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 22, 2025
12:30 p.m.

LOCATION AND TELECONFERENCE	COMMITTEE MEMBERS	
ACERA **C.G. "BUD" QUIST BOARD ROOM** **475 14TH STREET, 10TH FLOOR** **OAKLAND, CALIFORNIA 94612-1900** **MAIN LINE: 510.628.3000** **FAX: 510.268.9574**	**HENRY LEVY, CHAIR**	**TREASURER**
	TARRELL GAMBLE, VICE-CHAIR	**APPOINTED**
	ROSS CLIPPINGER	**ELECTED SAFETY**
	STEVEN WILKINSON	**APPOINTED**
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.	**GEORGE WOOD**	**ELECTED GENERAL**
Link: https://zoom.us/join **Call-In: 1 (669) 900-6833 US** **Webinar ID: 879 6337 8479** **Passcode: 699406** **For help joining a Zoom meeting, see: https://support.zoom.us/hc/en-us/articles/201362193**		

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.

The Alternate Safety Member votes in the absence of the Elected Safety Member, either of the two Elected General Members, or both the Retired and Alternate Retired Members.

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 14th Street, 10th Floor, Oakland, CA 94612-1900.

AUDIT COMMITTEE/BOARD MEETING

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, 2024 Audited Financial Statements and Independent Auditor's Report**

   - Robert Griffin, Engagement Partner
   - Kenneth Yu, Project Manager
   Williams, Adley & Company-CA, LLP
   - Erica Haywood

   Recommendation:
   Staff recommends the Audit Committee recommend that the Board of Retirement approve the December 31, 2024 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, 2024**

   - Andy Yeung, Segal
   - Erica Haywood

   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, 2024.

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, 2024**

   - Andy Yeung, Segal
   - Erica Haywood

   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, 2024.

AUDIT COMMITTEE/BOARD MEETING

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

Internal Audit

1. **Progress report on the Internal Audit Plan** - Harsh Jadhav

2. **Review completed audits and projects** - Harsh Jadhav

Trustee Remarks

Future Discussion Items

Establishment of Next Meeting Date

June 18, 2025 at 12:30 PM

MEMORANDUM TO THE AUDIT COMMITTEE

DATE:	May 22, 2025
TO:	Members of the Audit Committee
FROM:	Erica Haywood, Fiscal Services Officer *EH*
SUBJECT:	December 31, 2024, Audited Financial Statements and Independent Auditor's Report

Executive Summary

Williams, Adley & Co., has completed its independent audit of ACERA's 2024 financial statements. The December 31, 2024, 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, 2024, 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, 2024

Draft Version,

May 22, 2025

Alameda County Employees' Retirement Association

475 14th Street, Suite 1000, Oakland, CA 94612

A Component Unit of the County of Alameda

(State of California)

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WILLIAMS ADLEY

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, 2024, 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, 2024, 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

Implementation of New Accounting Pronouncement

As described in note 1 of the financial statements, effective January 1, 2024, ACERA adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 102, *Compensated Absences*, and restated beginning fiduciary net position for the retroactive application of this new accounting standard.

Net Pension Liability of Employers

As described in note 5, based on the most recent actuarial valuation as of December 31, 2024, ACERA's independent actuaries determined that, at December 31, 2024, the total pension liability exceeded the pension plan's fiduciary net position by $1.5 billion.

Net OPEB Liability of Employers

As described in note 7, based on the most recent actuarial valuation as of December 31, 2024, ACERA's independent actuaries determined that, at December 31, 2024, the total OPEB liability exceeded the OPEB plan's fiduciary net position by $229 million.

Investment Valuation

As described in Note 8, the financial statements include investments valued at $3,564,231 (which represents 29.6 percent of total fiduciary net position) at December 31, 2024, 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.

WILLIAMS, ADLEY & COMPANY-CA, LLP
Certified Public Accountants / Management Consultants
7677 Oakport Street, Suite 510 • Oakland, CA 94621 • (510) 893-8114 • Fax: (510) 893-2603
https://wacllp.com

WILLIAMS
ADLEY

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 2023 financial statements, and our report dated June 26, 2024, 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, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

WILLIAMS ADLEY

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 __, 2025, 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 __, 2025

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, 2024. 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 1 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.)

Financial Highlights

As of December 31, 2024, ACERA's net position, which represents funds restricted for paying current and long-term pension benefit obligations and non-vested non-OPEB and OPEB for plan members and their beneficiaries, was $12.0 billion, a $0.7 billion increase compared to December 31, 2023. This increase was primarily attributable to the $0.8 billion increase in fair value of ACERA's investment portfolio during 2024.

As of December 31, 2024, the Net Pension Liability (NPL) was $1,464.4 million, compared to $1,742.7 million as of December 31, 2023. The $278.3 million decrease was primarily as a result of favorable investment return during calendar year 2024.

As of December 31, 2024, the Net OPEB Liability (NOL) was $229.0 million, compared to $208.5 million as of December 31, 2023. The $20.5 million increase was primarily due to service and interest costs, partially offset by demographic experience gains, lower than expected implicit subsidy and a favorable investment return during calendar year 2024. The investment result allocations to the Supplemental Retiree Benefits Reserve (SRBR), are credited by semiannual transfers to the reserve as defined by Article 5.5 of the County Employees' Retirement Law of 1937 (1937 Act).

As of December 31, 2023, the date of the pension plan actuarial funding and the SRBR sufficiency actuarial valuations used for the 2024 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, 2023, ACERA had $0.3 billion in net deferred investment loss based on the actuarial value of assets. These deferred losses represent 2.6% of the fair value of assets, as of the December 31, 2023, actuarial valuation date. Unless offset by future investment gains or other favorable experience, the recognition of the $0.3 billion deferred market losses is expected to have an unfavorable impact on the Association's future funded percentage and contribution rate requirements.

Overview of the Financial Statements

This discussion and analysis serves 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 held in trust 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 2024 Statement of Fiduciary Net Position.

The Statement of Changes in Fiduciary Net Position starting on page 15 provides a summary view of the additions to and deductions from the fiduciary net position that occurred over the course of the 2024 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. All of the year's asset additions and deductions are taken into account regardless of when the corresponding cash is received or paid. All investment purchases and sales are reported as of the trade date. Investments are reported at current fair value 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 53 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 60.

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, 2024 and 2023 (Dollars in Millions)

	2024	2023	Increase (Decrease) Amount	Percent Change
ASSETS				
Current Assets	$ 209.1	$ 237.3	$ (28.2)	-12%
Investments at Fair Value	12,010.9	11,233.5	777.4	7%
Capital Assets, net	12.4	9.8	2.6	27%
Total Assets	**12,232.4**	**11,480.6**	**751.8**	**7%**
LIABILITIES				
Current Liabilities	197.9	201.6	(3.7)	-2%
Long-term Lease and Subscription Liabilities	0.1	0.2	(0.1)	-50%
Total Liabilities	**198.0**	**201.8**	**(3.8)**	**-2%**
NET POSITION				
Restricted - Held in Trust for Benefits	**$12,034.4**	**$11,278.8**	**$ 755.6**	**7%**

Table 2: Changes In Fiduciary Net Position (Condensed)

For the Years Ended December 31, 2024 and 2023 (Dollars in Millions)

	2024	2023	Increase (Decrease) Amount	Percent Change
ADDITIONS				
Member Contributions	$ 134.5	$ 126.5	$ 8.0	6%
Employer Contributions	311.1	288.6	22.5	8%
Net Investment Income (Loss)	1,025.2	1,248.9	(223.7)	-18%
Miscellaneous Income	0.4	0.7	(0.3)	-43%
Transfer to Employers' Advance Reserve from SRBR for Employer Contributions to 401(h) Account	51.9	49.3	2.6	5%
Transfer to Employers' Advance Reserve from SRBR for Implicit Subsidy	4.0	7.8	(3.8)	-49%
Transfer from Employers' Advance Reserve to SRBR for OPEB Related Administrative Expenses	2.0	1.7	0.3	18%
Total Additions	**1,529.1**	**1,723.5**	**(194.4)**	**-11%**
DEDUCTIONS				
Retirement Benefit Payments	634.0	606.4	27.6	5%
Postemployment Medical Benefits	50.2	47.1	3.1	7%
Member Refunds	10.1	13.3	(3.2)	-24%
Administration	20.4	17.6	2.8	16%
Transfer from SRBR to Employers' Advance Reserve for Employer Contributions to 401(h) Account	51.9	49.3	2.6	5%
Transfer from SRBR to Employers' Advance Reserve for Implicit Subsidy	4.0	7.8	(3.8)	-49%
Transfer to SRBR from Employers' Advance Reserve for OPEB Related Administrative Expenses	2.0	1.7	0.3	18%
Total Deductions	**772.6**	**743.2**	**29.4**	**4%**
CHANGE IN NET POSITION	**756.5**	**980.3**	**(223.8)**	**-23%**
NET POSITION - JANUARY 1	**11,278.8**	**10,298.5**	**980.3**	**10%**
CUMULATIVE EFFECT OF ACCOUNTING CHANGE	**(0.9)**	**-**	**(0.9)**	**N/A**
BEGINNING NET POSITION AS RESTATED	**11,277.9**	**10,298.5**	**979.4**	**10%**
NET POSITION - DECEMBER 31	**$ 12,034.4**	**$ 11,278.8**	**$ 755.6**	**7%**

Analysis of Financial Position

Fiduciary net position held in trust for benefits equals assets less liabilities. Table 1, on page 8, displays the condensed information of the fiduciary net position, which as of December 31, 2024, totaled approximately $12.0 billion. This is a $0.7 billion or a 7% increase from the prior year, primarily a result of an increase in the fair value of ACERA's invested assets. The Investment Section, starting on page 69, 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 decreased by $28.2 million from $237.3 million in 2023 to $209.1 million in 2024. This 12% decrease was primarily due to decreases in securities lending cash collateral of $9.6 million, unsettled investment trades of $8.2 million and future contracts of $8.9 million.

Investments at Fair Value

ACERA's investments at fair value increased 7% from $11.2 billion in 2023 to $12.0 billion in 2024. The $0.8 billion increase was net of ACERA's $278.0 million cash draw in 2024 on the portfolio to pay retirement benefits and administrative costs.

Capital Assets, Net

Capital assets include equipment, furniture, information systems, leasehold improvements, and right-to-use assets.

The value of capital assets increased from $9.8 million in 2023 to $12.4 million in 2024. The net increase of $2.6 million or 27% was mainly due to the increase in capital expenditures for the pension administration system upgrade.

Total Assets

In all, total assets experienced a net increase of $0.7 billion, from $11.5 billion in 2023 to $12.2 billion in 2024. The increase in total investments at fair value accounted for almost all of 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 decreased by $3.7 million or 2% from $201.6 million in 2023 to $197.9 million in 2024. The net decrease is mainly attributed to the $9.6 million decrease in securities lending liability partially offset by the increases in future contracts and foreign exchange contracts.

As of December 31, 2024, the long-term lease and subscription liabilities totaled $0.1 million.

Analysis of Results of Operations

The change in fiduciary net position equals total additions less total deductions. Table 2, on page 9, displays the condensed information about ACERA's 2024 financial activity. From January 1 to December 31, 2024, ACERA's fiduciary net position increased by $0.7 billion. The increase was mainly due to appreciation in the fair value of ACERA's invested assets.

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 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, 2024, and 2023, were $1.5 billion and $1.7 billion, respectively. ACERA's net investment income (loss) for 2024 was $1.0 billion, compared to $1.2 billion in investment income (loss) in 2023.

See the Net Investment Income (Loss) section on page 11 for a more comprehensive discussion of this decrease.

The December 31, 2023, actuarial valuation report recommended contribution rate decreases for members and employers. The Board of Retirement approved the decrease to be in effect by September 2024. The aggregate member contribution rate decreased from 10.08% to 9.87% of payroll. The rate decrease was mainly due to changes in actuarial assumptions, offset to some degree by changes in active member demographics and plan provision.

The aggregate employer contribution rate decreased from 23.72% to 23.54% of payroll. This change was primarily due to the changes in actuarial assumptions and amortizing the prior year's UAAL over larger than expected total projected payroll. The decrease was offset to some degree by lower than expected return on investments (after smoothing), change in plan provision, and greater than expected individual salary increases.

Member Contributions

Total member contributions for 2024 were $134.5 million, up $8.0 million or 6% over 2023 total member contributions of $126.5 million. As previously stated, 2023 actuarial valuation contribution rates went into effect September 1, 2024.

Employer Contributions

Total employer contributions collected for 2024 were $311.1 million, an increase of 8% or $22.5 million over the $288.6 million in total contributions collected in 2023. The $22.5 million increase was mainly due to the slight increase the average employer contribution rate for the first eight months of the year.

Net Investment Income (Loss)

Net investment income (loss) for 2024 was $1.0 billion. The $0.2 billion decrease in net investment income over 2023 was primarily due to lower appreciation in the fair value of invested assets. The 2024 net appreciation of investments was $0.8 billion compared to a 2023 net appreciation of $1.1 billion.

Miscellaneous Income

Miscellaneous income for 2024 totaled $0.4 million, down $0.3 million from 2023. This decrease is mainly due to decrease of 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 $51.9 million and $49.3 million to their 401(h) accounts for years 2024 and 2023, 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, $2.0 million and $1.7 million was transferred from the employers' advance reserve to SRBR for 2024 and 2023, respectively.

There was a $4.0 million transfer from the SRBR to the employers' advance reserve in 2024 to compensate Alameda County for the 2023 blended rate health care implicit subsidy. The implicit subsidy transfer decreased by $3.8 million or 49% from the $7.8 million implicit subsidy transfer in 2023. This decrease was primarily due to lower difference between the County's blended and unblended medical insurance rates for 2023 versus 2022.

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 2024 were $772.6 million. This is $29.4 million or a 4% increase over the $743.2 million in total deductions for 2023. Service retirement and disability benefit payments alone increased 5% or $27.6 million over 2023. The member refunds decreased by $3.2 million or 24% for 2024.

Retirement Benefit Payments

Retirement benefit payments in 2024 totaled $634.0 million, a $27.6 million or 5% increase over $606.4 million in 2023. 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 2024 were $50.2 million, an increase of $3.1 million over the $47.1 million paid from the 401(h) account in 2023. This increase was due to increases in medical premiums. ACERA's maximum monthly medical benefit for 2024 was $635.37 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 $486.74 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 $3.2 million or 24% from $13.3 million in 2023 to $10.1 million in 2024. The decrease was primarily due to decreases in termination refunds.

Administration Expense

Total administration expense for 2024 increased to $20.4 million, from $17.6 million in 2023. 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 51, further describes the legal limitations. Consequently, the administrative budget for 2024 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 12% or $1.8 million, from $14.6 million in 2023 to $16.4 million in 2024. 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 $2.9 million in 2023 to $4.0 million in 2024. The categories of operating expenses not subject to the statutory limit include legal, technology, actuarial, investment and business continuity expenses.

Currently Known Facts and Events

Litigation: In the AHS v. ACERA lawsuit (filed February 7, 2019), the Alameda Health System, a participating employer in ACERA, filed suit against ACERA and the County of Alameda (later dismissed from the lawsuit by AHS), objecting to ACERA's use of the percent of payroll method for calculating AHS' unfunded liabilities to ACERA. The lawsuit seeks to require ACERA to collect less contributions from AHS and more contributions from the County (and possibly other participating employers). On May 3, 2022, the Superior Court issued a ruling granting ACERA summary judgment and then entered judgment for ACERA on May 24, 2022. AHS appealed that judgment. On March 27, 2024, the appellate court affirmed the trial court's judgment for ACERA. AHS did not seek review in the California Supreme Court, so this litigation fully concluded in ACERA's favor on May 29, 2024.

Business Continuity: Following the eased health and safety restrictions of the response to the COVID-19 pandemic, ACERA's management maintained a hybrid work arrangement throughout 2021 and 2022, while most of the staff continued to work from home. In October 2022, the Governor of California announced that the COVID-19 state of emergency would end on February 28, 2023. As a result, ACERA management formulated a new hybrid work arrangement that was implemented in 2023.

Fiduciary Responsibilities

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

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 over- view 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 or by phone at (510) 628-3000 during normal business hours. Our website www.acera.org contains a wealth of information and is always accessible.

Respectfully submitted,

Erica Haywood

Erica Haywood, CPA, MBA
Fiscal Services Officer
May 12, 2025

Basic Financial Statements

Statement of Fiduciary Net Position

As of December 31, 2024, with Comparative Totals as of December 31, 2023 (Dollars in Thousands)

	Pension Plan & Non-OPEB	Postemployment Medical Benefits	Total 2024	Total 2023
ASSETS				
Cash	$ 1,898	$ -	$ 1,898	$ 5,607
Securities Lending Cash Collateral	149,260	-	149,260	158,812
Receivables				
Contributions	30,653	-	30,653	26,273
Investment Receivables	25,203	-	25,203	24,365
Unsettled Trades - Investments Sold	1,221	-	1,221	9,404
Futures Contracts	59	-	59	8,931
Foreign Exchange Contracts	20	-	20	2,714
Other Receivables	230	-	230	408
Total Receivables	**57,386**	**-**	**57,386**	**72,095**
Prepaid Expenses	571	-	571	834
Total Current Assets	**209,115**	**-**	**209,115**	**237,348**
Investments at Fair Value				
Short-Term Investments	255,540	-	255,540	196,147
Domestic Equity	737,932	-	737,932	626,628
Domestic Equity Commingled Funds	2,669,271	-	2,669,271	2,239,207
International Equity	794,383	-	794,383	787,281
International Equity Commingled Funds	1,907,232	-	1,907,232	2,002,804
Domestic Fixed Income	1,473,966	-	1,473,966	1,419,300
International Fixed Income	147,748	-	147,748	95,474
International Fixed Income Commingled Funds	26,866	-	26,866	79,250
Real Estate - Separate Properties	34,056	-	34,056	48,282
Real Estate - Commingled Funds	780,273	-	780,273	756,421
Real Assets	732,743	-	732,743	657,542
Absolute Return	1,000,261	-	1,000,261	902,059
Private Equity	1,145,602	-	1,145,602	1,114,713
Private Credit	305,035	-	305,035	308,413
Total Investments	**12,010,908**	**-**	**12,010,908**	**11,233,521**
Non-OPEB Assets	117,558	-	117,558	111,280
Due from Pension Plan	(1,224,838)	1,107,280	(117,558)	(111,280)
Capital Assets at Cost (Net of Accumulated Depreciation and Amortization)	12,339	-	12,339	9,752
Total Assets	**11,125,082**	**1,107,280**	**12,232,362**	**11,480,621**
LIABILITIES				
Securities Lending Liability	149,260	-	149,260	158,812
Unsettled Trades - Investments Purchased	18,268	-	18,268	18,989
Futures Contracts	1,310	-	1,310	0
Foreign Exchange Contracts	5,035	-	5,035	10
Investment-Related Payables	13,557	-	13,557	13,923
Accrued Administration Expenses	3,823	-	3,823	3,084
Members Benefits & Refunds Payable	6,117	-	6,117	6,305
Retirement Payroll Deductions Payable	391	-	391	443
Current Lease Liability	107	-	107	65
Long-term Lease and Subscription Liability	139	-	139	169
Total Liabilities	**198,007**	**-**	**198,007**	**201,800**
NET POSITION - Held in Trust for Benefits	**$ 10,927,075**	**$ 1,107,280**	**$ 12,034,355**	**$ 11,278,821**

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, 2024, with Comparative Totals for the Year Ended December 31, 2023 (Dollars in Thousands)

	Pension Plan & Non-OPEB	Postemployment Medical Benefits	Total 2024	Total 2023
ADDITIONS				
Contributions				
Member	$ 134,490	$ -	$ 134,490	$ 126,472
Employer	259,254	51,852	311,106	288,640
Total Contributions	**393,744**	**51,852**	**445,596**	**415,112**
Investment Income				
From Investment Activities:				
Net Appreciation (Depreciation) in Fair Value of Investments	822,032	-	822,032	1,148,261
Dividends, Interest, & Other Investment Income	274,742	-	274,742	168,195
Total Income (Loss) from Investment Activities	**1,096,774**	**-**	**1,096,774**	**1,316,456**
Total Investment Expenses	(72,254)	-	(72,254)	(68,333)
Net Income (Loss) from Investment Activities	**1,024,520**	**-**	**1,024,520**	**1,248,123**
From Securities Lending Activities:				
Securities Lending Income	10,366	-	10,366	8,701
Securities Lending Expenses				
Borrower Rebates	(9,481)	-	(9,481)	(7,843)
Management Fees	(177)	-	(177)	(172)
Total Securities Lending Activity Expenses	**(9,658)**	**-**	**(9,658)**	**(8,015)**
Net Income from Securities Lending Activities	**708**	**-**	**708**	**686**
Earnings Allocated to Non-OPEB	7,900	-	7,900	3,536
Earnings Allocated	(84,180)	76,280	(7,900)	(3,536)
Total Net Investment Income (Loss)	**948,948**	**76,280**	**1,025,228**	**1,248,809**
Miscellaneous Income	390	-	390	715
Transfer to Employers' Advance Reserve from SRBR for Employer Contributions to 401(h) Account	51,852	-	51,852	49,339
Transfer to Employers' Advance Reserve from SRBR for Implicit Subsidy	4,038	-	4,038	7,842
Transfer from Employers' Advance Reserve to SRBR for OPEB Related Administrative Expense	-	1,957	1,957	1,711
Total Additions	**$ 1,398,972**	**$ 130,089**	**$ 1,529,061**	**$ 1,723,528**

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, 2024, with Comparative Totals for the Year Ended December 31, 2023 (Dollars in Thousands)

	Pension Plan & Non-OPEB	Postemployment Medical Benefits	Total 2024	Total 2023
DEDUCTIONS				
Benefits				
Service Retirement and Disability Benefits	$ 628,985	$ -	$ 628,985	$ 601,262
Death Benefits	3,439	-	3,439	3,761
Burial Benefits - Non-OPEB	379	-	379	228
Supplemental Cost of Living Allowance - Non-OPEB	1,243	-	1,243	1,135
Post Employment Medical Benefits	-	50,187	50,187	47,072
Total Benefit Payments	**634,046**	**50,187**	**684,233**	**653,458**
Member Refunds	10,081	-	10,081	13,293
Administration				
Administrative Expenses	14,438	1,957	16,395	14,646
Legal Expenses	891	-	891	846
Technology Expenses	2,016	-	2,016	1,005
Actuarial Expenses	400	-	400	469
Business Continuity Expenses	678	-	678	610
Total Administration	**18,423**	**1,957**	**20,380**	**17,576**
Transfer from SRBR to Employers' Advance Reserve for Employer Contributions to 401(h) Account	-	51,852	51,852	49,339
Transfer from SRBR to Employers' Advance Reserve for Implicit Subsidy	-	4,038	4,038	7,842
Transfer to SRBR from Employers' Advance Reserve for OPEB Related Administrative Expense	1,957	-	1,957	1,711
Total Deductions	**664,507**	**108,034**	**772,541**	**743,219**
CHANGE IN NET POSITION	**734,465**	**22,055**	**756,520**	**980,309**
NET POSITION - JANUARY 1	**10,193,596**	**1,085,225**	**11,278,821**	**10,298,512**
CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(986)	-	(986)	-
BEGINNING NET POSITION AS RESTATED	**10,192,610**	**1,085,225**	**11,277,835**	**10,298,512**
NET POSITION - DECEMBER 31	**$ 10,927,075**	**$ 1,107,280**	**$12,034,355**	**$ 11,278,821**

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 Boad 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. In 2024, ACERA's capitalization threshold increased from $5,000 to an initial 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

ACERA implemented the provisions of GASB Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*, for the year ended December 31, 2024. The requirements of this Statement pertaining to the changes in accounting principles as it relates to the implementation of a new pronouncement were applied by restating the beginning net position.

ACERA implemented the provisions of GASB Statement No. 101, *Compensated Absences*, for the year ended December 31, 2024. The implementation of this statement affected ACERA's financial statements with a recognition of a new liability for sick leave that accumulates and could be used for time off but not available to be paid in cash. The retroactive recognition of the expense related to sick leave resulted in adjustment of the beginning net position balance by $986 thousand for the cumulative effect of the accounting change. The compensated absence liability for sick leave earned and accrued is included in the accrued administrative expenses line item in the Statement of Fiduciary Net Position and the related salary expense is included in the administrative expenses line item in the Statement of Changes in Fiduciary Net Position. The expense is also reported as part of personnel services in the Administrative Expense schedule presented in the Supplemental Schedules section.

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 disclosure 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 con- centration 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 will implement the provisions of this Statement for the year ending December 31, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued in April 2024. The objective of this Statement is to enhance the effectiveness of the information provided in the management's discussion and analysis (MD&A) that is essential to decision making and assessing a government's accountability. The Statement limits the information presented in the MD&A to five sections: (1) Overview of Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Assets and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. The Statement stresses that the detailed analysis section should explain why balances and results of operations changed rather than simply presenting the amount and percentage changes. The analysis provided should avoid duplication by not repeating explanations that may be relevant to multiple sections. The Statement also includes new reporting requirements for unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. ACERA will implement the applicable provisions of this Statement for the year ending December 31, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, was issued in September 2024. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The Statement requires certain types of capital assets to be disclosed separately in the capital asset note disclosures. The separate disclosure requirements apply to lease assets reported in accordance with Statement No. 87, *Leases*; intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; subscription assets recognized in accordance with Statement No. 96, *Subscription Based Information Technology Arrangements*; and intangible assets other than those mentioned above should be disclosed by major class of asset. The Statement also requires additional disclosure of capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. ACERA will implement the applicable provisions of this Statement for the year ending December 31, 2026.

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 non-vested 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., PEPRA 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 safety members and one alternate member is elected by retired members. 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
Alternate Safety Member	Elected by Safety 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, 2024

Members, Survivors, and Beneficiaries Now Receiving Benefits	
Service Retirement	8,827
Disability Retirement	1,009
Beneficiaries and Survivors	1,389
Subtotal	**11,225**
Active Members	
Active Vested Members	7,644
Active Non-vested Members	4,195
Subtotal	**11,839**
Deferred Members	3,920
Total Membership	**26,984**

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 2024 was 2.62% 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 2024 COLA does not exceed the 3% maximum and Tiers 2 and 4 members will bank 0.50% in 2024, as the 2024 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 31 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 2024

Tier 1: (entry date prior to July 1, 1983)	
General	7.39% - 16.17%
Tier 2: (entry date July 1, 1983, and before January 1, 2013)	
General	5.49% - 12.14%
Safety 3% @ 50	14.02% - 20.94%
Tier 2: (entry date October 17, 2010, and before January 1, 2013)	
Safety 2% @ 50	10.86% - 17.68%
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%
Tier 3: (LARPD only - entry date prior to January 1, 2013)	
General	9.10% - 17.94%
Tier 4: (entry date January 1, 2013 or later)	
General	9.06%
Safety	17.88%

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 avail- able. 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 $66.1 million in the year ended December 31, 2024.

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. 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, 2024, the amortized balances were $82.1, million and $1.0 million for County Safety and LARPD, 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, 2024, the transferred amount was $2.0 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 28 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, 2024, the employers funded $51.9 million of 401(h) contributions, including $49.9 million for estimated cost of postemployment medical benefits and $2.0 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, 2024, $1.2 million of Supplemental COLA and $0.4 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. The 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 advance UAAL payments will be 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 2023 through August 2024, the UAAL rate credit applied to the County safety membership was 39.45% and the rate credit for LARPD's general membership was 28.66%.

Effective September 2024, the UAAL rate credit applied to the County safety membership is 39.10% and the rate credit for LARPD's general membership is 30.23%.

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 2024

ACERA had $1.0 billion gains from investment activities net of administrative expenses for the year ended December 31, 2024. The Contingency Reserve was adjusted to 1% of total assets or $122.3 million at December 31, 2024 and subsequently reduced to $31.3 million or 0.26% of total assets to fund the interest crediting shortfall for the six month interest crediting period as of December 31, 2024.

The Market Stabilization Reserve account increased by $210.2 million during 2024 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 $33.4 million and all other reserve accounts (excluding the contingency and market stabilization reserves) received interest crediting of approximately $766.1 million.

Reserves

As of December 31, 2024 (Dollars in Thousands)

	Pension and Non-OPEB	Postemployment Medical Benefits	Total
Member Reserve	$ 2,008,300	$ -	$ 2,008,300
Employers' Advance Reserve	2,070,632	-	2,070,632
Retired Member Reserve	6,125,425	-	6,125,425
SRBR	117,558	1,096,759	1,214,317
401(h) Account	-	10,521	10,521
Subtotal of All Other Reserves	**10,321,915**	**1,107,280**	**11,429,195**
County Safety Membership - Adv. UAAL Reserve	645,338	-	645,338
LARPD General Membership - Adv. UAAL Reserve	11,150	-	11,150
Subtotal of Advance UAAL Contribution Reserve	**656,488**	**-**	**656,488**
Contingency Reserve	31,268	-	31,268
Market Stabilization Reserve Account	(82,596)	-	(82,596)
Total Reserves	**$ 10,927,075**	**$ 1,107,280**	**$ 12,034,355**

5. Net Pension Liability

The components of the Net Pension Liability were as follows:

Net Pension Liability

(Dollars in Thousands)

		December 31, 2024		December 31, 2023
Total Pension Liability	$	12,397,161	$	11,961,224
Plan's Fiduciary Net Position[1]		10,932,717		10,218,484
Net Pension Liability	**$**	**1,464,444**	**$**	**1,742,740**
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability		88.19%		85.43%

1 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). For 2023, the Plan's Fiduciary Net Position amount shown ($10,218,484) includes the net fair value of assets ($11,278,821) less OPEB-related SRBR assets ($1,060,337). The OPEB-related SRBR assets include $1,070,992 in the SRBR-OPEB reserve (after reducing the reserve by the $4,116 SRBR implicit subsidy transfer), and $10,117 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 ($20,772).

The Net Pension Liability (NPL) for the plan was measured as of December 31, 2024 and 2023. 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, 2023 and 2022, 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, 2024 and 2023 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, 2024 and December 31, 2023 funding valuations for ACERA, respectively.

Key Assumptions Used in the Measurement

Valuation Date	December 31, 2024	December 31, 2023
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[1] was determined in 2023 using a building-block method in which expected future real rates of return (expected returns, net of inflation and, beginning with December 31, 2023, any applicable investment management expenses) are developed for each major asset class. These

1 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.)

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 (beginning with December 31, 2023, including only investment consulting fees, custodian fees and other miscellaneous investment expenses and fees but excluding investment manager fees) and a risk margin. Beginning with December 31, 2023 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, 2024. This information will be subject to change every three years based on the results of an actuarial experience study.

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%
Total	**100.00%**	**5.89%**

* *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, 2024 and December 31, 2023. 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[1]. 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

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.

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[1] 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, 2024 and December 31, 2023.

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

The following presents the Net Pension Liability as of December 31, 2024, 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, 2024 (Dollars in Thousands)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability	$ 3,044,307	$ 1,464,444	$ 167,452

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, 2024, the annual money-weighted rate of return on the total investments (pension plan and OPEB) was 9.20%. For trend information, refer to the Schedule of Investment Returns under the RSI section on page 54.

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.

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

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	12/31/2023
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)	9 years
Amortization of New UAAL (On or after January 1, 2012)	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. 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.
Actuarial Assumptions	Interest Rate: 7.00% Inflation Rate: 2.50% Across-the-Board Salary Increases: 0.50% Salary Increases: General 8.00% - 3.45% and Safety 11.40% - 4.00% Demographic: refer to page 104
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 91.2% funded as of December 31, 2023, 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 2048.

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	12/31/2023
Actuarial Cost Method	Entry Age
Asset Valuation Method	Same as Pension Plan
Actuarial Assumptions	Same as Pension Plan
Health Care Cost Trend Rates:	
Non-Medicare Plan	Starting at 8.50% in 2024, graded down by 1.00% in 2025 and 0.50% in 2026, then by 0.25% each year for 10 years until it reaches 4.50%.
Medicare Advantage Plan	Starting at 16.47% in 2024, 7.00% in 2025, and then graded down by 0.25% each year for 10 years until it reaches 4.50%.
Dental[1]	0.00% for the first year and 4.00% each year thereafter.
Vision[2]	0.00% for the first year and 4.00% each year thereafter.
Medicare Part B	4.50%
Postemployment Benefit Increases:	
Dental, Vision, and Medicare Part B	Subsidies are assumed to increase at 100% of the health care cost trend rates for these benefits.
Monthly Medical Allowance (MMA)	Subsidies are assumed to increase at 50% of the health care cost trend rates for MMA benefits or 3.50% from calendar year 2025 to 2026, graded down to the ultimate rate of 2.25% over 10 years.

1 Dental premiums fixed at 2024 levels for the first year to reflect a two-year rate guarantee.
2 Vision premiums fixed at 2021 levels for the first year to reflect a five-year rate guarantee.

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 2047.

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	12/31/2023
Actuarial Cost Method	Entry Age
Asset Valuation Method	Same as Pension Plan
Actuarial Assumptions	Same as Pension Plan
Postemployment Benefit Increases:	
Supplemental COLA Benefits	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, 2024	
Retired members receiving medical benefits	
Retired members receiving dental and vision benefits	PENDING
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 2023 was $4.0 million. SRBR assets in this amount were treated as a pension contribution in 2024 upon the Board of Retirement's approval to compensate the County for the implicit subsidy. The estimated implicit subsidy amount for 2024 is $2.5 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 2024 maximum monthly allowance for group plans and under age-65 members enrolled in individual insurance exchange was $635.37 and $486.74 for members enrolled in the individual plans through the Medicare exchange. The maximum monthly combined dental and vision subsidy was $55.68 in 2024.

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, 2024

Number of Subsidized Retirees	
Medical	5,510
Medicare Exchange	2,001
Medicare Part B	6,163
Dental and Vision	9,551

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 54 of the RSI.

Net OPEB Liability

The components of the Net OPEB Liability were as follows:

(Dollars in Thousands)

	December 31, 2024	December 31, 2023
Total OPEB Liability	$ 1,330,606	$ 1,268,808
Plan's Fiduciary Net Position[1]	1,101,638	1,060,337
Net OPEB Liability	**$ 228,968**	**$ 208,471**
Plan's Fiduciary Net Position as a Percentage of the Total OPEB Liability	82.79%	83.57%

1 *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). For 2023, the Plan's Fiduciary Net Position amount shown ($1,060,337) includes the OPEB-related SRBR reserve of $1,070,992 (after reducing the reserve by the SRBR implicit subsidy transfer of $4,116) and the 401(h) reserve of ($10,117), less the proportionate share of the net deferred investment loss that is commensurate with the size of the OPEB SRBR reserve of ($20,772).*

The Net OPEB Liability was measured as of December 31, 2024 and 2023. 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, 2023 and 2022, respectively, with adjustments to the 2023 Total OPEB Liability for preliminary assumptions adopted for the December 31, 2024 valuation.

Plan Provisions

The plan provisions used in the measurement of the Net OPEB Liability as of December 31, 2024 and 2023 are the same as those used for the SRBR sufficiency valuation as of December 31, 2023 and 2022, respectively.

Actuarial Assumptions

The actuarial assumptions used for the December 31, 2024 and 2023 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 study for the SRBR as of December 31, 2024. The assumptions used in the December 31, 2024 and December 31, 2023 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, 2024	December 31, 2023
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 2025:	Used to project health care cost after calendar year 2024:
Non-Medicare medical plan	7.75% graded to ultimate 4.50% over 13 years.	8.50% in 2024, 7.50% in 2025, then graded from 7.00% in 2026 to ultimate 4.50% over 10 years.
Medicare medical plan	7.50% graded to ultimate 4.50% over 12 years.	16.47%[1] in 2024, then graded from 7.00% in 2025 to ultimate 4.50% over 10 years.
Dental	6.00% in 2025, then 5.00% graded to ultimate 4.00% over 3 years.	0.00% in 2024 to reflect a two-year rate guarantee (premiums fixed at 2024 level for 2024 and 2025) and 4.00% thereafter.
Vision	3.00%	0.00% for the first year to reflect a five-year rate guarantee (premiums fixed at 2021 level for 2022, 2023, 2024 and 2025) and 4.00% thereafter.
Medicare Part-B[2]	6.20% until 2033, then 5.75% graded to ultimate 4.50% over 6 years.	4.50%
Other Assumption Based on Actuarial Experience Study	December 1, 2019 through November 30, 2022	December 1, 2019 through November 30, 2022

1 The initial 16.47% trend rate reflects an estimated increase to the baseline monthly Kaiser Senior Advantage premiums of $28 (8.00%) plus a one-time estimated increase of $30 (7.84%) due to the Inflation Reduction Act of 2022 (IRA), which includes material benefit costs-sharing changes for 2025, most notably implementing a $2,000 member out -of-pocket maximum, as well as various funding changes for Medicare prescription drug plans.

2 The actual 2024 premium increase of 5.90% reflecting the standard 2025 premium of $185.00 per month was reflected in the current year GASB 74 valuation with December 31, 2024 measurement date. The updated Part B trend assumptions were based on the intermediate Part B premium estimates in Table V.E2 of the 2024 Medicare Trustees report. The proposed 6.20% initial trend assumption represents the average trend shown for years 2025 through 2033 of the Trustees report. The actual 2023 premium increase of 5.93% reflecting the standard 2024 premium of $174.70 per month was reflected in the current year GASB 74 valuation with December 31, 2023 measurement date.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments[1] was determined in 2023 using a building-block method in which expected future real rates of return (expected returns, net of inflation and, beginning with December 31, 2023, 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 (beginning with December 31, 2023, including only investment consulting fees, custodian fees, and other miscellaneous investment expenses and fees but excluding investment manager fees) and a risk margin. Beginning with December 31, 2023 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 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, 2024 and December 31, 2023. 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 30 Note 05.

1 Note that the investment return assumption for SRBR sufficiency testing (and pension plan 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, 2024 and December 31, 2023. 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, 2024 and December 31, 2023.

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

The following presents the Net OPEB Liability as of December 31, 2024, calculated using the current discount rate of 7.00%, as well as what the Net OPEB 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, 2024 (Dollars in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Net OPEB Liability	$ 412,554	$ 228,968	$ 77,514

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

The following presents the Net OPEB Liability as of December 31, 2024, calculated using healthcare cost trend rates as well as what the Net OPEB Liability 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 ratesd.

As of December 31, 2024 (Dollars in Thousands)

	1% Decrease[1]	Current Trend Rates[1]	1% Increase[1]
Net OPEB Liability	$ 64,042	$ 228,968	$ 432,819

1 Current trend rates: 7.75% graded to ultimate 4.50% over 13 years for Non-Medicare medical plan costs; 7.50% graded to ultimate 4.50% over 12 years for Medicare medical plan costs, 6.00% in 2025, then 5.00% graded to ultimate 4.00% over 3 years for Dental plan costs; 3.00% for Vision plan costs; and 6.20% until 2033, then 5.75% graded to ultimate 4.50% over 6 years for Medicare Part B costs. .

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, 2024, thirteen investment managers managed the stock and fixed income securities portfolios, fourteen investment managers were used for real estate investments, thirty-three investment managers were used for private equity, five investment managers were used for absolute return, five investment managers were used for private credit and eleven 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 partner- ships, 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 trans- actions 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, 2024 (Dollars in Thousands)

Investments by Fair Value Level	Total	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Cash Equivalents				
STIF-Type Instruments	$ 238,249	$ 238,249	$ -	$ -
Total Cash Equivalents	**238,249**	**238,249**	**-**	**-**
Fixed Income Securities				
Auto Loan Receivable	8,193	-	8,193	-
CMO	110,104	-	110,104	-
Convertible Bonds	7,580	-	7,580	-
Corporate Bonds	600,830	-	600,830	-
FHLMC	64,382	-	64,382	-
FNMA	171,910	-	171,910	-
GNMA I	503	-	503	-
GNMA II	40,823	-	40,823	-
Government Issues	559,202	77,823	481,379	-
Municipals	8,121	-	8,121	-
Other Asset Backed	50,066	-	50,066	-
Mutual Funds	26,866	-	26,866	-
Total Fixed Income Securities	**1,648,580**	**77,823**	**1,570,757**	**-**
Equity Securities				
Non-U.S. Equity	794,383	794,383	-	-
Pooled Investments	4,576,503	2,669,271	1,907,232	-
U.S. Equity	737,932	737,932	-	-
Total Equity Securities	**6,108,818**	**4,201,586**	**1,907,232**	**-**
Real Assets				
Mutual Funds	399,683	-	399,683	-
Total Real Assets	**399,683**	**-**	**399,683**	**-**
Real Estate				
Properties	34,056	-	-	34,056
Total Real Estate	**34,056**	**-**	**-**	**34,056**
Collateral from Securities Lending	149,260	149,260	-	-
Total Investments by Fair Value Level	**8,578,646**	**$ 4,666,918**	**$ 3,877,672**	**$ 34,056**
Investments Measured at Net Asset Value (NAV)				
Real Assets	333,060			
Private Equity	1,145,602			
Private Credit	305,035			
Absolute Return	1,000,261			
Real Estate	780,273			
Total Investments Measured at NAV	**3,564,231**			
Total Investments	**$ 12,142,877**	**$ 4,666,918**	**$ 3,877,672**	**$ 34,056**
Derivative Instruments				
Futures	$ (1,251)	$ (1,251)	$ -	$ -
Forwards and Spot Contracts	(5,015)	(5,015)	-	-
Total Derivative Instruments	**$ (6,266)**	**$ (6,266)**	**$ -**	**$ -**

Investments Measured at the NAV

As of December 31, 2024 (Dollars in Thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real Assets[1]	$ 333,060	$ 76,505	Not Eligible	N/A
Private Equity[2]	1,145,602	541,429	Not Eligible	N/A
Absolute Return[3]	1,000,261	9,678	Not Eligible, or Between Daily and Quarterly	N/A or Between 1 Day and 90 Days
Real Estate[4]	780,273	72,268	Not Eligible or Quarterly	N/A or up to 90 Days
Private Credit[5]	305,035	137,760	Not Eligible	N/A
Total Investments Measured at NAV	**$ 3,564,231**	**$ 837,640**		

1 *Real Assets – The Real Assets portfolio consists of 14 funds which include 13 limited partnerships and 1 separately managed account. The 13 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, none of these vehicles are eligible for redemption but rather distribute capital proceeds over the funds' lifespans, which are up to 12 years. The one separately managed account holds shares in three commingled vehicles. These commingled vehicles invest in publically traded infrastructure and natural resources equities, commodity futures, and total return swaps. This separately managed account is not measured at net asset value and classified as level 2 in fair value hierarchy.*

2 *Private Equity – The Private Equity portfolio consists of 67 funds, which invest primarily in buyout, debt-related, special situations, 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 that include a variety of commingled, liquid and illiquid idiosyncratic strategies and two custom fund of hedge funds accounts. Three of the funds are illiquid limited partnerships, which are valued at net asset value on a quarterly basis. Of the three illiquid limited partnerships, one is close to fully liquidated, one is exploring liquidity options, and one can be redeemed over 1-3 years. One of the funds is a limited liability company, which is valued daily at net asset value and is subject to daily liquidity. The two custom fund of hedge funds includes one that is a limited liability company and one that is a limited partnership. Valuations for these accounts occur monthly, and redemptions can occur quarterly.*

4 *Real Estate – The Real Estate portfolio consists of 19 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 6 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 nine years. Private Credit investments are typically performing senior secured, first or second lien loans secured against the assets of a company.*

Derivative Instruments

ACERA has the following types of derivative instruments: futures contracts, currency forward contracts, spot contracts, swap contracts, and rights. 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, 2024, 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, 2024 (Dollars in Thousands)

Derivative Instruments Type	Classification	Notional Value/Shares	Fair Value	Changes in Fair Value[1]
Fixed Income Futures Long	Futures	$ 161,200	$ -	$ (9,409)
Fixed Income Futures Short	Futures	(35,900)	-	3,118
Foreign Currency Futures Long	Futures	6,200	-	(267)
Currency Forward Contracts	Receivable/Liability[2]	212,825	(5,002)	(9,717)
Index Futures Long	Futures	49	-	6,663
Rights	Common Stock	-	-	(19)
Total			**$ (5,002)**	**$ (9,631)**

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, 2024, 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, 2024, 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, 2024, resulting from a default of the borrowers or the securities lending agent.

For the year ended December 31, 2024, 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, 2024, the Compass Fund had an average duration of 9.18 days and an average weighted final maturity of 99.21 days for U.S. dollars collateral. For the year ended December 31, 2024, 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, 2024, ACERA had securities on loan with a total fair value of $221.58 million; however, the fair value of collateral held against the loaned securities was $227.53 million which is more than the total fair value of loaned securities by $5.95 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, 2024, cash held with a financial institution in a pooled money market fund amounted to $3.79 million, of which $0.25 million was insured and $3.54 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, 2024, 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, 2024, net collateral for derivative instruments was $7.6 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, 2024, 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 45 discloses credit ratings of ACERA's debt investments by type and for each external investment pool as of December 31, 2024.

Credit Risk Analysis

As of December 31, 2024 (Dollars in Thousands)

		Adjusted Moody's Credit Rating[1]								
Debt Investments By Type	**Total**	**Aaa**	**Aa**	**A**	**Baa**	**Ba**	**B**	**Caa**	**Ca and Below**	**Not Rated**
Collateralized Mortgage Obligations	$ 110,104	$ 91,798	$ 366	$ 847	$ 490	$ 203	$ 1,358	$ 620	$ -	$ 14,422
Convertible Bonds	7,580	-	-	92	589	-	-	2,121	-	4,778
Corporate Bonds	600,830	-	5,674	109,903	396,306	58,899	12,624	12,620	2,762	2,042
Federal Home Loan Mortgage Corp.[2]	64,382	-	-	-	-	-	-	-	-	64,382
Federal National Mortgage Assn.[2]	171,910	-	-	-	-	-	-	-	-	171,910
Government National Mortgage Assn. I, II[2]	41,326	-	-	-	-	-	-	-	-	41,326
Government Issues[3]	559,202	461,472	43,547	1,705	12,921	6,314	3,484	521	-	29,238
Municipal	8,121	5,764	185	2,172	-	-	-	-	-	-
Other Asset Backed Securities	58,259	47,708	57	810	5,191	-	80	-	2,112	2,301
Subtotal Debt Investments	**1,621,714**	**606,742**	**49,829**	**115,529**	**415,497**	**65,416**	**17,546**	**15,882**	**4,874**	**330,399**
Securities Lending Cash Collateral Fund										
Liquidity Pool[4]	149,283	-	-	-	-	-	-	-	-	149,283
Master Custodian Short-Term Investment Fund[4]	238,249	-	-	-	-	-	-	-	-	238,249
Subtotal External Investment Pools	**387,532**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**387,532**
Total	**$2,009,246**	**$606,742**	**$ 49,829**	**$115,529**	**$ 415,497**	**$ 65,416**	**$ 17,546**	**$15,882**	**$ 4,874**	**$717,931**

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 implicity 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 counter- party to ACERA reduces its credit risk exposure. The collateral associated with investment derivative instruments is disclosed on page 44 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, 2024. 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, 2024 (Dollars in Thousands)

Adjusted Moody's Credit Rating[1]	Fair Value	%
A	$ 1,528	100%
Subtotal Derivative in Asset Position	**1,528**	100%
Derivative in Liability Position	(6,530)	
Total Derivative Instruments in Asset/(Liability) Position	**$ (5,002)**	

1 See footnote 1 on page 45.

As of December 31, 2024, the $1.53 million maximum exposure of derivative instruments credit risk was reduced by ($6.50) million of liabilities included in netting arrangements, resulting in a net exposure to credit risk of ($5.00) 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 31 days as of December 31, 2024.

Interest Rate Risk Analysis – Duration

As of December 31, 2024 (Dollars in Thousands)

Debt Investments by Type	Fair Value	Duration in Years
Collateralized Mortgage Obligations	$ 110,104	2.5
Convertible Bonds	7,580	0.0[1]
Corporate Bonds	600,830	5.2
Federal Home Loan Mortgage Corp.	64,382	6.0
Federal National Mortgage Assn.	171,910	6.1
Government National Mortgage Assn. I, II	41,326	5.5
Government Issues	559,202	7.7
Municipal Bonds	8,121	6.9
Other Asset Backed Securities	58,259	2.7
Total of Debt Investments	**$ 1,621,714**	
External Investment Pools of Debt Securities	**Fair Value**	**Duration**
Securities Lending Cash Collateral Fund		
Liquidity Pool	$ 149,283	9 days
Master Custodian Short-Term Investment Fund	238,249	-
Total External Investment Pools	**$ 387,532**	

1 *Duration reported as 0.0 due to rounding. The actual duration in years is 0.02.*

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, 2024 (Dollars in Thousands)

Investment Type	Investment Description	Interest Rates	Fair Value
Collateralized Mortgage Obligations	Various debt related Securities	6.52% to 8.12%	$ 583
Goverment Issues	Various debt related Securities	1.25% to 4.38%	$ 34,295

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 49 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 49. 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, 2024 (Dollars in Thousands)

Trade Currency Name	Investment Type									
	Common Stock	Corporate Bonds	Depository Receipts	Foreign Currency	Government Issues	Lmtd Partnership Unts	Preferred Stock	Currency Swap	Real Estate Inv. Trst	Net Exposure
Australian Dollar	$10,204	$ -	$ 1,231	$ 46	$ -	$ -	$ -	$ (918)	$ 200	$ 10,763
Brazilian Real	247	-	-	6	3,289	-	-	(48)	-	3,494
Canadian Dollar	34,129	-	-	766	1,173	-	-	(227)	287	36,128
Chilean Peso	-	-	-	-	-	-	-	(250)	-	(250)
Colombian Peso	-	-	-	-	491	-	-	67	-	558
Czech Koruna	122	-	-	-	-	-	-	-	-	122
Danish Krone	25,130	-	-	160	-	-	-	(12)	-	25,278
Euro Currency	274,329	1,299	-	1,164	485	24,147	4,169	(1,591)	-	304,002
Hong Kong Dollar	28,004	-	-	47	-	-	-	-	-	28,051
Hungarian Forint	114	-	-	-	-	-	-	-	-	114
Indonesian Rupiah	106	-	-	-	1,929	-	-	-	-	2,035
Japanese Yen	164,639	-	-	482	-	-	-	(1,637)	137	163,621
Mexican Peso	93	-	-	-	10,742	-	-	(223)	-	10,612
New Israeli Sheqel	4,605	-	-	46	-	-	-	-	-	4,651
New Taiwan Dollar	320	-	-	2	-	-	-	-	-	322
New Zealand Dollar	775	-	-	4	708	-	-	80	-	1,567
Norwegian Krone	8,389	-	-	35	-	-	-	(222)	-	8,202
Polish Zloty	65	-	-	5	-	-	-	-	-	70
Pound Sterling	115,596	-	-	262	44,325	-	-	732	107	161,022
Singapore Dollar	18,354	-	-	141	-	-	-	-	-	18,495
South African Rand	-	-	-	1	2,165	-	-	-	-	2,166
South Korean Won	352	-	-	-	-	-	-	(766)	-	(414)
Swedish Krona	23,152	-	-	25	-	-	-	-	-	23,177
Swiss Franc	58,021	-	-	560	-	-	-	-	-	58,581
UAE Dirham	265	-	-	1	-	-	-	-	-	266
Yuan Renminbi	163	-	-	-	-	-	-	-	-	163
Grand Total	**$767,174**	**$ 1,299**	**$ 1,231**	**$3,753**	**$65,307**	**$24,147**	**$ 4,169**	**$(5,015)**	**$ 731**	**$ 862,796**

Real Estate

Real Estate Investment Income – Separate Properties

For the Year Ended December 31, 2024
(Dollars in Thousands)

Real Estate Investment Income	$	4,787
Less Operating Expenses		(2,890)
Real Estate Net Income	**$**	**1,897**

There is no outstanding real estate related debt associated with the separate properties as of December 31, 2024.

9. Capital Assets

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

Capital Assets and Accumulated Depreciation/Amortization

For the Year Ended December 31, 2024 (Dollars in Thousands)

	January 1, 2024	Additions	Deletions / Transfers	December 31, 2024
CAPITAL ASSETS - DEPRECIABLE				
Equipment and Furniture	$ 3,123	$ -	$ (9)	$ 3,114
Right-to-Use Leased Office Equipment	157	-	-	157
Right-to-Use Subscription-Based Software	224	104	(94)	234
Electronic Document Management System	4,172	9	-	4,181
Information Systems	10,484	12,077	-	22,561
Leasehold Improvements	2,585	-	-	2,585
Subtotal	**20,745**	**12,190**	**(103)**	**32,832**
CAPITAL ASSETS - NON DEPRECIABLE				
Construction-in-Progress	8,502	3,575	(12,077)	-
Total Capital Assets (Cost)	**29,247**	**15,765**	**(12,180)**	**32,832**
ACCUMULATED DEPRECIATION AND AMORTIZATION				
Equipment and Furniture	(3,089)	(11)	-	(3,100)
Right-to-Use Leased Office Equipment	(6)	(33)	-	(39)
Right-to-Use Subscription-Based Software	(132)	(79)	94	(117)
Electronic Document Management System	(4,170)	(10)	-	(4,180)
Information Systems	(10,481)	(872)	-	(11,353)
Leasehold Improvements	(1,617)	(87)	-	(1,704)
Total Accumulated Depreciation and Amortization	**(19,495)**	**(1,092)**	**94**	**(20,493)**
CAPITAL ASSETS - NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION	**$ 9,752**	**$ 14,673**	**$(12,086)**	**$ 12,339**

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 entered into a five-year lease for a postage machine on August 1, 2020. The payments are due quarterly in advance. The quarterly payment of $944 included a lease portion of $473 and a non-lease/ service portion of $471 at the beginning of a lease. As per the lease agreement, there will not be any increase in lease payments except for taxes. ACERA estimated an annual interest rate of 10.76% was charged on this lease based on the total market value of leased assets provided by the lessor. Currently, ACERA does not plan to extend this lease after the completion of the lease term on July 31, 2025.

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, 2024 (Dollars in Thousands)

Year	Principal	Interest	Total Payment
2025	$ 25	$ 16	$ 41
2026	30	12	42
2027	35	8	43
2028	37	3	40
Total	**$ 127**	**$ 39**	**$ 166**

There are two software license subscriptions that fall under GASB 96 and the details of these subscription-based are 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 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, 2024 (Dollars in Thousands)

Year	Principal	Interest	Total Payment
2025	$ 76	$ 10	$ 86
2026	42	3	45
2027	-	-	-
Total	**$ 118**	**$ 13**	**$ 131**

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 $72,543 for the year ended December 31, 2024.

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 $4.0 million for 2024.

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 60.

Application of Statutory Limit on Administration Expense

For the Year Ended December 31, 2024 (Dollars in Thousands)

Total Actuarial Accrued Liability as of December 31, 2023	$	13,128,715
Limit: Maximum Allowable fraction of Total Actuarial Accrued Liability (0.21%) times Total Actuarial Accrued Liability	$	27,570
Portion of Administrative Expenses for the Fiscal Year subject to the Statutory Limit		16,395
Excess of Limit over Portion of Administration Expense Subject to Limit	$	11,175
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, 2024
(Dollars in Thousands)

Reimbursed Cost of ACERA		
Staff Members	$	17,457
Reimbursed Costs of County Services		654
State Mandated Benefit Replacement Program IRC 415(m)		623
County Personnel Services		106
Partial Salary/Benefits Reimbursement for Elected Board Members		379
Total	**$**	**19,219**

13. Subsequent Events

Management has evaluated subsequent events through June XX, 2025, the date the financial statements were issued, and has determined that no adjustments or disclosures are necessary to the amounts reported in the basic 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)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability (TPL)										
Service Cost[1]	$ 266,109	$ 257,507	$ 245,467	$ 235,099	$221,824	$215,625	$209,890	$187,409	$175,642	$172,585
Interest	833,369	800,570	767,151	741,739	718,927	688,655	659,592	636,556	603,168	579,500
Changes of benefit terms	-	13,985	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(19,414)	123,460	58,261	(50,360)	33,007	24,548	13,710	17,516	(68,176)	(31,965)
Changes of assumptions	-	(103,670)	-	-	236,513	-	-	316,728	150,677	-
Benefit payments, including refunds of member contributions	(644,127)	(619,679)	(591,337)	(556,269)	(530,763)	(504,185)	(471,943)	(445,288)	(422,223)	(401,298)
Net Change in Total Pension Liability	**435,937**	**472,173**	**479,542**	**370,209**	**679,508**	**424,643**	**411,249**	**712,921**	**439,088**	**318,822**
Total Pension Liability - Beginning	**11,961,224**	**11,489,051**	**11,009,509**	**10,639,300**	**9,959,792**	**9,535,149**	**9,123,900**	**8,410,979**	**7,971,891**	**7,653,069**
Total Pension Liability - Ending (a)	**$ 12,397,161**	**$ 11,961,224**	**$ 11,489,051**	**$ 11,009,509**	**$10,639,300**	**$9,959,792**	**$9,535,149**	**$9,123,900**	**$8,410,979**	**$7,971,891**
Plan's Fiduciary Net Position (FNP)										
Contributions - employer[2]	$ 311,106	$ 288,640	$ 281,647	$ 1,116,576	$309,753	$298,527	$269,684	$247,064	$241,729	$224,607
Contributions - member	134,490	126,472	120,673	111,091	106,104	103,117	94,736	89,326	85,736	82,949
Net investment income	931,187	1,126,919	(755,045)	1,115,980	755,501	1,165,767	(216,308)	1,065,908	423,718	49,021
Benefit payments, including refunds of member contributions	(644,127)	(619,679)	(591,337)	(556,269)	(530,763)	(504,185)	(471,943)	(445,288)	(422,223)	(401,298)
Administrative expense	(18,423)	(15,865)	(15,369)	(15,040)	(14,810)	(15,274)	(15,246)	(14,571)	(14,618)	(14,262)
Other[3]	-	54,206	-	-	-	-	-	-	-	-
Net Change in Plan's Fiduciary Net Position	**714,233**	**960,693**	**(959,431)**	**1,772,338**	**625,785**	**1,047,952**	**(339,077)**	**942,439**	**314,342**	**(58,983)**
Plan's Fiduciary Net Position[4] - Beginning	**10,218,484**	**9,257,791**	**10,217,222**	**8,444,884**	**7,819,099**	**6,771,147**	**7,110,224**	**6,167,785**	**5,853,443**	**5,912,426**
Plan's Fiduciary Net Position[4] - Ending (b)	**$ 10,932,717**	**$ 10,218,484**	**$ 9,257,791**	**$ 10,217,222**	**$8,444,884**	**$7,819,099**	**$6,771,147**	**$7,110,224**	**$6,167,785**	**$5,853,443**
Net Pension Liability (NPL) - Ending (a) - (b)	**$ 1,464,444**	**$ 1,742,740**	**$ 2,231,260**	**$ 792,287**	**$2,194,416**	**$2,140,693**	**$2,764,002**	**$2,013,676**	**$2,243,194**	**$2,118,448**
FNP as a Percentage of the TPL	**88.19%**	**85.43%**	**80.58%**	**92.80%**	**79.37%**	**78.51%**	**71.01%**	**77.93%**	**73.33%**	**73.43%**
Covered Payroll[5]	**$ 1,342,932**	**$ 1,251,821**	**$ 1,198,970**	**$ 1,153,918**	**$1,111,849**	**$1,081,587**	**$1,046,034**	**$995,178**	**$947,568**	**$945,858[6]**
NPL as a Percentage of Covered Payroll	**109.05%**	**139.22%**	**186.10%**	**68.66%**	**197.37%**	**197.92%**	**264.24%**	**202.34%**	**236.73%**	**223.97%**

1 The service cost is based on the previous year's valuation, meaning the December 31, 2024 measurement date values are based on the valuation as of December 31, 2023.

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.

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 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). For 2023, the Plan's Fiduciary Net Position amount shown ($10,218,484) includes the net fair value of assets ($11,278,821) less OPEB-related SRBR assets ($1,060,337). The OPEB-related SRBR assets include $1,070,992 in the SRBR-OPEB reserve (after reducing the reserve by the $4,116 SRBR implicit subsidy transfer), and $10,117 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 ($20,772).

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.

6 The covered payroll for the year 2015 includes 1 additional pay period.

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[1]	Contributions as a Percentage of Covered Payroll
2015	$ 224,607	$ 224,607	$ -	$ 945,858[2]	23.75%
2016	241,729	241,729	-	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[3]	1,111,849	27.86%
2021	303,965	1,116,576	(812,611)[4]	1,153,918	96.76%[5]
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%

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 The covered payroll for the year 2015 includes 1 additional pay period.

3 Actuarially Determined Contribution for the Alameda County Office of Education of $78 less actual contribution paid of $72.

4 Voluntary County Safety contributions of $800.0 million and LARPD General contributions of $12.6 million to reduce their UAAL contribution rates.

5 Contributions as a percentage of covered payroll is 26.34% if excluding the voluntary County Safety and LARPD General contributions.

Schedule of Investment Returns

Last Ten Fiscal Years (As of December 31)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual Money-Weighted Rate of Return, net of Investment Expense	9.20%	12.30%	-11.01%	16.12%	11.70%	18.10%	-4.44%	19.02%	7.16%	-0.10%

Postemployment Medical Benefits

Schedule of Changes in Net OPEB Liability and Related Ratios

For the Years Ended December 31 (Dollars in Thousands)

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

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, 2024 measurement date values are based on the valuation as of December 31, 2023.

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 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). For 2023, the Plan's Fiduciary Net Position amount shown ($1,060,337) includes the OPEB-related SRBR reserve of $1,070,992 (after reducing the reserve by the SRBR implicit subsidy transfer of $4,116) and the 401(h) reserve of ($10,117), less the proportionate share of the net deferred investment loss that is commensurate with the size of the OPEB SRBR reserve of ($20,772).

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)[1]	Contributions in Relation to ADC[1]	Contribution Deficiency (Excess)	Covered-Employee Payroll[2]	Contributions as a Percentage of Covered-Employee Payroll
2015	N/A	N/A	-	N/A	N/A
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

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 54 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, 2024 was determined by rolling forward the TPL from the actuarial funding valuation as of December 31, 2023. The key assumptions used for calculating the TPL as of December 31, 2024, 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

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

Actuarially determined contribution rates for the first six months of calendar year 2024 (or the second half of fiscal year 2023-2024) are calculated based on the December 31, 2022, valuation. Actuarially determined contribution rates for the last six months of calendar year 2024 (or the first half of fiscal year 2024-2025) are calculated based on the December 31, 2023, valuation.

Valuation Date	December 31, 2023	December 31, 2022
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 (3.25% payroll growth assumed)
Remaining Amortization Period	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 5-year periods. Assumption and method changes are amortized over separate decreasing 20-year periods. 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.	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 10 years remaining as of December 31, 2022). 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 5-year periods. Assumption and method changes are amortized over separate decreasing 20-year periods. 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 11.5 years remaining as of December 31, 2022). The voluntary LARPD General UAAL contributions are amortized over a 16-year period effective July 1, 2021 (with 14.5 years remaining as of December 31, 2022). Effective December 31, 2022, the existing LARPD General UAAL layers are amortized over 14.5 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 asset is the actuarial value of assets reduced by the value of the non-valuation reserves.	

Actuarial Assumptions:	December 31, 2023	December 31, 2022
Investment rate of return	7.00%, net of pension plan investment expense, including inflation	7.00%, net of pension plan investment expense, including inflation
Inflation rate	2.50%	2.75%
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: 8.35% to 3.65% and Safety: 11.25% to 4.05%, 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. 2.00% of retirement income for General Tiers 2 and 4, and Safety Tiers 2, 2C, 2D, and 4.	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.
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, 2016 through November 30, 2019.

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, 2024, 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	
Non-Medicare medical plan	7.75% graded to ultimate 4.50% over 13 years.
Medicare medical plan	7.50% graded to ultimate 4.50% over 12 years.
Dental	6.00% in 2025, then 5.00% graded to ultimate 4.00% over 3 years.
Vision	3.00%
Medicare Part B reimbursement	6.20% until 2033, then 5.75% graded to ultimate 4.50% over 6 years.
Other Assumptions	Based on analysis of actuarial experience during the period December 1, 2019 through November 30, 2022.

1 The actual 2024 premium increase of 5.90% reflecting the standard 2025 premium of $185.00 per month was reflected in the current year GASB 74 valuation with December 31, 2024 measurement date. The updated Part B trend assumptions were based on the intermediate Part B premium estimates in Table V.E2 of the 2024 Medicare Trustees report. The proposed 6.20% initial trend assumption represents the average trend shown for years 2025 through 2033 of the Trustees report.

Supplemental Schedules

Administration Expense

For the Year Ended December 31, 2024
(Dollars in Thousands)

Personnel Services	
Staff Wages	$ 8,976
Fringe Benefits	4,493
Temporary Services	368
Total Personnel Services	**13,837**
Professional Services	
Consultant Fees	386
Audit	106
Total Professional Services	**492**
Communications	
Printing & Postage	180
Communication	107
Total Communications	**287**
Office Space and Utilities	
Office Space and Utilities	55
Total Office Space and Utilities	**55**
Lease Expenses	
Interest on Lease Liabilities	14
Amortization of Right-to-use Assets	24
Total Lease Expenses	**38**
Other	
Depreciation and Amortization	81
Board Operating Expenses	366
Insurance	490
Miscellaneous	521
Training	120
Equipment Leases[1]	14
Equipment Maintenance	82
Supplies	12
Total Other	**1,686**
Subtotal: Administrative Expense Subject to Statutory Limit	**16,395**
Actuarial Expenses	400
Business Continuity	678
Legal Expenses	891
Technology Expenses	2,016
Subtotal: Administration Expense Excluded from Statutory Limit[2]	**3,985**
TOTAL ADMINISTRATION EXPENSE	**$ 20,380**

1 Lease expenses that do not fall under GASB 87.

2 Legal expenses, business continuity, and technology include an allocation of administration overhead expenses.

Investment Expenses

For the Year Ended December 31, 2024
(Dollars in Thousands)

Investment Manager Fees[1]	$ 65,455
Brokerage Commissions	926
Investment Allocated Costs	3,586
Investment Consultants	1,430
Other Investment Expenses/(Income)	299
Investment Custodians	558
Total Investment Expenses	**$ 72,254**

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

Payments to Other Consultants[1]

For the Year Ended December 31, 2024
(Dollars in Thousands)

Actuarial & Audit Services	$ 586
Human Resources Consulting	106
Legal Services	40
Other Specialized Services	2,926
Total Payments to Consultants	**$ 3,658**

1 These are payments to outside consultants other than related to investments.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Audit Results for the Year Ended December 31, 2024

WILLIAMS ADLEY

Confidence Earned

AUDIT RESULTS

- Audit is substantially complete.
- The audit was conducted in accordance with the plan communicated to you in February 2025.
- 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 to be submitted to the full Board upon acceptance by the Audit Committee.

AUDIT RESULTS

- Audit opinion
  - Independence
  - Emphasis of matters
    - Harder-to-value investments
    - Net Pension Liability
    - OPEB liability
    - GASB 101, *Compensated Absences*
  - 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

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 101, *Compensated Absences* and GASB 100, *Accounting Changes and Error Corrections*.

- 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.

MEMORANDUM TO THE AUDIT COMMITTEE

DATE:	May 22, 2025
TO:	Members of the Audit Committee
FROM:	Erica Haywood, Fiscal Services Officer *EH*
SUBJECT:	Governmental Accounting Standards Board (GASB) Statement No. 67 and Statement No. 74 Actuarial Valuations and Addendums as of December 31, 2024

Executive Summary

Staff has completed its review and evaluation of the GASB Statement No. 67 and Statement No. 74 Actuarial Valuations and Addendums [1] as of December 31, 2024. Staff and ACERA's actuary, Segal Consulting, conducted presentations of this information at the following meetings:

- April 17, 2025, Audit Committee meeting; and
- April 24, 2025, 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, 2024.

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, 2024.

Attachments:
Governmental Accounting Standards Board (GASB) Statement No. 67 and
Statement No. 74 Actuarial Valuations and Addendums as of December 31, 2024

[1] 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 (GASB 67) Actuarial Valuation as of December 31, 2024

Segal

180 Howard Street
Suite 1100
San Francisco, CA 94105-6147
segalco.com
T 415.263.8200

April 3, 2025

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, 2024 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, 2023, dated May 21, 2024, for the data and ACERA's Actuarial Valuation and Review as of December 31, 2024, dated April 4, 2025, 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 of Retirement 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.

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

Andy Yeung, 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 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, 2024. 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, 2023[1], provided by the staff of the ACERA;
- The assets of the Plan as of December 31, 2024, provided by ACERA;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board for the December 31, 2024 funding valuation; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc. adopted by the Board for the December 31, 2024 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.

[1] 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.

Highlights of the valuation

1. The reporting date for the Plan is December 31, 2024 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, 2023 while the Plan FNP was valued as of the measurement date.

   Similar to last year, we have included in the TPL as of December 31, 2024 the non-OPEB unlimited AAL of $211.3 million, which was calculated by rolling forward the total unlimited non-OPEB AAL as of December 31, 2023.

2. The NPL decreased from $1.7 billion as of December 31, 2023 to $1.5 billion as of December 31, 2024 primarily due to favorable investment experience,[1] a return on the market value of assets of 9.2% during calendar year 2024 that was greater than the assumption of 7.00% used in the December 31, 2023 valuation (a gain of about $223 million[2]). 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 22.

3. As we disclosed in our December 31, 2024 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 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

[1] The market value investment return for ACERA as a whole was 9.00% net of administrative expenses, or 9.19% gross of administrative expenses, during 2024. 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 higher than the market value of assets as of December 31, 2024 and there are deferred investment losses scheduled to be recognized in the next few years. As a result, the plan FNP allocated to the Pension Plan and the SRBR has generally been done in proportion to the actuarial value of assets and the market value investment return of 9.2% for the Pension Plan is very close to the 9.0% investment return for the SRBR (OPEB and non-OPEB SRBR combined).

[2] 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 9.2% versus 7.00% assumed in the valuation) for the year ending December 31, 2024.

incorporated into our GASB crossover test[1] 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.)

4. As of December 31, 2024, the deferred investment loss for the entire Plan was $82.6 million. After offsetting this loss by the balance in the Contingency Reserve, the residual loss is $51.3 million. Generally speaking, the proportionate share of the net deferred investment loss as of December 31, 2024 for the Pension Plan was equal to $47.8 million and in calculating the Plan FNP we have adjusted the Pension Plan's valuation value of assets in the funding valuation to reflect that amount. We have also continued the practice of adjusting the Plan FNP as of December 31, 2024 to include the $117.6 million set aside by the Retirement Board in the SRBR reserve to pay non-vested Supplemental COLA and retired member death benefits[2] as of December 31, 2024. We have subtracted from the Plan FNP the proportionate share of the net deferred investment loss that is commensurate with the size of the non-OPEB SRBR reserve, or $0.3 million. The net effect of the adjustments to the Plan FNP as of December 31, 2024 for non-OPEB SRBR benefits was an addition of $117.3 million.
5. The $94.0 million difference between the $211.3 million added to the TPL and the net $117.3 million added to the Plan FNP as of December 31, 2024 represents the NPL attributable to non-OPEB SRBR benefits.
6. 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, 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. For the December 31, 2023 measurement date, the Plan FNP amount of $10,218,483,831 includes the net fair value of assets of $11,278,820,795, less OPEB-related SRBR assets of $1,060,336,964. The OPEB-related SRBR assets include $1,070,992,004 in the SRBR-OPEB reserve (after reducing the reserve by the $4,116,000 SRBR implicit subsidy transfer), and $10,116,636 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 $20,771,676.
7. 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).

[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 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.

[2] 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

8. The discount rate used to measure the TPL and NPL as of December 31, 2024 was 7.00%, following the same assumptions used by ACERA in the actuarial funding valuation as of December 31, 2024. 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*.

Summary of key valuation results

Valuation Result	Current Year	Prior Year
Measurement Date	December 31, 2024	December 31, 2023
Disclosure elements		
Service cost[1]	$266,109,280	$257,507,229
Total Pension Liability	12,397,160,409	11,961,224,043
Plan Fiduciary Net Position	10,932,716,498	10,218,483,831
Net Pension Liability	1,464,443,911	1,742,740,212
Schedule of contributions		
Actuarially determined contributions	$311,106,275	$288,640,038
Actual contributions	311,106,275	288,640,038
Contribution deficiency / (excess)	0	0
Demographic data[2]		
Number of retired members and beneficiaries	11,252	11,026
Number of inactive members[3]	4,039	3,838
Number of active members	11,865	11,547
Key assumptions		
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[4]	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%

1 The service cost is based on the previous year's valuation, meaning the service cost as of the December 31, 2024 and December 31, 2023 measurement dates are based on the valuations as of December 31, 2023 and December 31, 2022, respectively. The December 31, 2024 service cost has been calculated using the assumptions shown in the Prior Year column, but the December 31, 2023 service cost has been calculated using the assumptions from the December 31, 2022 valuation. Please refer to the note on the next page for the assumptions used for the December 31, 2023 service cost.

2 Data shown as of the December 31, 2023 measurement date is used in the measurement of the TPL as of December 31, 2024.

3 Includes members who left their contributions on deposit even though they have less than five years of service.

4 Includes inflation at 2.50% plus real across-the-board salary increase of 0.50% plus merit and promotional increases that vary by service.

Note to footnote 1 from prior page

The December 31, 2023 service cost has been calculated using the following assumptions as of December 31, 2022:

- Investment rate of return: 7.00%
- Inflation rate 2.75%
- "Across-the-board" salary increase 0.50%
- Projected salary increases: General: 8.35% to 3.65%
  Safety: 11.25% to 4.05%
  - Projected salary increases include inflation at 2.75% plus across-the-board increase of 0.50% plus merit and promotion increases that vary by service.
- Cost-of-living adjustments Tiers with 3% COLA: 2.75%
  Tiers with 2% COLA: 2.00%

Important information about actuarial valuations

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

Input Item	Description
Plan provisions	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.
Member information	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.
Financial Information	The valuation is based on the fair value of assets as of the valuation date, as provided by ACERA.
Actuarial assumptions	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.
Actuarial models	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:

- 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.

Plan membership

At December 31, 2024, pension plan membership consisted of the following:

Membership	Count
Retired members and beneficiaries	11,252
Inactive[1] members	4,039
Active members	11,865
Total	**27,156**

Note: Data as of December 31, 2024 is **not** used in the measurement of the TPL as of December 31, 2024.

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, 2024 valuation date.

[1] 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[1]	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

[1] For Housing Authority members, the effective date is September 30, 2011.

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 2024 (based on the December 31, 2022 valuation for the second half of 2023/2024 and on the December 31, 2023 valuation for the first half of 2024/2025) was 23.17% 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 2024 (based on the December 31, 2022 valuation for the second half of 2023/2024 and on the December 31, 2023 valuation for the first half of 2024/2025) was 10.01% of compensation.

Exhibit 1 – Net Pension Liability

Line Description	Current Year	Prior Year
Measurement date	December 31, 2024	December 31, 2023
Components of the Net Pension Liability		
Total Pension Liability	$12,397,160,409	$11,961,224,043
Plan Fiduciary Net Position	(10,932,716,498)	(10,218,483,831)
Net Pension Liability	**$1,464,443,911**	**$1,742,740,212**
Plan Fiduciary Net Position as a percentage of the Total Pension Liability*	88.19%	85.43%

The NPL for the Plan in this valuation was measured as of December 31, 2024. 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, 2023.

Plan provisions

The plan provisions used in the measurement of the NPL as of December 31, 2024 are the same as those used in ACERA's actuarial funding valuation as of December 31, 2024.

Actuarial assumptions

The TPL as of December 31, 2024 uses the same actuarial assumptions as the actuarial funding valuation as of December 31, 2024. 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, 2024:

* 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, 2024 Actuarial Valuation and Review.

Exhibit 2 – Discount rate

Determination of discount rate and investment rates of return

The long-term expected rate of return on pension plan investments[1] was determined in 2023 using a building-block method in which expected future real rates of return (expected returns, net of inflation and, beginning with December 31, 2023, 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 (beginning with December 31, 2023, including only investment consulting fees, custodian fees and other miscellaneous investment expenses and fees but excluding investment manager fees) and a risk margin. Beginning with December 31, 2023 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, 2024. This information will be subject to change every three years based on the results of an actuarial experience study.

[1] 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.)

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return[1]
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%
Total	**100.00%**	**5.89%**

Discount rate

The discount rate used to measure the TPL was 7.00% as of December 31, 2024. 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.

[1] Arithmetic real rates of return are net of inflation.

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[1] 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, 2024.

Discount rate sensitivity

The following presents the NPL of ACERA as of December 31, 2024 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	$3,044,306,578	$1,464,443,911	$167,451,945

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

Exhibit 3 – Schedule of changes in Net Pension Liability

Line Description	Current Year	Prior Year
Measurement date	December 31, 2024	December 31, 2023
Total Pension Liability		
Service cost	$266,109,280	$257,507,229
Interest	833,368,865	800,570,343
Change of benefit terms	0	13,984,543
Differences between expected and actual experience	(19,414,126)	123,459,445
Changes of assumptions	0	(103,670,090)
Benefit payments, including refunds of member contributions	(644,127,653)	(619,678,768)
Net change in Total Pension Liability	**$435,936,366**	**$472,172,702**
Total Pension Liability — beginning	11,961,224,043	11,489,051,341
Total Pension Liability — ending	**$12,397,160,409**	**$11,961,224,043**
Plan Fiduciary Net Position		
Contributions — employer	$311,106,275	$288,640,038
Contributions — member	134,489,875	126,471,922
Net investment income	931,187,277	1,126,918,417
Benefit payments, including refunds of member contributions	(644,127,653)	(619,678,768)
Administrative expense	(18,423,107)	(15,865,268)
Other[1]	0	54,206,000
Net change in Plan Fiduciary Net Position	**$714,232,667**	**$960,692,341**
Plan Fiduciary Net Position — beginning	10,218,483,831	9,257,791,490
Plan Fiduciary Net Position — ending	**$10,932,716,498**	**$10,218,483,831**
Net Pension Liability		
Net Pension Liability — ending	$1,464,443,911	$1,742,740,212
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	88.19%	85.43%
Covered payroll[2]	$1,342,932,389	$1,251,821,379
Plan Net Pension Liability as percentage of covered payroll	109.05%	139.22%

[1] One time transfer of assets from OPEB to non-OPEB SRBR to equalize the sufficiency periods.
[2] Covered payroll is defined as the payroll on which contributions to the pension plan are based.

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[1]	Contributions as a Percentage of Covered Payroll
2015	$224,607,104	$224,607,104	$0	$945,858,017 [2]	23.75%
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 [3]	1,111,848,569	27.86%
2021	303,964,590	1,116,575,840	(812,611,250)[4]	1,153,918,121	96.76%[5]
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%

See accompanying notes to this schedule on next page.

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 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.

2 ACERA indicated that this amount is based on 27 pay periods for 2015.

3 Actuarially Determined Contribution for the Office of Education of $78,000 less actual contributions paid of $72,051.

4 Voluntary County Safety contributions of $800,000,000 and LARPD General contributions of $12,611,250 to reduce their UAAL contribution rates.

5 Contributions as a percentage of covered payroll is 26.34% if excluding the voluntary County Safety and LARPD General contributions.

Methods and assumptions used to establish the actuarially determined contribution for the year ended December 31, 2024

Valuation date

Actuarially determined contribution rates for the first six months of calendar year 2024 (or the second half of fiscal year 2023/2024) are calculated based on the December 31, 2022 valuation. Actuarially determined contribution rates for the last six months of calendar year 2024 (or the first half of fiscal year 2024/2025) are calculated based on the December 31, 2023 valuation.

Actuarial cost method

Entry age actuarial cost method

Amortization method

Level percent of payroll (3.25% payroll growth assumed in the December 31, 2022 valuation; 3.00% payroll growth assumed in the December 31, 2023 valuation)

Remaining amortization period

December 31, 2022 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 10 years remaining as of December 31, 2022). 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 11.5 years remaining as of December 31, 2022). The voluntary LARPD General UAAL contributions are amortized over a 16-year period effective July 1, 2021 (with 14.5 years remaining as of December 31, 2022). Effective December 31, 2022, the existing LARPD General UAAL layers are amortized over 14.5 years.

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.

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, 2022 Actuarial Valuation	Assumption Used in the December 31, 2023 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	2.75%	2.50%
Real across-the-board salary increases	0.50%	0.50%
Salary increases	General: 8.35% to 3.65% Safety: 11.25% to 4.05% 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, 2022	Same as those used in the funding actuarial valuation as of December 31, 2023

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, 2024 ($ 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)
2024	$10,218	$446	$644	$18	$931	$10,933
2025	10,933	408	771	20	748	11,298
2026	11,298	410	806	20	772	11,654
2027	11,654	425	841	21	796	12,014
2028	12,014	423	876	22	820	12,359
2029	12,359	425	911	22	842	12,693
2030	12,693	431	946	23	865	13,019
2031	13,019	437	981	23	886	13,338
2050	13,020	297	1,343	23	867	12,817
2051	12,817	293	1,348	23	852	12,591
2052	12,591	288	1,351	23	836	12,341
2053	12,341	284	1,353	22	818	12,068
2095	156	33	76	0 [1]	9	121
2096	121	29	63	0 [1]	7	94
2097	94	26	51	0 [1]	5	74
2098	74	22	42	0 [1]	4	58
2142	1	0 [1]	0 [1]	0 [1]	0 [1]	1
2143	1	0 [1]	0 [1]	0 [1]	0 [1]	1
2144	1	0 [1]	0 [1]	0 [1]	0 [1]	1
2145	1					
2145 (Discounted Value)	**0**					

[1] Less than $1 million, when rounded.

Notes

1. Amounts may not total exactly due to rounding.
2. Amounts shown in the year beginning January 1, 2024 row are actual amounts, based on the financial statements provided by ACERA.
3. Various years have been omitted from this table.
4. **Column (a):** Except for the "discounted value" shown for 2145, 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 (based on covered active members as of November 30, 2023); 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, 2023. 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 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 $1.35 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 $0.11 billion as well as the remaining present value of the OPEB SRBR benefits of $0.54 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 2024 administrative expenses as a percentage of the beginning Plan FNP as of January 1, 2024. 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, 2024 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	Pensions having terms that: 1. Provide an individual account for each employee; 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 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.
Discount rate	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: 1. The actuarial present value of benefit payments projected to be made in future periods in which: 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 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. 2. The actuarial present value of projected benefit payments not included in 1., calculated using the municipal bond rate.
Entry age actuarial cost method	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.
Inactive employees	Terminated individuals that have accumulated benefits but are not yet receiving them, and retirees or their beneficiaries currently receiving benefits.
Measurement period	The period between the prior and the current measurement dates.
Multiple-employer defined benefit pension plan	A defined benefit pension plan that is used to provide pensions to the employees of more than one employer.
Net Pension Liability (NPL)	The liability of employers and non-employer contributing entities to employees for benefits provided through a defined benefit pension plan.
Non-employer contributing entities	Entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities.

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: 1. Employees in active service (active plan members), and 2. Terminated employees who have accumulated benefits but are not yet receiving them and retirees or their beneficiaries currently receiving benefits (inactive plan members).
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: 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. 2. The non-employer entity is the only entity with a legal obligation to make contributions directly to a pension plan.
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.

5938973v2/05579.025

180 Howard Street
Suite 1100
San Francisco, CA 94105-6147
segalco.com

Via Email

April 8, 2025

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, 2024**

Dear Lisa:

In our Governmental Accounting Standards Board Statement No. 67 (GASB 67) report dated April 3, 2025, 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 employer's 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, 2025. 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, 2023 and December 31, 2024, 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 Safety contributions of $800 million on around June 29, 2021 to reduce their Safety UAAL and associated contribution rates. The Livermore Area Recreation and Park District (LARPD) also made voluntary LARPD General contributions of $12.611 million on around June 29, 2021 to reduce their General UAAL and associated contribution rates. We have 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 Safety and LARPD's proportionate share of the non-OPEB SRBR NPL by using the County Safety and LARPD's required contributions, respectively, as if they had not made the voluntary UAAL contributions in 2021.

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.

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,

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

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

ST/

Attachments

Schedule of employer allocations as of December 31, 2023

Actual Employer Contributions by Employer and Membership Class
January 1, 2023 to December 31, 2023

Employer	General Excluding ACOE and LARPD Contribution	General Excluding ACOE and LARPD Percentage[1]	General ACOE Only Contribution	General ACOE Only Percentage	General LARPD Only Contribution	General LARPD Only Percentage	General Combined Contribution	General Combined Percentage
Alameda County	$153,656,002	63.930%	$0	0.000%	$0	0.000%	$153,656,002	63.781%
Health System	68,496,541	28.498%	0	0.000%	0	0.000%	68,496,541	28.432%
Superior Court	14,051,632	5.846%	0	0.000%	0	0.000%	14,051,632	5.833%
First 5	2,408,479	1.002%	0	0.000%	0	0.000%	2,408,479	1.000%
Housing Authority	1,741,120	0.724%	0	0.000%	0	0.000%	1,741,120	0.723%
LARPD	0	0.000%	0	0.000%	454,796	100.000%	454,796	0.189%
ACOE	0	0.000%	101,000	100.000%	0	0.000%	101,000	0.042%
Total All Employers	**$240,353,774**	**100.000%**	**$101,000**	**100.000%**	**$454,796**	**100.000%**	**$240,909,570**	**100.000%**

Employer	Safety Contribution	Safety Percentage	Total Contribution	Total Percentage	Adjusted Total Contribution	Adjusted Total[2,3,4] Percentage[1]
Alameda County	$47,730,468	100.000%	$201,386,470	69.771%	$283,753,532[2]	76.256%
Health System	0	0.000%	68,496,541	23.731%	68,496,541	18.407%
Superior Court	0	0.000%	14,051,632	4.868%	14,051,632	3.776%
First 5	0	0.000%	2,408,479	0.834%	2,408,479	0.647%
Housing Authority	0	0.000%	1,741,120	0.603%	1,741,120	0.468%
LARPD	0	0.000%	454,796	0.158%	1,500,857[3]	0.403%
ACOE	0	0.000%	101,000	0.035%	160,854[4]	0.043%
Total All Employers	**$47,730,468**	**100.000%**	**$288,640,038**	**100.000%**	**$372,113,015**	**100.000%**

Notes for Exhibit A1, Employer Contributions

1. The unrounded percentages are used in the allocation of the NPL amongst the employers.
2. This includes $153,656,002 of County General actual employer contributions and $130,097,530 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 around June 29, 2021 to reduce their Safety UAAL and associated 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 2023 in the amount of $47,730,468 plus the contribution credit applied in 2023 in the amount of $82,367,062 for a total adjusted County Safety contribution of $130,097,530.
3. LARPD made voluntary LARPD General contributions of $12,611,250 on around June 29, 2021 to reduce their General UAAL and associated 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 2023 in the amount of $454,796 plus the contribution credit applied in 2023 in the amount of $1,046,061 for a total adjusted LARPD contribution of $1,500,857.
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, 2021 valuation in the amount of $101,000 based on an April 1, 2023 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, 2023

Employer	General Excluding ACOE and LARPD NPL	General Excluding ACOE and LARPD Percentage[1]	General ACOE Only NPL	General ACOE Only Percentage[1]	General LARPD Only NPL	General LARPD Only Percentage[1]
Alameda County	$917,374,067	63.930%	$0	0.000%	$0	0.000%
Health System	408,945,629	28.498%	0	0.000%	0	0.000%
Superior Court	83,892,608	5.846%	0	0.000%	0	0.000%
First 5	14,379,368	1.002%	0	0.000%	0	0.000%
Housing Authority	10,395,027	0.724%	0	0.000%	0	0.000%
LARPD	0	0.000%	0	0.000%	919,733	100.000%
ACOE	0	0.000%	1,173,711	100.000%	0	0.000%
Total All Employers	**$1,434,986,699**	**100.000%**	**$1,173,711**	**100.000%**	**$919,733**	**100.000%**

Employer	General Combined NPL	General Combined Percentage	Safety NPL	Safety Percentage[1]	Total General and Safety NPL	Total General and Safety Percentage
Alameda County	$917,374,067	63.835%	$214,496,861	100.000%	$1,131,870,928	68.532%
Health System	408,945,629	28.457%	0	0.000%	408,945,629	24.761%
Superior Court	83,892,608	5.838%	0	0.000%	83,892,608	5.080%
First 5	14,379,368	1.001%	0	0.000%	14,379,368	0.871%
Housing Authority	10,395,027	0.723%	0	0.000%	10,395,027	0.629%
LARPD	919,733	0.064%	0	0.000%	919,733	0.056%
ACOE	1,173,711	0.082%	0	0.000%	1,173,711	0.071%
Total All Employers	**$1,437,080,143**	**100.000%**	**$214,496,861**	**100.000%**	**$1,651,577,004**	**100.000%**

Part 2: Including Non-OPEB SRBR

Allocation of Net Pension Liability (NPL) as of December 31, 2023

Employer	General and Safety Non-OPEB SRBR Only NPL	General and Safety Non-OPEB SRBR Only Percentage[2]	Total NPL	Total Percentage
Alameda County	$69,516,199	76.256%	$1,201,387,127	68.936%
Health System	16,780,828	18.407%	425,726,457	24.429%
Superior Court	3,442,481	3.776%	87,335,089	5.011%
First 5	590,048	0.647%	14,969,416	0.859%
Housing Authority	426,553	0.468%	10,821,580	0.621%
LARPD	367,692	0.403%	1,287,425	0.074%
ACOE	39,407	0.043%	1,213,118	0.070%
Total All Employers	**$91,163,208**	**100.000%**	**$1,742,740,212**	**100.000%**

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 $160,854 in 2023 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 $130,097,530 in 2023 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 $1,500,857 in 2023 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, 2023, the total Plan FNP for Pension (excluding non-OPEB SRBR) is $233.2 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.*
- 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, 2023 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 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.

* 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.

Exhibit A2

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[1]	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%
Total All Employers	**$257,587,369**	**100.000%**	**$110,000**	**100.000%**	**$425,248**	**100.000%**	**$258,122,617**	**100.000%**

Employer	Safety Contribution	Safety Percentage	Total Contribution	Total Percentage	Adjusted Total Contribution	Adjusted Total[2,3,4] Percentage[1]
Alameda County	$52,983,658	100.000%	$217,081,065	69.777%	$298,255,244[2]	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[3]	0.374%
ACOE	0	0.000%	110,000	0.035%	169,854[4]	0.043%
Total All Employers	**$52,983,658**	**100.000%**	**$311,106,275**	**100.000%**	**$393,387,340**	**100.000%**

Notes for Exhibit A2, 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 around June 29, 2021 to reduce their Safety UAAL and associated 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 around June 29, 2021 to reduce their General UAAL and associated 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[1]	General ACOE Only NPL	General ACOE Only Percentage[1]	General LARPD Only NPL	General LARPD Only Percentage[1]
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%
Total All Employers	**$1,220,984,725**	**100.000%**	**$1,157,503**	**100.000%**	**$89,438**	**100.000%**

Employer	General Combined NPL	General Combined Percentage	Safety NPL	Safety Percentage[1]	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%
Total All Employers	**$1,222,231,666**	**100.000%**	**$148,166,584**	**100.000%**	**$1,370,398,250**	**100.000%**

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[2]	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%
Total All Employers	**$94,045,661**	**100.000%**	**$1,464,443,911**	**100.000%**

Notes for Exhibit A2, 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 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, 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.*
- 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.

* 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 pension amounts by employer as of December 31, 2024

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	$997,304,196	$75,552,811	$12,911,096	$12,201,128	$883,307	$101,548,342
Health System	370,029,009	17,743,945	785,055	3,350,582	11,700,383	33,579,965
Superior Court	72,718,469	3,487,058	154,279	658,460	1,839,824	6,139,621
First 5	14,787,153	709,086	31,372	133,896	3,993,667	4,868,021
Housing Authority	7,965,564	381,971	16,900	72,128	634,685	1,105,684
LARPD	441,411	794,040	225,110	78,616	2,604	1,100,370
ACOE	1,198,109	218,790	0	2,497	18	221,305
Total for all Employers	**$1,464,443,911**	**$98,887,701**	**$14,123,812**	**$16,497,307**	**$19,054,488**	**$148,563,308**

* Details on the development of the amounts in this column are provided in the table at the end of the Notes for Exhibit B section below.

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	$19,032,924	$0	$47,791,314	$13,201,182	$80,025,420
Health System	5,404,094	0	14,200,358	1,240,607	20,845,059
Superior Court	1,062,018	0	2,790,668	3,453,414	7,306,100
First 5	215,959	0	567,477	0	783,436
Housing Authority	116,333	0	305,689	1,114,047	1,536,069
LARPD	1,167,546	0	416,635	44,337	1,628,518
ACOE	2,296	408	3,634	901	7,239
Total for all Employers	**$27,001,170**	**$408**	**$66,075,775**	**$19,054,488**	**$112,131,841**

* Details on the development of the amounts in this column are provided in the table at the end of the Notes for Exhibit B section below.

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	$251,314,717	$(2,076,644)	$249,238,073
Health System	71,494,468	1,165,144	72,659,612
Superior Court	14,050,165	(472,629)	13,577,536
First 5	2,857,071	1,463,822	4,320,893
Housing Authority	1,539,052	(69,501)	1,469,551
LARPD	528,698	(12,599)	516,099
ACOE	187,903	2,407	190,310
Total for all Employers	**$341,972,074**	**$0**	**$341,972,074**

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., 2024) differences between expected and actual experience and changes of assumptions 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, 2023 (the beginning of the measurement period ending December 31, 2024) and is 4.84 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 increased from $250.0 million as of December 31, 2023 to $342.0 million as of December 31, 2024. The primary cause of the increase was due to: (a) full recognition of investment gain from the December 31, 2019 valuation and (b) this year's pension expense does not include the one-time decrease related to last year's asset transfer from the OPEB to non-OPEB SRBR. These increases were somewhat offset by a gain from the return on the market value of assets of 9.2% during calendar year 2024 that was greater than the assumption of 7.00% used in the December 31, 2023 valuation (a gain of about $223 million that is being recognized over a period of five years starting with the development of this year's pension expense).

Pursuant to the footnotes on pages 15 and 16, we are providing details on the development of the deferred outflows and inflows of resources amounts pertaining to the net difference between projected and actual investment earnings on pension plan investments in the table below.

Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments

Employer	Pension Net Outflows of Resources	Pension Net Inflows of Resources	Non-OPEB SRBR Net Outflows of Resources	Non-OPEB SRBR Net Inflows of Resources	Combined Outflows/(Inflows) of Resources
Alameda County	$8,481,557	$0	$4,429,539	$0	$12,911,096
Health System	0	318,646	1,103,701	0	785,055
Superior Court	0	62,621	216,900	0	154,279
First 5	0	12,734	44,106	0	31,372
Housing Authority	0	6,859	23,759	0	16,900
LARPD	203,244	0	21,866	0	225,110
ACOE	0	2,931	2,523	0	(408)
Total for all Employers	**$8,684.801**	**$403,791**	**$5,842,394**	**$0**	**$14,123,404**

We provided in the table above the breakdown of the deferred outflows/inflows pertaining to the difference between projected and actual investment earnings by the Pension Plan and non-OPEB SRBR related investments. As shown in the table above, the employers of Alameda County and LARPD have net outflows of resources pertaining to the net difference between projected and actual investment earnings on pension plan investments under the Pension Plan, whereas the remaining employers have net inflows of resources for that item under the Pension Plan. This is mainly due to actual return coming in less than projected on the voluntary UAAL contributions made for the Alameda County Safety group and the LARPD group for certain years.

ACOE has a deferred inflow of resources in the Pension Plan pertaining to the net difference between actual and projected investment earnings on Pension Plan investments (an inflow of $2,931). However, the non-OPEB SRBR Plan has a deferred outflow of resources pertaining to the net difference between projected and actual investment earnings on non-OPEB SRBR investments. The proportionate share for this investments item in the non-OPEB SRBR Plan for ACOE is an outflow of $2,523, which is less than the deferred inflow amount under the Pension Plan. This results in a net deferred inflow of $408 for investments for ACOE. This amount for ACOE is displayed in Exhibit B as a deferred inflow, even though for all employers and for both plans combined (i.e., the Pension Plan and the non-OPEB SRBR Plan), there is a net deferred outflow of resources for investments.

MEMORANDUM TO THE AUDIT COMMITTEE

DATE: May 22, 2025

TO: Members of the Audit Committee

FROM: Erica Haywood, Fiscal Services Officer EH

SUBJECT: Governmental Accounting Standards Board (GASB) Statement No. 67 and Statement No. 74 Actuarial Valuations and Addendums as of December 31, 2024

Executive Summary

Staff has completed its review and evaluation of the GASB Statement No. 67 and Statement No. 74 Actuarial Valuations and Addendums [1] as of December 31, 2024. Staff and ACERA's actuary, Segal Consulting, conducted presentations of this information at the following meetings:

- April 17, 2025, Audit Committee meeting; and
- April 24, 2025, 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, 2024.

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, 2024.

Attachments:
Governmental Accounting Standards Board (GASB) Statement No. 67 and
Statement No. 74 Actuarial Valuations and Addendums as of December 31, 2024

[1] 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 (ACERA)

Governmental Accounting Standards Board Statement No. 74 Actuarial Valuation of Other Postemployment Benefits as of December 31, 2024

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.

Segal

Segal

180 Howard Street, Suite 1100
San Francisco, CA 94105-6147
segalco.com
T 415.263.8200

April 4, 2025

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. 74 (GASB 74) Accounting Valuation of Other Postemployment Benefits (OPEB) measured as of December 31, 2024 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.

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 Andy Yeung, ASA, MAAA, FCA, EA and Mehdi Riazi, FSA, MAAA, FCA, EA. The health care trend and other related medical assumptions have been reviewed by Mary P. Kirby, FSA, MAAA, FCA. We are members of the American Academy of Actuaries and 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 this actuarial valuation is complete and accurate. The assumptions used in this valuation were selected by the Board of Retirement 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.

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 revieing this report with you and to answering any questions.

Sincerely,

Segal

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

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

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

Mary P. Kirby, FSA, MAA, FCA
Vice President and Chief Health Actuary

JL/jl

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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 for "Other Postemployment Benefits (OPEB)" plans by Governmental Accounting Standards Board Statement No. 74 as of December 31, 2024. This report 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, 2023, provided by the staff of ACERA;
- The assets of the Plan as of December 31, 2024, provided by ACERA;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board for the December 31, 2024 valuation; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, and health care trends, etc. adopted by the Board for the December 31, 2024 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.[1] 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.
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. The NOL reflects all investment gains and losses as of the measurement date.

[1] 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.

Highlights of the valuation

1. The reporting date for the Plan is December 31, 2024 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 SRBR to provide medical and dental subsidy benefits as of December 31, 2023.
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, 2024 (reference: our recommended trend letter dated March 21, 2025).
3. The NOL increased by $20.5 million, from $208.5 million as of December 31, 2023 to $229.0 million as of December 31, 2024. The NOL was expected to increase by $56.6 million to $265.1 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 due to savings from: (a) demographic experience gains, (b) average implicit subsidies lower than expected, (c) favorable investment experience,[1] offset to some extent by (d) generally higher updated healthcare trend assumptions. Changes in these values during the last two fiscal years ending December 31, 2024 and 2023 can be found in *Section 2, Schedule of Changes in Net OPEB Liability* on page 24.
4. For the non-Medicare plans, we have updated the first-year trend rate to 7.75%, then grading down by 0.25% each year for 13 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, updated national trend expectations for prescription drug costs, and concerned about the impact of general inflation on healthcare costs. For the Medicare plans, we have updated the first-year trend to 7.50%,[2] 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 2026 Advance Notice of Methodological Changes for Medicare Advantage Capitation Rates and Part C and Part D Payment Services (CMS) on January 10, 2025. Final guidance, rules and clarifications will be provided by CMS in April of 2025.
5. We have also continued the practice of adjusting the Plan FNP as of December 31, 2024 to include the $1.105 billion set aside by the Retirement Board in the SRBR reserve to pay OPEB benefits as of December 31, 2024. This includes $1.094 billion in the OPEB-related SRBR reserve (after reducing the reserve by the $2.5 million SRBR implicit subsidy transfer), and $10.5 million in the 401(h) reserve. It should be noted that as of December 31, 2024, the deferred investment <u>loss</u> for the entire Plan was $82.6 million. As discussed in footnote 1, we have subtracted from the Plan FNP the proportionate share of the net deferred investment loss that is commensurate with the size of the OPEB SRBR reserve, or $3.2 million.

[1] The market value investment return for ACERA as a whole was 9.00% net of administrative expenses, or 9.19% gross of administrative expenses, during 2024. 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 higher than the market value of assets as of December 31, 2024 and there are deferred investment losses scheduled to be recognized in the next few years. As a result, the plan FNP allocated to the Pension Plan and the SRBR has generally been done in proportion to the actuarial value of assets and the market value investment return of 9.2% for the Pension Plan is very close to the 9.0% investment return for the SRBR (OPEB and non-OPEB SRBR combined).

[2] 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 7.00%.

6. As we disclosed in our December 31, 2024 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, 2024), 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.)

   Furthermore, note (6) provided in *Section 3, 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 *Section 3, 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 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.
   For 2023, the Plan FNP of $1,060,336,964 includes the OPEB-related SRBR reserve of $1,070,992,004 (after reducing the reserve by the SRBR implicit subsidy transfer of $4,116,000) and the 401(h) reserve of $10,116,636, less the proportionate

share of the net deferred investment loss that is commensurate with the size of the OPEB SRBR reserve of $20,771,676. 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.

Summary of key valuation results

Valuation Result	Current	Prior
Measurement Date	December 31, 2024	December 31, 2023
Disclosure elements		
Total OPEB Liability	$1,330,606,143	$1,268,807,617
Plan Fiduciary Net Position[1]	1,101,638,549	1,060,336,964
Net OPEB Liability	228,967,594	208,470,653
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	82.79%	83.57%
Service Cost at Beginning of Year[2]	$37,369,338	$36,611,242
Benefit Payments	$50,186,853	$47,072,346
Schedule of contributions		
Actuarially determined contributions	N/A	N/A
Actual contributions[3]	0	0
Demographic data[4]		
Number of retired members receiving medical benefits[5]	TBD	6,869
Number of retired members receiving dental and vision benefits	TBD	8,416
Number of vested terminated members	TBD	560
Number of active members	TBD	11,547

[1] Please refer to item 7 on page 7 for information relating to the Plan FNP amount.

[2] The service cost is based on the previous year's valuation, meaning the service cost as of the December 31, 2024 and December 31, 2023 measurement dates are based on the valuations as of December 31, 2023 and December 31, 2022, respectively. The December 31, 2024 service cost has been calculated using the assumptions shown in the "Prior" or December 31, 2023 column. Please refer to the note on the next page for the assumptions used for the December 31, 2023 service cost.

[3] Please refer to item 8 on page 8 for information relating to the employer contributions.

[4] The December 31, 2023 data is used in the measurement of the TOL as of December 31, 2024.
The demographic data as of December 31, 2024 will be used in the sufficiency study for the SRBR as of December 31, 2024 as well as in the next year's GASB 74 valuation when we roll forward the liability from December 31, 2024 to December 31, 2025. The December 31, 2024 demographic data will be included in the final version of this report.

[5] The retiree count excludes beneficiaries under 65 receiving an implicit subsidy.

Valuation Result	Current	Prior
Key assumptions		
Discount rate	7.00%	7.00%
Health care premium trend rates		
• Non-Medicare medical plan	7.75% graded to ultimate 4.50% over 13 years	8.50% in 2024, 7.50% in 2025, then 7.00% graded to ultimate 4.50% over 10 years
• Medicare medical plan	7.50% graded to ultimate 4.50% over 12 years	16.47%[1] in 2024, then 7.00% graded to ultimate 4.50% over 10 years
• Dental	6.00% in 2025, then 5.00% graded to ultimate 4.00% over 3 years	4.00%[2]
• Vision	3.00%	4.00%[2]
• Medicare Part B	6.20% until 2033, then 5.75% graded to ultimate 4.50% over 6 years	4.50%

Note to footnote 2 from prior page

The December 31, 2023 service cost has been calculated using the following assumptions as of December 31, 2022:

- Discount Rate: 7.00%
- Health care premium trend rates
  - Non-Medicare medical plan: Graded from 7.50% to ultimate 4.50% over 12 years
  - Medicare medical plan: Graded from 6.25% to ultimate 4.50% over 7 years
  - Dental/Vision: 4.00%
  - Medicare Part B: 4.50%

[1] The initial 16.47% trend rate reflects an estimated increase to the baseline monthly Kaiser Senior Advantage premiums of $28 (8.00%) plus a one-time estimated increase of $30 (7.84%) due to the Inflation Reduction Act (IRA).

[2] The 2024 trend for dental reflects the two-year rate guarantee. The 2024 trend for vision reflects the five-year rate guarantee (premiums fixed at the 2021 level).

Important information about actuarial valuations

An actuarial valuation is a budgeting tool with respect to defining future uncertain obligations of a postretirement 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
Plan of benefits	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.
Participant data	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.
Assets	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.
Actuarial assumptions	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 actual cost of the plan. In addition, the actuarial assumptions may change over time, and

Input Item	Description
	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.
Models	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. 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.

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.
- 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.

Section 1: Actuarial Valuation Summary

- 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.

Section 2: GASB 74 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.

Plan membership.

At December 31, 2024, OPEB plan membership consisted of the following:[1]

Membership	Count
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

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[2] years of service is required for non-duty disability. There is no minimum service requirement for duty disability.

[1] Data as of December 31, 2024 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, 2024 as well as in next year's GASB 74 valuation. The December 31, 2024 demographic data will be included in the final version of this report. The retiree count excludes beneficiaries under 65 receiving an implicit subsidy.

[2] 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.

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 $635.37 per month is provided, effective January 1, 2024 and through December 31, 2024. For the period January 1, 2025 through December 31, 2025, the maximum allowance is $662.37 per month.

For those purchasing individual insurance through the Individual Medicare Insurance Exchange, the Maximum Monthly Medical Allowance is $486.74 per month for 2024 and is $507.43 per month in 2025.

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 full 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.

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 2024 and $55.68 in 2025. 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.

Net OPEB liability

Component	Current	Prior
Measurement Date	December 31, 2024	December 31, 2023
Components of the Net OPEB Liability		
Total OPEB Liability	$1,330,606,143	$1,268,807,617
Plan Fiduciary Net Position	1,101,638,549	1,060,336,964
Net OPEB Liability	**$228,967,594**	**$208,470,653**
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	82.79%	83.57%

The NOL was measured as of December 31, 2024 and 2023. The Plan FNP was valued as of the measurement dates, while the TOL as of December 31, 2024 and 2023 was determined by rolling forward the TOL as of December 31, 2023 and 2022, respectively.

Plan provisions

The plan provisions used in the measurement of the NOL as of December 31, 2024 and 2023 are the same as those used in ACERA's SRBR sufficiency valuation as of December 31, 2023 and 2022, respectively.

Actuarial assumptions

The actuarial assumptions used for the December 31, 2024 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 May 15, 2024, and the health care trend assumptions recommended for the upcoming sufficiency study for the SRBR as of December 31, 2024 (reference: our letter dated March 21, 2025). The assumptions used in the December 31, 2024 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	7.75% graded to ultimate 4.50% over 13 years
Medicare medical plan	7.50% graded to ultimate 4.50% over 12 years
Dental	6.00% in 2025, then 5.00% graded to ultimate 4.00% over 3 years
Vision	3.00%
Medicare Part B[1]	6.20% until 2033, then 5.75% graded to ultimate 4.50% over 6 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

[1] The actual 2024 premium increase of 5.90% reflecting the standard 2025 premium of $185.00 per month was reflected in the current year GASB 74 valuation with December 31, 2024 measurement date. The updated Part B trend assumptions were based on the intermediate Part B premium estimates in Table V.E2 of the 2024 Medicare Trustees report. The proposed 6.20% initial trend assumption represents the average trend shown for years 2025 through 2033 of the Trustees report.

Section 2: GASB 74 Information

The following actuarial assumptions were applied to all periods included in the measurement of the TOL as of December 31, 2023:

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	8.50% in 2024, 7.50% in 2025, then graded from 7.00% in 2026 to ultimate 4.50% over 10 years
Medicare medical plan	16.47%[1] in 2024, then graded from 7.00% in 2025 to ultimate 4.50% over 10 years
Dental	0.00% in 2024 to reflect a two-year rate guarantee (premiums fixed at 2024 level for 2024 and 2025) and 4.00% thereafter
Vision	0.00% for the first year to reflect a five-year rate guarantee (premiums fixed at 2021 level for 2022, 2023, 2024 and 2025) and 4.00% thereafter
Medicare Part B[2]	4.50%
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

1 The initial 16.47% trend rate reflects an estimated increase to the baseline monthly Kaiser Senior Advantage premiums of $28 (8.00%) plus a one-time estimated increase of $30 (7.84%) due to the IRA.

2 The actual 2023 premium increase of 5.93% reflecting the standard 2024 premium of $174.70 per month was reflected in the current year GASB 74 valuation with December 31, 2023 measurement date.

Determination of discount rate and investment rates of return

The long-term expected rate of return on OPEB plan investments[1] was determined in 2023 using a building-block method in which expected future real rates of return (expected returns, net of inflation and, beginning with December 31, 2023, 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 (beginning with December 31, 2023, including only investment consulting fees, custodian fees and other miscellaneous investment expenses and fees but excluding investment manager fees) and a risk margin. Beginning with December 31, 2023 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 tables. 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, 2024 and December 31, 2023. This information will be subject to change every three years based on the results of an actuarial experience study.

[1] 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

December 31, 2024 target allocation and projected arithmetic real rates of return

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return[1]
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%
Total	**100.00%**	**5.89%**

The discount rate used to measure the TOL was 7.00% as of December 31, 2024. 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.[2] 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, 2024 and December 31, 2023.

[1] Arithmetic real rates of return are net of inflation.
[2] 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.

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 NOL as 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.

Item	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$412,553,990	$228,967,594	$77,514,037

Item	1% Decrease in Health Care Cost Trend Rates	Current Health Care Cost Trend Rates[1]	1% Increase in Health Care Cost Trend Rates
Net OPEB Liability	$64,042,069	$228,967,594	$432,819,077

[1] Refer to health care trend assumptions on page 19.

Schedule of changes in Net OPEB Liability

Schedule of changes in Net OPEB Liability	Current	Prior
Measurement Date	December 31, 2024	December 31, 2023
Total OPEB Liability		
Service cost	$37,369,338	$36,611,242
Interest	89,705,555	87,184,297
Change of benefit terms	0	0
Differences between expected and actual experience	(27,445,322)	(23,138,778)
Changes of assumptions	12,355,808	(16,793,618)
Benefit payments, including refunds of member contributions	(50,186,853)	(47,072,346)
Net change in Total OPEB Liability	**$61,798,526**	**$36,790,797**
Total OPEB Liability – beginning	1,268,807,617	1,232,016,820
Total OPEB Liability – ending	**$1,330,606,143**	**$1,268,807,617**
Plan Fiduciary Net Position		
Contributions – employer	$0	$0
Contributions – employee	0	0
Net investment income	93,445,438	122,605,237
Benefit payments, including refunds of member contributions	(50,186,853)	(47,072,346)
Administrative expense	(1,957,000)	(1,710,500)
Other[1]	0	(54,206,000)
Net change in Plan Fiduciary Net Position	**$41,301,585**	**$19,616,391**
Plan Fiduciary Net Position – beginning	1,060,336,964	1,040,720,573
Plan Fiduciary Net Position – ending	**$1,101,638,549**	**$1,060,336,964**

1 One time transfer of assets from OPEB to non-OPEB SRBR to equalize the sufficiency period.

Net OPEB Liability		
Net OPEB Liability – ending	$228,967,594	$208,470,653
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	82.79%	83.57%
Covered employee payroll[1]	N/A	N/A
Plan Net OPEB Liability as percentage of covered payroll	N/A	N/A

[1] 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

Year Ended December 31	Actuarially Determined Contributions[1]	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency / (Excess)	Covered Employee Payroll[2]	Contributions as a Percentage of Covered Employee Payroll
2015	N/A	N/A	$0	N/A	N/A
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

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.

Section 3: Appendices

Appendix A: Projection of OPEB Plan's Fiduciary Net Position for use in the Calculation of Discount Rate as of December 31, 2024 ($ 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)
2024	$1,060	$0	$50	$2	$93	$1,102
2025	1,102	0	58	2	75	1,117
2026	1,117	0	63	2	76	1,128
2027	1,128	0	68	2	76	1,134
2028	1,134	0	73	2	77	1,136
2029	1,136	0	78	2	77	1,133
2030	1,133	0	83	2	76	1,123
2031	1,123	0	89	2	75	1,108
2032	1,108	0	94	2	74	1,086
2033	1,086	0	100	2	72	1,056
2034	1,056	0	106	2	70	1,018
2035	1,018	0	111	2	67	972
2036	972	0	116	2	64	918
2037	918	0	121	2	60	855
2038	855	0	126	2	55	783
2039	783	0	130	1	50	701
2040	701	0	135	1	44	610
2041	610	0	139	1	38	508
2042	508	0	143	1	31	395
2043	395	0	147	1	22	270
2044	270	0	151	0[1]	14	132
2045	132	0	155	0[1]	4	0

[1] Less than $1 million when rounded.

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)
2123	0	0	0	0	0	0
2123 (Discounted value)	**0**					

Notes

1. Amounts may not total exactly due to rounding.
2. Amounts shown in the year beginning January 1, 2024 row are actual amounts, based on the financial statements provided by ACERA.
3. Years 2046-2122 have been omitted from this table.
4. **Column (a):** Except for the "discounted value" shown for 2123, 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, 2024 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 0.18% of the beginning OPEB SRBR Plan FNP amount. The 0.18% portion was based on the actual fiscal year 2024 administrative expenses as a percentage of the beginning OPEB SRBR Plan FNP amount as of January 1, 2024. 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. As illustrated in this Exhibit, the OPEB SRBR 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 TOL as of December 31, 2024 shown earlier in this report, pursuant to paragraph 48 of GASB Statement No. 74.

Appendix B: Definition of Terms

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

Term	Definition
Actuarially Determined Contribution:	A target or recommended contribution to an OPEB plan for the reporting period based on the most recent measurement available.
Assumptions or Actuarial Assumptions:	The estimates on which the cost of the Plan is calculated including: a. Investment return — the rate of investment yield that the Plan will earn over the long-term future; b. Mortality rates — the death rates of employees and retirees; life expectancy is based on these rates; c. Retirement rates — the rate or probability of retirement at a given age; d. Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.
Covered Payroll:	The payroll of the employees that are provided OPEB benefits
Discount Rate:	The single rate of return, that when applied to all projected benefit payments results in an actuarial present value that is the sum of the following: a. the actuarial present value of projected benefit payments projected to be funded by plan assets using a long term rate of return, and b. the actuarial present value of projected benefit payments that are not included in (1) using a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher
Entry Age Actuarial Cost Method:	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
Healthcare Cost Trend Rates:	The rate of change in per capita health costs over time
Net OPEB Liability:	The Total OPEB Liability less the Plan Fiduciary Net Position
Plan Fiduciary Net Position:	Market Value of Assets
Real Rate of Return:	The rate of return on an investment after removing inflation
Service Cost:	The amount of contributions required to fund the benefit allocated to the current year of service.
Total OPEB Liability:	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. 75.
Valuation Date:	The date at which the actuarial valuation is performed

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180 Howard Street
Suite 1100
San Francisco, CA 94105-6147
T 415.263.8200
segalco.com

April 7, 2025

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, 2024**

Dear Lisa:

In our Governmental Accounting Standards Board (GASB) Statement 74 actuarial valuation draft report dated April 4, 2025, we provided the Net OPEB Liability (NOL) and other elements that are required for completing the Plan's financial reporting requirements under GASB Statement 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 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 4, 2025. 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, 2023 and December 31, 2024, 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 Safety contributions of $800 million on around June 29, 2021 to reduce their Safety UAAL for the pension plan and associated contribution rates. The Livermore Area Recreation and Park District (LARPD) also made voluntary LARPD General contributions of $12.611 million on around June 29, 2021 to reduce their General UAAL for the pension plan and associated contribution rates. We have 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 Safety and LARPD's proportionate share of the OPEB SRBR NOL by using the County Safety and LARPD's required contributions, respectively, as if they had not made the voluntary UAAL contributions in 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 Statement 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 and Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary. We 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,

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

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

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

VC/jl
Attachments

Schedule of Employer Allocations as of December 31, 2023

Actual Employer Contributions by Employer January 1, 2023 to December 31, 2023

Employer	Contributions	Percentage[1]
Alameda County[2]	$283,753,532	76.256%
Health System	68,496,541	18.407%
Superior Court	14,051,632	3.776%
First 5	2,408,479	0.647%
Housing Authority	1,741,120	0.468%
LARPD[3]	1,500,857	0.403%
ACOE[4]	160,854	0.043%
Total for all Employers	**$372,113,015**	**100.000%**

[1] The unrounded percentages are used in the allocation of the NOL amongst employers.

[2] This includes $153,656,002 of County General actual employer contributions and $130,097,530 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 around June 29, 2021 to reduce their Safety UAAL for the pension plan and associated 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 2023 in the amount of $47,730,468 plus the contribution credit applied in 2023 in the amount of $82,367,062 for a total adjusted County Safety contribution of $130,097,530.

[3] LARPD made voluntary LARPD General contributions of $12,611,250 on around June 29, 2021 to reduce their General UAAL for the pension plan and associated 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 2023 in the amount of $454,796 plus the contribution credit applied in 2023 in the amount of $1,046,061 for a total adjusted LARPD contribution of $1,500,857.

[4] 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, 2021 valuation in the amount of $101,000 based on an April 1, 2023 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).

Schedule of Employer Allocations as of December 31, 2023

Allocation of December 31, 2023 Net OPEB Liability

Employer	NOL	Percentage[1]
Alameda County	$158,968,597	76.256%
Health System	38,374,145	18.407%
Superior Court	7,872,213	3.776%
First 5	1,349,314	0.647%
Housing Authority	975,436	0.468%
LARPD	840,832	0.403%
ACOE	90,116	0.043%
Total for all Employers	**$208,470,653**	**100.000%**

Notes:

1. Allocated based on the actual January 1, 2023 through December 31, 2023 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 $160,854 in 2023 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 $130,097,530 in 2023 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 $1,500,857 in 2023 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.

[1] The unrounded percentages are used in the allocation of the NOL amongst employers.

Schedule of Employer Allocations as of December 31, 2024

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

Employer	Contributions	Percentage[1]
Alameda County[2]	$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[3]	1,472,280	0.374%
ACOE[4]	169,854	0.043%
Total for all Employers	**$393,387,340**	**100.000%**

1 The unrounded percentages are used in the allocation of the NOL amongst 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 OPEB SRBR NOL for the County. The County made voluntary County Safety contributions of $800,000,000 on around June 29, 2021 to reduce their Safety UAAL for the pension plan and associated 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.

3 LARPD made voluntary LARPD General contributions of $12,611,250 on around June 29, 2021 to reduce their General UAAL for the pension plan and associated 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.

4 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, 2021 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).

Schedule of Employer Allocations as of December 31, 2024

Allocation of December 31, 2024 Net OPEB Liability

Employer	NOL	Percentage[1]
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%
Total for all Employers	**$228,967,594**	**100.000%**

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.

[1] The unrounded percentages are used in the allocation of the NOL amongst employers.

Schedule of OPEB Amounts by Employer as of December 31, 2024

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	$173,596,806	$0	$98,490,102	$19,001,720	$431,245	$117,923,067
Health System	43,254,822	0	24,540,611	4,734,627	1,361,054	30,636,292
Superior Court	8,500,481	0	4,822,745	930,454	218,532	5,971,731
First 5	1,728,555	0	980,695	189,206	286,808	1,456,709
Housing Authority	931,141	0	528,282	101,922	45,554	675,758
LARPD	856,927	0	486,178	93,798	25,250	605,226
ACOE	98,862	0	56,089	10,821	7,631	74,541
Total for all Employers	**$228,967,594**	**$0**	**$129,904,702**	**$25,062,548**	**$2,376,074**	**$157,343,324**

Schedule of OPEB Amounts by Employer as of December 31, 2024

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	$52,358,732	$0	$24,869,795	$1,324,671	$78,553,198
Health System	13,046,137	0	6,196,765	525,220	19,768,122
Superior Court	2,563,840	0	1,217,794	347,287	4,128,921
First 5	521,352	0	247,636	0	768,988
Housing Authority	280,842	0	133,397	93,017	507,256
LARPD	258,459	0	122,765	85,099	466,323
ACOE	29,818	0	14,163	780	44,761
Total for all Employers	**$69,059,180**	**$0**	**$32,802,315**	**$2,376,074**	**$104,237,569**

Schedule of OPEB Amounts by Employer as of December 31, 2024

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	$18,889,912	$331	$18,890,243
Health System	4,706,765	(51,419)	4,655,346
Superior Court	924,977	(15,568)	909,409
First 5	188,092	76,225	264,317
Housing Authority	101,322	(15,119)	86,203
LARPD	93,245	(6,644)	86,601
ACOE	10,758	12,194	22,952
Total for all Employers	**$24,915,071**	**$0**	**$24,915,071**

Schedule of OPEB Amounts by Employer as of December 31, 2024

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., 2024) 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, 2023 (the beginning of the measurement period ending December 31, 2024) and is 6.28[1] 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 $58.2 million calculated last year to $24.9 million calculated this year. The decrease was mainly because this year's OPEB expense does not include the one-time increase related to last year's asset transfer from OPEB to non-OPEB assets. The decrease in expense was partially offset by the expiration of an amortization base related to a prior deferred inflow.

[1] The remaining service lives of all employees of 6.28 years used here for GASB 75 is different from the 4.84 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.

MEMORANDUM TO THE AUDIT COMMITTEE

DATE: May 22, 2025

TO: Members of the Audit Committee

FROM: Harsh Jadhav, Chief of Internal Audit

SUBJECT: Progress on the Internal 2025 Audit Program

Executive Summary

The May 2025 Audit Committee meeting will include a progress update on the 2025 Internal Audit Program. The May meeting will also include an update from Vijay Jagar, Chief Technology Officer on artificial intelligence trends.

Overall, the audit program is proceeding according to schedule. In Q2, we began data collection for the Final Average Salary (FAS) Audit, but determined there was insufficient data in the new PG3 system to establish an audit-ready population. Therefore, we postponed the FAS audit to a future period. In its place, we added a new audit to review overpayments made to divorced members' ex-spouses and ex-partners.

Additionally, we began the HRA Duplicate Payment Review, which the Benefits Department recommended as an area to review. The Workforce Resilience Audit is on hold until the completion of the Business Impact Analysis, which is currently underway and will serve as critical input for the audit.

The Internal Audit Department plans to initiate four internal audits, lead three special projects, and deliver organization-wide fraud training for the year. We received a new request from the Benefits Department to initiate a new Benefits Certification Audit. We will work with the team to determine the scope and timeline for the new audit. The annual employee fraud training is scheduled for Q3 2025 and will focus on the industry's best practices and emerging fraud threats and trends.

Fraud Awareness and Training

Promoting fraud awareness remains a top priority for the Internal Audit Department. In 2025, we will maintain our fraud awareness efforts through organization-wide training sessions to safeguard member information and fund assets. Internal Audit staff will also remain key partners in strengthening internal controls throughout the organization.

Employee Recognition – ACE Program

In Q1 2025, we launched the ACE Program *(***A**nti-Fraud, **C**ontrols, **E**xcellence). The employee recognition program was established to recognize employees who exceeded their roles and responsibilities to improve efficiency, enhance internal controls, and prevent fraud.

We are pleased to announce our most recent ACE award recipient, Sean Reynolds, PCNS Specialist with the PRISM Department. Sean serves a key role in training and educating team members about cybersecurity, phishing, password management, and the duties of a floor warden.

2025 Audit Schedule

Internal Audit Plan (2025)	Service Line	Assigned	Status	Q1	Q2	Q3	Q4
Member Direct Deposit(Fraud) Audit	Internal Audit	Caxton	Completed				
System-Wide Benefit Overpayment - Divorced Members	Internal Audit	Caxton	Started				
Workforce Resilience (Critical Functions) Audit	Internal Audit	Marlon, Dana, Lyndon, Harsh	Continuous				
401(1) 17 Cap Limitation Audit	Employer Audit	Caxton	Not Started				
Data Cleanup - HRA Payment Review	Special Project	Lyndon	Started				
Third-Party Service Provider Review	Special Project	Harsh	Not Started				
Investment Manager Fee Review	Special Project	Harsh	Not Started				
Cybersecurity and Data Security Education	Administration	Vijay, Harsh	Continuous				
2025 Annual Risk Assessment	Administration	Harsh	Completed				
2026 Annual Risk Assessment	Administration	Harsh	Not Started				
Fraud Hotline Management	Administration	Lyndon, Harsh	Continuous				
Fraud Training	Administration	Lyndon, Caxton	Not Started				

2025 Audit Program

Internal Audits

Member Direct Deposit (Fraud) Audit
This audit aims to enhance internal controls by assessing potential fraud risks related to unauthorized attempts to change a member's bank account information through the member portal or standard change request processes. A joint member authentication survey conducted by ACERA and CALAPRS revealed growing concerns among retirement systems regarding members using virtual-only banks. This audit will address these concerns by evaluating existing authentication protocols and identifying areas for improvement to mitigate fraud risks.

System-Wide Benefit Overpayment 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 calculating overpayments in monthly retirement benefits. Key focus areas include separate and shared accounts, court orders, and unusual scenarios. This methodology allows us to detect systemic issues efficiently and propose actionable recommendations for remediation.

Workforce Resilience Audit
This review evaluates ACERA's preparedness to sustain critical processes during periods of disruption. 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.

Employer Audits

401(a) 17 Cap Limitation Audit

The objective of this audit is to verify compliance with the IRS 401(a) 17 limit under Title 26 of the United States Code and PEPRA new tier wage limits. Sample testing of select employers will assess the effectiveness of their internal controls and ACERA's oversight in ensuring the timely halting of contributions when limits are reached.

Special Projects

Data Cleanup Review

This project focuses on reviewing benefit databases and applications for accuracy and completeness. Online files and folders will be examined to ensure that the required documentation for administering retirement benefits, such as death certificates, is properly stored, accessible, and current. In 2025, we are reviewing the Health Reimbursement Accounts (HRAs) for duplicate payments.

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 adverse event management processes, and sufficient incident response procedures.

Investment Manager Fee Review

This review aims to ensure the accuracy and appropriateness of fees paid to investment managers. It includes thoroughly evaluating 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, adherence to regulatory standards, and alignment with industry practices. This review will identify discrepancies, overpayments, or inefficiencies and recommend measures to strengthen financial controls.

Cybersecurity and Data Security Education

In collaboration with the PRISM Department, this special project evaluates the adequacy of employee training and processes for incident response, business recovery, and threat analysis. It aims to protect sensitive organizational and member data against emerging cybersecurity threats and promote the responsible use of artificial intelligence.

Summary

We are focused on meeting the 2025 Audit Program objectives. I want to acknowledge my staff for their strong effort and dedication to delivering quality work. The Internal Audit Staff continues to do an excellent job partnering with management, serving the Board of Retirement, and protecting our members.

Internal Audit Department
2025 Internal Audit Plan

May 22, 2025

Agenda

Audit Plan Progress

Employee Recognition Program

Cybersecurity and AI Update

2025 Internal Audit Plan

Internal Audit Plan (2025)	**Service Line**	**Assigned**	**Status**	**Q1**	**Q2**	**Q3**	**Q4**
Member Direct Deposit(Fraud) Audit	Internal Audit	Caxton	Completed				
System-Wide Benefit Overpayment - Divorced Members	Internal Audit	Caxton	Started				
Workforce Resilience (Critical Functions) Audit	Internal Audit	Marlon, Dana, Lyndon, Harsh	Continuous				
401(1) 17 Cap Limitation Audit	Employer Audit	Caxton	Not Started				
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Investment Manager Fee Review	Special Project	Harsh	Not Started				
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2025 Annual Risk Assessment	Administration	Harsh	Completed				
2026 Annual Risk Assessment	Administration	Harsh	Not Started				
Fraud Hotline Management	Administration	Lyndon, Harsh	Continuous				
Fraud Training	Administration	Lyndon, Caxton	Not Started				

Recognition of Sean Reynolds–PCNS Specialist, PRISM

Sean Reynolds has been with ACERA for over 17 years, and provides full-service support including desk support, planning, BCP and server administration. Sean has also earned the esteemed CompTIA Security + Certification.

In addition, Sean serves as a trainer and security expert providing ACERA team members assistance with floor warden training, cybersecurity, phishing and password management.

Sean is an avid ecofriendly enthusiast, and promotes several environmental initiatives (i.e., recycling) and is known to his friends and colleagues as the "bicycle cheerleader"

- *Vijay Jagar, Chief Technology Officer*

ACERA
www.acera.org

PRISM AI Update

April 22, 2025
Vijay Jagar

Consulting Firms & AI

How AI is changing consulting (Part I):

1. Automation of Existing Services

2. Down-market Movement

3. New Specializations/Services

4. ACERA/PRISM examples

Consulting Firms & AI

- How AI is changing consulting (Part II):

  1. Change in billing
  2. Intangibles
  3. Prototyping
  4. Turn around times
  5. ACERA/PRISM examples

Consulting Firms & AI

How Consultants see AI impacting clients:

- Professional Services
  - Outsourcing
    vs
  - Insourcing

- Organizational Knowledge

- ACERA/PRISM examples