



Alameda County Employees' Retirement Association
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Oakland, CA 94612

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Message from the Interim CEO

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 ending December 31, 2014. 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 Interim CEO, I am honored to share the significant operational accomplishments framed in this PAFR, including solid investment performance, enhanced administration and technology, and increased SRBR sustainability, in furtherance of our mission to provide superior member services.

ACERA's fund continued its growth in 2014—the net position increased by over \$140 million, raising the market value of assets to \$6.8 billion as of December 31, 2014, which is the highest market value the fund has yet experienced. This growth represented a 4.7% (gross) rate of return, which is lower than its 20.2% return last year, perfectly illustrating the concept that while our returns go up and down from year to year, it's our longer term average earnings that drive the funding of your pension benefits. We take a prudent and long-term approach toward investments, which means we don't 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'd love for you to learn more about our approach on our investments webpage, www.acera.org/investments.

Sincerely,

Kathy Foster
Interim 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've 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-vested 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 2014.

Strengthening ACERA

Administrative Enhancements | Administrative efficiency efforts have continued and accomplishments include implementing a cash management forecasting methodology; finalizing a new actuarial funding policy; developing automated budget worksheets; migrating critical processes from Access database into dedicated software; security testing ACERA's Web Member Services portal; developing a strategic technology improvement plan; completing various internal audits, and implementing a PEPRA-mandated employer audit plan.

Financial Achievements | ACERA's fund returned 4.7% (gross). ACERA made \$195 million in new commitments to the Private Equity/Alternatives asset class, increasing the total Private Equity/Alternatives commitment to 12.8% of the portfolio. ACERA conducted a search for a real estate investment consultant, conducting a formal RFP and thorough selection process. ACERA also reviewed and amended its directed brokerage policy and its proxy voting guidelines. ACERA concluded the sale of its separate property holdings except for its Oakland headquarters, completing a process started by Board action in prior years.

Benefits | ACERA enhanced its Web Member Services online application with the addition of print-ready account balance information for active and deferred member accounts and 1099(R) and pay statements for retiree accounts; completed a retiree health insurance exchange project to determine if non-Medicare health coverage available through a health insurance exchange would be viable for the following plan year; implemented further limitations to inclusion of payment for unused vacation in final salary calculations resulting from a final ruling in the Public Employees' Pension Reform Act lawsuit, and processed 122 additional retirement applications and contracts in the grace period after the ruling.

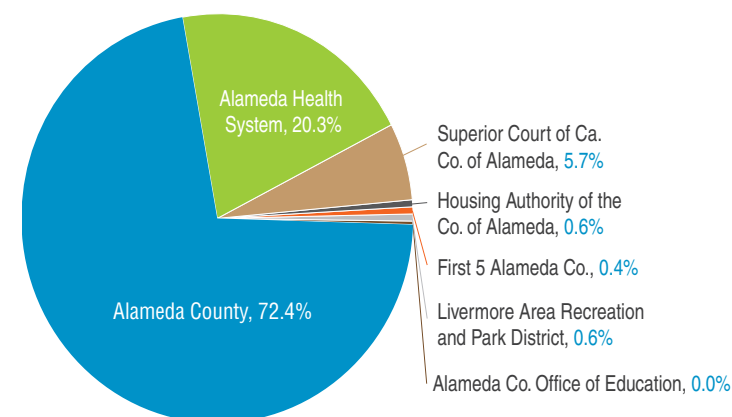
Eyes on the Horizon

A Popular Annual Financial Report for
the Year Ended December 31, 2014

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

2013	Membership % Change	2014
1,911	Deferred Members 2.25%	1,954
2,681	Active Non-Vested Members 11.15%	2,980
8,186	Active Vested Members -1.78%	8,040
1,144	Beneficiaries & Survivors 1.66%	1,163
823	Disability Retirees 1.70%	837
6,609	Service Retirees 3.07%	6,812
21,354	Total	21,786

Answered

20,420
Telephone calls

91%
of calls in 30 seconds or less

Counseled

385
Ready-to-retire members

Fulfilled

1,100
Formal written requests

Processed

400
Members into retirement

Scanned and Indexed

43,080
Member documents

Subscribed

510
People to email news updates at acera.org/get-news

Web Member Services

8,680
Members enrolled in Web Member Services

That's **40%**
of all members (up from 31% last year)

Members Generated

99,630
Retirement estimates through Web Member Services (up from 22,754)

a **325%**
increase

Board of Retirement

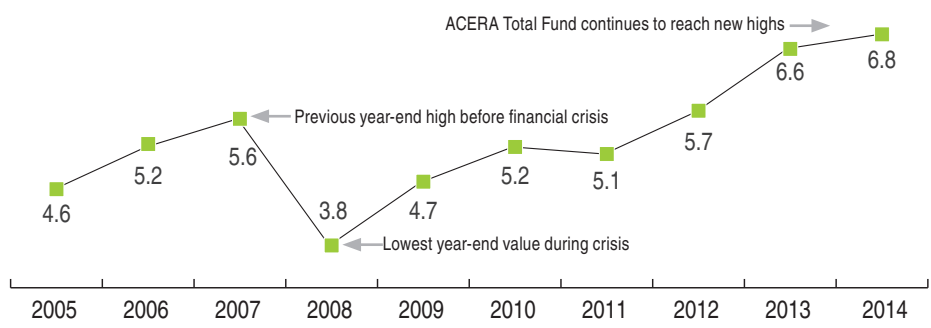
The Board of Retirement oversees the Chief Executive Officer in the performance of his or her duties in accordance with the law, regulations, and Board policies. Board Members as of January 1, 2015 are:

Dale E. Amaral	2nd Vice Chair	Elected by Safety Members
Ophelia B. Basgal	1st Vice 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		Appointed by the Board of Supervisors
Liz Koppenhaver		Elected by Retired Members
Elizabeth Rogers	Chair	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," in the charts below, is a term for the value of ACERA's Fund after investment earnings, additions, and deductions have been accounted for.

Fiduciary Net Position at Fair Value (\$ billions)



ACERA's Fiduciary Net Position (Condensed)

For the Years Ended December 31, 2014 & 2013

	2014	2013	Increase (Decrease) Amount	Percent Change
<i>(Dollars in millions)</i>				
Net Investment Income	\$ 280.6	\$ 1,109.7	\$ -829.1	-75%
Contributions & Misc. Income	293.4	267.6	25.8	10%
Reserve Transfers	42.1	40.7	1.4	3%
Total Additions	616.1	1,418.0	-801.9	-57%
Retirement Benefit Payments & Refunds	378.7	359.9	18.8	5%
Postemployment Medical Benefits Administration	32.6	30.6	2.0	7%
Reserve Transfers	15.0	14.7	0.3	2%
Total Deductions	468.4	445.9	22.5	5%
Fiduciary Net Position at End of Year	\$ 6,788.0	\$ 6,640.3	\$ 147.7	2%

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

Non-vested (non-guaranteed) benefits are subject to annual authorization by the Board of Retirement. During 2014, ACERA offered qualified retirees the following non-vested benefits:

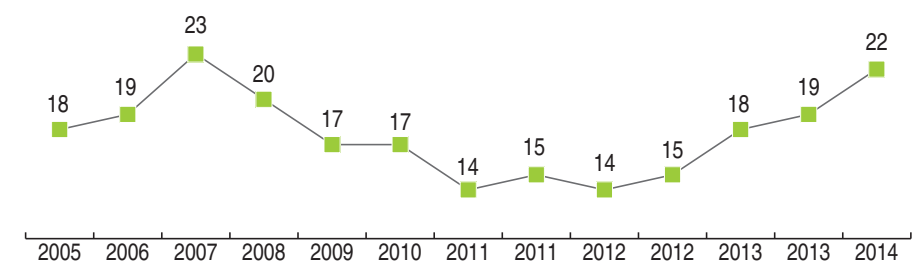
Financial Benefits	Supplemental COLA
	Monthly Medical Allowance (MMA)
	Dental Coverage Subsidy
Healthcare Benefits	Vision Coverage Subsidy
	Medicare Part B Reimbursement Plan
	Implicit Subsidy (Paid to County)

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

ACERA policy aims to keep the SRBR above a projected 15-year sustainability level, and the Board may modify or eliminate non-vested benefits to attain this goal. On December 31, 2014, the SRBR balance was \$789.8 million, which is projected to fund benefits until 2037, 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 2014; check www.acera.org/actuarial for more current numbers and information on the new Net Pension Liability calculation required by GASB 67. Participating employers contributed 100% of the annual required contributions to the pension plan.

	Actuarial Valuation as of December 31 (Plain English)	Actuarial Value of Assets (How much we have now)	Actuarial Accrued Liability (How much we owe, now and in the future)	Unfunded Actuarial Accrued Liability (How much more we'll need)	Funded Ratio (How much we have, divided by how much we owe)
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%
2009		\$4,789.0	\$5,899.3	\$1,110.3	81.2%

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, 2014, ACERA's total Fund realized a 4.7% (gross) rate of return and ACERA's fiduciary net position grew by over \$140 million, ranking the fund in the upper 78th 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
2014	4.7%	78th percentile
Annualized 5 years	10.6%	15th percentile
Annualized 10 years	7.0%	20th percentile
Annualized 15 years	6.4%	2nd percentile

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

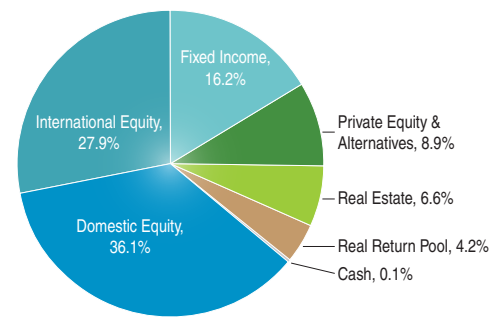
The table below shows a breakdown of ACERA's investments by the various classes of assets we invest in, and the performance of each class during 2014.

Performance Highlights of ACERA's 2014 Investment Fund (Gross Results)

Description	2014 Return	\$ Value in Billions	
Total Fund Return	4.7%		
Policy Index Return	Benchmark	6.6%	
Median Return	Peer Group Return	5.6%	
Domestic Equity	Stocks	9.5%	\$ 2.45
International Equity	Stocks	-3.9%	1.89
Fixed Income	Bonds/Debt	7.6%	1.10
Real Estate	Real, Tangible Properties	12.4%	0.45
Private Equity & Alternatives	Non-Public Companies	16.1%	0.60
Real Return Pool	Real Assets/Inflation Hedge	-13.5%	0.29
Year-End Fund Value		\$ 6.78	

ACERA's actual asset allocation shows ratios of the classes of assets we've invested in as of 12/31/14. 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

