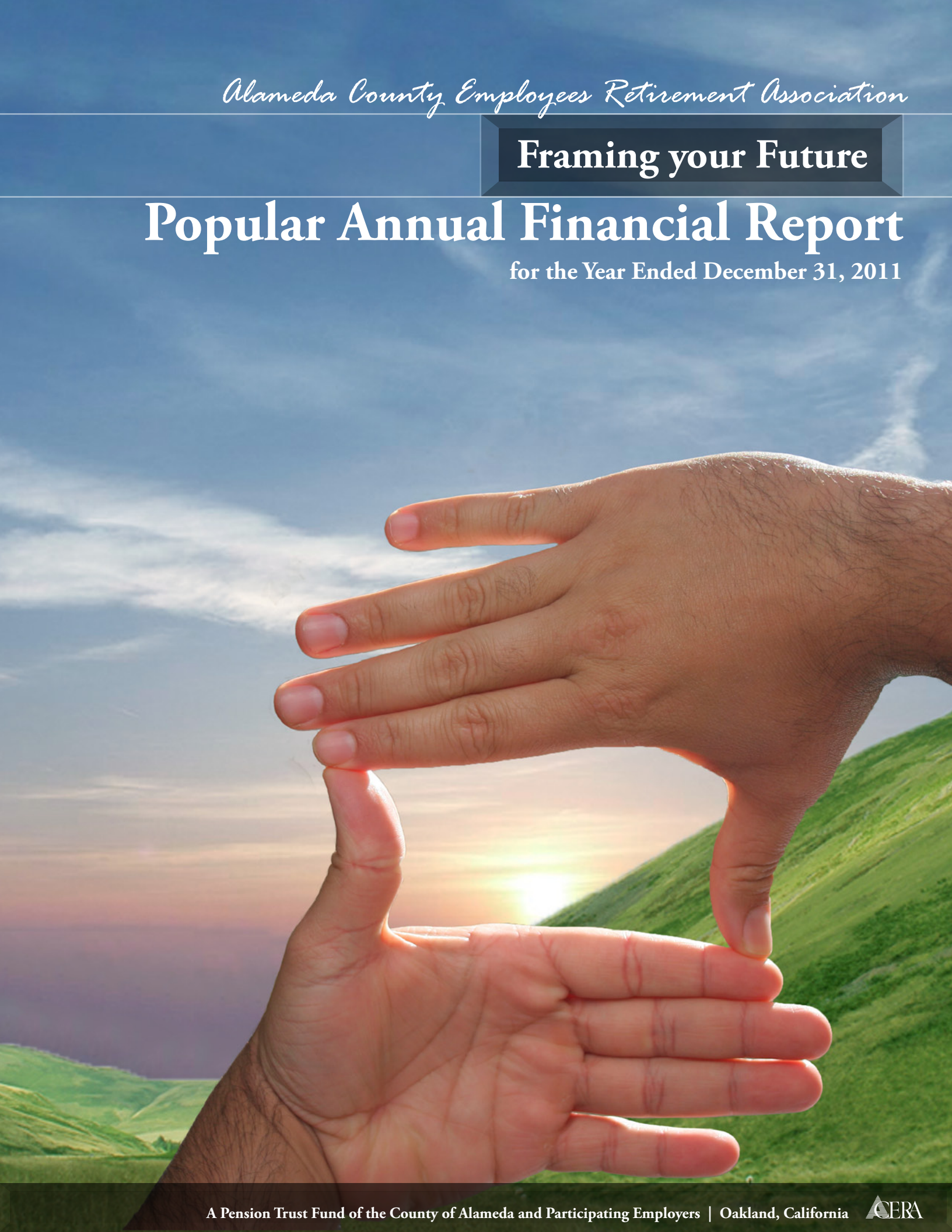


Alameda County Employees Retirement Association

Framing your Future

Popular Annual Financial Report

for the Year Ended December 31, 2011



Message from the Chief Executive Officer

Dear ACERA Members,



This Popular Annual Financial Report (PAFR) is an easy-to-read summary of the Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2011. The financial data presented here derives from the more detailed CAFR and is consistent with generally accepted accounting principles and guidelines established by the Governmental Accounting Standards Board.

Both the CAFR and the PAFR are posted online at www.acera.org for ease of access and reference.

As ACERA's new CEO, I am honored to share the significant operational accomplishments framed in this PAFR, including ACERA's improved wellness services, enhanced information technology and operational cost savings, in furtherance of our mission to provide superior member services.

While ACERA made significant strides this year, world financial markets had a tough year. The S&P 500 was flat, the NASDAQ lost 2%, and numerous measures of worldwide markets declined significantly. It's not surprising that ACERA's fund was flat, declining by -0.4%. The good news is that ACERA plans the fund over decades, and our experience over the past 60+ years is that lean years get balanced out by stout ones, so we make our earning projects over long periods of time.

Finally, our members are rarely portrayed for the significant contributions made as public employees; we encourage you to relay such achievements – or any other suggestions – through the portal at www.acera.org/feedback.

Sincerely,
Vincent P. Brown

Chief Executive Officer

Serving You

Essentially, our mission is to invest the Fund and administer the retirement, disability, and death benefits to our members. We've been doing this since our establishment in 1947 under the County Employees Retirement Law of 1937 (CERL). We also currently offer a variety of non-vested benefits under more recent legislation.

Providing these benefits requires the dedication and expertise of a diversified team of ACERA specialists. The side bar on the following page illustrates how we served you, our members, during 2011.

Strengthening ACERA

Administrative Enhancements | ACERA's Board conducted a nationwide search and hired Vincent P. Brown as Chief Executive Officer effective July 5, 2011. ACERA also implemented a new internal audit plan, budget process, and workload/reporting system. Virtually all communications materials are now designed in-house.

Financial Achievements | ACERA established an inflation-hedge asset class, increased allocations to private equity and alternatives, replaced its real estate index with the NCREIF ODCE, and hired a new currency manager. ACERA received a Distinguished Budget Presentation Award from the Government Finance Officers Association.

Wellness | Hundreds of retired members received multimedia training on health and diet through ACERA's Wellness and Disease Management Initiative and increased wellness communications.

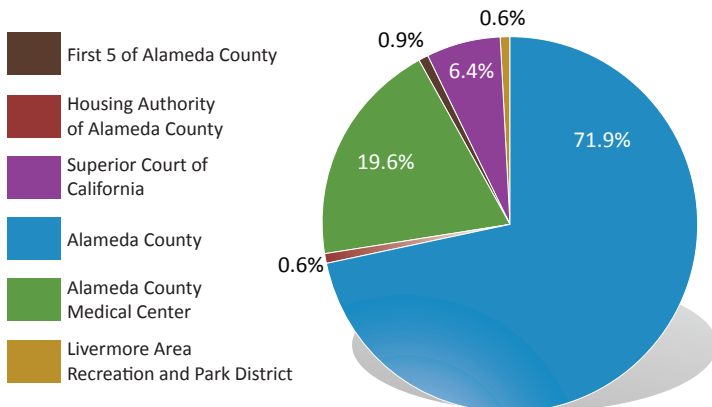
Benefits Options | ACERA surveyed members on various scenarios regarding the sustainability of non-vested benefits and received more than 4400 opinions (a 27% response rate). A new benefits consultant (Keenan & Associates) was secured and ACERA adopted a 2012 medical plan with drug rebates upwards of \$300,000 to be returned to ACERA.

Technology Upgrades | ACERA completed installation of its electronic document management system, scanning/reviewing a grand total of 3.9 million documents over two years to ensure accuracy, efficiency, and business continuity. ACERA also migrated its phone system and network switches to a state-of-the-art VOIP system.

ACERA's Membership

ACERA's seven participating employers collectively share the risks and costs, including benefit costs, of supporting ACERA's cost sharing, multi-employer defined benefit retirement plan.*

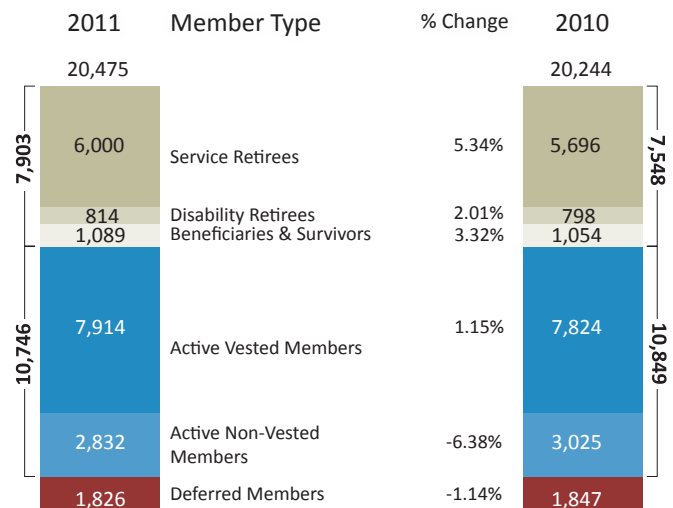
Active Membership



*Office of Education not depicted due to only one active member.

ACERA's members include active, retired and certain former employees of ACERA's participating employers.

Total Membership



Answered

21,000
Telephone calls

98%
of calls in 30 seconds or less

Conducted 1 on 1

700
Ready-to-retire counseling sessions

Fulfilled

2,500
Formal written requests

Processed

464
Members into retirement

Delivered seminars to

1,500
Members

Visits to acera.org

31,000

Administered

5,660
Members in ACERA medical plans

Distributed

145,000
Paper communications

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

Board of Retirement

The ACERA Board of Retirement oversees the Chief Executive Officer and staff in the performance of their duties.

ACERA's Board Members as of January 1, 2012 are:

Dale E. Amaral	1st Vice Chair	Elected by Safety Members
Ophelia B. Basgal		Appointed by the Board of Supervisors
Annette Cain-Darnes		Appointed by the Board of Supervisors
Keith Carson	2nd Vice Chair	Appointed by the Board of Supervisors
George Dewey	Chair	Appointed by the Board of Supervisors
Liz Koppenhaver		Elected by Retired Members
Elizabeth Rogers		Elected by General Members
David M. Safer	Alternate Retired	Elected by Retired Members
Darryl L. Walker, Sr.	Alternate Safety	Elected by Safety Members
Donald R. White		Ex-Officio Member, Treasurer-Tax Collector
George Wood		Elected by General Members

ACERA Financial Highlights

The primary funding sources that finance the retirement benefits are member contributions, employer contributions, and investment income. The primary uses of ACERA's assets include the payment of benefits to members and their beneficiaries, the refund of contributions to terminated employees, and the cost of administering the retirement system.

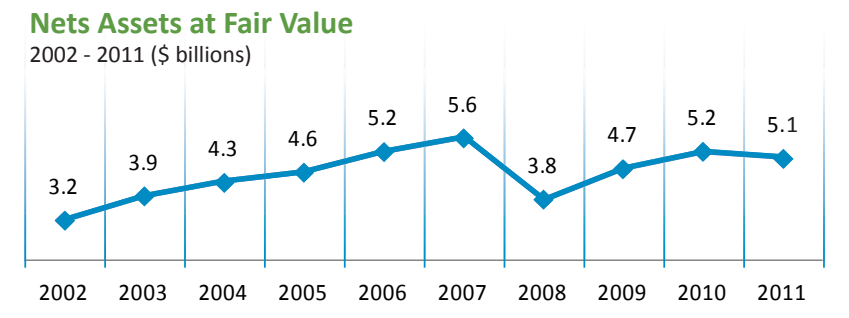


Table 1: ACERA's Net Assets (Condensed)

For the Years Ended December 31, 2011 and 2010 (dollars in millions)	2011	2010	Increase (Decrease) Amount	Percent Change
Net Investment Income	(40.7)	648.1	(688.8)	(106%)
Contributions, Miscellaneous Income, & Transfers	241.6	225.1	16.5	7%
Reserve Transfers	37.1	35.3	1.8	5%
Total Additions	238.0	908.5	(670.5)	(74%)
Retirement Benefit Payments and Refunds	305.6	283.3	22.3	8%
Postemployment Medical Benefits	31.6	29.8	1.8	6%
Administration	13.8	13.0	0.8	6%
Reserve Transfers	37.1	34.8	2.3	7%
Total Deductions	388.1	360.9	27.2	7%
Plan Net Assets at End of Year	5,074.4	5,224.5	(150.1)	(3%)

Commitment Statement
To carry out our Mission through 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. We expect excellence in all activities. We will also be accountable and act in accordance with the law.

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

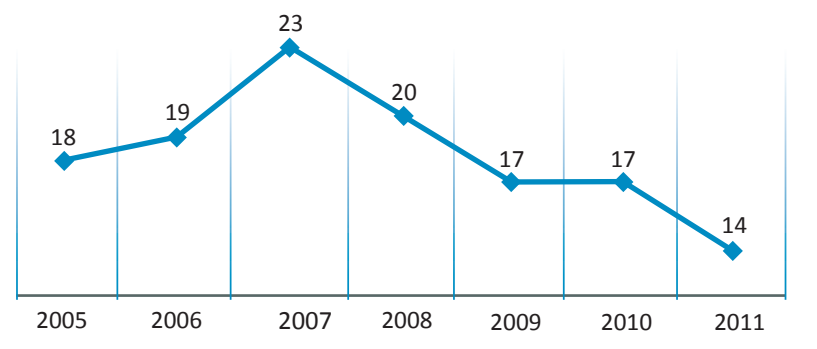
Non-vested (non-guaranteed) benefits are subject to annual authorization by the Board of Retirement. In 2011, ACERA offered retirees the following non-vested benefits:

Financial Benefits	• Supplemental COLA
Death Benefits	• Lump Sum Death Benefit • Active Death Equity Benefit
Healthcare Benefits	• Monthly Medical Allowance (MMA) • Dental Coverage Subsidy • Implicit Subsidy (Paid to County) • Vision Coverage Subsidy • Medicare Part B Reimbursement Plan

Non-vested benefits are subject to available funds in ACERA's Supplemental Retirees Benefits Reserve (SRBR), which receives half of any annual interest income above our 7.8% annual projection.

ACERA policy aims to keep the SRBR above a projected 15-year sustainability level, and the Board may modify or eliminate non-vested benefits to attain this goal. On December 31, 2011 the SRBR balance was \$602.9 million, which is projected to fund benefits until 2026, which is 14+ years. The following chart depicts the change in years of SRBR sustainability as projected annually by ACERA's actuary.

Years of SRBR Sustainability
Projected years until SRBR fund exhausted (assuming no further excess earnings)



Pension Plan Funding Status

ACERA hires an independent consultant to conduct annual actuarial valuations of the pension assets and expenses. The actuarial values are compared to determine the annual contribution rates that ACERA's participating employers are required to pay to meet pension obligations. The actuarial value of assets differs from the market value of assets because we "smooth" gains and losses over 5 years in the future to avoid sharp fluctuations in value. Some of the losses from the 2008 worldwide financial meltdown are still working their way through the smoothing process, and may continue to affect the funded ratio for a few years.

Participating Employers contributed 100% of the annual required contributions to the Pension Plan.

Actuarial Valuation as of December 31 (Plain English)	Actuarial Value of Assets (How much we have now)	Actuarial Accrued Liability (How much we owe, now and in the future)	Unfunded Actuarial Accrued Liability (How much more we'll need)	Funded Ratio (How much we have, divided by how much we owe)
2010	\$4,776.1	\$6,162.7	\$1,386.6	77.5%
2009	\$4,789.0	\$5,899.3	\$1,110.3	81.2%
2008	\$4,644.0	\$5,537.9	\$893.9	83.9%
2007	\$4,560.2	\$5,112.4	\$552.2	89.2%
2006	\$4,127.8	\$4,825.2	\$697.3	85.5%

Dollars in thousands

Investments

The County Employees Retirement Law of 1937 (CERL) and the California Constitution give the Board of Retirement the authority and fiduciary responsibility to invest ACERA's funds prudently to reduce overall risk and increase returns.

2011 was a challenging year for financial markets everywhere. For example, the S&P 500 index, a common measure of market movement, gained 0.0% from December 31, 2010 to December 31, 2011. Under similar conditions, ACERA's retirement Fund declined by -0.4% in 2011, ending the year with net assets of \$5.1 billion.

While the Fund's progress may be slow for a particular year, we plan the Fund to meet our earnings projections over long periods of time. ACERA's annual rates of return over 1, 5, 10, and 20 years are shown in the table below.

ACERA Rates of Return & Rankings

	ACERA Fund Rate of Return	Ranking among all U.S. public funds larger than \$100 million
2011	-0.4%	86th percentile
Annualized 5 years	1.8%	59th percentile
Annualized 10 years	6.1%	15th percentile
Annualized 20 years	8.2%	14th percentile

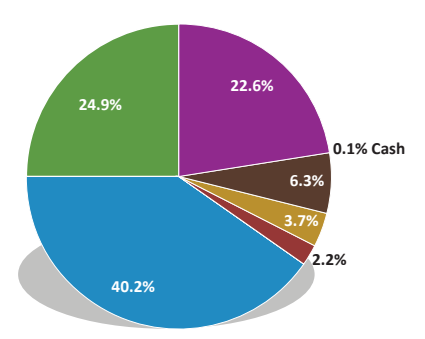
The table below shows a breakdown of ACERA's investments by the various classes of assets we invest in, and the performance of each of those classes during 2011.

Performance Highlights of ACERA's 2011 Investment Fund

(Gross Results)	2011
Total Fund Return	(0.4)%
Policy Return	(0.3)%
Domestic Equity Return	0.8 %
International Equity Return	(12.6)%
Fixed Income Return	6.9 %
Real Estate Return	15.5 %
Private Equity & Alternatives Return	(1.8)%
Year-end Fund Value (billions)	\$5.1

ACERA's Actual Asset Allocation shows our investments ratios by the classes of assets that we've invested in. In comparison, the Target Asset Allocation shows ACERA's long-term strategic allocation goals as established by the Board of Retirement.

Actual Asset Allocation



Target Asset Allocation

