%, net of pension plan administrative and investment expense, including inflation
Inflation rate	2.50%	2.50%
Real across-the-board salary increases	0.50%	0.50%
Projected salary increases	General: 8.00% to 3.45% and Safety: 11.40% to 4.00%, vary by service, including inflation and across-the-board salary increase	General: 8.00% to 3.45% and Safety: 11.40% to 4.00%, vary by service, including inflation and across-the-board salary increase.
Cost of living adjustments	2.75% of retirement income for General Tiers 1 and 3, and Safety Tier 1.	2.75% of retirement income for General Tiers 1 and 3, and Safety Tier 1.
	2.00% of retirement income for General Tiers 2 and 4, and Safety Tiers 2, 2C, 2D, and 4.	2.00% of retirement income for General Tiers 2 and 4, and Safety Tiers 2, 2C, 2D, and 4.
Other assumptions	Based on analysis of actuarial experience during the period December 1, 2019 through November 30, 2022.	Based on analysis of actuarial experience during the period December 1, 2019 through November 30, 2022.

## 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 Health Care Cost Trend Rate assumptions which are specific to the postemployment medical benefits.

The Total OPEB Liabilities as of the measurement dates

were calculated by rolling forward the liabilities from the prior years' sufficiency valuation, with adjustments for preliminary assumptions adopted for the sufficiency valuation as of the measurement date. The key assumptions used for calculating the total OPEB liability as of December 31, 2025, are as follows:

Investment Rate of Return	7.00% net of OPEB plan investment expense, including inflation
Inflation	2.50%
Health Care Premium Trend Rates	
<b>Non-Medicare medical plan</b>	8.00% graded to ultimate 4.50% over 14 years.
<b>Medicare medical plan</b>	7.50% graded to ultimate 4.50% over 12 years.
<b>Dental</b>	5.00% graded to ultimate 4.00% over 2 years.
<b>Vision</b>	3.00%
<b>Medicare Part B reimbursement<sup>1</sup></b>	6.75% until 2033, then 6.25% graded to ultimate 4.50% over 4 years.
Other Assumptions	Based on analysis of actuarial experience during the period December 1, 2019 through November 30, 2022.

<sup>1</sup> The actual 2025 premium increase of 9.68% reflecting the standard 2026 premium of \$202.90 per month was reflected in the current year GASB 74 valuation with December 31, 2025 measurement date. The proposed 6.75% initial trend assumption represents the average trend shown for years 2026 through 2033 of the Trustees report.

# Supplemental Schedules

## Administration Expense

For the Year Ended December 31, 2025  
(Dollars in Thousands)

<b>Personnel Services</b>	
Staff Wages	\$ 9,913
Fringe Benefits	4,377
Temporary Services	359
<b>Total Personnel Services</b>	<b>14,649</b>
<b>Professional Services</b>	
Consultant Fees	472
Audit	106
<b>Total Professional Services</b>	<b>578</b>
<b>Communications</b>	
Printing & Postage	194
Communication	44
<b>Total Communications</b>	<b>238</b>
<b>Office Space and Utilities</b>	
Office Space and Utilities	50
<b>Total Office Space and Utilities</b>	<b>50</b>
<b>Lease Expenses</b>	
Interest on Lease Liabilities	12
Amortization of Right-to-use Assets	25
<b>Total Lease Expenses</b>	<b>37</b>
<b>Other</b>	
Depreciation and Amortization	76
Board Operating Expenses	416
Insurance	514
Miscellaneous	551
Training	101
Equipment Leases <sup>1</sup>	2
Equipment Maintenance	59
Supplies	13
<b>Total Other</b>	<b>1,732</b>
<b>Subtotal: Administrative Expense Subject to Statutory Limit</b>	<b>17,284</b>
Actuarial Expenses	432
Business Continuity	713
Legal Expenses	922
Technology Expenses	2,583
<b>Subtotal: Administration Expense Excluded from Statutory Limit<sup>2</sup></b>	<b>4,650</b>
<b>TOTAL ADMINISTRATION EXPENSE</b>	<b>\$ 21,934</b>

<sup>1</sup> Lease expenses that do not fall under GASB 87.

<sup>2</sup> Legal expenses, business continuity, and technology include an allocation of administration overhead expenses.

## Investment Expenses

For the Year Ended December 31, 2025  
(Dollars in Thousands)

Investment Manager Fees <sup>1</sup>	\$ 135,098
Brokerage Commissions	1,083
Investment Allocated Costs	3,867
Investment Consultants	1,395
Other Investment Expenses/(Income)	612
Investment Custodians	577
<b>Total Investment Expenses</b>	<b>\$ 142,632</b>

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

## Payments to Other Consultants<sup>1</sup>

For the Year Ended December 31, 2025  
(Dollars in Thousands)

Actuarial & Audit Services	\$ 618
Human Resources Consulting	148
Legal Services	109
Other Specialized Services	1,485
<b>Total Payments to Consultants</b>	<b>\$ 2,360</b>

<sup>1</sup> These are payments to outside consultants other than related to investments.



# ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Audit Results for the Year Ended  
December 31, 2025



*Confidence Earned*

# AUDIT RESULTS

- ▶ Audit is substantially complete.
- ▶ The audit was conducted in accordance with the plan communicated to you in February 2026.
- ▶ Basic Financial Statements
  - Unmodified opinion
- ▶ Internal Control and Compliance (Yellow Book)
  - No significant deficiencies or material weaknesses.
    - 37 Act Requirements - No Exceptions.
    - Administrative Limitation - Within the limitation.
    - ACERA Policies and Procedures - No exceptions.
  - No compliance findings.
- ▶ Final report will be submitted to the Board after acceptance by the Audit Committee.

# AUDIT RESULTS

- ▶ Audit opinion
  - Independence
  - Emphasis-of-matters
    - Harder-to-value investments
    - Net pension liability
    - OPEB liability
  - Responsibilities of management
    - Prepare the financial statements.
    - Maintain system of internal controls.
    - Perform going concern evaluation.

# AUDIT RESULTS

- ▶ Audit opinion
  - Auditor's responsibilities
    - Evaluate accounting policies, significant accounting estimates, and the overall presentation of the financial statements.
    - Conclude regarding the ability to continue as a going concern.

# AUDIT AREAS OF FOCUS

- ❑ Investment valuation
- ❑ Benefit testing
- ❑ Actuarial assumptions and actuarial calculations
- ❑ Financial reporting
- ❑ Contributions
- ❑ Reserves transfers

# KEY POINTS RELATED TO INVESTMENTS

- ❑ Critical audit assertions
  - Existence
  - Valuation (prescribed by GASB 72)
  - Cut-off
- ❑ Fair value investments (73.6% of net position)
  - Confirmed existence and value with both the custodian and managers.
- ❑ Harder-to-value investments (26.4% of net position)
  - Obtained audited financial statements or other evidence to validate the value.
  - Performed procedures to validate the terms of redemption, liquidity withdrawal, and unfunded commitments.
  - Included an emphasis-of-matter paragraph in the auditor's opinion.

# REQUIRED COMMUNICATIONS

- ❑ Management estimates include:
  - Valuation of harder-to-value investments
  - Actuarial assumptions
- ❑ No significant difficulties in dealing with management; or disagreements related to financial accounting, reporting, or auditing matters with management.
- ❑ There were no adjustments and no passed adjustments.
- ❑ We are not aware of any consultations by management with other accountants.
- ❑ We will request that management provide a management representation letter.
- ❑ As part of our audit, we considered ACERA'S internal control solely for the purpose of determining our auditing procedures and not to provide any assurance concerning such internal control.

# REQUIRED COMMUNICATIONS

- ❑ Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by ACERA are described in Note 1 of the financial statements.
- ❑ ACERA implemented GASB 102, *Certain Risk Disclosures*, GASB 103, *Financial Reporting Model Improvements*, and GASB 104, *Disclosure of Certain Capital Assets*.
- ❑ We noted no transactions entered into by ACERA during the year for which there is a lack of authoritative guidance or consensus.
- ❑ There are no significant transactions recognized in the financial statements in a different period than when the transaction occurred.
- ❑ We applied certain limited procedures to the RSI, but express no opinion.
- ❑ We performed procedures on the supplementary information and concluded the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



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MEMORANDUM TO THE AUDIT COMMITTEE

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DATE: May 21, 2026

TO: Members of the Audit Committee

FROM: Lisa Johnson, Assistant Chief Executive Officer 

SUBJECT: Governmental Accounting Standards Board (GASB) Statement No. 67 and Statement No. 74 Actuarial Valuations and Addendums as of December 31, 2025

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**Executive Summary**

Staff has completed its review and evaluation of the GASB Statement No. 67 and Statement No. 74 Actuarial Valuations and Addendums<sup>1</sup> as of December 31, 2025. Staff and ACERA's actuary, Segal Consulting, conducted presentations of this information at the following meetings:

- April 16, 2026, Audit Committee meeting; and
- April 21, 2026, Participating Employers' Meeting

Having no need for further review, staff recommends the Board of Retirement consider a motion to adopt the GASB Statement No. 67 and Statement No. 74 Actuarial Valuations and Addendums as of December 31, 2025.

**Recommendation**

Staff recommends that the Audit Committee recommend that the Board of Retirement adopt the GASB Statement No. 67 and Statement No. 74 Actuarial Valuations and Addendums as of December 31, 2025.

**Attachments:**

Governmental Accounting Standards Board (GASB) Statement No. 67 and Statement No. 74 Actuarial Valuations and Addendums as of December 31, 2025

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<sup>1</sup>The addendums contain additional schedules recommended by the American Institute of Certified Public Accountants (AICPA) for use in allocating the Net Pension Liability (NPL) and the Net OPEB Liability (NOL) by employer, before issuing the full companion reports for the employers' financial reporting under GASB Statement No. 68 and Statement No. 75.

# Alameda County Employees' Retirement Association

**Governmental Accounting Standards Board  
Statement No. 67 Actuarial Valuation  
as of December 31, 2025**

DRAFT



This valuation report should only be copied, reproduced, or shared with other parties in its entirety as necessary for the proper administration of the Plan.

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**Segal**



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Suite 1100  
San Francisco, CA 94105-6147  
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T 415.263.8200

April 3, 2026

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

Dear Board Members:

We are pleased to submit this Governmental Accounting Standards Board Statement No. 67 (GASB 67) Accounting Valuation as of December 31, 2025 for the Alameda County Employees' Retirement Association ("ACERA" or "the Plan"). It contains various information that will need to be disclosed in order to comply with GASB 67. Please refer to ACERA's Actuarial Valuation and Review as of December 31, 2024, dated May 23, 2025, for the data and ACERA's Actuarial Valuation and Review as of December 31, 2025, dated April 2, 2026, for the assumptions and plan of benefits underlying these calculations.

This report has been prepared in accordance with generally accepted actuarial principles and practices for the exclusive use and benefit of the Board of Retirement (the Board), based upon information provided by the staff of the Plan and the Plan's other service providers.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of Eva Yum, FSA, MAAA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. The assumptions used in this actuarial valuation were selected by the Board based upon our analysis and recommendations. In our opinion, the assumptions are reasonable and take into account the experience of ACERA and reasonable expectations. In addition, in our opinion, the combined effect of these assumptions is expected to have no significant bias.

Board of Retirement  
April 3, 2026

Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The Board is encouraged to discuss any issues raised in this report with the Plan's legal, tax and other advisors before taking, or refraining from taking, any action.

We look forward to reviewing this report with you and to answering any questions.

Sincerely,

Segal

Todd Tauzer, FSA, MAAA, FCA, CERA  
Senior Vice President and Actuary

Eva Yum, FSA, MAAA, EA  
Vice President and Actuary

Daniel Siblik, ASA, MAAA, FCA, EA  
Vice President and Actuary

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# Section 1: Actuarial Valuation Summary

## Purpose and basis

This report has been prepared by Segal to present certain disclosure information required by Governmental Accounting Standards Board Statement No. 67 (GASB 67) as of December 31, 2025. Determinations for purposes other than meeting financial accounting requirements may be significantly different from the results reported here. This report is based on:

- The benefit provisions of ACERA, as administered by the Board;
- The characteristics of covered active, inactive, and retired members and beneficiaries as of November 30, 2024,<sup>1</sup> provided by the staff of the ACERA;
- The assets of the Plan as of December 31, 2025, provided by ACERA;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board for the December 31, 2025 funding valuation; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc. adopted by the Board for the December 31, 2025 funding valuation.

## General observations on a GASB 67 actuarial valuation

1. The Governmental Accounting Standards Board (GASB) rules only define pension liability and expense for financial reporting purposes, they do not apply to contribution amounts for pension funding purposes. Employers and plans should continue to develop and adopt funding policies under current practices.
2. When measuring pension liability, GASB uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as ACERA uses for funding. This means that the Total Pension Liability (TPL) measure for financial reporting shown in this report is generally determined on the same basis as ACERA's actuarial accrued liability (AAL) measure for funding. We note that the same is generally true for the service cost for financial reporting shown in this report and the normal cost component of the annual plan cost for funding.
3. The Net Pension Liability (NPL) is equal to the difference between the TPL and the Plan Fiduciary Net Position (FNP). The Plan FNP is equal to the fair value of assets and therefore, the NPL measure is very similar to an unfunded actuarial accrued liability (UAAL) on a market value basis.

<sup>1</sup> Data as of November 30 has been adjusted to December 31 by adding one month of age and, for active members, one month of service.

# Section 1: Actuarial Valuation Summary

## Highlights of the valuation

1. The reporting date for the Plan is December 31, 2025 and the NPL was measured as of the same date. The TPL was determined based upon rolling forward the TPL from the actuarial funding valuation as of December 31, 2024 while the Plan FNP was valued as of the measurement date. In addition, any changes in actuarial assumptions or plan provisions that occurred between the valuation date and the measurement date have been reflected.

Similar to last year, we have included in the TPL as of December 31, 2025 the unlimited non-OPEB AAL of \$224.4 million, which was calculated by rolling forward the total unlimited non-OPEB AAL as of December 31, 2024.

2. The County made voluntary County General contributions of \$400 million on June 27, 2025 to reduce their General UAAL and associated employer contribution rates. The County General actuarially determined contributions were determined to reflect the amortization of these voluntary contributions.
3. The NPL decreased from \$1.5 billion as of December 31, 2024 to \$0.5 billion as of December 31, 2025 primarily due to \$400 million in additional voluntary County General contributions to reduce their UAAL and associated employer contribution rates and favorable investment experience,<sup>2</sup> a return on the market value of assets of 13.2% during calendar year 2025 that was greater than the assumption of 7.00% used in the December 31, 2024 valuation (a gain of about \$688 million<sup>3</sup>). Changes in these values during the last two fiscal years can be found in *Section 2, Exhibit 3: Schedule of changes in Net Pension Liability* on page 21.
4. As we disclosed in our December 31, 2025 funding valuation report, the 7.00% investment return assumption that the Board approved on December 21, 2023 for determining the liabilities for funding purposes and used for establishing the employer and employee contribution rates has continued to be developed without considering the impact of any future 50/50 excess earnings allocation. This is based on our understanding that Article 5.5 of the Statute, which authorizes the allocation of 50% of excess earnings to the Supplemental Retiree Benefits Reserve (SRBR), does not allow for the use of a different investment return for funding than is used for interest crediting. This would appear in effect to preclude the prefunding of the SRBR through the use of an assumption lower than the market earnings assumption of 7.00%.

Actuarial Standard of Practice (ASOP) No. 4 (“Measuring Pension Obligations and Determining Pension Plan Costs or Contributions”) states that some plan provisions, including gain sharing provisions, “may create pension obligations that are difficult to appropriately measure using traditional valuation procedures.” ASOP No. 4 further states that “for such plan provisions, the actuary should consider using alternative valuation procedures, such as stochastic modeling...to reflect the impact of variations in experience from year to year.” Accordingly, we performed a stochastic model to estimate the impact of the

<sup>2</sup> The market value investment return for ACERA as a whole was 15.55% net of administrative expenses, or 15.74% gross of administrative expenses, during 2025. In allocating the end of year market value of assets between the Pension Plan and the SRBR, we have taken into consideration that for ACERA as a whole, the actuarial value of assets was lower than the market value of assets as of December 31, 2025 and there are deferred investment gains scheduled to be recognized in the next few years. One-half of the net deferred market gain is allocated proportionately to the Pension Plan and 401(h) reserve, and one-half of the net deferred market gain is allocated to the SRBR. As a result, the market value investment return for the Pension Plan is 12.9% compared to the 41.5% investment return for the SRBR (OPEB and non-OPEB SRBR combined).

<sup>3</sup> This amount represents the investment income on the Plan FNP for the Pension Plan and non-OPEB SRBR that is above the assumed earnings (actual market return of 13.2% versus 7.00% assumed in the valuation) for the year ending December 31, 2025.

## Section 1: Actuarial Valuation Summary

50% allocation of future excess earnings to the SRBR as part of our triennial experience study recommending assumptions for use starting with the December 31, 2023 valuation. The results of our model indicated that the 50/50 allocation of future excess earnings would have about the same impact as an “outflow” (i.e., assets not available to fund the benefits included in the determination of the TPL) that would average approximately 0.75% of assets over time. This approximated outflow was incorporated into our GASB crossover test<sup>4</sup> in *Appendix A*, along with the additional future employer contributions that would result from those future allocations of excess earnings to the SRBR under ACERA’s funding policy. (The choice of this methodology by the Board in 2015 to reflect the impact of the SRBR was a result of several meetings with ACERA and its auditors, as well as with administrative staff, auditors, and consultants representing the County of Alameda, and after twice consulting with GASB staff.)

5. As of December 31, 2025, the deferred investment gain for the entire Plan was \$761.8 million. The proportionate share of one-half of the net deferred investment gain as of December 31, 2025 for the Pension Plan was equal to \$380.5 million and in calculating the Plan FNP we have adjusted the Pension Plan’s valuation value of assets of \$11,871.3 million in the funding valuation to reflect that amount plus the Contingency Reserve of \$143.8 million. We have also continued the practice of adjusting the Plan FNP as of December 31, 2025 to include the \$127.4 million set aside by the Retirement Board in the SRBR reserve to pay non-vested Supplemental COLA and retired member death benefits<sup>5</sup> as of December 31, 2025. We have added to the Plan FNP the proportionate share of one-half of the net deferred investment gain that is commensurate with the size of the non-OPEB SRBR reserve, or \$38.4 million. The net effect of the adjustments to the Plan FNP as of December 31, 2025 for non-OPEB SRBR benefits was an addition of \$165.8 million.
6. The \$58.6 million difference between the \$224.4 million added to the TPL and the net \$165.8 million added to the Plan FNP as of December 31, 2025 represents the NPL attributable to non-OPEB SRBR benefits.
7. For the December 31, 2025 measurement date, the Plan FNP amount of \$12,561,432,155 includes the net fair value of assets of \$14,052,478,360, less OPEB-related SRBR assets of \$1,491,046,205. The OPEB-related SRBR assets include \$1,137,880,407 in the SRBR-OPEB reserve (after reducing the reserve by the \$9,390,686 SRBR implicit subsidy transfer), and \$10,309,803 in the 401(h) reserve, plus a proportionate share of one-half of the net deferred market gains commensurate with the size of the OPEB to total SRBR and 401(h) reserve to valuation and 401(h) reserves of \$342,855,996. For the December 31, 2024 measurement date, the Plan FNP amount of \$10,932,716,498 includes the net fair value of assets of \$12,034,355,047, less OPEB-related SRBR assets of \$1,101,638,549. The OPEB-related SRBR assets include \$1,094,286,987 in the SRBR-OPEB reserve (after reducing the reserve by the \$2,472,346 SRBR implicit subsidy transfer), and \$10,521,170 in the 401(h) reserve,

<sup>4</sup> The purpose of the GASB crossover test is to determine if the full expected return (or 7.00% in this case) can be used as the discount rate to determine the TPL and the NPL. That is, if there is no crossover point where the projected benefit payments would exceed the Plan FNP, then the full expected return assumption can be used. As detailed later in this report, ACERA **does** pass the crossover test, which means that the full 7.00% investment rate of return assumption can be used as the discount rate to determine the TPL and the resulting NPL.

<sup>5</sup> We have excluded the liability and the assets associated with the OPEB component of the SRBR reserve account because it is our understanding that those amounts are reportable under GASB 74/75.

## Section 1: Actuarial Valuation Summary

minus a proportionate share of the deferred market losses commensurate with the size of the OPEB to total SRBR and 401(h) reserve to valuation and 401(h) reserves of \$3,169,608. Note that amounts may not total exactly due to rounding.

8. Employer contributions shown in this report are on a net basis after (a) considering the total cash contributions made by the employers, (b) reducing by the employer contributions made to the 401(h) account, and (c) increasing by the amount of transfer from the SRBR to the Employers Advance Reserve for employer contributions made to the 401(h) account in (b).
9. The discount rate used to measure the TPL and NPL as of December 31, 2025 was 7.00%, following the same assumptions used by ACERA in the actuarial funding valuation as of December 31, 2025. The detailed calculations used in the derivation of the 7.00% discount rate can be found in *Appendix A*. Various other information that is required to be disclosed can be found throughout *Section 2*.

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## Section 1: Actuarial Valuation Summary

### Summary of key valuation results

Valuation Result	Current Year	Prior Year
Measurement Date	December 31, 2025	December 31, 2024
<b>Disclosure elements</b>		
Service cost <sup>6</sup>	\$284,954,687	\$266,109,280
Total Pension Liability	13,036,367,058	12,397,160,409
Plan Fiduciary Net Position	12,561,432,155	10,932,716,498
Net Pension Liability	474,934,903	1,464,443,911
<b>Schedule of contributions</b>		
Actuarially determined contributions	\$317,385,583	\$311,106,275
Actual contributions	717,385,583	311,106,275
Contribution deficiency / (excess)	(400,000,000)	0
<b>Demographic data<sup>7</sup></b>		
Number of retired members and beneficiaries	11,405	11,252
Number of inactive members <sup>8</sup>	4,146	4,039
Number of active members	12,143	11,865
<b>Key assumptions</b>		
Investment rate of return	7.00%	7.00%
Inflation rate	2.50%	2.50%
“Across-the-board” salary increase	0.50%	0.50%
Projected salary increases <sup>9</sup>	General: 8.00% to 3.45% Safety: 11.40% to 4.00%	General: 8.00% to 3.45% Safety: 11.40% to 4.00%
Cost-of-living adjustments (COLA)		
• Tiers with 3% COLA	2.75%	2.75%
• Tiers with 2% COLA	2.00%	2.00%

<sup>6</sup> The service cost is based on the previous year's valuation, meaning the service costs as of the December 31, 2025 and December 31, 2024 measurement dates are based on the valuations as of December 31, 2024 and December 31, 2023, respectively. Both service costs have been calculated using the assumptions shown in the Prior Year column, as there had been no changes in the actuarial assumptions between the December 31, 2023 and the December 31, 2024 valuations.

<sup>7</sup> Data shown as of the December 31, 2024 measurement date is used in the measurement of the TPL as of December 31, 2025.

<sup>8</sup> Includes members who left their contributions on deposit even though they have less than five years of service.

<sup>9</sup> Includes inflation at 2.50% plus real across-the-board salary increase of 0.50% plus merit and promotion increases that vary by service.

## Section 1: Actuarial Valuation Summary

### Important information about actuarial valuations

In order to prepare a valuation, Segal relies on a number of input items. These include:

Input Item	Description
<b>Plan provisions</b>	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report (as well as the plan summary included in our funding valuation report) to confirm that Segal has correctly interpreted the plan of benefits.
<b>Member information</b>	An actuarial valuation for a plan is based on data provided to the actuary by ACERA. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
<b>Financial Information</b>	The valuation is based on the fair value of assets as of the valuation date, as provided by ACERA.
<b>Actuarial assumptions</b>	In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan members for the rest of their lives and the lives of their beneficiaries. This requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of members in each year, as well as forecasts of the plan's benefits for each of those events. In addition, the benefits forecasted for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan's assets. All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions are selected within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model may use approximations and estimates that will have an immaterial impact on our results. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.
<b>Actuarial models</b>	Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Deterministic cost projections are based on a proprietary forecasting model. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary. The discount rate used for calculating Total Pension Liability is based on a model developed by our Actuarial Technology and Systems unit, comprised of both actuaries and programmers. The model allows the client team, under the supervision of the responsible actuary, control over the entry of future expected contribution income, benefit payments and administrative expenses. The projection of fiduciary net position and the discounting of benefits is part of the model.

## Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The actuarial valuation is prepared at the request of the Board. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement at a specific date — it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted.
- If ACERA is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting or tax advice and is not acting as a fiduciary to the Plan. This valuation is based on Segal's understanding of applicable guidance in these areas and of the Plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.
- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by ACERA upon delivery and review. The Association should notify Segal immediately of any questions or concerns about the final content.

# Section 2: GASB 67 Information

## General information about the pension plan

### Plan administration

The Alameda County Employees' Retirement Association (ACERA) was established by the Alameda County Board of Supervisors in 1947. ACERA is administered by the Board of Retirement (the Board) and governed by the County Employees Retirement Law of 1937 (California Government Code Section 31450 et. seq.). ACERA is a cost-sharing, multiple employer, defined benefit, public employee retirement system whose main function is to provide service retirement, disability, death, and survivor benefits to the General and Safety members employed by the County of Alameda (Alameda County). ACERA also provides retirement benefits to the employee members of:<sup>10</sup>

- First 5 Alameda County (First 5);
- Housing Authority of the County of Alameda (Housing Authority);
- Alameda Health System;
- Livermore Area Recreation and Park District (LARPD);
- Superior Court of California — County of Alameda (Alameda Superior Court); and
- Alameda County Office of Education (ACOE).

The management of ACERA is vested with the ACERA Board of Retirement. The Board consists of nine members and two alternates:

- The County Treasurer is a member of the Board of Retirement by law and is elected by the general public;
- Four members are appointed by the Board of Supervisors, one of whom may be a County Supervisor;
- Two active members are elected by the General members;
- One active member and one alternate are elected by the Safety members; and
- One retired member and one alternate are elected by the retired members.

All members of the Board of Retirement serve terms of three years except for the County Treasurer whose term runs concurrent with their term as County Treasurer.

<sup>10</sup> The Alameda Local Agency Formation Commission (LAFCO) has become an independent participating employer of ACERA effective January 1, 2026. Prior to January 1, 2026, LAFCO contracted with the County for staff support, and those employees were County General members.

## Section 2: GASB 67 Information

### Plan membership

At December 31, 2025, pension plan membership consisted of the following:

Membership	Count
Retired members and beneficiaries	11,405
Inactive <sup>11</sup> members	4,146
Active members	12,143
<b>Total</b>	<b>27,694</b>

**Note:** Data as of December 31, 2025 is **not** used in the measurement of the TPL as of December 31, 2025.

### Benefits provided

ACERA provides service retirement, disability, death, and survivor benefits to eligible employees. The first date of ACERA membership varies by employer, as follows:

- Alameda County, Alameda Health System and Alameda Superior Court Employees
  - Membership for these employees is effective on the first day of the second pay period following the employee’s hire date in an ACERA covered position. This is the date of entry into ACERA membership.
  - As of the date of entry, payroll deductions for retirement contributions begin and service credit for each hour worked is earned.
  - During the short period between the beginning of employment and the ACERA plan date of entry, the employee does not pay contributions or earn service credit. A member may purchase this service credit (referred to as “days prior to entry”) any time before retirement without changing the membership, but date of entry does not change.
- Housing Authority and LARPD Employees
  - Membership for these employees is effective on the first day of employee’s hire in an ACERA covered position. The first date of employment is the date of entry into ACERA membership.
  - As of this date of entry, payroll deductions for retirement contributions begin and service credit for each hour work is earned.
- First 5 Employees
  - Membership for these employees is effective on the first day of the second pay period following the employee’s hire date.
- Office of Education Employees
  - This is a closed plan with no more active employees (i.e., there is no new ACERA membership). However, the employer does retain retired members and beneficiaries in ACERA as of the December 31, 2025 valuation date.

<sup>11</sup> Includes terminated members due a refund of member contributions.

## Section 2: GASB 67 Information

There are separate retirement benefits for General and Safety members. Safety membership is extended to those involved in active law enforcement, deferred firefighters, or positions that have been designated as Safety by the Board of Retirement (e.g. Juvenile Hall Group Counselor, Probation Officer, etc.). All other employees are classified as General members.

Any new member who becomes a member on or after January 1, 2013 is placed into Tier 4 and is subject to the provisions of California Public Employees' Pension Reform Act of 2013 (PEPRA), California Government Code 7522 et seq. and Assembly Bill (AB) 197.

General members enrolled in Tiers 1, 2, or 3 are eligible to retire once they attain the age of 70 regardless of service or at age 50 with five or more years of retirement service credit and a total of 10 years of qualifying membership. A non-Tier 4 General member with 30 years of service is eligible to retire regardless of age. General members enrolled in Tier 4 are eligible to retire once they have attained the age of 52 and have acquired five years of retirement service credit, or at age 70 regardless of service.

Safety members enrolled in Tiers 1, 2, 2C, or 2D are eligible to retire once they attain the age of 70 regardless of service or at age 50 with five or more years of retirement service credit and a total of 10 years of qualifying membership. A non-Tier 4 Safety member with 20 years of service is eligible to retire regardless of age. Safety members enrolled in Tier 4 are eligible to retire once they have attained the age of 50 and have acquired five years of retirement service credit, or at age 70 regardless of service.

The retirement benefit a member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

The tiers and their basic provisions are listed below:

Tier Name	Service Retirement Governing Code Section	Effective Date	Basic Provisions (Maximum COLA)	Final Average Salary Period	Plan Sponsors
General Tier 1	§31676.12	Various	2.0% at 57 (3% COLA)	Highest 1-year	All
General Tier 2	§31676.1	June 30, 1983 <sup>12</sup>	2.0% at 61 (2% COLA)	Highest 3-years	All except LARPD
General Tier 3	§31676.18	October 1, 2008	2.5% at 55 (3% COLA)	Highest 1-year	LARPD
General Tier 4	§7522.20(a)	January 1, 2013	2.5% at 67 (2% COLA)	Highest 3-years	All
Safety Tier 1	§31664.1	Various	3.0% at 50 (3% COLA)	Highest 1-year	County
Safety Tier 2	§31664.1	June 30, 1983	3.0% at 50 (2% COLA)	Highest 3-years	County
Safety Tier 2C	§31664	October 17, 2010	2.6% at 55 (2% COLA)	Highest 3-years	County
Safety Tier 2D	§31664.2	October 17, 2010	3.0% at 55 (2% COLA)	Highest 3-years	County
Safety Tier 4	§7522.25(d)	January 1, 2013	2.7% at 57 (2% COLA)	Highest 3-years	County

<sup>12</sup> For Housing Authority members, the effective date is September 30, 2011.

## Section 2: GASB 67 Information

For members enrolled in Tiers 1, 2, 2C, 2D, or 3, the maximum monthly retirement allowance is 100% of final compensation. There is no maximum for members enrolled in Tier 4.

The member may elect an unmodified retirement allowance or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

ACERA provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the San Francisco-Oakland-Hayward Area (with 1982-84 as the base period), is capped at 3.0% for General Tiers 1 and 3 and Safety Tier 1, and at 2.0% for General Tiers 2 and 4 and Safety Tiers 2, 2C, 2D, and 4.

### Contributions

The County of Alameda and the other participating agencies contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from ACERA's actuary after the completion of the annual actuarial valuation. The average employer contribution rate for calendar year 2025 (based on the December 31, 2023 valuation for the second half of 2024/2025 and on the December 31, 2024 valuation for the first half of 2025/2026) was 21.53% of compensation.

Members are required to make contributions to ACERA regardless of the retirement plan or tier in which they are included. The average member contribution rate for calendar year 2025 (based on the December 31, 2023 valuation for the second half of 2024/2025 and on the December 31, 2024 valuation for the first half of 2025/2026) was 9.80% of compensation.

## Section 2: GASB 67 Information

### Exhibit 1: Net Pension Liability

Line Description	Current Year	Prior Year
Measurement date	December 31, 2025	December 31, 2024
<b>Components of the Net Pension Liability</b>		
Total Pension Liability	\$13,036,367,058	\$12,397,160,409
Plan Fiduciary Net Position	(12,561,432,155)	(10,932,716,498)
<b>Net Pension Liability</b>	<b>\$474,934,903</b>	<b>\$1,464,443,911</b>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability <sup>13</sup>	96.36%	88.19%

The NPL for the Plan in this valuation was measured as of December 31, 2025. The Plan FNP was valued as of the measurement date and the TPL was determined based upon rolling forward the TPL from the actuarial funding valuation as of December 31, 2024.

### Plan provisions

The plan provisions used in the measurement of the NPL as of December 31, 2025 are the same as those used in ACERA's actuarial funding valuation as of December 31, 2025.

### Actuarial assumptions

The TPL as of December 31, 2025 uses the same actuarial assumptions as the actuarial funding valuation as of December 31, 2025. The actuarial assumptions used in that funding valuation were based on the results of an experience study for the period December 1, 2019 through November 30, 2022. In particular, the following actuarial assumptions were applied to all periods included in the measurement of the TPL as of December 31, 2025:

<sup>13</sup> These funded percentages are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligation or the need for or the amount of future contributions.

## Section 2: GASB 67 Information

Assumption Type	Assumption
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Inflation rate	2.50%
“Across-the-board” salary increase	0.50%
Salary increases	General: 8.00% to 3.45% Safety: 11.40% to 4.00% The above salary increases vary by service and include inflation and “across-the-board” salary increase
Cost-of-living adjustments	2.75% for General Tiers 1 and 3, and Safety Tier 1. For members with a sufficient COLA bank, withdrawals from the bank can be made to increase the retiree COLA up to 3% per year. 2.00% for General Tiers 2 and 4, and Safety Tiers 2, 2C, 2D, and 4
Other assumptions	See analysis of actuarial experience during the period December 1, 2019 through November 30, 2022

Detailed information regarding all actuarial assumptions can be found in the December 31, 2025 Actuarial Valuation and Review.

## Section 2: GASB 67 Information

### Exhibit 2: Discount rate

#### Determination of discount rate and investment rates of return

The long-term expected rate of return on pension plan investments<sup>14</sup> was determined in 2023 using a building-block method in which expected arithmetic real rates of return (expected returns, net of inflation and any applicable investment management expenses) are developed for each major asset class. These returns are combined to produce the long-term expected arithmetic rate of return for the portfolio by weighting the expected arithmetic real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses<sup>15</sup> and a risk margin. This portfolio return is further adjusted to an expected geometric real rate of return for the portfolio.

The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class (after deducting inflation and applicable investment management expenses) are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption in the actuarial funding valuation as of December 31, 2025. This information will be subject to change every three years based on the results of an actuarial experience study.

<sup>14</sup> Note that the investment return assumption for funding purposes was developed net of both investment and administrative expenses; however, the same investment return assumption was used for financial reporting purposes and is considered gross of administrative expenses for financial reporting purposes. (This resulted in an increase in the margin for adverse deviation when using that investment return assumption for financial reporting.)

<sup>15</sup> Investment expenses include investment consulting fees, custodian fees and other miscellaneous investment expenses and fees, and exclude investment manager fees.

## Section 2: GASB 67 Information

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return <sup>16</sup>
US large cap equity	21.60%	6.00%
US small cap equity	2.40%	6.65%
International developed equity	16.30%	7.01%
International small cap equity	2.90%	7.34%
Emerging markets equity	4.80%	8.80%
Core fixed income	10.50%	1.97%
High yield bonds	1.50%	4.63%
Global fixed income	2.00%	1.17%
Private equity	11.00%	9.84%
Core real estate	6.30%	3.86%
Value added real estate	1.80%	6.70%
Opportunistic real estate	0.90%	8.60%
Commodities	0.90%	4.21%
Private credit	4.00%	6.47%
Absolute return	8.00%	2.10%
Infrastructure	5.10%	7.30%
<b>Total</b>	<b>100.00%</b>	<b>5.89%</b>

### Discount rate

The discount rate used to measure the TPL was 7.00% as of December 31, 2025. Our understanding is that Article 5.5 of the Statute, which authorizes the allocation of 50% of excess earnings to the SRBR, does not allow for the use of a different investment return assumption for funding than is used for interest crediting. In order to reflect the provisions of Article 5.5, we have treated future allocations to the SRBR as an additional outflow against the Plan FNP in the GASB crossover test, as mentioned earlier in *Section 1*. Again, we are estimating that the additional outflow would average approximately 0.75% of assets over time, based on the results of our stochastic modeling of the 50% allocation of future excess earnings to the SRBR.

<sup>16</sup> Arithmetic real rates of return are net of inflation.

## Section 2: GASB 67 Information

The projection of cash flows used to determine the discount rate assumes plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially determined contribution rates<sup>17</sup> plus additional future contributions that would follow from the future allocation of excess earnings to the SRBR. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan FNP was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of December 31, 2025.

### Discount rate sensitivity

The following presents the NPL of ACERA as of December 31, 2025 calculated using the current discount rate of 7.00%, as well as what ACERA's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

Line Description	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Net Pension Liability (Asset)	\$2,139,576,747	\$474,934,903	\$(890,297,293)

<sup>17</sup> For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

## Section 2: GASB 67 Information

### Exhibit 3: Schedule of changes in Net Pension Liability

Line Description	Current Year	Prior Year
Measurement date	December 31, 2025	December 31, 2024
<b>Total Pension Liability</b>		
Service cost	\$284,954,687	\$266,109,280
Interest	864,211,543	833,368,865
Change of benefit terms	0	0
Differences between expected and actual experience	162,512,232	(19,414,126)
Changes of assumptions	0	0
Benefit payments, including refunds of member contributions	(672,471,813)	(644,127,653)
<b>Net change in Total Pension Liability</b>	<b>\$639,206,649</b>	<b>\$435,936,366</b>
Total Pension Liability — beginning	12,397,160,409	11,961,224,043
<b>Total Pension Liability — ending</b>	<b>\$13,036,367,058</b>	<b>\$12,397,160,409</b>
<b>Plan Fiduciary Net Position</b>		
Contributions — employer <sup>18</sup>	\$717,385,583	\$311,106,275
Contributions — member	144,466,720	134,489,875
Net investment income	1,459,106,072	931,187,277
Benefit payments, including refunds of member contributions	(672,471,813)	(644,127,653)
Administrative expense	(19,770,905)	(18,423,107)
Other	0	0
<b>Net change in Plan Fiduciary Net Position</b>	<b>\$1,628,715,657</b>	<b>\$714,232,667</b>
Plan Fiduciary Net Position — beginning	10,932,716,498	10,218,483,831
<b>Plan Fiduciary Net Position — ending</b>	<b>\$12,561,432,155</b>	<b>\$10,932,716,498</b>
<b>Net Pension Liability</b>		
Net Pension Liability — ending	\$474,934,903	\$1,464,443,911
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	96.36%	88.19%
Covered payroll <sup>19</sup>	\$1,474,012,026	\$1,342,932,389
Plan Net Pension Liability as percentage of covered payroll	32.22%	109.05%

<sup>18</sup> The County made voluntary County General contributions of \$400 million in 2025.

<sup>19</sup> Covered payroll is defined as the payroll on which contributions to the pension plan are based.

## Section 2: GASB 67 Information

### Exhibit 4: Schedule of employer contributions

Year Ended December 31	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency / (Excess)	Covered Payroll <sup>20</sup>	Contributions as a Percentage of Covered Payroll
2016	\$241,728,451	\$241,728,451	\$0	\$947,567,631	25.51%
2017	247,063,550	247,063,550	0	995,178,209	24.83%
2018	269,684,809	269,684,809	0	1,046,033,851	25.78%
2019	298,526,950	298,526,950	0	1,081,586,887	27.60%
2020	309,758,947	309,752,998	5,949 <sup>21</sup>	1,111,848,569	27.86%
2021	303,964,590	1,116,575,840	(812,611,250) <sup>22</sup>	1,153,918,121	96.76% <sup>23</sup>
2022	281,646,702	281,646,702	0	1,198,970,345	23.49%
2023	288,640,038	288,640,038	0	1,251,821,379	23.06%
2024	311,106,275	311,106,275	0	1,342,932,389	23.17%
2025	317,385,583	717,385,583	(400,000,000) <sup>24</sup>	1,474,012,026	48.67% <sup>25</sup>

See accompanying notes to this schedule on the next page.

<sup>20</sup> For years ended December 31, 2017 and later, covered payroll represents compensation earnable and pensionable compensation and is defined as the payroll on which contributions to the pension plan are based. For the year ended December 31, 2016, covered payroll was referred to as covered-employee payroll and only compensation earnable and pensionable compensation that would go into the determination of retirement benefits was included.

<sup>21</sup> Actuarially Determined Contribution for the Office of Education of \$78,000 less actual contributions paid of \$72,051.

<sup>22</sup> Voluntary County Safety contributions of \$800,000,000 and LARPD General contributions of \$12,611,250 to reduce their UAAL contribution rates.

<sup>23</sup> Contributions as a percentage of covered payroll is 26.34% if excluding the voluntary County Safety and LARPD General contributions.

<sup>24</sup> Voluntary County General contributions of \$400,000,000 to reduce their UAAL contribution rates.

<sup>25</sup> Contributions as a percentage of covered payroll are 21.53% if excluding the voluntary County General contributions.

## Section 2: GASB 67 Information

### Methods and assumptions used to establish the actuarially determined contribution for the year ended December 31, 2025

#### Valuation date

Actuarially determined contribution rates for the first six months of calendar year 2025 (or the second half of fiscal year 2024/2025) are calculated based on the December 31, 2023 valuation. Actuarially determined contribution rates for the last six months of calendar year 2025 (or the first half of fiscal year 2025/2026) are calculated based on the December 31, 2024 valuation.

#### Actuarial cost method

Entry age actuarial cost method

#### Amortization method

Level percent of payroll (3.00% payroll growth assumed in the December 31, 2023 and December 31, 2024 valuations)

#### Remaining amortization period

##### *December 31, 2023 valuation*

Prior to January 1, 2012, the total UAAL was amortized on a 30-year decreasing period, with 21 years remaining as of December 31, 2011 (and 9 years remaining as of December 31, 2023). On or after January 1, 2012, any new UAAL resulting from plan amendments are amortized over separate decreasing 15-year periods; early retirement incentive programs (ERIPs) are amortized over separate decreasing five-year periods; assumption and method changes are amortized over separate decreasing 20-year periods; and experience gains/losses are also amortized over separate decreasing 20-year periods.

The voluntary County Safety UAAL contributions are amortized over a 13-year period effective July 1, 2021 (with 10.5 years remaining as of December 31, 2023). The voluntary LARPD General UAAL contributions are amortized over a 16-year period effective July 1, 2021 (with 13.5 years remaining as of December 31, 2023). Effective December 31, 2023, the existing LARPD General UAAL layers are amortized over 13.5 years.

##### *December 31, 2024 valuation*

Prior to January 1, 2012, the total UAAL was amortized on a 30-year decreasing period, with 21 years remaining as of December 31, 2011 (and 8 years remaining as of December 31, 2024). On or after January 1, 2012, any new UAAL resulting from plan amendments are amortized over separate decreasing 15-year periods; early retirement incentive programs (ERIPs) are

## Section 2: GASB 67 Information

amortized over separate decreasing five-year periods; assumption and method changes are amortized over separate decreasing 20-year periods; and experience gains/losses are also amortized over separate decreasing 20-year periods.

The voluntary County Safety UAAL contributions are amortized over a 13-year period effective July 1, 2021 (with 9.5 years remaining as of December 31, 2024). The voluntary LARPD General UAAL contributions are amortized over a 16-year period effective July 1, 2021. All existing LARPD General UAAL layers as of December 31, 2024 (except the December 31, 2024 UAAL) are amortized over 12.5 years.<sup>26</sup> The UAAL as of December 31, 2024 is amortized over 20 years.

### Asset valuation method

The actuarial value of assets is determined by recognizing any difference between the actual and the expected market return over 10 six-month interest crediting periods. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets. The valuation value of assets is the actuarial value of assets reduced by the value of the non-valuation reserves.

### Actuarial assumptions

Assumption Type	Assumption Used in the December 31, 2023 Actuarial Valuation	Assumption Used in the December 31, 2024 Actuarial Valuation
Investment rate of return	7.00%, net of pension plan administrative and investment expense, including inflation	7.00%, net of pension plan administrative and investment expense, including inflation
Inflation rate	2.50%	2.50%
Real across-the-board salary increase	0.50%	0.50%
Salary increases	General: 8.00% to 3.45% Safety: 11.40% to 4.00% The above increases vary by service, including inflation and “across-the-board” salary increase	General: 8.00% to 3.45% Safety: 11.40% to 4.00% The above increases vary by service, including inflation and “across-the-board” salary increase
Cost-of-living adjustments	2.75% for General Tiers 1 and 3, and Safety Tier 1; 2.00% for General Tiers 2 and 4, and Safety Tiers 2, 2C, 2D, and 4	2.75% for General Tiers 1 and 3, and Safety Tier 1; 2.00% for General Tiers 2 and 4, and Safety Tiers 2, 2C, 2D, and 4
Other assumptions	Same as those used in the funding actuarial valuation as of December 31, 2023	Same as those used in the funding actuarial valuation as of December 31, 2024

<sup>26</sup> The LARPD General cost sharing group had a surplus as of December 31, 2023 and had an unfunded liability as of December 31, 2024, both on a valuation value of assets basis. In order to calculate the proper offset available to LARPD from the LARPD General UAAL Advance Reserve, we amortized all LARPD UAAL layers as of December 31, 2024 (except the December 31, 2024 UAAL) over 12.5 years so that they would have the same amortization period as the LARPD General UAAL Advance Reserve (12.5 years remaining as of December 31, 2024). The December 31, 2024 UAAL is amortized over 20 years.

# Appendix A: Projection of Plan Fiduciary Net Position

Projection of Plan Fiduciary Net Position for use in the Calculation of Discount Rate  
as of December 31, 2025 (\$ in millions)

Year Beginning January 1	Beginning Plan Fiduciary Net Position (a)	Total Contributions (b)	Benefit Payments (c)	Administrative Expenses (d)	Investment Earnings (e)	Ending Plan Fiduciary Net Position (a) + (b) – (c) – (d) + (e)
2025	\$10,933	\$862	\$672	\$20	\$1,459	\$12,561
2026	12,561	389	818	23	858	12,969
2027	12,969	391	855	23	885	13,367
2028	13,367	380	892	24	911	13,741
2029	13,741	371	929	25	936	14,095
2030	14,095	367	966	25	959	14,429
2031	14,429	368	1,003	26	981	14,749
2032	14,749	373	1,040	27	1,002	15,057
2051	14,734	330	1,455	27	982	14,564
2052	14,564	326	1,464	26	969	14,369
2053	14,369	321	1,471	26	955	14,148
2054	14,148	316	1,476	25	939	13,902
2096	15,333	178	203	28	1,070	16,350
2097	16,350	184	197	29	1,142	17,450
2098	17,450	191	192	31	1,219	18,636
2099	18,636	199	190	34	1,302	19,913
2142	340,021	3,178	2,550	612	23,786	363,822
2143	363,822	3,400	2,729	655	25,451	389,290
2144	389,290	3,638	2,920	701	27,232	416,540
2145	416,540	3,893	3,124	750	29,139	445,698 <sup>27</sup>

<sup>27</sup> The Plan FNP of \$445,698 million has a value of \$133 million as of December 31, 2025 when discounted with interest at the rate of 7.00% per annum.

# Appendix A: Projection of Plan Fiduciary Net Position

## Notes

1. Amounts may not total exactly due to rounding.
2. Amounts shown in the year beginning January 1, 2025 row are actual amounts, based on the financial statements provided by ACERA.
3. Various years have been omitted from this table.
4. Except for the “discounted value” for year end 2145 shown in the footnote on the previous page, none of the projected Plan FNP amounts shown have been adjusted for the time value of money.
5. **Column (b):** Projected total contributions include employee and employer normal cost contributions based on closed group projections for covered active members as of November 30, 2024; plus employer contributions to the UAAL; plus employer contributions to fund each year’s annual administrative expenses as well as future allocations of excess earnings to the SRBR under ACERA’s Funding Policy, both reflecting a 20-year amortization schedule. Contributions are assumed to occur halfway through the year, on average.
6. **Column (c):** Projected benefit payments have been determined in accordance with paragraph 39 of GASB Statement No. 67, and are based on the closed group of active, inactive, retired members, and beneficiaries as of November 30, 2024. The projected benefit payments reflect the cost-of-living increase assumption of 2.75% per annum for Tier 1 and Tier 3, and 2.00% per annum for Tier 2 and Tier 4. In accordance with paragraph 31.b.(1)(e) of GASB Statement No. 67, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the discount rate. Benefit payments are assumed to occur about halfway through the year, on average.  

The projected benefit payments include the non-OPEB SRBR benefits to the extent the current non-OPEB SRBR supports those benefits. In addition, the projected benefit payments in column (c) include an amount equal to 0.75% of the beginning Plan FNP to reflect the approximated outflow of future allocations to the SRBR. This outflow has an estimated present value of \$1.61 billion. This present value of outflow is expected to be sufficient to pay for the remaining present value of the non-OPEB SRBR benefits of \$0.08 billion as well as the remaining present value of the OPEB SRBR benefits of \$0.36 billion.
7. **Column (d):** Projected administrative expenses are calculated as approximately 0.18% of the beginning Plan FNP. The 0.18% was based on the actual fiscal year 2025 administrative expenses as a percentage of the beginning Plan FNP as of January 1, 2025. Administrative expenses are assumed to occur halfway through the year, on average.
8. **Column (e):** Projected investment earnings are based on the assumed investment rate of return of 7.00% per annum and reflect the assumed timing of cashflows, as noted above.
9. As illustrated in this appendix, the Plan FNP was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected “cross-over date” when projected benefits are **not** covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the TPL as of December 31, 2025 shown earlier in this report, pursuant to paragraph 44 of GASB Statement No. 67.

# Appendix B: Definition of Terms

Definitions of certain terms as they are used in GASB Statement No. 67. The terms may have different meanings in other contexts.

Term	Definition
Active employees	Individuals employed at the end of the reporting or measurement period, as applicable.
Actual contributions	Cash contributions recognized as additions to the Plan Fiduciary Net Position.
Actuarial present value of projected benefit payments	Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.
Actuarial valuation	The determination, as of a point in time (the actuarial valuation date), of the service cost, Total Pension Liability, and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.
Actuarial valuation date	The date as of which an actuarial valuation is performed.
Actuarially determined contribution	A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.
Ad hoc cost-of-living adjustments (Ad Hoc COLAs)	Cost-of-living adjustments that require a decision to grant by the authority responsible for making such decisions.
Ad hoc postemployment benefit changes	Postemployment benefit changes that require a decision to grant by the authority responsible for making such decisions.
Agent employer	An employer whose employees are provided with pensions through an agent multiple-employer defined benefit pension plan.
Agent multiple-employer defined benefit pension plan (agent pension plan)	A multiple-employer defined benefit pension plan in which pension plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
Automatic cost-of-living adjustments (Automatic COLAs)	Cost-of-living adjustments that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).
Automatic postemployment benefit changes	Postemployment benefit changes that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).

## Appendix B: Definition of Terms

Term	Definition
Closed period	A specific number of years that is counted from one date and declines to zero with the passage of time. For example, if the recognition period initially is five years on a closed basis, four years remain after the first year, three years after the second year, and so forth.
Contributions	Additions to the Plan Fiduciary Net Position for amounts from employers, non-employer contributing entities (for example, state government contributions to a local government pension plan), or employees. Contributions can result from cash receipts by the pension plan or from recognition by the pension plan of a receivable from one of these sources.
Cost-of-living adjustments	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
Cost-sharing employer	An employer whose employees are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan.
Cost-sharing multiple employer defined benefit pension plan (Cost-sharing pension plan)	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
Covered payroll	Payroll on which contributions to a pension plan are based.
Deferred retirement option program (DROP)	A program that permits an employee to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The employee continues to provide service to the employer and is paid for that service by the employer after the DROP entry date; however, the pensions that would have been paid to the employee (if the employee had retired and not entered the DROP) are credited to an individual employee account within the defined benefit pension plan until the end of the DROP period.
Defined benefit pension plans	Pension plans that are used to provide defined benefit pensions.
Defined benefit pensions	Pensions for which the income or other benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The pensions may be stated as a specified dollar amount or as an amount that is calculated based on one or more factors such as age, years of service, and compensation. (A pension that does not meet the criteria of a defined contribution pension is classified as a defined benefit pension for purposes of GASB Statement No. 67.)
Defined contribution pension plans	Pension plans that are used to provide defined contribution pensions.

## Appendix B: Definition of Terms

Term	Definition
Defined contribution pensions	<p>Pensions having terms that:</p> <ol style="list-style-type: none"> <li>1. Provide an individual account for each employee;</li> <li>2. Define the contributions that an employer is required to make (or the credits that it is required to provide) to an active employee's account for periods in which that employee renders service; and</li> <li>3. Provide that the pensions an employee will receive will depend only on the contributions (or credits) to the employee's account, actual earnings on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made for other employees, as well as pension plan administrative costs, that are allocated to the employee's account.</li> </ol>
Discount rate	<p>The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:</p> <ol style="list-style-type: none"> <li>1. The actuarial present value of benefit payments projected to be made in future periods in which:               <ol style="list-style-type: none"> <li>a. The amount of the Plan Fiduciary Net Position is projected (under the requirements of GASB Statement No. 67) to be greater than the benefit payments that are projected to be made in that period, and</li> <li>b. Pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments.</li> </ol> </li> <li>2. The actuarial present value of projected benefit payments not included in 1., calculated using the municipal bond rate.</li> </ol>
Entry age actuarial cost method	<p>A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability.</p>
Inactive employees	<p>Terminated individuals that have accumulated benefits but are not yet receiving them, and retirees or their beneficiaries currently receiving benefits.</p>
Measurement period	<p>The period between the prior and the current measurement dates.</p>
Multiple-employer defined benefit pension plan	<p>A defined benefit pension plan that is used to provide pensions to the employees of more than one employer.</p>
Net Pension Liability (NPL)	<p>The liability of employers and non-employer contributing entities to employees for benefits provided through a defined benefit pension plan.</p>
Non-employer contributing entities	<p>Entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities.</p>

## Appendix B: Definition of Terms

Term	Definition
Other postemployment benefits	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits, regardless of the manner in which they are provided. Other postemployment benefits do not include termination benefits.
Pension plans	Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed and benefits are paid as they come due.
Pensions	Retirement income and, if provided through a pension plan, postemployment benefits other than retirement income (such as death benefits, life insurance, and disability benefits). Pensions do not include postemployment healthcare benefits and termination benefits.
Plan members	Individuals that are covered under the terms of a pension plan. Plan members generally include: <ol style="list-style-type: none"> <li>1. Employees in active service (active plan members), and</li> <li>2. Terminated employees who have accumulated benefits but are not yet receiving them and retirees or their beneficiaries currently receiving benefits (inactive plan members).</li> </ol>
Postemployment	The period after employment.
Postemployment benefit changes	Adjustments to the pension of an inactive employee.
Postemployment healthcare benefits	Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.
Projected benefit payments	All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and their expected future service.
Public employee retirement system	A special-purpose government that administers one or more pension plans; also may administer other types of employee benefit plans, including postemployment healthcare plans and deferred compensation plans.
Real rate of return	The rate of return on an investment after adjustment to eliminate inflation.
Service costs	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
Single employer	An employer whose employees are provided with pensions through a single-employer defined benefit pension plan.
Single-employer defined benefit pension plan (Single-employer pension plan)	A defined benefit pension plan that is used to provide pensions to employees of only one employer.

## Appendix B: Definition of Terms

Term	Definition
Special funding situations	Circumstances in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either of the following conditions exists: <ol style="list-style-type: none"><li>1. The amount of contributions for which the non-employer entity legally is responsible is not dependent upon one or more events or circumstances unrelated to the pensions.</li><li>2. The non-employer entity is the only entity with a legal obligation to make contributions directly to a pension plan.</li></ol>
Termination benefits	Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.
Total Pension Liability (TPL)	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB Statement No. 67.

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DRAFT

**Via Email**

April 7, 2026

Ms. Lisa Johnson  
Assistant Chief Executive Officer  
Alameda County Employees' Retirement Association  
475 14th Street, Suite 1000  
Oakland, CA 94612-1900

**Re: Alameda County Employees' Retirement Association (ACERA)  
Addendum to the Governmental Accounting Standards Board (GASB) Statement 67  
Actuarial Valuation as of December 31, 2025**

Dear Lisa:

In our Governmental Accounting Standards Board Statement No. 67 (GASB 67) report dated April 3, 2026, we provided the Net Pension Liabilities (NPL) and other elements that are required for completing the Plan's financial reporting requirements under GASB 67. In this letter, we have provided as an addendum to that report two additional schedules that the American Institute of Certified Public Accountants (AICPA) State and Local Government Expert Panel recommends be prepared by the Retirement Association's actuary (Segal). This addendum is for use in allocating the NPL and pension expense by employer before we prepare the full companion report for the employers' financial reporting for ACERA under Governmental Accounting Standards Board Statement No. 68 (GASB 68).

These two schedules have been developed based on the assumptions, methods and results shown in our earlier report dated April 3, 2026. Exhibits A1 and A2 detail the method used for allocating the NPL and they provide the NPL amounts allocated to the seven employers at ACERA as of December 31, 2024 and December 31, 2025, respectively.

## **Special note related to allocation of NPL for the non-OPEB SRBR**

The Alameda County Office of Education (ACOE) made a lump sum contribution of \$750,000 in 2019 to partially pay off their unfunded actuarial accrued liability (UAAL). That lump sum is greater than the amount that ACOE would have to make on an installment basis over 20 years. In order to have a more level allocation of the NPL to ACOE, ACERA approved an approach outlined in our March 2, 2020 letter to determine ACOE's proportionate share of the non-OPEB SRBR NPL by using ACOE's required contributions determined as if they had not made the additional lump sum contribution in 2019. We have continued to use that method in determining ACOE's proportionate share of the non-OPEB SRBR NPL in this letter.

The County made voluntary County General contributions of \$400 million on June 27, 2025 and County Safety contributions of \$800 million on June 29, 2021 to reduce their General and Safety UAAL and associated employer contribution rates. The Livermore Area Recreation and Park District (LARPD) also made voluntary LARPD General contributions of \$12.611 million on June 29, 2021 to reduce their General UAAL and associated employer contribution rates. We have amortized the voluntary County General UAAL contributions over 10 years effective FY 25-26 to provide a UAAL contribution rate credit for County General. We have also amortized the voluntary County Safety UAAL contributions over 13 years effective FY 21-22 to provide a UAAL contribution rate credit for County Safety and the voluntary LARPD General UAAL contributions over 16 years effective FY 21-22 to provide a UAAL contribution rate credit for LARPD General. Similar to the approach approved by ACERA as described in the previous paragraph for determining ACOE's proportionate share of the non-OPEB SRBR NPL, we have determined the County General, County Safety and LARPD's proportionate share of the non-OPEB SRBR NPL by using the County General, County Safety and LARPD's required contributions, respectively, as if they had not made the voluntary UAAL contributions in 2025 and 2021.

## **Special note related to allocation of the statutory pension plan NPL for the General (excluding ACOE and LARPD) membership class**

The County made voluntary County General contributions of \$400 million on June 27, 2025 to reduce their General UAAL and associated employer contribution rates. The General (excluding ACOE and LARPD) membership class consists of five employers, including the County. To ensure that the County General's voluntary UAAL contribution is reflected solely in the County's allocated NPL, we applied an approach similar to that previously approved by ACERA as described in the previous section for determining ACOE's proportionate share of the non-OPEB SRBR NPL. Specifically, the County General's allocated statutory pension plan NPL was determined in three steps: (1) the County General's proportionate share of the statutory pension plan NPL (excluding the County General UAAL Advance Reserve) was determined using the County General's required contributions as if they had not made the voluntary UAAL contributions in 2025, (2) the County General UAAL Advance Reserve was allocated entirely to the County, and (3) the County General's allocated pension NPL is the sum of the amounts in Steps (1) and (2).

Exhibit B summarizes the allocated NPL, deferred outflows and inflows of resources and pension expense by the seven employers.\* Additional information required under GASB 68 that each of the employers will need to disclose will be provided later in our separate GASB 68 report.

\* The Alameda Local Agency Formation Commission (LAFCO) has become an independent participating employer of ACERA effective January 1, 2026. Prior to January 1, 2026, LAFCO contracted with the County for staffing support. Because LAFCO did not make any separate employer contribution from the County during 2025, no NPL would be allocated to LAFCO as of December 31, 2025.

This document has been prepared for the exclusive use and benefit of ACERA, based upon information provided by ACERA or otherwise made available to Segal at the time this document was created. Segal makes no representation or warranty as to the accuracy of any forward-looking statements and does not guarantee any particular outcome or result. This document should only be copied, reproduced, or shared with other parties in its entirety as necessary for the proper administration of ACERA. This document does not constitute legal, tax or investment advice or create or imply a fiduciary relationship. You are encouraged to discuss any issues raised with your legal, tax and other advisors before taking, or refraining from taking, any action.

These calculations were performed under the supervision of Eva Yum, FSA, MAAA, Enrolled Actuary. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standard of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions.

Sincerely,

Todd Tauzer, FSA, MAAA, FCA, CERA  
Senior Vice President and Actuary

Eva Yum, FSA, MAAA, EA  
Vice President and Actuary

Daniel Siblik, ASA, MAAA, FCA, EA  
Vice President and Actuary

BTS/  
Attachments

## Schedule of employer allocations as of December 31, 2024

Actual Employer Contributions by Employer and Membership Class  
January 1, 2024 to December 31, 2024

Employer	General Excluding ACOE and LARPD Contribution	General Excluding ACOE and LARPD Percentage <sup>1</sup>	General ACOE Only Contribution	General ACOE Only Percentage	General LARPD Only Contribution	General LARPD Only Percentage	General Combined Contribution	General Combined Percentage
Alameda County	\$164,097,407	63.705%	\$0	0.000%	\$0	0.000%	\$164,097,407	63.572%
Health System	74,315,754	28.851%	0	0.000%	0	0.000%	74,315,754	28.791%
Superior Court	14,604,606	5.670%	0	0.000%	0	0.000%	14,604,606	5.658%
First 5	2,969,817	1.153%	0	0.000%	0	0.000%	2,969,817	1.151%
Housing Authority	1,599,785	0.621%	0	0.000%	0	0.000%	1,599,785	0.620%
LARPD	0	0.000%	0	0.000%	425,248	100.000%	425,248	0.165%
ACOE	0	0.000%	110,000	100.000%	0	0.000%	110,000	0.043%
<b>Total All Employers</b>	<b>\$257,587,369</b>	<b>100.000%</b>	<b>\$110,000</b>	<b>100.000%</b>	<b>\$425,248</b>	<b>100.000%</b>	<b>\$258,122,617</b>	<b>100.000%</b>

Employer	Safety Contribution	Safety Percentage	Total Contribution	Total Percentage	Adjusted Total Contribution	Adjusted Total Percentage <sup>2,3,4</sup>
Alameda County	\$52,983,658	100.000%	\$217,081,065	69.777%	\$298,255,244 <sup>2</sup>	75.817%
Health System	0	0.000%	74,315,754	23.888%	74,315,754	18.891%
Superior Court	0	0.000%	14,604,606	4.694%	14,604,606	3.713%
First 5	0	0.000%	2,969,817	0.955%	2,969,817	0.755%
Housing Authority	0	0.000%	1,599,785	0.514%	1,599,785	0.407%
LARPD	0	0.000%	425,248	0.137%	1,472,280 <sup>3</sup>	0.374%
ACOE	0	0.000%	110,000	0.035%	169,854 <sup>4</sup>	0.043%
<b>Total All Employers</b>	<b>\$52,983,658</b>	<b>100.000%</b>	<b>\$311,106,275</b>	<b>100.000%</b>	<b>\$393,387,340</b>	<b>100.000%</b>

## Notes for Exhibit A1, Employer Contributions

1. The unrounded percentages are used in the allocation of the NPL amongst the employers.
2. This includes \$164,097,407 of County General actual employer contributions and \$134,157,837 of County Safety adjusted employer contributions used for purposes of determining the proportionate share of the non-OPEB SRBR NPL for the County. The County made voluntary County Safety contributions of \$800,000,000 on June 29, 2021 to reduce their Safety UAAL and associated employer contribution rates. We have amortized the voluntary County Safety UAAL contributions to provide a UAAL contribution rate credit for County Safety over 13 years effective FY 21-22. Similar to the approach approved by ACERA for ACOE to determine ACOE's proportionate share of the non-OPEB SRBR NPL, we determined the County Safety's proportionate share of the non-OPEB SRBR NPL by using the County Safety's actual contributions made in 2024 in the amount of \$52,983,658 plus the contribution credit applied in 2024 in the amount of \$81,174,179 for a total adjusted County Safety contribution of \$134,157,837.
3. LARPD made voluntary LARPD General contributions of \$12,611,250 on June 29, 2021 to reduce their General UAAL and associated employer contribution rates. We have amortized the voluntary LARPD General UAAL contributions to provide a UAAL contribution rate credit for LARPD General over 16 years effective FY 21-22. Similar to the approach approved by ACERA for ACOE to determine ACOE's proportionate share of the non-OPEB SRBR NPL, we determined LARPD's proportionate share of the non-OPEB SRBR NPL by using LARPD's actual contributions made in 2024 in the amount of \$425,248 plus the contribution credit applied in 2024 in the amount of \$1,047,032 for a total adjusted LARPD contribution of \$1,472,280.
4. ACOE made a lump sum contribution of \$750,000 in 2019 to partially pay off their UAAL. That lump sum is greater than the amount that ACOE would have to make on an installment basis over 20 years. In order to have a more level allocation of the NPL to ACOE, ACERA approved an approach outlined in our March 2, 2020 letter to determine ACOE's proportionate share of the non-OPEB SRBR NPL by using ACOE's required contributions determined in our December 31, 2022 valuation in the amount of \$110,000 based on an April 1, 2024 payment date plus the amortization of the remaining balance of the original \$750,000 lump sum amount (an amount of \$59,854 which represents the additional UAAL contribution ACOE would have been required to pay had they not made the additional lump sum contribution in 2019).

## Part 1: Excluding Non-OPEB SRBR

### Allocation of Net Pension Liability (NPL) as of December 31, 2024

Employer	General Excluding ACOE and LARPD NPL	General Excluding ACOE and LARPD Percentage <sup>1</sup>	General ACOE Only NPL	General ACOE Only Percentage <sup>1</sup>	General LARPD Only NPL	General LARPD Only Percentage <sup>1</sup>
Alameda County	\$777,834,830	63.705%	\$0	0.000%	\$0	0.000%
Health System	352,262,616	28.851%	0	0.000%	0	0.000%
Superior Court	69,227,000	5.670%	0	0.000%	0	0.000%
First 5	14,077,170	1.153%	0	0.000%	0	0.000%
Housing Authority	7,583,109	0.621%	0	0.000%	0	0.000%
LARPD	0	0.000%	0	0.000%	89,438	100.000%
ACOE	0	0.000%	1,157,503	100.000%	0	0.000%
<b>Total All Employers</b>	<b>\$1,220,984,725</b>	<b>100.000%</b>	<b>\$1,157,503</b>	<b>100.000%</b>	<b>\$89,438</b>	<b>100.000%</b>

Employer	General Combined NPL	General Combined Percentage	Safety NPL	Safety Percentage <sup>1</sup>	Total General and Safety NPL	Total General and Safety Percentage
Alameda County	\$777,834,830	63.641%	\$148,166,584	100.000%	\$926,001,414	67.572%
Health System	352,262,616	28.821%	0	0.000%	352,262,616	25.705%
Superior Court	69,227,000	5.664%	0	0.000%	69,227,000	5.052%
First 5	14,077,170	1.152%	0	0.000%	14,077,170	1.027%
Housing Authority	7,583,109	0.620%	0	0.000%	7,583,109	0.553%
LARPD	89,438	0.007%	0	0.000%	89,438	0.007%
ACOE	1,157,503	0.095%	0	0.000%	1,157,503	0.084%
<b>Total All Employers</b>	<b>\$1,222,231,666</b>	<b>100.000%</b>	<b>\$148,166,584</b>	<b>100.000%</b>	<b>\$1,370,398,250</b>	<b>100.000%</b>

## Part 2: Including Non-OPEB SRBR

### Allocation of Net Pension Liability (NPL) as of December 31, 2024

Employer	General and Safety Non-OPEB SRBR Only NPL	General and Safety Non-OPEB SRBR Only Percentage <sup>2</sup>	Total NPL	Total Percentage
Alameda County	\$71,302,782	75.817%	\$997,304,196	68.100%
Health System	17,766,393	18.891%	370,029,009	25.268%
Superior Court	3,491,469	3.713%	72,718,469	4.966%
First 5	709,983	0.755%	14,787,153	1.010%
Housing Authority	382,455	0.407%	7,965,564	0.544%
LARPD	351,973	0.374%	441,411	0.030%
ACOE	40,606	0.043%	1,198,109	0.082%
<b>Total All Employers</b>	<b>\$94,045,661</b>	<b>100.000%</b>	<b>\$1,464,443,911</b>	<b>100.000%</b>

### Notes for Exhibit A1, NPL, Parts 1 and 2

1. Allocated based on the actual employer contributions within each membership class.
2. Allocated based on the actual employer contributions in total, with an adjustment to reflect the total annual UAAL contribution ACOE would have been required to make of \$169,854 in 2024 had they not made the additional contribution in 2019 to partially pay off their UAAL. This approach is outlined in our March 2, 2020 letter and is approved by ACERA. Following this approach, there is an adjustment to reflect the total annual contribution County Safety would have been required to make of \$134,157,837 in 2024 had they not made the voluntary County Safety UAAL contribution in 2021. There is also an adjustment to reflect the total annual contribution LARPD would have been required to make of \$1,472,280 in 2024 had they not made the voluntary LARPD General UAAL contribution in 2021.

## Additional Notes for Exhibit A1

### Pension (excluding non-OPEB SRBR)

The Net Pension Liability (NPL) for each membership class is the Total Pension Liability (TPL) minus the Plan Fiduciary Net Position (FNP). The TPL for each membership class is obtained from internal valuation results.

As of December 31, 2024, the total Plan FNP for Pension (excluding non-OPEB SRBR) is \$47.8 million lower than the valuation value of assets as of the same date, due to the inclusion of deferred market losses and the balance of the Contingency Reserve. The Plan FNP for Pension for each membership class is obtained as follows:

- The deferred market gains and losses accumulated up to June 30, 2021 are allocated to each membership class proportionately based on the valuation value of assets for each membership class relative to the total valuation value of assets for all membership classes, both excluding the valuation value of assets for the County Safety UAAL Advance Reserve and the LARPD General UAAL Advance Reserve.<sup>1</sup>
- The deferred market gains and losses accumulated after June 30, 2021 are allocated to each membership class proportionately based on the valuation value of asset for each membership class relative to the total valuation value of assets for all membership classes, both including the valuation value of assets for the County Safety UAAL Advance Reserve and the LARPD General UAAL Advance Reserve.
- The Contingency Reserve is allocated to each membership class taking into consideration the valuation value of assets for each membership class relative to the total valuation value of assets for all membership classes as well as the amount in the Contingency Reserve that originates from the returns derived from the two UAAL Advance Reserves.

The total Plan FNP for pension as of December 31, 2024 includes the net fair value of assets less SRBR assets. The SRBR assets include the SRBR-OPEB reserve (after reducing the reserve by the SRBR implicit subsidy transfer), the 401(h) reserve, and the Non-OPEB SRBR reserve, minus a proportionate share of the deferred market losses commensurate with the size of those SRBR reserves and 401(h) reserve to valuation, SRBR and 401(h) reserves.

The General ACOE membership class has only one employer (ACOE), so all of the NPL for General ACOE is allocated to the ACOE. The General LARPD membership class has only one employer (LARPD), so all of the NPL for General LARPD is allocated to LARPD. The Safety membership class also has only one employer (County), so all of the NPL for Safety is allocated to the County.

<sup>1</sup> Based on the Board's funding policy and interest crediting policy, the County Safety UAAL Advance Reserve and LARPD General Advance Reserve are subject to a separate five-year asset smoothing schedule that excludes the allocation of any deferred investment gains or losses accumulated up to June 30, 2021 for interest crediting purposes.

For General excluding ACOE and LARPD, the NPL is allocated based on the actual employer contributions within the General membership class excluding any contributions made by ACOE and LARPD. The steps used for the allocation are as follows:

- Calculate the ratio of the employer's contributions to the total contributions for the membership class.
- This ratio is multiplied by the NPL for the membership class to determine the employer's proportionate share of the NPL for the membership class.

### **Non-OPEB SRBR**

The non-OPEB SRBR assets include the non-OPEB SRBR reserve, minus a proportionate share of the deferred market losses commensurate with the size of the non-OPEB to valuation and SRBR reserves.

For non-OPEB SRBR, the NPL is allocated based on the adjusted employer contributions in total. The steps used for the allocation are as follows:

- Calculate the ratio of the employer's adjusted total contributions to the adjusted total contributions for all employers.
- This ratio is multiplied by the NPL for the non-OPEB SRBR to determine the employer's proportionate share of the NPL for the non-OPEB SRBR.

### **Total**

The employer's total allocated NPL is the sum of its allocated pension NPL from each membership class and the non-OPEB SRBR. The proportionate share of the total plan NPL is then the ratio of the employer's total allocated NPL to the total NPL of all employers.

## Schedule of employer allocations as of December 31, 2025

Actual Employer Contributions by Employer and Membership Class  
January 1, 2025 to December 31, 2025

Employer	General Excluding ACOE and LARPD Contribution	General Excluding ACOE and LARPD Percentage <sup>1</sup>	General ACOE Only Contribution	General ACOE Only Percentage	General LARPD Only Contribution	General LARPD Only Percentage	General Combined Contribution	General Combined Percentage
Alameda County	\$559,181,022	85.087%	\$0	0.000%	\$0	0.000%	\$559,181,022	85.017%
Health System	78,835,082	11.996%	0	0.000%	0	0.000%	78,835,082	11.986%
Superior Court	13,970,824	2.126%	0	0.000%	0	0.000%	13,970,824	2.124%
First 5	3,395,793	0.517%	0	0.000%	0	0.000%	3,395,793	0.516%
Housing Authority	1,798,627	0.274%	0	0.000%	0	0.000%	1,798,627	0.273%
LARPD	0	0.000%	0	0.000%	432,967	100.000%	432,967	0.066%
ACOE	0	0.000%	120,000	100.000%	0	0.000%	120,000	0.018%
<b>Total All Employers</b>	<b>\$657,181,348</b>	<b>100.000%</b>	<b>\$120,000</b>	<b>100.000%</b>	<b>\$432,967</b>	<b>100.000%</b>	<b>\$657,734,315</b>	<b>100.000%</b>

Employer	Safety Contribution	Safety Percentage	Total Contribution	Total Percentage	Adjusted General Excluding ACOE and LARPD Contribution	Adjusted General Excluding ACOE and LARPD <sup>2</sup> Percentage <sup>1</sup>	Adjusted Total Contribution	Adjusted Total <sup>2,3,4</sup> Percentage <sup>1</sup>
Alameda County	\$59,651,268	100.000%	\$618,832,290	86.263%	\$177,212,627 <sup>2</sup>	64.391%	\$321,814,329 <sup>2</sup>	76.344%
Health System	0	0.000%	78,835,082	10.989%	78,835,082	28.645%	78,835,082	18.702%
Superior Court	0	0.000%	13,970,824	1.947%	13,970,824	5.076%	13,970,824	3.314%
First 5	0	0.000%	3,395,793	0.473%	3,395,793	1.234%	3,395,793	0.806%
Housing Authority	0	0.000%	1,798,627	0.251%	1,798,627	0.654%	1,798,627	0.427%
LARPD	0	0.000%	432,967	0.060%	0	0.000%	1,532,429 <sup>3</sup>	0.364%
ACOE	0	0.000%	120,000	0.017%	0	0.000%	179,854 <sup>4</sup>	0.043%
<b>Total All Employers</b>	<b>\$59,651,268</b>	<b>100.000%</b>	<b>\$717,385,583</b>	<b>100.000%</b>	<b>\$275,212,953</b>	<b>100.000%</b>	<b>\$421,526,938</b>	<b>100.000%</b>

## Notes for Exhibit A2, Employer Contributions

1. The unrounded percentages are used in the allocation of the NPL amongst the employers.
2. This includes \$177,212,627 of County General adjusted employer contributions and \$144,601,702 of County Safety adjusted employer contributions used for purposes of determining the proportionate share of the non-OPEB SRBR NPL for the County.

The County made voluntary County General contributions of \$400,000,000 on June 27, 2025 to reduce their General UAAL and associated employer contribution rates. We have amortized the voluntary County General UAAL contributions to provide a UAAL contribution rate credit for County General over 10 years effective FY 25-26. Similar to the approach approved by ACERA for ACOE to determine ACOE's proportionate share of the non-OPEB SRBR NPL, we determined the County General's proportionate share of the non-OPEB SRBR NPL by using the County General's actual contributions made in 2025 in the amount of \$559,181,022, less the voluntary UAAL contribution of \$400,000,000, plus the contribution credit applied in 2025 in the amount of \$18,031,605 for a total adjusted County General contribution of \$177,212,627. The County General adjusted employer contributions are also used to determine the proportionate share of the pension NPL for the General (excluding ACOE and LARPD) membership class before consideration of the County General UAAL Advance Reserve.

The County made voluntary County Safety contributions of \$800,000,000 on June 29, 2021 to reduce their Safety UAAL and associated employer contribution rates. We have amortized the voluntary County Safety UAAL contributions to provide a UAAL contribution rate credit for County Safety over 13 years effective FY 21-22. Similar to the approach approved by ACERA for ACOE to determine ACOE's proportionate share of the non-OPEB SRBR NPL, we determined the County Safety's proportionate share of the non-OPEB SRBR NPL by using the County Safety's actual contributions made in 2025 in the amount of \$59,651,268 plus the contribution credit applied in 2025 in the amount of \$84,950,434 for a total adjusted County Safety contribution of \$144,601,702.

3. LARPD made voluntary LARPD General contributions of \$12,611,250 on June 29, 2021 to reduce their General UAAL and associated employer contribution rates. We have amortized the voluntary LARPD General UAAL contributions to provide a UAAL contribution rate credit for LARPD General over 16 years effective FY 21-22. Similar to the approach approved by ACERA for ACOE to determine ACOE's proportionate share of the non-OPEB SRBR NPL, we determined LARPD's proportionate share of the non-OPEB SRBR NPL by using LARPD's actual contributions made in 2025 in the amount of \$432,967 plus the contribution credit applied in 2025 in the amount of \$1,099,462 for a total adjusted LARPD contribution of \$1,532,429.
4. ACOE made a lump sum contribution of \$750,000 in 2019 to partially pay off their UAAL. That lump sum is greater than the amount that ACOE would have to make on an installment basis over 20 years. In order to have a more level allocation of the NPL to ACOE, ACERA approved an approach outlined in our March 2, 2020 letter to determine ACOE's proportionate share of the non-OPEB SRBR NPL by using ACOE's required contributions determined in our December 31, 2023 valuation in the amount of \$120,000 based on an April 1, 2025 payment date plus the amortization of the remaining balance of the original \$750,000 lump sum amount (an amount of \$59,854 which represents the additional UAAL contribution ACOE would have been required to pay had they not made the additional lump sum contribution in 2019).

## Part 1: Excluding Non-OPEB SRBR

Step 1: Allocation of Net Pension Liability (NPL) as of December 31, 2025

*Excluding County General UAAL Advance Reserve*

Employer	General Excluding ACOE and LARPD NPL	General Excluding ACOE and LARPD Percentage <sup>1</sup>
Alameda County	\$538,635,090	64.391%
Health System	239,618,035	28.645%
Superior Court	42,464,107	5.076%
First 5	10,321,461	1.234%
Housing Authority	5,466,899	0.654%
LARPD	0	0.000%
ACOE	0	0.000%
<b>Total All Employers</b>	<b>\$836,505,592</b>	<b>100.000%</b>

Step 2: Allocation of Net Pension Liability (NPL) as of December 31, 2025

*County General UAAL Advance Reserve Only*

Employer	General Excluding ACOE and LARPD NPL	General Excluding ACOE and LARPD Percentage <sup>2</sup>
Alameda County	\$(409,784,274)	100.000%
Health System	0	0.000%
Superior Court	0	0.000%
First 5	0	0.000%
Housing Authority	0	0.000%
LARPD	0	0.000%
ACOE	0	0.000%
<b>Total All Employers</b>	<b>\$(409,784,274)</b>	<b>100.000%</b>

Step 3: Allocation of Net Pension Liability (NPL) as of December 31, 2025  
*Including County General UAAL Advance Reserve*

Employer	General Excluding ACOE and LARPD NPL	General Excluding ACOE and LARPD Percentage <sup>2</sup>	General ACOE Only NPL	General ACOE Only Percentage <sup>1</sup>	General LARPD Only NPL	General LARPD Only Percentage <sup>1</sup>
Alameda County	\$128,850,816	30.196%	\$0	0.000%	\$0	0.000%
Health System	239,618,035	56.153%	0	0.000%	0	0.000%
Superior Court	42,464,107	9.951%	0	0.000%	0	0.000%
First 5	10,321,461	2.419%	0	0.000%	0	0.000%
Housing Authority	5,466,899	1.281%	0	0.000%	0	0.000%
LARPD	0	0.000%	0	0.000%	(2,916,708)	100.000%
ACOE	0	0.000%	1,033,220	100.000%	0	0.000%
<b>Total All Employers</b>	<b>\$426,721,318</b>	<b>100.000%</b>	<b>\$1,033,220</b>	<b>100.000%</b>	<b>\$(2,916,708)</b>	<b>100.000%</b>

Employer	General Combined NPL	General Combined Percentage	Safety NPL	Safety Percentage <sup>1</sup>	Total General and Safety NPL	Total General and Safety Percentage
Alameda County	\$128,850,816	30.330%	\$(8,509,865)	100.000%	\$120,340,951	28.906%
Health System	239,618,035	56.402%	0	0.000%	239,618,035	57.555%
Superior Court	42,464,107	9.995%	0	0.000%	42,464,107	10.200%
First 5	10,321,461	2.430%	0	0.000%	10,321,461	2.479%
Housing Authority	5,466,899	1.287%	0	0.000%	5,466,899	1.313%
LARPD	(2,916,708)	(0.687%)	0	0.000%	(2,916,708)	(0.701%)
ACOE	1,033,220	0.243%	0	0.000%	1,033,220	0.248%
<b>Total All Employers</b>	<b>\$424,837,830</b>	<b>100.000%</b>	<b>\$(8,509,865)</b>	<b>100.000%</b>	<b>\$416,327,965</b>	<b>100.000%</b>

## Part 2: Including Non-OPEB SRBR

### Allocation of Net Pension Liability (NPL) as of December 31, 2025

Employer	General and Safety Non-OPEB SRBR Only NPL	General and Safety Non-OPEB SRBR Only Percentage <sup>3</sup>	Total NPL	Total Percentage
Alameda County	\$44,743,409	76.344%	\$165,084,360	34.758%
Health System	10,960,824	18.702%	250,578,859	52.761%
Superior Court	1,942,432	3.314%	44,406,539	9.350%
First 5	472,134	0.806%	10,793,595	2.273%
Housing Authority	250,072	0.427%	5,716,971	1.204%
LARPD	213,061	0.364%	(2,703,647)	(0.569%)
ACOE	25,006	0.043%	1,058,226	0.223%
<b>Total All Employers</b>	<b>\$58,606,938</b>	<b>100.000%</b>	<b>\$474,934,903</b>	<b>100.000%</b>

## Notes for Exhibit A2, NPL, Parts 1 and 2

1. Allocated based on the actual employer contributions within each membership class.
2. The County made voluntary County General contributions of \$400,000,000 on June 27, 2025 to reduce their General UAAL and associated employer contribution rates. The Plan FNP attributable to the County General UAAL Advance Reserve as of December 31, 2025 is \$409,784,274, after adding the proportionate share of one-half of the net deferred investment gain due to investment experience after June 30, 2025 and the proportionate share of the Contingency Reserve that is commensurate with the size of the County General UAAL Advance Reserve.

The General excluding ACOE and LARPD NPL is allocated in three steps:

Step 1: The NPL of \$836,505,592 (i.e., excluding the County General UAAL Advance Reserve) is allocated based on the actual employer contributions in total for the General excluding ACOE and LARPD group, with an adjustment to reflect the total annual contribution County General would have been required to make of \$177,212,627 in 2025 had they not made the voluntary County General UAAL contribution in 2025.

Step 2: The NPL of \$(409,784,274) attributable to the County General UAAL Advance Reserve is allocated to Alameda County.

Step 3: The total pension NPL for the General excluding ACOE and LARPD membership class is the amount in Step 1 plus the amount in Step 2.

3. Allocated based on the actual employer contributions in total, with an adjustment to reflect the total annual UAAL contribution ACOE would have been required to make of \$179,854 in 2025 had they not made the additional contribution in 2019 to partially pay off their UAAL. This approach is outlined in our March 2, 2020 letter and is approved by ACERA. Following this approach, there is an adjustment to reflect the total annual contribution the County would have been required to make of \$321,814,329 (specifically, \$177,212,627 for County General and \$144,601,702 for County Safety) in 2025 had they not made the voluntary County General UAAL contribution in 2025 and the voluntary County Safety UAAL contribution in 2021. There is also an adjustment to reflect the total annual contribution LARPD would have been required to make of \$1,532,429 in 2025 had they not made the voluntary LARPD General UAAL contribution in 2021.

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## Additional Notes for Exhibit A2

### Pension (excluding non-OPEB SRBR)

The Net Pension Liability (NPL) for each membership class is the Total Pension Liability (TPL) minus the Plan Fiduciary Net Position (FNP). The TPL for each membership class is obtained from internal valuation results.

As of December 31, 2025, the total Plan FNP for Pension (excluding non-OPEB SRBR) is \$524.4 million greater than the valuation value of assets as of the same date, due to the inclusion of deferred market gains and the balance of the Contingency Reserve. The Plan FNP for Pension for each membership class is obtained as follows:

- One-half of the deferred market gains and losses accumulated up to June 30, 2025 are allocated to each membership class proportionately based on the valuation value of assets for each membership class relative to the total valuation value of assets for all membership classes, both excluding the valuation value of assets for the County General UAAL Advance Reserve.<sup>2</sup>
- One-half of the deferred market gains and losses accumulated after June 30, 2025 are allocated to each membership class proportionately based on the valuation value of asset for each membership class relative to the total valuation value of assets for all membership classes, both including the valuation value of assets for the County General UAAL Advance Reserve.
- The Contingency Reserve is allocated to each membership class taking into consideration the valuation value of assets for each membership class relative to the total valuation value of assets for all membership classes as well as the amount in the Contingency Reserve that originates from the returns derived from the County General UAAL Advance Reserve.

The total Plan FNP for pension as of December 31, 2025 includes the net fair value of assets less SRBR assets. The SRBR assets include the SRBR-OPEB reserve (after reducing the reserve by the SRBR implicit subsidy transfer), the 401(h) reserve, and the Non-OPEB SRBR reserve, plus a proportionate share of one-half of the deferred market gains commensurate with the size of those SRBR reserves and 401(h) reserve to valuation, SRBR and 401(h) reserves.

The General ACOE membership class has only one employer (ACOE), so all of the NPL for General ACOE is allocated to the ACOE. The General LARPD membership class has only one employer (LARPD), so all of the NPL for General LARPD is allocated to LARPD. The Safety membership class also has only one employer (County), so all of the NPL for Safety is allocated to the County.

<sup>2</sup> Based on the Board's funding policy and interest crediting policy, the County General UAAL Advance Reserve is subject to a separate five-year asset smoothing schedule that excludes the allocation of any deferred investment gains or losses accumulated up to June 30, 2025 for interest crediting purposes. Also, the deferred market gains and losses accumulated up to June 30, 2021 for purposes of the separate five-year asset smoothing schedule for the County Safety and General LARPD UAAL Advance Reserves are fully recognized as of December 31, 2025.

For General excluding ACOE and LARPD, the NPL is allocated in three steps:

Step 1: The NPL excluding the County General UAAL Advance Reserve is allocated based on the actual employer contributions within the General membership class excluding any contributions made by ACOE and LARPD and excluding voluntary UAAL contributions with an adjustment to reflect the total annual contribution County General would have been required to make had they not made the voluntary County General UAAL contribution in 2025. The steps used for the allocation are as follows:

- Calculate the ratio of the employer's adjusted contributions to the adjusted total contributions for the membership class.
- This ratio is multiplied by the NPL (excluding the County General UAAL Advance Reserve) for the membership class to determine the employer's proportionate share of the NPL for the membership class.

Step 2: The NPL attributable to the County General UAAL Advance Reserve is allocated to Alameda County.

Step 3: The total pension NPL for the General excluding ACOE and LARPD membership class is the amount in Step 1 plus the amount in Step 2.

## Non-OPEB SRBR

The non-OPEB SRBR assets include the non-OPEB SRBR reserve, plus a proportionate share of the deferred market gains commensurate with the size of the non-OPEB to valuation and SRBR reserves.

For non-OPEB SRBR, the NPL is allocated based on the adjusted employer contributions in total. The steps used for the allocation are as follows:

- Calculate the ratio of the employer's adjusted total contributions to the adjusted total contributions for all employers.
- This ratio is multiplied by the NPL for the non-OPEB SRBR to determine the employer's proportionate share of the NPL for the non-OPEB SRBR.

## Total

The employer's total allocated NPL is the sum of its allocated pension NPL from each membership class and the non-OPEB SRBR. The proportionate share of the total plan NPL is then the ratio of the employer's total allocated NPL to the total NPL of all employers.

## Schedule of pension amounts by employer as of December 31, 2025

### Deferred Outflows of Resources

Employer	Net Pension Liability	Differences Between Actual and Expected Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
Alameda County	\$165,084,360	\$142,615,436	\$0	\$0	\$7,182,293	\$149,797,729
Health System	250,578,859	38,109,107	0	0	7,027,750	45,136,857
Superior Court	44,406,539	6,753,537	0	0	1,077,966	7,831,503
First 5	10,793,595	1,641,536	0	0	3,471,276	5,112,812
Housing Authority	5,716,971	869,461	0	0	726,358	1,595,819
LARPD	(2,703,647)	1,255,500	0	0	0	1,255,500
ACOE	1,058,226	209,580	0	0	2	209,582
<b>Total for all Employers</b>	<b>\$474,934,903</b>	<b>\$191,454,157</b>	<b>\$0</b>	<b>\$0</b>	<b>\$19,485,645</b>	<b>\$210,939,802</b>

## Deferred Inflows of Resources

Employer	Differences Between Expected and Actual Experience	Net Difference Between Actual and Projected Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources
Alameda County	\$10,563,031	\$443,456,201	\$29,078,977	\$8,840,991	\$491,939,200
Health System	3,293,708	112,015,150	8,630,212	2,410,045	126,349,115
Superior Court	583,697	19,850,857	1,529,410	7,412,773	29,376,737
First 5	141,876	4,825,012	371,743	0	5,338,631
Housing Authority	75,146	2,555,633	196,899	795,711	3,623,389
LARPD	360,311	3,533,435	260,556	25,365	4,179,667
ACOE	2,129	175,434	1,012	760	179,335
<b>Total for all Employers</b>	<b>\$15,019,898</b>	<b>\$586,411,722</b>	<b>\$40,068,809</b>	<b>\$19,485,645</b>	<b>\$660,986,074</b>

## Pension Expense

Employer	Proportionate Share of Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Employer Pension Expense
Alameda County	\$152,146,080	\$(1,869,233)	\$150,276,847
Health System	50,145,843	3,186,253	53,332,096
Superior Court	8,886,638	(2,848,989)	6,037,649
First 5	2,160,015	1,552,624	3,712,639
Housing Authority	1,144,080	3,139	1,147,219
LARPD	(292,734)	(23,338)	(316,072)
ACOE	164,392	(456)	163,936
<b>Total for all Employers</b>	<b>\$214,354,314</b>	<b>\$0</b>	<b>\$214,354,314</b>

### Notes for Exhibit B:

The above exhibit shows the allocated NPL, deferred outflows and inflows of resources, and pension expense by employer.

The amounts shown in this exhibit were allocated first by employer within each of the four pension plan membership classes (excl. non-OPEB SRBR) and within the non-OPEB SRBR based on the Employer Allocation Percentage calculated in Exhibit A2, and added together to produce the results by employer in total.

In determining the pension expense:

- Any differences between projected and actual investment earnings on pension plan investments are recognized over a period of five years beginning with the year in which they occur.
- Current-period (i.e., 2025) differences between expected and actual experience and changes of assumptions, if any, are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through ACERA determined as of December 31, 2024 (the beginning of the measurement period ending December 31, 2025) and is 4.87 years.
- Prior-period differences between expected and actual experience and changes of assumptions are continued to be recognized based on the expected remaining service lives of all employees calculated as of those prior measurement dates.

- Current-period plan changes are recognized immediately.

The average of the expected remaining service lives of all employees was determined by:

- Calculating each active employee's expected remaining service life as the present value of \$1 per year of future service at zero percent interest.
- Setting the remaining service life to zero for each nonactive or retired members.
- Dividing the sum of the above amounts by the total number of active employee, nonactive and retired members.

The pension expense decreased from \$342.0 million as of December 31, 2024 to \$214.4 million as of December 31, 2025. The primary cause of the decrease was a gain from the return on the market value of assets of 13.2% during calendar year 2025 that was greater than the assumption of 7.00% used in the December 31, 2024 valuation (a gain of about \$688 million that is being recognized over a period of five years starting with the development of this year's pension expense).

# Alameda County Employees' Retirement Association (ACERA)

**Governmental Accounting Standards Board Statement  
No. 74 Actuarial Valuation of Other Postemployment  
Benefits (OPEB) Measured as of December 31, 2025**

DRAFT



This valuation report should only be copied, reproduced, or shared with other parties in its entirety as necessary for the proper administration of the Plan.

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**Segal**

April 2, 2026

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

Dear Board of Trustees:

We are pleased to submit this Governmental Accounting Standards Board Statement No. 74 (GASB 74) Accounting Valuation of Other Postemployment Benefits (OPEB) Measured as of December 31, 2025 for the Alameda County Employees' Retirement Association ("ACERA" or "the Plan"). It contains various information that will need to be disclosed in order to comply with GASB 74. The report summarizes the actuarial data used in the valuation, discloses the Net OPEB Liability (NOL), and analyzes the preceding year's experience.

The actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices for the exclusive use and benefit of the Board of Trustees (the Board). The actuarial valuation is based on the plan of benefits verified by the staff of the Plan and reliance on participant, premium, claims and expense data provided by the staff of the Plan or from vendors employed by the Plan. Segal does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. Segal, however, does review the data for reasonableness and consistency.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: retiree group benefits program experience differing from that anticipated by the assumptions; changes in assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in retiree group benefits program provisions or applicable law. Retiree group benefits models necessarily rely on the use of approximations and estimates, and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements. The scope of the assignment did not include performing an analysis of the potential change of such future measurements except where noted.

Board of Trustees  
April 2, 2026

The actuarial calculations were completed under the supervision of Mehdi Riazi, FSA, MAAA, FCA, EA. We are members of the American Academy of Actuaries and we collectively meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. The assumptions used in this actuarial valuation were selected by the Board of Trustees based upon our analysis and recommendations. In our opinion, the assumptions are reasonable and take into account the experience of the ACERA and reasonable expectations. In addition, in our opinion, the combined effect of these assumptions is expected to have no significant bias.

Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The Board of Trustees is encouraged to discuss any issues raised in this report with the Plan's legal, tax and other advisors before taking, or refraining from taking, any action.

Sincerely,

Segal

Todd Tauzer, FSA, MAAA, FCA, CERA  
Senior Vice President and Actuary

Mehdi Riazi, FSA, MAAA, FCA, EA  
Vice President and Actuary

Daniel Siblik, ASA, MAAA, FCA, EA  
Vice President and Actuary

Eva Yum, FSA, MAAA, EA  
Vice President and Actuary

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# Section 1: Actuarial Valuation Summary

## Purpose and basis

This report presents the results of our actuarial valuation of the ACERA OPEB plan as of December 31, 2025, required by Governmental Accounting Standards Board (GASB) Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans. The actuarial computations made are for purposes of fulfilling plan accounting requirements. Determinations for purposes other than meeting financial accounting requirements may be significantly different from the results reported here. This valuation is based on:

- The benefit provisions of the OPEB Plan, as administered by the Board;
- The characteristics of covered active, inactive, and retired members and beneficiaries as of November 30, 2024, provided by the staff of ACERA;
- The assets of the Plan as of December 31, 2025, provided by ACERA;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board for the December 31, 2025 valuation; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, and health care trends, etc. adopted by the Board for the December 31, 2025 valuation.

## General observations on a GASB 74 Actuarial Valuation

1. The Governmental Accounting Standards Board (GASB) rules only define OPEB liability and expense for financial reporting purposes, they do not apply to contribution amounts for OPEB funding purposes. Employers and plans should continue to develop and adopt funding policies under current practices.
2. When measuring OPEB liability, GASB uses the same actuarial cost method (Entry Age method) and, for benefits that are being fully funded on an actuarial basis, the same expected return on Plan assets as used for funding.<sup>1</sup> This means that the Total OPEB Liability (TOL) measure for financial reporting shown in this report is generally determined on the same basis as the Actuarial Accrued Liability (AAL) measure for funding.

<sup>1</sup> See discussions on next page regarding source of funding for payment of OPEB SRBR benefits not covered by current OPEB Plan FNP in the SRBR.

## Section 1: Actuarial Valuation Summary

3. The Net OPEB Liability (NOL) is equal to the difference between the TOL and the Plan Fiduciary Net Position (FNP). The Plan FNP is equal to the fair value of assets and therefore, the NOL measure is very similar to an unfunded actuarial accrued liability (UAAL) on a market value basis.

### Highlights of the valuation

1. The reporting date for the Plan is December 31, 2025 and the NOL was measured as of the same date. The TOL was determined based upon rolling forward the liability results used in determining the sufficiency of the Supplemental Retiree Benefits Reserve (SRBR) to provide medical and dental subsidy benefits as of December 31, 2024. Any changes in actuarial assumptions or plan provisions that occurred between the valuation date and the measurement date have been reflected.
2. The TOL has been adjusted to reflect the health care trend assumptions recommended for the upcoming sufficiency study for the SRBR as of December 31, 2025 (reference: our recommended trend letter dated March 11, 2026).
3. The Net OPEB Liability decreased by \$251.6 million, from \$229.0 million as of December 31, 2024, to a Net OPEB Asset of \$(22.6) million as of December 31, 2025. The NOL was expected to increase by \$60.7 million to \$289.7 million based on the plan's actual benefit payments, and a year of anticipated liability growth due to service cost and interest cost. The difference between the actual and expected NOL was primarily attributable to favorable overall investment experience<sup>2</sup>, and to a lesser extent, demographic experience gains. These savings were partially offset by updated starting year costs, including higher than expected implicit subsidy estimates, and revised healthcare trend assumptions. Combined, these assumption changes increased the NOL by \$81 million. Changes in these values during the last two fiscal years ending December 31, 2025 and 2024 can be found in *Section 2, Schedule of Changes in Net OPEB Liability* on page 23.
4. For the non-Medicare plans, we have updated the first-year trend rate to 8.00%, then grading down by 0.25% each year for 14 years until reaching an ultimate rate of 4.50%. Key considerations that influenced the updated non-Medicare trend rates were the plan's recent premium experience and updated national trend expectations for medical and prescription drug costs. For the Medicare plans, we have set the first-year trend to 7.50%,<sup>3</sup> then grading down by 0.25% each year until reaching an ultimate rate of 4.50% after 12 years. In addition to the same key considerations that influenced the updated non-Medicare trend rates, the updated Medicare trend rates were also influenced by the Calendar Year 2027 Advance Notice of Methodological Changes for Medicare Advantage Capitation Rates and Part C and Part D Payment Services (CMS) on January 26, 2026. Medicare Part

<sup>2</sup> The market value investment return for ACERA as a whole was 15.55% net of administrative expenses, or 15.74% gross of administrative expenses, during 2025. In allocating the end of year market value of assets between the Pension Plan and the SRBR, we have taken into consideration that for ACERA as a whole, the actuarial value of assets was lower than the market value of assets as of December 31, 2025 and there are deferred investment gains scheduled to be recognized in the next few years. One-half of the net deferred market gain is allocated proportionately to the Pension Plan and 401(h) reserve, and one-half of the net deferred market gain is allocated to the SRBR. As a result, the market value investment return for the Pension Plan is 12.9% compared to the 41.5% investment return for the SRBR (OPEB and non-OPEB SRBR combined).

<sup>3</sup> We note that in the absence of the above updates, the first-year trend rate that we would use in this year's valuation would equal 7.25%.

## Section 1: Actuarial Valuation Summary

B trend assumptions have been increased to 6.75% for calendar years 2026 through 2033, 6.25% for calendar year 2034, then decreasing by 0.50% per year until the ultimate trend rate of 4.50% is reached in 2038. The updated Part B trend assumptions were based on the intermediate Part B premium estimates in Table V.E2. of the 2025 Medicare Trustees report.

5. We have also continued the practice of adjusting the Plan FNP as of December 31, 2025 to include the \$1.148 billion set aside by the Retirement Board in the SRBR reserve to pay OPEB benefits as of December 31, 2025. This includes \$1.138 billion in the OPEB-related SRBR reserve (after reducing the reserve by the \$9.4 million SRBR implicit subsidy transfer), and \$10.3 million in the 401(h) reserve. It should be noted that as of December 31, 2025, the deferred investment **gain** for the entire Plan was \$761.8 million. As discussed in footnote 2, we have added to the Plan FNP the proportionate share of one-half of the net deferred market gains commensurate with the size of the OPEB to total SRBR and 401(h) reserve to valuation and 401(h) reserves, or \$342.9 million.
6. As we disclosed in our December 31, 2025 pension funding valuation report, the 7.00% investment return assumption that the Board approved for determining the liabilities for funding purposes and used for establishing the employer and employee contribution rates has continued to be developed without considering the impact of any future 50/50 excess earnings allocation. This is based on our understanding that Article 5.5 of the Statute, which authorizes the allocation of 50% of excess earnings to the SRBR, does not allow for the use of a different investment return for funding than is used for interest crediting. This would appear in effect to preclude the prefunding of the SRBR through the use of an assumption lower than the market earnings assumption of 7.00%.

Actuarial Standard of Practice (ASOP) No. 4 (“Measuring Pension Obligations and Determining Pension Plan Costs or Contributions”) states that some plan provisions, including gain sharing provisions, “may create pension obligations that are difficult to appropriately measure using traditional valuation procedures.” ASOP No. 4 further states that “for such plan provisions, the actuary should consider using alternative valuation procedures, such as stochastic modeling...to reflect the impact of variations in experience from year to year.” Accordingly, we performed a stochastic model to estimate the impact of the 50% allocation of future excess earnings to the SRBR as part of our triennial experience study recommending assumptions for use starting with the December 31, 2023 valuation. The results of our model indicated that the 50/50 allocation of future excess earnings would have about the same impact as an “outflow” (i.e., assets not available to fund the benefits included in the determination of the Total Pension Liability) that would average approximately 0.75% of assets over time. This approximated outflow was incorporated into our GASB crossover test for the pension benefits (reference: Section 3, Projection of Pension Plan Fiduciary Net Position of our GASB 67 report as of December 31, 2025), along with the additional future employer contributions that would result from those future allocations of excess earnings to the SRBR under ACERA’s funding policy. (The choice of this methodology by the Board in 2015 to reflect the impact of the SRBR was a result of several meetings with ACERA and its auditors, as well as with administrative staff, auditors, and consultants representing the County of Alameda, and after twice consulting with GASB staff.)

## Section 1: Actuarial Valuation Summary

Furthermore, note (6) provided in *Appendix A* of the GASB 67 report indicates that the present value of outflows from the 0.75% of assets over time is expected to be higher than the present values of the remaining OPEB and non-OPEB SRBR benefits that could be paid after the exhaustion of assets currently available in the SRBR.

Therefore, in developing the crossover test for the OPEB SRBR in *Appendix A* of this report, we have only included the projected benefits to the extent that on a present value basis they are less than or equal to the OPEB assets currently available in the SRBR as any remaining OPEB SRBR benefits would be paid from future excess earnings

7. For 2025, the Plan FNP of \$1,491,046,205 includes the OPEB-related SRBR reserve of \$1,137,880,407 (after reducing the reserve by the SRBR implicit subsidy transfer of \$9,390,686) and the 401(h) reserve of \$10,309,803, plus the proportionate share of one-half of the net deferred market gains that is commensurate with the size of the OPEB to total SRBR and 401(h) reserve to valuation and 401(h) reserves of \$342,855,996. For 2024, the Plan FNP of \$1,101,638,549 includes the OPEB-related SRBR reserve of \$1,094,286,987 (after reducing the reserve by the SRBR implicit subsidy transfer of \$2,472,346) and the 401(h) reserve of \$10,521,170, less the proportionate share of the net deferred investment loss that is commensurate with the size of the OPEB SRBR reserve of \$3,169,608. Note that amounts may not total exactly due to rounding.
8. Employer contributions shown in this report are on a net basis. Benefits are funded by employer contributions to the 401(h) account and similar amounts are transferred from the SRBR to the Employers Advance Reserve to backfill the employer contributions that would have otherwise been made to the Retirement Plan.

## Section 1: Actuarial Valuation Summary

### Summary of key valuation results

Valuation Result	Current	Prior
Measurement date	December 31, 2025	December 31, 2024
<b>Disclosure elements:</b>		
• Total OPEB Liability	\$1,468,484,343	\$1,330,606,143
• Plan Fiduciary Net Position <sup>4</sup>	1,491,046,205	1,101,638,549
• Net OPEB Liability/(Asset)	(22,561,862)	228,967,594
• Plan Fiduciary Net Position as a percentage of Total OPEB Liability	101.54%	82.79%
• Service Cost at Beginning of Year <sup>5</sup>	39,640,775	37,369,338
• Benefit Payments	52,784,099	50,186,853
<b>Schedule of contributions</b>		
• Actuarially determined contributions	N/A	N/A
• Actual contributions <sup>6</sup>	0	0
<b>Demographic data<sup>7</sup></b>		
• Number of retired members receiving medical benefits <sup>8</sup>	TBD	6,909
• Number of retired members receiving dental and vision benefits	TBD	8,537
• Number of vested terminated members	TBD	572
• Number of active members	TBD	11,865

<sup>4</sup> Please refer to item 7 on page 8 for information relating to the Plan FNP amount.

<sup>5</sup> The service cost is based on the previous year's valuation, meaning the service costs for periods ending December 31, 2025 and December 31, 2024 measurement dates are based on the valuations as of December 31, 2024 and December 31, 2023, respectively.

<sup>6</sup> Please refer to item 8 on page 8 for information relating to the employer contributions.

<sup>7</sup> The December 31, 2024 data is used in the measurement of the TOL as of December 31, 2025.

The demographic data as of December 31, 2025 will be used in the sufficiency study for the SRBR as of December 31, 2025 as well as in the next year's GASB 74 valuation when we roll forward the liability from December 31, 2025 to December 31, 2026. The December 31, 2025 demographic data will be included in the final version of this report.

<sup>8</sup> The retiree count excludes beneficiaries under 65 receiving an implicit subsidy.

## Section 1: Actuarial Valuation Summary

Valuation Result	Current	Prior
<b>Key assumptions</b>		
Discount rate	7.00%	7.00%
Health care premium trend rates		
<ul style="list-style-type: none"> <li>• Non-Medicare medical plan</li> </ul>	8.00% graded to ultimate 4.50% over 14 years	7.75% graded to ultimate 4.50% over 13 years
<ul style="list-style-type: none"> <li>• Medicare medical plan</li> </ul>	7.50% graded to ultimate 4.50% over 12 years	7.50% graded to ultimate 4.50% over 12 years
<ul style="list-style-type: none"> <li>• Dental</li> </ul>	5.00% graded to ultimate 4.00% over 2 years	6.00% in 2025, then 5.00% graded to ultimate 4.00% over 2 years
<ul style="list-style-type: none"> <li>• Vision</li> </ul>	3.00%	3.00%
<ul style="list-style-type: none"> <li>• Medicare Part B</li> </ul>	6.75% until 2033, then 6.25% graded to ultimate 4.50% over 4 years	6.20% until 2033, then 5.75% graded to ultimate 4.50% over 5 years

## Section 1: Actuarial Valuation Summary

### Important information about actuarial valuations

An actuarial valuation is a tool to measure future uncertain obligations of a post-retirement health plan. As such, it will never forecast the precise future stream of benefit payments. It is an estimated forecast – the actual cost of the plan will be determined by the benefits and expenses paid, not by the actuarial valuation.

In order to prepare a valuation, Segal relies on a number of input items. These include:

Input Item	Description
<b>Plan of benefits</b>	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. For example, a plan may provide health benefits to post-65 retirees that coordinates with Medicare. If so, changes in the Medicare law or administration may change the plan's costs without any change in the terms of the plan itself. It is important for the Retirement Association to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
<b>Participant data</b>	An actuarial valuation for a plan is based on data provided to the actuary by the plan. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is not necessary to have perfect data for an actuarial valuation: the valuation is an estimated forecast, not a prediction. The uncertainties in other factors are such that even perfect data does not produce a "perfect" result. Notwithstanding the above, it is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
<b>Assets</b>	The valuation is based on the fair value of assets as of the valuation date, as provided by ACERA. The Association uses an actuarial value of assets that differs from fair value of assets to gradually reflect six-month changes in the fair value of assets in the SRBR sufficiency valuation.
<b>Actuarial assumptions</b>	In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. To determine the future costs of benefits, Segal collects claims, premiums, and enrollment data in order to establish a baseline cost for the valuation measurement, and then develops short- and long-term health care cost trend rates to project increases in costs in future years. This forecast also requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year, as well as forecasts of the plan's benefits for each of those events. The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan's assets or, if there are no assets, a rate of return based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions the actuary selects within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model necessarily uses approximations and estimates that may lead to significant changes in our results but will have no impact on the

## Section 1: Actuarial Valuation Summary

Input Item	Description
<b>Models</b>	<p>actual cost of the plan. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.</p> <p>Segal accounting results are based on proprietary actuarial modeling software. The accounting valuation models generate a comprehensive set of liability and cost calculations that are presented to meet accounting standards and client requirements. Our Actuarial Technology and Systems unit, comprising both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.</p> <p>Our claims costs assumptions are based on proprietary modeling software as well as models that were developed by others. These models generate per capita claims cost calculations that are used in our valuation software. Our Health Technical Services Unit, comprised of actuaries and programmers, is responsible for the initial development and maintenance of our health models. They are also responsible for testing models that we purchase from other vendors for reasonableness. The client team inputs the paid claims, enrollments, plan provisions and assumptions into these models and reviews the results for reasonableness, under the supervision of the responsible actuary.</p>

The user of Segal’s actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The actuarial valuation is prepared for use by ACERA. It includes information for compliance with accounting standards and for the plan’s auditor. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- If ACERA is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- An actuarial valuation is a measurement at a specific date – it is not a prediction of a plan’s future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
- Sections of this report include actuarial results that are not rounded, but that does not imply precision.
- Critical events for a plan include, but are not limited to, decisions about changes in benefits and contributions. The basis for such decisions needs to consider many factors such as the risk of changes in plan enrollment, emerging claims experience, health care trend, and investment losses, not just the current valuation results.

## Section 1: Actuarial Valuation Summary

- Segal does not provide investment, legal, accounting, or tax advice and is not acting as a fiduciary to the Plan. This valuation is based on Segal's understanding of applicable guidance in these areas and of the Plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.
- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by the Board upon delivery and review. The Association should notify Segal immediately of any questions or concerns about the final content.

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# Section 2: GASB Information

## General information about the OPEB plan

**Plan administration.** The Alameda County Employees' Retirement Association (ACERA) was established by the Alameda County Board of Supervisors in 1947. ACERA is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq.). ACERA is a cost-sharing, multiple employer, defined benefit, public employee retirement system whose main function is to provide service retirement, disability, death, and survivor benefits to the General and Safety members employed by the County of Alameda. ACERA also provides retirement benefits to the employee members of:

- First 5 Alameda County (First 5);
- Housing Authority of the County of Alameda (Housing Authority);
- Alameda Health System;
- Livermore Area Recreation and Park District (LARPD),
- Superior Court of California—County of Alameda (Alameda Superior Court); and
- Alameda County Office of Education (ACOE).

The management of ACERA is vested with the ACERA Board of Retirement. The Board consists of nine members and two alternates:

- The County Treasurer is a member of the Board of Retirement by law and is elected by the general public;
- Four members are appointed by the Board of Supervisors, one of whom may be a County Supervisor;
- Two active members are elected by the General members;
- One active member and one alternate are elected by the Safety members; and
- One retired member and one alternate are elected by the retired members.

All members of the Board of Retirement serve terms of three years except for the County Treasurer whose term runs concurrent with their term as County Treasurer.

## Section 2: GASB 74 Information

**Plan membership.** At December 31, 2025, OPEB Plan membership consisted of the following:<sup>9</sup>

Membership	Medical
Retired members currently receiving medical benefits	TBD
Retired members currently receiving dental and vision benefits	TBD
Vested terminated members entitled to but not yet receiving benefits	TBD
Active members	TBD
<b>Total</b>	<b>TBD</b>

**Benefits provided.** ACERA provides benefits to eligible employees under the following terms and conditions.

### Eligibility

#### *Service Retirees*

Retired with at least 10 years of service (including deferred vested members who terminate employment and receive a retirement benefit from ACERA)

#### *Disabled Retirees*

A minimum of 10<sup>10</sup> years of service is required for non-duty disability. There is no minimum service requirement for duty disability.

<sup>9</sup> Data as of December 31 2025 is not used in the measurement of the TOL as of December 31, 2024. It will be used for the sufficiency study for the SRBR as of December 31, 2025 as well as in next year's GASB 74 valuation. The December 31, 2025 demographic data will be included in the final version of this report. The retiree count excludes beneficiaries under 65 receiving an implicit subsidy.

<sup>10</sup> The 10 years of service requirement is only used for determining eligibility for health benefits. For pension benefits, the eligibility requirement is 5 years of service.

## Section 2: GASB 74 Information

### Other Postemployment Benefits (OPEB)

#### *Monthly Medical Allowance*

##### **Service Retirees**

For retirees not purchasing individual insurance through the Medicare Insurance Exchange, a Maximum Monthly Medical Allowance of \$662.37 per month is provided, effective January 1, 2025 and through December 31, 2025. For the period January 1, 2026 through December 31, 2026, the maximum allowance is \$687.21 per month.

For those purchasing individual insurance through the Individual Medicare Insurance Exchange, the Maximum Monthly Medical Allowance is \$507.43 per month for 2025 and is \$526.46 per month in 2026.

These allowances are subject to the following subsidy schedule:

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

##### **Disabled Retirees**

Non-duty disabled retirees receive the same Monthly Medical Allowance as service retirees. Duty disabled retirees receive the same Monthly Medical Allowance as those service retirees with 20 or more years of service.

#### *Medicare Benefit Reimbursement Plan*

The SRBR reimburses the standard Medicare Part B premium to qualified retired members.

To qualify for reimbursement, a retiree must:

- Have at least 10 years of ACERA service;
- Be eligible for Monthly Medical Allowance; and
- Provide proof of enrollment in Medicare Part B.

## Section 2: GASB 74 Information

### *Dental and Vision Plans*

The SRBR provides dental and vision benefits for retirees only. The maximum combined monthly dental and vision premium is \$55.68 in 2025 and \$58.98 in 2026. The eligibility for these premiums is as follows.

#### **Service Retirees**

Retired with at least 10 years of service.

#### **Disabled Retirees**

For non-duty disabled retirees, 10 years of service is required. For grandfathered non-duty disabled retirees (with effective retirement dates on or before January 31, 2014), there is no minimum service requirement.

For duty disabled retirees, there is no minimum service requirement.

### *Note about Monthly Medical Allowance*

The maximum levels of subsidy are reviewed by the Board annually and are not indexed to increase automatically.

In addition, the Monthly Medical Allowance can only be used to pay for retiree medical benefits. There is no benefit payable to beneficiaries, current spouses, former spouses or dependents.

If the actual cost of coverage is less than the Monthly Medical Allowance, the difference is not paid in cash or applied towards the coverage for beneficiaries, current spouses, former spouses or dependents.

### **Deferred Benefit**

Members who terminate employment with 10 or more years of service before reaching pension eligibility commencement age may elect deferred Monthly Medical Allowance and/or dental/vision benefits.

### **Death Benefit**

Surviving spouses/domestic partners of members who die before the member commences retiree health benefits may enroll in an ACERA group medical plan on the date that the member would have been eligible to commence benefits. The surviving spouse/domestic partner must pay 100% of the premium. Because premiums for surviving spouses/domestic partners under age 65 include active participants for purposes of underwriting, the surviving spouses/domestic partners receive an implicit subsidy, which creates a liability for the SRBR.

## Section 2: GASB 74 Information

### Exhibit A: Net OPEB Liability

Components of the Net OPEB Liability	Current	Prior
Measurement date	December 31, 2025	December 31, 2024
Total OPEB Liability	\$1,468,484,343	\$1,330,606,143
Plan Fiduciary Net Position	1,491,046,205	1,101,638,549
<b>Net OPEB Liability/(Asset)</b>	<b>\$(22,561,862)</b>	<b>\$228,967,594</b>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	101.54%	82.79%

The NOL was measured as of December 31, 2025 and 2024. The Plan FNP was valued as of the measurement dates, while the TOL as of December 31, 2025 and 2024 were determined by rolling forward the TOL as of December 31, 2024 and 2023, respectively.

**Plan provisions.** The plan provisions used in the measurement of the NOL as of December 31, 2025 and 2024 are the same as those used in ACERA's SRBR sufficiency valuation as of December 31, 2024 and 2023, respectively.

## Section 2: GASB 74 Information

**Actuarial assumptions.** The actuarial assumptions used for the December 31, 2025 valuation were based on the results of the experience study for the period from December 1, 2019 through November 30, 2022 that were approved by the Board effective with the December 31, 2023 valuation, the non-trend retiree health assumption letter dated April 30, 2025, and the health care trend assumptions recommended for the upcoming sufficiency study for the SRBR as of December 31, 2025 (reference: our letter dated March 11, 2026). The assumptions used in the December 31, 2025 SRBR OPEB actuarial valuation for ACERA were applied to all periods included in the measurement:

Assumption Type	Assumption
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Inflation	2.50%
Healthcare cost trend rates	
Non-Medicare Medical plan	8.00% graded to ultimate 4.50% over 14 years
Medicare medical plan	7.50% graded to ultimate 4.50% over 12 years
Dental	5.00% graded to ultimate 4.00% over 2 years
Vision	3.00%
Medicare Part B <sup>11</sup>	6.75% until 2033, then 6.25% graded to an ultimate of 4.50% over 4 years
Mortality rates	See analysis of actuarial experience during the period December 1, 2019 through November 30, 2022
Other assumptions	See analysis of actuarial experience during the period December 1, 2019 through November 30, 2022

<sup>11</sup> The actual 2025 premium increase of 9.68% reflecting the standard 2026 premium of \$202.90 per month was reflected in the current year GASB 74 valuation with December 31, 2025 measurement date. The proposed 6.75% initial trend assumption represents the average trend shown for years 2026 through 2033 of the Trustees report.

## Section 2: GASB 74 Information

### Exhibit B: Determination of discount rate and investment rates of return

The long-term expected rate of return on OPEB plan investments<sup>12</sup> was determined in 2023 using a building-block method in which expected arithmetic real rates of return (expected returns, net of inflation and any applicable investment management expenses) are developed for each major asset class. These returns are combined to produce the long-term expected arithmetic rate of return for the portfolio by weighting the expected arithmetic real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses (including investment consulting fees, custodian fees and other miscellaneous investment expenses and fees but excluding investment manager fees) and a risk margin. This portfolio return is further adjusted to an expected geometric real rate of return for the portfolio.

The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class (after deducting inflation and applicable investment management expenses) are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption in the actuarial valuations as of December 31, 2025 and December 31, 2024. This information will be subject to change every three years based on the results of an actuarial experience study.

<sup>12</sup> Note that the investment return assumption for SRBR sufficiency (and pension funding) purposes was developed net of both investment and administrative expenses; however, the same investment return assumption was used for financial reporting purposes, and it was considered gross of administrative expenses for financial reporting purposes. (This resulted in an increase in the margin for adverse deviation when using that investment return assumption for financial reporting.)

## Section 2: GASB 74 Information

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return <sup>13</sup>
US Large Cap Equity	21.60%	6.00%
US Small Cap Equity	2.40%	6.65%
International Developed Equity	16.30%	7.01%
International Small Cap Equity	2.90%	7.34%
Emerging Markets Equity	4.80%	8.80%
Core Fixed Income	10.50%	1.97%
High Yield Bonds	1.50%	4.63%
Global Fixed Income	2.00%	1.17%
Private Equity	11.00%	9.84%
Core Real Estate	6.30%	3.86%
Value Added Real Estate	1.80%	6.70%
Opportunistic Real Estate	0.90%	8.60%
Commodities	0.90%	4.21%
Private Credit	4.00%	6.47%
Absolute Return	8.00%	2.10%
Infrastructure	5.10%	7.30%
<b>Total</b>	<b>100.00%</b>	<b>5.89%</b>

The discount rate used to measure the TOL was 7.00% as of December 31, 2025. The projection of cash flows used to determine the discount rate assumed benefits are paid out of current OPEB SRBR assets. Based on those assumptions, the SRBR OPEB Plan FNP was projected to be available to make all projected future benefits payments for current plan members.<sup>14</sup> Therefore the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL as of December 31, 2025.

<sup>13</sup> Arithmetic real rates of return are net of inflation.

<sup>14</sup> See discussions in Section 1 regarding source of funding for payment of OPEB SRBR benefits not covered by current OPEB SRBR Plan's Fiduciary Net Position.

## Section 2: GASB 74 Information

### Exhibit C: Discount rate and trend sensitivity

The following presents the NOL of ACERA as well as what ACERA's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate. Also, shown is the TOL as if it were calculated using health care cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current health care trend rates.

Item	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability/(Asset)	\$177,434,496	\$(22,561,862)	\$(187,812,663)

Item	1% Decrease in Health Care Cost Trend Rates	Current Health Care Cost Trend Rates	1% Increase in Health Care Cost Trend Rates
Net OPEB Liability/(Asset)	\$(203,497,961)	\$(22,561,862)	\$200,941,433

## Section 2: GASB 74 Information

### Exhibit D: Schedule of changes in Net OPEB Liability

Components of the Total OPEB Liability	Current	Prior
Measurement date	December 31, 2025	December 31, 2024
<b>Total OPEB Liability</b>		
Service cost	\$39,640,775	\$37,369,338
Interest	94,101,087	89,705,555
Change of benefit terms	0	0
Differences between expected and actual experience	(24,478,890)	(27,445,322)
Changes of assumptions	81,399,327	12,355,808
Benefit payments, including refunds of member contributions	(52,784,099)	(50,186,853)
<b>Net change in Total OPEB Liability</b>	<b>\$137,878,200</b>	<b>\$61,798,526</b>
Total OPEB Liability – beginning	1,330,606,143	1,268,807,617
<b>Total OPEB Liability – ending</b>	<b>\$1,468,484,343</b>	<b>\$1,330,606,143</b>
<b>Plan Fiduciary Net Position</b>		
Contributions – employer	\$0	\$0
Contributions – employee	0	0
Net investment income	444,354,257	93,445,438
Benefit payments, including refunds of member contributions	(52,784,099)	(50,186,853)
Administrative expense	(2,162,502)	(1,957,000)
Other	0	0
<b>Net change in Plan Fiduciary Net Position</b>	<b>\$389,407,656</b>	<b>\$41,301,585</b>
Plan Fiduciary Net Position – beginning	1,101,638,549	1,060,336,964
<b>Plan Fiduciary Net Position – ending</b>	<b>\$1,491,046,205</b>	<b>\$1,101,638,549</b>
<b>Net OPEB Liability/(Asset)</b>		
Net OPEB Liability/(Asset) – ending	\$(22,561,862)	\$228,967,594
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	101.54%	82.79%
Covered employee payroll <sup>15</sup>	N/A	N/A
Plan Net OPEB Liability as percentage of covered payroll	N/A	N/A

<sup>15</sup> Covered employee payroll is not shown as contributions to the OPEB plan are not based on a measure of pay.

## Section 2: GASB 74 Information

### Notes to Schedule:

- **Benefit changes:** None
- **Changes of assumptions:** Initial year starting costs were updated, including updated implicit subsidy estimates. These updates increased the TOL.

The healthcare trend assumptions were updated. These updates increased the TOL.

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## Section 2: GASB 74 Information

### Exhibit E: Schedule of employer contributions

Year Ended December 31	Actuarially Determined Contributions <sup>16</sup>	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency / (Excess)	Covered Employee Payroll <sup>17</sup>	Contributions as a Percentage of Covered Employee Payroll
2016	N/A	N/A	0	N/A	N/A
2017	N/A	N/A	0	N/A	N/A
2018	N/A	N/A	0	N/A	N/A
2019	N/A	N/A	0	N/A	N/A
2020	N/A	N/A	0	N/A	N/A
2021	N/A	N/A	0	N/A	N/A
2022	N/A	N/A	0	N/A	N/A
2023	N/A	N/A	0	N/A	N/A
2024	N/A	N/A	0	N/A	N/A
2025	N/A	N/A	0	N/A	N/A

<sup>16</sup> Benefits are funded by employer contributions to the 401(h) account and similar amounts are transferred from the SRBR to the Employers Advance Reserve to backfill the employer contributions that would have otherwise been made to the Pension Plan.

<sup>17</sup> Covered-employee payroll is not shown as contributions to the OPEB plan are not based on a measure of pay.

# Section 3: Appendices

## Appendix A: Projection of OPEB Plan's Fiduciary Net Position (\$ in millions)

Year Beginning January 1	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Beginning Plan Fiduciary Net Position (f) = (a) + (b) - (c) - (d) + (e)
2025	\$1,102	\$0	\$53	\$2	\$444	\$1,491
2026	1,491	0	65	3	102	1,525
2027	1,525	0	70	3	104	1,556
2028	1,556	0	76	3	106	1,584
2029	1,584	0	82	3	108	1,607
2030	1,607	0	88	3	109	1,625
2031	1,625	0	94	3	110	1,639
2032	1,639	0	100	3	111	1,647
2033	1,647	0	107	3	111	1,648
2034	1,648	0	113	3	111	1,643
2035	1,643	0	120	3	111	1,631
2036	1,631	0	125	3	110	1,612
2037	1,612	0	131	3	108	1,587
2038	1,587	0	136	3	106	1,554
2039	1,554	0	141	3	104	1,514
2040	1,514	0	146	3	101	1,466
2041	1,466	0	150	3	97	1,410
2042	1,410	0	155	3	93	1,345
2043	1,345	0	160	3	88	1,271
2044	1,271	0	164	2	83	1,188
2045	1,188	0	168	2	77	1,094

## Section 3: Appendices

Year Beginning January 1	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Beginning Plan Fiduciary Net Position (f) = (a) + (b) – (c) – (d) + (e)
2046	1,094	0	172	2	70	990
2047	990	0	176	2	63	875
2048	875	0	180	2	55	748
2049	748	0	183	1	46	609
2050	609	0	187	1	36	458
2051	458	0	190	1	25	292
2052	292	0	193	1	14	113
2053	113	0	195	0 <sup>18</sup>	1	0
2054	0	0	0	0	0	0
2124	0	0	0	0	0	0
<b>2124 (Discounted value)</b>	<b>0</b>					

<sup>18</sup> Less than \$1 million when rounded.

## Section 3: Appendices

### Notes

1. Amounts may not total exactly due to rounding.
2. Amounts shown in the year beginning January 1, 2025 row are actual amounts, based on the financial statements provided by ACERA.
3. Years 2055-2123 have been omitted from this table.
4. **Column (a):** Except for the "discounted value" shown for 2124, all of the projected beginning Plan FNP amounts shown have not been adjusted for the time value of money.
5. **Column (b):** \$0. Benefits are funded by employer contributions to the 401(h) account and similar amounts are transferred from the SRBR to the Employers Advance Reserve to backfill the employer contributions that would have otherwise been made to the Retirement Plan.
6. **Column (c):** Projected benefit payments have been determined in accordance with paragraph 43-47 of GASB Statement No. 74, and are based on the closed group of active, inactive vested, retired members, and beneficiaries as of November 30, 2023. The projected benefit payments reflect future health care trends. The projected benefit payments include the OPEB SRBR benefits to the extent the current OPEB SRBR (including the portion of deferred investment loss as of December 31, 2025 that is expected to be allocated to the SRBR) supports those benefits. Benefit payments are assumed to occur halfway through the year, on average. In accordance with paragraph 35 b.(2)(e) of GASB Statement No. 74, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the discount rate.
7. **Column (d):** Projected administrative expenses are calculated as approximately 0.20% of the beginning OPEB SRBR Plan FNP amount. The 0.20% portion was based on the actual fiscal year 2025 administrative expenses as a percentage of the beginning OPEB SRBR Plan FNP amount as of January 1, 2025. Administrative expenses are assumed to occur halfway through the year, on average.
8. **Column (e):** Projected investment earnings are based on the assumed investment rate of return of 7.00% per annum.
9. The OPEB SRBR Plan FNP was projected to be available to make all projected future benefit payments for current Plan members. As explained in highlight 6 on page 7, there is no projected "cross-over date" when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the TOL as of December 31, 2025 shown earlier in this report, pursuant to paragraph 48 of GASB Statement No. 74.

## Section 3: Appendices

### Appendix B: Definition of terms

Definitions of certain terms as they are used in Statement No. 74. The terms may have different meanings in other contexts.

Term	Definition
<b>Actuarially Determined Contribution:</b>	A target or recommended contribution to an OPEB plan for the reporting period based on the most recent measurement available.
<b>Assumptions or actuarial assumptions:</b>	<p>The estimates on which the cost of the Plan is calculated including:</p> <ul style="list-style-type: none"> <li>a. Investment return — the rate of investment yield that the Plan will earn over the long-term future;</li> <li>b. Mortality rates — the death rates of employees and retirees; life expectancy is based on these rates;</li> <li>c. Retirement rates — the rate or probability of retirement at a given age;</li> <li>d. Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.</li> </ul>
<b>Covered payroll:</b>	The payroll of the employees that are provided OPEB benefits.
<b>Discount rate:</b>	The single rate of return, that when applied to all projected benefit payments results in an actuarial present value that is the actuarial present value of projected benefit payments using a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
<b>Entry age actuarial cost method:</b>	An actuarial cost method where the present value of the projected benefits for an individual is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age.
<b>Health care cost trend rates:</b>	The rate of change in per capita health costs over time.
<b>Net OPEB Liability:</b>	The Total OPEB Liability less the Plan Fiduciary Net Position.
<b>Plan Fiduciary Net Position:</b>	Fair Value of Assets
<b>Real rate of return:</b>	The rate of return on an investment after removing inflation.
<b>Service cost:</b>	The amount of contributions required to fund the benefit allocated to the current year of service.
<b>Total OPEB Liability:</b>	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of Statement No. 74.
<b>Valuation date:</b>	The date at which the actuarial valuation is performed.

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April 6, 2026

Ms. Lisa Johnson  
Assistant Chief Executive Officer  
Alameda County Employees' Retirement Association  
475 14th Street, Suite 1000  
Oakland, CA 94612

**Re: Alameda County Employees' Retirement Association (ACERA)  
Addendum to the Governmental Accounting Standards Board (GASB) Statement 74  
Actuarial Valuation as of December 31, 2025**

Dear Lisa:

In our draft Governmental Accounting Standards Board Statement No. 74 (GASB 74) actuarial valuation report dated April 3, 2026, we provided the Net OPEB Liability (NOL) and other elements that are required for completing the Plan's financial reporting requirements under GASB 74. In this letter, we have provided as an addendum to that report two additional schedules for use in allocating the NOL and OPEB expense by employer, before we issue the full companion report for the employer's financial reporting for ACERA under GASB Statement No. 75 (GASB 75). This is similar to a recommendation made by the American Institute of Certified Public Accountants (AICPA) State and Local Government Expert Panel to have comparable schedules prepared for the Pension Plan when we implemented GASB Statements 67 and 68.

The attached schedules have been developed based on the assumptions, methods, and results shown in our report dated April 3, 2026. Exhibits A1 and A2 detail the method used for allocating the NOL and the NOL amounts allocated to the seven employers at ACERA as of December 31, 2024 and December 31, 2025, respectively.

## **Special note related to allocation of NOL for the OPEB SRBR**

The Alameda County Office of Education (ACOE) made a lump sum contribution of \$750,000 in 2019 to partially pay off their Unfunded Actuarial Accrued Liability (UAAL) to the pension plan. That lump sum is greater than the amount that ACOE would have to make on an installment basis over 20 years. In order to have a more level allocation of the NPL and NOL to ACOE, ACERA approved an approach outlined in our March 2, 2020 letter to determine ACOE's proportionate share of the non-OPEB SRBR NOL by using ACOE's required contributions determined as if they had not made the additional lump sum contribution in 2019. We have continued to use that method in determining ACOE's proportionate share of the OPEB SRBR NOL in this letter.

The County made voluntary County General contributions of \$400 million on June 27, 2025 and County Safety contributions of \$800 million on June 29, 2021 to reduce their General and Safety UAAL for the pension plan and associated employer contribution rates. The Livermore Area Recreation and Park District (LARPD) also made voluntary LARPD General contributions of \$12.611 million on June 29, 2021 to reduce their General UAAL for the pension plan and associated employer contribution rates. We have amortized the voluntary County General UAAL contributions over 10 years effective FY 25-26 to provide a UAAL contribution rate credit for County General. We have also amortized the voluntary County Safety UAAL contributions over 13 years effective FY 21-22 to provide a UAAL contribution rate credit for County Safety and the voluntary LARPD General UAAL contributions over 16 years effective FY 21-22 to provide a UAAL contribution rate credit for LARPD General. Similar to the approach approved by ACERA as described in the previous paragraph for determining ACOE's proportionate share of the OPEB SRBR NOL, we have determined the County General, County Safety and LARPD's proportionate share of the OPEB SRBR NOL by using the County General, County Safety and LARPD's required contributions, respectively, as if they had not made the voluntary UAAL contributions in 2025 and 2021.

Exhibit B summarizes the allocated NOL, deferred outflows and inflows of resources, and OPEB expense by the seven employers.\* Additional information required under GASB 75 that each of the employers will need to disclose will be provided in a separate report.

This document has been prepared for the exclusive use and benefit of the client, based upon information provided by you and your other service providers or otherwise made available to Segal at the time this document was created. Segal makes no representation or warranty as to the accuracy of any forward-looking statements and does not guarantee any particular outcome or result. This document should only be copied, reproduced, or shared with other parties in its entirety as necessary for the proper administration of ACERA. This document does not constitute legal, tax or investment advice or create or imply a fiduciary relationship. You are encouraged to discuss any issues raised with your legal, tax and other advisors before taking, or refraining from taking, any action.

The actuarial calculations were completed under the supervision of Mehdi Riazi, FSA, MAAA, FCA, EA. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please give us a call if you have any questions.

Sincerely,

Todd Tauzer, FSA, MAAA, FCA, CERA  
Senior Vice President and Actuary

Mehdi Riazi, FSA, MAAA, FCA, EA  
Vice President and Actuary

\* The Alameda Local Agency Formation Commission (LAFCO) has become an independent participating employer of ACERA effective January 1, 2026. Prior to January 1, 2026, LAFCO contracted with the County for staffing support. Because LAFCO did not make any separate employer contribution from the County for the pension plan during 2025, no NOL would be allocated to LAFCO as of December 31, 2025.

Ms. Lisa Johnson  
April 6, 2026  
Page 3

Daniel Siblik, ASA, MAAA, FCA, EA  
Vice President and Actuary

Eva Yum, FSA, MAAA, EA  
Vice President and Actuary

VC/jl/elf  
Attachments

DRAFT

## Exhibit A1: Schedule of employer allocations as of December 31, 2024

### Actual Employer Contributions by Employer January 1, 2024 to December 31, 2024

Employer	Contributions	Percentage <sup>1</sup>
Alameda County <sup>2</sup>	\$298,255,244	75.817%
Health System	74,315,754	18.891%
Superior Court	14,604,606	3.713%
First 5	2,969,817	0.755%
Housing Authority	1,599,785	0.407%
LARPD <sup>3</sup>	1,472,280	0.374%
ACOE <sup>4</sup>	169,854	0.043%
<b>Total for all Employers</b>	<b>\$393,387,340</b>	<b>100.000%</b>

<sup>1</sup> The unrounded percentages are used in the allocation of the NOL amongst employers.

<sup>2</sup> This includes \$164,097,407 of County General actual employer contributions and \$134,157,837 of County Safety adjusted employer contributions used for purposes of determining the proportionate share of the OPEB SRBR NOL for the County. The County made voluntary County Safety contributions of \$800,000,000 on June 29, 2021 to reduce their Safety UAAL for the pension plan and associated employer contribution rates. We have amortized the voluntary County Safety UAAL contributions to provide a UAAL contribution rate credit for County Safety over 13 years effective FY 21-22. Similar to the approach approved by ACERA for ACOE to determine ACOE's proportionate share of the OPEB SRBR NOL, we determined County Safety's proportionate share of the OPEB SRBR NOL by using the County Safety's actual contributions made in 2024 in the amount of \$52,983,658 plus the contribution credit applied in 2024 in the amount of \$81,174,179 for a total adjusted County Safety contribution of \$134,157,837.

<sup>3</sup> LARPD made voluntary LARPD General contributions of \$12,611,250 on June 29, 2021 to reduce their General UAAL for the pension plan and associated employer contribution rates. We have amortized the voluntary LARPD General UAAL contributions to provide a UAAL contribution rate credit for LARPD General over 16 years effective FY 21-22. Similar to the approach approved by ACERA for ACOE to determine ACOE's proportionate share of the OPEB SRBR NOL, we determined LARPD's proportionate share of the OPEB SRBR NOL by using LARPD's actual contributions made in 2024 in the amount of \$425,248 plus the contribution credit applied in 2024 in the amount of \$1,047,032 for a total adjusted LARPD contribution of \$1,472,280.

<sup>4</sup> ACOE made a lump sum contribution of \$750,000 in 2019 to partially pay off their UAAL to the pension plan. That lump sum is greater than the amount that ACOE would have to make on an installment basis over 20 years. In order to have a more level allocation of the NPL and NOL to ACOE, ACERA approved an approach outlined in our March 2, 2020 letter to determine ACOE's proportionate share of the OPEB SRBR NOL by using ACOE's required contributions determined in our December 31, 2022 valuation in the amount of \$110,000 based on an April 1, 2024 payment date plus the amortization of the remaining balance of the original \$750,000 lump sum amount (an amount of \$59,854 which represents the additional UAAL contribution ACOE would have been required to pay if they did not make the additional lump sum contribution in 2019).

## Allocation of December 31, 2024 Net OPEB Liability

Employer	NOL	Percentage*
Alameda County	\$173,596,806	75.817%
Health System	43,254,822	18.891%
Superior Court	8,500,481	3.713%
First 5	1,728,555	0.755%
Housing Authority	931,141	0.407%
LARPD	856,927	0.374%
ACOE	98,862	0.043%
<b>Total for all Employers</b>	<b>\$228,967,594</b>	<b>100.000%</b>

### Notes

1. Allocated based on the actual January 1, 2024 through December 31, 2024 employer contributions in total as provided by ACERA, with an adjustment to reflect the total annual UAAL contribution ACOE would have been required to make of \$169,854 in 2024 had they not made the additional contribution in 2019 to partially pay off their UAAL for the pension plan. This approach is outlined in our March 2, 2020 letter and is approved by ACERA. Following this approach, there is an adjustment to reflect the total annual contribution County Safety would have been required to make of \$134,157,837 in 2024 had they not made the voluntary County Safety UAAL contribution in 2021 to the pension plan. There is also an adjustment to reflect the total annual contribution LARPD would have been required to make of \$1,472,280 in 2024 had they not made the voluntary LARPD General UAAL contribution in 2021 to the pension plan.
2. The Net OPEB Liability (NOL) is the Total OPEB Liability (TOL) minus the OPEB SRBR Plan Fiduciary Net Position (plan assets).
3. The employer's share of the total plan NOL is the ratio of the employer's total contributions to the total contributions for all employers.

\* The unrounded percentages are used in the allocation of the NOL amongst employers.

## Exhibit A2: Schedule of employer allocations as of December 31, 2025

### Actual Employer Contributions by Employer January 1, 2025 to December 31, 2025

Employer	Contributions	Percentage <sup>1</sup>
Alameda County <sup>2</sup>	\$321,814,329	76.344%
Health System	78,835,082	18.702%
Superior Court	13,970,824	3.314%
First 5	3,395,793	0.806%
Housing Authority	1,798,627	0.427%
LARPD <sup>3</sup>	1,532,429	0.364%
ACOE <sup>4</sup>	179,854	0.043%
<b>Total for all Employers</b>	<b>\$421,526,938</b>	<b>100.000%</b>

<sup>1</sup> The unrounded percentages are used in the allocation of the NOL amongst employers.

<sup>2</sup> This includes \$177,212,627 of County General adjusted employer contributions and \$144,601,702 of County Safety adjusted employer contributions used for purposes of determining the proportionate share of the OPEB SRBR NOL for the County.

The County made voluntary County General contributions of \$400,000,000 on June 27, 2025 to reduce their General UAAL for the pension plan and associated employer contribution rates. We have amortized the voluntary County General UAAL contributions to provide a UAAL contribution rate credit for County General over 10 years effective FY 25-26. Similar to the approach approved by ACERA for ACOE to determine ACOE's proportionate share of the OPEB SRBR NOL, we determined the County General's proportionate share of the OPEB SRBR NOL by using the County General's actual contributions made in 2025 in the amount of \$559,181,022, less the voluntary UAAL contribution of \$400,000,000, plus the contribution credit applied in 2025 in the amount of \$18,031,605 for a total adjusted County General contribution of \$177,212,627.

The County made voluntary County Safety contributions of \$800,000,000 on June 29, 2021 to reduce their Safety UAAL for the pension plan and associated employer contribution rates. We have amortized the voluntary County Safety UAAL contributions to provide a UAAL contribution rate credit for County Safety over 13 years effective FY 21-22. Similar to the approach approved by ACERA for ACOE to determine ACOE's proportionate share of the OPEB SRBR NOL, we determined the County Safety's proportionate share of the OPEB SRBR NOL by using the County Safety's actual contributions made in 2025 in the amount of \$59,651,268 plus the contribution credit applied in 2025 in the amount of \$84,950,434 for a total adjusted County Safety contribution of \$144,601,702.

<sup>3</sup> LARPD made voluntary LARPD General contributions of \$12,611,250 on June 29, 2021 to reduce their General UAAL for the pension plan and associated employer contribution rates. We have amortized the voluntary LARPD General UAAL contributions to provide a UAAL contribution rate credit for LARPD General over 16 years effective FY 21-22. Similar to the approach approved by ACERA for ACOE to determine ACOE's proportionate share of the OPEB SRBR NOL, we determined LARPD's proportionate share of the OPEB SRBR NOL by using LARPD's actual contributions made in 2025 in the amount of \$432,967 plus the contribution credit applied in 2025 in the amount of \$1,099,462 for a total adjusted LARPD contribution of \$1,532,429.

<sup>4</sup> ACOE made a lump sum contribution of \$750,000 in 2019 to partially pay off their UAAL to the pension plan. That lump sum is greater than the amount that ACOE would have to make on an installment basis over 20 years. In order to have a more level allocation of the NPL and NOL to ACOE, ACERA approved an approach outlined in our March 2, 2020 letter to determine ACOE's proportionate share of the OPEB SRBR NOL by using ACOE's required contributions determined in our December 31, 2023 valuation in the amount of \$120,000 based on an April 1, 2025 payment date plus the amortization of the remaining balance of the original \$750,000 lump sum amount (an amount of \$59,854 which represents the additional UAAL contribution ACOE would have been required to pay if they did not make the additional lump sum contribution in 2019).

### Allocation of December 31, 2025 Net OPEB Liability

Employer	NOL	Percentage*
Alameda County	\$(17,224,831)	76.344%
Health System	(4,219,579)	18.702%
Superior Court	(747,776)	3.314%
First 5	(181,757)	0.806%
Housing Authority	(96,270)	0.427%
LARPD	(82,022)	0.364%
ACOE	(9,627)	0.043%
<b>Total for all Employers</b>	<b>\$(22,561,862)</b>	<b>100.000%</b>

### Notes

1. Allocated based on the actual January 1, 2025 through December 31, 2025 employer contributions in total as provided by ACERA, with an adjustment to reflect the total annual UAAL contribution ACOE would have been required to make of \$179,854 in 2025 had they not made the additional contribution in 2019 to partially pay off their UAAL for the pension plan. This approach is outlined in our March 2, 2020 letter and is approved by ACERA. Following this approach, there is an adjustment to reflect the total annual contribution the County would have been required to make of \$321,614,329 (specifically, \$177,212,627 for County General and \$144,601,702 for County Safety) in 2025 had they not made the voluntary County General UAAL contribution in 2025 and the voluntary County Safety UAAL contribution in 2021 to the pension plan. There is also an adjustment to reflect the total annual contribution LARPD would have been required to make of \$1,532,429 in 2025 had they not made the voluntary LARPD General UAAL contribution in 2021 to the pension plan.
2. The Net OPEB Liability (NOL) is the Total OPEB Liability (TOL) minus the OPEB SRBR Plan Fiduciary Net Position (plan assets).
3. The employer's share of the total plan NOL is the ratio of the employer's total contributions to the total contributions for all employers.

\* The unrounded percentages are used in the allocation of the NOL amongst employers.

## Exhibit B: Schedule of OPEB amounts by employer as of December 31, 2025

### Deferred Outflows of Resources

Employer	Net OPEB Liability	Differences Between Actual and Expected Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
Alameda County	\$(17,224,831)	\$0	\$0	\$62,392,465	\$966,336	\$63,358,801
Health System	(4,219,579)	0	0	15,284,326	1,021,523	16,305,849
Superior Court	(747,776)	0	0	2,708,624	111,076	2,819,700
First 5	(181,757)	0	0	658,367	289,779	948,146
Housing Authority	(96,270)	0	0	348,713	60,225	408,938
LARPD	(82,022)	0	0	297,103	6,957	304,060
ACOE	(9,627)	0	0	34,870	38	34,908
<b>Total for all Employers</b>	<b>\$(22,561,862)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$81,724,468</b>	<b>\$2,455,934</b>	<b>\$84,180,402</b>

## Deferred Inflows of Resources

Employer	Differences Between Expected and Actual Experience	Net Difference Between Actual and Projected Investment Earnings on OPEB Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources
Alameda County	\$51,496,426	\$152,109,734	\$16,727,983	\$1,037,613	\$221,371,756
Health System	12,615,116	37,262,428	4,097,866	465,077	54,440,487
Superior Court	2,235,598	6,603,492	726,207	808,846	10,374,143
First 5	543,392	1,605,066	176,514	0	2,324,972
Housing Authority	287,815	850,144	93,493	67,896	1,299,348
LARPD	245,218	724,323	79,656	75,179	1,124,376
ACOE	28,780	85,010	9,349	1,323	124,462
<b>Total for all Employers</b>	<b>\$67,452,345</b>	<b>\$199,240,197</b>	<b>\$21,911,068</b>	<b>\$2,455,934</b>	<b>\$291,059,544</b>

## OPEB Expense

Employer	Proportionate Share of Plan OPEB Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Employer OPEB Expense
Alameda County	\$6,455,298	\$105,890	\$6,561,188
Health System	1,581,358	(52,952)	1,528,406
Superior Court	280,242	(131,247)	148,995
First 5	68,117	86,118	154,235
Housing Authority	36,079	(4,578)	31,501
LARPD	30,739	(10,470)	20,269
ACOE	3,608	7,239	10,847
<b>Total for all Employers</b>	<b>\$8,455,441</b>	<b>\$0</b>	<b>\$8,455,441</b>

## Notes

1. Amounts shown in this exhibit were allocated by employer based on the Employer Allocation Percentage calculated in Exhibit A2.
2. In determining the OPEB expense:
  - a. Any differences between projected and actual investment earnings on OPEB plan investments are recognized over a period of five years beginning with the year in which they occur.
  - b. Current-period (i.e., 2025) changes in assumptions and differences between actual and expected experience are recognized over the average of the expected remaining service lives of all employees that are provided with OPEB benefits through ACERA determined as of December 31, 2024 (the beginning of the measurement period ending December 31, 2025) and is 6.37\* years.
3. The average of the expected remaining service lives of all employees was determined by:
  - a. Calculating each active employee's expected remaining service life as the present value of \$1 per year of future service at zero percent interest.
  - b. Setting the remaining service life to zero for each nonactive or retired member.
  - c. Dividing the sum of the above amounts by the total number of active employees and nonactive and retired members.
4. There was a decrease in the total employer OPEB expense from \$24.9 million calculated last year to \$8.5 million calculated this year. The decrease was mainly due to the new amortization base resulting from favorable 2025 investment experience. The decrease in expense was partially offset by the expiration of an amortization base related to a prior deferred inflow and the new amortization base related to this year's assumption changes.

\* The remaining service lives of all employees of 6.37 years used here for GASB 75 is different from the 4.87 years used for GASB 68 because the number of payees and nonactive members (with 0 years of expected remaining service lives) receiving health benefits under the SRBR Plan is less than the number of payees and nonactive members receiving pension benefits.




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MEMORANDUM TO THE AUDIT COMMITTEE

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**DATE:** May 21, 2026

**TO:** Members of the Audit Committee

**FROM:** Harsh Jadhav, Chief of Internal Audit

**SUBJECT:** Progress on the 2026 Internal Audit Program

**Overview of the May 2026 Meeting Agenda**

The May 2026 Audit Committee meeting will include an update on the 2026 Internal Audit Program, recognition of our most recent ACE award recipient, a presentation on the results of the Benefit Audit for Divorced Members, and a technology update. Based on the 2026 risk assessment results, the Internal Audit Department has planned to conduct three internal audits and two special projects.

**Fraud Awareness and Training**

We offer an organization-wide fraud awareness training session in Q4 to update staff on the latest fraud schemes and how to recognize them. The training has two objectives. First, protect ACERA; second, protect our members. Internal Audit staff and other ACERA team members assist in providing this training.

**2026 Audit Schedule**

Internal Audit Plan (2026)	Service Line	Assigned	Status	Q1	Q2	Q3	Q4
Benefit Audit - Divorced Members	Internal Audit	Caxton	Completed				
Workforce Resilience (Critical Functions) Audit	Internal Audit	Marlon, Dana, Lyndon, Harsh	Continuous				
Benefit Audit - Overpayments	Internal Audit	Caxton	Not Started				
Third-Party Service Provider Review	Special Project	Harsh	Not Started				
Investment Manager Fee Review	Special Project	Harsh	Started				
Cybersecurity and Data Security Education	Administration	Vijay, Harsh	Continuous				
2026 Annual Risk Assessment	Administration	Harsh	Completed				
2027 Annual Risk Assessment	Administration	Harsh	Not Started				
Fraud Hotline Management	Administration	Lyndon, Harsh	Continuous				
Fraud Training	Administration	Caxton/Lyndon	Not Started				

**ACE Employee Recognition – Marcia DeNave, Benefits Department**

We are pleased to announce our most recent ACE award recipient, Marcia DeNave, who has been promoted to Assistant Manager in the Benefits Department. The ACE Program (Anti-Fraud, Controls, Excellence) is our employee recognition program that honors employees who exceed their roles and responsibilities to improve efficiency, enhance internal controls, and prevent fraud.

Currently serving as an Assistant Manager overseeing the Active Payroll Unit, Marcia plays a critical behind-the-scenes role in ensuring the timely processing of new benefit payments. Her participation in the Lean Project to improve the service retirement application process was instrumental to its success, and

she continues to lead by example through training and supporting her peers. Our sincere congratulations to Marcia on her well-deserved promotion and a job well done!

We look forward to recognizing Marcia and discussing these initiatives in greater detail during the May meeting.

## **2026 Audit Program**

### ***Internal Audits***

#### **Benefit Audit – Divorced Members**

This audit aims to ensure the accuracy and consistency of internal controls designed to prevent benefit overpayments for ex-spouses and ex-partners of divorced members. Our approach involves conducting targeted, small-sample audits to identify potential vulnerabilities in the calculation of monthly retirement benefits. Key focus areas include separate and shared accounts, court orders, and unusual scenarios. This methodology enables us to detect systemic issues and efficiently propose actionable remediation recommendations.

#### **Workforce Resilience Audit**

This review evaluates ACERA's preparedness to sustain critical processes during disruptions. Specifically, it assesses whether staff are adequately trained, backup personnel are identified and equipped to perform critical tasks, and essential processes are documented and updated regularly. Given the ongoing challenges posed by cybersecurity and other adverse events, this audit supports business continuity by ensuring that ACERA maintains operational resilience.

#### **Benefit Audit - Overpayments**

The purpose of the audit is to sample active, deferred, and retired members to ensure that internal controls to prevent overpayments are in place and operating effectively. Our approach will be to conduct several small-sample audits to review various types of benefit calculations for accuracy and completeness. With smaller datasets, we can quickly identify potential systemic issues and recommend remediation strategies. In addition, we will continue examining whether the final pensionable salary calculation for retired members is accurate.

### ***Special Projects***

#### **Third-Party Service Provider Review**

This review assesses whether critical third-party service providers managing ACERA's confidential and sensitive information have adequate insurance coverage, robust internal controls to prevent data breaches, effective processes for adverse event management, and sufficient incident response procedures.

#### **Investment Manager Fee Review**

The goal of this review is to ensure the accuracy and appropriateness of fees paid to investment managers. It includes a thorough evaluation of fee agreements, such as management and performance fee structures, to confirm compliance with contractual terms. Transaction records, account statements, and invoices will be analyzed to verify calculations, ensure regulatory compliance, and align with industry practices. This review will identify any discrepancies, overpayments, or inefficiencies and recommend measures to strengthen financial controls.

#### **Cybersecurity and Data Security Education**

This special project, in collaboration with the PRISM Department, evaluates the adequacy of employee training and incident response, business recovery, and threat analysis processes. It aims to ensure that sensitive organizational and member data are protected against emerging cybersecurity threats.

# **Internal Audit Department 2026 Internal Audit Plan**

May 21, 2026

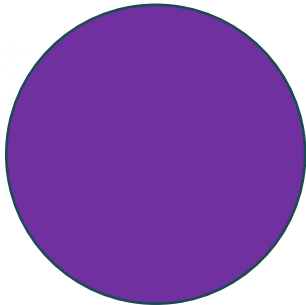
# Agenda



Internal Audit Plan



ACE Award  
Recognition



Benefit Audit –  
Divorced Members



Technology  
Update

# 2026 Internal Audit Plan

Internal Audit Plan (2026)	Service Line	Assigned	Status	Q1	Q2	Q3	Q4
Benefit Audit - Divorced Members	Internal Audit	Caxton	Completed				
Workforce Resilience (Critical Functions) Audit	Internal Audit	Marlon, Dana, Lyndon, Harsh	Continuous				
Benefit Audit - Overpayments	Internal Audit	Caxton	Not Started				
Third-Party Service Provider Review	Special Project	Harsh	Not Started				
Investment Manager Fee Review	Special Project	Harsh	Started				
Cybersecurity and Data Security Education	Administration	Vijay, Harsh	Continuous				
2026 Annual Risk Assessment	Administration	Harsh	Completed				
2027 Annual Risk Assessment	Administration	Harsh	Not Started				
Fraud Hotline Management	Administration	Lyndon, Harsh	Continuous				
Fraud Training	Administration	Caxton/Lyndon	Not Started				



## Recognition of Marcia DeNave—Retirement Benefits Specialist

It is with great appreciation that we recognize Marcia DeNave for her outstanding service and dedication to ACERA since 1997. Over the years, Marcia has served in every unit within the Benefits Department, bringing a wealth of knowledge, adaptability, and unwavering commitment to her work.

Marcia was recently promoted to Assistant Accounting Manager and oversees the Active Payroll Unit. Marcia plays a critical behind-the-scenes role in ensuring the timely processing of new benefit payments. Her participation in the Lean Project to improve the service retirement application process was instrumental to its success, and she continues to lead by example through training and supporting her peers.

*- Sandra Duenas, Assistant Benefits Manager*

# BENEFIT AUDIT – DIVORCED MEMBER ACCOUNTS

By Internal Audit Department

# EXECUTIVE SUMMARY

There are two primary types of DROs:

1. DRO Split/Separate Account
2. DRO Shared/Shared Account

We observed that some DROs not only specified the allocation of retirement benefit payments to former spouse, but also addressed permissible retirement options, designation of beneficiaries upon the member's death, and other provisions.

We reviewed some sampled cases about its payment handling in related to the DRO provisions.

We also held discussions with the Benefits Department & Legal Department to clarification some situations.

# AUDIT OBJECTIVE

This audit aimed to determine whether staff appropriately followed the terms of the court-approved DROs, including:

- 1) proper division of community property;
- 2) payments between member & former spouse;
- 3) timely cessation of retirement benefits.

In addition, we evaluated existing processes and internal controls to identify control weaknesses and opportunities for improvement.

# SCOPE AND STRATEGY

A significant portion of our sampled DRO accounts involved situations in which the original ACERA member had passed away. These cases were intentionally selected because, under certain DRO Shared Account arrangements, the former spouse's benefit start and end dates depend on the member's retirement date and date of death.

We reviewed the DRO court orders and assessed whether staff processed the DROs and related benefit payments appropriately, including:

- 1) Verifying that DRO-designated benefit payments were made to the correct recipient.
- 2) Confirming the accuracy of the retirement benefit start date.
- 3) Confirming the accuracy of the retirement benefit end date.
- 4) Identifying any restrictions on the retirement benefit options the member was permitted to elect.
- 5) Verifying the beneficiary who was entitled to receive continuance benefit payments upon the member's death.
- 6) Processing the burial benefit payments, when applicable, were issued to the correct beneficiary.

# CONTROLS TESTED

Our sample included cases with a variety of scenarios, including:

- 1) Situations in which the member, the former spouse, or both parties were currently receiving retirement pension benefits.
- 2) Cases under the DRO Shared Account in which the original member's death should have triggered the cessation of retirement pension payments. For these, we also verified whether any continuance payments, prorated payments, or burial benefits were issued to the appropriate beneficiaries.
- 3) Special situations in which a member retired under disability retirement and also had an active QDRO, whether a Shared Account or Split/Separate Account arrangement, where the former spouse was entitled to share a portion of the disability retirement benefits.

# CONTROLS TESTED (CONT.)

Our review included, but was not limited to, the following areas:

- 1) The original QDRO finalized by the divorce court.
- 2) Verification that QDRO-designated benefit payments were issued to the correct recipient.
- 3) Accuracy of the retirement benefit start date.
- 4) Accuracy of the retirement benefit end date.
- 5) Identification of any limitations on the retirement benefit options the member was permitted to elect.
- 6) Review of beneficiary designation forms, when applicable.
- 7) Confirmation of the correct recipient of continuance benefits after the member's death.
- 8) Verification that burial benefits, when applicable, were paid to the appropriate beneficiary.

**CONTROL 1 – REVIEW THE DOMESTIC RELATIONS ORDER (DRO) AND PAYMENT RECIPIENTS**

**CONTROL 2 – EXAMINE THE ACCURACY OF DRO PAYMENTS STARTING AND ENDING PERIOD**

**CONTROL 3 – REVIEW THE DESIGNATED BENEFICIARY, THE CONTINUANCE BENEFIT PAYMENTS, AND THE BURIAL PAYMENT**

**CONTROL 4 – EXAMINE THE PROCESS OF DRO PAYMENTS TO DISABILITY RETIREMENT RECIPIENTS**

#	Control	Risk Level	Effectiveness
1	<p><b>Review the Domestic Relations Order (DRO) and payment recipients:</b>            This control involved reviewing the DRO and assessing whether benefit payments were issued to the correct former spouse or designated beneficiary.</p>	Medium	Effective
2	<p><b>Examine the accuracy of DRO payments starting and ending periods:</b>            This control assessed whether the benefit payments specified in the DRO began and ended in accordance with the court order.</p>	Medium	Effective
3	<p><b>Review the designated beneficiary, the continuance benefit payments, and the burial payment:</b>            This control involved reviewing the finalized DRO on file, along with any beneficiary designation forms received by ACERA, to determine whether these benefits were paid correctly.</p>	Medium	Partially Effective
4	<p><b>Examine the process of DRO payments to disability retirement recipients:</b>            This control assessed how the various units within the Benefits Department coordinate and process DRO requirements in conjunction with disability retirement applications.</p>	Medium	Effective

# Recommendation #1 (p.12 & p.17)

We recommend that ACERA develop a standardized DRO Summary or Checklist that captures key information from the DRO, including (but not limited to):

- pension benefit start date
- pension benefit end date
- any limitations on retirement option election
- continuance benefit eligibility and designated recipient

recipient

- continuance benefit start and end dates
- burial benefit eligibility, designated recipient, and payment date

A consolidated DRO Summary/Checklist would assist staff by providing quick access to critical information and reducing the time required to confirm details when handling requests or inquiries, such as a retirement application, beneficiary change request, notice of member or former spouse death, prorated death benefit calculation, burial payment processing, and others.

As part of our audit work, we prepared a sample DRO summary for reference (**see Appendix A**).

## APPENDIX A

### DRO Payments Review Highlight

DRO Payment Recipient (Ex-):	SS#	Benefit Start Date:	Benefit End Date:
Mary [redacted] f	5 [redacted]	12/31/1997	3/31/2006 (deceased 4/6/06)

(Ex-spouse died before the member, and continuance paid to her beneficiary, K. [redacted])

Does any ACERA Legal Memo on File? (Yes/No)

No (benefit started paying before ACERA Legal Department established in 1999)

Does court order said payment stop at the death of original ACERA member? (Y/N)

No, based on court order dated 11/26/1996 #6, must choose Option 4 retirement allowance and with survivor allowance paying to ex-spouse upon the death of original member (L. M. [redacted]) plus her share of death benefit.

If payment continue, can DRO recipient name a beneficiary to receive continuance payment? (Y/N)

Yes, only if ex-spouse died before ACERA member according to court order section #7; otherwise, benefit stops upon the death of member.

Name of DRO's beneficiary	SS#	Benefit Start Date:	Benefit End Date:
Kevin [redacted]	5 [redacted]	4/7/2006	1/31/2022

Does court order limit the member's retirement option choice (Y/N)? Which option?

Yes, option 4. (There were multiple communication between Actuary and ACERA about option 4 calculation.)

Original Member Name:	SS#	Benefit Start Date:	Benefit End Date:
Leo [redacted]	5 [redacted]	12/31/1997	1/31/2022

Member Deceased Date:

1/15/2022

Does court order say member's beneficiary other than ex-spouse receiving continuance? (Y/N)

No, court order had limited that only option 4 could be chosen which the continuance could only pay to ex-spouse.

Name of member's beneficiary	SS#	Benefit Start Date:	Benefit End Date:
Del [redacted]		(see no payment to her as of 7/11/2025)	

Does Court order said member's beneficiary receive burial benefit? (Y/N)

Yes

Was burial benefit paid? (Y/N) [redacted] When and to whom?

No (see no payment to her as of 7/11/2025)

We recommend the Benefits Department that review best practices to ensure beneficiary address information remains current, so that prorated payments, continuance benefits, and burial benefits can be issued to the correct recipients.

Benefits Department's comment: "The Benefits Department sends reminders to all benefit recipients each year during Open Enrollment to remind them to update their nominated beneficiaries, including contact information. This information is found in the Getting Your Affairs in Order flyer.

<https://www.acera.org/sites/main/files/file-attachments/getting-your-affairs-in-order.pdf?1758747015>"

Accurate and up-to-date address information is critical to preventing delays, unclaimed payments, and potential overpayments. Enhancements may include additional verification procedures, periodic outreach, system prompts, or coordination with other units to update beneficiary records when relevant events occur.

We found the "Missing Participants – Best Practices for Pension Plans" guidance issued by the U.S. Department of Labor's Employee Benefits Security Administration on January 12, 2021 (**see Appendix B**), which may offer useful considerations for strengthening ACERA's practices.

[https://www.dol.gov/sites/dolgov/files/ebsa/pdf\\_files/best-practices-for-pension-plans.pdf](https://www.dol.gov/sites/dolgov/files/ebsa/pdf_files/best-practices-for-pension-plans.pdf)

## Recommendation # 2 (p.13 & p.18)

### APPENDIX B

#### Missing Participants – Best Practices for Pension Plans



U.S. Department of Labor  
Employee Benefits Security Administration  
January 12, 2021

Employees work hard and make sacrifices to earn and save for retirement. Sometimes, though, retirement plan participants don't apply for their pension benefits at retirement time because they don't know their pension is available or understand the consequences of failing to respond to plan communications. EBSA has undertaken a nationwide compliance initiative to help retirement plans focus on practices to maintain complete and accurate census information, communicate with participants and beneficiaries about their eligibility for benefits, and implement effective policies and procedures to locate missing participants and beneficiaries. This document outlines best practices that the fiduciaries of defined benefit and defined contribution plans, such as 401(k) plans, can follow to ensure that plan participants and beneficiaries receive promised benefits when they reach retirement age.

The first step in addressing any problem often is knowing that there is one. EBSA has learned from its experience and from plan sponsors that the following "red flags" are often warnings or indicators of a problem with missing or nonresponsive participants.

- More than a small number of missing or nonresponsive participants.
- More than a small number of terminated vested participants who have reached normal retirement age but have not started receiving their pension benefits.
- Missing, inaccurate, or incomplete contact information, census data, or both (e.g., incorrect or out-of-date mail, email, and other contact information, partial social security numbers, missing birthdates, missing spousal information, or placeholder entries).
- Absence of sound policies and procedures for handling mail returned marked "return to sender," "wrong address," "addressee unknown," or otherwise, and undeliverable email.
- Absence of sound policies and procedures for handling uncashed checks (as reflected for example, by the absence of an accounting journal or similar record of uncashed checks, a substantial number of stale uncashed distribution checks, or failure to reclaim stale uncashed check funds in distribution accounts).

A common characteristic of plans with low numbers of missing and nonresponsive participants is that staff are committed to making sure that plan records are complete and up to date and to proactively taking steps to ensure that participants and beneficiaries get the benefits they have earned in a timely fashion. Those plans use "best practices" as part of their ongoing culture of fiduciary compliance rather than just as one-time or sporadic "fixes." Some of the practices used by well-run plans to connect participants and beneficiaries with their hard-earned benefits are listed below.

### Recommendation #3 (p.13)

We recommend that DRO-related documents and email communications received from the Legal Department be classified under a dedicated DRO-specific document type within the Electronic Documents Management System (EDMS). This will help ensure that staff can easily identify and retrieve critical DRO information, reducing the risk of missing key documents.

If feasible, it would also be beneficial to rename existing DRO-related documents currently stored under generic categories to more specific DRO-related document types. This enhancement would improve document organization, support more efficient case research, and strengthen internal controls over DRO processing.

## Recommendation #4 (p.14)

We recommend that the Benefits Department evaluate the current change-of-beneficiary process to determine whether modifications or a new form are needed for members or former spouses who are subject to a DRO. This would help prevent situations in which an unauthorized individual is named as a beneficiary in violation of DRO provisions.

Implementing a DRO-specific beneficiary change form, or adding DRO-specific prompts and restrictions to the existing forms, may help staff remain aware of any beneficiary limitations imposed by the DRO and ensure compliance with the court order.

## Recommendation #5 (p.15)

Cases involving both a DRO and a disability retirement application can be highly complex. Depending on the type of DRO (Shared or Split), the payment amounts to the member and the former spouse may differ, and the disability retirement approval process can take one to two years to complete.

Although these situations may occur only a few times each year, we recommend that the Benefits Department develop a written procedure, supported by a process flowchart, to clearly outline the responsibilities of the Active Unit, Retiree Unit, Disability Unit, Legal Department, and the Actuary. A documented workflow would help ensure that all payments, benefit adjustments, and reductions are processed accurately and in a timely manner, minimizing the risk of errors during extended disability review periods.

## CONCLUSION

We audited the divorce accounts and related payment processes and found no evidence of material weaknesses or deficiencies in internal controls. We also noted that the Benefits Department is aware of issues involving disputes and unlocated beneficiaries. Although we identified several areas where improvements can be made, our overall assessment is that the process is **EFFECTIVE**.

We have provided recommendations in this report to address specific areas and processes that could be strengthened.

We also strongly recommend that, when processing DROs finalized prior to 1999—before ACERA established its Legal Department, staff consult with the Legal Department before issuing any continuance benefits, prorated payments, or burial benefits. This additional review will help ensure benefits are paid to the correct recipients, especially in cases involving older or customized DROs.

Please note that this audit was limited to the areas described in the scope section of this report. All findings, conclusions, and recommendations are based on the information available to us or obtained during the audit. We would like to thank the Benefits Department and the Legal Department for their cooperation and assistance throughout the audit.

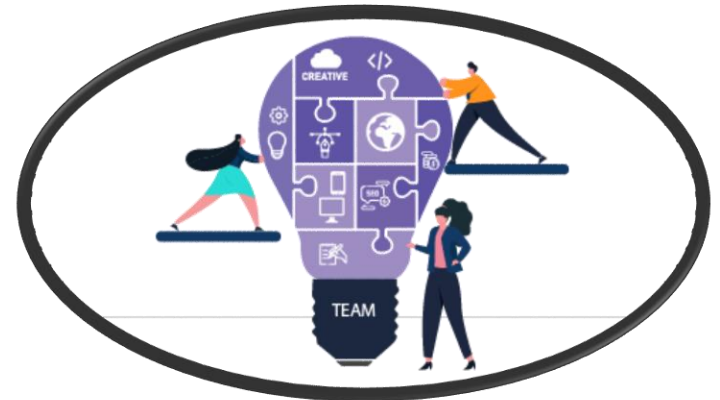
# Technology Update

May 21, 2026  
Vijay Jagar

# ACERA's Approach to AI Risk

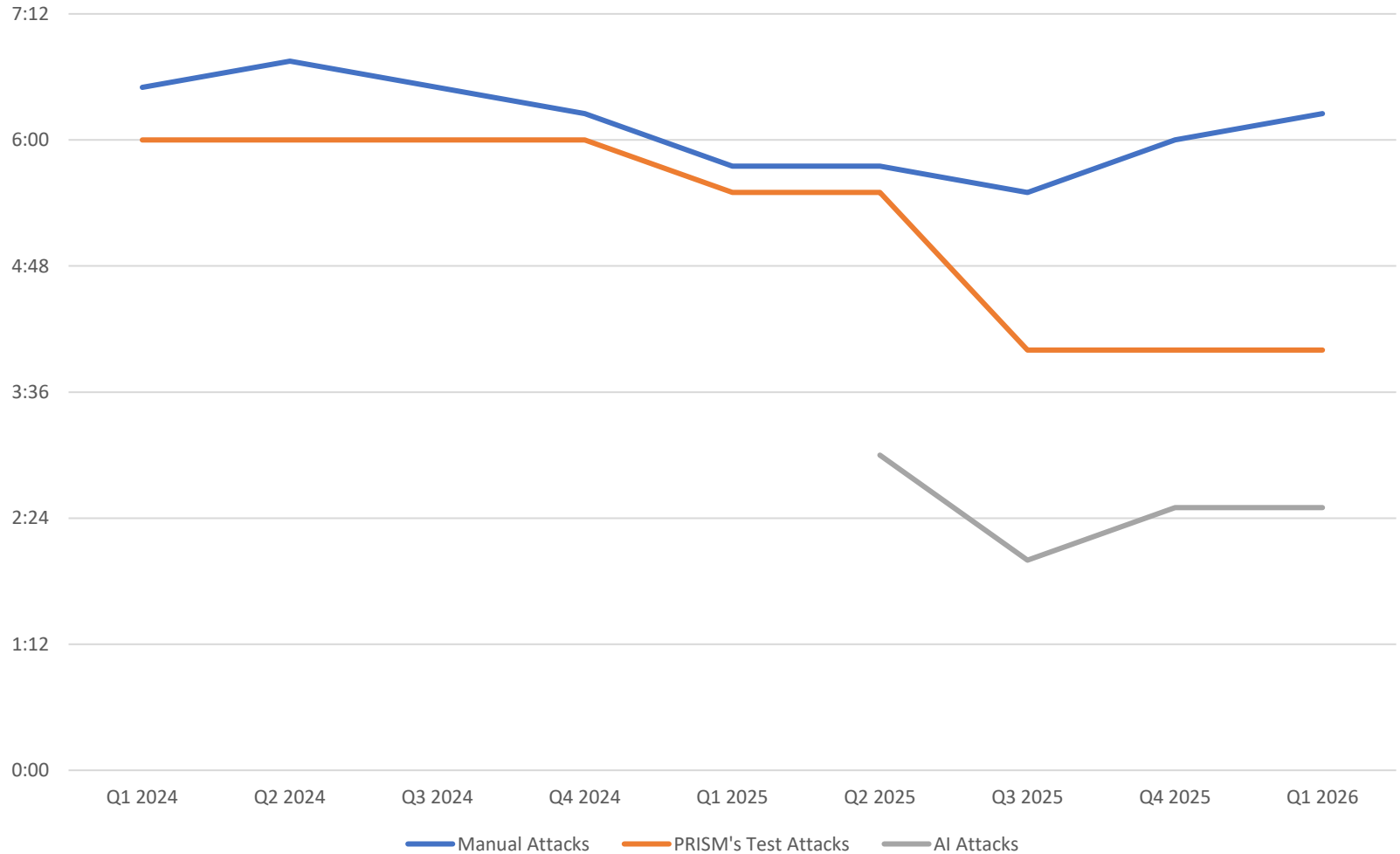
A new cross-functional team:

1. Risk
2. AI
3. Lean
4. Data
5. Technology



# Attack Trends

Mean Time (mins) to Compromise



# Questions



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MEMORANDUM TO THE AUDIT COMMITTEE

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**DATE:** May 21, 2026

**TO:** Members of the Audit Committee

**FROM:** Harsh Jadhav, Chief of Internal Audit

**SUBJECT:** Summary of the Benefit Audit – Divorced Members

The Internal Audit Department completed a limited-scope audit of the Divorce Accounts Payment Processes to evaluate whether staff appropriately administered court-approved Domestic Relations Orders (DROs) and processed retirement-related benefit payments in accordance with applicable court orders. The Audit also assessed the adequacy and effectiveness of internal controls associated with these processes.

### **1.0 Audit Objective**

The primary objective of this Audit was to determine whether staff properly followed the terms of approved DROs, including the appropriate division of community property and the accurate initiation, payment, and cessation of retirement benefits between members and former spouses. In addition, Internal Audit evaluated existing controls and operational processes to identify potential control weaknesses and opportunities for improvement.

### **2.0 Scope and Audit Approach**

The Audit focused on member accounts with approved DRO court orders and was designed using a risk-based approach emphasizing areas considered to present elevated operational and financial risk. A substantial portion of the selected sample involved cases in which the original ACERA member had died. These cases were intentionally targeted because certain DRO Shared Account arrangements create additional complexity involving benefit commencement and cessation dates tied to the member's retirement and death dates.

As part of the review, Internal Audit evaluated whether:

- DRO-designated benefit payments were made to the correct recipients;
- Retirement benefit start and end dates were processed accurately;
- Restrictions contained within the DRO regarding retirement option elections were properly followed;
- Continuance benefit payments upon a member's death were paid to the correct beneficiary; and
- Burial benefits were issued appropriately when applicable.

Internal Audit also met with the Benefits Department and Legal Department to gain a comprehensive understanding of their respective responsibilities in the DRO administration process. During the Audit, additional risks associated with disability retirement applications involving active DROs were identified. As a result, the audit sample was expanded to include higher-risk scenarios that often require coordination among multiple Benefits Department units, Legal staff, and the actuary.

### 3.0 Summary of Control Testing Results

Internal Audit tested several key controls associated with DRO processing and benefit administration. Overall, the controls reviewed were determined to be generally effective. The following summarizes the results of testing:

Control Area	Risk Level	Result
Review of DROs and payment recipients to confirm payments were made to the appropriate former spouse or beneficiary	Medium	Effective
Verification of DRO payment commencement and termination periods	Medium	Effective
Review of designated beneficiaries, continuance benefits, and burial payments	Medium	Partially Effective
Review of DRO processing involving disability retirement recipients and coordination among departments	Medium	Effective

### 4.0 Audit Conclusion

Based on the procedures performed, Internal Audit found no evidence of material weaknesses or significant deficiencies in the internal controls governing divorce account payment processes. Overall, the process was assessed as **Effective**.

While the overall control environment was determined to be functioning effectively, several opportunities for process improvements were identified. Specifically, Internal Audit strongly recommends that DROs finalized before 1999, before the establishment of ACERA's Legal Department, receive additional review by Legal staff before continuance benefits, prorated payments, or burial benefits are processed. Older or customized DROs may include unique provisions that increase the risk of payments being issued to the wrong recipients if not carefully reviewed.

The Audit further noted that the Benefits Department is aware of operational challenges involving disputed cases and unlocated beneficiaries and continues to work through these matters appropriately. Internal Audit appreciates the cooperation and assistance provided by both the Benefits Department and the Legal Department throughout this Audit.



Alameda County Employees' Retirement Association  
Internal Audit Department

## Benefit Audit - Divorce Members

**REVIEW INTERNAL CONTROLS RELATED TO THE DIVORCED  
MEMBER ACCOUNTS PAYMENT PROCESSES**

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**REPORT PREPARED FOR:  
ACERA BOARD OF RETIREMENT**

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## CONTROL SUMMARY

### KEY CONTROLS

#	Control	Risk Level	Effectiveness
1	<b>Review the Domestic Relations Order (DRO) and payment recipients:</b> This control involved reviewing the DRO and assessing whether benefit payments were issued to the correct former spouse or designated beneficiary.	Medium	Effective
2	<b>Examine the accuracy of DRO payments starting and ending periods:</b> This control assessed whether the benefit payments specified in the DRO began and ended in accordance with the court order.	Medium	Effective
3	<b>Review the designated beneficiary, the continuance benefit payments, and the burial payment:</b> This control involved reviewing the finalized DRO on file, along with any beneficiary designation forms received by ACERA, to determine whether these benefits were paid correctly.	Medium	Partially Effective
4	<b>Examine the process of DRO payments to disability retirement recipients:</b> This control assessed how the various units within the Benefits Department coordinate and process DRO requirements in conjunction with disability retirement applications.	Medium	Effective

## RISK LEVEL

### **High-Risk Controls:**

Controls associated with critical processes within an organization. Typically, they are related to overall monitoring controls or valued in key or numerous processes. They can be controls that had significant findings in previous years. A high-risk control failure could result in a material weakness. Material weakness includes material misstatements in the financial statements, significant process errors, and ACERA resource misuse.

### **Medium-Risk Controls:**

Controls associated with important processes within an organization, where a deficiency in the control could cause financial loss or breakdown in process, but in most cases, do not lead to a critical systemic failure. Typically, these controls had minimal or no findings in previous years, but are integral to the process and necessary to test on a regular basis. A medium-risk control failure could result in a significant deficiency and, in some instances, a material weakness. Significant deficiencies can include staff competency, lack of consistent business processes, and poor utilization of ACERA resources.

### **Low-Risk Controls:**

Controls associated with process optimization and non-critical processes. Typically, they represent controls that did not have findings in the previous year's testing and have not changed how they operate or the personnel performing the controls. Low-risk controls are inherent in the current control environment. Still, they are unlikely to cause a material misstatement unless several low-risk controls fail within the same process.

## CONTROL EFFECTIVENESS

### **Effective:**

The control is fully operating as designed.

### **Partially Effective:**

The control is operating as designed, with the modification necessary due to a change in business process, a change in personnel, inadequate documentation, the control has not been fully implemented, or the control requires additional enhancements to be effective. Often, new controls will fall into this category.

### **Improvement Opportunity:**

The control is only marginally effective and should be redesigned or implemented. Typically, these controls require review due to an ineffective design, preventing the control from detecting control risk.

### **Ineffective:**

If not remediated, the control is not operating as designed and could lead to a significant risk to the organization.

### **Remediated/In Remediation:**

The control was previously ineffective, partially effective, or an improvement opportunity. A remediation plan is in place to correct the deficiency. Note that reliance can be placed on the remediated control, typically in the following audit cycle, once retested.

## EXECUTIVE SUMMARY

After the Alameda County Employees' Retirement Association (ACERA) receives a court-approved Domestic Relations Order (DRO), the Benefits Department initiates the setup process in the Pension Gold (PG) system.

There are two primary types of DROs:

- (1) **DRO Split/Separate Account (also referred to as a new "DRO")** – The member's account balance is divided between the member and the former spouse as specified in the DRO. Two distinct accounts are established, and the former spouse may independently draw benefits.
- (2) **DRO Shared/Shared Account (also referred to as an "old DRO")** – The member's account is not physically divided. Instead, monthly benefit payments are shared between the member and the former spouse once the member begins receiving retirement benefits.

The ACERA Legal Department is also involved in the process by providing guidance and legal opinions, as certain DROs can be complex and require careful interpretation.

During our review of selected audit samples, we observed that some DROs not only specified the allocation of retirement benefit payments to the former spouse, but also addressed additional matters such as permissible retirement options, designation of beneficiaries upon the member's death, and other related provisions.

Based on these observations, we held discussions with the Benefits Department and consulted the Legal Department for clarification on specific issues requiring legal interpretation.

Given the complexity identified in some cases, we expanded our sample review. In doing so, we identified instances where members were subject to both a DRO and a disability retirement under ACERA. In such situations, the member's disability retirement benefits may be reduced under the DRO provisions.

## AUDIT OBJECTIVE

This audit aimed to determine whether staff appropriately followed the terms of the court-approved Domestic Relations Orders (DROs), including the proper division of community property and the correct initiation, payment, or cessation of retirement benefits between the member and the former spouse. In addition, we evaluated existing processes and internal controls to identify control weaknesses and opportunities for improvement.

## SCOPE AND STRATEGY

The Internal Audit Department performed a limited-scope audit of the Divorce Accounts Payment Processes. The audit scope was developed based on the Internal Audit Department's understanding of the business processes and the areas considered to present the highest risk. This review focused primarily on member accounts with an approved DRO court order.

A significant portion of our sampled DRO accounts involved situations in which the original ACERA member had passed away. These cases were intentionally selected because, under certain DRO Shared Account arrangements, the former spouse's benefit start and end dates depend on the member's retirement date and date of death. We determined that these accounts carry elevated risk due to the additional complexities involved.

We reviewed the DRO court orders and assessed whether staff processed the DROs and related benefit payments appropriately, including:

- 1) Verifying that DRO-designated benefit payments were made to the correct recipient.
- 2) Confirming the accuracy of the retirement benefit start date.
- 3) Confirming the accuracy of the retirement benefit end date.
- 4) Identifying any restrictions on the retirement benefit options the member was permitted to elect.
- 5) Verifying the beneficiary who was entitled to receive continuance benefit payments upon the member's death.
- 6) Processing the burial benefit payments, when applicable, were issued to the correct beneficiary.

We also held discussions with both the Benefits Department and the Legal Department to understand their respective roles in the DRO benefit payment process. DRO administration can be complex and may span extended periods of time, particularly in cases that also involve a member's disability retirement application.

After learning that additional overpayment risks may arise in situations involving both an active DRO and a disability retirement application, we expanded our audit sample. These scenarios may require coordinated involvement from multiple units in the Benefits Department, the Legal Department, and the Actuary. In some cases, the actuary may be required to prepare separate actuarial calculations for the retirement benefits of both the member and the former spouse.

The audits were performed by ACERA's Internal Audit staff, who have adequate technical training and proficiency as auditors. In all matters relating to the audit, independence and objectivity were maintained by the auditor or auditors. Due professional care was exercised in the Audit performance and the report's preparation. In planning the engagement, a sufficient understanding of the internal controls was obtained to plan the audit and to determine the nature, timing, and extent of tests to be performed. Appropriately evidential matter was obtained through inspection, observation, inquiries, and confirmations to provide a reasonable basis for an audit opinion.

However, ACERA's Internal Audit Department personnel are not trained or qualified to offer legal, actuarial, or investment recommendations. Any questions on these issues should be directed to the appropriate party. Hence, no part of the Internal Audit Report should be construed as legal, actuarial, or investment advice.

## **AUDIT LIMITATIONS**

Since the interpretation of certain guidance and laws required professional knowledge, to mitigate this ambiguity, the audit department solicited the assistance of ACERA's Legal and

Benefits Departments to provide guidance on the intent and application of specific legislation. Due to certain resource constraints, the audit was limited in scope to focus on the highest-risk areas, which may not represent a comprehensive review of all high-risk areas.

Further, we sampled records representing the population to be efficient in the audit testing. Whenever a random sampling approach is used, a sampling risk arises from the possibility that the auditor's conclusions from testing the sample may differ from those drawn if the entire population had been tested. Finally, please note that this audit's primary purpose was not to detect payroll fraud, noncompliance with federal or state statutes, or other compliance issues outside its scope. Sometimes, during an audit, new information is uncovered or a new risk is identified, which could change our audit strategy, including expanding the audit scope.

## **INSTITUTE OF INTERNAL AUDITORS (IIA) AUDIT GUIDANCE AND STANDARDS**

Internal auditing is conducted in diverse legal and cultural environments, within organizations that vary in purpose, size, complexity, and structure, and by persons within or outside the organization. While differences may affect internal auditing practice in each environment, guidance using the IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)* is essential in meeting the responsibilities of internal auditors and the internal audit activity. If internal auditors or the internal audit activity are prohibited by law or regulation from complying with certain parts of the Standards, compliance with all other parts and appropriate disclosures will be what we strive to provide

If the *Standards* are used in conjunction with standards issued by other authoritative bodies, internal audit communications may also cite those standards as appropriate. In such a case, if inconsistencies exist between the *Standards* and other standards, internal auditors and the internal audit activity will be guided by the Standards and may also conform to the other standards if they are more restrictive. It should be noted that although we strive to follow the Standards, we do not conform to all aspects of the Standards, as they are not always suitable for how we deliver value to the agency.

The purpose of the *Standards* is to:

- (1) Delineate basic principles that represent the practice of internal auditing.
- (2) Provide a framework for performing and promoting a broad range of value-added internal auditing.
- (3) Establish the basis for the evaluation of internal audit performance.
- (4) Foster improved organizational processes and operations.

The *Standards* are principles-focused, mandatory requirements consisting of:

- (1) Statements of basic requirements for the professional practice of internal auditing and for evaluating performance effectiveness, which are internationally applicable at organizational and individual levels.
- (2) Interpretations, which clarify terms or concepts within the Statements. The Standards employ specific terms. Specifically, the Standards use the word "must" to specify an unconditional requirement and the word "should" to indicate that conformance is expected unless, when applying professional judgment, circumstances justify deviation.

It is necessary to consider the Statements and their Interpretations as well as the specific meanings from the Glossary to understand and apply the Standards correctly.

- (3) The structure of the *Standards* is divided between Attribute and Performance Standards. Attribute Standards address the attributes of organizations and individuals performing internal auditing. The Performance Standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured. The Attribute and Performance Standards are also applicable to all internal audit services.

Assurance services involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system, or other subject matter. The internal auditor determines the nature and scope of the assurance engagement. There are generally three parties involved in assurance services:

- (1) The person or group directly involved with the entity, operation, function, process, system, or other subject matter - the process owner.
- (2) The person or group making the assessment - the internal auditor
- (3) The person or group using the assessment - the user.

Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Finally, the Internal Audit Department personnel are not trained or qualified to offer legal, actuarial, or investment recommendations. Any questions on these issues should be directed to the appropriate ACERA Department or qualified consultant. Hence, no part of the Internal Audit Report should be construed as legal, actuarial, or investment advice.

## **CONTROLS TESTED**

We selected a sample of member and non-member (former spouse) accounts with court-finalized Qualified Domestic Relations Orders (QDROs).

Our sample included cases with a variety of scenarios, including:

- 1) Situations in which the member, the former spouse, or both parties were currently receiving retirement pension benefits.
- 2) Cases under the DRO Shared Account in which the original member's death should have triggered the cessation of retirement pension payments. For these, we also verified whether any continuance payments, prorated payments, or burial benefits were issued to the appropriate beneficiaries.
- 3) Special situations in which a member retired under disability retirement and also had an active QDRO, whether a Shared Account or Split/Separate Account arrangement, where the former spouse was entitled to share a portion of the disability retirement benefits.

For each case, we reviewed relevant documents in the member's, former spouse's, and beneficiaries' files to determine whether staff processed the QDRO and associated

benefit payments accurately and in accordance with the court order. Our review included, but was not limited to, the following areas:

- 1) The original QDRO finalized by the divorce court.
- 2) Verification that QDRO-designated benefit payments were issued to the correct recipient.
- 3) Accuracy of the retirement benefit start date.
- 4) Accuracy of the retirement benefit end date.
- 5) Identification of any limitations on the retirement benefit options the member was permitted to elect.
- 6) Review of beneficiary designation forms, when applicable.
- 7) Confirmation of the correct recipient of continuance benefits after the member's death.
- 8) Verification that burial benefits, when applicable, were paid to the appropriate beneficiary.

## **CONTROL 1 - REVIEW THE DOMESTIC RELATIONS ORDER (DRO) AND PAYMENT RECIPIENTS**

**Risk Level - Medium**

### **Control:**

We selected a sample of member and non-member accounts with finalized DRO court orders. This control involved reviewing the DRO and assessing whether benefit payments were issued to the correct former spouse or designated beneficiary.

A DRO typically outlines the division of community property, including retirement benefits. In some cases, however, the DRO may impose additional limitations. Although we did not perform a re-calculation of benefit amounts, we reviewed whether the payments issued to the former spouse were within a reasonable percentage of the amounts stated in the DRO.

### **Risk:**

There is a risk that staff may overlook provisions in the existing DRO when processing a member's retirement application, potentially leading to incorrect benefit payments.

### **Audit Results:**



**Effective**

### **Test Notes:**

Based on the sampled cases we reviewed, we concluded that monthly benefit payments were issued to the correct former spouse or, when applicable, to the designated beneficiary if the former spouse died before the member retired.

For DROs that imposed limitations on the retirement option the member was permitted to elect, we found that staff processed the retirement application in accordance with those requirements.

Because there is no centralized database that tracks all incoming DRO requests, our sample selection was based on cases that had already been processed in the PensionGold (PG) system.

Under the current process, when ACERA receives a DRO request, it is forwarded to the Legal Department for review. During this review period, the Legal Department notifies the relevant units within the Benefits Department and coordinates with representatives of both the member and the former spouse until the DRO is finalized by the court.

If the finalized DRO contains special terms or unique conditions, the Legal Department provides staff with specific instructions for processing it.

## **CONTROL 2 – EXAMINE THE ACCURACY OF DRO PAYMENTS STARTING AND ENDING PERIODS**

**Risk Level - Medium**

### **Control:**

For members and former spouses covered under a DRO Shared/Shared Account arrangement, the former spouse's benefit start and end dates depend on the member's retirement effective date and the member's date of death.

This control assessed whether the benefit payments specified in the DRO began and ended in accordance with the court order.

### **Risk:**

There is a risk that monthly benefit payments may not be stopped promptly upon the member's death, leading to overpayments.

### **Audit Results:**



**Effective**

### **Test Notes:**

Based on our review of the sampled cases, we found that monthly benefit payments to the former spouse were appropriately stopped after ACERA received notification of the member's death.

In situations where the member passed away near the end of the month, and the monthly benefit payment had already been issued, there was evidence that staff successfully recovered a portion of the payment. And there was one case in which the

staff attempted to recover the overpaid amount from the beneficiary, but did not receive a response.

### **CONTROL 3 – REVIEW THE DESIGNATED BENEFICIARY, THE CONTINUANCE BENEFIT PAYMENTS, AND THE BURIAL PAYMENT**

**Risk Level - Medium**

#### **Control:**

After monthly retirement benefits are stopped, either the former spouse or the member's designated beneficiary may be entitled to continuance benefits and burial payments. Some DROs also include specific terms dictating who is eligible to receive these benefits.

This control involved reviewing the finalized DRO on file, along with any beneficiary designation forms received by ACERA, to determine whether these benefits were paid correctly.

#### **Risk:**

There is a risk that continuance benefits or burial payments could be issued to the incorrect party, resulting in overpayments.

#### **Audit Results:**

 **Partially Effective**

#### **Test Notes:**

From our review of the sampled cases, we generally found that continuance benefits were paid to the correct designated beneficiaries.

However, we noted that determining the appropriate recipient for continuance benefits and burial payments can become complicated. In several cases, members had divorced and remarried multiple times, resulting in multiple DROs. Over the years, members also submitted various beneficiary designation forms at different points in time and during different marriages. These situations increased the complexity of determining the correct beneficiary at the time of the member's death.

In one case, the Legal Department entered into a settlement agreement with a former spouse to resolve a dispute regarding beneficiary entitlement. We discussed this matter with the Chief Counsel, who indicated that some DROs contain ambiguous terms that allow for multiple interpretations, making it difficult to conclude whether any administrative error occurred. According to the Chief Counsel, the settlement did not result in additional actuarial costs to ACERA.

We also noted that prior to 1999, ACERA did not have a dedicated Legal Department to oversee incoming DROs. As a result, some earlier DROs were customized or modified

by the parties and their representatives. These customized orders sometimes included unique terms and provisions, later causing confusion when processing continuance benefits and burial payments many years later.

Both the Benefits Department and the Legal Department are aware of these historical issues. To improve controls moving forward, the Shared QDRO template on the ACERA website was updated on June 4, 2021, to clearly define how long DRO benefits will continue following the member's death and, when applicable, the former spouse's death. The Legal Department strongly encourages the use of the standard, updated template for QDROs. Still, parties may prepare their own QDROs, and the Legal Department will review them if they comply with applicable law and can be reasonably implemented.

We also observed that, although the initial DRO-related retirement benefit setup was generally processed correctly and beneficiaries were properly reflected on the Statement of Entitlement or Application for Service Retirement, issues can arise in later years. Members or former spouses may submit beneficiary change forms without reference to restrictions outlined in the DRO, some of which may prohibit such changes. These forms, including Request for Change of Beneficiary, Active/Deferred Member Beneficiary Designation, Retired Member Beneficiary Designation, and Non-Member Beneficiary Designation forms, in files could increase the risk that future benefits may be paid to an ineligible party if staff did not realize the change of beneficiary was not allowed under the DRO provisions.

Additionally, we identified a few cases in which members passed away in 2022, but burial benefits had not been paid because ACERA was unable to locate the designated beneficiaries.

[Benefits Department's comment: "This occurs because ACERA sometimes has outdated contact information for the beneficiary, or the beneficiary does not respond despite multiple attempts. ACERA's Benefits Department follows its retired death benefits process, which includes at least three outreach attempts to the nominated beneficiary."](#)

We also observed that DRO-related documents—including email exchanges between the Benefits and Legal Departments, copies of DROs, internal memos, and case narratives—were often stored in the Electronic Document Management System (EDMS) under broad or generic document types, such as Case Narrative, Incoming General Correspondence, or Outgoing ACERA Correspondence. The use of these general categories resulted in longer research time, since staff might have no choice but to open and review substantial amounts of unrelated documents filed under the same classifications. This made the research process time-consuming and increased the risk that staff could overlook critical DRO-related information.

Benefits Department’s comment: “Incorrect indexing of document types is most common with older documents that were moved over from ACERA’s prior Electronic Document Management System around 2010.”

Given the extensive documentation associated with DRO cases, it may be beneficial for staff to maintain a centralized summary of key DRO terms and critical benefit information for each case. Such a summary could reduce administrative burden and save staff time spent reviewing different documentation, particularly when multiple beneficiary forms exist.

Recommendations	Business Owner
<p>1. Because a DRO court order is a legal document containing extensive legal terminology regarding divorce settlements and the division of assets between the member and the former spouse, staff often must review multiple documents each time they need to determine the correct benefit recipient and the duration of various retirement benefits. These documents may include the finalized DRO, the Application for Service Retirement form, multiple Beneficiary Designation forms, and other related records. This process can be time-consuming and increases the likelihood of administrative oversight.</p> <p>We recommend that ACERA develop a standardized DRO Summary or Checklist that captures key information from the DRO, including (but not limited to):</p> <ul style="list-style-type: none"> <li>• pension benefit start date</li> <li>• pension benefit end date</li> <li>• any limitations on retirement option election</li> <li>• continuance benefit eligibility and designated recipient               <ul style="list-style-type: none"> <li>• continuance benefit start and end dates</li> <li>• burial benefit eligibility, designated recipient, and payment date</li> </ul> </li> </ul> <p>A consolidated DRO Summary/Checklist would assist staff by providing quick access to critical information and reducing the time required to confirm details when handling requests or inquiries, such as a retirement application, beneficiary change request, notice of member or former spouse death,</p>	<ul style="list-style-type: none"> <li>• Benefits Department</li> <li>• Legal Department</li> </ul>

<p>prorated death benefit calculation, burial payment processing, and others. As part of our audit work, we prepared a sample DRO summary for reference (<b>see Appendix A</b>).</p>	
<p>2. We recommend that the Benefits Department review best practices to ensure beneficiary address information remains current, so that prorated payments, continuance benefits, and burial benefits can be issued to the correct recipients.</p> <p>Benefits Department’s comment: “The Benefits Department sends reminders to all benefit recipients each year during Open Enrollment to remind them to update their nominated beneficiaries, including contact information. This information is found in the Getting Your Affairs in Order flyer. <a href="https://www.acera.org/sites/main/files/file-attachments/getting-your-affairs-in-order.pdf?1758747015">https://www.acera.org/sites/main/files/file-attachments/getting-your-affairs-in-order.pdf?1758747015</a>”</p> <p>Accurate and up-to-date address information is critical to preventing delays, unclaimed payments, and potential overpayments. Enhancements may include additional verification procedures, periodic outreach, system prompts, or coordination with other units to update beneficiary records when relevant events occur.</p> <p>We found the “Missing Participants – Best Practices for Pension Plans” guidance issued by the U.S. Department of Labor’s Employee Benefits Security Administration on January 12, 2021 (<b>see Appendix B</b>), which may offer useful considerations for strengthening ACERA’s practices. <a href="https://www.dol.gov/sites/dolgov/files/ebsa/pdf_files/best-practices-for-pension-plans.pdf">https://www.dol.gov/sites/dolgov/files/ebsa/pdf_files/best-practices-for-pension-plans.pdf</a></p>	<ul style="list-style-type: none"> <li>• Benefits Department</li> </ul>
<p>3. We recommend that DRO-related documents and email communications received from the Legal Department be classified under a dedicated DRO-specific document type within the Electronic Documents Management System (EDMS). This will help ensure that staff can easily identify and retrieve</p>	<ul style="list-style-type: none"> <li>• Benefits Department</li> <li>• PRISM</li> <li>• Legal Department</li> </ul>

<p>critical DRO information, reducing the risk of missing key documents.</p> <p>If feasible, it would also be beneficial to rename existing DRO-related documents currently stored under generic categories to more specific DRO-related document types. This enhancement would improve document organization, support more efficient case research, and strengthen internal controls over DRO processing.</p>	
<p>4. We recommend that the Benefits Department evaluate the current change-of-beneficiary process to determine whether modifications or a new form are needed for members or former spouses who are subject to a DRO. This would help prevent situations in which an unauthorized individual is named as a beneficiary in violation of DRO provisions.</p> <p>Implementing a DRO-specific beneficiary change form, or adding DRO-specific prompts and restrictions to the existing forms, may help staff remain aware of any beneficiary limitations imposed by the DRO and ensure compliance with the court order.</p>	<ul style="list-style-type: none"> <li>• Benefits Department</li> <li>• Legal Department</li> </ul>

**CONTROL 4 – EXAMINE THE PROCESS OF DRO PAYMENTS TO DISABILITY RETIREMENT RECIPIENTS**

**Risk Level - Medium**

**Control:**

For members and former spouses with either a DRO Shared/Shared Account or a DRO Split Account, the benefit amount may be affected when the member’s disability retirement application is approved.

This control assessed how the various units within the Benefits Department coordinate and process DRO requirements in conjunction with disability retirement applications.

**Risk:**

The risk is that ACERA may overpay the benefits.

**Audit Results:**



**Test Notes:**

We discussed with staff in the Disability Unit, Active Unit, and Retiree Unit about situations in which a member has both a pending DRO and a pending disability retirement application.

Under current practice, the Legal Department provides guidance on how benefits should be paid or how assets should be divided between the member and the former spouse. In some cases, the member’s disability retirement benefits may need to be reduced to account for the portion payable to the former spouse under the DRO. The Actuary may also be involved in recalculating the revised benefit amounts.

While staff await the actuarial recalculation, they can place a lock on the accounts in PensionGold (PG) v3 to prevent further processing. This lock is a new functionality available in PG v3. In addition, as part of the Benefits Department’s practice, DRO account disability retirement benefit setups are not finalized until the Benefits Department receives clearance from the Legal Department.

We reviewed several DRO cases involving members approved for disability retirement. In these cases, we observed documentation indicating that the actuary had provided updated actuarial worksheets. We examined the pension payments to members and confirmed that staff applied the appropriate adjustment codes for the required benefit reductions.

<b>Recommendations</b>	<b>Business Owner</b>
<p>5. Cases involving both a DRO and a disability retirement application can be highly complex. Depending on the type of DRO (Shared or Split), the payment amounts to the member and the former spouse may differ, and the disability retirement approval process can take one to two years to complete.</p> <p>Although these situations may occur only a few times each year, we recommend that the Benefits Department develop a written procedure, supported by a process flowchart, to clearly outline the responsibilities of the Active Unit, Retiree Unit, Disability Unit, Legal Department, and the Actuary. A documented workflow would help ensure that all payments, benefit adjustments, and reductions are processed accurately and promptly, minimizing the risk of errors during extended disability review periods.</p>	<ul style="list-style-type: none"><li>• Benefits Department</li></ul>

## CONCLUSION

We audited the divorce accounts and related payment processes and found no evidence of material weaknesses or deficiencies in internal controls. We also noted that the Benefits Department is aware of issues involving disputes and unlocated beneficiaries. Although we identified several areas for improvement, our overall assessment is that the process is **EFFECTIVE**.

We have provided recommendations in this report to strengthen specific areas and processes.

We also strongly recommend that, when processing DROs finalized prior to 1999—before ACERA established its Legal Department, staff consult with the Legal Department before issuing any continuance benefits, prorated payments, or burial benefits. This additional review will help ensure benefits are paid to the correct recipients, especially in cases involving older or customized DROs.

Please note that this audit was limited to the areas described in the scope section of this report. All findings, conclusions, and recommendations are based on the information available to us or obtained during the audit. We want to thank the Benefits Department and the Legal Department for their cooperation and assistance throughout the audit.

## APPENDIX A

### DRO Payments Review Highlight

DRO Payment Recipient (Ex-):	SS#	Benefit Start Date:	Benefit End Date:
Mary [REDACTED]f	51 [REDACTED]	12/31/1997	3/31/2006 (deceased 4/6/06)

(Ex-spouse died before the member, and continuance paid to her beneficiary, K. [REDACTED].)

Does any ACERA Legal Memo on File? (Yes/No)

No (benefit started paying before ACERA Legal Department established in 1999)

Does court order said payment stop at the death of original ACERA member? (Y/N)

No, based on court order dated 11/26/1996 #6, must choose Option 4 retirement allowance and with survivor allowance paying to ex-spouse upon the death of original member (L. M [REDACTED]) plus her share of death benefit.

If payment continue, can DRO recipient name a beneficiary to receive continuance payment? (Y/N)

Yes, only if ex-spouse died before ACERA member according to court order section #7; otherwise, benefit stops upon the death of member.]

Name of DRO's beneficiary	SS#	Benefit Start Date:	Benefit End Date:
Kevin [REDACTED]	51 [REDACTED]	4/7/2006	1/31/2022

Does court order limit the member's retirement option choice (Y/N)? Which option?

Yes, option 4. (There were multiple communication between Actuary and ACERA about option 4 calculation.)

Original Member Name:	SS#	Benefit Start Date:	Benefit End Date:
Leo [REDACTED]	51 [REDACTED]	12/31/1997	1/31/2022

Member Deceased Date:

1/15/2022

Does court order say member's beneficiary other than ex-spouse receiving continuance? (Y/N)

No, court order had limited that only option 4 could be chosen which the continuance could only pay to ex-spouse.

Name of member's beneficiary	SS#	Benefit Start Date:	Benefit End Date:
De [REDACTED]			(see no payment to her as of 7/11/2025)

Does Court order said member's beneficiary receive burial benefit? (Y/N)

Yes

Was burial benefit paid? (Y/N) When and to whom?

No (see no payment to her as of 7/11/2025)

## APPENDIX B

# Missing Participants – Best Practices for Pension Plans

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U.S. Department of Labor  
Employee Benefits Security Administration  
January 12, 2021

Employees work hard and make sacrifices to earn and save for retirement. Sometimes, though, retirement plan participants don't apply for their pension benefits at retirement time because they don't know their pension is available or understand the consequences of failing to respond to plan communications. EBSA has undertaken a nationwide compliance initiative to help retirement plans focus on practices to maintain complete and accurate census information, communicate with participants and beneficiaries about their eligibility for benefits, and implement effective policies and procedures to locate missing participants and beneficiaries. This document outlines best practices that the fiduciaries of defined benefit and defined contribution plans, such as 401(k) plans, can follow to ensure that plan participants and beneficiaries receive promised benefits when they reach retirement age.

The first step in addressing any problem often is knowing that there is one. EBSA has learned from its experience and from plan sponsors that the following "red flags" are often warnings or indicators of a problem with missing or nonresponsive participants.

- More than a small number of missing or nonresponsive participants.
- More than a small number of terminated vested participants who have reached normal retirement age but have not started receiving their pension benefits.
- Missing, inaccurate, or incomplete contact information, census data, or both (e.g., incorrect or out-of-date mail, email, and other contact information, partial social security numbers, missing birthdates, missing spousal information, or placeholder entries).
- Absence of sound policies and procedures for handling mail returned marked "return to sender," "wrong address," "addressee unknown," or otherwise, and undeliverable email.
- Absence of sound policies and procedures for handling uncashed checks (as reflected for example, by the absence of an accounting journal or similar record of uncashed checks, a substantial number of stale uncashed distribution checks, or failure to reclaim stale uncashed check funds in distribution accounts).

A common characteristic of plans with low numbers of missing and nonresponsive participants is that staff are committed to making sure that plan records are complete and up to date and to proactively taking steps to ensure that participants and beneficiaries get the benefits they have earned in a timely fashion. Those plans use "best practices" as part of their ongoing culture of fiduciary compliance rather than just as one-time or sporadic "fixes." Some of the practices used by well-run plans to connect participants and beneficiaries with their hard-earned benefits are listed below.

Not every practice below is necessarily appropriate for every plan. The examples are not listed by priority or in any other particular order. Responsible plan fiduciaries should consider what practices will yield the best results in a cost effective manner for their plan's particular participant population. In deciding what steps are appropriate, plan fiduciaries should also consider the size of a participant's accrued benefit and account balance as well as the cost of search efforts. The specific steps taken to locate a missing participant, or to obtain instructions from a nonresponsive participant, will depend on facts and circumstances particular to a plan and participant.

### **Examples of Best Practices.**

In the course of its investigations, EBSA observed the missing participant processes and practices of several plans ranging from the poorly run to the well-run. Based on EBSA's experience working with plans, the following practices have proven effective at minimizing and mitigating the problem of missing or nonresponsive participants.<sup>1</sup>

#### **1. Maintaining accurate census information for the plan's participant population.**

- Contacting participants, both current and retired, and beneficiaries on a periodic basis to confirm or update their contact information. Relevant contact information could include home and business addresses, telephone numbers (including cell phone numbers), social media contact information, and next of kin/emergency contact information. Well-run plans regularly reconfirm that the information in their possession is accurate.
- Including contact information change requests in plan communications along with a reminder to advise the plan of any changes in contact information.
- Flagging undeliverable mail/email and uncashed checks for follow-up.
- Maintaining and monitoring an online platform for the plan that participants can use to update contact information for themselves and their spouses/beneficiaries, if any, and incorporating such updates into the plan's census information.
- Providing prompts for participants and beneficiaries to confirm contact information upon login to online platforms.
- Regularly requesting updates to contact information for beneficiaries, if any.
- Regularly auditing census information and correcting data errors.
- In the case of a change in record keepers or a business merger or acquisition by the plan sponsor, addressing the transfer of appropriate plan information (including participant and beneficiary contact information) and relevant employment records (e.g. next of kin information and emergency contacts). EBSA has found that in the context of an

<sup>1</sup> ERISA's fiduciary obligations apply equally to defined benefit plans and defined contribution plans, and these best practice tips apply equally to both types of plans. The Department also stresses that ERISA's fiduciary obligations fully apply to missing participants whose accounts the plan purports to treat as "conditionally forfeited" under Treasury Regulation 1.411(a)-4(b)(6). Under Title I of ERISA, plan fiduciaries retain full responsibility for adhering to Title I's provisions with respect to such participants and their beneficiaries; these participants and beneficiaries remain fully entitled to all their promised benefits; and the fiduciaries have an obligation to keep accurate records and take appropriate steps to ensure that the participants and beneficiaries are paid their full benefits when due.

acquisition, merger, or divestiture, well-run plans make missing participant searches of plan, related plan (e.g., health plan) and employer records (e.g., payroll records) part of the collection and transfer of records.

## **2. Implementing effective communication strategies.**

- Using plain language and offering non-English language assistance when and where appropriate.
- Stating upfront and prominently what the communication is about – e.g., eligibility to start payment of pension benefits, a request for updated contact information, etc.
- Encouraging contact through plan/plan sponsor websites and toll free numbers.
- Building steps into the employer and plan onboarding and enrollment processes for new employees, and exit processes for separating or retiring employees, to confirm or update contact information, confirm information needed to determine when benefits are due and to correctly calculate the amount of benefits owed, and advise employees of the importance of ensuring that the plan has accurate contact information at all times.
- Communicating information about how the plan can help eligible employees consolidate accounts from prior employer plans or rollover IRAs.
- Clearly marking envelopes and correspondence with the original plan or sponsor name for participants who separated before the plan or sponsor name changed, for example, during a corporate merger, and indicating that the communication relates to pension benefit rights.

## **3. Missing participant searches.**

- Checking related plan and employer records for participant, beneficiary and next of kin/emergency contact information. While the plan may not possess current contact information, it is possible that the employer's payroll records or the records maintained by another of the employer's plans, such as a group health plan, may have more up-to-date information. If there are privacy concerns, the person engaged in the search can request that the employer or other plan fiduciary forward a letter from the plan to the missing participant or beneficiary.
- Checking with designated plan beneficiaries (e.g., spouse, children) and the employee's emergency contacts (in the employer's records) for updated contact information; if there are privacy concerns, asking the designated beneficiary or emergency contact to forward a letter to the missing participant or beneficiary.
- Using free online search engines, public record databases (such as those for licenses, mortgages and real estate taxes), obituaries, and social media to locate individuals.
- Using a commercial locator service, a credit-reporting agency, or a proprietary internet search tool to locate individuals.
- Attempting contact via United States Postal Service (USPS) certified mail, or private delivery service with similar tracking features if less expensive than USPS certified mail, to the last known mailing address.
- Attempting contact via other available means such as email addresses, telephone and text numbers, and social media.



- If participants are nonresponsive over a period of time, using death searches (e.g., Social Security Death Index) as a check and, to the extent such search confirms a participant's death, redirecting communications to beneficiaries.
- Reaching out to the colleagues of missing participants by, for example, contacting employees who worked in the same office (e.g., a small employer with one or two locations) or by publishing a list of "missing" participants on the company's intranet, in email notices to existing employees, or in communications with other retirees who are already receiving benefits. Similarly, for unionized employees, some have reached out to the union's local offices and through union member communications to find missing retirees.
- Registering missing participants on public and private pension registries with privacy and cyber security protections (e.g., National Registry of Unclaimed Retirement Benefits), and publicizing the registry through emails, newsletters, and other communications to existing employees, union members, and retirees.
- Searching regularly using some or all of the above steps.

#### **4. Documenting procedures and actions**

- Reducing the plan's policies and procedures to writing to ensure they are clear and result in consistent practices.
- Documenting key decisions and the steps and actions taken to implement the policies.
- For plans that use third party record keepers to maintain plan records and handle participant communications, ensuring the record keeper is performing agreed upon services, and working with the record keeper to identify and correct shortcomings in the plan's recordkeeping and communication practices, including establishing procedures for obtaining relevant information held by the employer.

**The contents of this document do not have the force and effect of law, and are not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.**