

For the Year Ended
December 31

2016

Popular Annual Financial Report



Alameda County Employees'
Retirement Association

A Pension Trust Fund of the County of Alameda
Oakland, CA

The Popular Annual Financial Report (PAFR) is a summary of the Comprehensive Annual Financial Report (CAFR) for the year ended

December 31, 2016

The financial data in the PAFR derive from the more detailed CAFR. Both are consistent with generally accepted accounting principles and guidelines established by the Governmental Accounting Standards Board. You can find both the CAFR and the PAFR online at www.acera.org/cafr.

Counseled

437

Ready-to-retire members

Processed

391

members into retirement

Serving You

OUR MISSION AT ACERA is to provide members and employers with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services. We've been doing this since our establishment in 1947 under the County Employees Retirement Law of 1937 (CERL). ACERA is one of the few county retirement organizations that has adopted Article 5.5 of the CERL. This means that our members also receive non-guaranteed benefits such as healthcare.

Our dedicated and diverse team at ACERA uses its expertise to provide these benefits to you, our members. On the following pages you can see some of the ways we've improved our service in 2016.



Message from the Chief Executive Officer, David Nelsen

Dear ACERA Members,

THIS REPORT GIVES YOU a brief picture of the performance of your pension fund this past year and over time. We've accomplished a lot administratively and our investments have performed solidly. ACERA's fund continued growing in 2016. The value of ACERA's net position increased by \$325 million to \$6.97 billion as of December 31, 2016, which, is the highest market value the fund has ever experienced. This growth represented a 7.4% (gross) rate of return. Even with this solid performance, it's good to remember that our returns may go up and down from year to year, and it's our long term average earnings that drive the funding of your pension benefits. We take a prudent and long-term approach toward investments and don't make rash decisions. We establish a long-term investment strategy and track its success so we can make changes as needed. We'd love for you to learn more about our approach on our investments web page, www.acera.org/investments.

Administratively, we worked on consistently providing superior member services, while taking steps to be increasingly cost effective. It has been a productive year, and we are excited to continue serving you in 2017 and beyond.

Sincerely,

A handwritten signature in black ink that reads "David Nelsen". The signature is fluid and cursive, written in a professional style.

David Nelsen,
Chief Executive Officer

Strengthening ACERA Accomplishment Highlights



DEVELOPED CORE VALUES | As part of ongoing organizational development, ACERA's entire staff was given the opportunity to develop a set of ACERA Core Values: Trust, Respect, Accountability & Commitment, Innovation, and Integrity.



INCREASED PASSIVE INVESTMENTS | In order to minimize fees (the cost of investing) and continue to maximize potential returns, ACERA increased the target passive portion of the portfolio from 14.2% to 24.8%. Passive investments follow broad indexes (like the S&P 500) rather than being actively managed.

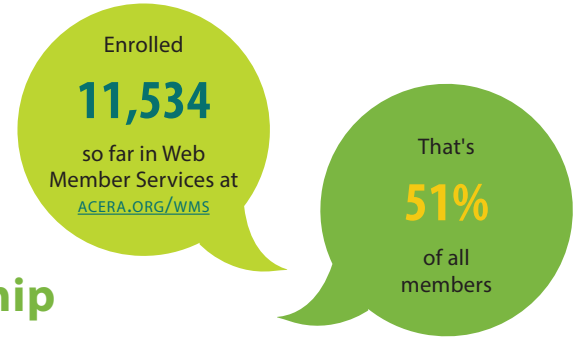


REDUCED PAPER CONSUMPTION | ACERA transitioned 5,500+ retirees to electronic benefit pay stubs, saving \$3,900 and 2 trees per month.



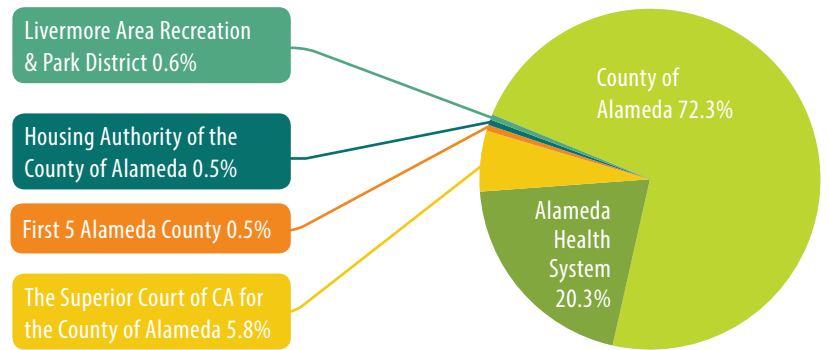
ACERA ALSO... made \$142.5 million in commitments to new Private Equity and Alternatives investments; embarked on a project-based approach to improve delivery of member services using performance management; launched a pioneering onboarding program to ensure a warm welcome and efficient start for new ACERA staff; hired a disability claims management firm to streamline members' disability applications; and much more at www.acera.org/cafr.

ACERA's Membership



ACERA's members are current and former employees of six participating employers who collectively share the risks of supporting a multi-employer, cost sharing, defined benefit retirement plan. More at www.acera.org/about.

Active Membership



Membership Changes

Membership	2016	2015	% Change
Inactive (Deferred) Members	2,267	2,121	6.88%
Active Non-Vested Members	3,394	3,190	6.39%
Active Vested Members	7,714	7,902	-2.38%
Beneficiaries and Survivors	1,210	1,179	2.63%
Disability Retirees	884	861	2.67%
Service Retirees	7,152	6,949	2.92%
Total Members	22,621	22,202	1.88%

Financial Summary (Fiduciary Net Position Condensed)

(Dollars in millions)	2016	2015	Increase (Decrease) Amount	Percent Change
Additions				
Net investment income	\$ 470.0	\$ -6.5	\$ 476.5	-
Employee & Employer contributions + Misc. income	328.0	309.5	18.5	6%
Reserve transfers	41.0	43.0	-2.0	-5%
Total additions	839.0	346.0	493.0	142%
Deductions				
Retirement benefit payments & refunds	422.3	401.3	21.0	5%
Postemployment medical benefits	34.9	33.7	1.2	4%
Administration	15.8	15.4	0.4	3%
Reserve transfers	41.0	43.0	-2.0	-5%
Total deductions	514.0	493.4	20.6	4%
Fiduciary net position at end of year	\$ 6,965.6	\$ 6,640.6	\$ 325.0	5%

ACERA's net position increased by **\$325 million** in 2016

ACERA
Financial Highlights

The funding sources that finance the retirement benefits are member contributions, employer contributions, and investment income. ACERA's assets are primarily used for the payment of benefits to members and their beneficiaries, the refund of contributions to terminated employees, and the cost of administering the retirement system. More at www.acera.org/cafr.

Market Value (\$ billions)



Pension Plan Funding Status

ACERA hires an independent actuary to conduct annual valuations of pension assets and expenses. The actuarial values are compared to determine the annual contribution rates that ACERA's members and employers are required to pay to meet pension obligations. You may notice that the actuarial value of assets and the net position differ; this is because gains and losses are mathematically "smoothed" over a 5 year period. This minimizes the effect of market volatility on contribution rates. Participating employers contributed 100% of the annual required contributions to the pension plan, which include additional contributions so ACERA can re-achieve 100% funding over time.

Actuarial Values and Funded Ratio

Actuarial Valuation as of December 31	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
<i>Plain English:</i>	<i>How much we have now</i>	<i>How much we owe, now and in the future</i>	<i>How much more we'll need</i>	<i>% of how much we owe that we have now</i>
2015	\$ 6,083.5	\$ 7,875.0	\$ 1,791.5	77.3%
2014	5,681.1	7,592.1	1,911.0	74.8%
2013	5,210.9	6,861.7	1,650.7	75.9%
2012	4,883.9	6,612.9	1,729.1	73.9%
2011	4,868.7	6,359.5	1,490.8	76.6%

Dollars in millions

Check www.acera.org/actuarial for more information on pension plan funding and the Net Pension Liability calculation required by GASB 67.

Non-Guaranteed Benefits and the Supplemental Retirees Benefits Reserve (SRBR)

Non-Guaranteed Benefits Currently Offered

Monthly Medical Allowance (MMA)

Dental Coverage Subsidy

Vision Coverage Subsidy

Medicare Part B Reimbursement Plan

Supplemental COLA

Implicit Subsidy (Paid to County)

ACERA's non-guaranteed (non-vested) benefits are subject to available funds in ACERA's Supplemental Retirees Benefits Reserve (SRBR). The SRBR receives regular interest earnings and half of any annual interest income above our 7.6% annual projection. Each year, our actuary projects how many years the SRBR will last at current benefit levels. ACERA aims to keep the SRBR above a projected 15-year sustainability level. The Board of Retirement may change or end non-guaranteed benefits to meet this goal. Below is the projection made for each of the last 10 years. More at www.acera.org/srbr.

Years of SRBR Sustainability

(Projected years until SRBR exhausted assuming no further excess interest)



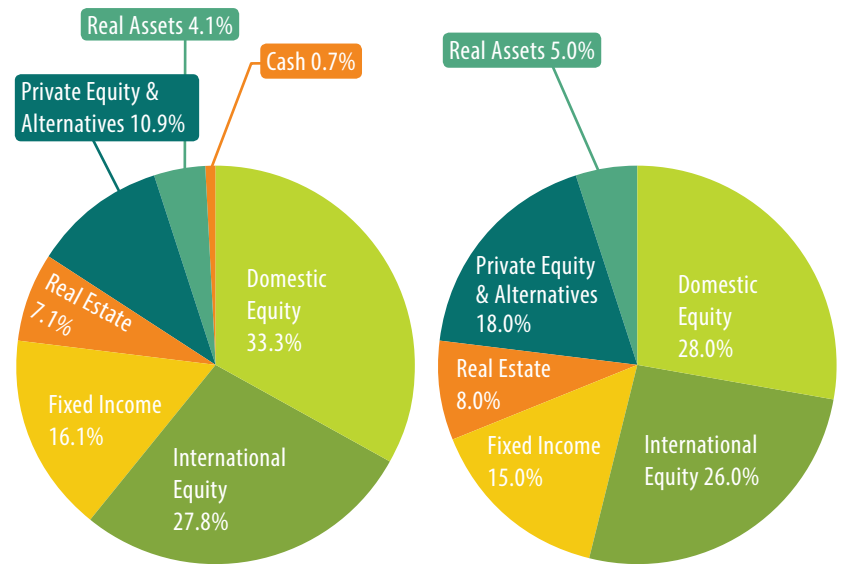
* Preliminary projection

Investment Performance

Gross results

The Board of Retirement has the fiduciary responsibility to prudently invest ACERA's funds to minimize overall risk and maximize returns. More at www.acera.org/investments.

Actual Asset Allocation Target Asset Allocation



Investment Fund Performance Highlights (Gross Results)

Description	2016 Return	Ranking in a Universe of Public Funds Over \$1 billion*
Total Fund		
2016 Total fund return	7.4%	73 rd percentile
2016 Policy index return	Benchmark 9.1%	14 th percentile
2016 Median return	Peer group return 8.0%	50 th percentile
Annualized 5 years	Average return over 5 years 9.3%	24 th percentile
Annualized 10 years	Average return over 10 years 5.5%	27 th percentile
Annualized 15 years	Average return over 15 years 7.2%	5 th percentile
Individual Asset Classes		\$ Value in billions
Domestic equity	Stocks 9.8%	\$ 2.32
International equity	Stocks 5.0%	1.94
Fixed income	Bonds/debt 6.2%	1.13
Real estate	Real, tangible properties 8.4%	0.49
Private equity & alternatives	Non-public companies 7.6%	0.76
Real assets	Inflation hedge 8.8%	0.29
Cash	Cash 0.3%	0.05
Total		\$ 6.97

*ACERA's investment policy targets a ranking in the top 25th percentile.



Alameda County Employees' Retirement Association

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Oakland, CA 94612

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Board of Retirement

Dale E. Amaral
CHAIR
Elected by Safety Members

Tarrell V. Gamble
1ST VICE CHAIR
Appointed by the Board of Supervisors

Annette Cain-Darnes
2ND VICE CHAIR
Appointed by Board of Supervisors

Ophelia B. Basgal
Appointed by the Board of Supervisors

Keith Carson
Appointed by and Member of Board of Supervisors

Liz Koppenhaver
Elected by Retired Members

Henry C. Levy*
Ex-Officio Member,
Treasurer-Tax Collector

Nancy Reilly
ALTERNATE RETIRED
Elected by Retired Members

Elizabeth Rogers
Elected by General Members

Darryl L. Walker, Sr.
ALTERNATE SAFETY
Elected by Safety Members

George Wood
Elected by General Members

*Henry C. Levy was appointed as Treasurer-Tax Collector on April 26, 2017, to complete Donald R. White's remaining term of office.

Answered

21,450

telephone calls

83%

of callers spent less than 30 seconds on hold

Fulfilled

950

formal written requests

Subscribed

1,302

people to email news updates at

ACERA.ORG/GET-NEWS

Scanned & indexed

38,666

member documents

Members generated

19,341

retirement estimates through Web Member Services

ACERA.ORG/WMS