Steadfast Course

A Comprehensive Annual Financial Report for the Year Ended December 31, 2010

ACERA

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

Steadfast Course

A Comprehensive Annual Financial Report for the Year Ended December 31, 2010

Issued By:

Catherine E. Walker, CPA

Acting Chief Executive Officer

ACERA

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

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

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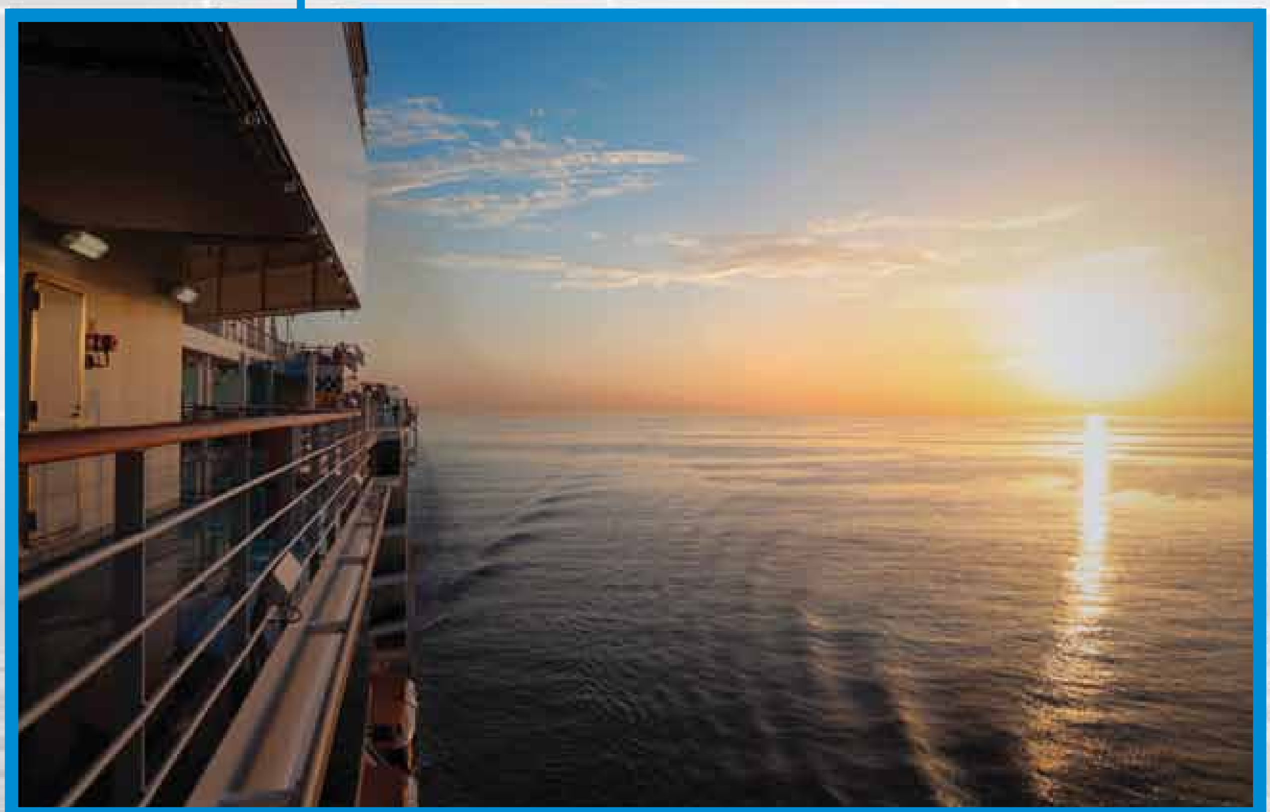


ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

Catherine E. Walker
Acting Chief Executive Officer

Letter of Transmittal

Dear Board Members:

I am pleased to submit this *Comprehensive Annual Financial Report (CAFR) of the Alameda County Employees' Retirement Association for the Year Ended December 31, 2010.*

This report presents the financial condition of the Pension Plan, the Other Postemployment Medical Benefits (OPEB), and Non-OPEB Benefits, as well as investment results for the year ended December 31, 2010. It also includes the most current actuarial valuation as of December 31, 2009. All data and information presented in this report are accurate and reliable, conform to generally accepted accounting principles, and are free of material misstatements.

Our Mission is to provide members and Participating Employers with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services. Our Management Team is committed to achieving the goals established by the Board. We will utilize a competent, professional, impartial, and open decision-making process. In providing benefits and services, all persons will be treated fairly and with courtesy and respect. Investments will be managed to balance the need for security with superior performance.

Following the 2009 economic recovery, the market value of ACERA's Fund began 2010 unevenly, gaining momentum in February through April, but retreating in May and June and remaining flat through August. The Fund rallied in September, increasing in value over 7% in one month and strongly finishing out the year, giving ACERA an investment income return of approximately 14.6% for the year ended December 31, 2010.

California public pensions were in the spotlight in 2010 as state legislators negotiated a bill to redefine and place limitations on salary used in calculating members' retirement benefits, as well as other limitations on retirees of public agencies. The bill was vetoed by the governor, but new legislation may emerge in 2011 attempting to pass some of the same limitations.

As of December 31, 2010, the Supplemental Retirees Benefit Reserve (SRBR) had an approximate value of

$624 million. Based on the December 31, 2009 SRBR actuarial valuation it was estimated the assets in the SRBR can continue to provide benefits until 2026 for Postemployment Medical Benefits (OPEB) and 2031 for Non-OPEB Benefits.

Performance Overview

- The Fund generated a $0.6 billion increase in the market value of the investment portfolio from the prior year, due to a general strengthening of the market, especially throughout the end of 2010.
- Active Membership dropped to 10,849, a decrease of 0.9% from the prior year.
- Members receiving Pension Benefits rose to 7,548, an increase of 3.1% from the prior year.

For the year ended December 31, 2010, the market value of ACERA's investments increased by $0.6 billion, which provided a 14.6% rate of return, ranking ACERA in the top 24th percentile among all public funds in the U.S. with assets above $100 million. ACERA's annualized rate of return over the last five years was 4.7%, ranking ACERA in the top 42nd percentile. ACERA's annualized rate of return over the last ten years was 5.8%, ranking ACERA in the top 13th percentile. ACERA's annualized rate of return over the last twenty years was 9.3%, ranking ACERA in the top 10th percentile. ACERA's investment policy targets a performance ranking in the top quartile among all public funds in the U.S. larger than $100 million (i.e. top 25th percentile or better).

ACERA AND ITS SERVICES

ACERA was established by the Alameda County Board of Supervisors by Ordinance No. 446, dated October 21, 1947, operative January 1, 1948. Governed by the provisions of the County Employees Retirement Law of 1937 (the 1937 Act), ACERA administers retirement allowances and other benefits for seven Participating Employers:

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

ACERA provides lifetime retirement, disability, and death benefits to its members. ACERA meets member and beneficiary pension obligations through member contributions, employer contributions, and investment income. Contributions are prudently invested in accordance with the 1937 Act and ACERA's investment policies to generate investment income to fund pension benefits and pay administration expenses.

In addition, ACERA also administers other supplemental benefit programs: (1) Postemployment Medical Benefits; (2) a supplemental cost-of-living (COLA), and (3) a death benefit program. The first program provides an insurance subsidy for medical premiums, and also provides coverage under ACERA-sponsored dental and vision care plans. All three programs are non-vested benefits subject to annual Board of Retirement approval. Supplemental COLA and non-vested death benefits are funded by the Supplemental Retiree Benefit Reserve (SRBR), which is separately maintained in accordance with Article 5.5 of the 1937 Act. Postemployment Medical Benefits are funded by contributions from ACERA employers to the 401(h) account. In accordance with the 1937 Act, after contributions are made, ACERA treats an equal amount of SRBR assets as employer contributions for pensions.

BOARD OF RETIREMENT

The Board of Retirement consists of eleven members, including a Retiree alternate and a Safety alternate. Six Board seats, which include the alternates, are filled by election, and four seats are appointed by the Alameda County Board of Supervisors. The Alameda County Treasurer is an ex-officio member.

ACERA held an election for five seats on the Board of Retirement in 2010. Nine candidates were issued certifications after meeting all of the qualifications.

Mr. David Safer, the Incumbent Alternate Eighth Member, was the only person to submit nomination papers and be certified for the Alternate Eighth Seat, representing the Retired Membership. Pursuant to Government Code Section 31523 and ACERA's Board Election Policy, the Board of Supervisors directed the Clerk of the Board to cast a unanimous ballot in favor of Mr. David Safer as the Alternate Retired Member – Eighth Seat. This was the first year that ballots were mailed directly to all members by the Alameda County Registrar of Voters (ROV). The ROV conducted the election, and George Wood was elected to the Third Seat representing the General Membership, Dale E. Amaral was elected to the Seventh Seat representing the Safety Membership, Darryl L. Walker, Sr. was elected to the Alternate Seventh Seat representing the Safety Membership, and Liz Koppenhaver was elected to the Eighth Seat representing the Retired Membership.

The ACERA Board of Retirement oversees the Chief Executive Officer (CEO) and staff in the performance of their duties in accordance with the County Employees Retirement Law of 1937, ACERA's regulations, and Board policies. ACERA's CEO Chuck Conrad, was approved for retirement by the Board after an extended leave. The Board appointed Assistant CEO Catherine E. Walker as Acting Chief Executive Officer effective May 21, 2010. ACERA retained a human resources consulting agency specializing in the public sector, to provide consulting services for the search and selection of a permanent CEO.

The County Employees Retirement Act of 1937 and the California Constitution confer the authority and fiduciary responsibility for investing ACERA's funds on the Board of Retirement. In addition, Board members are legally required to carry out their duties in the manner of a prudent person familiar with such retirement and investment matters acting under similar circumstances. This prudent person rule permits the Board to make investment allocation decisions and diversify investment holdings to reduce overall risk and increase returns.

The prudent expert rule also permits the Board to establish an investment policy based on professional advice and counsel, and allows for the delegation of investment authority to professional investment managers. ACERA's investment policy outlines the responsibility for the investment of the funds and the degree of risk deemed appropriate for ACERA's investments. Investment managers are contractually bound to carry out their responsibilities in accordance with the Board of Retirement's investment policy and to follow specific contractual guidelines.

FINANCIAL REPORTING

ACERA's management is responsible for the accuracy, completeness, and fair presentation of all information and all disclosures in this report. ACERA's management is also responsible for establishing and maintaining an adequate internal control structure to assure that ACERA operations are effective and efficient, operating policies and procedures are being adhered to, applicable laws and regulations are followed, assets are protected from loss, theft, or misuse, and financial reports are accurate and reliable. ACERA recognizes that even sound internal controls have inherent limitations. Our internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that cost-benefit analyses require estimates and judgments by management. To strengthen the internal control environment, ACERA has an internal audit function that is responsible for performing an annual risk assessment and evaluating the effectiveness of our internal control structure.

The accounting firm of Williams, Adley & Company-CA, LLP provides audit services to ACERA. The financial audit verifies that ACERA's financial statements are presented in conformity with generally accepted accounting principles and are free of material misstatements. Williams, Adley & Company-CA, LLP also provides a report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. This report is included in the Compliance Section of this report on pages 129 and 130.

The Management Discussion and Analysis (MDA) Section starting on page 21 provides a thorough analysis of ACERA's operations and financial status.

The Financial Section starting on page 19 contains ACERA's basic financial statements, notes to the basic financial statements, required supplementary schedules and supporting schedules.

ACERA adopted the provisions of GASB 51, *Accounting and Financial Reporting for Intangible Assets* for 2010 as discussed on page 31.

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

ACTUARIAL FUNDING STATUS

ACERA's funding objective is to satisfy all benefit commitments by following an actuarially prudent funding plan, obtaining superior investment returns consistent with established benchmarks, and minimizing employer contributions to the retirement fund.

Pursuant to provisions in the 1937 Act, ACERA engages an independent actuarial consulting firm to conduct annual actuarial valuations of the Pension Plan, OPEB Benefits, and Non-OPEB Benefits. The purpose of the valuations is to reassess the magnitude of the benefit commitments. An actuarial experience study is performed every three years (triennial experience study) with the last study conducted in 2007. The economic and non-economic assumptions are updated at the time each triennial experience study is performed. In the study, the actuary reviews the experience of the system and provides actuarial assumptions for use in projecting future funding requirements of the system. At intervals of not less than five (5) years, the board shall employ an enrolled actuary experienced in evaluations of public retirement systems (other than the current system actuary) to perform an actuarial audit.

The December 31, 2009 actuarial valuation is presented in this CAFR. ACERA is funded by member and employer contributions, and investment earnings on those contributions. Member contribution rates vary according to the member's plan and age at entry. Normal member contributions are those required to fund a specific annuity at a specified age. The 1937 Act also requires members to pay half the contributions required to fund the cost-of-living benefit, which is affected by changes in both economic and non-economic assumptions.

Liabilities not funded through investment earnings and member contributions are the responsibility of the employer. Changes in any of the economic and non-economic assumptions affect employer contribution rates. The employer is responsible for contributing to cover the cost of benefits expected to be accrued in the future and half of the cost-of-living benefit. These are called normal cost contributions. The employer is also responsible for making additional contributions to eliminate any shortfalls in funding covering liabilities that have accrued in the past, which is known as the Unfunded Actuarial Accrued Liability (UAAL).

The actuarial funding status is determined from a long-term, ongoing plan perspective. The valuation determines the progress made in accumulating sufficient assets to pay benefits when due. The Pension Plan's Actuarial Accrued Liability at December 31, 2009 was $5,899.3 million; the actuarial value of assets was $4,789.0 million; the Unfunded Actuarial Accrued Liability was $1,110.3 million; and the funded ratio was 81.2%. For the year ended December 31, 2010, Participating Employers contributed 100% of the annual required contributions to the Pension Plan. Historical trend information regarding the funded status of the Pension Plan, Postemployment Medical Benefits, and Non-OPEB Benefits is provided on the Schedule of Funding Progress and the Schedule of Employer Contributions on pages 57-59.

The Actuarial Section of this report contains a more detailed discussion of the funding requirements.

SUPPLEMENTAL RETIREE BENEFITS RESERVE (SRBR)

ACERA is one of only three 1937 Act counties to administer an SRBR, which is funded from earnings in excess of the assumed actuarial interest rates. The SRBR provides funding for non-vested and non-pension benefits including Supplemental COLA and most of the Retiree Death Benefit. Other non-vested Postemployment Medical Benefits offered to members are funded by contributions from Participating Employers to the 401(h) account. After contributions are made, in accordance with the 1937 Act, ACERA treats an equal amount of SRBR assets as employer contributions for pensions. Non-vested medical benefits funded by the employers include dental and vision care, the Medicare Part B Reimbursement Plan, and the Monthly Medical Allowance, which is a fixed dollar subsidy toward eligible retiree ACERA health plan premium costs. The SRBR program also reimburses Alameda County for the implicit subsidy, a cost incurred by allowing ACERA early retirees to enroll in County active employee medical plans.

As of December 31, 2009, the SRBR held $664.8 million in actuarial assets. This total will fund the current benefit structure until the year 2026 for Postemployment Medical Benefits and 2031 for Non-OPEB Benefits, even if no new excess investment earnings are available. All SRBR benefits can only be paid from available SRBR assets. Pension assets are not available to finance such benefits in the event of a shortfall.

2010 ACCOMPLISHMENTS

New Administrative Expense Cap Implementation

ACERA produced its 2011 budget under new rules established by the passage of Assembly Bill 609 which changes the 1937 Act system administrative expense cap from 0.18% of total assets to 0.21% of Accrued Actuarial Liability. This change will result in the cap being more stable since the system's liability is more consistent from year to year and not affected by volatility in the capital markets. Basing the cap on system's liability will allow ACERA to manage its administrative expenses more effectively. The new cap will be used beginning with the 2011 budget.

Information Technology Strategic Plan

ACERA developed and implemented a rolling 5-year Information Technology Strategic Plan. This plan provides a road map to upgrading ACERA's technical infrastructure and objectives as technology changes by identifying key technological systems and tools intended to support ACERA's business and technology objectives.

Electronic Document Management System

ACERA completed the bulk of implementation work in 2010 on its comprehensive Electronic Document Management System (EDMS) Project, an initiative to improve information accuracy and timeliness, reduce duplication, increase efficiency, reduce costs, and provide a central location to capture and share information. And foremost, it will ensure business continuity in the event of a natural disaster. Scanning and indexing of Benefits Department files was completed in November 2010. ACERA has scanned over 3.4 million documents, with an estimated 539,000 remaining. The system has gone live in all departments, and staff has started developing the automated workflow processes. ACERA developed and staffed the Scan Unit, which is responsible for scanning and retaining all documents moving throughout the organization. The project is targeted for completion in the summer of 2011.

Internal Audits

The Board approved a new Internal Audit Charter, which defines the roles and responsibilities of the Internal Audit Department, including the mission and scope of work, accountability, level of independence, key responsibilities, authority to access confidential documents, and the standards of practice. ACERA's Internal Audit Department completed an Actuarial Process Audit, which was designed to evaluate the accuracy and completeness of the process for providing data to ACERA's Actuary. The department also completed a Service Provider Audit to evaluate the effectiveness of the service provider contract process. Results of the internal audits assist ACERA in minimizing risk and improving its business processes.

Investment Managers

ACERA completed the search for a replacement U.S. Small Cap Value Manager by retaining Kennedy Capital Management and terminating Brandywine Global Investment Management.

ACERA adopted a new Fixed Income Manager structure to increase the global bond exposure in ACERA's fixed income portfolio by reducing the enhanced index core exposure by 5%.

ACERA completed an International Small Cap Equity Manager search. ACERA retained Franklin Templeton Investments as ACERA's new International Small Cap Equity Manager.

Investment Policies

The Board adopted a Placement Agent Disclosure Policy, in accordance with recently passed Assembly Bill 1743, which requires the disclosure of payments to placement agents in connection with Pension Plan investments in or through external managers. It also adopted an amended PEARLS Policy, Directed Brokerage Policy, and Emerging Investment Manager Policy in 2010.

Monthly Medical Allowance

ACERA's Board adopted a 2011 Monthly Medical Allowance (MMA) equal to the 2010 MMA, thereby maintaining the previous MMA maximum of $522.16 for plan year 2011. The Monthly Medical Allowance is a non-vested benefit provided to retired members with over 10 years of ACERA service to help offset the cost of the member premiums for ACERA-sponsored health plans.

New Safety Tiers

In accordance with the Assembly Bill 1667, ACERA implemented new tiers for new safety employees. New safety employees have a choice of a 2% at 50 formula (§ 31664) or 3% at 55 formula (§ 31664.2). The choice of the higher 3% at 55 formula will result in a higher employee contribution rate, as well as an additional 5% employee contribution until the employee is vested with 5 years of service credit, at which point the additional contribution is reduced to 3% for the remainder of the employee's career. This is a one-time election opportunity, and the election is irrevocable. Employees who do not make an election will be defaulted into the lower 2% at 50 formula.

Wellness / Disease Management Program

ACERA embarked on Wellness/Disease Management Program to improve health of members who have been identified as at-risk and high-risk for diabetes through the promotion of lifestyle changes that motivates members to take charge of their health while focusing on diabetes risk prevention.

Participating Employers Training

In February 2010, ACERA conducted its first training for Participating Employers' staff in their payroll, human resources, finance, and IT departments. The training clarified the duties of employers and ACERA regarding transmitting payroll data and accounting compatibility. ACERA's goals are to reduce exceptions in the employers' payroll transmittals, improve the accuracy of member records, and to save staff time and resources.

Internet Survey of Membership

ACERA conducted a survey of its approximately 20,000 members to gauge the levels of member internet access and assess preferred website function, 25% responded. Respondents with home internet access: Retired 74%; Deferred 92%; Active 93%. Handheld device internet use: Retired 12%; Deferred 33%; Active 36%. Regular email use: Retired 68%; Deferred 94%; Active 96%. Additional questions were asked regarding online surveys, electronic news feeds, and future website functions. Furthermore, 3,592 members provided their email addresses enabling ACERA to communicate with them electronically in the future.

AWARDS

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to ACERA for its *Comprehensive Annual Financial Report* for the year ended December 31, 2009. The certificate is reproduced on page 14. This was the fourteenth consecutive year ACERA has achieved this prestigious award. To be awarded a Certificate of Achievement, a government entity must publish a complete, easily readable, and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. This award reflects the collective effort of ACERA staff to maintain the high standards of financial reporting required to continue to meet GFOA award standards.

A Certificate of Achievement recognizes the CAFR submitted to the GFOA. ACERA must submit this 2010 CAFR to the GFOA to be considered for the award for 2010. Staff believes that this 2010 Comprehensive Annual Financial Report for the year ended December 31, 2010 meets the Certificate of Achievement Program's requirements, and will submit it to the GFOA to determine its eligibility for a 2010 certificate.

ACERA also received the GFOA's Award for Outstanding Achievement in *Popular Annual Financial Reporting* (PAFR) for the year ended December 31, 2009. The PAFR provides a summary of ACERA's financial condition and accomplishments consistent with information contained in the CAFR. It provides only key information to make it more accessible to interested parties unable to use traditional financial reports. ACERA will submit an application for the 2010 PAFR to the GFOA for consideration for the 2010 achievement award.

Public Pension Coordinating Council

ACERA received its first Public Pension Standards Award for 2010 from the Public Pension Coordinating Council. To qualify for this prestigious award, ACERA had to certify that it provides comprehensive benefits, exhibits sound funding adequacy and status, conducts regular actuarial valuations and independent audits, follows documented investment policy and procedures, and utilizes, at a minimum, annual investment reviews, conducted by independent investment consultants. Furthermore, it requires communication with its members, and regularly provides specific plan and benefit statements to members.

ACKNOWLEDGEMENTS

The compilation of this report reflects the combined effort of ACERA's staff under the leadership of the Board of Retirement. It is intended to provide complete and reliable information with respect to the Board's stewardship of ACERA.

This CAFR is provided to all Participating Employers as well as to employee and retiree organizations. Their cooperation contributes significantly to the success of ACERA. The PAFR is provided to all active and retired members as well as to all other interested parties. The CAFR and the PAFR are also available to members and the general public, by visiting ACERA's website, www.acera.org/downloads. We hope our employers and members find these reports informative.

On behalf of the Board of Retirement, I would like to take this opportunity to express my gratitude to the staff, to the advisors, and to the many people who have worked so diligently to ensure the successful operation of ACERA.

Respectfully submitted,

Catherine E. Walker, CPA
Acting Chief Executive Officer
June 15, 2011

Members of the Board of Retirement as of January 1, 2011

George Wood
Chair
Elected by General Members

George Dewey
First Vice Chair
Appointed by the Board of Supervisors

Dale E. Amaral
Second Vice Chair
Elected by Safety Members

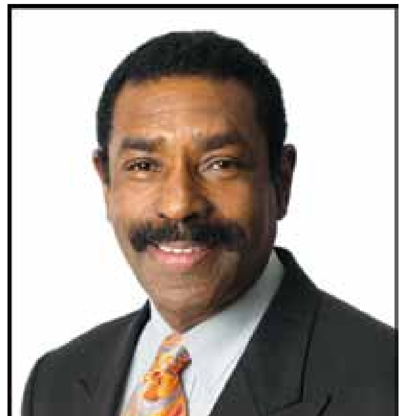
Liz Koppenhaver
Elected by Retired Members

Elizabeth Rogers
Elected by General Members

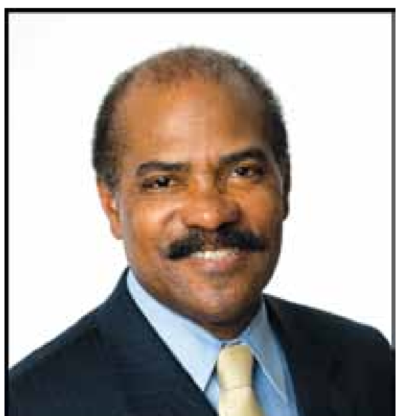
David M. Safer
Alternate
Elected by Retired Members


Ophelia B. Basgal
Appointed by the Board of Supervisors


Annette Cain-Darnes
Appointed by the Board of Supervisors


Keith Carson
Appointed by and Member of the Board of Supervisors


Darryl L. Walker, Sr.
Alternate
Elected by Safety Members

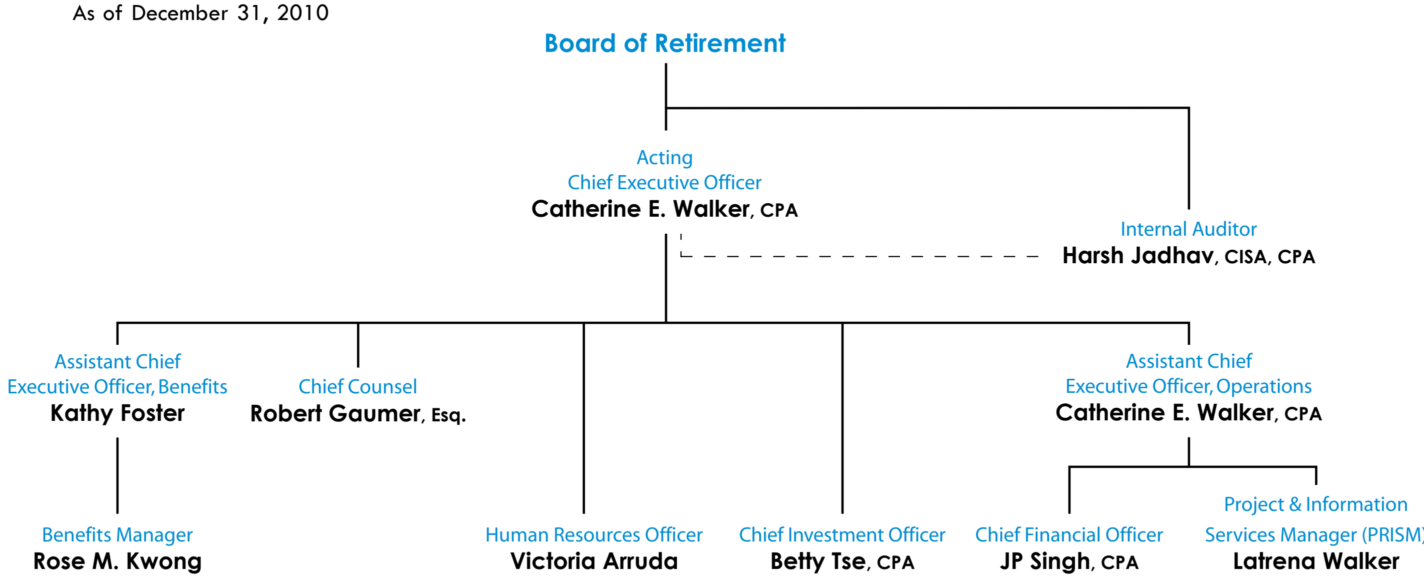

Donald R. White
Ex-Officio Member
Treasurer- Tax Collector, County of Alameda

2010 Board of Retirement

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

Administrative Organizational Chart

As of December 31, 2010



Professional Consultants[1]

Actuary
The Segal Company[2]

Administration
Aaron Read & Associates, LLC

CPS Human Resources Services

Oliver Wyman, LLC

7th Gear Consulting

Benefits
Woodruff-Sawyer Inc.

Human Resources
Lakeside Group

Mercer Human Resources Consulting

Independent Auditors
Williams, Adley & Company-CA, LLP

Information Technology
L.R. Wechsler, Ltd.

Legal
ADR Services, Inc.

Aiken Welch

Hanson, Bridgett, LLP

Ice Miller

Manatt, Phelps & Phillips, LLP

Precise Aim Consulting

Reed Smith, LLP

Other Specialized Services
Tobico LLC dba Tobi Designs

1 Investment Professionals are listed on page 80 of this report. Not all of the professional consultants listed above are required to file a Statement of Economic Interests (Form 700) under ACERA's Conflict of Interest Policy.
2 The Segal Company also provides Administration and Benefits consulting services.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alameda County Employees' Retirement Association, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

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

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

President

Jeffrey R. Emer

Executive Director

Also awarded each year from 1996 through 2008

PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2010

Presented to

Alameda County
Employees' Retirement Association

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle

Alan H. Winkle
Program Administrator

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Financial

WILLIAMS ADLEY

Independent Auditors' Report

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

We have audited the accompanying statement of plan net assets of the Alameda County Employees' Retirement Association (ACERA), as of December 31, 2010, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of ACERA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from ACERA's 2009 financial statements on which our report dated May 24, 2010, expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ACERA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets as of December 31, 2010, and the changes in plan net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in note 1 to the basic financial statements, ACERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* for the year ended December 31, 2010.

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www.williamsadley.com

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2011 on our consideration of ACERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 21-27 and the schedules of funding progress and employer contributions on pages 57-59 be presented to supplement the financial statements. Such information, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of investment expenses, payments to other consultants, and administration expense on pages 61 and 62, and the introduction, investment, actuarial, and statistical sections, are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules of investment expenses, payments to other consultants, and administration expense are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introduction, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Williams, Adley & Company CA, LLP

June 14, 2011

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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Management's Discussion and Analysis

We are pleased to provide this overview and analysis of ACERA's financial position and combined results of its operations for the Pension Plan, the Other Postemployment Benefits (OPEB), and the Non-OPEB Benefits for the year ended December 31, 2010. The information presented here, in conjunction with the Financial Statements and the Notes to the Financial Statements beginning on page 31, provides a fair presentation of ACERA's overall financial position and the results of its operations. This discussion and analysis should be read in conjunction with the Acting Chief Executive Officer's Letter of Transmittal on pages 3 to 10 of this Comprehensive Annual Financial Report.

FINANCIAL HIGHLIGHTS

- ACERA's Net Assets at the close of 2010 were $5.2 billion. These Net Assets are held in trust to meet ACERA's specific ongoing program obligations for Pension, Postemployment Medical Benefits, and Non-OPEB Benefits to plan members and their beneficiaries.
- 2010 ended the year with a $547.6 million increase which represented a 12% increase in ACERA's Net Assets over the prior year. This 12% increase was primarily attributable to favorable investment performance in 2010. ACERA's investments portfolio posted a 14.6% investment return. Although ACERA has recovered a significant amount of the investment loss experienced in 2008, it still leaves ACERA short by $350 million in Net Assets from the high of 2007.
- In June, 2010, ACERA's Board adopted the following changes to the actuarial economic assumptions: a reduction in the actuarial investment rate of return from 8.0% to 7.9%, a reduction in inflation rate from 3.75% to 3.50% and an across-the-board salary increase from 0.25% to 0.50%.
- As of the December 31, 2009, actuarial valuation, the funded ratio for ACERA's Pension Plan compared to the December 31, 2008 valuation declined from 83.9% to 81.2%. This 2.7% decline reflects the impact of the change in actuarial economic assumptions.
- As of December 31, 2009, the funded ratio for ACERA's Postemployment Medical Benefits and Non-OPEB Benefits were 77.4% and 42.9%, respectively. The Postemployment Medical Benefits funded ratio declined 9.1% for the same reasons as the decrease in the Pension Plan funding ratio. The Non-OPEB Benefits funded ratio increased by 5.4%. The

increase in the Non-OPEB funded ratio was primarily due to lower projected inflation, which would result in retirees maintaining purchasing power and reduced the need for supplemental COLA. If the liabilities are limited to available assets, the funded ratio is 100% for both the Postemployment Medical Benefits and Non-OPEB Benefits.

- ACERA's actuarial value of assets had $776.9 million of unrecognized investment losses, representing 16.6% of the market value of assets as of the December 31, 2009 actuarial valuation date. These deferred losses are yet to be recognized and future contribution rates will be higher unless these losses are offset by future investment earnings in excess of the 7.9% actuarially assumed net rate of investment return for future years or other favorable actuarial experience.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The *Statement of ACERA's Net Assets* on page 28 shows a snapshot of account balances at year-end. They indicate the assets available for future benefit payments as well as current liabilities outstanding at year end.

The *Statement of Changes in ACERA's Net Assets* on pages 29 and 30 provides a summary view of the additions to and deductions from ACERA's Net Assets that occurred over the course of the year.

The financial statements include all assets and liabilities, using the accrual basis of accounting, in compliance with Generally Accepted Accounting Principles, similar to the accounting method used by most private-sector companies. All of the year's asset additions and deductions are taken into account regardless of when the corresponding cash is received or paid. All investment purchases and sales are reported as of the trade date, not the cash settlement date. Investments are reported at current fair value. Both realized and unrealized investment gains and losses are recognized. Each depreciable component of capital assets is depreciated over its useful life.

Notes to the Basic Financial Statements on pages 31–56 provide additional information essential to a full understanding of the Basic Financial Statements.

Required Supplementary Schedules on pages 57-61 show ACERA's funding progress with its obligations to provide Pension, Postemployment Medical Benefits, and Non-OPEB Benefits to members, as well as historical trend information reflecting how much employers have contributed in relation to their annual required contributions.

Supporting Schedules of investment expenses, payments to other consultants, and administration expense are presented on pages 61 and 62.

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

Table 1: ACERA's Net Assets (Condensed)

As of December 31, 2010 and 2009 (Dollars in Millions)

	2010	2009	Increase (Decrease) Amount	Percent Change
Current Assets	$ 574.2	$ 629.3	$ (55.1)	-9%
Investments at Fair Value	5,215.5	4,654.8	560.7	12%
Capital Assets, net	4.4	3.2	1.2	38%
Total Assets	**5,794.1**	**5,287.3**	**506.8**	**10%**
Current Liabilities	569.6	610.4	(40.8)	-7%
Total Liabilities	**569.6**	**610.4**	**(40.8)**	**-7%**
Net Assets Held in Trust for Benefits	**$ 5,224.5**	**$ 4,676.9**	**$ 547.6**	**12%**

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

For the Years Ended December 31, 2010 and 2009 (Dollars in Millions)	2010	2009	Increase (Decrease) Amount	Percent Change
ADDITIONS				
Member Contributions	$ 77.6	$ 77.3	$ 0.3	0%
Employer Contributions	147.5	132.2	15.3	12%
Net Investment Income	648.1	963.6	(315.5)	-33%
Miscellaneous Income	0.5	2.3	(1.8)	-78%
Transfer to Employers' Advance Reserve from SRBR for Employer Contributions to 401(h) Account	29.5	27.9	1.6	6%
Transfer to Employers' Advance Reserve from SRBR for Implicit Subsidy	5.3	4.1	1.2	29%
Total Additions	**908.5**	**1,207.4**	**(298.9)**	**-25%**
DEDUCTIONS				
Retirement Benefit Payments	277.7	256.7	21.0	8%
Postemployment Medical Benefits	29.8	27.8	2.0	7%
Member Refunds	5.6	7.7	(2.1)	-27%
Administration	13.0	12.3	0.7	6%
Transfer from SRBR to Employers' Advance Reserve for Employer Contributions to 401(h) Account	29.5	27.9	1.6	6%
Transfer from SRBR to Employers' Advance Reserve for Implicit Subsidy	5.3	4.1	1.2	29%
Total Deductions	**360.9**	**336.5**	**24.4**	**7%**
Net Increase	**547.6**	**870.9**	**(323.3)**	**-37%**
Beginning Net Assets Held in Trust for Benefits	**4,676.9**	**3,806.0**	**870.9**	**23%**
Ending Net Assets Held in Trust for Benefits	**$ 5,224.5**	**$ 4,676.9**	**$ 547.6**	**12%**

ANALYSIS OF FINANCIAL POSITION

ACERA's Net Assets held in trust for pension and other postemployment benefits consist of assets less liabilities. Table 1 shows condensed information on ACERA's Net Assets, which as of December 31, 2010, totaled $5.2 billion. This was $547.6 million or 12% more than the prior year, primarily a result of an increase in the fair value of ACERA's investments. The Investment Section starting on page 65 provides further details about ACERA's investment performance.

Current Assets

The components of current assets are detailed on the Statement of ACERA's Net Assets on page 28. Current assets decreased $55.1 million, from $629.3 million in 2009 to $574.2 million in 2010. This decrease was mostly due to a $64.1 million reduction in securities lending cash collateral. The cash collateral decrease was the result of an increase in non-cash collateral and lower securities lending activity. Other current assets increased by a net of $9.0 million, due primarily to the timing of cash receipts for contributions, and investment sales. Note that securities lending cash collateral is matched by an equal amount of offsetting securities lending liability reported as part of ACERA's current liabilities.

Investments at Fair Value

The fair value of ACERA's investments increased by $560.7 million or 12% in 2010, from $4,654.8 million in 2009 to $5,215.5 million in 2010. The capital markets ended the year on a strong note, resulting in positive returns across all asset classes in 2010. The U.S. equity markets experienced overall robust performance. The domestic equity funds increased by $268.7 million. The international equity market delivered positive return but was hindered by the sovereign debt concerns in Europe. The international equity funds increased by $62.3 million. The fixed income funds performed well and increased by $110.7 million. The real estate funds also increased by $25.5 million. The private equity and alternatives funds increased by $110.0 million, primarily due to additional funding to this asset class.

Capital Assets, Net

Capital assets include equipment, furniture, information systems, leasehold improvements, and construction-in-progress. In 2010, capital assets had a net increase of $1.2 million, primarily due to the Electronic Document Management System (EDMS) project. The EDMS project is expected to be completed in 2011.

Current Liabilities

The components of current liabilities are detailed on the Statement of ACERA's Net Assets on page 28. Current liabilities decreased from $610.4 million in 2009 to $569.6 million in 2010. This $40.8 million decrease was primarily due to the $64.1 million decrease in securities lending cash collateral. All other current liabilities increased by net $23.3 million, due to the timing of cash disbursements for investment-related payables, unsettled trades of investments purchased, member benefits and refunds payable, and accrued administration expenses.

ANALYSIS OF RESULTS OF OPERATIONS

Changes in ACERA's Net Assets consist of total additions less total deductions. Table 2 on page 23 shows condensed information about this financial activity. ACERA's Net Assets increased by $547.6 million in 2010. The growth was primarily due to favorable net investment income.

Additions to ACERA's Net Assets

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

Total additions in ACERA's Net Assets for the years ended December 31, 2010 and 2009 were $908.5 million and $1,207.4 million, respectively. For 2010, total additions decreased $298.9 million compared to the prior year, primarily due to net investment income. In 2010, there was $315.5 million less in net investment income compared to 2009. See the Net Investment Income (Loss) section for a discussion of this decrease.

The December 31, 2009 actuarial valuation report recommended contribution rates which were approved by the Board of Retirement and became effective September 2010. Average member contribution rates increased slightly, while the aggregate employer rate increased by almost 11% of pay, mainly due to changes in economic assumptions and investment losses for 2008.

Member Contributions

Total member contributions for 2010 were $77.6 million, up $0.3 million from 2009. This increase was mainly due to a slight increase in contribution rates. The aggregate member contribution rates were lower for the first nine months of the year. Effective September 2010, the aggregate member contribution rates modestly increased from 8.57% to 8.74% of payroll mainly due to a change in the economic actuarial assumptions.

Employer Contributions

Total employer contributions for 2010 were $147.5 million, which was $15.3 million higher than 2009. This was primarily attributable to an increase in employer contribution rates. Effective September 2010, the aggregate employer rate increased 10.7%, from 16.89% to 18.70%. The increase was attributable to the changes in actuarial economic assumptions, in large part due to the investment rate of return assumption decreasing from 8.0% to 7.9%.

Net Investment Income (Loss)

Net investment income was $315.5 million lower than prior year, from $963.6 million in 2009 to $648.1 million in 2010. The decline in net investment income was primarily due to net appreciation in fair value of investments. The net appreciation of investments in 2010 was $542.1 million, which was $310.0 million less than prior year. The year 2010 marked a continued recovery but to a lesser extent. Net investment income reflected ACERA's gross investment return of 14.6% in 2010 compared to 26.6% in 2009.

Miscellaneous Income

Miscellaneous income primarily consists of class action litigation settlements and was $0.5 million in 2010 compared to $2.3 million for the prior year. The $1.8 million decrease resulted principally from fewer class action settlements during the year 2010.

Transfers to Employers' Advance Reserve from SRBR

Postemployment Medical Benefits are paid from the 401(h) account. The Participating Employers identify a portion of their contributions as 401(h) contributions. For the years 2010 and 2009, the employers funded $29.5 million and $27.9 million, respectively, as 401(h) contributions. The $1.6 million year-to-year increase was attributable to higher medical insurance premiums. See 401(h) Postemployment Medical Benefits Account on page 40. Transfers of $5.3 million and $4.1 million for the years 2010 and 2009, respectively, were made to the Employers' Advance Reserve from the SRBR to compensate the County for the implicit subsidy. The 2010 transfer was for the Alameda County 2009 implicit subsidy. This implicit subsidy amount increased due to the increase in medical insurance premiums. See Note 6 to the Basic Financial Statements on page 44.

Deductions from ACERA's Net Assets

The five main categories of deductions from ACERA's Net Assets are retirement benefits, Postemployment Medical Benefits, Non-OPEB Benefits, member refunds, and the expenses of administering the system. Total deductions from ACERA's Net Assets for 2010 were $360.9 million, an increase of $24.4 million or 7% over the prior year. Most of this increase was a result of a $21.0 million or 8% increase in retirement benefit payments.

Retirement Benefits Payments

Retirement benefit payments in 2010 were $277.7 million, a $21.0 million or 8% increase over the prior year. Retirement benefits include service retirement allowances, disability allowances, death payments, and supplemental cost-of-living adjustments. The increase in retirement benefit payments was partially due to a 3% net increase in the number of retirees during the year. The increase was also attributable to higher average benefits of retirees added to the retirement payroll compared to the lower average retirement allowance of those retirees removed from the retirement payroll.

Postemployment Medical Benefits

Postemployment Medical Benefits paid from the 401(h) account for 2010 were $29.8 million, up $2.0 million or 7% over the prior year. This increase was largely due to the 3% net increase in the number of retirees receiving these benefits and a 4% increase in the maximum monthly medical allowance from $500 in 2009 to $522 in 2010.

Member Refunds

Member refunds arise from either member separation from service (termination) or active member death. Member refunds were $5.6 million in 2010, which were $2.1 million or 27% less than 2009. The decrease was primarily due to a drop in termination refunds.

Administration Expense

Administration expense covers the basic costs of operating the retirement system. These include staffing, professional service expenses, communications, software maintenance, depreciation, insurance, and other expenses. Approximately 58% of total administration expense is for staffing (wages, fringe benefits, and temporary labor). Professional services expense includes the cost of member communications, audit fees, professional development, and outsourced check printing services. The annual amount of administrative expense is subject to legal and budgetary restrictions. Every year the ACERA Board adopts an administration expense budget for the following year in accordance with legal spending restrictions outlined in the County Employee Retirement Law of 1937 (1937 Act). Note 10 to the Basic Financial Statements on page 55 describes these legal limitations. ACERA's administration expense for 2010 and 2009 was in compliance with the 1937 Act.

Total administration expense was $13.0 million for 2010, a $0.7 million or 6% increase from the prior year. This $0.7 million net increase was due to $0.2 million increase in staffing costs, $0.2 million increase in professional service expenses, $0.2 million increase in legal expenses, and $0.2 million increase in BCP expenses; partially offset by a $0.1 million decrease in other expenses.

CURRENTLY KNOWN FACTS AND EVENTS

On September 30, 2010, Assembly Bill No. 609 (AB 609) was passed into law by the California Legislature and signed by the Governor. Its provisions were effective January 1, 2011. This law changes the base upon which the existing administrative expense limit is calculated from 0.18% of total assets plus $1 million (or 0.23% of total assets) to 0.21% of the actuarial accrued liability. Replacing an asset based cap with a liability based cap provides a stable base going forward. In addition to the change in the base, AB 609 also allows for exclusion of technology direct costs, which include computer hardware, computer software, computer depreciation expenses, software maintenance and support and computer technology consulting services in support of these products.

An actuarial valuation was performed as of December 31, 2010 for the Pension Plan. This valuation was finalized on May 19, 2011. The funded ratio as of December 31, 2010 was 77.5%.

FIDUCIARY RESPONSIBILITIES

ACERA's Board and management are fiduciaries of the retirement plan. Under the California Constitution and the County Employees Retirement

Law of 1937, assets of the retirement plan can be used only for the exclusive benefit for the plan participants and their beneficiaries.

REQUESTS FOR INFORMATION

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

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

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

Respectfully submitted,

JP Singh, CPA
Chief Financial Officer
June 7, 2011

Statement of ACERA's Net Assets

As of December 31, 2010, with Comparative Totals as of December 31, 2009 (Dollars in Thousands)

	Pension Plan	Post Employment Medical Benefits	Non-OPEB Benefits	Total 2010	Total 2009
Assets					
Cash	$ 1,118	$ -	$ -	$ 1,118	$ 1,034
Securities Lending Cash Collateral	523,857	-	-	523,857	587,991
RECEIVABLES					
Contributions	12,765	-	-	12,765	11,236
Investment Receivables	19,511	-	-	19,511	18,103
Unsettled Trades - Investments Sold	6,998	-	-	6,998	3,731
Future Contracts - Equity Index	1,865	-	-	1,865	2,955
Equity Index Swaps	81	-	-	81	37
Foreign Exchange Contracts	7,199	-	-	7,199	3,411
Other Receivables	303	-	-	303	287
Total Receivables	**48,722**	**-**	**-**	**48,722**	**39,760**
Prepaid Expenses	562	-	-	562	557
Total Current Assets	**574,259**	**-**	**-**	**574,259**	**629,342**
INVESTMENTS AT FAIR VALUE					
Short-Term Investments	127,347	-	-	127,347	143,861
Domestic Equity	1,336,675	-	-	1,336,675	1,110,539
Domestic Equity Commingled Funds	771,880	-	-	771,880	729,297
International Equity	1,216,473	-	-	1,216,473	1,174,711
International Equity Commingled Funds	77,621	-	-	77,621	57,129
Domestic Fixed Income	903,232	-	-	903,232	882,713
International Fixed Income	314,241	-	-	314,241	224,036
Real Estate - Separate Properties	88,034	-	-	88,034	90,802
Real Estate - Commingled Funds	190,568	-	-	190,568	162,288
Private Equity and Alternatives	189,407	-	-	189,407	79,358
Total Investments	**5,215,478**	**-**	**-**	**5,215,478**	**4,654,734**
Due from Pension Plan	(635,112)	565,856	69,256	-	-
Capital Assets at Cost (Net of Accumulated Depreciation and Amortization)	4,383	-	-	4,383	3,222
Total Assets	**5,159,008**	**565,856**	**69,256**	**5,794,120**	**5,287,298**
Liabilities					
Securities Lending Liability	523,857	-	-	523,857	587,991
Unsettled Trades - Investments Purchased	27,813	-	-	27,813	9,553
Future Contracts - Equity Index	1,178	-	-	1,178	2,071
Foreign Exchange Contracts	7,208	-	-	7,208	1,987
Investment-Related Payables	4,518	-	-	4,518	3,541
Accrued Administration Expenses	2,450	-	-	2,450	1,843
Members Benefits & Refunds Payable	2,587	-	-	2,587	3,424
Retirement Payroll Deductions Payable	14	-	-	14	8
Total Liabilities	**569,625**	**-**	**-**	**569,625**	**610,418**
Net Assets Held in Trust for Benefits	**$ 4,589,383**	**$ 565,856**	**$ 69,256**	**$ 5,224,495**	**$ 4,676,880**

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

Statement of Changes in ACERA's Net Assets

For the Year Ended December 31, 2010, with Comparative Totals for the Year Ended December 31, 2009 (Dollars in Thousands)

	Pension Plan	Postemployment Medical Benefits	Non-OPEB Benefits	Total 2010	Total 2009
ADDITIONS					
CONTRIBUTIONS					
Member	$ 77,605	$ -	$ -	$ 77,605	$ 77,271
Employer	118,083	29,460	-	147,543	132,198
Total Contributions	**195,688**	**29,460**	**-**	**225,148**	**209,469**
INVESTMENT INCOME					
From Investment Activities:					
Net Appreciation in Fair Value of Investments	542,132	-	-	542,132	852,129
Dividends, Interest, & Other Investment Income	128,525	-	-	128,525	129,143
Total Income from Investment Activities	**670,657**	**-**	**-**	**670,657**	**981,272**
Total Investment Expenses	(24,624)	-	-	(24,624)	(22,501)
Net Income from Investment Activities	**646,033**	**-**	**-**	**646,033**	**958,771**
From Securities Lending Activities:					
Securities Lending Income	3,510	-	-	3,510	7,359
Securities Lending Expenses					
Borrower Rebates	(914)	-	-	(914)	(1,261)
Management Fees	(519)	-	-	(519)	(1,220)
Total Securities Lending Activity Expenses	(1,433)	-	-	(1,433)	(2,481)
Net Income from Securities Lending Activities	**2,077**	**-**	**-**	**2,077**	**4,878**
Earnings Allocated	(4,911)	4,370	541	-	-
Total Net Investment Income	**643,199**	**4,370**	**541**	**648,110**	**963,649**
MISCELLANEOUS INCOME	508	-	-	508	2,272
Transfer to Employers' Advance Reserve from SRBR for Employer Contributions to 401(h) Account	29,460	-	-	29,460	27,935
Transfer to Employers' Advance Reserve from SRBR for Implicit Subsidy	5,288	-	-	5,288	4,149
Total Additions	**$ 874,143**	**$ 33,830**	**$ 541**	**$ 908,514**	**$ 1,207,474**

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

For the Year Ended December 31, 2010, with Comparative Totals for the Year Ended December 31, 2009 (Dollars in Thousands)

	Pension Plan	Postemployment Medical Benefits	Non-OPEB Benefits	Total 2010	Total 2009
DEDUCTIONS					
BENEFITS					
Service Retirement and Disability Benefits	$ 270,668	$ -	$ 828	$ 271,496	$ 250,301
Death Benefits	2,269	-	-	2,269	1,933
Burial Benefits	-	-	954	954	879
Supplemental Cost of Living Allowance	-	-	2,984	2,984	3,535
Post Employment Medical Benefits	-	29,802	-	29,802	27,839
Total Benefit Payments	**272,937**	**29,802**	**4,766**	**307,505**	**284,487**
MEMBER REFUNDS	5,645	-	-	5,645	7,718
ADMINISTRATION					
Administrative Expenses	9,951	-	-	9,951	9,652
Legal Expenses	2,260	-	-	2,260	2,000
Actuarial Expenses	259	-	-	259	234
Business Continuity Expenses	531	-	-	531	369
Total Administration	**13,001**	**-**	**-**	**13,001**	**12,255**
Transfer from SRBR to Employers' Advance Reserve for Employer Contributions to 401(h) Account	-	29,460	-	29,460	27,935
Transfer from SRBR to Employers' Advance Reserve for Implicit Subsidy	-	5,288	-	5,288	4,149
Total Deductions	**291,583**	**64,550**	**4,766**	**360,899**	**336,544**
Net Increase	**582,560**	**(30,720)**	**(4,225)**	**547,615**	**870,930**
NET ASSETS HELD IN TRUST FOR BENEFITS					
January 1	**4,006,823**	**596,576**	**73,481**	**4,676,880**	**3,805,950**
December 31	**$ 4,589,383**	**$ 565,856**	**$ 69,256**	**$ 5,224,495**	**$ 4,676,880**

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

Notes to the Basic Financial Statements

(an integral part of the Basic Financial Statements)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

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, not the settlement date. Retirement benefits and member refunds are recognized as liabilities when due and payable in accordance with the terms of the plan. Other expenses are recognized when the corresponding liabilities are incurred.

Implementation of New Accounting Principle

ACERA implemented the provisions of Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, for fiscal year ended December 31, 2010. This Statement establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The impact of the implementation of GASB Statement No. 51 is described in the Capital Assets section of this note on pages 32 to 33.

Cash

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

Investments

Investments are reported at fair value.

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

Investment Income

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

Securities Lending Activity

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

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

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

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

Derivatives

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

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

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

Collateral and Margin Account

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

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

Capital Assets

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

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

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

GASB Statement No. 51 identifies three stages of activities in the development and installation of internally generated computer software: a.) preliminary project stage, b.) application development stage and c.) post-implementation/operation stage. Cash outlays associated with the application development stage are required to be capitalized. The effect on ACERA net assets was not material.

In the absence of specific guidance on the preferred amortization methodology on GASB Statement No. 51, ACERA has opted to apply the guidance from the American Institute of Certified Public Accountants' Statement of Position (SOP) 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. SOP 98-1 provides that the costs of computer software developed or obtained for internal use should be amortized on a straight-line basis unless another systematic and rational basis is more representative of the software's use. In accordance with SOP 98-1, ACERA has changed the depreciation method for information systems (which includes computer software and hardware components) from sum of the years digits to straight line. This change had no impact on fiscal year 2010 net assets, as the capital assets in the information system asset class have been fully depreciated and the internally developed computer software has not yet been placed into service.

Estimates

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

Reclassification

Certain financial statement items from the prior year's financial statements have been reclassified for comparative purposes. Such reclassifications had no effect on the net assets previously reported by ACERA.

2. PLAN DESCRIPTION

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

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

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

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

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

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

Board of Retirement

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

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

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

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

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

Authority for Establishing and Amending Benefit Provisions

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

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

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

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

PARTICIPATING EMPLOYERS

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

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

PLAN MEMBERSHIP

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

SAFETY AND GENERAL MEMBERS

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

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

Defined Benefit Pension Plan

ACERA's Membership

As of December 31, 2010

Members, Survivors, and Beneficiaries Now Receiving Benefits	
Service Retirement	5,696
Disability Retirement	798
Beneficiaries and Survivors	1,054
Subtotal	**7,548**
Active Members	
Active Vested Members	7,824
Active Non-vested Members	3,025
Subtotal	**10,849**
Deferred Members	1,847
Total Membership	**20,244**

MEMBERSHIP STATUS AND VESTING

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

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

SERVICE RETIREMENT

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

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

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

DEATH BENEFITS

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

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

TIER 1, TIER 2, AND TIER 3 BENEFIT LEVELS

The structure of the plan provides for three benefit levels or tiers within General membership and two tiers within Safety membership. The tiers differ mainly in the magnitude of contributions required and benefits received. Generally, members with an entry date prior to July 1, 1983, belong to Tier 1, while those with an entry date on or after July 1, 1983 belong to Tier 2. Most active ACERA members belong to Tier 2. All Alameda County Housing Authority members are in Tier 1. Relative to the Tier 1 members, active members in Tier 2 contribute somewhat less to the Pension Plan as a percent of compensation and will receive somewhat lower retirement benefits. Effective October 1, 2008, Livermore Area Recreation and Park District (LARPD) implemented a General Tier 3 plan for new employees and current employees. For those who elect General Tier 3 membership, they will receive an enhanced benefit of 2.5% at 55 which is higher than the Tier 1 benefit (at most retirement ages), and as a result of higher employer and employee contributions rates. Effective October 17, 2010, there are three benefit formula options for Safety membership Tier 2. Two new benefit formulas of 2% at 50 and 3% at 55 were implemented for new Safety members with different contribution rates. The existing Safety members are still under the benefit formula of 3% at 50. Note 3 Contributions starting on page 37 explains retirement plan contribution rates.

INTEGRATION WITH SOCIAL SECURITY

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

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

BASIC COST OF LIVING ADJUSTMENT

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

For 2010, there was a 2.5% COLA increase granted for Tier 1 and Tier 3 members, and a 2% increase granted for Tier 2 members.

Postemployment Medical Benefits

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

PROGRAM MEMBERSHIP

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

Non-OPEB Benefits

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

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

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

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

PROGRAM MEMBERSHIP

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

Actuarial Valuation

An actuarial valuation is normally performed annually for the Pension Plan. In addition, there is a separate actuarial valuation conducted annually for Postemployment Medical Benefits and Non-OPEB Benefits. Note 5 Actuarial Valuation starting on page 41 provides more information about this.

3. CONTRIBUTIONS

Pension Plan

AUTHORITY FOR ESTABLISHING AND AMENDING OBLIGATIONS TO MAKE CONTRIBUTIONS

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

FUNDING OBJECTIVE

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

MEMBER CONTRIBUTIONS AND REFUNDS

Active members are required by statute to contribute toward Pension Plan benefits. The member contribution rates are formulated on the basis of age at the date of entry and actuarially calculated benefits. The 1937 Act authorizes Participating Employers to pay all or a portion of an employee's retirement contribution obligation on the employee's behalf. These employer payments are called contribution offsets. Member contributions and credited interest are refundable upon termination of membership. The employer paid contribution offsets may or may not be refundable, as determined by the code section of the 37 Act that the employer adopted. Note 4 Reserves explains semi-annual interest crediting.

EMPLOYER CONTRIBUTIONS

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

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

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

The ranges of current member contribution rates based on age-at-date-of-entry are shown below (effective September, 2010). Generally, each pair of percentages ranges from youngest to oldest age-at-date-of-entry within the category.

Current Member Contribution Rates

Effective September, 2010

Tier 1: (entry date prior to July 1, 1983)	
General	9.39% - 14.13%
Safety 3% @ 50	17.70% - 20.95%
Tier 2: (entry date July 1, 1983 or later)	
General	6.36% - 10.28%
Safety 3% @ 50	14.41% - 17.90%
Tier 2: (entry date October 17, 2010 or later)	
Safety 2% @ 50	11.00% - 14.37%
Safety 3% @ 55	16.30% - 19.76%
Tier 3: (LARPD only)	
General	11.04% -15.10%

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

Postemployment Medical Benefits and Contributions

In accordance with federal tax law, Postemployment Medical Benefits are paid through a 401(h) account with contributions from the Participating Employers. There is no requirement and no guarantee that the employers will continue to contribute to the 401(h) account. If authorized by the Board of Retirement, ACERA treats an equal amount of SRBR assets as employer contributions available for paying pension benefits. ACERA's Board of Retirement has no authority to demand future payments from employers to fund the 401(h) account. These benefits can only be paid as long as assets are available. When assets are fully depleted, no Postemployment Medical Benefits will be paid by ACERA.

Pension Obligation Bonds

In 1995 and 1996 Alameda County issued pension obligation bonds and contributed the net bond proceeds to the ACERA Pension Plan. ACERA received aggregate net proceeds of \$591 million from these bonds. Alameda County Medical Center, First 5 Alameda County, and the Superior Court of

California for the County of Alameda (Employers) were part of the County of Alameda when the pension obligation bonds were issued. They subsequently separated and became discretely presented component units or special districts of the County of Alameda. These net bond proceeds contributions allow ACERA to provide "pension obligation bond credits" to these Employers (thus reducing contributions otherwise payable) over the period of time used by ACERA to amortize its unfunded actuarial accrued liability. These Employers received pension obligation bond credits of approximately $40.4 million in the year ended December 31, 2010.

4. RESERVES

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

Actuarial Asset Smoothing

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

Semi-annual Interest Crediting

ACERA updates reserve balances on a semi-annual basis as of June 30 and December 31 each year. At these times, ACERA carries out a multi-step process to calculate new reserve balances as specified in Article 5.5 of the 1937 Act. The amount of "net earnings" to be credited for the semi-annual period is calculated based on the actuarial smoothing process described above. To the extent that net earnings are available, interest is credited to specified components of reserves in a prescribed sequence after crediting the Contingency Reserve as described on page 40. Interest credited is based upon the actuarial assumed interest rate (or at the actual rate if lower). This is defined as "Regular Earnings." If there are Excess Earnings remaining, 50% is credited to the SRBR and the remaining 50% is credited proportionally to all other reserves (except for the Contingency Reserve and the Market Stabilization Reserve).

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

Components of Reserves

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

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

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

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

The 401(h) Postemployment Medical Benefits Account is used to pay the monthly medical allowance, Medicare Part B reimbursement, dental, and vision. The account is set up under the provisions of Internal Revenue Code section 401(h), which provides for payment of benefits on a tax-free basis. Participating Employers decide each year whether to contribute the funds needed and identify them as 401(h) account contributions. For the year ended December 31, 2010, the employers funded $29.5 million of 401(h) contributions.

The Non-OPEB Benefits Reserve is used to pay for the Supplemental COLA, active death equity benefits, and death (burial) benefits. A total amount of $3.0 million was paid for the Supplemental COLA for the year ended December 31, 2010. An amount of $1.8 million in death burial benefits and active death equity benefits was paid for deceased members for the year ended December 31, 2010. The reserve is increased through regular and excess Earnings.

The Contingency Reserve represents reserves accumulated to satisfy the statutory requirement of establishing a reserve against deficiencies in future interest crediting. The size of the reserve is determined semi-annually by the Board. The 1937 Act stipulates that the contingency reserve cannot exceed 3.0% of total assets and that, if the reserve falls below 1.0% of total assets, earnings from subsequent periods shall fund the reserve until the reserve level is at least 1.0% of total assets. The Board set the contingency reserve to be a minimum of 1.4% as of June 30, 2009. The reserve is accumulated from Regular Earnings before crediting other reserves as described on page 39 under Semi-annual Interest Crediting.

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

Allocation of Earnings to Reserves for 2010

ACERA had earnings of $635.6 million for the year ended December 31, 2010. $81.1 million of earnings were allocated to the Contingency Reserve for the year ended December 31, 2010. The Market Stabilization Reserve increased by $513.5 million for 2010 as a result of applying the actuarial five-year smoothing process and the actuarial value corridor limits. All other reserve accounts received interest credit of approximately $41.0 million.

Reserves

As of December 31, 2010

(Dollars in Thousands)

	Pension	Postemployment Medical Benefits	Non-OPEB Benefits	Total
Member Reserves	$ 1,113,628	$ -	$ -	$ 1,113,628
Employers' Advance Reserve	452,183	-	-	452,183
Retired Member Reserves	3,205,817	-	-	3,205,817
SRBR Allocation	-	560,968	63,199	624,167
401(h) Account	-	4,888	-	4,888
Basic Death (Burial) Benefit	-	-	6,057	6,057
Contingency Reserve	81,118	-	-	81,118
Total Reserves	**4,852,746**	**565,856**	**69,256**	**5,487,858**
UnderFunded Reserve Accounts				
Market Stabilization Reserve Account	(263,363)	-	-	(263,363)
Total Reserves and Underfunded Accounts	**$ 4,589,383**	**$ 565,856**	**$ 69,256**	**$ 5,224,495**

5. ACTUARIAL VALUATION

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

Pension Plan

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

Contribution requirements are determined under the entry age normal actuarial cost method. This method is designed to collect contributions as a level percentage of pay. Any actuarial gains or losses that occur under this method are amortized as a level percentage of pay. To minimize the impact of short-term investment gains or losses, the Board of Retirement adopted an asset smoothing process described on page 39 under Actuarial Asset Smoothing. The December 31, 2009 actuarial valuation determined that the Pension Plan was 81.2% funded.

The information for the funding progress of the Pension Plan, which includes the actuarial value of assets, the actuarial accrued liability, the unfunded actuarial accrued liability, the funded ratio, the annual covered payroll, and the ratio of unfunded actuarial accrued liability to annual covered payroll are all presented on Funded Status and Funding Progress - Pension Plan table on page 43. There are no legal or contractual maximum contribution rates under the 1937 Act that would affect the projection of benefits for financial reporting purposes.

Postemployment Medical Benefits and Non-OPEB Benefits

If Participating Employers continue to make contributions to the 401(h) account and the Board of Retirement continues to treat equal amounts of SRBR assets as contributions for pensions, then the Postemployment Medical Benefits are 77.4% funded assuming that the current benefit continues in perpetuity. This is the GASB 43 "funded ratio." The December 31, 2009 actuarial valuation determined that the Non-OPEB Benefits were 42.9% funded. The information for the funding progress of the

Postemployment Medical Benefits and Non-OPEB Benefits, which includes the actuarial value of assets, the actuarial accrued liability, the unfunded actuarial accrued liability, the funded ratio, the annual covered payroll, and the ratio of unfunded actuarial accrued liability to annual covered payroll is presented in two separate tables on page 43.

Assuming future investment earnings at the assumed rate of 7.9% per year, it is anticipated that available SRBR assets will be sufficient to fund Postemployment Medical Benefits through year 2026 and the Supplemental COLA and death benefits program through year 2031.

Actuarial Methods and Assumptions

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

	Pension Plan	**Postemployment Medical Benefits**	**Non-OPEB Benefits**
Valuation Date	12/31/09		
Actuarial Cost Method	Entry Age Normal		
Amortization of UAAL	Closed period 30 years (decreasing)		
Remaining Amortization Period	23 years	26 years	26 years
Assets Valuation Method	Difference between actual and expected market return smoothed over ten 6-months periods		
Actuarial Assumptions	Interest Rate: 7.90% Inflation Rate: 3.50% Across-the-Board Salary Increases: 0.50% Salary Increases: General 4.7% – 8.0% Safety 5.3% – 9.1% Demographic: refer to page 93		
Healthcare Cost Trend Rates:			
Medical	Graded down from 10% by 0.5% per annum until ultimate rate of 5%		
Dental and Vision	5%		
Medicare Part B	5%		
Postemployment Benefit Increases	For Tier 1 and 3 Members: 3.00% For Tier 2 Members: 2.00%	Dental, vision, and Medicare Part B subsidies are assumed to increase at 100% of the healthcare cost trend rates for these benefits. MMA subsidies are assumed to increase at 50% of the healthcare cost trend rates for the MMA benefit.	Supplemental COLA benefits, payable when the current allowance from the Pension Plan drops below 85% of the original Pension Plan benefit indexed with CPI, are assumed to increase by the difference between inflation and the cost-of-living benefit guaranteed in the Pension Plan (3.00% for Tier 1 and Tier 3; and 2.00% for Tier 2), subject to other limitations.

The required schedules of funding progress on pages 57 to 59 present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits over time. The calculation of the unfunded actuarial accrued liabilities each year is based on the benefits provided under the terms of the respective plan in effect at the time of each valuation and on the pattern of cost sharing between the employer and plan members up to that date.

The funded status and funding progress of the Pension Plan, Postemployment Medical Benefits, and Non-OPEB Benefits as of December 31, 2009, the most recent actuarial valuation date, are as follows:

Funded Status and Funding Progress – Pension Plan

(Dollar Amounts in Thousands)

Actuarial Value of Assets[1] (a)	Actuarial Accrued Liability (AAL)[2] (b)	Unfunded AAL (UAAL) (b–a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b–a) /c
$ 4,789,000[3]	$ 5,899,331	$ 1,110,331	81.2	$ 882,606	125.8

1 Excludes assets for SRBR and other non-valuation reserves.
2 Excludes liabilities for SRBR and other non-valuation reserves.
3 Includes $5,287,767 transferred from the SRBR to the employers' advance reserve to compensate the County for 2009 implicit subsidy.

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

(Dollar Amounts in Thousands)

Actuarial Value of Assets [1] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b–a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b–a) /c
$ 591,289	$ 763,501	$ 172,212	77.4	$ 882,606	19.5

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

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

(Dollar Amounts in Thousands)

Actuarial Value of Assets [1] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b–a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b–a) /c
$ 73,481	$ 171,178	$ 97,697	42.9	$ 882,606	11.1

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

6. POSTEMPLOYMENT MEDICAL BENEFITS

ACERA administers a medical benefits program for retired members and their eligible dependents. The County negotiates the medical contracts with the providers covering both active and retired members. This arrangement results in "blended" medical premium rates that allow early retirees not yet medicare-eligible to purchase medical care from one of these providers at rates lower than otherwise available (an "implicit subsidy"). ACERA and the County collectively determined that the total amount of implicit subsidy for the blended medical premium rates for the year 2009 was $5.3 million. SRBR assets in this amount were treated as pension contribution in 2010 upon the Board's approval to compensate the County for the implicit subsidy. The implicit subsidy amount for 2010 has not yet been determined. Approximately 76.5% of ACERA's retirees purchased medical coverage as of December 31, 2010. Approximately 100% of retirees were enrolled in vision and dental through this program as of December 31, 2010.

ACERA's retirees are eligible to receive a subsidy for medical premiums funded by the Participating Employer's 401(h) account contributions. This subsidy takes the form of a monthly medical allowance. The allowance is subject to annual reauthorization by the Board of Retirement.

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

Postemployment Medical Benefits Paid by the 401(h) Account

For the Year ended December 31, 2010
(Dollars in Thousands)

Medical Premium Account Balance	$ 4,888
Health Insurance Subsidies Paid	29,802
Number of Subsidized Retirees	
Medical	4,971
Medicare Part B	3,136
Dental and Vision	6,494

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

7. DEPOSITS AND INVESTMENTS

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

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

- "The members of the retirement board shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.
- The members of the retirement board shall discharge their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.
- The members of the retirement board shall diversify the investments of the system so as to minimize the risk of loss and to

> maximize the rate of return, unless under the circumstances it is clearly not prudent to do so."

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

Deposits

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

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

Investments

ACERA's asset classes include domestic equity, international equity, domestic fixed income, international fixed income, real estate, and private equity and alternative investments. Investments in any asset class may be held in direct form, pooled form, or both.

As of December 31, 2010, twelve external investment managers managed securities portfolios, seven investment managers were used for real estate investments, and twelve investment managers were used for private equity and alternative investments.

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

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

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

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

Derivatives

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

The Investment Derivatives schedule below reports the fair value balances, changes in fair value, and notional amounts of derivatives outstanding as of and for the year ended December 31, 2010, classified by type. For financial reporting purposes, all ACERA derivatives are classified as investment derivatives.

Derivative Investments

For Year Ended December 31, 2010 (Dollars in Thousands)

Derivative Type	Classification	Notional Value	Fair Value	Changes in Fair Value[2]
Future Contracts - Equity Index	Receivable	$ 36,210	$ 687	$ 1,339
Equity Index Swaps	Receivable	5,943	81	996
Rights	International Equity	76,379 shares	70	764
Warrants	International Equity	7,608 shares	10	9
Currency Forward Contracts	Liability[1]	20,106	(11)	6,630
Total			**$ 837**	**$ 9,738**

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

Securities Lending Activity

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

For the year ended December 31, 2010, on behalf of ACERA, the securities lending agent lent ACERA's securities (government bonds, corporate stocks, corporate bonds, and international equities and fixed income) to borrowers under the securities lending agreement and ACERA received cash (U.S. and foreign currency), securities issued or guaranteed by the United States government, and sovereign debt or irrevocable bank letters-of-credit as collateral.

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

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

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

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

ACERA did not impose any restrictions for the year ended December 31, 2010 on the amount of the loans that the securities lending agent made on its behalf. In the event the borrower failed to return the loaned securities, the securities lending agent indemnified ACERA by agreeing to purchase replacement securities. If the collateral was inadequate to replace the securities lent, the securities lending agent will supplement the amount of cash collateral. If the borrower failed to pay ACERA for any income distributions on loaned securities, the securities lending agent will also supplement the income amount due to ACERA. There were no losses during the year ended December 31, 2010 resulting from a default of the borrowers or the securities lending agent.

For the year ended December 31, 2010, ACERA and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders in a short term investment pool managed by the securities lending agent. During fiscal year 2010, the short term investment fund was separated into two investment pools: 1) a liquidity pool and 2) a duration pool. As of December 31, 2010, the liquidity pool had an average duration of 26 days and an average weighted final maturity of 32 days for USD collateral. The duration pool had an average duration of 35 days and an average weighted final maturity of 477 days for USD collateral. For the year ended December 31, 2010, 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, 2010, ACERA had securities on loan with a total fair value of $538.5 million and the cash collateral held against the loaned securities of $523.9 million.

Deposit, Investment and Derivative Risks

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

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

Investment Policies

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

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

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

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

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

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

Custodial Credit Risk—Deposits

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

By necessity, ACERA maintains operational cash deposits to support day-to-day cash management requirements. As of December 31, 2010, cash held with a financial institution in a pooled money market fund amounted to $3.2 million, of which $3.1 million is uninsured and uncollateralized. The cash held in the Alameda County Treasurer's investment pool was $0.1 million as of December 31, 2010. These deposits are uninsured and uncollateralized, and subject to custodial credit risk.

Custodial Credit Risk—Investments

The Custodial Credit Risk for Investments is the risk that, in the event of the failure of a counterparty to a transaction, ACERA will not be able to recover the value of investment securities that are in the possession of an outside party. The individual investment guidelines for each investment manager require that managed investments be held and maintained with the master custodian in the name of ACERA. The master custodian may rely on sub-custodians. The custodial requirement does not apply to real estate investments, investments in commingled pools, and private equity and alternative investments. As of December 31, 2010, ACERA had no investments that were exposed to custodial credit risk.

Custodial Credit Risk—Derivatives

ACERA's investments include collateral associated with derivatives activity. As of December 31, 2010, collateral for derivatives were $8.6 million. The collateral margins are maintained in margin accounts at financial services firms that provide brokerage services. Each account is uninsured and uncollateralized, and subject to custodial credit risk.

Concentration of Credit Risk

Concentration of Credit Risk is the risk of loss attributed to the magnitude of ACERA's investment in a single issuer of securities. The individual investment guidelines for each fixed income manager restrict concentrations greater than 5% in the securities of any one issuer (excluding all government and agency securities). As of December 31, 2010, ACERA had no investments in a single issuer that equaled or exceeded 5% of ACERA's Net Assets.

Credit Risk—Investments

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

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

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

The Credit Risk Analysis schedule on page 49 discloses credit ratings of ACERA's debt investments by type and for each external investment pool as of December 31, 2010.

Credit Risk Analysis

As of December 31, 2010 (Dollars in Thousands)

Debt Investments By Type	Total	Adjusted Moody's Credit Rating[1] Aaa	Aa	A	Baa	Ba	B	Caa	Ca and Below	Not Rated
Collateralized Mortgage Obligations	$158,217	$67,524	$7,682	$5,325	$9,555	$936	$10,642	$46,987	$2,973	$6,593
Convertible Bonds	33,288	-	-	7,635	676	4,923	12,966	4,559	-	2,529
Corporate Bonds	455,448	42,418	31,688	80,792	156,248	53,228	64,677	16,799	1,745	7,853
Federal Home Loan Mortgage Corp.	61,526	61,526	-	-	-	-	-	-	-	-
Federal National Mortgage Assn.	89,940	89,940	-	-	-	-	-	-	-	-
Government National Mortgage Assn. I, II	13,352	13,352	-	-	-	-	-	-	-	-
Government Issues	349,037	248,050	7,402	48,611	22,370	12,172	-	-	-	10,432
Municipal	9,300	-	-	8,307	993	-	-	-	-	-
Other Asset Backed Securities	47,365	13,072	4,685	3,799	-	1,052	4,908	10,027	6,248	3,574
Subtotal Debt Investments	**1,217,473**	**535,882**	**51,457**	**154,469**	**189,842**	**72,311**	**93,193**	**78,372**	**10,966**	**30,981**
EXTERNAL INVESTMENT POOLS OF DEBT SECURITIES										
Securities Lending Cash Collateral Fund										
Liquidation Pool	356,501	-	-	-	-	-	-	-	-	356,501
Duration Pool	167,356	-	-	-	-	-	-	-	-	167,356
Master Custodian Short-Term Investment Fund	106,033	-	-	-	-	-	-	-	-	106,033
Subtotal External Investment Pools	**629,890**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**629,890**
Total	**$1,847,363**	**$535,882**	**$51,457**	**$154,469**	**$189,842**	**$72,311**	**$93,193**	**$78,372**	**$10,966**	**$660,871**

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

Credit Risk—Derivatives

ACERA is exposed to credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to credit risk include currency forward contracts, equity index swaps, and synthetic futures (which are included in Future Contracts Equity Index). To minimize credit risk exposure, ACERA's investment managers continuously monitor credit ratings of counterparties. Should there be a counterparty failure, ACERA would be exposed to the loss of the fair value of derivatives that are in asset positions and any collateral provided to the counterparty, net of the effect of applicable netting arrangements. ACERA has no general investment policy with respect to netting arrangements or collateral requirements. Netting arrangements legally provide ACERA with a right of setoff in the events of bankruptcy or default by the counterparty. ACERA's investment managers may have collateral posting provisions associated with equity index swaps and currency forward contracts. In the event of counterparty failure, ACERA would be exposed to loss of collateral provided to the counterparty. Collateral provided by the counterparty to ACERA reduces its credit risk exposure. The collateral associated with investments derivatives is disclosed on page 48 under Custodial Credit Risk—Derivatives.

The following Credit Risk—Derivatives schedule discloses the counterparty credit ratings of ACERA's investment derivatives in asset positions by type, as of December 31, 2010. These amounts represent the maximum loss that would be recognized if all counterparties fail to perform as contracted, without respect to any collateral or other security, or netting arrangement.

Credit Risk Analysis – Investment Derivatives Subject to Credit Risk

As of December 31, 2010
(Dollars in Thousands)

		Adjusted Moody's Credit Rating[1]	
	Total	**Aa**	**A**
Derivative Type			
Currency Forward Contracts	$ 7,188	$ 587	$ 6,601
Future Contracts - Equity Index	985	208	777
Equity Index Swaps	81	-	81
Total Derivatives in Asset Positions	**$ 8,254**	**$ 795**	**$ 7,459**

1 See footnote 1 on page 49

As of December 31, 2010 the $8.3 million maximum exposure of derivatives credit risk was reduced by $4.9 million of liabilities included in netting arrangements, resulting in a net exposure to credit risk of $3.4 million.

ACERA has investment derivative concentration of credit risk. As of December 31, 2010, 70.4% of the net exposure to credit risk is with one counterparty, with a credit rating of A.

Interest Rate Risk

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

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

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

The Interest Rate Risk Analysis—Duration schedule below 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 34 days as of December 31, 2010.

Interest Rate Risk Analysis – Duration

As of December 31, 2010 (Dollars in Thousands)

Debt Investments by Type	Fair Value	Duration in Years
Collateralized Mortgage Obligations	$ 158,217	5.5
Convertible Bonds	33,288	7.9
Corporate Bonds	455,448	6.5
Federal Home Loan Mortgage Corp.	61,526	3.4
Federal National Mortgage Assn.	89,940	3.1
Government National Mortgage Assn. I, II	13,352	4.6
Government Issues	349,037	8.7
Municipal	9,300	11.9
Other Asset Backed Securities	47,365	4.7
Total of Debt Investments	**1,217,473**	

External Investment Pools of Debt Securities	Fair Value	Duration
Securities Lending Cash Collateral Fund	-	-
Liquidity Pool	356,501	26 days
Duration Pool	167,356	35 days
Master Custodian Short-Term Investment Fund	106,033	-
Total External Investment Pools	**$ 629,890**	

Interest Rate Risk Analysis – Highly Sensitive

Investment with Fair Values Highly Sensitive to Changes in Interest Rates

As of December 31, 2010 (Dollars in Thousands)

Investment Type	Investment Description	Interest Rates	Fair Value
Collateralized Mortgage Obligations	Mortgage-related Securities	2.33 to 6.25%	$ 42,074

Fair Value Highly Sensitive to Changes in Interest Rates

Debt investment terms may cause its fair value to be highly sensitive to interest rate changes. The Interest Rate Risk Analysis table described above discloses the degree to which ACERA's investments are sensitive to interest rate changes due simply to the remaining term to maturity. In contrast, ACERA's investments with fair values that are highly sensitive to interest rates due to other factors are disclosed on the Interest Rate Risk Analysis - Highly Sensitive schedule on page 51. ACERA has no general investment policy with respect to investments with fair values that are highly sensitive to changes in interest rates.

Foreign Currency Risk

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

Foreign Currency Risk—Investments

The Foreign Currency Risk Analysis schedule on page 53 shows the fair value of investments that are exposed to this risk by currency denomination and investment type. This provides an indication of the magnitude of foreign currency risk for each currency.

Foreign Currency Risk—Equity Index Swaps and Futures

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

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

Foreign Currency Risk—Foreign Exchange Contracts

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

The dollar impact that foreign exchange contracts have on foreign currency risk is equal to the foreign currency settlement amounts translated in the same manner as the investments (i.e. spot exchange rate at the end of the year). The impact appears in the column labeled Foreign Currency on the schedule on page 53. 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, 2010 (Dollars in Thousands)

	Investment Type							
Currency	**Common Stock and Depository Receipts**	**International Equity Mutual Fund/Private Equity**	**Corporate Bonds**	**Foreign Currency**	**Government Issues**	**Currency Swaps**	**Index Swaps & Futures**	**Net Exposure**
Australian Dollar	$ 69,891	$ -	$ 31,592	$ 2	$ 6,484	$ 625	$ 150	$ 108,744
Brazilian Real	13,160	-	-	-	9,439	505	15	23,119
Canadian Dollar	57,238	-	3,624	292	31,220	(401)	(223)	91,750
Chilean Peso	-	-	-	-	-	109	-	109
Colombian Peso	-	-	-	-	1,255	-	-	1,255
Danish Krone	14,986	-	-	98	-	(31)	-	15,053
Egyptian Pound	-	-	-	-	-	-	-	-
Euro Currency	346,950	-	-	9,113	1,361	(1,353)	(397)	355,674
Hong Kong Dollar	61,581	-	-	374	-	(18)	189	62,126
Hungarian Forint	-	-	-	-	5,950	69	-	6,019
Iceland Krona	-	-	-	61	938	-	-	999
Indian Rupee	18,041	-	9,176	-	-	58	-	27,275
Indonesian Rupiah	4,234	-	4,209	3	9,961	(3)	-	18,404
Israeli Shekel	5,524	-	-	-	-	-	11	5,535
Japanese Yen	228,351	-	7,308	443	-	(805)	(231)	235,066
Malaysian Ringgit	5,034	-	-	-	15,211	74	(2)	20,317
Mexican Peso	9,482	-	1,221	214	6,306	97	37	17,357
New Russian Ruble	-	-	-	-	-	(153)	-	(153)
New Taiwan Dollar	5,443	-	-	-	-	142	-	5,585
New Zealand Dollar	2,956	-	8,689	119	10,572	(206)	-	22,130
Norwegian Krone	1,310	-	-	35	13,206	1,005	-	15,556
Peruvian Nouveau Sol	-	-	-	-	-	3	-	3
Philippine Peso	-	-	4,792	-	-	(5)	-	4,787
Polish Zloty	4,697	-	-	-	18,764	335	(25)	23,771
Pound Sterling	173,703	-	-	200	15,603	135	8	189,649
Singapore Dollar	16,369	-	5,758	31	-	(65)	2	22,095
South African Rand	11,755	-	-	(46)	-	414	49	12,172
South Korean Won	24,786	-	6,205	-	14,293	94	752	46,130
Swedish Krona	10,793	-	-	77	15,260	1,023	(31)	27,122
Swiss Franc	72,211	-	-	14	-	(969)	208	71,464
Thailand Baht	4,884	-	-	105	-	(4)	-	4,985
Turkish Lira	629	-	-	(11)	-	(701)	(11)	(94)
Yuan Renminbi	-	-	-	-	-	17	-	17
Various Currencies	-	89,904	-	-	-	-	-	89,904
Total	**$ 1,164,008**	**$ 89,904**	**$ 82,574**	**$ 11,124**	**$ 175,823**	**$ (9)**	**$ 501**	**$ 1,523,925**

Real Estate

Real Estate Investment Income – Separate Properties For the Year ended December 31, 2010 (Dollars in Thousands)	
Real Estate Investment Income	$ 13,568
Real Estate Expenses	
Non-Operating Expenses[1]	1,183
Operating Expenses	7,190
Total Expenses	**8,373**
Real Estate Net Income	**$ 5,195**

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

The remaining balances of real estate related debt outstanding associated with the separate properties as of December 31, 2010 were $12.7 million.

8. CAPITAL ASSETS

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

Capital Assets and Accumulated Depreciation

For the Year ended December 31, 2010 (Dollars in Thousands)

	January 1, 2010	Additions	Deletions / Transfers	December 31, 2010
CAPITAL ASSETS - DEPRECIABLE				
Equipment and Furniture	$ 2,730	$ 47	$ -	$ 2,777
Information Systems	10,457	-	-	10,457
Leasehold Improvements	2,465	-	-	2,465
Subtotal	**15,652**	**47**	**-**	**15,699**
CAPITAL ASSETS - NON DEPRECIABLE				
Construction – In Progress	686	1,338	-	2,024
Total Capital Assets (at Cost)	**16,338**	**1,385**	**-**	**17,723**
ACCUMULATED DEPRECIATION AND AMORTIZATION				
Equipment and Furniture	(2,368)	(134)	-	(2,502)
Information Systems	(10,457)	-	-	(10,457)
Leasehold Improvements	(291)	(90)	-	(381)
Total Accumulated Depreciation and Amortization	**(13,116)**	**(224)**	**-**	**(13,340)**
Capital Assets – Net of Accumulated Depreciation and Amortization	**$ 3,222**	**$ 1,161**	**$ -**	**$ 4,383**

9. LEASES

During the year ended December 31, 2001, ACERA purchased the building where its offices are currently located: 475 14th St., Oakland, CA 94612. ACERA formed a title holding corporation named Oakland 14th St. Office to take ownership of the building. Under a lease agreement with Oakland 14th St. Office effective in 2007, ACERA occupies two and a half floors in the building, totaling approximately 36,000 square feet. The term of the lease is seven years and seven months, with an option to renew for five additional years. Under the terms of the lease agreement, ACERA's base rent is abated. However, ACERA is required to pay its proportionate share of building operating expenses as defined in the lease. ACERA's share of these operating expenses was $81,000 for the year ended December 31, 2010.

In addition, ACERA leases photocopy machines and mailing equipment to support operations. Equipment rental expenses were $31,000 for the year ended December 31, 2010. The future estimated minimum rental payments for these leases are as follows:

Future Minimum Rental Payments

As of December 31 (Dollars in Thousands)

Year	Amount
2011	$ 28
2012	28
2013	25
2014	17
2015	10
Total	**$ 108**

10. ADMINISTRATION EXPENSE

ACERA's Board of Retirement annually adopts an administration expense budget covering expenses to be incurred in the following fiscal year. The administration expense is normally limited to 0.18% of the assets of the retirement system in accordance with Section 31580.2 of the 1937 Act. Only a portion of the administration expense is subject to the statutory limit based on exclusions specified in the 1937 Act:

In 2005, the Board adopted a provision of the 1937 Act (Section 31522.6) that allows ACERA to exclude actuarial, investment, legal, and business continuity related expenses from that portion of administration expense subject to the statutory limit. These exclusions (other than investment related expenses) totaled $3.0 million for 2010. Investment related expenses were offset against investment income. In 2010, ACERA adopted provision of Section 31580.3(2) of the 1937 Act which allows the Retirement Board to adopt a budget covering the entire expense of administration of 0.23 percent of total assets.

ACERA's policy is to assess its compliance with the limitation based on an asset valuation date of June 30 of the year in which the budget is adopted. Consistent with the past practice, for the year 2010 the total administration expense was charged to the Pension Plan, and was not allocated to the Postemployment Medical Benefits and Non-OPEB Benefits.

A schedule of Administration Expense is included in the Supporting Schedules on page 62.

Application of Statutory Limit on Administration Expense

For the Year ended December 31, 2010 (Dollars in Thousands)

Total Assets as of June 30, 2009	$ 4,742,629
Limit: Maximum Allowable fraction of Total Assets (0.23%) times Total Assets	10,908
Portion of Administrative Expenses for the Fiscal Year subject to the Statutory Limit	9,951
Excess of Limit over Portion of Administration Expense Subject to Limit	**$ 957**
Portion of Administration Expense Subject to Limit as a Percentage of Total Assets	**0.21%**

11. RELATED PARTY TRANSACTIONS

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

The balance of such costs at December 31, 2010 not yet reimbursed to the County was approximately $573,000 mainly for the salary and benefits of ACERA staff members.

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

Related Party Transactions

For the Year ended December 31, 2010

(Dollars in Thousands)

Reimbursed Cost of ACERA Staff Members	$ 10,100
Reimbursed Costs of County Services	538
State-Mandated Benefit Replacement Program (415M)	81
County Personnel Services	77
Partial Salary/Benefits Reimbursement for Elected Board Members	215
Total	**$ 11,011**

Required Supplementary Schedules

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

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets [1] (a)	Actuarial Accrued Liability (AAL)[2] (b)	Unfunded AAL (UAAL) (b–a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b–a) /c
12/31/04	$ 3,557,918	$ 4,336,123	$ 778,205 [3]	82.1 [3]	$ 694,626	112.0
12/31/05	3,781,843	4,548,213	766,370	83.2	709,783	108.0
12/31/06	4,127,841 [4]	4,825,157	697,316	85.5	762,139	91.5
12/31/07	4,560,213 [4]	5,112,403	552,190	89.2	793,558	69.6
12/31/08	4,644,010 [4]	5,537,919	893,909	83.9	864,260	103.4
12/31/09	4,789,000 [4]	5,899,331	1,110,331	81.2	882,606	125.8

1 Excludes assets for SRBR and other non-valuation reserves.
2 Excludes liabilities for SRBR and other non-valuation reserves.
3 Includes Safety 3% at 50 formula improvement. If the Safety formula improvement is excluded, the total UAAL is $682,635,000 and the funded ratio is 83.9%.
4 Includes the following amounts transferred from the SRBR to the employers' advance reserve to compensate the County for the implicit subsidy: 2005 and 2006-$6,303,514; 2007-$3,091,493; 2008-$4,149,463; 2009-$5,287,767.

Schedule of Employer Contributions – Pension Plan

(Dollar Amounts in Millions)

Year Ended December 31	Annual Required Contribution [1]	Percentage (%) Contributed [2]
2004	$ 85	100
2005	101	100
2006	127	100
2007	130	100
2008	130	100
2009	132	100

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

2 With the implementation of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, some Participating Employers have allocated total contributions paid to ACERA between the Pension and OPEB Benefits based on the assumption that the annual required contribution to the Pension Plan is now lower as SRBR has transferred an equal amount as employer contributions to fulfill part of the annual required contribution.

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

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets[2] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (%) (a / b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b - a) / c
12/31/06	$ 496,200	$ 591,400	$ 95,200	83.9	$ 762,139	12.5
12/31/07	614,444	639,821	25,377	96.0	793,558	3.2
12/31/08	608,314	703,320	95,006	86.5	864,260	11.0
12/31/09	591,289	763,501	172,212	77.4	882,606	19.5

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

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets[2] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (%) (a / b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b - a) / c
12/31/06	$ 496,200	$ 496,200	$0	100.0	$ 762,139	0
12/31/07	614,444	614,444	0	100.0	793,558	0
12/31/08	608,314	608,314	0	100.0	864,260	0
12/31/09	591,289	591,289	0	100.0	882,606	0

Schedule of Employer Contributions – Postemployment Medical Benefits

(Dollar Amounts in Thousands)

	Annual Required Contribution		
Year Ended December 31	Without Limit[3]	With Limit[4]	Percentage (%) Contributed[5]
2006	$ 25,989	$ 0	0
2007	23,807	0	0
2008	31,718	0	0
2009	38,658	0	0

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

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

3 In accordance with the GASB 43 "substantive plan" definition, this information is presented using the assumptions that: Participating Employers continue the same benefits offered and pay contributions to the 401(h) account as of December 31, 2009; and that the Board of Retirement continues to treat available SRBR assets as pension contributions without the limits described under note 4. This information discloses the 'without limit" unfunded actuarial accrued liability and 'funded ratio" using the actuarial values of assets as described in footnote 2 and benefits provided as of December 31, 2009. Based on the amount of SRBR assets available for this purpose as of December 31, 2009, there are sufficient SRBR assets to continue substituting for the employer pension contributions until the year 2026.

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

5 Some Participating Employers consider a portion of the transfer of Excess Earnings to the SRBR to be an employer contribution under GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.

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

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets[2] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (%) (a / b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b - a) / c
12/31/06	$ 66,300	$ 186,300	$ 120,000	35.6	$ 762,139	15.7
12/31/07	78,426	203,868	125,442	38.5	793,558	15.8
12/31/08	76,005	202,534	126,529	37.5	864,260	14.6
12/31/09	73,481	171,178	97,697	42.9	882,606	11.1

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

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets[2] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (%) (a / b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b - a) / c
12/31/06	$ 66,300	$ 66,300	$ 0	100.0	$ 762,139	0
12/31/07	78,426	78,426	0	100.0	793,558	0
12/31/08	76,005	76,005	0	100.0	864,260	0
12/31/09	73,481	73,481	0	100.0	882,606	0

Schedule of Employer Contributions – Non-OPEB Benefits

(Dollar Amounts in Thousands)

	Annual Required Contribution		
Year Ended December 31	Without Limit[1]	With Limit[3]	Percentage (%) Contributed[4]
2006	$ 17,224	0	0
2007	18,331	0	0
2008	19,359	0	0
2009	15,975	0	0

1 In accordance with the GASB 43 "substantive Plan" definition, this information is presented using the assumption that the Board of Retirement continues the same benefits offered as of December 31, 2009 without the limits described under note 3. This information discloses the "without limit' unfunded actuarial accrued liability and funded ratio using the actuarial values of assets and benefits as of December 31, 2009. Based on the amount of SRBR and Death (Burial) Benefit Reserve assets allocated for this purpose as of December 31, 2009, there are sufficient assets to provide these benefits until the year 2031.

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

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

4 Some Participating Employers consider a portion of the transfer of Excess Earnings from the Pension Plan to the SRBR to be an employer contribution under GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.

Notes to Required Supplementary Schedules

PENSION PLAN

The information presented in the supplemental schedules was determined as part of the actuarial valuations as of the dates indicated. Additional information, as of the most recent actuarial valuation date, December 31, 2009, is as follows:

Actuarial Cost Method: Entry Age Normal Cost Method

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

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

The UAAL of ACERA's Pension Plan is being funded over a declining 23-year period following December 31, 2009.

Amortization Approach: Closed

Amortization of Actuarial Gains and Losses: Any new actuarial gains and losses will be combined with all prior unamortized gains and losses and amortized over the amortization period of 23 years following December 31, 2009.

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

Actuarial Assumed Interest Rate: 7.90% per annum

Assumed Salary Increases:

General: 4.7%–8.0% per annum

Safety: 5.3%–9.1% per annum

These total assumed salary increases include:

Inflation: 3.50% per annum

Across-the-Board: 0.50% per annum

POSTEMPLOYMENT MEDICAL BENEFITS

The actuarial assumptions used for the Postemployment Medical Benefits valuation were consistent with those applied to the Pension Plan with the exception of remaining amortization period, which is 26 years. All other assumptions noted for the Pension Plan were applicable, including: the Actuarial Cost Method, Asset Valuation Method, Amortization of Unfunded Actuarial Accrued Liability, Amortization Approach, Actuarial Assumed Interest Rate, Assumed Salary Increases, Assumed Inflation Rate, and Assumed Across-the-

Board Salary Increase. The Health Care Cost Trend Rate assumptions described below were specific to the Postemployment Medical Benefits.

Health Care Cost Trend Rates

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

Medical: 10%, graded down 0.5% per annum until ultimate rate of 5%

Dental and Vision: 5%

Medicare Part B: 5%

NON-OPEB BENEFITS

The actuarial assumptions used for the Non-OPEB Benefits valuation were consistent with those applied to the Pension Plan with the exception of remaining amortization period, which is 26 years. All other assumptions noted for the Pension Plan were applicable, including: the Actuarial Cost Method, Asset Valuation Method, Amortization of Unfunded Actuarial Accrued Liability, Amortization Approach, Actuarial Assumed Interest Rate, Assumed Salary Increases, Assumed Inflation Rate, and Assumed Across the Board Salary Increase.

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

Supporting Schedules

Investment Expenses

For the Year Ended December 31, 2010
(Dollars in Thousands)

Investment Manager Fees[1]	$	17,303
Brokerage Commissions		2,881
Investment Allocated Costs		2,504
Investment Consultants		1,007
Other Investment Expenses		493
Investment Custodians		436
Total Investment Expenses	**$**	**24,624**

1 The Investment Section of this report provides details of Investment Manager Fees by asset class.

Payments to Other Consultants[2]

For the Year Ended December 31, 2010
(Dollars in Thousands)

Actuarial & Audit Services	$	369
Benefits Consulting		144
EDMS		300
Human Resource Consulting		77
IT Strategic Plan		99
Legal Services		320
Other Specialized Services		315
Total Payments to Consultants	**$**	**1,624**

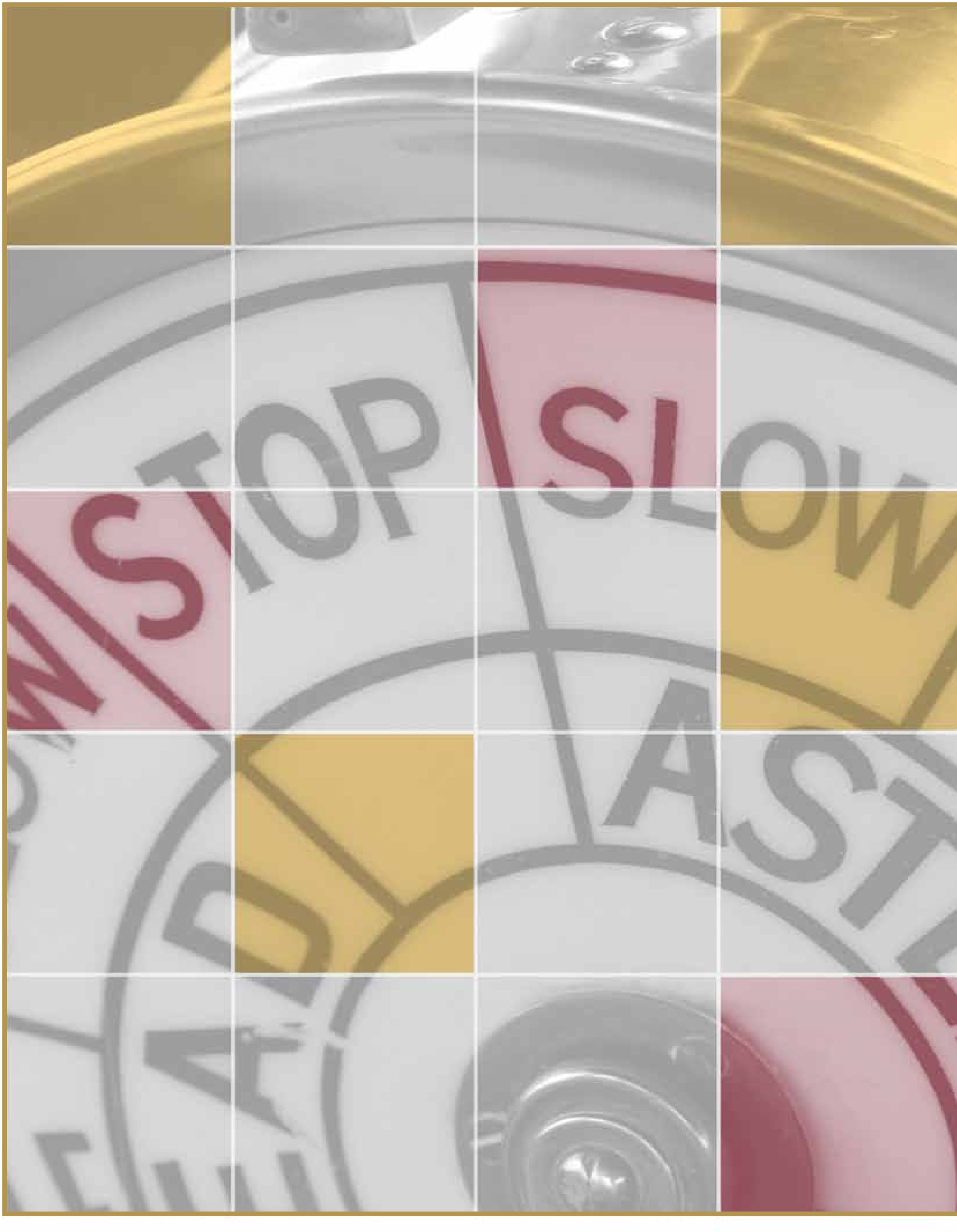
2 These are payments to outside consultants other than investment advisors. See the table to the above for fees paid to investment professionals.

Administration Expense

For the Year Ended December 31, 2010
(Dollars in Thousands)

PERSONNEL SERVICES		
Staff Wages	$	4,830
Fringe Benefits		2,263
Temporary Services		721
EDMS Internal Labor Cost[2]		(265)
Total Personnel Services		**7,549**
PROFESSIONAL SERVICES		
Computer Services		535
Audit		83
Specialized Services		56
Total Professional Services		**674**
COMMUNICATIONS		
Printing		189
Postage		61
Communication		73
Total Communications		**323**
RENTAL/UTILITIES		
Office Space		55
Equipment Leasing		21
Total Rental/Utilities		**76**
OTHER		
Software Maintenance and Support		318
Depreciation and Amortization		138
Board Operating Expenses		283
Insurance		215
Miscellaneous		142
Training		119
Maintenance- Equipment		67
Supplies		47
Total Other		**1,329**
Subtotal: Administrative Expense Subject to Statutory Limit		**9,951**
Legal Expenses		2,260
Business Continuity		531
Actuarial Expenses		259
Subtotal: Administration Expense Excluded from Statutory Limit[1]		**3,050**
Total Administration Expense	**$**	**13,001**

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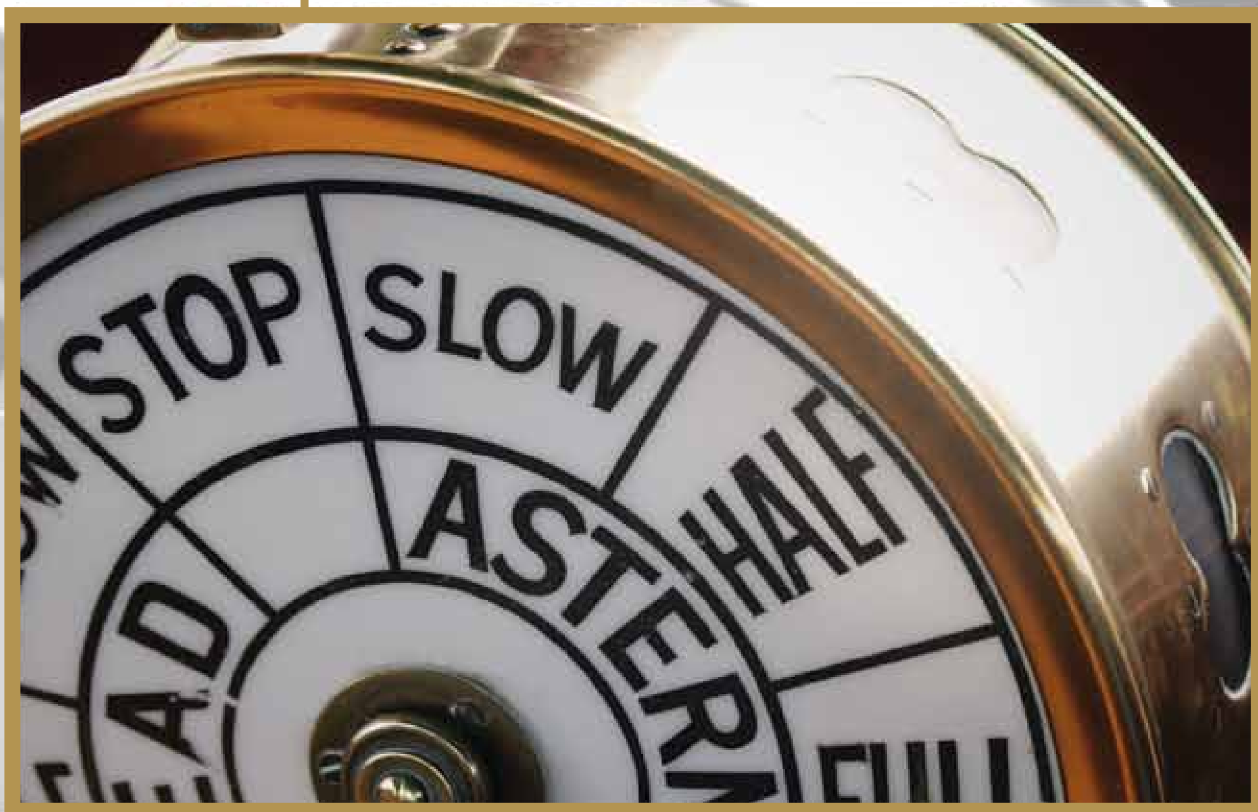
Investments



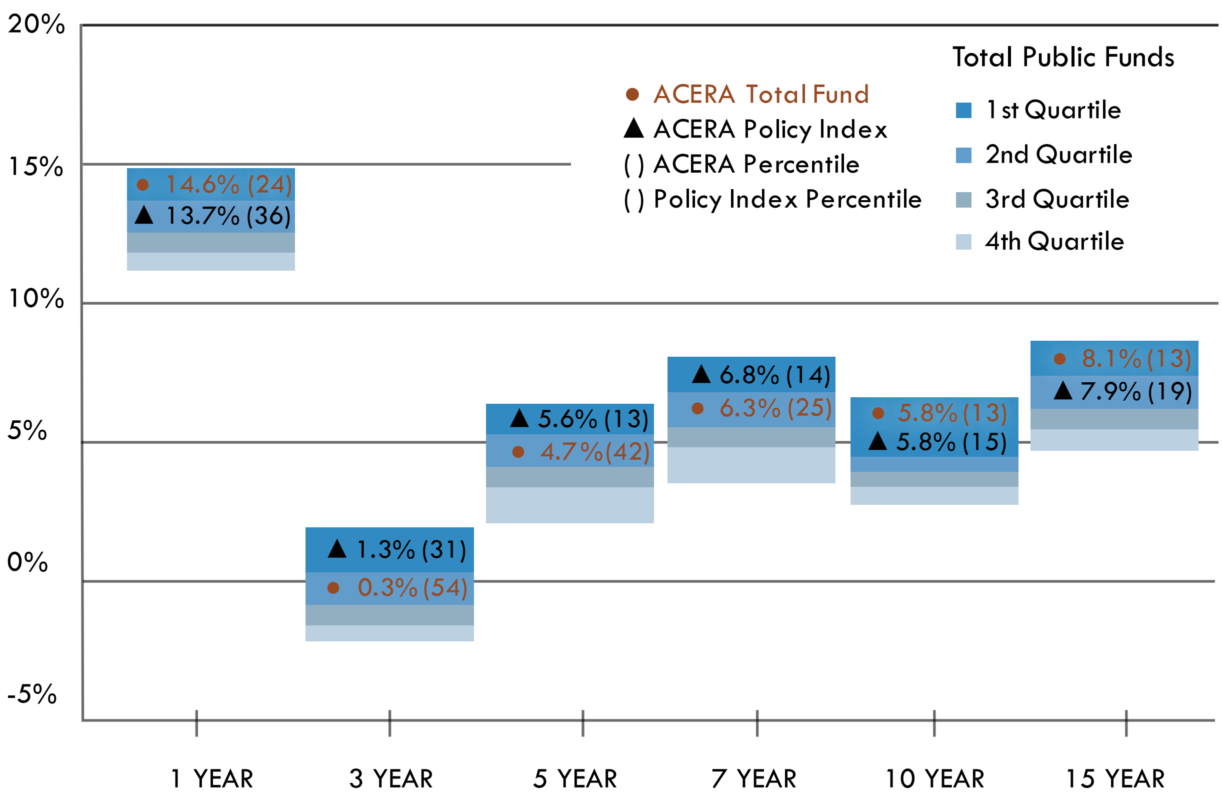
ACERA
ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
475 14th Street, Suite 1000, Oakland, CA 94612 800/838-1932 510/628-3000 fax: 510/268-9574 www.acera.org

Chief Investment Officer's Report

Performance Highlights of ACERA's 2010 Investment Fund (Fund)	
(Gross Results)	2010
Total Fund Return	**14.6%**
Domestic Equity Return	18.6%
International Equity Return	10.1%
Fixed Income Return	11.9%
Real Estate Return	11.7%
PEARLS Return	19.8%
Year-end Fund Value (billions)	**$5.2**

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

Periods Ended December 31, 2010



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

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

These are the three primary goals as stated in the ACERA General Investment Guidelines, Policies and Procedures (Policy). ACERA has strong controls in place to monitor and manage portfolio risks and to ensure compliance with all relevant fiduciary standards.

One can call 2008 the crisis year, 2009 the rebound year, and 2010 the echo rebound year. ACERA's portfolio's highest value of $5.6 billion occurred in 2007. Its lowest valuation occurred in March 2009 at $3.2 billion. Therefore, the peak-to-trough **unrealized** loss was $2.4 billion. At December 31, 2010, the portfolio had recovered $2.0 billion of the **unrealized** loss. The initial and ongoing recovery of the U.S. economy and the equity markets was aided by the various unprecedented recovery programs implemented by the many government agencies at all levels, worldwide.

U.S. public pension funds in 2010 continued the momentum of recovery that began in 2009 albeit at a slower rate. As reflected by the numbers above, ACERA participated in the strong recovery; indeed ACERA has beaten the median return of public pension funds with over $100 million of assets in nine of the last ten calendar years. The Fund recovered approximately $877 million during 2009; it added approximately $545 million during 2010. Over the last two calendar years, the Fund's market value has increased by approximately $1.4 billion after making benefits payments to beneficiaries. Although the rate of recovery is slowing, the markets, and therefore the Fund, appear to be on a trajectory toward full recovery. While it is exciting to contemplate further recovery and increases to the fund, the markets will always make their own decisions regarding recovery timing.

In 2010, the Fund outperformed its Policy Index (a weighted average of the benchmarks assigned to each of the Fund's asset classes and strategies) by approximately 0.9% and ranked in the top 24th percentile. ACERA's three-year return of 0.3% underperformed the Policy Index by 1.0% and ranked in the 54th percentile. The five-year return of 4.7% underperformed the Policy Index by 0.8% and ranked in the 42nd percentile. Over the longer term, the Fund's results were impressive. The ten-year return of 5.8% equaled the Policy Index, ranked in the upper 13th percentile, and exceeded the median return of 4.7%. The fifteen-year return of 8.1% was even stronger, exceeding the Policy Index of 7.9%, ranking also in the upper 13th percentile, and surpassing the median return of 7.2%.

Looking at the broad asset classes in the portfolio, all achieved double digit performances in 2010 (please refer to the table of Performance Highlights on p. 1).

It is very satisfying to see the Private Equity and Alternatives asset class lead the performance results. Private equity strategies in the portfolio are still young. Usually, it takes several years to overcome the J-Curve effect in early years' results as a necessary consequence of paying fees and start up costs while awaiting positive investment results. This year, the private equity portion of the Private Equity and Alternatives Return Leading Strategies (PEARLS) performance of 21.7% overcame that J-Curve effect. In addition to the compelling private equity results, ACERA's alternative investments also provided strong returns resulting in a total return of 19.8% for the PEARLS portfolio.

Since 2008, ACERA has maintained its target allocations unchanged as follows: 37.0% U.S. Equities, 23.0% International Equities, 24.0% Fixed Income, 6.0% Real Estate, and 10.0% PEARLS investments. Many academic studies suggest that about 80% - 90% of a portfolio's investment results are derived from asset allocation and that a well-diversified investment portfolio is more likely to produce better performance relative to its indices over the long term. In early 2009, the fundamental valuations of equity and fixed income fell to their lowest levels in decades. As financial markets began to stabilize in the second quarter of 2009, ACERA's well-positioned and diversified portfolio participated in the very asset classes that experienced significant performance improvements such as Fixed Income and Equities. As in 2008 and in 2009, portfolio diversification played a powerful continuing role in 2010 with respect to risk control as well as results. ACERA's Board maintains its strong commitment to the implementation of an effective asset allocation strategy and ACERA's investment staff monitors asset risks and related results rigorously.

Whether compared with our actuarial assumed rate (7.9% for 2010) or our Policy Index (13.7% in 2010), 2010 proved to be a year of achievement for ACERA's investment program.

ANALYSIS OF FACTORS AFFECTING ACERA'S PORTFOLIO IN 2010

The Board's Actions

In 2010, our Board continued to diversify/enhance ACERA's portfolio with several decisions designed to meet the portfolio's investment goals over the long term. The Board added/replaced one U.S. small cap value equity manager, added three new PEARLS managers, doubled the allocation to an existing PEARLS manager, determined to invest in one international small cap manager, and launched a search for a pure currency alpha manager. During 2010, the Board allocated and/or reallocated about $320 million of portfolio assets.

The Board also updated two existing policies by adopting amended Directed Brokerage and Emerging Investment Manager Policies. No changes were made to the major asset class target allocations; however, the Board adopted a new fixed income manager structure (specifically, 50% Enhanced Index, 25% Aggressive Core Plus, and 25% Global Bond) with the intent of increasing the Fund's global bond exposure.

ACERA's Portfolio – Detail

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

The U.S. equity market continued its momentum in 2010 following the uncommonly positive year of 2009. All equity sectors delivered positive gains. Consumer Discretionary, Industrials and Materials sectors posted the best results returning 30.1%, 27.3% and 25.2%, respectively. ACERA's U.S. equity investments, once again, have delivered better performance than the over-all market for the year. ACERA's U.S. equity investments accounted for 40.8% of the total Fund at the end of 2010 and posted a double digit return of 18.6%, outperforming the benchmark Russell 3000 Index by 1.7%. ACERA's small cap equity composite was the best performing component of the Fund's domestic equity portfolio. Accounting for 8.7% of the total Fund's assets, the small cap equity composite returned 29.6% (more than double the Fund's over-all return), exceeding the benchmark Russell 2000 by 2.7%. ACERA's large cap active composite also performed well for the year. Accounting for 16.1% of the total Fund, the large cap active composite returned 16.8%, beating its benchmark Russell 1000 by 0.7%. The Fund's S&P 500 Index portfolio recorded a gain of 15.1%, which is exactly in line with its benchmark, the S&P 500 Index. It represented a 14.8% allocation, the largest single component of the Fund.

In 2010, the developed international equity markets suffered a sovereign debt crisis but recovered by the fourth quarter. Both the developed markets index (MSCI EAFE Index) and the emerging markets index (MSCI Emerging Markets Index) experienced strong gains of 8.2% and 19.2%, respectively. ACERA's international equity portfolio generated

10.1% in investment returns, underperforming its benchmark (MSCI ACWI ex-U.S.) by 1.5% for the year 2010. Accounting for 5.2% of the total Fund, the quantitative-oriented international equity manager outperformed its benchmark by 2.6%. However, ACERA's core/growth and value-oriented international equity managers underperformed the same composite benchmark by 0.6% and 4.9%, respectively. These two international managers accounted for 20.9% of the total Fund.

ACERA's fixed income portfolio returned 11.9% in 2010, and outperformed its blended benchmark (75% Barclays Aggregate Bond Index, 15% Citigroup World Government Bond Index ex-U.S., and 10% Barclays Corporate High Yield Index) by 4.6%. This positive result can be attributed to both components of the fixed income portfolio, which includes U.S. fixed income and global fixed income. Each outperformed its respective benchmark. The U.S. fixed income composite returned 11.2%, outperforming its benchmark (Barclays Aggregate Index) by 4.7%. The sole global fixed income manager returned 14.4%, outperforming its benchmark (Citigroup World Government Bond Index) by 9.2%.

Similar to 2009, the slow recovery of the real estate market translated into continued underperformance of the Fund's real estate investments relative to the benchmark, the NCREIF Property Index (NPI). Although the ACERA real estate portfolio returned 11.7% (gross), which underperformed the NPI by 1.4%, 2010's 11.7% gross return was a marked improvement from 2009 which returned -27.7% and underperformed the NPI by 10.9%. Furthermore, 2010 marked the first yearly positive return since 2007. The portfolio's Stable component returned 10.1% (gross), which underperformed the NPI by 3.0%. Likewise, the portfolio's Enhanced component returned 16.1% (gross), which outperformed the NPI by 3.0%. The portfolio's leverage ratio, or loan-to-value ratio (LTV), as of December 31, 2010 was 31.4%, which was also a significant improvement from 2009's 39.7% LTV (ACERA's Real Estate Strategic Plan limits LTV to 35%). Most of the positive gross performance can be attributed to improving property valuations as the real estate market slowly recovers from the 2008-2009 financial market crisis.

Despite the expected "J-curve" effect associated with the recently funded PEARLS investments (initial lower/negative investment returns caused by start-up costs and manager fees), ACERA's PEARLS portfolio returned 19.8% for the year, outperforming the benchmark Russell 3000 + 150 bps by 1.4%. Not only did this part of the portfolio contribute positively to the total Fund's return, it also provided diversification and cash-flow in the form of distributions from private equity partnerships. As of 12/31/2010, ACERA's PEARLS portfolio saw its second year of investment attain $96.5 million of additional commitments. Total commitments to ACERA's PEARLS portfolio through the end of last year reached approximately $305.0 million (nearly 59% of PEARLS portfolio target); these commitments will not be invested fully until called by the general partners of the various investment partnerships.

General Economy and Investment Markets in 2010

Through the unprecedented efforts of the governments of developed and developing countries worldwide, equity and debt markets have demonstrated a significant recovery over the last two years. The most notable stimulus came as central banks worldwide supported government bond markets in the U.S. and Europe. This stimulus lifted corporate bond and stock markets indirectly. Of course, the unexpected fiscal stimulus in the form of extended and new tax breaks also contributed to the recovery of the equity markets in the U.S. in 2010 as well. The short-term economic growth fostered by global stimulus efforts, in spite of the weak housing market and stubborn long-term unemployment, has incentivized investors to invest in the U.S. equity market.

However, we cannot expect the stimulative strategies of the various governments to continue indefinitely. Because the U.S. economy is carrying a much higher national debt load, economic growth in coming years is likely to be more moderate than the levels of previous years. Also, longer average lifetimes of the U.S. population means a greater portion of that population will be in retirement which supports the thesis that economic growth will slow slightly. All of the above gives reason enough to temper portfolio performance expectations into future years. It also explains why allocating portfolio funds to private equity and other alternatives is so important to future results of the portfolio and, ultimately of course, to beneficiaries of the Fund's portfolio investments.

Equity Markets - Domestic and International

During 2010, the three major stock indices in the U.S. - the Dow Jones Industrial Average, the S&P 500, and the NASDAQ Composite - posted healthy gains of 14.1%, 15.1%, and 16.9%, respectively. For the second consecutive year, growth stocks fared better than value stocks – the Russell 1000 Growth Index returned 16.7%, outperforming the Russell 1000 Value Index by 1.2% while the Russell 2000 Growth Index returned 29.1%, exceeding its counterpart, the Russell 2000 Value Index, by 4.6%. Contrary to 2009, small cap stocks outperformed large cap stocks in 2010 as evidenced by the fact that the Russell 2000 Index gained 26.9% while the Russell 1000 Index gained 16.1%. All major industry sectors posted positive gains for the year with Consumer Discretionaries leading all other sectors with a performance of 30.1%, followed by Industrials with 27.3% and Materials with 25.2%.

The international equity market delivered a solid performance in 2010. The developed international market, measured by the MSCI EAFE index, returned 8.2% for the year. Accounting for more than 41% of the developed international market combined, Japan and the U.K. returned 15.4% and 8.8%, respectively. Top performing countries in Europe were Sweden (31.3%) and Denmark (29.8%). However, the debt crises encountered by the "PIIGS" countries (Portugal, Ireland, Italy, Greece and Spain) had negative impact on the international developed market. The MSCI Emerging Markets index, on the other hand, delivered a double digit gain of 19.2% for year 2010. Accounting for more than 80% of the total emerging market combined, Asia and Latin America returned 19.0% and 14.7%, respectively. Top performing countries in Asia were India (21.0%) and Korea (26.7%). Top performing countries in Latin America were Peru (53.3%) and Chile (44.2%).

Fixed Income Markets - Domestic and Global

The bond market had another good year in 2010. Despite the ongoing European debt crisis and the 4th quarter U.S. Treasury sell-off, most fixed income sectors delivered solid total returns for the year, ranging from 5.9% for U.S. Treasuries to 15.1% for high yield bonds. The ACERA All Fixed Income composite returned 11.9% in 2010, benefitting from the general economic recovery and gradual return of risk appetite from bond investors during 2010.

In the U.S., investment grade corporate bonds performed well and delivered 2.3% of excess return over U.S. Treasuries for a total return of 9.0%. Corporate bonds in general benefited from improving credit fundamentals and positive earnings growth. Ongoing government stimulus efforts, increased investor demand, and a well-subscribed new bond issue market also contributed to the strong performance in U.S. fixed income. BBB-rated issues and companies in cyclical industries such as chemicals, metals, and paper performed best while defensive industries such as supermarkets, healthcare, and aerospace lagged.

As the economy continues to benefit from improving fundamentals, the high yield bond default rate is now just 2.7%, down from 15.7% in late 2009. High yield issuance set a record in 2010, topping $300.0 billion. Two-thirds of high yield issuance was used to refinance outstanding issues, which strengthened the liquidity profiles of those issuers. In a further sign of the financial markets' returning to normal, bank loan issuance rose to $144.0 billion, nearly four times last year's total. As a result of underlying improvements in the bond market, ACERA's U.S. Fixed Income managers outperformed their respective indices and were ranked in the top quartile for public pension funds larger than $100 million.

The European corporate bond market underperformed, as compared to the U.S. domestic bond market, owing to on-going sovereign bond concerns. Thus, spreads widened but still posted a positive total return of 4.8% for the year. As sovereign risk continued to outweigh credit strength, sectors positively correlated to sovereign issues, such as utilities and telecommunications, underperformed.

Real Estate Markets

As contrasted with the other major asset classes such as fixed income that outperformed its composite benchmark, the real estate asset class returned 11.7% gross, underperforming its benchmark, NPI. Nonetheless, the 2010 performance turned significantly positive as compared to 2009, making real estate the most improved asset class in ACERA's diversified portfolio.

It is notable that commercial real estate in general exhibited marked improvement in 2010 as sales volume totaled $134.1 billion for the year. Although this number is still approximately 70% below peak 2007 levels, it is more than twice the sales volume recorded for 2009. Competition for core properties in "gateway" markets, such as London and Washington, led to higher pricing in general as compared with 2009. As a result of general commercial property pricing improvements from 2009, both the Stable and Enhanced real estate ACERA portfolios posted positive gross returns of 10.1% and 16.1%, respectively, compared with negative gross returns of -25.9% and -33.1% in 2009. Furthermore, the continuing weakness in residential housing market could translate into stable rent incomes for ACERA's portfolio investments in residential complexes. This is owing to the fact that as long as unemployment does not improve, there is a stable client base for renting residential properties rather than for purchasing them.

Private Equity Markets

With relative stability returning to the general economy in 2010, buyout managers started to pursue both new deals and exits for existing portfolio companies. Valuations of portfolio companies have gone up more quickly than expected. Therefore, ACERA took a prudent approach in fulfilling its buyout allocation by selecting one buyout manager instead of two as outlined in the 2010 Investment Plan for ACERA's PEARLS Portfolio.

Venture capital returns, substantially flat in 2010, have been lagging expectations ever since the bursting of the technology bubble in 2000. As a result, fundraising has declined, with LPs (especially ACERA) cautious in making new commitments to the venture capital funds. In 2010, ACERA made commitments to only one venture capital fund.

With both the Fed and U.S. Treasury injecting capital into the credit markets, the debt markets recovered, thus boosting the issuance of new private debt to finance stressed company balance sheets. As credit markets rebounded and debt values recovered faster than expected, the volume of distressed investments went down for the year. However, ACERA was able to identify and made commitments to one debt-related/special situations manager in 2010.

The 2010 economic and market performance highlights are as follows:

- Real GDP increased 3.1% in 2010 versus a decrease of 2.6% in 2009. The upturn in growth in 2010 mainly reflected upturns in exports, nonresidential fixed investment (notably equipment and software), consumer spending, and inventory investment.
- The price index for gross domestic purchases increased 2.1% in 2010, compared with being unchanged in 2009.
- The Federal Reserve interest rate target range remained unchanged at 0% to 0.25%.
- The annual U.S. budget deficit was $1.3 trillion in Fiscal Year (FY) 2010 after hitting a record high of $1.4 trillion in FY 2009. Using the Administration's assumptions, the Congressional Budget Office (CBO) forecasts FY 2011 to experience a deficit of $1.5 trillion.

- The U.S. International Trade deficit in goods and services was $497.8 billion in FY 2010, up from the $380.7 billion deficit in FY 2009. As a percentage of U.S. GDP, the goods and services deficit increased to 3.4% in 2010 as compared to 2.7% in 2009. The international trade balance has posted a deficit almost continuously since the 1980s. Any trade deficit is a drag on U.S. GDP growth, but a smaller deficit adds to growth, while a larger deficit decreases GDP growth.
- From December 2009 to December 2010, the unemployment rate registered an initial decline from 10.0% to 9.5% mid-year, only to rise a little in the 3rd quarter, then ending the year at 9.4%. The State of California ended the year with a 12.4% unemployment level.
- Personal income increased 3.9% in 2010 from its 2009 level. This compares to an increase of 0.6% in 2008.
- For housing markets, the past year was another bumpy ride. Home prices stabilized in the first half of 2010 as the government offered tax credits to spur sales, but transactions plunged to 15-year lows after that stimulus expired in June 2010. Sales have rebounded only modestly and, at the current pace, it would take 9½ months to work through the volume of existing homes listed for sale.
- Construction spending in the United States was estimated at $815.0 billion, 10.2% below the 2009 level. Over the last year, a decline in residential outlays has pulled down year-on-year growth for construction outlays. Nonresidential and public construction outlays are positive with nonresidential actually strong.
- The yield curve (U.S. Treasury interest rates over the range of maturities) has changed dramatically over the past three years. By March 2009 and through 2010, interest rates were dramatically lower and the yield curve sloped up, implying an improving economy.
- In 2010, the U.S. equity markets, as measured by the DJIA, S&P 500, and the NASDAQ, finished up 14.1%, 15.1% and 16.9%, respectively.
- MSCI Emerging Markets Index, up 19.2% in 2010, continued to experience growth after positive returns in 2009. In 2010, the MSCI EAFE returned 8.2%. For 2010, China's GDP growth was estimated at 10.2% while India's GDP growth was estimated to be 8.8%. Both countries benefited from government fiscal and monetary expansions, and increased exports.
- In Europe and the British Isles, a robust economic recovery has begun, but continues to be threatened by having to arrange bailouts to Greece and Ireland. Most recently, Portugal's economy faced the possibility of a need for economic rescue by the other Eurozone countries.

ECONOMIC OUTLOOK FOR 2011

The financial markets as measured by broad market indices continued their general recovery in 2010 from the Great Recession, which started in late 2007, and are expected to experience additional follow through in 2011. At the time of this writing, the economic recovery, although beset by occasional fits and starts, appears to be on a sustainable path. However, given the headwind created by the collapse of the U.S. real estate market and its consequent damage to the financial markets and household balance sheets, it seems unlikely that the recovery will be as strong as we would desire. As a result, most measures of resource availability (the official jobless rate, capacity utilization in the manufacturing sector and residential and commercial vacancy rates, to name a few) still show an unusually large amount of excess productive capacity in the U.S. economy.

Therefore, trend inflation over the near term will remain low. As concluded by the Federal Open

Market Committee (FOMC) at its March, 2011 meeting: "…economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period." Some economists are not projecting any federal rate increases until 2013 because of their expectations of low core inflation at 0.5% annually.

The Great Recession presented some unprecedented challenges to our economy. For example, from the peak of the current Great Recession, GDP declined 3.8%, more than double the average decline of the previous recessions which had lasted slightly less than a year. During the previous recessions, the unemployment rate had increased an average of 2.3 percentage points. The unemployment rate of the current downturn increased by 5.5 percentage points over the last two years. Despite signs of improving economic growth, one note of caution is that several notable factors such as high unemployment and low inflation should keep yields low. Such structural economic issues are likely to be with us for some time.

Fortunately, the U.S. economy is both flexible and resilient. Although it did not adjust as fast as some classical economists had envisioned, in the U.S., prices and wages responded relatively quickly. Moreover, policy makers have been aggressive in supporting the economy by easing monetary policy and by implementing a large fiscal stimulus program such as the two stages of formal Quantitative Easing totaling approximately $1.2 trillion.

As a result, GDP has begun to increase again despite persistent high unemployment rates. One current economic forecast estimated a higher GDP projection of about 3.4% for 2011 with a relatively high unemployment rate of over 9.2%, similar to that of 2009. Employment, especially temporary employment, is showing improvement with slightly lower numbers of workers filing for unemployment insurance and marginally lower unemployment percentages. However, the number of jobs created monthly remains uncomfortably close to the monthly increase in the number of people newly coming into the workforce, leaving the unemployment percentages stubbornly resistant to falling. Weak state and local spending growth will also weigh on unemployment in this sector which has shrunk by a quarter-million over the past year.

Many equity prices have recovered sharply, home prices and commercial real estate prices appear to be stabilizing. Household indebtedness is declining slowly owing to a combination of debt repayment and credit that has been written off by lenders. Global trade has rebounded after dropping significantly during the first half of 2009. Both U.S. exports and U.S. manufacturing output have expanded rapidly over the past six months.

Although these are encouraging developments we believe that this economic recovery will be muted when compared with past recoveries. Statistics suggest that the relatively high current household debt to net worth ratio of over 25% may not support the traditional consumer-led recoveries of the past. Households are still highly leveraged, credit availability is easing but is constrained and underwriting standards remain relatively tight.

We have just lived through a period in which rapid increases in asset prices led to a serious misallocation of resources and a severe financial crisis. Considerable economic progress has been made, particularly as a result of U.S. governmental support which has injected an extraordinary amount of liquidity, shoring up asset prices worldwide, and making the leadership role of the U.S. in the global economy clear.

Whether the global stock markets will continue to fare well in 2011 depends largely on a sustained U.S. economic recovery and the various fiscal-stimulus programs offered by the various central banks worldwide, including that of the U.S. As with the recent conflicts in the Middle East and the natural disasters of Japan, the leadership role of the U.S. in the world has again been emphasized.

Once again, the expectation in 2011 is for a gradual, self-sustaining U.S. economic recovery, based primarily on governmental support. Whether the U.S. economic recovery can be sustained appears to have a direct correlation to these support mechanisms.

GENERAL INFORMATION

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

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

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

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

SUMMARY OF ACERA'S OTHER INVESTMENT-RELATED POLICIES

Private Equity And Alternatives Return Leading Strategy (PEARLS) Policy

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

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

The objectives of ACERA's PEARLS include the following: 1) to generate returns superior to those available in the public equity market to compensate the Fund for the long term and for its illiquid commitments associated with Private Equity and Alternatives investments; 2) to enhance ACERA's long-term risk adjusted return and provide additional diversification to ACERA's overall investment Fund; 3) to generate returns above the median of comparative universe returns; and 4) to generate total PEARLS Portfolio returns approximately 150 basis points over U.S. public market equity investments, as measured by the Russell 3000 Index, net of all fees and expenses.

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

Real Estate Strategic Plan

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

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

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

The implementation of the real estate program is also subject to ACERA's General Investment Guidelines, Policies and Procedures as established by the ACERA Board.

Emerging Investment Manager Policy

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

Directed Brokerage Policy

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

Proxy Voting Guidelines and Procedures (Proxy Guidelines)

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

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

SPECIFIC INVESTMENT RESULTS BY ASSET CLASSIFICATION

As of December 31, 2010, ACERA's Fund was over-weighted in total equities, with 66.8% in total equities versus the target of 60.0%. Domestic equities were over-weighted at 40.8% versus the target of 37.0%. International equities were also overweighted at 26.0% versus the target of 23.0%. Fixed income was 24.1%, which was slightly above the target of 24.0%. Real estate was under its 6.0% target at 5.4%. PEARLS was 3.6% (market value of funded commitments) which is below the target of 10%.

During 2010, ACERA's U.S. equity composite returned 18.6%, outperforming its benchmark (Russell 3000) by 1.7% and the median equity manager by 0.5%. ACERA's international equity composite returned 10.1%, underperforming its benchmark (MSCI ACWI ex-U.S.) by 1.5% and underperforming the median international equity manager by 0.50%. ACERA's all-fixed income composite returned 11.9%, outperforming its benchmark (75% Barclays Aggregate/15% Citigroup WGBI ex-U.S./10% Barclays High Yield) by 4.6%. ACERA's real estate composite returned 11.7%, underperforming its benchmark (NCREIF Property Index) by 1.4%. The PEARLS composite returned 19.8%, outperforming its benchmark (Russell 3000 + 150 bps) by 1.4%.

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

Respectfully Submitted,

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May 20, 2011

Investment Consultant's Report

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Alameda County Employees' Retirement Association
2010 INVESTMENT CONSULTANT'S REPORT

SUMMARY

After the year of healing that was 2009, more, if uneven, improvement came to capital markets in 2010. The year saw conflicting economic signals as important signs of a return to health were offset with continuing global concerns over sovereign debt in Europe, rising deficits in the U.S., and adverse market reactions to several global political crises. A see-saw pattern of positive and negative monthly returns caused by recurring fears of a possible economic double dip, and the resulting vacillation of investor sentiment, marked the investment landscape. After an unsettling mid year swoon, the US equity markets were left with only modest year-to-date gains as late as the month of November. A strong year-end equity rally in December allowed risk markets to post generally strong overall annual returns for the year. Although the investment path was quite rough and at times extremely uncomfortable for investors, the final destination in 2010 again rewarded long term strategic portfolios.

During the year, the Emerging Markets asset class again outperformed most other equity market segments and maintained their status as investor favorites. Emerging Asia especially saw strong GDP growth, and economic growth and robust public financial positions in China and India focused investors' minds on the potential for the region as a whole. Smaller cap companies outperformed large cap companies across the broad developed and emerging markets. Within the style segments of the global markets, growth companies again led the market in 2010. The Developed International Markets experienced mixed performance in 2010, and, in a pattern similar to the US market, only achieving a positive return for the year in the fourth quarter. Notably, Europe experienced several episodic declines in 2010; much of the year was spent addressing sovereign debt concerns the among the Continent's peripheral countries. Emergency loan packages from the European Central Bank and IMF to Greece and Ireland alleviated some concerns, but the region remained a relative laggard overall.

On the bond side, the Federal Reserve continued its unconventional efforts to spur faster growth, launching a second round of quantitative easing (referred to in investor parlance as QE2) in November. The central bank committed to buy a total of as much as $900 billion of longer maturity Treasuries through June 2011. Some improved macroeconomic results, the rallying equity markets, and a rise in inflation expectations seemed to indicate that the Fed's efforts had gained traction by year-end. Though the Fed's dramatic easy money policies have raised concerns about long term inflation risk, actual levels of recorded inflation remained subdued throughout the year.

Against this backdrop, market returns were positive for most risk assets. For the year 2010, the broad US large cap equity market returned 16.1%, while small cap US stocks gained 26.9%. International Equity, due largely to the events in Europe, did not fare as well for US based investors, posting a total return of 11.6% for the year, with Developed Markets returning 8.2% and Emerging Markets 19.2%. Low risk Investment Grade US Bonds provided much lower returns, as the Barclays Aggregate returned 6.5% for the year, while the riskier high yield bonds challenged equity returns at 15.2%.

For the year, ACERA returned 14.6%, which was above its Policy Benchmark return of 13.7%, and also well above its actuarial return expectation. For the ninth time in the last ten years, the total plan outperformed its median large public plan peer's (13.2%) in 2010, and ended the year with a total plan return in the top 25% of its peer universe of plans.

ACERA's active managers as a group enjoyed a strong performance year and in aggregate added to the year's result for the plan. Once again the Fund's Large Cap managers contributed returns above their benchmarks, as did Next Century, the plan's small cap growth manager. The International Equity composite finished slightly behind the benchmark, due largely to a difficult year for Mondrian, ACERA's value-oriented International manager. ACERA's Fixed Income managers followed up their outstanding 2009 with another terrific year, in aggregate outperforming the total bond benchmark by an amazing 460 basis points for the year, as each manager outperformed its respective index by a wide margin. Finally, though the Real Estate managers in aggregate slightly lagged their benchmark, together they still performed above the median Real Estate composite portfolio.

Investment Guidelines, Policies and Practices

In 2010 ACERA continued funding its new plan initiative called the Private Equity and Returns Leading Strategies (PEARLS) program. The program is initially targeted at an allocation of 10% of total plan assets that is being funded opportunistically over three to five years. The PEARLS portfolio is anchored in a diverse array of Private Equity investments, with Commodity, Absolute Return and other return-enhancing and uncorrelated investments included in the mix.

Investment Objectives

For the ACERA portfolio, like most pension portfolios, the year 2010 was another year of recovery from the damaging effects of the fall of 2008. And recover it did -- in 2010 the Association once again reached its goals complying with applicable fiduciary standards, of adding value over its Policy Index, of performing well in comparison to its peers, and most importantly, of ensuring the availability of sufficient funds to pay vested benefits and maintain supplemental benefits.

Investment Results *

	2010	ANNUALIZED THREE YEARS	FIVE YEARS
DOMESTIC EQUITY			
Total Domestic Equity	18.6%	-1.3%	2.4%
Median	18.1%	-0.6%	3.8%
Benchmark: Russell 3000	16.9%	-2.0%	2.7%
INTERNATIONAL EQUITY			
Total International Equity	10.1%	-4.1%	5.5%
Median	10.6%	-5.2%	4.2%
Benchmark: MSCI ACWI ex US	11.6%	-4.6%	5.3%
FIXED INCOME			
Total Fixed Income	11.9%	7.7%	7.2%
Median	8.2%	6.6%	6.3%
Benchmark: Hybrid Index	7.3%	6.6%	6.5%
REAL ESTATE			
Total Real Estate	11.7%	-10.1%	-0.8%
Benchmark: NCREIF	13.1%	-4.2%	3.4%
PEARLS			
Total PEARLS	19.8%	-	-
Benchmark: R3000 + 150 bps	18.4%	-	-
TOTAL FUND			
ACERA Total Fund	14.6%	0.3%	4.7%
Median	13.2%	0.5%	4.5%
Benchmark: Policy Index	13.7%	1.3%	5.5%

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

Asset Allocation

	PERCENTAGE TARGET	12/31/10 ACTUAL
U.S. Equity	37%	40.8%
Non-U.S. Equity	23%	26.0%
Fixed Income	24%	24.1%
Real Estate	6%	5.3%
Private Equity and Alternatives	10%	3.6%
Cash	0%	0.1%

During the challenging depths of the recent market crisis, ACERA's Board and its Staff remained steadfast in their fidelity to the principles of the Association's strategic plan. As a result, ACERA was well positioned to implement its important PEARLS portfolio initiative and to fund the program aggressively in an attractive investing environment. The program is designed to enhance portfolio performance through the addition of return-enhancing and diversifying private equity and other non-traditional investments.

The fortitude demonstrated by ACERA's decision-makers in 2008 and 2009 in adhering to its strategic plan and in funding the PEARLS program since that time has been rewarded with superior returns. In the two-year period since December 31, 2008 (near the deepest point of the crisis) the ACERA fund has returned 20.4%, well above its policy index and the median large public plan. At the same time the Association has aggressively funded the important PEARLS portfolio, an initiative designed to improve fund returns in the future. SIS firmly believes that ACERA's resolve in holding to its strategic initiatives will continue to benefit the Association's participants and beneficiaries for many years to come.

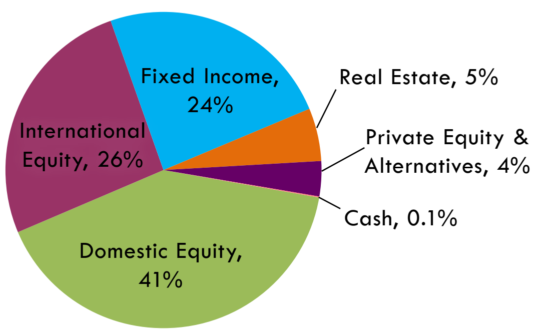
Patrick Thomas, CFA
Vice President
May 20, 2011

Asset Allocation

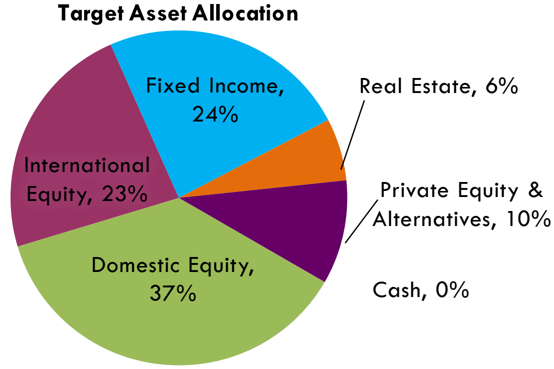
As of December 31, 2010

Investment Asset Class	Actual Asset Allocation	Target Asset Allocation	Actual Allocation Over/-Under Target Allocation
Domestic Equity	40.8%	37.0%	3.8%
International Equity	26.0%	23.0%	3.0%
Fixed Income	24.1%	24.0%	0.1%
Real Estate	5.4%	6.0%	-0.6%
Private Equity and Alternatives	3.6%	10.0%	-6.4%
Cash	0.1%	0.0%	0.1%
Total	**100.0%**	**100.0%**	**0%**

Actual Asset Allocation



Target Asset Allocation



Investment Professionals

For the Year Ended December 31, 2010

INVESTMENT MANAGERS

Domestic Equities

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

International Equities

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

Real Estate

AEW Capital Management
BlackRock, Inc.
CIM Urban REIT
Heitman Capital Management
J.P.Morgan Asset Management
Prudential Real Estate Investors
RREEF America

Private Equity and Alternatives

Avista Capital Partners
Centerbridge Strategic Credit Partners
Great Hill Partners
Gresham Investment Management
Insight Equity
Khosla Ventures
Lindsay Goldberg
New Enterprise Associates
Oak Hill Advisors
Partners Group
Sheridan Production Partners
Third Rock Ventures

INVESTMENT CONSULTANTS

Capital Institutional Services - Third-Party Directed Brokerage Administrator

Doug McCalla - Optimized Portfolio Rebalancing

Zeno Consulting Group - Trading Cost & Directed Brokerage

Risk Metrics Group - Proxy Voting

Strategic Investment Solutions - General Investment and Private Equity and Alternatives

The Townsend Group - Real Estate Investment

MASTER INVESTMENT CUSTODIAN AND SECURITIES LENDING AGENT

State Street Bank and Trust Company

Investment Summary

As of December 31, 2010 (Dollars in Thousands)

Investment Asset Class	Fair Value	Percentage of Total Fair Value
Short-Term Investments	$ 127,347	2.5%
Domestic Securities	1,336,675	25.6
International Securities	1,216,473	23.3
Domestic & Intl. Equity Commingled Funds	849,501	16.3
Fixed Income Securities	1,217,473	23.3
Real Estate - Separate Properties	88,034	1.7
Real Estate - Commingled Funds	190,568	3.7
Private Equity and Alternatives	189,407	3.6
Total Investments at Fair Value	**$ 5,215,478**	**100.0%**

This schedule excludes Investment receivable and payable balances as of December 31, 2010.

Brokerage Commissions

For the Year Ended December 31, 2010

Brokerage Firm	Rank	Commissions (in Thousands)	Shares/Par Value Traded (in Thousands)	Commission Per Share
State Street Global Markets	1	$252	16,784	$0.015
Capital Institutional Services Inc.	2	219	6,237	0.035
Credit Suisse Securities Ltd.	3	179	17,614	0.010
Barclays Capital Inc.	4	123	2,963	0.042
Morgan Stanley And Co.	5	120	29,688	0.004
J.P.Morgan Securities Inc.	6	110	9,317	0.012
Instinet	7	104	8,280	0.013
Liquidnet Inc.	8	103	5,973	0.017
Merrill Lynch + Co., Inc.	9	102	20,569	0.005
Deutsche Bank Securities Inc.	10	84	17,672	0.005
BNY Brokerage	11	78	2,227	0.035
Citigroup Global Markets Inc.	12	77	8,511	0.009
Goldman Sachs + Co.	13	76	11,361	0.007
UBS Securities LLC.	14	60	8,008	0.007
Jones Trading Institutional Services LLC.	15	58	2,203	0.026
Stifel Nicolaus + Co., Inc.	16	50	1,267	0.039
Cantor Fitzgerald + Co.	17	48	1,994	0.024
Jefferies + Company Inc.	18	38	1,281	0.030
Credit USA	19	37	1,824	0.020
Macquarie Securities Limited	20	35	7,123	0.005
Top 20 Firms by Commission Dollars		**1,953**	**180,896**	**0.011**
All Other Brokerage Firms		928	49,497	0.019
Total Brokerage Commissions		**2,881**	**230,393**	**0.013**
Brokerage Commission Recapture		(179)	-	-
Net Brokerage Commission		**$2,702**	**230,393**	**$0.012**

Investment Manager Fees

For the Years Ended December 31, 2010 and 2009 (Dollars in Thousands)

Investment Asset Class	2010	2009
Domestic Equity	$4,706	$3,856
International Equity	4,498	4,178
Fixed Income	2,230	1,850
Real Estate	2,599	2,718
Private Equity and Alternatives	3,270	2,419
Total Investment Manager Fees	**$17,303**	**$15,021**

Investment Assets Under Management (Fair Value)

For the Years Ended December 31, 2010 and 2009 (Dollars in Thousands)

Investment Asset Class	2010	2009
Domestic Equity	$2,126,149	$1,854,112
International Equity	1,357,869	1,321,834
Fixed Income	1,257,801	1,159,867
Real Estate	279,367	253,284
Private Equity and Alternatives	189,407	79,358
Cash	4,053	730
Total Investment Assets Under Management	**$5,214,646**[1]	**$4,669,185**[1]

[1] This schedule includes Investment receivable and payable balances as of December 31, 2010 and 2009.

Largest Stock Holdings[1]

As of December 31, 2010 (Dollars in Thousands)

Rank	Shares	Issuer	Fair Value	Percentage of Holdings
1	86,600	Apple Inc	$27,934	1.09%
2	452,000	Qualcomm Inc	22,369	0.88
3	277,810	C.H. Robinson Worldwide Inc	22,278	0.87
4	34,900	Google Inc Cl A	20,730	0.81
5	280,800	Exxon Mobil Corp	20,532	0.80
6	279,025	Northrop Grumman Corp	18,075	0.71
7	97,065	Amazon.com Inc	17,472	0.68
8	413,775	Hewlett-Packard Co	17,420	0.68
9	218,400	Cognizant Tech Solutions A	16,007	0.63
10	440,300	Softbank Corp	15,260	0.60
Total of Largest Stock Holdings			**198,077**	**7.75**
Total Stock Holdings			**$2,553,148**	**100.00%**

Largest Bond Holdings[1]

As of December 31, 2010 (Dollars in Thousands)

Rank	Par Value	Issuer	Securities	Description	Fair Value	Percentage of Holdings
1	40,025,000	United States Treasury Bonds	6.25%	15-Aug-2023	$50,307	4.13%
2	24,873,000	United States Treasury Bonds	4.50	15-May-2038	25,627	2.10
3	23,660,000	United States Treasury Notes	4.25	15-Nov-2040	23,276	1.91
4	21,780,982	Federal Home Loan Pc Pool C03490	4.50	1-Aug-2040	22,341	1.84
5	20,875,000	United States Treasury Notes	2.38	31-Mar-2016	21,139	1.74
6	19,300,000	United States Treasury Bonds	4.38	15-Feb-2038	19,505	1.60
7	17,149,000	New South Wales Treasury	6.00	1-Apr-2016	17,697	1.45
8	9,985,000	United Kingdom GILT	4.25	7-Mar-2036	15,603	1.28
9	96,540,000	Sweden (Kingdom Of)	5.50	8-Oct-2012	15,260	1.25
10	14,817,900,000	Korea Treasury Bond	5.75	10-Sep-2018	14,293	1.17
Total of Largest Bond Holdings					**225,048**	**18.47**
Total Bond Holdings					**$1,217,473**	**100.00%**

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

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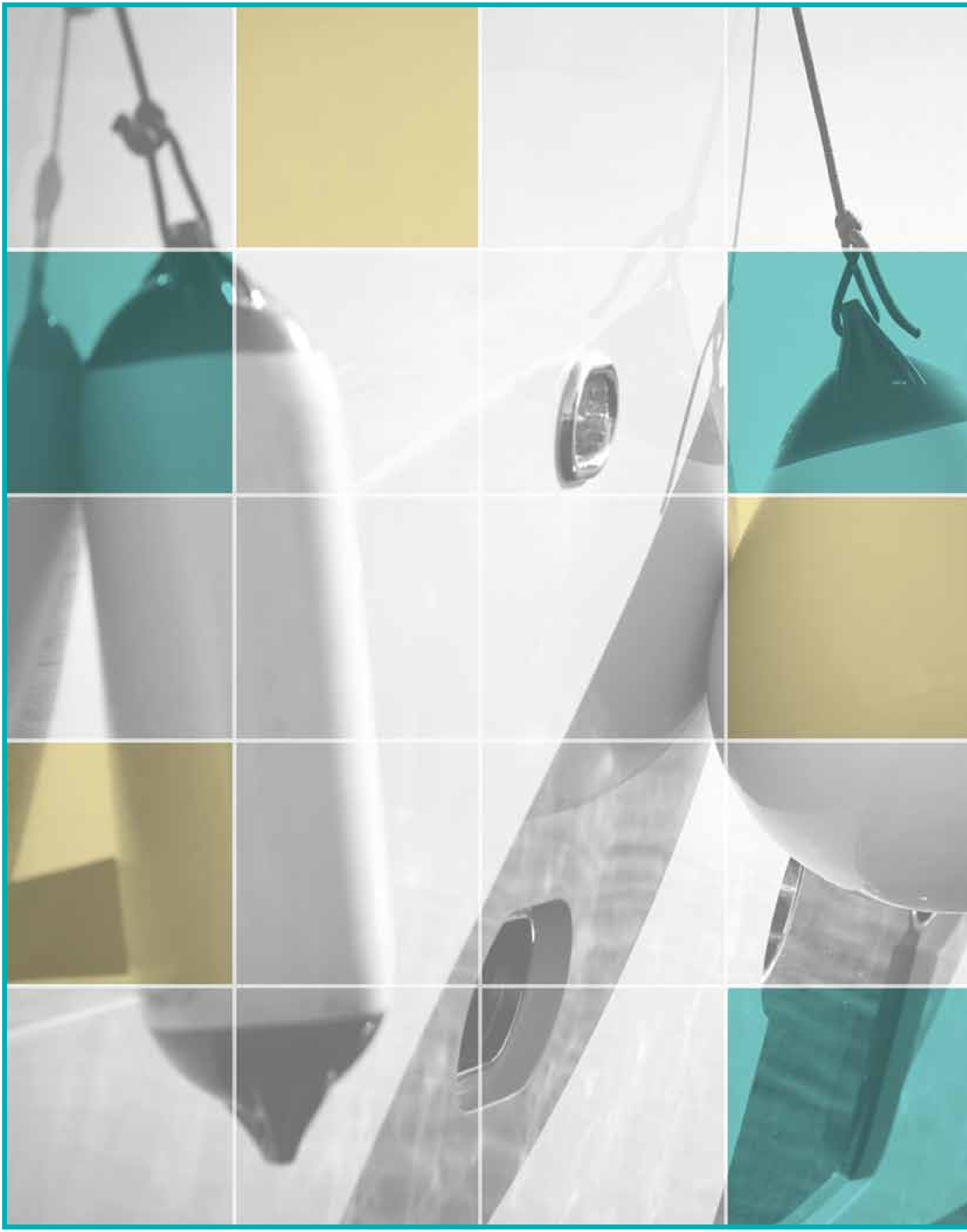
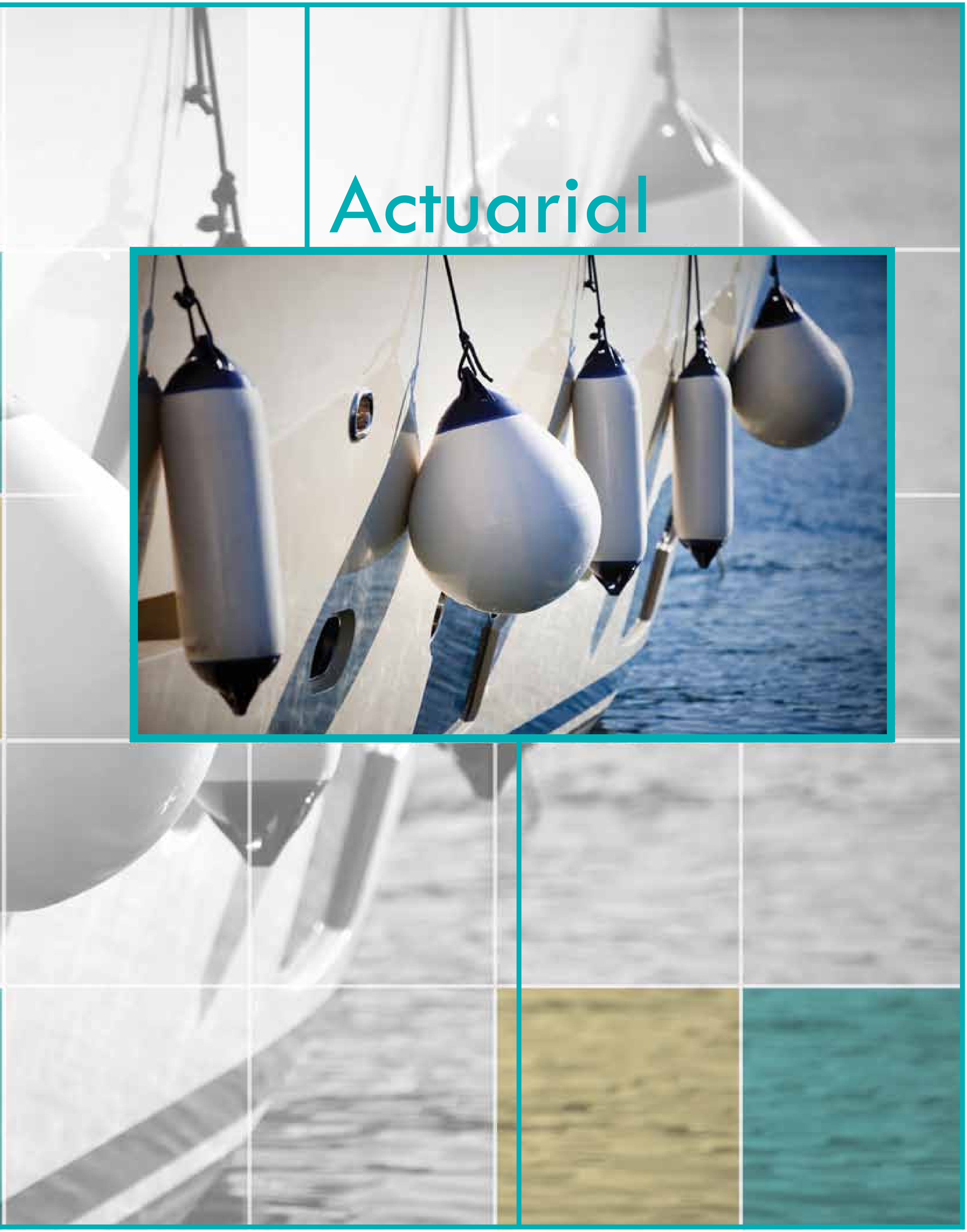


Actuarial



Actuary's Certification Letter—Pension Plan

SEGAL

THE SEGAL COMPANY
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May 18, 2011

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

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

Dear Members of the Board:

The Segal Company (Segal) prepared the December 31, 2009 actuarial valuation of the statutory Retirement Plan benefits of the Alameda County Employees' Retirement Association (ACERA). We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No 25.

As part of the December 31, 2009 actuarial valuation, Segal conducted an examination of all participant data for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the Association's financial statements. For actuarial valuation purposes, Retirement Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return over 10 six-month periods.

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

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accrued liability (UAAL). Actuarial gains and losses are incorporated into the UAAL and are amortized over the same period.
The UAAL is amortized as a level percentage of payroll over a 23-year period. The progress being made towards meeting the funding objective through December 31, 2009 is illustrated in the Schedule of Funding Progress.

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

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

(1) As permitted by the Actuarial Standard of Practice Statement No. 4 (Measuring Pension Obligations), Segal has utilized participant data provided by ACERA as of November 30, 2009 adjusted to December 31, 2009 (to reflect estimated increase in Salary and Service for active members) in calculating the liabilities for the December 31, 2009 valuation.

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

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

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In the December 31, 2009 valuation, the ratio of the valuation assets to actuarial accrued liabilities (funded percentage) decreased from 83.9% to 81.2%. The employer's rate has increased from 16.89% of payroll to 18.70% of payroll, while the employee's rate has increased from 8.57% of payroll to 8.74% of payroll.

Under the Actuarial Value of assets method, the total unrecognized investment losses are $776.9 million as of December 31, 2009. These investment losses will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, and will offset any investment gains that may occur after December 31, 2009. This implies that if the Association earns the assumed net rate of investment return of 7.90% per year on a market value basis, it will result in investment losses on the actuarial value of assets in the next few years. So, if the actual market return is equal to the assumed 7.90% rate and all other actuarial assumptions are met, the contribution requirements would increase in each of the next few years.

The deferred losses of $776.9 million represent 16.6% of the market value of assets as of December 31, 2009. Unless offset by future investment gains or other favorable experience, the recognition of the $776.9 million market losses is expected to have a significant impact on the Association's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:

- If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 81.2% to 68.0%.
- If the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer rate would increase from 18.70% to about 24.5% of payroll.

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

Sincerely,

Andy Yeung, ASA, EA, MAAA, FCA	Paul Angelo, FSA, EA, MAAA, FCA
Vice President and Associate Actuary	Senior Vice President and Actuary

DNA/kek
Enclosures

Actuary's Certification Letter—SRBR

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THE SEGAL COMPANY
100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

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

Re: Alameda County Employees' Retirement Association
Discretionary SRBR Benefits

Dear Members of the Board:

The Segal Company (Segal) prepared the December 31, 2009 actuarial valuation of the discretionary benefits provided through the Supplemental Retirees Benefit Reserve (SRBR) of the Alameda County Employees' Retirement Association (ACERA). We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for accounting disclosure purposes, including the calculation of the Actuarial Accrued Liability, meet the parameters of the Governmental Accounting Standards Board (GASB) Statements No. 25 and No 43.

As part of the December 31, 2009 actuarial valuation, Segal conducted an examination of all participant data for reasonableness. A summary of the average Other Postemployment Benefits (OPEB) for new retired members, by years of service, is enclosed as Exhibit II. We did not audit the Association's financial statements. For actuarial valuation purposes, SRBR assets are valued at Actuarial Value. Under this method, the assets used to determine the liabilities of the SRBR and the number of years the SRBR can continue to pay its current level of benefits take into account market value by recognizing the differences between the total return at market value and the expected investment return over 10 six-month periods.

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

For valuation purposes, the total cost of providing future postemployment benefits is projected, using actuarial assumptions that are common for both the statutory retirement and the discretionary SRBR benefits (e.g., turnover, mortality, disability, retirement, etc.) and assumptions that are

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

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. The UAAL is amortized as a level percentage of payroll over a 26-year period as of December 31, 2009.

Based on directions provided by the Association, we limited the AAL of the OPEB and non-OPEB paid from the SRBR to the Actuarial Value of Assets (AVA) allocated to the SRBR as of December 31, 2009. This leads to an ARC of 0% because there is no unfunded AAL to amortize and no normal cost to accrue. In addition, the GASB No. 43 funded ratio is 100% for OPEB and the GASB No. 25 funded ratio is 100% for non-OPEB, with this limitation. The funded status of the OPEB and non-OPEB is provided in the enclosed Exhibit I (Schedule of Funding Progress).

Based on the AVA available as of December 31, 2009, the SRBR would only be able to pay benefits until 2026 for OPEB and 2031 for non-OPEB. As we indicated in our certification letter for the statutory retirement plan benefits, the Association had deferred investment losses of $776.9 million that were not yet recognized in determining the combined actuarial value of assets for the Pension Plan and the SRBR Plan as of December 31, 2009. The deferred losses of $776.9 million represent 16.6% of the market value of assets as of December 31, 2009, and will substantially reduce the rate of return on the actuarial value of assets over the next few years.

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

Our calculations were based upon the benefits provided under the terms of the substantive plan in effect at the time of the December 31, 2009 valuation.

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

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

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

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

The actuarial assumptions common to both the statutory retirement and discretionary SRBR benefits are provided in the Actuarial Section. Additional assumptions specific to the OPEB are included as an attachment to this letter (Schedule of Actuarial Assumptions). It is our opinion that the assumptions used in the December 31, 2009 valuation produce results, which, in aggregate, reflect the future experience of the SRBR. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The next experience analysis is due to be performed as of December 31, 2010.

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

Sincerely,

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

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

Patrick Twomey, ASA, EA, MAAA
Assistant Actuary

DNA/hy
Enclosures

Summary of Actuarial Assumptions and Methods

Assumptions for Pension Plan

The following assumptions have been adopted by the Board for December 31, 2009 valuation.

Summary of Assumptions

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

Retirement Age and Benefit for Deferred Vested Members

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

General Age 58

Safety Age 55

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

Future Benefit Accruals

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

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

Post-Retirement Mortality

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

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

Inclusion of Deferred Vested Members

All deferred vested members are included in this valuation.

Percent of Members Married

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

Age of Spouse

Wives are 3 years younger than their husbands.

Employee Contribution Crediting Rate

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

Salary Increases

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

Inflation: 3.50%

Across-the-Board Salary Increase: 0.50%

Merit/Promotional Increases based on age:

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

Consumer Price Index (San Francisco Bay Area)

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

Net Investment Return

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

Actuarial Value of Assets

The Actuarial Value of Assets is determined by smoothing in any difference between actual and expected market return over ten six-month interest crediting periods. For valuation purposes, the Actuarial Value of Assets has to be between 60%/140% of Market Value of Assets. It is also reduced by the value of the non-valuation reserves such as the SRBR.

Actuarial Cost Method

Entry Age Normal Actuarial Cost Method. Entry Age is the age at the member's date of entry into ACERA. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation. The Normal Cost is calculated on an aggregate basis by taking the Present Value of Future Normal Costs divided by the Present Value of Future Salaries to obtain a normal cost rate. This normal cost rate is then multiplied by the total of current salaries. The total Unfunded Actuarial Accrued Liability (i.e., outstanding UAAL from last year, in addition to actuarial gains and losses from this year) is amortized over a declining 30-year period, with 23 years remaining at the December 31, 2009 valuation date.

Terminal Pay Assumptions

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

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

Assumptions for Other Post Employment Benefits (OPEB) Plan

Per Capita Health Costs

The combined monthly per capita dental and vision claims cost for plan year 2010 was assumed to be $42.59. The Medicare Part B premium is $96.40. For calendar year 2010, medical costs for a retiree with 20+ years of service were assumed to be as follows:

Medical Plan	Election Assumption	Monthly Premium	Maximum Monthly Medical Allowance[1]
Under Age 65			
Blue Cross HMO	5%	$643.94	$522.16
Kaiser HMO	80%	535.60	522.16
PacifiCare HMO	15%	623.42	522.16
Over Age 65			
Kaiser Senior Advantage	70%	$290.40	$290.40
Senior Supplement	25%	486.48	486.48
Medicare Complete	5%	371.84	371.84

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

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

Implicit Subsidy

The estimated average per capita premium for retirees under age 65 is $6,650 per year. Because these premiums include active participants for purposes of underwriting, the retirees receive an implicit subsidy from the actives. Had the retirees under age 65 been underwritten as a separate group, their age-based premiums would be higher for most individuals. The excess of the age-based premium over the per capita premium charged makes up the subsidy. Below is a sample of the age-based costs for the retirees under age 65.

Age-Based Average Medical Costs for Retirees Under Age 65

	Retiree		Spouse	
Age	Male	Female	Male	Female
50	$ 7,365	$ 8,389	$ 5,145	$ 6,736
55	8,747	9,031	6,884	7,797
60	10,388	9,734	9,216	9,043
64	11,918	10,326	11,634	10,178

Health Care Cost Trend Rates

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are "net" and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that must be applied to prior year's cost to yield the shown year's projected cost. For example, the projected 2011 calendar year cost for Kaiser (under age 65) is $589.16 per month ($535.60 increased by 10%).

	Rate (%)		
Year Ending December 31,	Medical	Dental and Vision	Medicare Part B
2011	10.0	5.0	5.0
2012	9.5	5.0	5.0
2013	9.0	5.0	5.0
2014	8.5	5.0	5.0
2015	8.0	5.0	5.0
2016	7.5	5.0	5.0
2017	7.0	5.0	5.0
2018	6.5	5.0	5.0
2019	6.0	5.0	5.0
2020	5.5	5.0	5.0
2021 & Later	5.0	5.0	5.0

Participation and Coverage Election

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

Dependents

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

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

Plan Design

Development of plan liabilities was based on the plan of benefits in effect as described in Exhibit III of the December 31, 2009 SRBR valuation report.

Administrative Expenses

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

Annual Maximum Benefits

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

a) Maximum medical allowances will increase with 50% of medical inflation.

b) Dental and vision premium reimbursement will increase with full medical inflation.

c) Medicare B premium reimbursement will increase with full medical inflation.

Missing Participant Data

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

Active Member Valuation Data (Actuary's Exhibit I)

As of December 31[1]

Year	Plan Type	Number	Annual Payroll[2]	Annual Average Pay	Percent Increase in Average Pay[3]
2005	General	9,135	$ 596,346,000	$ 65,281	2.96%
	Safety	1,368	113,437,000	82,922	2.02%
	Total	**10,503**	**709,783,000**	**67,579**	**2.70%**
2006	General	9,279	639,880,000	68,960	5.64%
	Safety	1,383	122,259,000	88,401	6.61%
	Total	**10,662**	**762,139,000**	**71,482**	**5.78%**
2007	General	9,415	662,309,000	70,346	2.01%
	Safety	1,497	131,249,000	87,675	-0.82%
	Total	**10,912**	**793,558,000**	**72,723**	**1.74%**
2008	General	9,599	716,012,000	74,592	6.04%
	Safety	1,574	147,526,000	93,727	6.90%
	Total	**11,173**	**863,538,000**	**77,288**	**6.28%**
2009	General	9,407	730,681,649	77,674	4.13%
	Safety	1,520	151,923,235	99,949	6.64%
	Total	**10,927**	**882,604,884**	**80,773**	**4.51%**
2010	General	9,391	747,336,146	79,580	2.45%
	Safety	1,488	151,005,579	101,482	1.53%
	Total	**10,879**	**898,341,725**	**82,576**	**2.23%**

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

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

	Added to Rolls		Removed from Rolls		Rolls at End of Year			
Plan Year[1]	Number	Annual Allowance[2] in $000's	Number	Annual Allowance in $000's	Number	Annual Allowance in $000's	% Increase in Retiree Allowance	Average Annual Allowance
2005	500	$ 23,171	(257)	$ (4,362)	6,718	$ 185,326	11.30%	$ 27,586
2006	444	21,784	(226)	(4,018)	6,936	203,092	9.59%	29,281
2007	494	25,051	(247)	(4,971)	7,183	223,172	9.89%	31,069
2008	403	23,056	(340)[3]	(5,743)	7,246	240,485	7.76%	33,189
2009	378	21,731	(291)	(5,780)	7,333	256,436	6.63%	34,970
2010	489	27,700	(264)	(5,956)	7,558	278,180	8.48%	36,806

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

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

3 Includes data adjustments made by ACERA on beneficiary file.

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

(Dollars in Thousands)

	Aggregate Accrued Liabilities For:					Portion of Aggregate Accrued Liabilities Covered by Reported Assets For:		
Valuation Date	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)	Total	Actuarial Value of Assets	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)
12/31/04	$ 789,556	$ 2,092,355	$ 1,358,642	$ 4,240,553[2]	$ 3,557,918	100%	100%	50%
12/31/05	802,277	2,353,106	1,392,830	4,548,213	3,781,843	100%	100%	45%
12/31/06	842,479	2,550,170	1,432,508	4,825,157	4,127,841	100%	100%	51%
12/31/07	898,321	2,794,861	1,419,221	5,112,403	4,560,213	100%	100%	61%
12/31/08	970,152	3,036,649	1,531,118	5,537,919	4,644,010	100%	100%	42%
12/31/09	962,821	3,244,535	1,691,975	5,899,331	4,789,000	100%	100%	34%

1 This schedule includes actuarial funded liabilities and assets. The non-valuation reserves such as Supplemental Retirees Benefit Reserve, Death Benefit Reserve, and Market Stabilization Reserve, etc., are not included.

2 Excludes Safety 3% at 50 formula improvement. If the Safety formula improvement is included, the total aggregate liability will increase to $4,336,123.

Events affecting year-to-year comparability for each valuation date:

12/31/2004 - Change in non-economic assumptions. Investment return assumption reduced from 8% to 7.8%; terminal pay assumption for Service Retirement for Safety Tier 1 decreased from 11.7% to 9.5%.

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

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

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

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

Solvency Test - OPEB With Limit (Actuary's SRBR Exhibit III)[1]

Actuarial Accrued Liability Limited to Actuarial Value of Assets

(Dollars in Thousands)

	Aggregate Accrued Liabilities For:					Portion of Aggregate Accrued Liabilities Covered by Reported Assets For:		
Valuation Date	Active Member Contributions	Retired/ Vested Members[2]	Active Members (Employer Financed Portion)[2]	Total[2]	Actuarial Value of Assets	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)
12/31/2005	N/A	$273,300	$175,800	$449,100	$449,100	N/A	100%	100%
12/31/2006	N/A	290,000	206,200	496,200	496,200	N/A	100%	100%
12/31/2007	N/A	334,615	279,829	614,444	614,444	N/A	100%	100%
12/31/2008	N/A	342,568	265,746	608,314	608,314	N/A	100%	100%
12/31/2009	N/A	346,718	244,571	591,289	591,289	N/A	100%	100%

Solvency Test - OPEB Without Limit (Actuary's SRBR Exhibit III)[1]

Actuarial Accrued Liability Limited Not to Actuarial Value of Assets

(Dollars in Thousands)

	Aggregate Accrued Liabilities For:					Portion of Aggregate Accrued Liabilities Covered by Reported Assets For:		
Valuation Date	Active Member Contributions	Retired/ Vested Members[3]	Active Members (Employer Financed Portion)[3]	Total[3]	Actuarial Value of Assets	Active Member Contributions	Retired/ Vested Members[4]	Active Members (Employer Financed Portion)[4]
12/31/2005	N/A	$329,200	$238,800	$568,000	$449,100	N/A	100%	50%
12/31/2006	N/A	341,000	250,500	591,500	496,200	N/A	100%	62%
12/31/2007	N/A	367,096	272,725	639,821	614,444	N/A	100%	91%
12/31/2008	N/A	397,550	305,770	703,320	608,314	N/A	100%	69%
12/31/2009	N/A	428,232	335,269	763,501	591,289	N/A	100%	49%

1 ACERA implemented GASB 44 in 2006. The liabilities for 12/31/2004 were not available.

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

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

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

Events affecting year to year comparability:

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

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

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

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

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

Solvency Test - Non-OPEB With Limit (Actuary's SRBR Exhibit III)[1]

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

	Aggregate Accrued Liabilities For:					Portion of Aggregate Accrued Liabilities Covered by Reported Assets For:		
Valuation Date	Active Member Contributions	Retired/ Vested Members[2]	Active Members (Employer Financed Portion)[2]	Total[2]	Actuarial Value of Assets	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)
12/31/2005	N/A	$44,000	$18,800	$62,800	$62,800	N/A	100%	100%
12/31/2006	N/A	46,000	20,300	66,300	66,300	N/A	100%	100%
12/31/2007	N/A	52,032	26,394	78,426	78,426	N/A	100%	100%
12/31/2008	N/A	46,095	29,910	76,005	76,005	N/A	100%	100%
12/31/2009	N/A	40,777	32,704	73,481	73,481	N/A	100%	100%

Solvency Test - Non-OPEB Without Limit (Actuary's SRBR Exhibit III)[1]

Actuarial Accrued Liability Not Limited to Actuarial Value of Assets

(Dollars in Thousands)

	Aggregate Accrued Liabilities For:					Portion of Aggregate Accrued Liabilities Covered by Reported Assets For:		
Valuation Date	Active Member Contributions	Retired/ Vested Members[3]	Active Members (Employer Financed Portion)[3]	Total[3]	Actuarial Value of Assets	Active Member Contributions	Retired/ Vested Members[4]	Active Members (Employer Financed Portion)[4]
12/31/2005	N/A	$74,000	$96,800	$170,800	$62,800	N/A	85%	0%
12/31/2006	N/A	80,900	105,400	186,300	66,300	N/A	82%	0%
12/31/2007	N/A	91,441	112,427	203,868	78,426	N/A	86%	0%
12/31/2008	N/A	80,182	122,352	202,534	76,005	N/A	95%	0%
12/31/2009	N/A	63,808	107,370	171,178	73,481	N/A	100%	9%

1 ACERA implemented GASB 44 in 2006. The liabilities for 12/31/2004 were not available.

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

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

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

Events affecting year to year comparability:

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

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

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

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

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

Actuarial Analysis of Financial Experience[1] (Actuary's Exhibit IV)

(Dollars in Millions)

	2009	2008	2007	2006	2005	2004
Prior Valuation Unfunded/(Prefunded) Actuarial Accrued Liability	$ 894	$ -	$ 697	$ 766	$ -	$ 508
a) Before Benefit Improvement	-	552	-	-	683	-
b) After Benefit Improvement[2]	-	553	-	-	778	-
Salary Increase Greater (Less) than Expected	(25)	38	(42)	2	(35)	(33)
COLA Increase Greater (Less) than Expected	(31)	-	-	-	-	-
Asset Return Less (Greater) than Expected	179	245[3]	(125)	(57)	30	74
Other Experience (Including Scheduled UAAL Payment)	29	40	22	42	55	31
Economic Assumption Changes	64	-	-	(56)	(81)	-
Non-economic Assumption Changes	-	9	-	-	-	103
Benefit Change[4]	-	-	-	-	19	-
Data Corrections	-	9	-	-	-	-
Ending Unfunded/(Prefunded) Actuarial Accrued Liability	$ 1,110	$ 894	$ 552	$ 697	$ 766	$ 683[5]

1 This schedule is based on the 12/31/2004 to 12/31/2009 actuarial valuations.

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

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

4 Additional improved Safety benefit.

5 Excludes Safety 3% at 50 formula improvement. If the Safety formula improvement is included, the total Unfunded Actuarial Accrued Liability is $778.

Summary of Plan Provisions

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

Briefly summarized below are major provisions of the 1937 Act as amended through December 31, 2009, and as adopted by Alameda County or other Participating Employers.

Membership Eligibility

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

Tiers (Benefit Levels)

General and Safety Tier 1 include all General and Safety members hired on or before June 30, 1983. General and Safety Tier 2 include, depending on the employer, General and Safety members hired after June 30, 1983. General Tier 3 was effective October 1, 2008 for electing General active members of the Livermore Area Recreation and Park District (LARPD). LARPD adopted a benefit improvement for all service under the 2.5% @ 55 formula as an option to their employees. The County has adopted new Safety Tier 2 formulas, 2% @ 50 (Safety Tier 2C) and 3% @ 55 (Safety Tier 2D), for new hires starting October 17, 2010. See page 119 for employer and employee contribution rates.

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

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

Return of Contributions

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

Eligibility for Service Retirement

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

Eligibility for Deferred Service Retirement

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

Service Retirement Benefit

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

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

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

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

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

Maximum Benefit

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

Disability Benefit

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

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

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

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

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

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

Active Member Death Benefit

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

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

Active Death Equity Benefit (ADEB)

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

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

Service Connected Death Benefit

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

Retired Member Death Benefit

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

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

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

Basic Cost-of-Living Adjustments (COLA)

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

Supplemental Benefits Excluded from Actuarial Valuation

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

Contribution Rates

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

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

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

Exemption from Contributions After Thirty Years of Service

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

Assumed Termination and Retirement Rates

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

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

Assumed Retirement Rates

Rates (%)

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

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

Assumed Termination Rates Before Retirement

DISABILITY

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

TERMINATION (RATE %)

Less than 5 Years of Service [3]

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

5 Years of Service or More [4]

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

MORTALITY[5]

Rate (%)

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

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

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

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

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

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

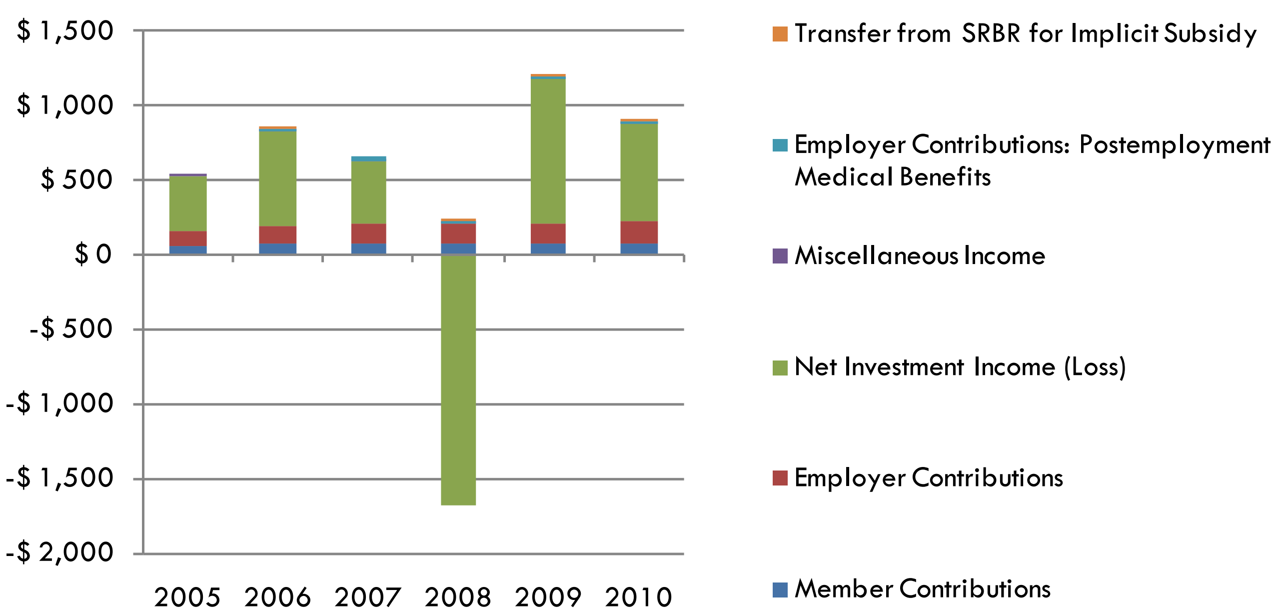
Statistical

Statistical

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

Additions to ACERA's Net Assets by Source

(Dollars in Millions)



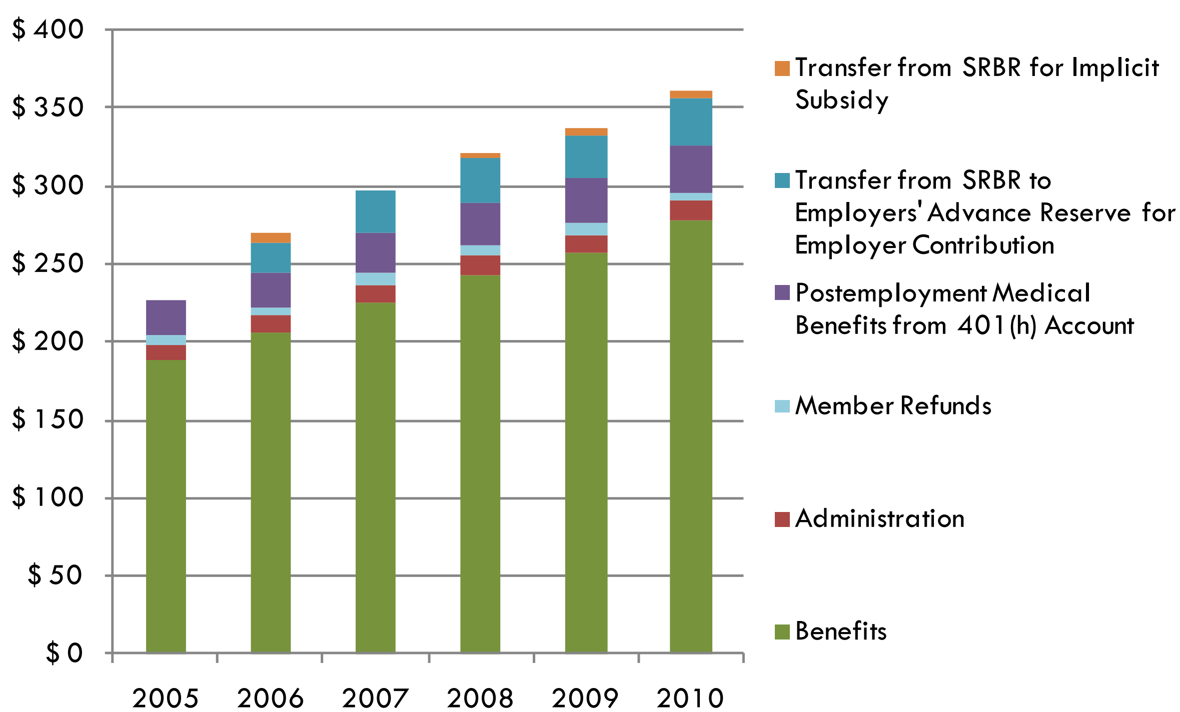
Additions to ACERA's Net Assets by Source

(Dollars in Millions)

Year Ended December 31	Member Contributions: Pension Plan	Employer Contributions: Pension Plan	Net Investment Income (Loss)	Miscellaneous Income	Employer Contributions: Postemployment Medical Benefits	Transfer from SRBR for Implicit Subsidy	Total Additions
2005	$64.1	$100.8	$358.0	$0.1	$-	$-	$523.0
2006	70.2	127.1	637.8	0.4	19.0	6.3	860.8
2007	72.3	130.0	430.9	1.0	27.3	-	661.5
2008	75.6	129.7	(1,685.2)	0.5	28.5	3.1	(1,447.8)
2009	77.3	132.2	963.6	2.3	27.9	4.1	1,207.4
2010	77.6	147.5	648.1	0.5	29.5	5.3	908.5

Deductions from ACERA's Net Assets by Type

(Dollars in Millions)



Deductions from ACERA's Net Assets by Type

(Dollars in Millions)

Year Ended December 31	Benefits	Administration	Member Refunds	Postemployment Medical Benefits from 401(h) Account	Transfer from SRBR to Employers' Advance Reserve for Employer Contribution	Transfer from SRBR for Implicit Subsidy	Total Deductions
2005	$187.8	$10.3	$6.1	$22.0	$-	$-	$226.2
2006	205.8	10.8	5.8	22.2	19.0	6.3	269.9
2007	224.8	12.2	7.8	24.7	27.3	-	296.8
2008	242.9	13.3	6.5	26.7	28.5	3.1	321.0
2009	256.7	12.3	7.7	27.8	27.9	4.1	336.5
2010	277.7	13.0	5.6	29.8	29.5	5.3	360.9

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

For the Years Ended December 31 (Dollars in Thousands)

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

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

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

For the Years Ended December 31 (Dollars in Thousands)

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

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

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

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

For the Years Ended December 31 (Dollars in Thousands)

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

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

Benefit Expenses by Type (Actuary's Exhibit VII)

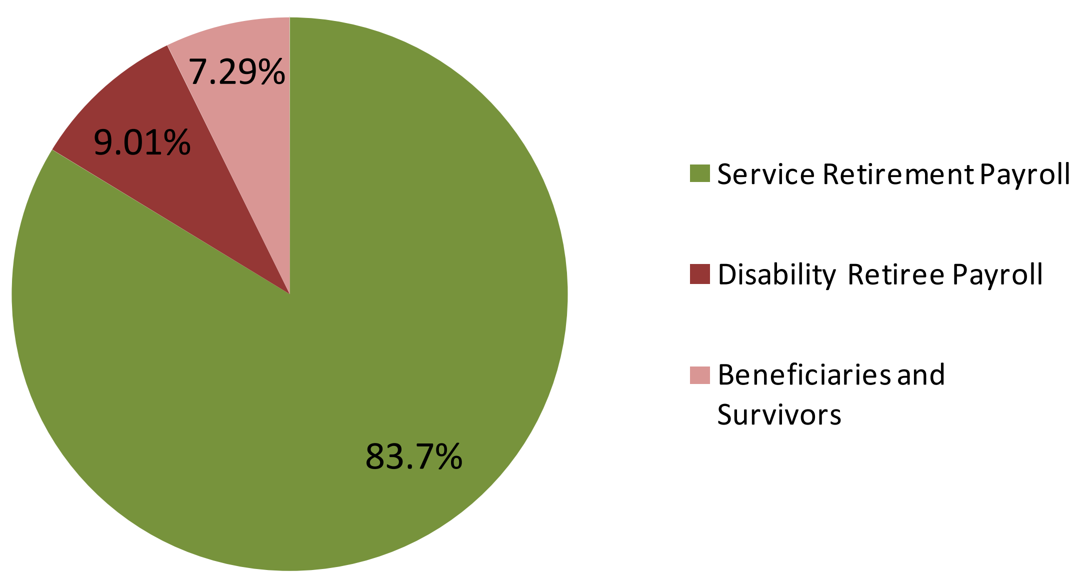
For the Years Ended December 31[1]

	2010	2009	2008	2007	2006	2005
Service Retirement Payroll						
Basic	$184,844,536	$168,693,544	$156,159,546	$144,273,097	$131,381,072	$119,237,822
COLA	48,000,607	44,596,368	43,190,182	39,321,355	35,620,880	33,211,334
Total	**232,845,143**	**213,289,912**	**199,349,728**	**183,594,452**	**167,001,952**	**152,449,156**
Disability Retiree Payroll						
Basic	19,859,910	19,140,681	18,548,535	17,741,212	16,180,690	14,576,027
COLA	5,211,156	4,793,397	4,466,521	3,978,243	3,536,042	3,148,063
Total	**25,071,066**	**23,934,078**	**23,015,056**	**21,719,455**	**19,716,732**	**17,724,090**
Beneficiaries and Survivors						
Basic	12,484,348	11,886,758	11,212,504	11,090,773	10,082,760	9,396,077
COLA	7,778,954	7,325,211	6,907,819	6,767,815	6,290,813	5,756,507
Total	**20,263,302**	**19,211,969**	**18,120,323**	**17,858,588**	**16,373,573**	**15,152,584**
Total	**$278,179,511**	**$256,435,959**	**$240,485,107**	**$223,172,495**	**$203,092,257**	**$185,325,830**

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

Benefit Expenses by Type

For the Year Ended December 31, 2010



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

For the Years ended December 31 (Dollars in Thousands)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
TYPE OF BENEFIT										
Age and Service Benefits:										
Retirees	$259,279	$237,590	$221,532	$ 205,010	$ 187,376	$ 171,924	$153,763	$ 137,338	$ 127,706	$ 122,998
Survivors	15,183	14,787	15,033	14,150	13,340	12,538	11,812	11,429	10,985	12,541
Death in Service Benefits:										
Survivors	2,362	2,161	4,030	2,017	1,882	1,680	1,505	1,301	1,292	1,355
Disability Benefits:										
Retirees - Duty	25,586	25,094	23,981	23,461	20,955	19,591	17,746	14,231	12,516	11,563
Retirees - Non-Duty	3,473	3,332	3,539	3,450	3,210	3,020	2,949	2,414	2,348	2,239
Supplemental disability	59	138	80	192	109	75	51	97	69	68
Survivors	1,563	1,385	1,317	1,223	1,178	1,036	906	808	629	598
Total Benefits	**307,505**	**284,487**	**269,512**	**249,503**	**228,050**	**209,864**	**188,732**	**167,618**	**155,545**	**151,362**
Type of Refund										
Death	2,097	1,608	1,093	2,219	1,831	2,481	1,411	1,294	1,653	1,549
Miscellaneous	28	81	74	89	136	123	147	97	273	850
Separation	3,520	6,029	5,360	5,470	3,850	3,476	3,632	5,194	4,522	5,913
Total Refunds	**$ 5,645**	**$ 7,718**	**$ 6,527**	**$ 7,778**	**$ 5,817**	**$ 6,080**	**$ 5,190**	**$ 6,585**	**$ 6,448**	**$ 8,312**

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

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

For the Years ended December 31 (Dollars in Thousands)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
TYPE OF BENEFIT										
Age and Service Benefits:										
Retirees	$229,982	$210,938	$196,469	$180,410	$164,638	$149,934	$133,355	$118,415	$110,793	$108,078
Survivors	14,086	13,570	12,760	12,252	11,419	11,042	10,238	9,568	9,225	10,955
Death in Service Benefits:										
Survivors	2,258	2,051	3,384	1,840	1,702	1,528	1,342	1,124	1,107	1,177
Disability Benefits:										
Retirees - Duty	22,047	21,344	20,304	19,963	17,889	16,775	15,285	12,226	10,923	10,244
Retirees - Non-duty	2,997	2,755	2,960	2,826	2,569	2,417	2,364	1,878	1,839	1,782
Supplemental disability	58	137	79	104	28	27	16	49	11	11
Survivors	1,509	1,331	1,317	1,223	1,178	1,036	906	808	629	598
Total Benefits	**272,937**	**252,126**	**237,273**	**218,618**	**199,423**	**182,759**	**163,506**	**144,068**	**134,527**	**132,845**
Type of Refund										
Death	2,097	1,608	1,093	2,219	1,831	2,481	1,411	1,294	1,653	1,549
Miscellaneous	28	81	74	89	136	123	147	97	273	850
Separation	3,520	6,029	5,360	5,470	3,850	3,476	3,632	5,194	4,522	5,913
Total Refunds	**$ 5,645**	**$ 7,718**	**$ 6,527**	**$ 7,778**	**$ 5,817**	**$ 6,080**	**$ 5,190**	**$ 6,585**	**$ 6,448**	**$ 8,312**

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

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

For the Years ended December 31 (Dollars in Thousands)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
TYPE OF BENEFIT										
Age and Service Benefits:										
Retirees	$26,039	$23,801	$22,743	$21,030	$19,011	$18,944	$16,968	$14,908	$12,453	$10,411
Survivors	-	-	-	2	2	2	1	1	6	2
Disability benefits:										
Retirees - Duty	3,355	3,555	3,473	3,207	2,787	2,595	2,222	1,752	1,323	1,057
Retirees - Non-duty	407	482	465	429	405	426	398	342	301	254
Supplemental disability	1	1	1	-	-	-	-	-	-	-
Survivors	-	-	-	-	-	-	-	-	-	-
Total Benefits	**$29,802**	**$27,839**	**$26,682**	**$24,668**	**$22,205**	**$21,967**	**$19,589**	**$17,003**	**$14,083**	**$11,724**

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

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

For the Years ended December 31 (Dollars in Thousands)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
TYPE OF BENEFIT										
Age and Service Benefits:										
Retirees	$ 3,258	$ 2,851	$ 2,320	$ 3,570	$ 3,737	$ 3,055	$ 3,448	$ 4,022	$ 4,465	$ 4,514
Survivors	1,097	1,217	2,273	1,896	1,919	1,494	1,573	1,860	1,754	1,584
Death in Service Benefits:										
Survivors	104	110	646	177	170	143	155	170	180	173
Disability Benefits:										
Retirees - Duty	184	195	204	291	279	221	239	253	270	262
Retirees - Non-duty	69	95	114	195	236	177	187	194	208	203
Supplemental disability	-	-	-	88	81	48	35	48	58	57
Survivors	54	54	-	-	-	-	-	-	-	-
Total Benefits	**$4,766**	**$4,522**	**$5,557**	**$6,217**	**$6,422**	**$5,138**	**$5,637**	**$6,547**	**$6,935**	**$6,793**

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

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

Fiscal Year Beginning July 1

	County[2]							ACMC, Superior Court and First 5[3]		Other Participating Employers	
	General Member		Safety Member					General Member		General Member	
Year	Tier 1	Tier 2	Tier 1	Tier 2	Tier 2C[5]	Tier 2D[5]	Aggregate[1]	Tier 1	Tier 2	Tier 1	Tier 3[4]
2001	6.31	2.86	5.10	5.80			4.00	6.31	2.86	17.09	-
2002	5.90	3.37	5.96	7.16			4.37	5.90	3.37	16.21	-
2003	12.78	10.53	17.40	18.76			12.16	12.78	10.53	17.37	-
2004	14.63	12.10	21.51	20.91			13.95	14.63	12.10	19.21	-
2005	17.91	14.96	36.81	29.09			18.07	17.91	14.96	22.74	-
2006	16.46	14.30	37.05	29.84			17.26	16.46	14.30	21.53	-
2007	14.36	13.19	35.95	28.98			17.03	14.43	13.26	19.38	-
2008	13.81	11.89	34.90	27.46			15.85	13.92	12.00	18.89	22.11
2009	14.60	13.05	43.51	33.51			18.23	14.74	13.19	19.50	22.65
2010	15.78	14.47	48.72	37.14	36.37	34.36	20.10[6]	15.98	14.67	20.79	24.12

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

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

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

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

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

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

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

As of December 31

	County and Other Participating Employers							
	General Member			Safety Member				
Year	Tier 1	Tier 2	Tier 3[7]	Tier 1	Tier 2	Tier 2C[8]	Tier 2D[8]	Aggregate
2001	8.21	7.03	-	10.41	10.07			7.75
2002	8.00	7.01	-	10.38	10.12			7.70
2003	8.96	7.88	-	9.84	10.61			8.47
2004	9.05	7.58	-	9.66	10.53			8.27
2005	9.93	7.91	-	15.51	14.32			9.24
2006	9.31	7.52	-	15.32	13.78			8.81
2007	10.09	7.35	-	14.98	13.54			8.71
2008	9.57	7.36	12.53	14.70	13.53			8.64
2009	9.42	7.22	12.44	14.37	14.29			8.66
2010	9.64	7.31	12.59	13.56	14.46	11.23	16.65[9]	8.74

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

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

9 Rate includes the 5% cost-sharing contribution.

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

Summary of Monthly Allowances Being Paid for the Month of December 31, 2010[1]

	Number	Monthly Allowance Basic	Cost of Living	Total
GENERAL MEMBERS				
Service Retirement				
Unmodified	4,334	$ 10,134,521	$ 2,867,262	$ 13,001,783
Option 1	208	421,143	84,494	505,637
Option 2	259	496,637	120,271	616,908
Option 3	18	38,469	9,046	47,515
Option 4	8	27,814	1,653	29,467
Total	**4,827**	**11,118,584**	**3,082,726**	**14,201,310**
Disability				
Unmodified	559	976,144	255,603	1,231,747
Option 1	22	24,498	7,080	31,578
Option 2	0	-	-	-
Option 3	1	2,220	433	2,653
Option 4	1	3,498	1,408	4,906
Total	**583**	**1,006,360**	**264,524**	**1,270,884**
Beneficiaries	885	777,254	512,167	1,289,421
Total General	**6,295**	**$12,902,198**	**$ 3,859,417**	**$ 16,761,615**
	Number	**Monthly Allowance Basic**	**Cost of Living**	**Total**
SAFETY MEMBERS				
Service Retirement				
Unmodified	805	$ 4,014,155	$ 873,892	$ 4,888,047
Option 1	14	60,210	6,852	67,062
Option 2	53	200,628	33,505	234,133
Option 3	2	4,406	2,807	7,213
Option 4	1	5,730	267	5,997
Total	**875**	**4,285,129**	**917,323**	**5,202,452**
Disability				
Unmodified	203	629,674	163,380	793,054
Option 1	6	15,723	3,587	19,310
Option 2	0	-	-	-
Option 3	2	3,235	2,772	6,007
Option 4	0	-	-	-
Total	**211**	**648,632**	**169,739**	**818,371**
Beneficiaries	177	263,108	136,080	399,188
Total Safety	**1,263**	**5,196,869**	**1,223,142**	**6,420,011**
Total General and Safety	**7,558**	**$18,099,067**	**$ 5,082,559**	**$ 23,181,626**

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

Note: Results may not add due to rounding.

Retired Members by Type of Benefit – Pension Plan

As of December 31, 2010

Amount of Monthly Benefit	Number of Retired Members	Type of Benefit: Duty Disability Retirement	Non-Duty Disability Retirement	DRO Lifetime Annuity	Service Retirement	Survivorship	Continuance	Supplemental Disability	Option Selected: Unmodified - 60% Contingent Joint & Survivor	Option 1 - Single Life	Option 2 - 100% Contingent Joint & Survivor	Option 3 - 50% Contingent Joint & Survivor	Option 4 - 33% Contingent Joint & Survivor
$ 1 to $ 300	318	2	2	12	224	4	74	-	178	104	35	1	-
301 to 600	495	-	8	17	346	15	109	-	302	161	30	2	-
601 to 900	559	1	18	11	393	24	111	1	351	173	33	2	-
901 to 1,200	562	5	36	9	401	19	91	1	382	144	35	1	-
1,201 to 1,500	622	33	36	10	438	13	91	1	432	137	52	1	-
1,501 to 1,800	554	80	24	2	376	8	64	-	357	103	92	2	-
1,801 to 2,100	516	119	13	4	324	7	48	1	316	73	126	1	-
2,101 to 2,400	412	79	8	6	281	3	35	-	261	56	93	1	1
2,401 to 2,700	369	59	7	4	264	4	31	-	241	53	73	2	-
2,701 to 3,000	320	58	3	1	222	2	34	-	204	46	69	1	-
Over $3,000	2,821	199	5	5	2,490	16	106	-	2,297	215	300	8	1
Total	**7,548**	**635**	**160**	**81**	**5,759**	**115**	**794**	**4**	**5,321**	**1,265**	**938**	**22**	**2**

Retired Members by Type of Benefit – Postemployment Medical Benefits

As of December 31, 2010

Amount of Monthly Benefit	Number of Retired Members	Type of Benefit: Duty Disability Retirement	Non-Duty Disability Retirement	DRO Lifetime Annuity	Service Retirement	Survivorship	Continuance	Supplemental Disability	Option Selected: Unmodified - 60% Contingent Joint & Survivor	Option 1 - Single life	Option 2 - 100% Contingent Joint & Survivor	Option 3 - 50% Contingent Joint & Survivor	Option 4 - 33% Contingent Joint & Survivor
$ 1 to $ 300	1,544	68	77	-	1,398	-	-	1	1,236	83	217	7	1
301 to 600	4,357	476	76	-	3,805	-	-	-	3,574	160	609	13	1
601 to 900	589	91	6	-	492	-	-	-	466	12	109	2	-
901 to 1,200	4	-	-	-	4	-	-	-	4	-	-	-	-
1,201 to 1,500	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**6,494**	**635**	**159**	**-**	**5,699**	**-**	**-**	**1**	**5,280**	**255**	**935**	**22**	**2**

Retired Members by Type of Benefit – Non-OPEB Benefits

As of December 31, 2010

Amount of Monthly Benefit	Number of Retired Members	Type of Benefit: Duty Disability Retirement	Non-Duty Disability Retirement	DRO Lifetime Annuity	Service Retirement	Survivorship	Continuance	Supplemental Disability	Option Selected: Unmodified - 60% Contingent Joint & Survivor	Option 1 - Single life	Option 2 - 100% Contingent Joint & Survivor	Option 3 - 50% Contingent Joint & Survivor	Option 4 - 33% Contingent Joint & Survivor
$ 1 to $ 300	505	6	12	5	275	11	196		274	219	12	-	-
301 to 600	159	5	8		79	8	59		86	68	5	-	-
601 to 900	85	8	-		29	4	44		28	49	8	-	-
901 to 1,200	27	4	-		11	1	11		11	12	4	-	-
1,201 to 1,500	8	1	-		6	-	1		6	1	1	-	-
1,501 to 1,800	2	-	-		2	-	-		1	1	-	-	-
1,801 to 2,100	1	-	-		1	-	-		1	-	-	-	-
2,101 to 3,000	-	-	-		-	-	-		-	-	-	-	-
Total	**787**	**24**	**20**	**5**	**403**	**24**	**311**		**407**	**350**	**30**	**-**	**-**

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

Retirement Effective Dates[1]	Years of Service						
	0–5	5–10	10–15	15–20	20–25	25–30	30+
PERIOD 1/1/01–12/31/01							
Average Monthly Pension Benefit	NA	NA	NA	NA	NA	NA	NA
Average Final Average Salary	$5,364	$4,543	$4,593	$4,814	$4,781	$5,088	$6,181
Number of Retired Members Added	23	47	60	49	37	32	48
PERIOD 1/1/02–12/31/02							
Average Monthly Pension Benefit	NA	NA	NA	NA	NA	NA	NA
Average Final Average Salary	$6,059	$5,174	$4,413	$4,903	$5,591	$6,777	$6,276
Number of Retired Members Added	14	32	38	42	52	25	32
PERIOD 1/1/03–12/31/03							
Average Monthly Pension Benefit	NA	NA	NA	NA	NA	NA	NA
Average Final Average Salary	$5,316	$4,794	$4,798	$5,036	$6,093	$7,922	$7,759
Number of Retired Members Added	36	26	47	46	58	51	70
PERIOD 1/1/04–12/31/04							
Average Monthly Pension Benefit	NA	NA	NA	NA	NA	NA	NA
Average Final Average Salary	$6,517	$5,962	$5,069	$5,422	$6,161	$7,026	$7,685
Number of Retired Members Added	31	34	76	75	78	64	89
PERIOD 1/1/05–12/31/05							
Average Monthly Pension Benefit	NA	NA	NA	NA	NA	NA	NA
Average Final Average Salary	$7,155	$5,433	$5,154	$5,289	$6,095	$7,413	$7,991
Number of Retired Members Added	34	33	53	71	89	65	80
PERIOD 1/1/06–12/31/06[3]							
Average Monthly Pension Benefit	$1,095	$1,229	$1,426	$2,230	$3,193	$5,397	$6,750
Average Final Average Salary	$5,702	$6,004	$4,702	$5,847	$6,367	$7,861	$8,400
Number of Retired Members Added	22	23	44	66	66	59	75
PERIOD 1/1/07–12/31/07[3]							
Average Monthly Pension Benefit	$936	$1,535	$1,635	$2,206	$3,287	$5,791	$6,762
Average Final Average Salary	$6,216	$6,963	$5,940	$6,000	$6,619	$8,326	$8,111
Number of Retired Members Added	20	22	52	66	76	53	85
PERIOD 1/1/08–12/31/08[3]							
Average Monthly Pension Benefit	$805	$1,471	$1,825	$2,257	$3,445	$5,772	$7,014
Average Final Average Salary	$7,749	$6,730	$6,270	$5,983	$6,667	$7,863	$8,449
Number of Retired Members Added	21	30	43	38	70	45	76
PERIOD 1/1/09–12/31/09[3]							
Average Monthly Pension Benefit	$956	$1,163	$1,681	$2,295	$3,653	$6,730	$6,913
Average Final Average Salary	$6,507	$5,698	$6,041	$6,700	$6,922	$9,144	$8,080
Number of Retired Members Added	17	19	26	27	70	58	70
PERIOD 1/1/10–12/31/10[3]							
Average Monthly Pension Benefit	$558	$1,417	$1,816	$2,512	$3,397	$5,336	$7,220
Average Final Average Salary	$8,930	$5,863	$6,998	$6,623	$6,831	$7,944	$8,790
Number of Retired Members Added	13	47	57	49	117	65	91

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

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

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

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

	Years of Service						
Retirement Effective Dates[1]	0–5	5–10	10–15	15–20	20–25	25–30	30+
PERIOD 1/1/01–12/31/01							
Average OPEB	NA	NA	NA	NA	NA	NA	NA
Number of Retired Members Added	23	47	60	49	37	32	48
PERIOD 1/1/02–12/31/02							
Average OPEB	NA	NA	NA	NA	NA	NA	NA
Number of Retired Members Added	14	32	38	42	52	25	32
PERIOD 1/1/03–12/31/03							
Average OPEB	$37	$37	$165	$237	$299	$313	$326
Number of Retired Members Added	15	13	46	39	59	49	112
PERIOD 1/1/04–12/31/04							
Average OPEB	$37	$37	$169	$285	$354	$373	$372
Number of Retired Members Added	15	23	74	70	85	67	156
PERIOD 1/1/05–12/31/05							
Average OPEB	$36	$36	$168	$298	$375	$374	$394
Number of Retired Members Added	19	26	38	58	81	57	107
PERIOD 1/1/06–12/31/06							
Average OPEB	$36	$36	$166	$296	$396	$385	$394
Number of Retired Members Added	14	21	35	59	71	60	103
PERIOD 1/1/07–12/31/07							
Average OPEB	$37	$37	$138	$312	$425	$449	$461
Number of Retired Members Added	14	20	50	58	77	49	119
PERIOD 1/1/08–12/31/08							
Average OPEB	$37	$37	$148	$257	$363	$402	$434
Number of Retired Members Added	19	28	42	37	72	46	90
PERIOD 1/1/09–12/31/09							
Average OPEB	$43	$43	$211	$296	$497	$489	$508
Number of Retired Members Added	24	21	26	33	76	59	70
PERIOD 1/1/10–12/31/10							
Average OPEB	$43	$43	$242	$313	$496	$534	$523
Number of Retired Members Added	13	45	54	44	116	63	90

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

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

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

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

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

As of November 30[1]

	2010	2009	2008	2007	2006	2005
County of Alameda						
General Members	6,417	6,415	6,446	6,322	6,261	6,177
Safety Members	1,488	1,520	1,574	1,497	1,383	1,368
Total	**7,905**	**7,935**	**8,020**	**7,819**	**7,644**	**7,545**
Other Participating Employers (General Members)						
Alameda County Medical Center	2,030	2,030	2,097	2,044	2,007	1,961
Alameda County Office of Education	1	1	1	1	2	2
First 5 Alameda County	62	61	63	59	57	53
Housing Authority of the County of Alameda	73	71	72	74	75	68
Livermore Area Recreation & Park District	64	69	72	70	67	62
The Superior Court of California for the County of Alameda[2]	744	760	848	845	810	812
Total	**2,974**	**2,992**	**3,153**	**3,093**	**3,018**	**2,958**
Total Active Membership						
General Members	9,391	9,407	9,599	9,415	9,279	9,135
Safety Members	1,488	1,520	1,574	1,497	1,383	1,368
Total	**10,879**	**10,927**	**11,173**	**10,912**	**10,662**	**10,503**

1 As permitted by the Actuarial Standard of Practice Statement No. 4 (Measuring Pension Obligation), the actuarial valuation has been prepared based on participant data provided by ACERA as of November 30.
2 Included as County of Alameda General Members before 2005.

Total Active Membership

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

As of December 31

Participating Employers	2010 Covered Employees	2010 Rank	2010 Percentage of Total System	2001 Covered Employees	2001 Rank	2001 Percentage of Total System
County of Alameda	7,893	1	73 %	8,738	1	79 %
Alameda County Medical Center	2,018	2	18	2,086	2	19
The Superior Court of California for the County of Alameda[1]	739	3	6	-	-	-
Housing Authority of the County of Alameda	72	4	1	69	4	1
Livermore Area Recreation & Park District	63	5	1	76	3	1
First 5 Alameda County[2]	63	6	1	-	-	-
Alameda County Office of Education	1	7	-	5	5	-
Total	**10,849**		**100 %**	**10,974**		**100 %**

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

Compliance

WILLIAMS ADLEY

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

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

We have audited the financial statements of the Alameda County Employees' Retirement Association (ACERA), as of and for the year ended December 31, 2010, and have issued our report thereon dated June 14, 2011. Our report on the financial statements was modified to indicate that ACERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

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

Williams, Adley & Company CA, LLP

June 14, 2011

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ACERA

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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