

Message from the Chief Executive Officer

Dear ACERA Members,



This Popular Annual Financial Report (PAFR) is an easy-to-read summary of the Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2015. The financial data presented here derive from the more detailed CAFR and are consistent with generally accepted accounting principles and guidelines established by the Governmental Accounting Standards Board. Both the CAFR and the PAFR are posted online at www.acera.org.

As ACERA's CEO, I am honored to share the significant operational accomplishments framed in this PAFR in furtherance of our mission to provide superior member services.

ACERA's fund generated a positive rate of return in 2015, but it was not a large increase at 0.4% (gross). This smaller-than-projected return reflects the difficult year worldwide markets in general experienced. Because the gross return was small, the market value of ACERA's net position actually decreased by over \$147 million, down to \$6.6 billion—this was primarily due to administrative costs and payments to retirees for their benefits, resulting in a lower year-end total fund value than last year.

This performance is a good illustration of the concept that while our returns go up and down from year to year, it is our longer term average earnings that support the funding of your pension benefits. We take a prudent and long-term approach toward investments, which means we do not make rash decisions. We establish a long-term investment strategy and implement it methodically; monitor the success of the strategy prudently; and modify our approach as needed, keeping our eyes on the horizon. We would love for you to learn more about our approach on our investments webpage, www.acera.org/investments.

Sincerely,

David Nelsen
 Chief Executive Officer

Serving You

Essentially, our mission is to invest the fund and administer the retirement, disability, and death benefits to our members and beneficiaries. We have been doing this since our establishment in 1947 under the County Employees' Retirement Law of 1937 (CERL). As a county retirement system that adopted Article 5.5 of the CERL, we also currently offer a variety of non-guaranteed benefits such as healthcare, which are funded in accordance with that section of law.

Providing these benefits requires the dedication and expertise of a diverse team of ACERA specialists. The side bar on the following page illustrates how we served you, our members, in 2015.

Strengthening ACERA: 2015 Snapshot

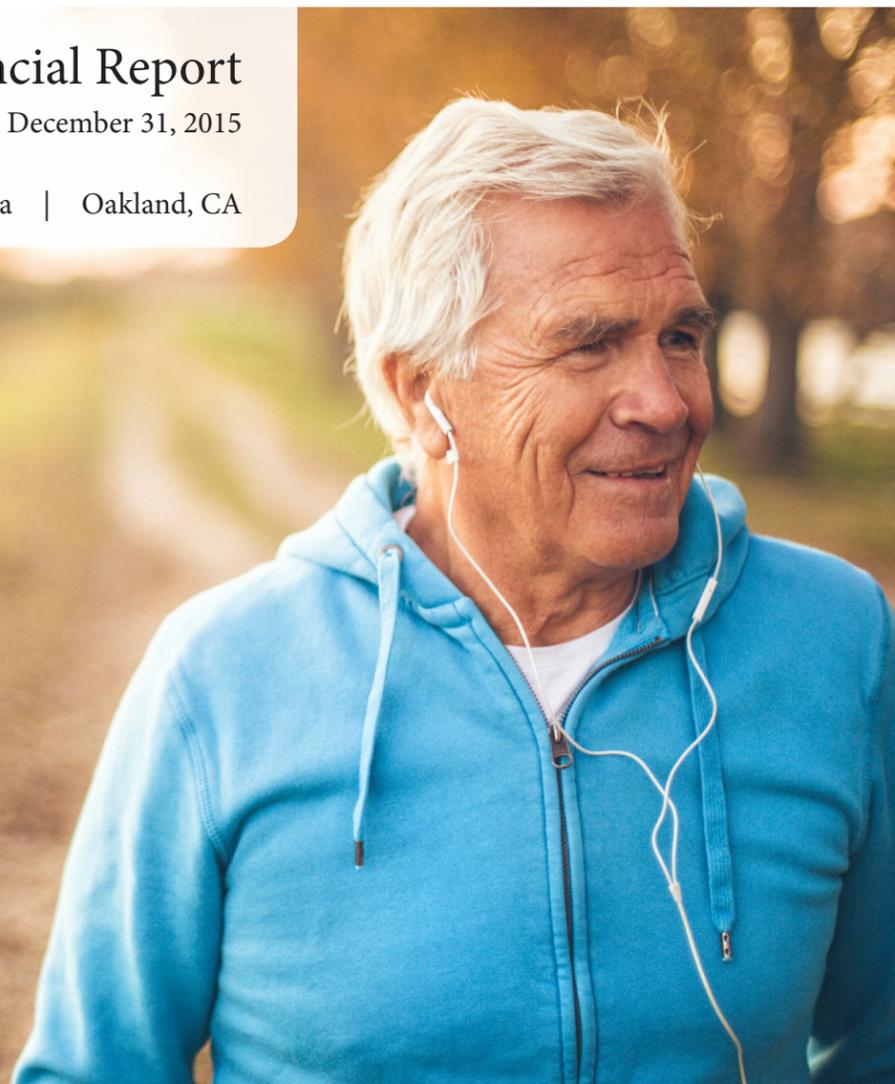
Administrative Enhancements | Administrative efficiency efforts have continued and accomplishments include developing a draft 3-year rolling strategic plan, implementing a quarterly cash flow analysis, continuing implementation of the cross-organizational technology improvement plan, developing a Best Practices Council for participating employers to strengthen internal controls related to state pension reforms, completing two major internal audits, and implementing a Benefits Department action plan based on a department workflow study.

Financial Achievements | ACERA's fund returned 0.4% (gross). ACERA made \$245 million in new commitments to the Private Equity/Alternatives asset class, increasing the total Private Equity/Alternatives commitment to 16.7% of the portfolio. ACERA completed its first search for a real estate investment consultant in 12 years through a formal RFP and selected Callan Associates Inc. ACERA successfully conducted education sessions for retiree associations as well as education sessions on passive/active investment styles for the Board.

Benefits | ACERA continued to enhance customer service and administration of benefits, implementing medical coverage for out-of-service-area early retirees through a health insurance exchange for 2016, completing requests for proposals for retiree dental and vision plan carriers, implementing a new premium vision plan option, creating a new healthcare unit, restructuring ACERA's call center, streamlining eleven benefits procedures, establishing a documentation library, and collaborating with the County on new employee/member seminars and enrollment processes.

Popular Annual Financial Report
 for the Year Ended December 31, 2015

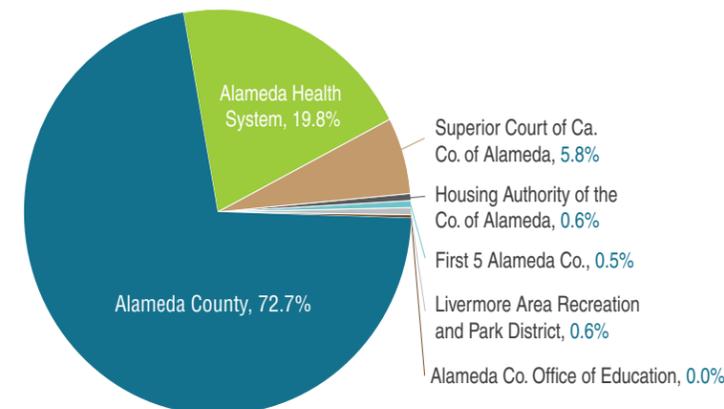
A Pension Trust Fund of the County of Alameda | Oakland, CA



ACERA's Membership

ACERA's seven participating employers collectively share the risks of supporting a multi-employer, cost sharing, defined benefit retirement plan. Members include active, retired, and former employees (deferred members) of ACERA's participating employers.

Active Membership



Total Membership

2014	Membership % Change	2015
1,954	Deferred Members 8.5%	2,121
2,980	Active Non-Vested Members 7.0%	3,190
8,040	Active Vested Members -1.7%	7,902
1,163	Beneficiaries & Survivors 1.4%	1,179
837	Disability Retirees 2.9%	861
6,812	Service Retirees 2.0%	6,949
21,786	Total	22,202



Answered

20,060
Telephone calls

92%
of calls in 30 seconds or less

Counseled
440
Ready-to-retire members

Fulfilled
1,118
Formal written requests

Processed
359
Members into retirement

Scanned and Indexed
32,560
Member documents

Subscribed
1,125
People to email news updates at
www.acera.org/get-news

Web Member Services
9,522
enrolled in Web Member Services at
www.acera.org/wms

That's **43%**
of all members (up from 40% last year)

Members Generated
19,326
Retirement estimates through Web Member Services

Board of Retirement

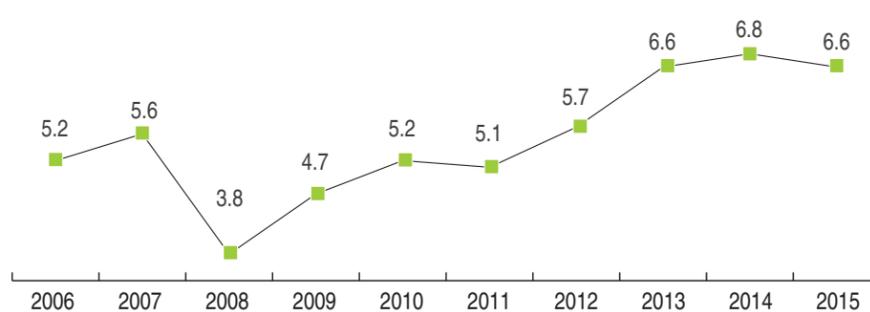
The Board of Retirement oversees the Chief Executive Officer in the performance of his or her duties in accordance with the law, regulations, and Board policies. Board Members as of January 1, 2016 are:

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

ACERA Financial Highlights

The funding sources that finance the retirement benefits are member contributions, employer contributions, and investment income. The primary uses of ACERA's assets include the payment of benefits to members and their beneficiaries, the refund of contributions to terminated employees, and the cost of administering the retirement system. "Fiduciary Net Position," used in the charts below, is a term for the value of ACERA's Fund after accounting for investment earnings, additions, and deductions.

Fiduciary Net Position at Fair Value (\$ billions)



ACERA's Fiduciary Net Position (Condensed)

For the Years Ended December 31, 2015 & 2014

(Dollars in millions)

	2015	2014	Increase (Decrease) Amount	Percent Change
Net Investment Income	\$ -6.5	\$ 280.6	\$ -287.1	-102%
Contributions & Misc. Income	309.5	293.4	16.1	5%
Reserve Transfers	42.9	42.1	0.8	2%
Total Additions	345.9	616.1	-270.2	-44%
Retirement Benefit Payments & Refunds	401.3	378.7	22.6	6%
Postemployment Medical Benefits Administration	33.7	32.6	1.1	3%
Administration	15.4	15.0	0.4	3%
Reserve Transfers	42.9	42.1	0.8	2%
Total Deductions	493.3	468.4	24.9	5%
Fiduciary Net Position at End of Year	\$ 6,640.6	\$ 6,788.0	\$ -147.4	-2%

Non-Guaranteed Benefits and the Supplemental Retiree Benefit Reserve (SRBR)

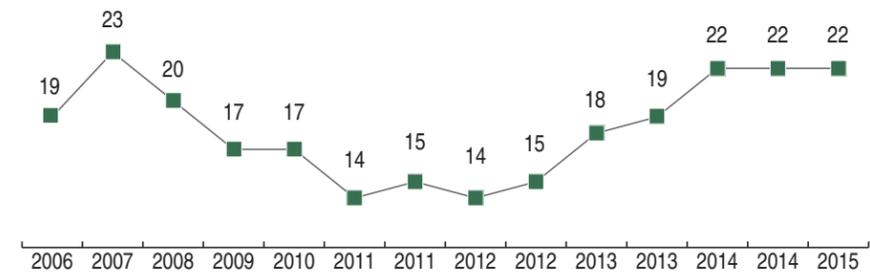
Non-guaranteed (non-vested) benefits are subject to annual authorization by the Board of Retirement. During 2015, ACERA offered qualified retirees the following non-guaranteed benefits:

Financial Benefits	Supplemental COLA	Non-guaranteed benefits are subject to available funds in ACERA's Supplemental Retiree Benefit Reserve (SRBR), which receives regular earnings and half of any annual interest income above our 7.6% assumed annual rate of investment return.
Healthcare Benefits	Monthly Medical Allowance (MMA)	
	Dental Coverage Subsidy	
	Vision Coverage Subsidy	
	Medicare Part B Reimbursement Plan	
	Implicit Subsidy (Paid to County)	

ACERA policy aims to keep the SRBR above a projected 15-year sustainability level, and the Board may modify or eliminate non-guaranteed benefits to attain this goal. On December 31, 2015, the SRBR balance was \$853.8 million, which is projected to fund benefits until 2038, which is 22+ years. The following chart depicts the change in years of SRBR sustainability as projected by ACERA's actuary.

Years of SRBR Sustainability

Projected years until SRBR exhausted (assuming no further interest gain sharing).



Projections use data as of December 31 of each year depicted. (Beginning with the data from 2011, ACERA's actuary has made two projections in the spring and fall of the following year.)

Pension Plan Funding Status

ACERA hires an independent consultant to conduct annual actuarial valuations of pension assets and expenses. The actuarial values are compared to determine the annual contribution rates that ACERA's participating employers are required to pay to meet ongoing pension obligations. The actuarial value of assets differs from the market value of assets because gains and losses are "smoothed" over a 5 year period to minimize the effect of market volatility on contribution rates. The table below represents the actuarial report that was current as of year-end 2015; check www.acera.org/actuarial for more current numbers and information on the Net Pension Liability calculation required by GASB 67. Participating employers contributed 100% of the annual required contributions to the pension plan.

The reduction in the funded ratio from 2013 to 2014 was primarily due to reductions in the assumed annual rate of investment returns from 7.80% to 7.60% and inflation assumption from 3.50% to 3.25% in the December 31, 2014 actuarial valuation.

	Actuarial Valuation as of December 31	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
	(Plain English)	(How much we have now)	(How much we owe, now and in the future)	(How much more we'll need)	(We have ___% of how much we owe to our members)
2014		\$5,681.1	\$7,592.1	\$1,911.0	74.8%
2013		\$5,210.9	\$6,861.7	\$1,650.7	75.9%
2012		\$4,883.9	\$6,612.9	\$1,729.1	73.9%
2011		\$4,868.7	\$6,359.5	\$1,490.8	76.6%
2010		\$4,776.1	\$6,162.7	\$1,386.6	77.5%

Dollars in millions

Investments

The County Employees' Retirement Law of 1937 and the California Constitution give the Board of Retirement the authority and fiduciary responsibility to prudently invest ACERA's funds to minimize overall risk and maximize returns.

For the year ended December 31, 2015, ACERA's total Fund realized a 0.4% (gross) rate of return and ACERA's fiduciary net position decreased by over \$147 million, ranking the fund in the 47th percentile among public funds in a universe of peer funds.

ACERA Rates of Return & Rankings

	ACERA Fund Rate of Return	Ranking in a Universe of Public Funds Over \$1 billion
2015	0.4%	47th percentile
Annualized 5 years	7.7%	35th percentile
Annualized 10 years	6.2%	24th percentile
Annualized 15 years	6.4%	2nd percentile

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

The table below shows a breakdown of ACERA's investments by the various asset classes we invest in, and the performance of each class during 2015.

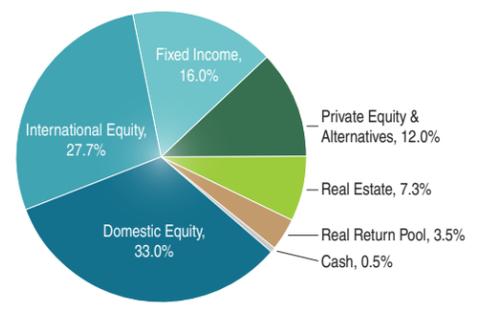
Performance Highlights of ACERA's 2015 Investment Fund (Gross Results)

	Description	2015 Return	\$ Value in Billions
Total Fund Return	Gross Fund % Increase	0.4%	
Policy Index Return	Benchmark	0.3%	
Median Return	Peer Group Return	0.3%	
Domestic Equity	U.S. Stocks	1.1%	\$ 2.19
International Equity	Non U.S. Stocks	-4.0%	1.84
Fixed Income	Bonds/Debt	-2.2%	1.06
Real Estate	Real, Tangible Properties	17.9%	0.49
Private Equity & Alternatives	Non-Public Companies	11.7%	0.80
Real Return Pool	Real Assets/Inflation Hedge	-17.8%	0.24
Year-End Fund Value			\$ 6.65*

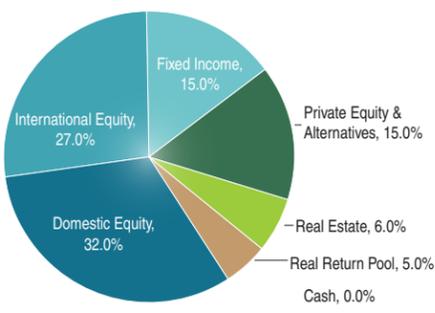
*As of 12/31/15, the Total Fund held \$0.03 billion in cash, representing 0.5% of the portfolio.

ACERA's actual asset allocation shows ratios of the classes of assets we've invested in as of December 31, 2015. In comparison, the target asset allocation is ACERA's long-term strategic allocation goals as established by the Board of Retirement.

Actual Asset Allocation



Target Asset Allocation†



† The new target asset allocation that was adopted by the Board on 8/20/15 will be implemented once the manager structure discussions and implementation are complete, as follows: Domestic Equity (28%), International Equity (26%), Fixed Income (15%), Real Estate (8%), Private Equity & Alternatives (18%), and Real Return Pool (5%).