SAFEGUARDING THE DREAM

Comprehensive Annual Financial Report
for the Years Ended December 31, 2000 and 1999

Alameda County Employees' Retirement Association

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

Alameda County Employees' Retirement Association

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

Comprehensive Annual Financial Report
for the years ended December 31, 2000 and 1999

ACERA is a retirement system, organized under the County Employees Retirement Law of 1937, which provides retirement, disability, and death benefits to the employees, retirees and former employees of the County of Alameda, and certain other participating public employers.

ACERA's primary responsibilities include: Administration of the trust fund, delivery of retirement, disability and death benefits to eligible members, administration of health care and cost-of-living programs, and assistance in retirement and related benefits.

Issued By

Charles F. Conrad
General Manager and Chief Investment Officer

Catherine E. Walker
Accounting and Operations Manager

ACERA
475 14th Street
Oakland, California 94612

SAFEGUARDING THE DREAM

Comprehensive Annual Financial Report
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ACERA

Alameda County Employees' Retirement Association

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

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INTRODUCTION

"If one advances confidently in the direction of his dreams, and endeavors to live the life which he has imagined, he will meet with a success unexpected in common hours."

—Henry David Thoreau, Walden

ACERA
Alameda County Employees'
Retirement Association

475 14TH STREET, SUITE 1000, OAKLAND, CA 94612
800 838-1932 510 628-3000 FAX 510 287-5412

LETTER OF TRANSMITTAL

Dear Board Members:

I am pleased to submit this Comprehensive Annual Financial Report for the Alameda County Employees' Retirement Association (ACERA) for the year ended December 31, 2000, and the accompanying Annual Report to Members.

The year 2000 marked the 53rd year of ACERA's stewardship of retirement association programs. We provide eligible employees and beneficiaries with retirement, disability, death, survivor, health, vision, dental, and cost-of-living benefits. In recent years ACERA's Board has made continuous improvements in many of these benefits, including fully paid retiree dental and vision care, the only court-approved settlement of the issues arising out of the *Ventura* case, and an 85% purchasing power replacement cost-of-living benefit.

The Board successfully managed the investment portfolio through last year's dramatic correction in the stock market. Like all institutional investors, ACERA's returns were down in 2000, but the fund's returns exceeded its policy benchmarks in the fourth quarter. For the fifth year in a row, ACERA's assets have exceeded its liabilities, and the Association is more than 100% funded at 107.9%. The Board has continued to demonstrate its commitment to our membership, ensuring that the dream of retirement will become a reality for our members through the protection and efficient administration of their earned benefits.

The Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report (CAFR) of the Alameda County Employees' Retirement Association (ACERA) for the years ending December 31, 2000 and December 31, 1999 is submitted for your review. Responsibility for both accuracy of the data and the completeness and fairness of the presentation rests with ACERA's management. It is our intent to ensure that the presentation of financial information is accurate and fair, and all material disclosures have been made. The CAFR is divided into six sections:

Introductory Section: Contains ACERA's Mission, Commitment and Goals, a Letter of Transmittal, the Certificate of Achievement, a list of Board of Retirement members, an overview of ACERA's Organizational Chart, and a list of Professional Consultants.

Financial Section: Presents the Independent Auditor's Report, which contains ACERA's financial condition and funding status, the financial statements of the system and required supplementary information.

Investment Section: Contains a report on investment activity, investment policies, investment results, and various investment schedules.

Actuarial Section: Provides an overview of the funding status of the Association and other actuarial related information. Also, contains an Actuary's Certification Letter and the results of the annual actuarial valuation.

Statistical Section: Contains significant detailed demographic and other statistical data pertaining to ACERA.

Compliance Section: Contains independent Auditor's Report on Compliance and Internal Control over Financial Reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.

I trust that you and the members of ACERA will find this CAFR helpful in understanding the Association and our commitment to maintaining financial integrity and improving member service.

ACERA and its Services

Established by the Alameda County Board of Supervisors by Ordinance No. 446, dated October 21, 1947, operative January 1, 1948, and governed by the provisions of the County Employees Retirement Law of 1937, the Alameda County Employees' Retirement Association (ACERA) provides retirement allowances and other benefits to the safety and general members employed by the County of Alameda and members employed by the following special districts:

- Livermore Area Recreation & Park District
- Housing Authority of Alameda County
- Alameda County Superintendent of Schools
- Alameda County Medical Center

ACERA provides lifetime retirement, disability, and death benefits to its general and safety members. In addition, ACERA administers retiree health care, dental care, vision care, and cost-of-living programs. The Association is also responsible for the prudent investment of both member and employer contributions, and defraying reasonable expenses of administration.

The Alameda County Employees' Retirement Association Board of Retirement is responsible for establishing policies governing the administration of the retirement plan, making benefit determinations, and managing the investment of the system's assets. The Board operates under authority granted by Article XVI of the Constitution of the State of California.

Article XVI, Section 17(b) of the Constitution of the State of California provides that "the members of the Retirement Board of a public retirement system shall discharge their duties…solely in the interest of, and for the exclusive purpose of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and for the defraying of reasonable expenses of administering the system. A Retirement Board's duty to its participants and their beneficiaries shall take precedence over any other duty." Section 17(a) further provides that the Board has "…the sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries."

The ACERA Board of Retirement is a nine-member Board. Four members are appointed by the Alameda County Board of Supervisors, and four are elected by ACERA's membership. The County Treasurer is an ex-officio member. 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 General Manager and staff in the performance of their duties in accordance with the County Employees Retirement Law of 1937, ACERA's by-laws, and Board policies.

Member Benefits and Services

In 2000 ACERA's staff focused on achieving the aggressive list of goals set in the previous year. Behind the scenes work on the technology front and on the implementation of the Ventura Settlement Agreement dominated our efforts. However, to address the quality of our customer service to members, we reorganized the benefits area of our operation. The department is now divided into three units: an active, a retired, and a disability unit.

Another major accomplishment was the reinstatement of the 80% member payment program. In the first monthly retirement payroll following the date of retirement, members receive an 80% partial payment of their full benefit. Thus, the start of their health, dental and vision benefits is no longer delayed.

The Board also approved the 85% purchasing power cost-of-living benefit (COLA) and the following cost-of-living increases:

- 2% cost-of-living increase for Tier II members
- 3% cost-of-living increase for Tier I members

Every year ACERA's Board reviews and takes action on benefits that are not vested. ACERA is one of the few retirement associations to provide fully paid dental and vision care plans for retirees. Last year the Board voted to continue these benefits at the new premium rates. It also voted to continue the Medicare Part B reimbursement program.

Ventura Update

In the year 2000 ACERA began the process of implementing the Ventura Settlement Agreement, which finalized the issues arising out of the California Supreme Court *Ventura* case and was approved by Judge Carson of Alameda County Superior Court on September 21, 1999. As of January 2000, only one group of retroactive payments had been processed. By December 31, 2000, the results of retroactive payments were as follows:

- 4,030 accounts reviewed
- 2,859 accounts paid
- $28.3 million disbursed to retired members

Attracting and Retaining Professional Staff

The benefits department was reorganized to improve our customer service and responsiveness to member requests. The goal was to develop a professional staff who are equipped and trained to provide the high level of customer service that members deserve. To reach that goal we took the following actions:

- Established a human resources office
- Developed a human resources plan for the recruitment and training of additional staff to address the increased demand and backlog in member service requests
- Documented and standardized our business processes and procedures

New Technologies

Last year major strides were made in bringing ACERA's accounting and benefits administration systems into the 21st century. The new Retirement Information System (RIS) and Accounting Information System (AIS) introduce state-of-the art hardware and software to our business processes. All business and investment transactions as well as benefits payment transactions will feed from the RIS into the AIS. The two systems are designed to

- Improve efficiency
- Reduce turnaround time on member requests
- Increase employee productivity
- Ensure greater accountability
- Provide better reporting and auditing capabilities

A major side benefit of the evaluation and customization involved in implementing the RIS and AIS was that all our business processes and practices are now being documented. By year-end, implementation of both systems was on schedule:

- 75% of the RIS customizations were completed.
- 90% of the AIS customizations were completed.
- All historical data on members was checked for accuracy and completeness and loaded into the RIS.

Final documentation of the two systems is continuing into the year 2001. Starting August 1, the new systems will run in parallel with the old system. Both are then scheduled to go live on October 1, 2001, and should be fully operational by the end of 2001.

Other technology highlights of the year 2000 include the following:

- Establishment of an information technology (IT) data support department to manage all IT resources
- Selection of an Internet service provider

Accounting System and Reports

Management of ACERA is responsible for establishing and maintaining an internal control structure designed to ensure that ACERA's assets are protected from loss, theft, or misuse. Responsibility for the accuracy, completeness, and fair presentation of the information, and all disclosures rests with ACERA's management. The accounting firm of Williams, Adley & Co. LLP provides both financial statement and internal control audit services. The financial audit ensures that ACERA's financial statements are presented in conformity with generally accepted accounting principles and are free from material misstatement. The internal controls are reviewed to ensure that ACERA's operating policies and procedures are being adhered to and are sufficient to safeguard ACERA's assets.

This report has been prepared in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) and its predecessor, the National Council on Governmental Accounting.

ACERA's transactions are reported on the accrual basis of accounting. Revenues are taken into account when earned, regardless of the date of collection. Expenses are recorded when the corresponding liabilities are incurred, regardless of when the payment is made.

Actuarial Funding Status

ACERA's funding objective is to meet long-term benefit commitments by retaining a well-funded plan status and obtaining superior investment returns while minimizing employer contributions. Employer contributions remain approximately level as a percent of member payroll. The greater the level of overall plan funding, the larger the ratio of assets accumulated to the actuarial accrued liability. The advantage of a well-funded plan is that the benefits earned by participants are funded during their working careers and not by future generations of taxpayers. At the present time, ACERA's funding ratio is 107.9%.

ACERA engages an independent actuarial consulting firm, William M. Mercer, Incorporated, to conduct annual actuarial valuations. Recommendations are presented to ACERA's Board for consideration. Triennially, an analysis is made of the appropriateness of all economic and non-economic assumptions.

The actuarial accrued liability of ACERA on December 31, 2000 and December 31, 1999 amounts to $2,936,631,000 and $2,762,524,000, respectively. The actuarial value of assets at December 31, 2000 and December 31, 1999 amounts to $3,169,178,000 and $2,997,932,000, respectively.

The County of Alameda issued $283,485,000 of pension obligation bonds on December 19, 1996. This bond issue, together with $307,923,000 issued by the County on April 20, 1995, satisfied the Unfunded Actuarial Accrued Liability (UAAL) of the County of Alameda as currently calculated. A more detailed discussion of funding is provided in the Actuarial Section of this report.

Investments

General Authority

Article XVI, Section 17 of the Constitution of the State of California provides that "Notwithstanding any other provisions of law or this Constitution, the Retirement Board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system…"

Article XVI, Section 17(a) of the Constitution of the State of California provides that "the Retirement Board of a public pension or retirement system shall have the sole and exclusive fiduciary responsibility over the assets…"

Prudent Expert Duty

Article XVI, Section 17(c) of the Constitution of the State of California, provides that "the members of the Retirement Board of a public pension or retirement system 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 aim." By permitting further diversification of investments within a fund, the prudent expert standard may enable a fund to reduce overall risk and increase returns. A summary of ACERA's asset allocation can be found in the Investment Section of this report.

The prudent expert rule permits the Board to establish an investment policy based upon professional advice and counsel and allows for delegation of investment authority to professional investment advisors. ACERA's Investment Policy outlines the responsibility for the investment of the Fund and the degree of risk that is deemed appropriate for the Fund. Investment advisors are to execute the Investment Policy in accordance with Board policy and guidelines.

For the years ended December 31, 2000 and December 31, 1999, ACERA investments provided a –0.1% and 15.9% rate of return, respectively. ACERA's annualized rate of return over the last three years was 10.3%. Over the last five years, it was 12.6%.

Professional Services

Professional Consultants and Investment Managers are retained by the Board of Retirement to provide professional services essential to the effective and efficient operation of ACERA.

An opinion from the certified public accountant and the actuary are included in this report. The Consultants and Investment Managers retained by the Board are listed on page 44 of this report.

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 the Alameda County Employees' Retirement Association (ACERA) for its comprehensive annual financial report (CAFR) for the year ended December 31, 1999. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principals and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. ACERA has received a Certificate of Achievement for the last four years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting this CAFR to the GFOA.

Acknowledgments

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 report is being mailed to all employers and to employee and retiree organizations. Their cooperation contributes significantly to the success of ACERA. The Annual Report to Members is being mailed to all members. The complete CAFR is available upon request. We hope our employers and our members find this report informative.

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

Respectfully submitted,

Charles F. Conrad

General Manager and
Chief Investment Officer

April 20, 2001

ACERA MEMBERS OF THE BOARD OF RETIREMENT

As of December 31, 2000†

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

Charles L. Harrington
Elected by
Retired Members

Keith Carson
Board of Supervisors
Member
†Replaced Wilma Chan,
Vice Chair, on 01/01/01

Robert Chambers
Elected by
General Members

Sandre Swanson
Appointed by the
Board of Supervisors

William Schaff
Appointed by the
Board of Supervisors

Annette Cain-Darnes
Appointed by the
Board of Supervisors

Dave Safer
Elected by
General Members

Liz Koppenhaver
Chairman
Elected by Safety Members

ADMINISTRATIVE ORGANIZATION CHART

As of December 31, 2000

- General Manager *Chuck Conrad*
  - Deputy General Manager *Vacant*
    - Project & Info. Systems Manager (PRISM) *Latrena Walker*
    - Benefits Manager *Helen Wright*
    - Accounting & Operations Manager *Catherine Walker, CPA*
  - Human Resources Manager *Beth Gannon*
  - General Counsel *Kathy Katano–Lee, Esq.*
  - Investment Officer *Betty Tse, CPA*

LIST OF PROFESSIONAL CONSULTANTS†

Actuary
William M. Mercer

Auditor
Williams, Adley & Co., LLP

Custodian
State Street Bank

Legal
Baker & McKenzie
Bob Pickus, Esq.
Brobeck, Phleger & Harrison, LLP
Jones, Day, Reaves & Pogue
Lisa Glover-Gardin, Esq.
Meyers, Nave, Riback, Silver & Wilson
Morrison & Foerster, LLP
Sheppard Mullin Richter & Hampton, LLP

Personnel Coordination
Campbell Consulting Group
Lakeside Group

Publications, Layout & Design
Laura Meyers Design
Tobi Designs

Technical Support & Other Specialized Services
Accounting System Solution
AD Architecture & Design, Inc
Alfred Munksgard & Associates, Inc.
Allegro Consultants, Inc
Buck Consultants, Inc.
Client Services & Integration, Inc.
Harmony Works / Xapnet
Levi, Ray & Shoup, Inc.
Linea Solutions

† List of Investment Professionals is located on page 44 of the Investment Section of this report.

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, 1999

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.

Anne Spray Kinney
President

Jeffrey L. Esser
Executive Director

ALSO AWARDED 1996, 1997, 1998

FINANCIAL

"Nothing happens unless first a dream."

—Carl Sandburg

INDEPENDENT AUDITOR'S REPORT

Williams, Adley & Company, LLP
Management Consultants
Certified Public Accountants

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

We have audited the accompanying statements of plan net assets of the Alameda County Employee's Retirement Association (ACERA), as of December 31, 2000 and 1999, and the related statements of changes in plan net assets for the years 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 audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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, 2000 and 1999, and the changes in plan net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 20, 2001 on our consideration of ACERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

1330 Broadway, Suite 1825 • Oakland, CA 94612 • (510) 893-8114 • Fax (510) 893-2603

The Management's Discussion and Analysis on pages 14–19, and the schedules of funding progress and employer contributions on page 30 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of administrative expenses, investment manager fees and other investment expenses, and payments to consultants on pages 32 and 33, and investment, actuarial, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of administrative expenses, investment manager fees and other investment expenses, and payments to consultants have been subjected to the auditing proceedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in the investment, actuarial, and statistical sections has not been subjected to the auditing proceedures applied in the audits of the basic financial statements, and accordingly, we express no opinion on it.

Williams, Adley & Company, LLP

April 20, 2001

ACERA
ALAMEDA COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

475 14TH STREET, SUITE 1000, OAKLAND, CA 94612
800 838-1932 510 628-3000 FAX 510 287-5412

MANAGEMENT'S DISCUSSION AND ANALYSIS

We are pleased to provide this overview and analysis of the financial activities of ACERA for the year ended December 31, 2000. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Letter of Transmittal beginning on page 2 of this report.

Financial Highlights

- The assets of ACERA exceeded its liabilities at the close of the year 2000. $3,734,793,684 in net assets are held in trust for pension benefits. All of the net assets are available to meet ACERA's ongoing obligation to plan participants and their beneficiaries.
- ACERA's total net assets held in trust for pension benefits decreased by $104,666,328, or 2.7%, primarily as a result of market declines.
- ACERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of December 31, 2000, the date of the last actuarial valuation, the funded ratio for ACERA was 107.9%. In general, this indicates that for every dollar of benefits due we have approximately $1.08 of assets available for payment.
- Revenues (Additions to Plan Net Assets) for the year were $62,074,673, which includes member and employer contributions of $64,872,622 and an investment loss of $2,797,949 (including miscellaneous income of $1,394,247).
- Expenses (Deductions in Plan Net Assets) increased from $123,591,844 to $166,741,001 over the prior year, or approximately 35%. Most of this increase was due to an increase in benefits paid.

Overview of the Financial Statement

The following discussion and analysis are intended to serve as an introduction to ACERA's financial statements, which are comprised of these components:

1. Statement of Plan Net Assets
2. Statement of Changes in Plan Net Assets
3. Notes to the Financial Statements

Please note, however, that this report also contains other supplementary information in addition to the basic financial statements themselves.

The Statement of Plan Net Assets is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at this time.

The Statement of Changes in Plan Net Assets, on the other hand, provides a view of current year additions and deductions to the plan. Both statements are in compliance with Governmental Accounting Standard Board (GASB) Pronouncements 25, 26, 28, 33, and 34. These pronouncements require certain disclosures and require State and Local Governments to move to the full accrual method of accounting. ACERA complies with all material requirements of these pronouncements. (See table on page 21.)

ACERA's current funding ratio is 107.9%, which means ACERA's Fund has approximately \$1.08 available for each \$1.00 of liability. The Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets report information about ACERA's activities. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses are shown at trade date, not settlement date. In addition, both realized and unrealized gains and losses are shown on investments, and all Property and Equipment (fixed assets) are depreciated over their useful lives.

These two statements report ACERA's net assets held in trust for pension benefits (net assets)—the difference between assets and liabilities—as one way to measure the system's financial position. Over time, increases and decreases in ACERA's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring ACERA's overall health. (See ACERA's financial statements on pages 20–21 of this report.)

Notes to the Financial Statements provides additional information that is essential to a full understanding of the data provided in the financial statements. (See Notes to the Financial Statements on pages 22–29 of this report.)

Other Information. In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning ACERA's progress in funding its obligations to provide pension benefits to members (see Required Supplementary Schedules on page 30 of this report).

The schedules of administrative expenses, investment manager fees and other investment expenses, and payments to consultants are presented immediately following the required supplementary information on pensions.

Financial Analysis

As previously noted, net assets may serve over time as a useful indication of ACERA's financial position (see Table 1 on page 17). The assets of ACERA exceeded its liabilities at the close of the year 2000. $3,734,793,684 in net assets are held in trust for pension benefits. All of the net assets are available to meet ACERA's ongoing obligation to plan participants and their beneficiaries.

The fund's combined net assets held in trust for pension benefits increased consistently from December 31, 1995 to December 31, 1999. However, on December 31, 2000, net assets decreased by 2.7% due to a market correction.

Despite variations in the stock market, management and ACERA's actuary concur that ACERA remains in a financial position to meet its obligations to the plan participants and beneficiaries. The current financial position results from a very strong and successful investment program, risk management, and strategic planning.

Capital Assets

As of December 31, 2000, ACERA's investment in capital assets totaled $5,952,152 (net of accumulated depreciation and amortization). This investment in capital assets includes equipment, furniture, leasehold improvements and construction in progress.

The total increase in ACERA's investment in capital assets for the current year was 116% over 1999. The major capital asset investment during 2000 was the enhancement of ACERA's technology infrastructure. This enhancement includes the purchase and customization of ACERA's Retirement Information System (RIS) and Accounting Information System (AIS), which are included in the construction-in-progress account. These assets are targeted for completion in the fourth quarter of 2001.

Reserves

ACERA's reserves are established from contributions and the accumulation of investment income, after satisfying investment and administrative expenses (see Table 2 on page 17). During the past four years the following have been implemented and have impacted the reserve accounts and the amount of interest credited to reserve accounts:

- The adoption of GASB 25 in 1996
- The implementation of a five-year smoothing methodology of investment gain and losses in 1998
- The Ventura Settlement Agreement approved in Alameda County Superior Court in 1999

Under GASB 25, investments are stated at fair value instead of at cost and include the recognition of unrealized gains and losses in the current period. These unrealized gains and losses are held in a reserve account established in 1996, called the Market Stabilization Reserve.

Initially these gains and losses were not allocated to any reserve until the actual gains and losses were realized by the sale of the investment asset. However, with the implementation in 1998 of the five-year smoothing methodology, a portion of these unrealized gains and losses is recognized and allocated as interest across all other reserves. This resulted in an 11.68% annualized compounded interest crediting rate to the Member Reserve, Employer Reserve, and the Supplemental Retiree Benefit Reserve.

Investment crediting and the Ventura Settlement resulted in a $452 million reduction in the Market Stabilization Reserve for the year ended December 31, 2000.

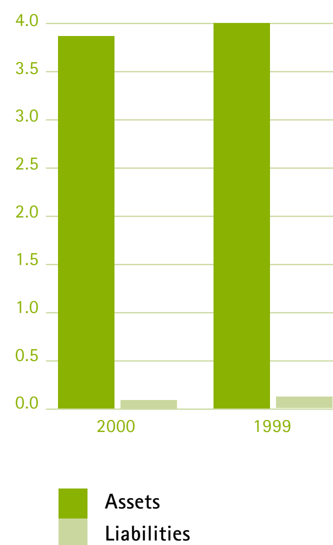
ACERA's Net Assets (Table 1)

For the Years Ended December 31, 2000 and 1999

	2000	1999	Amount Increase/ Decrease	Percent Increase/ Decrease
Current and other Assets	$ 39,322,499	$ 34,183,514	$ 5,138,985	15.0%
Investments at Fair Value	3,775,031,757	3,920,117,549	(145,085,792)	-3.7%
Fixed Assets	5,952,152	2,755,155	3,196,997	116.0%
Total Assets	**3,820,306,408**	**3,957,056,218**	**(136,749,810)**	**-3.4%**
Current Liabilities	$85,512,724	$117,596,206	(32,083,482)	-27.2%
Total Liabilities	**85,512,724**	**117,596,206**	**(32,083,482)**	**-27.2%**
Net assets	$3,734,793,684	$3,839,460,012	$(104,666,328)	-2.7%

ACERA's Net Assets

(Dollars in Billions)



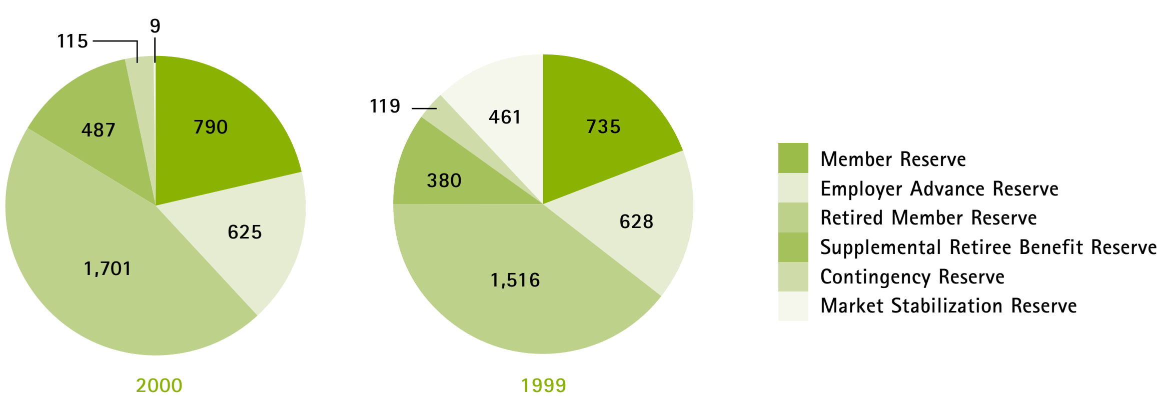
ACERA's Reserves (Table 2)

As of December 31, 2000 and 1999

	2000	1999
Member Reserves	$ 798,204,083	$ 735,460,026
Employer Advance Reserve	624,874,031	628,095,204
Retired Member Reserves	1,701,891,271	1,516,558,610
Supplemental Retiree Benefit Reserve	486,541,835	379,744,136
Contingency Reserve	114,609,192	118,711,686
Market Stabilization Reserve	8,673,272	460,890,350
Total Reserves at Fair Value	$3,734,793,684	$3,839,460,012

ACERA's Reserves

(Dollars in Millions)



Revenues—Additions to Plan Net Assets (Table 3)

For the Years Ended December 31, 2000 and 1999

	2000	1999	Increase/ Amount	Increase Percent
Employer Contributions	$ 22,042,914	$ 26,134,479	$ (4,091,565)	-16%
Members Contributions	42,829,708	39,265,219	3,564,489	9%
Net Investment Income*	(4,192,196)	510,797,541	(514,989,737)	-101%
Misc. Income**	1,394,247	52,642	1,341,605	2549%
Total	$62,074,673	$576,249,881	$(514,175,208)	-89%

Expenses—Deductions in Plan Net Assets (Table 4)

For the Years Ended December 31, 2000 and 1999

	2000	1999	Increase/ (Decrease) Amount	Increase/ (Decrease) Percentage
Retiree Payroll	$ 144,590,790	$ 105,761,240	$ 38,829,550	37%
Administrative	5,045,550	4,478,955	566,595	13%
Health Insurance	10,692,779	8,253,246	2,439,533	30%
Actuarial	145,040	135,244	9,796	7%
Refunds	6,266,842	4,963,159	1,303,683	26%
Total	$166,741,001	$123,591,844	$43,149,157	35%

* Net of Investment expenses of $25,664,696 and $21,086,640 for Dec. 31, 2000 and 1999, respectively.

** 2000 Misc. Income includes securities litigation (class actions) income in the amount of $275,000 and net rebates on short positions—Salus Capital Management $1,101,000.

ACERA's Activities

A stock market correction decreased net assets by $104,666,328, thereby accounting for a 2.7% decrease over the prior year. Key elements of this decrease are described in the sections that follow.

Revenues—Additions to Plan Net Assets

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through earnings on investment income (net of investment expense). Revenues for the year ended December 31, 2000, totaled $62,074,673. (See Table 3 on page 18.)

By year-end, overall revenues had decreased by $514,175,208, or 89%, from the prior year due primarily to investment losses. The investment section of this report reviews the result of investment activity for the year ended December 31, 2000.

Expenses—Deductions from Plan Net Assets

ACERA was created to provide lifetime retirement annuities, survivor benefits and permanent disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, as designated by the plan, refund of contributions to terminated employees, and the cost of administering the system.

Deductions for the year ending December 31, 2000 totaled $166,741,001, an increase of 35% over 1999 (see Table 4 on page 18). The increase in benefits paid resulted primarily from an increase in the number of new retirees receiving benefits, an increase in the average benefit amount, and retroactive benefits paid as a result of the Ventura Settlement Agreement. Deductions in plan net assets of $166,741,001 exceeded additions in plan net assets of $62,074,673 by $104,666,328 for the year ended December 31, 2000.

ACERA's increases in expenses closely paralleled inflation and growth in the membership and services provided. ACERA has consistently met its Administrative Expense Budget. There are no material variances between planned expenditures and actual expenditures.

ACERA's Fiduciary Responsibilities

ACERA's Board and management staff are fiduciaries of the pension trust fund. Under the California Constitution the assets can only be used for the exclusive benefit of plan participants and their beneficiaries.

Requests for Information

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investment managers and creditors with a general overview of ACERA's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to

ACERA
Office of Accounting and Operations
475 14th Street, Suite 1000
Oakland, California 94612-1900

Respectfully submitted,

Catherine Walker, CPA

Accounting & Operations Manager

April 20, 2001

Statement of Plan Net Assets

As of December 31, 2000 and 1999	2000	1999
ASSETS		
Cash	$ 13,809,574	$ 8,458,502
Receivables		
Contributions	3,253,040	189,855
Accrued Interest	7,186,906	5,901,246
Dividends	302,174	366,944
Real Estate	483,959	996,948
Securitites Lending	20,580	16,791
Sale of Securities	13,939,091	18,094,429
Other	32,840	29,729
Total Receivables	**25,218,590**	**25,595,942**
Prepaid Expenses	144,335	129,070
Real Estate Deposit	150,000	-
Investments, at Fair Value		
Short-Term Investments	61,122,477	19,627,637
Government Bonds	111,922,039	95,088,292
Corporate Bonds	250,618,090	198,843,180
Bond Market Fund	892,783,218	752,818,932
Corporate Stocks	244,018,938	296,563,416
Domestic Equity Index Fund	1,296,536,130	1,569,703,985
International Equity Funds	483,128,548	579,271,457
Real Estate Securitites	20,618,775	17,846,512
Real Estate Properties	251,380,763	212,466,051
Real Estate Trusts	16,243,563	24,917,490
Real Estate Mortgage Loans	383,726	489,865
AFL-CIO Housing Trust	84,591,141	67,184,985
Total Investments	**3,713,347,408**	**3,834,821,802**
Securities Lending Collateral	61,684,349	85,295,747
Total Investments Including Securities & Lending Collateral	**3,775,031,757**	**3,920,117,549**
Fixed Assets (Net of Accum. Depreciation & Amortization of $1,351,856 & $928,504 respectively)		
Equipment and Furniture	1,768,611	1,190,695
Construction in Progress	3,955,408	1,307,723
Leasehold Improvements	228,133	256,737
Total Fixed Assets	**5,952,152**	**2,755,155**
Total Assets	**3,820,306,408**	**3,957,056,218**
LIABILITIES		
Prepaid County Contributions	-	28,154,128
Purchase of Securities	17,608,834	171,683
Accrued Investment and Actuary Expenses	2,906,620	1,747,069
Accrued Administration Expenses	896,906	718,410
Members Benefits & Refunds Payable	582,559	150,998
Securities Lending Liability	61,684,349	85,295,747
Stock Dividends Payable	48,259	-
Margin Variation Payable	605,150	-
Retirement Payroll Deductions Payable	1,180,047	1,358,171
Total Liabilities	**85,512,724**	**117,596,206**
Net Assets Held in Trust for Pension Benefits	**$3,734,793,684**	**$3,839,460,012**

(A schedule of funding progress is presented on page 30. See accompanying Notes to the Financial Statement beginning on page 22)

Statement of Changes in Plan Net Assets

For the Years Ended December 31, 2000 and 1999

	2000	1999
ADDITIONS		
Contributions		
Members	$ 42,829,708	$ 39,265,219
Employers	22,042,914	26,134,479
Total Contributions	**64,872,622**	**65,399,698**
Investment Income		
Net Appreciation (Depreciation) in Fair Value of Investments	(57,690,464)	463,045,895
Interest	32,974,813	38,964,567
Dividends	5,003,019	2,489,768
Real Estate	35,369,713	24,279,527
Securities Lending	5,815,419	3,104,424
Total Investment Income	**21,472,500**	**531,884,181**
Less Investment Expenses	(25,664,696)	(21,086,640)
Net Investment Income (Loss)	**(4,192,196)**	**510,797,541**
Miscellaneous Income	1,394,247	52,642
Total Additions	**62,074,673**	**576,249,881**
DEDUCTIONS		
Benefit Payments		
Service Retirement	136,408,027	97,882,943
Death Payments	1,745,197	1,342,247
Supplemental Cost of Living	6,437,566	6,536,050
Health Insurance Subsidies	10,692,779	8,253,246
Total Benefit Payments	**155,283,569**	**114,014,486**
Members Refunds	6,266,842	4,963,159
Administration		
Administrative Expenses	5,045,550	4,478,955
Actuarial Expenses	145,040	135,244
Total Administration	**5,190,590**	**4,614,199**
Total Deductions	**166,741,001**	**123,591,844**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of Year	3,839,460,012	3,386,801,975
Excess of Additions over Deductions	(104,666,328)	452,658,037
End of Year	**$ 3,734,793,684**	**$ 3,839,460,012**

(See accompanying Notes to the Financial Statements on pages 22)

NOTES TO FINANCIAL STATEMENTS

1. Plan Description

Alameda County Employees Retirement Association (ACERA) began operations on January 1, 1948 and is governed by the California Constitution, the County Employees Retirement Law of 1937 and the bylaws, procedures and policies adopted by the Board of Retirement. ACERA operates as a cost-sharing multi-employer defined benefit plan for Alameda County and four participating Special Districts located in the County but not under the control of the County Board of Supervisors. ACERA provides retirement, disability and death benefits to its safety and general members, and administers retiree health, dental, and vision benefit programs. All risks and costs, including benefit costs, are shared by the participating entities. One actuarial valuation is performed annually for the system as a whole.

Plan Membership

All full-time employees of participating entities appointed to permanent positions are required by statute to become members of ACERA. Safety membership includes probation officers and employees who are active in law enforcement and juvenile hall group counseling. General membership includes all other occupational classifications.

ACERA's membership

As of December 31, 2000 and 1999

	2000	1999
Retirees and Beneficiaries Currently Receiving Benefits	5,699	5,605
Active Employees:		
Vested	6,673	6,754
Nonvested	3,783	3,105
Inactive Vested Members	975	911
Total Membership	17,130	16,375

Benefit Provisions

Members become vested after five years of credited service. Vested general members may retire at age fifty or older with ten or more years of qualifying service, at any age with thirty or more years of qualifying service, or at age seventy or older regardless of service credit. Vested safety members may retire at age fifty or older with ten or more years of qualifying service, or at any age with twenty or more years of qualifying service. Members who qualify are entitled to monthly retirement benefits for life. Service retirement benefits are based on final average salary, age at retirement, and length of service as of the retirement date, according to applicable statutory formulae.

The service retirement benefits within the plan are tiered based on membership entry date. 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. Tier 1 members contribute at a higher rate and, therefore, receive higher retirement benefits.

ACERA is integrated with Social Security for all employees except most safety members. For members covered by Social Security, the retirement benefit is adjusted by a reduction factor.

Cost-of-Living Adjustment

Retirement benefits are subject to post-retirement cost-of-living adjustments (COLA) based upon changes in the Consumer Price Index for the San Francisco Bay Area. Annual COLA increases are capped at 3% for Tier 1 and 2% for Tier 2 members.

Supplemental Cost-of-Living

In addition to basic cost-of-living increases, the Board of Retirement structured a non-vested Supplemental Cost-of-Living program, effective January 1, 1998. The Supplemental COLA is structured to maintain purchasing power at no less than 85% of the original benefit. The Supplemental COLA is applicable to members who have an accumulated loss of purchasing power of more than 15% due to inflation.

Tier 1 members who retired on or before April 1, 1987 and Tier 2 members who retired on or before April 1, 1990 are entitled to the Supplemental COLA.

Funding for the Supplemental COLA is provided solely through the Supplemental Retiree Benefit Reserve (SRBR) which derives its funding from investment earnings in excess of the actuarial interest assumption rate.

Supplemental COLA increases are subject to approval by the Board of Retirement on an annual basis. Continuation of the benefit is based on available funding.

2. Summary of Significant Accounting Policies

ACERA adopted Governmental Accounting Standards Board Statement (GASB) No. 34 “Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments,” which requires full accrual accounting. ACERA also adopted GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions.”

Reporting Entity

ACERA, with its own governing board, is an independent governmental entity. ACERA’s annual financial statements are included in the County of Alameda Annual Financial Report as a pension trust fund.

Basis of Accounting

ACERA’s financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized as revenues in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred.

Cash and Deposits

Cash includes deposits with a financial institution and pooled cash and deposits with the Alameda County Treasurer. Pooled cash and deposits approximate fair value. Income on pooled cash is allocated based on ACERA’s average daily balance in relation to total pooled assets.

Method Used to Value Investments

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchanges rates. Mortgages are reported based on the remaining principal balances, which approximate the value of future principal and interest payments discounted at prevailing rates for similar instruments. The fair value of real estate investments is based on prices in a competitive market as determined by specialists.

Fixed Assets

Fixed assets and leasehold improvements are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the depreciable assets and the term(s) of the lease(s), respectively. Computers and equipment have a useful life of five years, whereas furniture has a useful life of seven years. Direct costs associated with assets under development are not depreciated until the assets are placed in operation. Depreciation expense was

$328,587 and $275,689 for the years ended December 31, 2000 and 1999, respectively. Amortization expense was $94,766 and $42,871 for the years ended December 31, 2000 and 1999, respectively.

Estimates

The preparation of financial statements is in accordance with generally accepted accounting principles which require the plan administrator to make estimates and assumptions that affect certain 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 previously reported net plan assets.

3. Contributions

Employer and member contributions are based on statute and rates recommended by an independent actuary and adopted by the Board of Retirement. Covered employees are required by statute to contribute toward their pensions. Member contribution rates are formulated on the basis of their age at the date of entry and the actuarially calculated benefits. ACERA members are required to contribute between 5.96% and 15.17% of their annual covered salary. Member contributions are refundable upon termination of employment.

The County and Special Districts are required by statute to contribute the amounts necessary to finance the estimated benefits accruing to ACERA members not funded by employee contributions or investment earnings.

4. Reserves

ACERA reserves are established from member and employer contributions and the accumulation of investment income, after satisfying investment and administrative expenses. ACERA's reserves are as follows:

Member Reserves represent the total accumulated member contributions of current active and deferred members. Additions include member contributions and credited interest; deductions include refunds of member contributions and transfers to Retired Member Reserves.

Employer Advance Reserve represents the total accumulated employer contributions for future retirement payments to current active members. Additions include contributions from the employer and credited interest; deductions include transfers to Retired Member Reserve.

Retired Member Reserves represent the total accumulated transfers from Member Reserves, the Employer Advance Reserve and credited interest, less payments to retired members, beneficiaries and survivors.

Contingency Reserve represents reserves accumulated for future earnings deficiencies. The Contingency Reserve is used to satisfy the statutory requirement to reserve at least 1% of total assets against the above deficiencies. The balance of the Contingency Reserve, which is funded entirely from investment earnings, cannot exceed 3% of the total assets of the retirement system. The balance of the Contingency Reserve of $114,609,192 and $118,711,686 represents 3% of total assets for the years ended December 31, 2000 and 1999, respectively.

Supplemental Retiree Benefit Reserve (SRBR) represents funds set aside from investment earnings to provide supplemental benefits to retirees. The Supplemental COLA, Medicare Part B Reimbursement, Health Equity Location Program, vision, dental, and increased death benefits to retirees are currently being funded by this reserve. The SRBR was implemented on January 1, 1985, when the Board of Retirement and Board of Supervisors for Alameda County adopted the provisions of Article 5.5 of the Government Code.

Market Stabilization Reserve represents unrealized gains or losses recognized in the financial statements as a result of the adoption of GASB 25 which requires reporting investments at fair value instead of cost. The reserve was established to help offset the impact of market fluctuation. Biannual income and losses from investments stated at fair value are placed in this reserve as realized and available earnings are credited to other reserves over a five year period.

Earnings (interest) are first allocated to all reserves except for the Contingency and Market Stabilization Reserves. Interest is equivalent to the actuarial interest assumption rate, which is approved by the Board of Retirement. The Contingency Reserve is then adjusted to the limit of 3% of total assets at fair value as established by the Board and permitted by Section 31616 of the California Government Code of the 1937 Act. Any remaining earnings are allocated 50% to the SRBR and 50% allocated proportionally to all other reserves with the exception of the Contingency and Market Stabilization Reserves as required by Government Code. (See table below.)

ACERA's Reserves

As of December 31, 2000 and 1999

	2000	1999
Member Reserves	$ 798,204,083	$ 735,460,026
Employer Advance Reserve	624,874,031	628,095,204
Retired Member Reserves	1,701,891,271	1,516,558,610
Contingency Reserve	114,609,192	118,711,686
Supplemental Retiree Benefit Reserve	486,541,835	379,744,136
Market Stabilization Reserve	8,673,272	460,890,350
Total Reserves at Fair Value	**$3,734,793,684**	**$3,839,460,012**

5. Actuarial Valuation

ACERA has retained an independent actuarial firm, William M. Mercer, Incorporated, to conduct an actuarial valuation to monitor ACERA's funding status. On an annual basis, this valuation is updated for economic and non-economic assumptions as required by the California Government Code. The last valuation was performed as of December 31, 2000, and determined the plan's funded status to be 107.9% (calculated per GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans).

6. Postemployment Healthcare Benefits

ACERA administers a healthcare benefits program for retired members and their eligible dependents. As administrator, ACERA, in conjunction with the County of Alameda (the County), negotiates the healthcare contracts with the providers, but does not handle the claims process.

The County subsidizes the health care premiums of certain retirees by paying a percentage of the cost for the retiree based on the lowest average cost plan available. The amount of the subsidy is dependent upon the retirees' 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. The cost of the healthcare premiums, after the subsidy, is deducted from the retirees monthly benefit payments. The program may be amended, revised or discontinued at any time.

Plan net assets are not held in trust for postemployment healthcare benefits.
Each year, the County prepays an amount to cover the established healthcare premium subsidies. As of December 31, 2000, the County's healthcare premium account balance was $1,158,052. A total of

$10,692,779 and $8,253,246 was spent on healthcare premium subsidies for 3,708 and 3,678 retirees, for the periods ended December 31, 2000 and 1999, respectively. As of December 31, 2000, the County's healthcare premium subsidies included dental and vision insurance reimbursements for 4,724 and 4,725 retirees, respectively.

7. Industry Concentration of Portfolio Assets

The Board of Retirement's investment policies and guidelines permit investment in numerous specified asset classes to take advantage of the noncorrelated economic behavior of diverse asset classes. The result is a well-diversified portfolio. The investment portfolio contained no concentration of investments in any one entity (other than those issued or guaranteed by the U.S. Government) that represented 5 percent or more of the total investment portfolio. The limitation is not applicable to the passive index funds and high alpha managers.

8. Investments

ACERA's investment guidelines reflect the duties imposed by an investment standard known as the Prudent Expert Rule. The Prudent Expert Rule, as set forth in the State Constitution, establishes a standard for all fiduciaries, which includes anyone who has discretionary authority with respect to ACERA's investments.

State Street Bank and Trust Company (SSB) serves as custodian of ACERA's investments. ACERA's asset classes include U.S. Equity, International Equity, U.S. Fixed Income, Real Estate, and Cash. Any class may be held in direct form, pooled form or both. As of December 31, 2000, ten external investment managers managed securities portfolios and three investment managers were used for real estate investments.

Investments are categorized by type to give an indication of the level of credit risk assumed at year end. Category 1 includes investments that are insured or registered, or for which the securities are held by ACERA or its agent in ACERA's name. Category 2 includes investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent in ACERA's name. Category 3 includes investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in ACERA's name. ACERA had no Category 2 investments at December 31, 2000 and 1999. Cash held with a financial institution falls into Category 1 and cash held with the Alameda County Treasurer falls into Category 3. Total cash was $13,809,574 and $8,458,502 at December 31, 2000 and 1999 respectively.

Securities Lending

The Board of Retirement (Board) policies authorize ACERA to participate in a securities lending program. Securities lending transactions, which are short-term collateralized loans of ACERA securities to brokers, have a simultaneous agreement that allows ACERA to invest and receive earnings on the loan collateral for a loan rebate fee. Either ACERA or the borrower can terminate all securities loans on demand, although the average term of loans is one week. There are no restrictions on the amount of securities that may be lent.

ACERA's custodian bank administers its securities lending program. The custodian is responsible for maintaining an adequate level of collateral in an amount equal to at least 102% of the market value of loaned U.S. government securities. Collateral received may include cash, letters of credit, or securities. If securities collateral is received, ACERA cannot pledge or sell the securities collateral unless the borrower defaults.

ACERA Investments

For the Years Ended December 31, 2000 and 1999

	Risk Category	2000 Basis Cost	2000 Fair Market Value	1999 Basis Cost	1999 Fair Market Value
INVESTMENTS—CATEGORIZED					
Short Term Investments					
Investments—Categorized					
Short Term Investments	1	$ 61,122,477	$ 61,122,477	$ 19,627,637	$ 19,627,637
Government Bonds	1	108,308,251	75,858,344	92,900,069	87,393,292
Corporate Bonds	1	263,421,878	242,415,780	211,470,078	192,543,100
Corporate Stocks	1	221,696,521	226,600,594	189,427,999	225,262,749
Total		**654,594,127**	**605,997,195**	**513,425,783**	**524,826,778**
Investments Made With Securities—Lending Cash Collateral					
Government Bonds	3		36,063,695		7,695,000
Corporate Bonds	3		8,202,310		6,300,080
Corporate Stocks	3		17,418,344		71,300,667
Bank Obligations	3				
Commercial Paper	3				
Repurchase Agreements	3				
Total			**61,684,349**		**85,295,747**
Total Categorized Investments		654,549,127	667,681,544	513,425,783	610,122,525
INVESTMENTS—NOT CATEGORIZED					
Bond Market Fund		732,584,902	892,783,218	681,017,738	752,818,932
Domestic Equity Index Fund		751,394,754	1,296,536,130	834,634,015	1,569,703,985
International Equity Co-mingled Fund		394,558,166	483,128,548	283,317,472	579,271,457
AFL-CIO Housing Trust		84,659,401	84,591,141	71,015,125	67,184,985
Real Estate Securities		18,879,407	20,618,775	19,903,772	17,846,512
Real Estate Properties		251,380,763	251,380,763	204,082,452	212,466,051
Real Estate Trusts		16,243,563	16,243,563	24,118,950	24,917,490
Real Estate Mortgage Loans		383,726	383,726	489,865	489,865
Total		**2,250,084,682**	**3,045,665,864**	**2,118,579,389**	**3,224,699,277**
Investments Held by Broker: Dealers under Securities Loans with Cash Collateral					
Corporate Bonds		8,390,777	7,998,500	6,430,952	6,132,967
Corporate Stocks		16,985,279	16,403,106	47,782,602	70,468,998
Government Bonds		33,041,032	34,545,028	7,725,288	7,520,950
Total		**58,417,088**	**58,946,634**	**61,938,842**	**84,122,915**
Non-Cash Collateral			2,737,715		1,172,832
Total Non-Categorized Investments		2,308,501,770	3,107,350,213	2,180,518,231	3,309,995,024
Total Investments		$2,963,050,897	$3,775,031,757	$2,693,944,014	$3,920,117,549

At year-end, ACERA had no credit risk exposure to borrowers because the amounts ACERA owed to borrowers exceeded the amounts the borrowers owed to ACERA. ACERA's contract with the custodian requires it to indemnify ACERA if the borrowers fail to return the securities and the collateral is inadequate to replace the securities lent or fail to pay ACERA for income distributions by the securities issuers while the securities are on loan.

As of December 31, 2000 and 1999, ACERA had securities on loan with a carrying value of $58,946,634 and $84,122,915 for cash collateral of $61,684,349 and $85,295,747, respectively. As the securities on loan at year-end were collateralized by cash, they are presented as unclassified in the preceding schedule of custodial credit risk. Investments made with the cash collateral are classified by risk category.

Derivative Financial Investments

ACERA does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are utilized by ACERA to improve or defend against currency fluctuations of the investment earnings and reduce interest rate risks. None of these securities were leveraged.

Indexed securities are short-term debt instruments for which the interest rates or principal amounts are indexed to an unrelated indicator and consist of collateralized mortgage obligations and asset-backed securities. Forward contracts enable a specific quantity of a particular commodity, foreign currency or other financial instrument, to be bought or sold at its current price, with delivery and settlement at a specified future date. At December 31, 2000 and 1999, collateralized mortgage obligations with cost and market value of $746,792 and $725,811, respectively, were outstanding.

ACERA's Securities Lending Income

For the Years Ended December 31, 2000 and 1999

	2000	1999
Gross Income	$ 5,815,419	$ 3,104,424
Expenses:		
Borrower Rebates	5,353,250	2,738,572
Bank Fees	138,686	142,388
Total Expenses	**5,491,936**	**2,880,960**
Net Income from Securities Lending	$ 323,483	$ 223,464

Cost and market values of indexed securities amounted to $44,388,750 and $70,739,060 at December 31, 2000 and 1999.

At December 31, 2000, ACERA was a 3.09% owner in an EAFE index commingled fund which had a market value of $6,731,828,861. The investment portfolio included holdings in derivatives which had a total fair value of $66,650,529 at December 31, 2000. At December 31, 2000, ACERA was also a 22.51% owner in a Bond Market commingled Index Fund which had a market value of $3,966,121,294. The investment portfolio included holdings in derivatives which had a total fair value of $907,527,866 at December 31, 2000.

The investments in indexed securities bear no credit or legal risks, as they are government agency debt issues. However, they bear market risk in that the mortgages can be prepaid. The investments in forwards and futures also bear market risk as the current market may be particularly sensitive to interest rate fluctuations.

ACERA Administrative Expenses

For the Years Ended December 31, 2000 and 1999

	2000	1999
Total Asset Base, at Fair Value	$3,820,306,408	$3,957,056,218
Maximum Allowable for Administrative Expense		
(.18% x $3,820,306,408 and $3,957,056,218)	6,876,552	7,122,701
Actual Administrative Expenses for the Fiscal Year	5,045,550	4,478,955
Excess of Allowance over Actual Administrative Expenses	$ 1,831,002	$ 2,643,746
Actual Administrative Expenses as a Percentage of Total Assets Base	0.13%	0.11%

9. Administrative Expenses

ACERA's Board of Retirement annually adopts an administrative expense budget. The administrative expenses are charged against ACERA's investment earnings and are limited to eighteen hundredths of one percent of the total assets of the retirement system as set forth under Government Code Section 31580.2.

10. Contingencies

Operating Leases

ACERA has a noncancelable operating lease for its offices. During the years ended December 31, 2000 and 1999, total rent expense was $390,822 and $300,405, respectively.

Future minimum lease obligations under the above leases are as follows:

Year ending December 31	Obligation
2001	$ 428,949
2002	429,612
2003	365,990
2004	153,993
2005	19,529
Thereafter	0
	$1,398,073

Litigation

ACERA is a defendant in two lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of ACERA's legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of ACERA.

11. Related Party Transaction

ACERA entered into a contract with Alameda County, Department of Personnel, aka The Lakeside Group, for personnel consulting services in the amount of $75,000 per year. As of December 31, 2000, ACERA has remitted $77,000 which includes the contract amount plus other reimbursable expenses incurred by The Lakeside Group.

REQUIRED SUPPLEMENTAL SCHEDULES

Schedule of Funding Progress

(In Millions of Dollars)

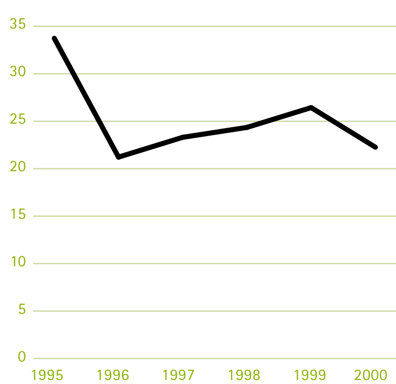
Actuarial Valuation Date December 31	Actuarial Value ($) of Plan Assets (a)	Accrued Actuarial Liability ("AAL") ($) (b)	Funded Ratio (%) (a/b)	Unfunded AAL ("UALL") ($) (b–a)	Covered Payroll ($) (c)	UALL as a Percentage (%) of Covered Payroll [(b–a)/c]
1995	1,684	1,951	86.3	267	374	71.4
1996	2,113	2,068	102.2	(45)	390	-11.5
1997	2,314	2,218	104.3	(96)	413	-23.2
1998	2,830	2,613	108.3	(217)	462	-47.0
1999	2,998	2,763	108.5	(235)	488	-48.2
2000	3,169	2,937	107.9	(232)	532	-43.6

Schedule of Employer Contributions

(In Millions of Dollars)

Year Ended December 31	Annual Required Contribution ($)	Percentage (%) Contributed
1995	33	1023 *
1996	21	1440 *
1997	23	100
1998	24	100
1999	26	100
2000	22	100

(Dollars in Millions)



* Percentage contributed includes pension obligation bond proceeds from Alameda County.

NOTES TO THE REQUIRED SUPPLEMENTAL SCHEDULES

The information presented in the supplementary schedules was determined as part of the actuarial valuations as of the date indicated. Additional information as of the latest actuarial valuation date, December 31, 2000 is as follows:

Actuarial Cost Method:

Entry Age Normal

Asset Valuation Method:

5-year smoothing of Fair Value

Amortization of Unfunded 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 assumed investment earnings rate. The employer contribution is designed to remain as a relatively level percentage of future active member payroll (including payroll of new members as they enter the Association) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments are scheduled to increase at the assumed annual inflation rate of 4.50%. The UAAL is being funded over the 18-year period following December 31, 2000. However, the 1993 Golden Handshake liabilities are being amortized over the 3½ year period following December 31, 1999 and the excess interest return on the Pension Obligation Bonds is being amortized over a 9-year period following December 31, 2000.

Amortization Approach:

Open

Amortization of Actuarial Gains and Losses:

Accumulated actuarial gains as of December 31, 2000 attributable to County of Alameda members are being amortized over the 9-year period following that date. Any new actuarial gains and losses will be combined with all unamortized gains and losses and amortized over the current amortization period (18 years).

Cost of Living Adjustments:

The maximum increase in retirement allowance is 3% per year for Tier 1 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 April 1, effective date.

Assumed Investment Rate of Return:

8.25% per annum

Assumed Salary Increases:

5.60% per annum

Assumed Inflation Rate:

4.50% per annum

SUPPLEMENTAL SCHEDULES

Schedule of Administrative Expenses

For the Years Ended December 31, 2000 and 1999

	2000	1999
Personnel Services		
Staff Wages	$ 1,170,931	$ 1,030,053
Fringe Benefits	363,456	335,482
Temporary Services	1,204,315	800,376
Total Personnel Services	**2,738,702**	**2,165,911**
Professional Services		
Computer Services	18,460	32,477
Audit	52,100	55,657
Legal Counsel	251,713	233,522
Specialized Services	681,918	931,564
Total Professional Services	**1,004,191**	**1,253,220**
Communication		
Printing	83,726	85,416
Communication	60,223	43,310
Postage	49,367	17,372
Total Communication	**193,316**	**146,098**
Rentals		
Office Space	310,157	212,478
Equipment Leasing	5,533	5,767
Total Rentals	**315,690**	**218,245**
Other		
Training	53,935	88,021
Supplies	43,375	38,501
Maintenance-Equipment	47,948	24,056
Insurance	38,907	51,567
Depreciation and Amortization	262,130	200,682
Office	280,210	289,400
Miscellaneous	67,146	3,254
Total Other	**793,651**	**695,481**
Total Administrative Expenses	$5,045,550	$4,478,955

SUPPLEMENTAL SCHEDULES

Investment Manager Fees & Other Investment Expenses Summary

For the Years Ended December 31, 2000 and 1999

	2000	1999
INVESTMENT MANAGER FEES		
Equity		
Domestic	$ 2,249,260	$ 1,956,521
International	1,684,558	2,830,479
Fixed Income		
Domestic	1,029,394	1,245,715
Real Estate		
Investment Trusts	159,888	219,070
Insurance Contracts	-	40,281
Individual Properties	2,048,184	1,437,800
Mortgage Loan Services	1,266	1,608
Securities (REITS)	155,796	88,202
Total Investment Managers Fees	**7,328,346**	**7,819,676**
OTHER INVESTMENT EXPENSE		
Investment Allocated Costs	1,191,243	1,153,119
Investment Custodians	174,809	158,049
Investment Consultants	720,078	678,561
Individual Properties Operating Expenses	9,306,640	6,150,721
Security Lending Fees	5,491,936	2,880,960
Commissions	1,190,637	505,915
Discounted Interest on Prepaid County Contributions	261,007	1,728,380
Miscellaneous	-	11,259
Total Other Investment Expense	**18,336,350**	**13,266,964**
Total Fees & Other Investment Expenses	$25,664,696	$21,086,640

Schedule of Payments to Consultants

	2000	1999
Actuarial & Audit Services	$ 218,540	$ 205,244
Legal Services	242,224	222,335
Personnel Coordination	264,226	801,917
Technical Services	35,829	58,287
Other Specialized Services	2,229,828	931,177
Total Payments to Consultants	$2,990,647	$2,218,960

INVESTMENT

"The future belongs to those who believe in the beauty of their dreams."

—Eleanor Roosevelt

ACERA
Alameda County Employees'
Retirement Association

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800 838-1932 510 628-3000 FAX 510 287-5412

CHIEF INVESTMENT OFFICER'S REPORT

Introduction and Overview

January 1, 2000 brought the beginning of a new millennium. The world didn't end, either from Y2K computer worries or the wrath of the universe. But little did we know what surprises the economy would bring. As this report is being written, several things are worth noting. In six months the NASDAQ Composite fell over 50%—more than it dropped from 1973 to 1974 during the Vietnam War, Watergate, and very high inflation. The S&P 500 recorded its first double-digit first quarter decline in 40 years and the Dow Jones Industrial Average recorded its worst first quarter since 1960.

We may never know what exact combination of events triggered this economic reversal. The U.S. had constructed a financial bubble, with consumer indebtedness and low savings both reaching historic levels. The stock market enjoyed unrealistic valuations and the corporate sector loaded up on debt. Many of us engaged in speculation about the role of science and technology in changing the basic rules in this "new economy."

This slowdown feels like a recession even if the technical definition have not yet been met. That's because going from a growth rate of 6+% to 1+% is a greater shift than the postwar recession pattern of +2% to –2%. And better information systems have enabled companies to reduce inventories and employment and cut expansion plans almost simultaneously. Company executives have lowered expectations on a daily basis. Since investors tend to react even more negatively to uncertainty than certain bad news, share prices have been depressed.

Between 1930 and 1990, annual returns from stocks averaged about 10% per year. Periods when they did better were followed by periods when they did worse. There will always be good markets and bad markets.

Good markets are welcomed unskeptically because people make money. During those markets "experts" often say that it's different this time due to some factor such as technology, globalization, or productivity. Bad markets will come as a shock to some, demonstrating that the world hasn't changed that much.

For the year 2000, market results were as follows:

- Broad equity indexes were uniformly lower.
- The U.S. stock market, as represented by the S&P 500, returned –9.1% for calendar year 2000, its worst year since 1974.
- The Dow Jones Industrial Average recorded a 4.7% loss for the year—its first loss in nine years.
- The NASDAQ Composite Index declined 39.3% for the year.
- The U.S. bond market—the Lehman Aggregate Index—posted an 11.6% return for the calendar year.

The return on the overall ACERA portfolio in 2000 was –0.1%, with value style investing outperforming the growth style in the equity markets, and solid performance in the U.S. bond markets.

The Board of Retirement has adopted a diversified approach to investing in recognition of the fact that there is no perfect approach. At different times, investors have heralded growth stock investing, real estate, portfolio insurance, emerging markets, technology stocks, dotcoms, international stocks and bonds, and venture capital. Each area has been hot for a while but then attracted enough money to almost guarantee failure.

By prudently diversifying, the ACERA portfolio exceeded its policy (or design) return in the fourth quarter of 2000. That means that it is working as planned to diversify risk, mitigate downside exposure, and exploit positive opportunities when they arise.

It is important to remember that the economy is not going into a depression. The aggressive actions of the Federal Reserve Board, the real possibility of meaningful tax cuts and the workoff of inventories should set the stage for some level of market recovery later this year and into 2002.

Over longer periods, the Gross Domestic Product (GDP) of developed economics grows at around 3–4% real (after inflation) rates. Corporate earning tend to grow at rates comparable to the overall GDP.

The ACERA Board's long-term economic assumptions reflect that reality and our portfolio asset allocation and manager structure are designed to ensure the long-term financial security of the benefits promised our members and retirees.

General Information

External investment management firms manage ACERA's assets. Professional investment consultants, along with 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 is to operate at a level of performance in the upper one quarter of comparable pension funds, and 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.

The Summary of Investment Objectives

The Board of Retirement, having sole and exclusive authority and fiduciary responsibility for the investment and administration of the Trust, has adopted ACERA Investment Guidelines, Policies and Procedures (Policy) for the management of ACERA's investments.

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 Trust. An integral part of the overall investment policy is the strategic asset allocation policy.

This allocation mix 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, bonds, domestic stocks, fixed income, and mortgages) and nontraditional assets (real estate and international stock) are included in the mix.

Total portfolio return, over the long term, is directed toward achieving and maintaining a fully funded status for ACERA. Prudent risk taking is warranted within the context of overall portfolio diversification to meet this objective. All activities will be conducted so as to serve the best interests of ACERA's members and beneficiaries.

Summary of Proxy Voting Guidelines and Procedures

In recognition of its duty to manage retirement plan assets in the best interest of the plan participants, the Board has established Proxy voting guidelines and procedures, which are intended to assist in the faithful discharge of the Board's duty to vote proxies on behalf of the plan participants.

The guidelines consist of preferences with respect to specific, recurring proxy-voting issues followed by a general statement of voting policies. ACERA will at all times strive to cast proxy votes so as to advance the overall good of the plan participants.

Summary of Investment Results

ACERA's Fund is slightly overweighed in total equities, with 55.4% of assets in equities versus the target of 55% as of December 31, 2000. Domestic equities are slightly overweighed at 42.4% of assets versus the target of 42%, while international equities are right at the target. Cash at 0.9% is slightly below its target of 1% of assets. Alternative Investments at 0% is also below its target allocation of 2%. Fixed income is at 36.0% of assets, above the target of 33%. Real estate continues to be under its 9% target at 7.7% of assets

Domestic equities posted returns for 2000 with the S&P500 down 9.1% and the broad U.S. equity market, measured by Russell 3000, down 7.5%. The median equity manager returned 0% for the year. International equities as measured by the MSCI EAFE Index had a loss of 14.0% for the year, while the median international equity manager fell 9.9%. U.S. Bond returns were positive, with the Lehman Aggregate returning 11.6% and the median fixed income manager 10.8%. Real estate returns were positive, with the median real estate manager returning 7.6% for the year.

ACERA's total fund return of –0.1% for the year is 0.8% lower than its policy index and 2.5% lower than the median public fund. Over five-year periods, ACERA's Total Fund has outperformed both the policy index and median public fund by 0.2% and 1%, respectively. ACERA's total domestic equities returned –3.9% for the year. Of ACERA's equity managers, Pacific Financial Research performed best. Its returns of 46.5% exceeded median equity manager returns by 46.5%.

ACERA's total international equities returned 16.2% for the year. After many years of outstanding performance, Capital Guardian trailed the MSCI-EAFE Index by 4.5% in year 2000.

The ACERA total fixed income portfolio returned 11.1% for the year. AFL-CIO was the best performer with a return of 12.7%, outperforming both the median fixed income manager and the Lehman Aggregate.

The median real estate manager returned 7.6% and the NCREIF Total Index returned 12.0% for the year. Based on Callan Associates Real Estate Consultant performance report, ACERA's real estate portion returned 12.5%.

The investment information is presented in conformance with the presentation standards of the Association of Investment Management and Research (AIMR).

Respectfully submitted,

Charles F. Conrad

General Manager and
Chief Investment Officer

April 20, 2001

Investment Summary

		Fair Value at 12/31/00	Percentage of Total Fair Value
EQUITIES			
Domestic	Brandywine	$ 70,766,186	1.9%
	Loomis Sayles	369,505	0.0%
	Nicholas Applegate	57,646,071	1.5%
	Pacific Financial Research	66,085,007	1.8%
	Salus Capital	3,228,562	0.1%
	Trust Company of the West	45,923,607	1.2%
	Total Corporate Stocks	**244,018,938**	**6.5%**
	Bank of New York—S&P 400 Index	91,040,023	2.5%
	Bank of New York—S&P 500 Index	1,205,496,107	32.3%
	Total Domestic Equity Index Funds	**1,296,536,130**	**34.8%**
International	Capital Gaurdian	$275,366,728	7.4%
	SSGA EAFE	207,761,820	5.6%
	Total International Equity Commingled Funds	**483,128,548**	**13.0%**
Total Equities		2,023,683,616	54.3%
FIXED INCOME			
Domestic Fixed Income	AFL-CIO Housing Investment Trust	84,591,141	2.3%
	Loomis Sayles (Government & Corporate Bonds)	362,540,129	9.7%
	State Street Global Advisors (Bond Market Fund)	892,783,218	24.0%
Total Fixed Income		1,339,914,488	36.0%
REAL ESTATE			
Real Estate Investment	PM Realty (Real Estate Properties)	210,918,833	5.6%
	RREEF (Real Estate Properties)	40,461,930	1.1%
	Total Real Estate Properties	**251,380,763**	**6.7%**
	RREEF (Real Estate Securities)	20,618,775	0.6%
	Lend Lease (Real Estate Trusts)	16,243,563	0.4%
	Home Mortgage Loans (Real Estate Mortgage Loans)	383,726	0.0%
Total Real Estate Investments		288,626,827	7.7%
SHORT-TERM INVESTMENTS			
	Salus Capital †	$42,731,350	1.1%
	State Street Bank ††	18,391,127	0.5%
Total Short-Term Investments		61,122,477	1.6%
Total Investments		3,713,347,408	99.6%
CASH			
	Cash and Cash Equivalent	13,809,574	0.4%
Total Cash		13,809,574	0.4%
TOTAL		$3,727,156,982	100.0%

† The short term investment in Salus Capital is included in the Asset Allocation for Domestic Equities.

†† The short term investment with State Street Bank is considered cash equivalent and is included in the Asset Allocation for cash. See Asset Allocation on page 44.

Investment Results*

	Year 2000	Annualized 3 Year	Annualized 5 Year
DOMESTIC EQUITY			
Total Domestic Equities	-3.9%	12.4%	16.9%
Median Equity	0.0%	12.4%	17.9%
Benchmark: Russell 3000	-7.5%	11.6%	17.4%
INTERNATIONAL EQUITY			
Total International Equities	-16.2%	11.9%	13.4%
Median International Equity	-9.9%	10.7%	12.0%
Benchmark: MSCI EAFE Index	-14.0%	9.6%	7.4%
FIXED INCOME			
Total Fixed Income	11.1%	5.9%	6.4%
Median Fixed Income	10.8%	6.3%	6.5%
Benchmark: Lehman Aggregate	11.6%	6.4%	6.5%
REAL ESTATE			
Total Real Estate	12.5%	10.6%	10.4%
Median Real Estate	7.6%	9.7%	10.5%
Benchmark: NCREIF Total Index	12.0%	13.2%	12.8%
TOTAL FUND			
Alameda Total Fund	-0.1%	10.3%	12.6%
Median Total Fund	2.4%	9.2%	11.6%
Benchmark: Policy Index	0.7%	8.8%	12.4%

* Returns for periods greater than 1 year are annualized.
Results of all publicly traded investments are presented in conformance with AIMR performance presentation standards.

Largest Stock Holdings (By Market Value)†

As of December 31, 2000

	Shares	Stock	Market Value
1	92,100	Federal Home Ln Mtg Corp	$ 6,343,388
2	142,900	Philip Morris Cos Inc	6,287,600
3	42,000	Progressive Corp Ohio	4,352,250
4	111,900	McDonalds Corp	3,804,600
5	38,000	Federal Natl Mtg Assn	3,296,500
6	57,000	Equity Residential Pptys Tr	3,152,813
7	78,500	Manpower Inc Wis	2,983,000
8	127,200	Newell Rubbermaid Inc	2,893,800
9	83,800	Lockheed Martin Corp	2,845,010
10	107,600	Sara Lee Corp	2,642,925
Total Largest Stock Holdings			$38,601,886

Largest Bond Holdings (By Market Value)†

As of December 31, 2000

	Par	Bond	Percentage	Due Date	Market Value
1	35,603,012	FNMA Pool#253265	7.50%	04/01/2030	$ 36,125,664
2	16,000,000	U S Treasury Bonds	6.00%	02/15/2026	16,860,000
3	10,000,000	U S Treasury Bonds	8.13%	08/15/2019	12,926,600
4	10,000,000	Federal Home LN Mtg	6.75%	09/15/2029	10,703,100
5	11,000,000	Banc One Corp	7.75%	07/15/2025	10,635,020
6	11,500,000	National City Corp	6.88%	05/15/2019	10,353,795
7	10,000,000	Ford Motor Co	7.45%	07/16/2031	9,255,500
8	10,000,000	Sears Roebuck Accep Corp	6.25%	05/01/2009	9,198,000
9	8,830,564	GNMA Pool#486959	6.50%	02/15/2029	8,731,220
10	9,000,000	Safeco Cap Tr 1	8.07%	07/15/2037	7,233,210
Total Largest Bond Holdings					$132,022,109

† The above schedules do not reflect holdings in passive index Funds. A complete list of portfolio holdings is available upon request.

Schedule of Management Fees and Commissions

	Assets Under Management		Managers' Fees	
	2000	1999	2000	1999
INVESTMENT MANAGERS' FEE				
Fixed Income Managers	$ 1,346,724,545	$ 1,120,695,476	$ 1,029,394	$1,245,715
Equity Managers	2,077,996,036	2,469,858,969	3,933,818	4,787,000
Real Estate Managers	288,626,827	261,494,260	2,365,134	1,786,961
Total	$ 3,713,347,408	$3,852,048,705	$7,328,346	$7,819,676
OTHER INVESTMENT SERVICE FEES				
Custodian Fees			174,809	158,049
Security Lending Fees			5,491,936	2,880,960
Investment Consultant Fees			720,078	678,561
Total			$6,386,823	$3,717,570

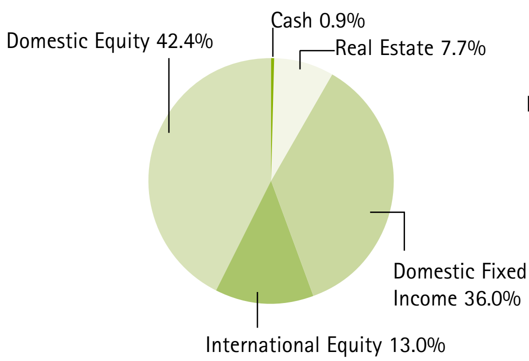
Commissions

Brokerage Firm	Total Commissions	Total no. of Shares Traded	Commissions per Share
ABN AMRO Bank	$ 165,099	4,016,504	0.041
Paine Webber	115,354	33,263,810	0.003
State Street Corporation	111,563	3,397,413	0.033
BHF Securities Corporations	79,639	1,838,187	0.043
Instinet Corp.	55,750	2,001,038	0.028
Ragen MacKenzie Incorporated	48,393	1,468,999	0.033
Bank of New York	45,745	3,936,812	0.012
Morgan Stanley & Co.	42,547	22,420,746	0.002
Pershing	31,639	768,749	0.041
Jefferies & Company, Inc.	30,769	751,173	0.041
Cantor Fitzgerald Securities	27,105	675,389	0.040
Donaldson, Lufkin, & Jenrette	26,146	546,938	0.048
Investment Technology Group, Inc.	25,832	1,181,073	0.022
Lehman Bros., Inc.	22,219	584,200	0.038
Jones & Associates	21,853	626,100	0.035
Prudential Securities	21,086	561,895	0.038
Bridge Trading Company	21,012	507,403	0.041
Capital Institutional Services	20,432	367,600	0.056
Bear Stearns	19,669	503,900	0.039
Janney Montgomery Scott	19,300	335,365	0.058
Top 20 Total	**951,152**	**79,753,294**	**0.012**
All other Brokerage Firms	239,484	6,765,452	0.035
Total	$1,190,636	86,518,746	0.014

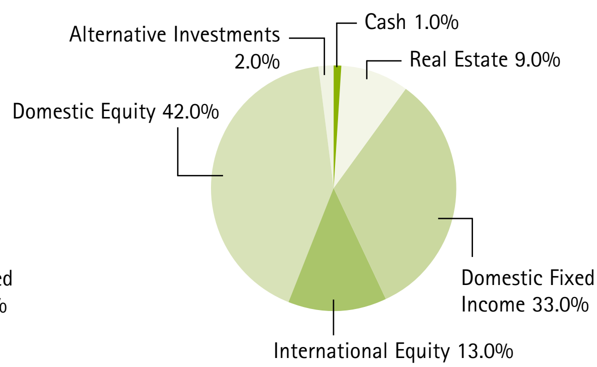
Asset Allocation

	2000 ACERA Asset Allocation	Target Asset Allocation
Cash	0.9%	1.0%
Real Estate	7.7%	9.0%
Domestic Fixed Income	36.0%	33.0%
International Equity	13.0%	13.0%
Domestic Equity	42.4%	42.0%
Alternative Investments	0.0%	2.0%

2000 ACERA Asset Allocation



Target Asset Allocation



List of Investment Professionals

As of December 31, 2000

INVESTMENT MANAGERS

Equity—Domestic

Bank of New York—Index Fund
Brandywine
Nicholas Applegate
Trust Company of the West
Pacific Financial Research
Salus Capital Management

Equity—International

Capital Guardian
State Street Global Advisors—Index Fund

Fixed Income—Domestic

AFL-CIO Investment Housing Trust
Loomis Sayles
State Street Global Advisors

Real Estate

Lend Lease
PMRealty Advisors
RREEF

INVESTMENT CONSULTANTS

Callan Associates
Douglas B. McCalla
Strategic Investment Solutions, Inc. (SIS)

ACTUARIAL

"We are such stuff
As dreams are made on…."

—Shakespeare, The Tempest IV, i, 148

ACTUARY'S CERTIFICATION LETTER

WILLIAM M. MERCER

The annual actuarial valuation required for the Alameda County Employees' Retirement Association has been prepared as of December 31, 2000 by William M. Mercer, Incorporated. In preparing this valuation, we have employed generally accepted actuarial methods and assumptions to determine a sound value for the Association's assets, liability and future contribution requirements. Our calculations are based upon member data provided to us by the Association's staff and financial information provided by the unaudited report. This data has not been audited, but it has been reviewed and found to be consistent, both internally and with prior year's data.

The contribution requirements are determined as a percentage of payroll. The funding objective of the plan is to determine employer rates that provides for both normal cost and either a contribution to amortize the unfunded actuarial accrued liability or a credit when actuarial assets exceed the actuarial accrued liability. The amortization period is 18 years as of December 31, 2000; however, the amortization of the 1993 Golden Handshake liability is over the $3\frac{1}{2}$ year period following December 31, 1999 and the excess interest return on the Pension Obligation Bonds is amortized over nine years. The amortization periods are set by the Board of Retirement. The unfunded actuarial accrued liability contribution credit is calculated to remain level as a percentage of future payroll (including projected payroll for future members). Payments will increase at the assumed rate of inflation, which is 4.50% per year.

Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of Actuarial Value of Assets to Actuarial Accrued Liabilities decreased from 108.5% to 107.9% during the year.

The Actuarial Value of Assets reflects the Board's action to accelerate the recognition of about $259 million in deferred actuarial gains in the December 31, 1998 valuation to offset the increase in actuarial accrued liability resulting from the settlement of the *Ventura* litigation.

There have been no assumption changes from our last actuarial valuation, as of December 31, 1999. However, we do recommend that the Board closely monitor the amortization period for excess investment return on the Pension Obligation Bonds now set at nine years. This may require the board to establish a policy next year to maintain the amortization period at nine

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A Marsh & McLennan Company

years. Doing so may require an increase in the County's rate; however, it avoids setting the County up for the very significant future rate increases that would occur if the amortization period were to be continually reduced. We suggest that the nine-year period be maintained until either:

1. The POB credits and County bond debt service payments are in line; or
2. The remaining bond debt service payment period reduces below nine years.

In our opinion, the combined operation of the assumptions and methods applied in this valuation, fairly represent past and anticipated future experience of the Association and meet the parameters required by GASB Statement 25.

A list of the supporting schedules we prepared for inclusion in the actuarial, statistical and financial sections of the Association's CAFR report is provided below.

1. Schedule of Active Member Valuation Data
2. Retirees and Beneficiaries Added to and Removed From Retiree Payroll
3. Solvency Test
4. Actuarial Analysis of Financial Experience
5. Schedule of Average Benefit Payments for Retirees and Beneficiaries
6. Schedule of Funding Progress
7. Schedule of Retiree Members by Type of Benefit.

Future contribution requirements may differ from those determined in the valuation because of:

1. differences between actual experience and anticipated experience;
2. changes in actuarial assumptions or methods;
3. changes in statutory provisions; and
4. differences between the contribution rates determined by the valuation and those adopted by the Board.

This report reflects the current estimated impact on funding status and contribution rates of the Retirement Board's expansion of the pay items includable in Earnable Compensation in response to the 1997 California Supreme Court decision in the *Ventura County Deputy Sheriff's Association vs. Board of Retirement, Ventura County Employees' Retirement Association*, including retroactive benefit payments.

- Retirement benefits for members who retired between January 1, 1977 and December 31, 2000, reflect actual "Post-Ventura" Earnable Compensation.
- Retirement benefits for members who retired before January 1, 1977 and those who are expected to retire after December 31, 2000 include an estimation for the terminal pay elements expected to be paid during members' final average compensation period.

The undersigned meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion rendered herein.

William M. Mercer, Incorporated

Andy Yeung

Andy Yeung, ASA, EA, MAAA

April 12, 2001

SUMMARY OF ASSUMPTIONS AND FUNDING METHOD

The following assumptions have been adopted by the Board as of December 31, 2000.

Assumptions

Valuation Interest Rate	8.25%
Inflation Assumption	4.50%
Cost of Living Adjustment	
for Tier 1 members:	3.00%
for Tier 2 members:	2.00%
Interest Rate Credited to Active Member Accounts	8.25%

Post-Retirement Mortality

The following post-retirement and pre-retirement demographic experiences and salary increase assumptions are based on the plan's actuarial experience through December 31, 1998. They were adopted by the Retirement Board and effective as of January 1, 1999.

(A) SERVICE

General Member	
Males	1994 Group Annuity Mortality Table with one year setback (Male)
Females	1994 Group Annuity Mortality Table with one year setback (Female)
Safety Members	1994 Group Annuity Mortality Table with one year setback (Male)
Beneficiaries	1994 Group Annuity Mortality Table with one year setback (Female)

(B) DISABILITY

General	1981 General Disability Mortality Table with two year setback
Safety	1981 Safety Disability Mortality Table with no setback

(C) FOR EMPLOYEE CONTRIBUTION RATE PURPOSES

General	1994 Group Annuity Mortality Table with a four year setback(Male)
Safety	1994 Group Annuity Mortality Table with a one year setback (Male)

Pre-Retirement Mortality	Based upon the Experience Analysis as of 12/31/98
Withdrawal Rates	Based upon the Experience Analysis as of 12/31/98
Disability Rates	Based upon the Experience Analysis as of 12/31/98
Service Retirement Rates	Based upon the Experience Analysis as of 12/31/98
Salary Scales	Total increases of 5.60% per year reflecting approximately 4.50% for inflation and approximately 1.10% for merit and longevity

Percent of Active and Inactive Members Married

Males	80%
Females	55%

Beneficiary Age Difference

Males	3 years older
Females	3 years younger

Value of Assets for Contribution Rate Purposes

Actuarial Value is determined using a five-year smooth market value method.

Additional "Ventura" Earnable Compensation—Terminal Pay

To estimate the impact of including terminal pay as part of Earnable Compensation, we have relied on the compensation data collected in 2000 for 140 retirees who retired between October 1, 1998 and December 31, 1999.

Based on that data, the following percentages were derived to estimate the percentage increase in final average earnings that result from inclusion of terminal pay.

	Terminal Pay/Final Average Earnings
General Tier 1	5.62%
General Tier 2	1.49%
Safety Tier 1	5.93%
Safety Tier 2	1.49%

Ventura Terminal and Non-Terminal Pay Adjustments for Retirees and Deferred Vested Members

In this valuation, we have reflected actual Ventura pay and benefits for members who retired after December 31, 1976.

For members who retired before January 1, 1977 and those with a deferred vested benefit, we have estimated the Ventura liabilities based on Ventura terminal and non-terminal pay percentages for members who retired between 1977 and 1982.

Conversion of Unused Sick Leave Service

We assume each active member will be able to accumulate an additional 0.008 years of retirement service credit from unused sick leave for each year of employment.

Funding Method and Amortization of Actuarial Gain or Losses

The County's liability is being funded on the Entry Age Normal Method with an Unfunded Actuarial Accrued Liability (UAAL). The current amortization period for the UAAL is 18 years from the valuation date. The amortization period for the 1993 Golden Handshake liabilities is $3\frac{1}{2}$ years following December 31, 1999 and the excess interest earned on the Pension Obligation Bonds is amortized over 9 years following December 31, 2000.

Schedule of Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Payroll ($)	Annual Average Pay ($)	% Increase in Average Pay*
12/31/1995	General	7,861	314,376,236	39,992	2.19%
	Safety	1,196	59,227,940	49,522	0.75%
	Total	9,057	373,604,176	41,250	2.15%
12/31/1996	General	7,859	326,703,539	41,571	3.95%
	Safety	1,195	62,992,218	52,713	6.44%
	Total	9,054	389,695,757	43,041	4.34%
12/31/1997	General	7,969	344,339,885	43,210	3.94%
	Safety	1,278	68,705,274	53,760	1.99%
	Total	9,247	413,045,159	44,668	3.78%
12/31/1998	General	8,173	387,930,299	47,465	9.85%
	Safety	1,326	74,534,770	56,210	4.56%
	Total	9,499	462,465,069	48,686	8.99%
12/31/1999	General	8,445	407,628,000	48,269	1.69%
	Safety	1,414	80,358,000	56,830	1.10%
	Total	9,859	487,986,000	49,497	1.67%
12/31/2000	General	9,027	446,911,072	49,508	2.57%
	Safety	1,429	85,394,052	59,758	5.15%
	Total	10,456	532,305,124	50,909	2.85%

Schedule of Retirees and Beneficiaries Added to and Removed From Retiree Payroll

Plan Year	At Beginning of Year	Added During Year	Removed During Year	At End of Year	Annual Retiree Payroll (in Thousands) ($)	% Increase in Annual Retiree Payroll	End of Year Allowance ($)
1995	4,926	284	190	5,020	71,426	7.58%	14,228
1996	5,020	248	157	5,111	75,966	6.36%	14,863
1997	5,111	220	129	5,202	81,868	7.77%	15,738
1998	5,202	324	146	5,380	89,724	9.60%	16,677
1999	5,380	364	139	5,605	101,158	12.74%	18,048
2000	5,605	381	287	5,699	115,261	13.94%	20,225

* 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.

Solvency Test*

(Amounts in Thousands)

	Aggregate Accrued Liabilities for					Portion of Accrued Liabilities Covered by Reported Assets		
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) %
12/31/1995	448,792	890,098	612,162	1,951,052	1,684,299	100	100	56
12/31/1996	452,253	945,276	670,387	2,067,916	2,113,009	100	100	100
12/31/1997	510,381	1,041,268	666,670	2,218,319	2,313,787	100	100	100
12/31/1998	537,895	1,316,570	758,546	2,613,011	2,830,437	100	100	100
12/31/1999	640,623	1,326,463	795,438	2,762,524	2,997,932	100	100	100
12/31/2000	735,101	1,435,302	766,228	2,936,631	3,169,178	100	100	100

Actuarial Analysis of Financial Experience†

	2000	1999	1998	1997	1996
Prior Valuation Unfunded Actuarial Accrued Liability	$ (235)	$ (217)	$ (95)	$ (45)	$ 267
Expected Increase from Prior Valuation				(1)	(261)††
Salary Increase Greater (Less) than Expected	(5)	5	36	(8)	(3)
Asset Return Less (Greater) than Expected	(5)	26	(110)	(61)	(28)
Other Experience	12	12	6	10	(14)
Ventura Litigation		(69)	259		
Actuarial Value of Assets Method Change			(259)	-	
Economic Assumption Changes			(54)††		-
Non-Economic Assumption Changes			- ††		-
Data Corrections			-	10	(6)
Conversion of Sick leave service		8			
Ending Unfunded Actuarial Accrued Liability	$ (233)	$ (235)	$ (217)	$ (95)	$ (45)

* This exhibit includes actuarially funded liabilities and assets. The Supplemental Retirees Benefit Reserve and Reserve for Interest Fluctuation are not included.
Events affecting year to year comparability: 12/31/95 - Inflation assumption dropped from 4.75% to 4.5%; changes to noneconomic assumptions; change in actuarial asset valuation methodology.

† Actuarial Analysis of Financial experience was not performed for 1995.

†† Included a Pension Obligation Bond Credit of $(283) million.

††† $30 million is the combined impact of changes in economic and non-economic assumptions in 1998.

SUMMARY OF PLAN PROVISIONS

Benefit Sections 31676.1, 31676.12 and 31664 of the 1937 County Act

Briefly summarized below are major provisions of the California Government Code as amended through December 31, 2000, and as adopted by Alameda County.

Membership

Employees hired after June 30, 1983 become members under Tier 2. All other members are covered by Tier 1 provisions.

Final Average Salary

Final average salary (FAS) is defined as the highest 12 consecutive months of compensation earnable for Tier 1 and 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. In lieu of receiving a return of contributions, a member with five or more years of service may elect to leave his or her contributions on deposit and receive a deferred vested benefit when eligible for retirement.

Service Retirement Benefit

Members with 10 years of service who have attained the age of 50 are eligible to retire. Members with 30 years of service (20 years for Safety), regardless of age, are eligible to retire.

The benefit is a percentage of monthly FAS per year of service, depending on age at retirement and is illustrated below for typical ages. For members integrated with Social Security, the benefit is reduced by $\frac{1}{3}$ of the percentage shown below times the first $350 of monthly FAS per year of service credited after January 1, 1956.

Disability Benefit

Members with 5 years of service, regardless of age, are eligible for nonservice connected disability. The benefit is 1.8% (1.5% for Tier 2 General members) of FAS for each year of service. If this benefit does not equal $\frac{1}{3}$ of FAS, the benefit is increased by the above percentage of FAS for the years which would have been credited to age 62 for Tier 1 General members, age 65 for Tier 2 General members and age 55 for Safety members. The total benefit in this case cannot exceed $\frac{1}{3}$ of FAS unless the benefit calculated from the member's age, years of service, and salary is greater.

If the disability is service-connected, the member may retire regardless of length of service with a benefit which is the higher of 50% of FAS or the benefit derived from the member's age, years of service, and salary.

Death Benefit (Before Retirement)

In addition to the return of contributions, 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 receives 60% of the allowance that the member

Percentage Of Final Average Salary

General

Age	Tier 1	Tier 2	Safety
50	1.34%	1.18%	2.00%
55	1.77%	1.49%	2.62%
60	2.34%	1.92%	2.62%
62	2.62%	2.09%	2.62%
65 and over	2.62%	2.43%	2.62%

would have received for retirement on the day of his or her death.

If a member dies in the performance of duty, the elegible surviving spouse receives 50% of the member's FAS.

Death Benefit (After Retirement)

If a member dies after retirement, a lump sum amount of $5,000 is paid to the beneficiary or estate.

If the retirement was for service connected disability, 100% of the member's allowance as it was at death is continued to the surviving spouse for life.

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

Active Death Equity Benefit (ADEB)

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

The funding of the ADEB benefit is provided from assets held in the Supplemental Retirement Benefits Reserve. The Retirement Board reserves the right to terminate the ADEB for future recipients.

Maximum Benefit

The maximum basic benefit payable to a member or beneficiary is 100% of FAS.

Cost of Living

The increases are based on the change in the Bay Area Consumer Price Index for the calendar year prior to the April 1 payment date. The maximum increase in retirement allowance is 3% per year for Tier 1 and 2% for Tier 2 members.

Contribution Rates

Member basic rates are based on a formula reflecting the age at entry into the System. The rates are such as to provide, for each year of service, an average annuity at age 60 of $\frac{1}{100}$ of FAS for General members under Tier 1, at age 60 of $\frac{1}{120}$ of FAS for General members under Tier 2, and at age 50 of $\frac{1}{100}$ of FAS for Safety members. Member cost of living rates are actuarially determined to pay for one-half of future cost of living liabilities.

For members integrated with Social Security, the above contributions are reduced by one-third of that portion of such contribution payable with respect to the first $350 of monthly salary. Member contributions are refundable upon termination from the System.

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

PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

The following pages indicate the probability of separation from active service for each of the following sources of termination:

Withdrawal: member terminates and elects refund of member contributions.

Vested termination: member terminates and contributions are left on deposit.

Ordinary death: member dies prior to eligibility for retirement; death not employment-related.

Ordinary disability: member receives disability retirement; disability not employment-related.

Service retirement: member retires after satisfaction of requirements of age and/or service for reasons other than disability.

Duty disability: member receives disability retirement; disability is employment-related.

Duty death: member dies prior to retirement; death is employment-related.

The probabilities shown for each cause of termination represent the likelihood that a given member will terminate at a particular age for the indicated reason. For example, if the probability of withdrawal for a General Tier 1 male member at age 20 and with less than 3 years of service is .07283, then we are assuming that 7.283% of all General Tier 1 male members with less than 3 years of service will terminate without vested rights during the year.

Probabilities of Separation Prior to Retirement

GENERAL TIER 1 MEMBERS—MALE

Age Nearest	Withdrawal 0<X<3	3<=X<4	4<=X<5	5<=X	Terminated Vested	Ordinary Disability	Duty Disability	Ordinary Death	Duty Death	Service Retirement
20	.07283	.06700	.03000	.03000	.00000	.00000	.00010	.00055	.00010	.00000
30	.07283	.06700	.03000	.03000	.00464	.00020	.00010	.00086	.00010	.00000
40	.07283	.06700	.03000	.01629	.00870	.00070	.00040	.00115	.00009	.00000
50	.07283	.06700	.03000	.00250	.00660	.00140	.00090	.00277	.00009	.02122
60	.07283	.06700	.03000	.00000	.00080	.00260	.00260	.00858	.00010	.17232
70	.00000	.00000	.00000	.00000	.00000	.00000	.00000	.00000	.00000	1.00000

GENERAL TIER 1 MEMBERS—FEMALE

Age Nearest	Withdrawal 0<X<3	3<=X<4	4<=X<5	5<=X	Terminated Vested	Ordinary Disability	Duty Disability	Ordinary Death	Duty Death	Service Retirement
20	.10873	.07000	.03000	.03000	.00000	.00000	.00010	.00031	.00000	.00000
30	.10873	.07000	.03000	.02942	.00638	.00030	.00019	.00038	.00000	.00000
40	.10873	.07000	.03000	.00698	.00984	.00070	.00078	.00076	.00009	.00000
50	.10873	.07000	.03000	.00243	.00666	.00120	.00291	.00154	.00009	.03454
60	.10873	.07000	.03000	.00000	.00210	.00120	.00300	.00477	.00009	.19641
70	.00000	.00000	.00000	.00000	.00000	.00000	.00000	.00000	.00000	1.00000

(continues)

Probabilities of Separation Prior to Retirement (continued)

GENERAL TIER 2 MEMBERS—MALE

Age	Withdrawal					Terminated	Ordinary	Duty	Ordinary	Duty	Service
Nearest	0<X<1	1<=X<2	2<=X<4	4<=X<5	5<=X	Vested	Disability	Disability	Death	Death	Retirement
20	.14518	.08662	.06695	.03000	.03000	.10000	.00000	.00010	.00055	.00010	.00000
30	.14518	.08662	.06695	.03000	.03000	.03140	.00019	.00010	.00086	.00009	.00000
40	.14518	.08662	.06695	.03000	.02228	.02000	.00122	.00132	.00115	.00008	.00000
50	.14518	.08662	.06695	.03000	.01318	.02000	.00140	.00300	.00277	.00009	.01655
60	.14518	.08662	.06695	.03000	.01000	.00632	.00700	.01050	.00858	.00010	.18000
70	.00000	.00000	.00000	.00000	.00000	.00000	.00000	.00000	.00000	.00000	1.00000

GENERAL TIER 2 MEMBERS—FEMALE

Age	Withdrawal				Terminated	Ordinary	Duty	Ordinary	Duty	Service
Nearest	0<X<3	3<=X<4	4<=X<5	5<=X	Vested	Disability	Disability	Death	Death	Retirement
20	.10000	.07000	.03000	.03000	.05000	.00000	.00010	.00031	.00000	.00000
30	.10000	.07000	.03000	.03000	.03058	.00021	.00069	.00038	.00000	.00000
40	.10000	.07000	.03000	.02000	.02055	.00022	.00297	.00076	.00007	.00000
50	.10000	.07000	.03000	.01000	.01623	.00049	.00420	.00154	.00008	.01985
60	.10000	.07000	.03000	.00400	.01050	.00260	.00500	.00477	.00009	.08495
70	.00000	.00000	.00000	.00000	.00000	.00000	.00000	.00000	.00000	1.00000

SAFETY TIER 1 MEMBERS—ALL

Age	Withdrawal		Terminated	Ordinary	Duty	Ordinary	Duty	Service
Nearest	0<X<5	5<=X	Vested	Disability	Disability	Death	Death	Retirement
20	.15000	.15000	.10000	.00000	.00000	.00055	.00040	.00000
30	.06900	.06901	.04423	.00020	.00020	.00086	.00040	.00000
40	.04000	.00913	.00500	.00060	.00400	.00115	.00050	.00000
50	.00000	.00000	.00046	.00100	.00520	.00277	.00070	.06703
60	.00000	.00000	.00000	.00000	.00000	.00000	.00000	1.00000
70	.00000	.00000	.00000	.00000	.00000	.00000	.00000	1.00000

SAFETY TIER 2 MEMBERS—ALL

20	.03000	.01000	.00850	.00000	.00000	.00055	.00040	.00000
30	.03000	.01000	.00850	.00020	.00268	.00086	.00040	.00000
40	.03000	.01000	.00850	.00060	.00520	.00115	.00050	.00000
50	.00000	.00000	.00850	.00100	.00720	.00277	.00070	.04248
60	.00000	.00000	.00000	.00000	.00000	.00000	.00000	1.00000
70	.00000	.00000	.00000	.00000	.00000	.00000	.00000	1.00000

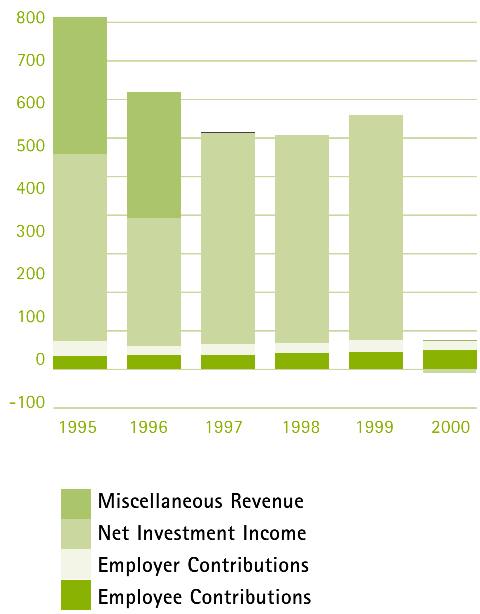
STATISTICAL

"The grand essentials of happiness are: something to do, something to love, and something to hope for."

—Allan K. Chalmer

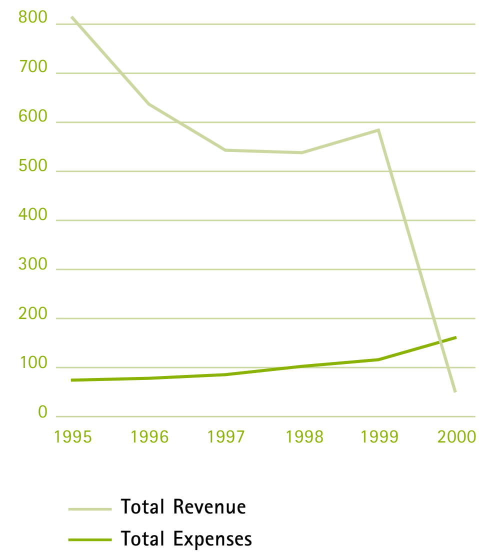
Revenue by Source

(Dollars in Millions)



Total Revenue and Expenses

(Dollars in Millions)



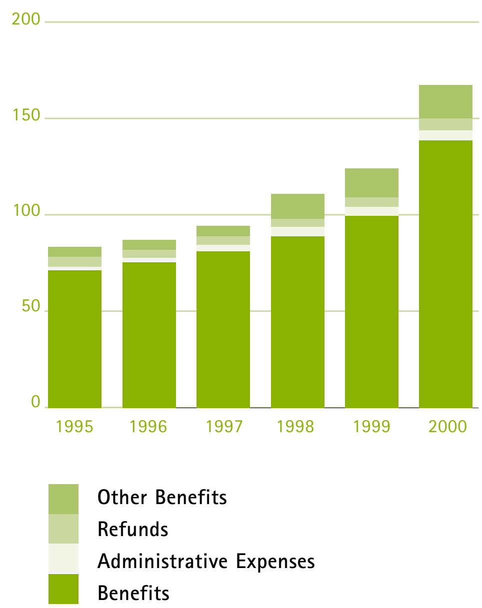
Revenue by Source

Year ended December 31	Employee Contributions ($)	Employer Contributions ($)	Net Investment Income/Loss ($)	Miscellaneous Revenue ($)	TOTAL
1995	30,238,340	33,360,976	424,987,775	309,271,687†	797,858,778
1996	31,196,550	21,153,565	291,333,263	283,707,469†	627,390,847
1997	32,684,638	23,471,769	480,486,364	5,256	536,648,027
1998	35,748,407	24,389,376	471,624,158	64,755	531,826,696
1999	39,265,219	26,134,479	510,797,541	52,642	576,249,881
2000	42,829,708	22,042,914	(4,192,196)	1,394,247	62,074,673

† Miscellaneous revenue for 1995 and 1996 includes pension obligation bond proceeds.

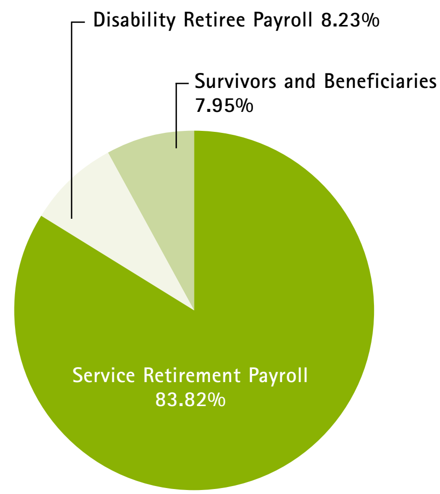
Expenses by Type

(Dollars in Millions)



Benefit Expenses by Percent

(Year 2000)



Expenses by Type

Year ended December 31	Benefits ($)	Administrative Expenses ($)	Refunds ($)	Other Benefits ($)	TOTAL ($)
1995	71,038,847	1,800,294	5,212,838	5,220,501	83,272,480
1996	75,276,328	2,225,036	4,276,394	5,123,852	86,901,610
1997	80,833,472	3,300,664	4,391,437	5,557,671	94,083,244
1998	88,794,029	4,890,004	4,095,621	12,693,075	110,472,729
1999	99,225,190	4,614,199	4,963,159	14,789,296	123,591,844
2000	138,153,224	5,190,590	6,266,842	17,130,345	166,741,001

Schedule of Benefit Expenses by Type

	2000	1999	1998	1997	1996	1995
Service Retirement Payroll						
Basic	$ 74,128,258	$ 65,248,080	$ 57,750,840	$ 52,688,796	$ 49,230,000	$ 46,961,000
COLA	22,486,337	19,781,227	17,761,164	16,232,076	14,941,000	13,807,000
Total	**96,614,595**	**85,029,307**	**75,512,004**	**68,920,872**	**64,171,000**	**60,768,000**
Disability Retiree Payroll						
Basic	7,733,362	6,095,553	5,106,996	4,632,744	4,197,000	3,587,000
COLA	1,750,675	1,461,187	1,263,576	1,195,800	1,082,000	991,000
Total	**9,484,037**	**7,556,740**	**6,370,572**	**5,828,544**	**5,279,000**	**4,578,000**
Beneficiaries and Survivors						
Basic	5,651,133	5,273,837	4,904,460	4,449,600	4,101,000	3,905,000
COLA	3,510,459	3,298,252	2,937,072	2,669,184	2,415,000	2,175,000
Total	**9,161,592**	**8,572,089**	**7,841,532**	**7,118,784**	**6,516,000**	**6,080,000**
Total	$115,260,224	$101,158,136	$89,724,108	$81,868,200	$75,966,000	$71,426,000

Schedule of Average Benefit Payment Amounts

Number of Years Since Retirement	0–4	5–9	10–14	15–19	20–24	25–29	30+
PERIOD 1/1/95–12/31/95							
Average Monthly Benefit	$1,758	$1,494	$1,111	$878	$716	$550	$425
Number of Retirees	1,110	1,132	928	979	553	210	100
PERIOD 1/1/96–12/31/96							
Average Monthly Benefit	$1,670	$1,564	$1,181	$954	$758	$616	$428
Number of Retirees	1,110	1,126	912	959	612	245	110
PERIOD 1/1/97–12/31/97							
Average Monthly Benefit	$1,956	$1,739	$1,303	$972	$778	$600	$431
Number of Retirees	1,100	999	845	1,021	728	331	178
PERIOD 1/1/98–12/31/98							
Average Monthly Benefit	$1,918	$1,978	$1,373	$1,052	$815	$684	$451
Number of Retirees	1,047	1,173	817	995	790	363	195
PERIOD 1/1/99–12/31/99							
Average Monthly Benefit	$2,226	$1,971	$1,635	$1,136	$897	$692	$475
Number of Retirees	1,195	950	1,028	933	823	446	230
PERIOD 1/1/00–12/31/00							
Average Monthly Benefit	$2,394	$2,439	$1,810	$1,342	$1,000	$770	$512
Number of Retirees	1,304	1,023	964	872	862	441	233

Schedule of Retiree Members by Type of Benefit

Summary of Monthly Allowances Being Paid for the Month of December 31, 2000

		Monthly Allowances		
	Number	Basic	Cost of Living	Total
GENERAL MEMBERS				
Service Retirement				
Unmodified	3610	$ 4,603,845	$ 1,493,985	$ 6,097,830
Option 1	108	128,668	36,796	165,464
Option 2, 3 & 4	177	222,606	51,566	274,172
Total	**3895**	**4,955,119**	**1,582,347**	**6,537,466**
Ordinary Disability				
Unmodified	127	82,491	30,957	113,448
Option 1	9	4,762	2,500	7,262
Option 2, 3 & 4	1	855	438	1,293
Total	**137**	**88,108**	**33,895**	**122,003**
Duty Disability				
Unmodified	212	316,483	53,872	370,355
Option 1	8	8,566	1,451	10,017
Option 2, 3 & 4	1	966	80	1,046
Total	**221**	**326,015**	**55,403**	**381,418**
Beneficiaries				
Ex-Spouse	46	27,665	7,956	35,621
Death	735	368,049	239,063	607,112
Total	**781**	**395,714**	**247,019**	**642,733**
Total General	5034	5,764,956	1,918,664	7,683,620
SAFETY MEMBERS				
Service Retirement				
Unmodified	431	1,166,963	282,250	1,449,213
Option 1	2	4,267	1,378	5,645
Option 2, 3 & 4	24	51,005	7,887	58,892
Total	**457**	**1,222,235**	**291,515**	**1,513,750**
Ordinary Disability				
Unmodified	4	3,995	331	4,326
Option 1	0	0	0	0
Option 2, 3 & 4	0	0	0	0
Total	**4**	**3,995**	**331**	**4,326**
Duty Disability				
Unmodified	108	213,378	53,603	266,981
Option 1	4	8,329	622	8,951
Option 2, 3 & 4	3	4,622	2,035	6,657
Total	**115**	**226,329**	**56,260**	**282,589**
Beneficiaries				
Ex-Spouse	14	13,577	2,749	16,326
Death	75	61,637	42,771	104,408
Total	**89**	**75,214**	**45,520**	**120,734**
Total Safety	665	1,527,773	393,626	1,921,399
Total Retiree Members	5,699	$7,292,729	$2,312,290	$9,605,019

Participating Employers and Active Members†

	2000	1999	1998	1997	1996	1995
County of Alameda						
General Members	7,077	6,787	8,043	7,840	7,728	7,735
Safety Members	1,429	1,414	1,326	1,278	1,195	1,196
Total	8,506	8,201	9,369	9,118	8,923	8,931
Participating Agencies						
(General Membership)						
Livermore Area Recreation & Park District	65	61	61	56	56	51
Housing Authority or Alameda County	66	65	64	65	67	67
Alameda County Schools	5	5	5	8	8	8
ACMC††	1,814	1,527	-	-	-	-
Total	1,950	1,658	130	129	131	126
Total Active Membership						
General Members	9,027	8,445	8,173	7,969	7,859	7,861
Safety Members	1,429	1,414	1,326	1,278	1,195	1,196
Total	10,456	9,859	9,499	9,247	9,054	9,057

Employer Contribution Rates

As of December 31

	County of Alameda & ACMC*					Other participating agencies				
	General		Safety			General		Safety		
	Tier 1	Tier 2	Tier 1	Tier 2	Aggregate**	Tier 1	Tier 2	Tier 1	Tier 2	Aggregate**
1995	5.14	4.11	10.15	8.66	5.26	14.31	13.28	N/A	N/A	14.30
1996	5.51	5.13	10.24	9.93	6.06	15.93	15.55	N/A	N/A	15.93
1997	5.12	4.76	9.28	9.02	5.59	15.15	14.79	N/A	N/A	15.14
1998	5.75	4.46	8.72	8.35	5.44	16.20	N/A	N/A	N/A	16.20
1999	5.75	4.46	8.72	8.35	5.43	16.21	N/A	N/A	N/A	16.21
2000	6.28	2.83	4.78	5.48	4.03	17.30	N/A	N/A	N/A	17.30

† This schedule includes inactive vested members.

†† The ACMC became a participating agency of ACERA in 1999, prior to this year they were included in the County of Alameda's General Membership.

* ACMC was part of the county of Alameda in 1995 and 1996 when the pension obligation bond proceeds were received by ACERA, hence have the same contribution rate.

** Based on payroll as of same date.

COMPLIANCE

"We grow great by dreams."

—Woodrow Wilson

Independent Auditor's report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

WILLIAMS, ADLEY & COMPANY, LLP
Management Consultants
Certified Public Accountants

The 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 years ended December 31, 2000 and 1999, and have issued our report thereon dated April 20, 2001. We conducted our audits in accordance with auditing standards generally accepted in the United Sates of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance
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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting
In planning and performing our audits, we considered ACERA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving internal control over financial reporting, which we have reported to the management of ACERA in a separate letter dated April 20, 2001.

This report is intended solely for the information and use of the Audit Committee, Management, 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, LLP

April 20, 2001

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