

# Popular Annual Financial Report

For the Year Ended  
December 31

# 2017



# Building *Up* Your Future



Alameda County  
Employees' Retirement  
Association

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



## 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 remarkably. ACERA's fund continued to grow in 2017. ACERA's net position increased by \$1.15 billion to \$8.11 billion as of December 31, 2017. This growth represents an extraordinary 19.5% (gross) rate of return. Even with this solid performance, it's good to remember that our returns may fluctuate from year to year, but 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](http://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 2018 and beyond.

**Sincerely,**

**David Nelsen,  
Chief Executive Officer**

Processed **439**  
members into  
retirement

Counseled **461**  
Ready-to- retire  
members

## Board of Retirement

**Tarrell V. Gamble**

**CHAIR**

Appointed by the Board of Supervisors

**George Wood**

**1<sup>ST</sup> VICE CHAIR**

Elected by General Members

**Henry C. Levy**

**2<sup>ND</sup> VICE CHAIR**

Ex-Officio Member, Treasurer-Tax Collector

**Dale E. Amaral**

Elected by Safety Members

**Ophelia B. Basgal**

Appointed by Board of Supervisors

**Annette Cain-Darnes\***

Appointed by Board of Supervisors

**Keith Carson**

Appointed by & Member of Board of Supervisors

**Liz Koppenhaver**

Elected by Retired Members

**Nancy Reilly**

**ALTERNATE RETIRED**

Elected by Retired Members

**Elizabeth Rogers**

Elected by General Members

**Darryl L. Walker, Sr.**

**ALTERNATE SAFETY**

Elected by Safety Members

\*Annette Cain-Darnes resigned from the Board on June 5, 2018. The Board of Supervisors have appointed Jaime Godfrey to serve the remaining term until November 20, 2018.

Enrolled **13,103** so far  
in Web Member Services  
at [ACERA.ORG/WMS](http://ACERA.ORG/WMS)

That's **56%** of  
all members

## Strengthening ACERA

*Accomplishment Highlights*

**2017**

### IMPLEMENTED PROCESS OPTIMIZATION

**SYSTEM** • ACERA implemented a Process Excellence initiative where all 90+ associates will train in Lean Six Sigma process improvement methodologies, and we will systematically review our processes to eliminate waste and maximize efficiency.

### OVERHAULED FIRST RETIREMENT

**CHECK PROCESS** • We successfully completed our first Process Excellence project, reducing waste in the retirement process; most new ACERA retirees now start at their full retirement allowance, rather than 80% under the previous process.

### CONDUCTED PHASE 1 OF PENSION SOFTWARE REPLACEMENT

We reviewed proposals to replace/upgrade our pension database software used to calculate your retirement. We anticipate completing a full upgrade in 3 years.

**ACERA ALSO...** completed a cyber security review; developed an anti-fraud/theft training program; adopted new Private Equity and Absolute Return policies and approved 5 commitments totaling \$232.7+ million; engaged deferred compensation plan agents in our retirement planning seminars; began an upgrade of your Web Member Services portal; and much more at [www.acera.org/cafr](http://www.acera.org/cafr).

## Active Membership

**0.5%**  
First 5  
Alameda  
County

**0.5%**  
Housing  
Authority  
of the  
County of  
Alameda

**0.5%**  
Livermore  
Area  
Recreation  
& Park  
District

**21.5%**  
Alameda  
Health  
System

## 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](http://www.acera.org/about).**

### Membership Changes

**2017** total members: **23,250**

**2016** total members: **22,621**

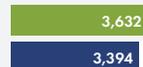
#### ACTIVE VESTED



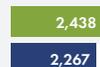
#### SERVICE RETIREES



#### ACTIVE NONVESTED



#### DEFERRED



#### BENEFICIARIES



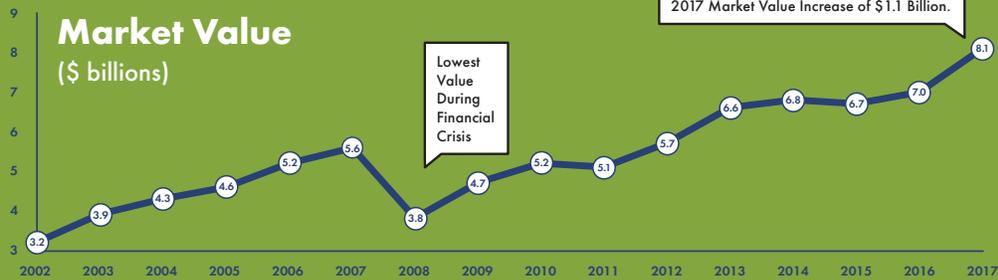
#### DISABILITY RETIREES



# 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](http://www.acera.org/cafr).



## Financial Summary (Fiduciary Net Position Condensed)

(Dollars in millions)

	2017	2016	Increase (Decrease) Amount	Percent Change
<b>ADDITIONS</b>				
Net investment income	\$ 1,308.2	\$ 470.0	\$ 838.2	178%
Employee & Employer contributions + Misc. income	337.3	328.0	9.3	3%
Reserve transfers	48.3	41.0	7.3	18%
<b>Total additions</b>	<b>\$ 1,693.8</b>	<b>\$ 839.0</b>	<b>\$ 854.8</b>	<b>102%</b>
<b>DEDUCTIONS</b>				
Retirement benefit payments & refunds	\$ 445.3	\$ 422.3	\$ 23.0	5%
Postemployment medical benefits	37.9	34.9	3.0	9%
Administration	15.8	15.8	-	0%
Reserve transfers	48.3	41.0	7.3	18%
<b>Total deductions</b>	<b>547.3</b>	<b>514.0</b>	<b>33.3</b>	<b>6%</b>
<b>Fiduciary net position at end of year</b>	<b>\$ 8,112.1</b>	<b>\$ 6,965.6</b>	<b>\$ 1,146.5</b>	<b>16%</b>

## 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>(Dollars in millions)</i>				
<b>PLAIN ENGLISH:</b>	<b>How Much We Have Now</b>	<b>How Much We Owe, Now &amp; in the Future</b>	<b>How Much More We'll Need</b>	<b>% of How Much We Owe That We Have Now</b>
<b>2016</b>	\$ 6,436.1	\$ 8,237.7	\$ 1,801.6	78.1%
<b>2015</b>	6,083.5	7,875.0	1,791.5	77.3%
<b>2014</b>	5,681.1	7,592.1	1,911.0	74.8%
<b>2013</b>	5,210.9	6,861.7	1,650.7	75.9%
<b>2012</b>	4,883.9	6,612.9	1,729.1	73.9%

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

The Superior Court of CA for the County of Alameda

71.7%  
County of Alameda

5.3%

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

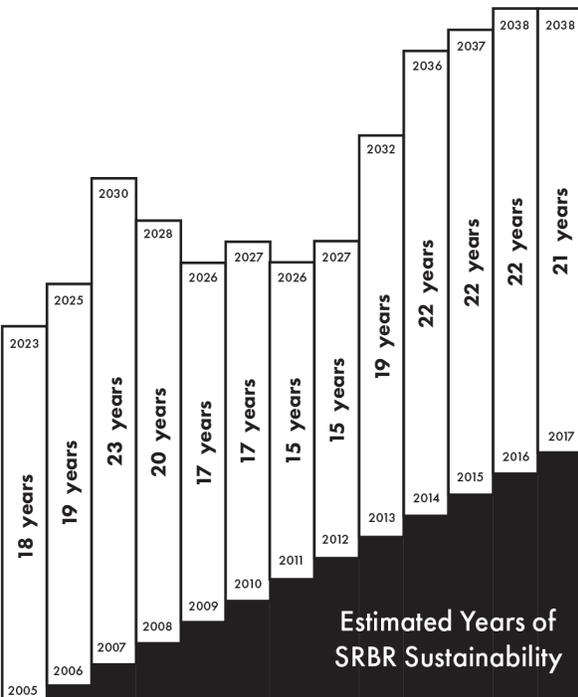
## NON-GUARANTEED BENEFITS CURRENTLY OFFERED

- **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 13 years.

More at [www.acera.org/srbr](http://www.acera.org/srbr).

\*ACERA adopted a 7.25% actuarial assumption rate in December 2017.



# Investment Performance

## GROSS RESULTS

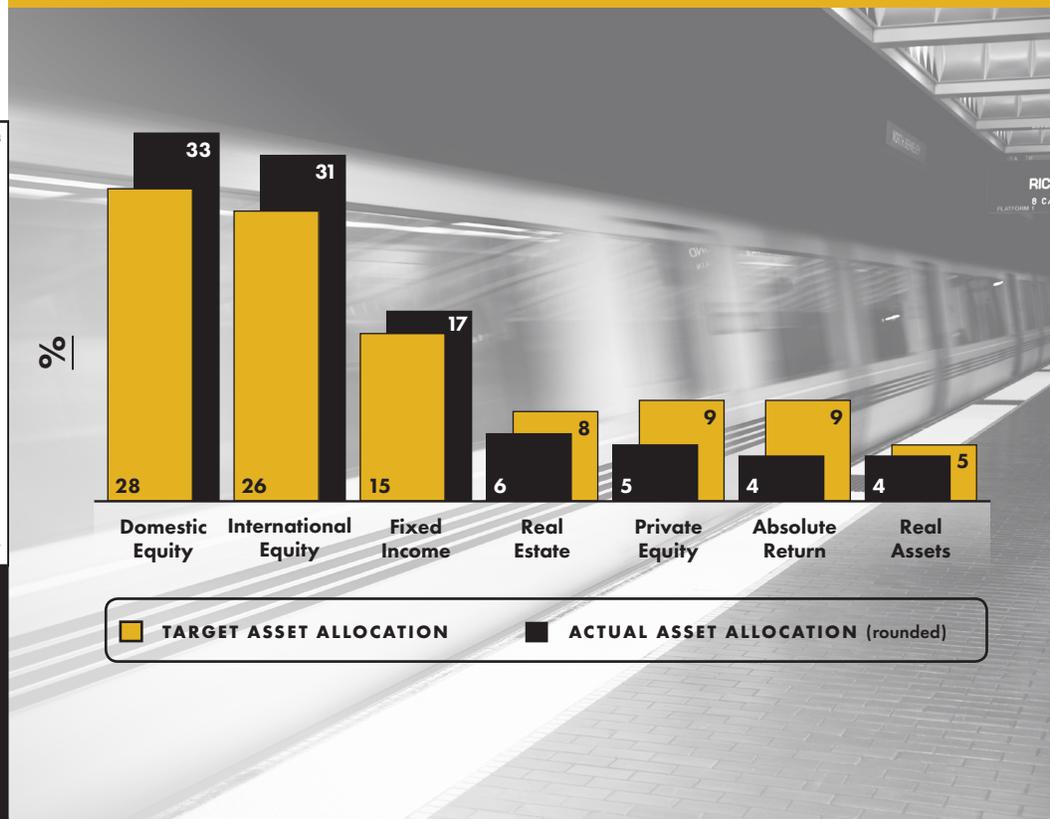
The Board of Retirement has the fiduciary responsibility to prudently invest ACERA's funds to minimize overall risk and maximize returns.

More at [www.acera.org/investments](http://www.acera.org/investments).

## Investment Fund Performance Highlights (Gross Results)

Description	2017 Return	Ranking in a Universe of Public Funds Over \$1 billion*
<b>TOTAL FUND</b>		
2017 Total fund return	19.5%	3rd percentile
2017 Policy index return	Benchmark	18.6%
2017 Median return	Peer group return	16.2%
Annualized 5 years	Average return over 5 years	10.2%
Annualized 10 years	Average return over 10 years	6.5%
Annualized 15 years	Average return over 15 years	8.9%
<b>INDIVIDUAL ASSET CLASSES</b>		
		<b>\$ Value in billions</b>
Domestic equity	Stocks	23.3%
International equity	Stocks	31.5%
Fixed income	Bonds/debt	8.3%
Real estate	Real, tangible properties	8.6%
Private equity	Non-public companies	14.2%
Absolute return	Stable, positive returns	2.6%
Real assets	Inflation hedge	-0.1%
Cash	Cash	1.2%
<b>TOTAL</b>		\$ 8.11

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





**Alameda County Employees'  
Retirement Association**

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## 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 2017.

**Answered**

**21,074**

telephone calls

**Fulfilled**

**579**

formal  
written  
requests

**84%**

of callers  
spent less than  
30 seconds  
on hold

**Scanned  
& indexed**

**44,367**

member  
documents

**Subscribed**

**1,404**

people to email  
news updates at  
[acera.org/get-news](http://acera.org/get-news)

**Members  
generated**

**21,233**

retirement  
estimates through  
Web Member  
Services

[acera.org/wms](http://acera.org/wms)