



Alameda County Employees'  
Retirement Association  
475 14th Street, Suite 1000  
Oakland, CA 94612

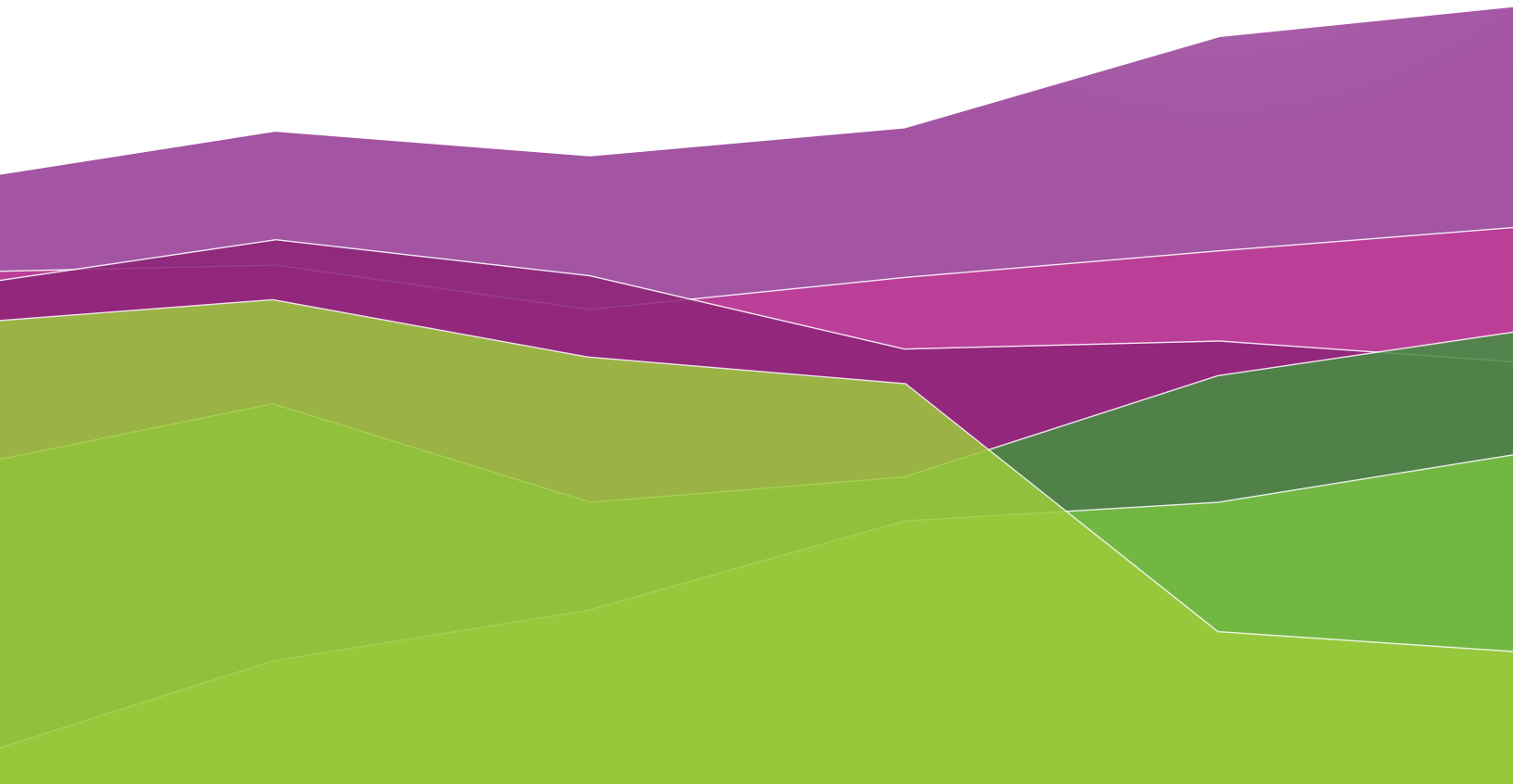
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# Solid Performance

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A Popular Annual Financial Report for the  
Year Ended December 31, 2013

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A Pension Trust Fund of the County of  
Alameda, CA and Participating Employers

Alameda County Employees' Retirement Association

## 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 ending December 31, 2013. 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](http://www.acera.org).

As ACERA's CEO, I am honored to share the significant operational accomplishments framed in this PAFR, including a completely redesigned website, solid investment performance, enhanced administration and technology, and increased SRBR sustainability, in furtherance of our mission to provide superior member services.

ACERA's Fund experienced unprecedented growth in 2013—the net position increased by \$1.0 billion, the highest earnings yield of any year since our inception in 1947. The growth raised the market value of assets to \$6.6 billion as of December 31, 2013, and delivered a substantial 20.2% (gross) rate of return, ranking ACERA in the upper 8th percentile among our peer funds—outperforming 92% of the other funds and far exceeding ACERA's top 25th percentile goal. And this 2013 growth follows an impressive 15.0% return for 2012.

Finally, even with all this good news, it's prudent to refrain from expecting these exceedingly high earnings every year, as ACERA assumes (actuarially) that our future long-term earnings will average 7.8% per year.

Sincerely,

Vincent P. Brown  
Chief Executive Officer

## Serving You

Essentially, our mission is to invest the Fund and administer the retirement, disability, and death benefits to our members. We've been doing this since our establishment in 1947 under the County

Employees Retirement Law of 1937 (CERL). As a retirement system and county that adopted Article 5.5 of the CERL, we also currently offer a variety of non-vested benefits, including 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 2013.

## Strengthening ACERA

**New Website** | ACERA enhanced member education tools through a complete redesign of the look and feel, navigation, content management, and technology of the organization's website. Visit [www.acera.org](http://www.acera.org), and let us know what you think.

**Pension Reform Changes** | Through 2013 and into 2014, ACERA participated in court proceedings to resolve a lawsuit filed by employee groups that has stayed our implementation of AB 197, a companion bill to the California Public Employees' Pension Reform Act (PEPRA). A final judgment was reached in 2014, and ACERA began preparations to implement the law in July 2014.

**Administrative Enhancements** | Administrative efficiency efforts have continued and accomplishments include: assessing management staff capability to engage in strategic planning; expanding the electronic document management system with an accounts payable workflow; transferring critical operations to upgraded database platforms and assessment of others for potential technology upgrades; and performing preliminary assessments for employer audits.

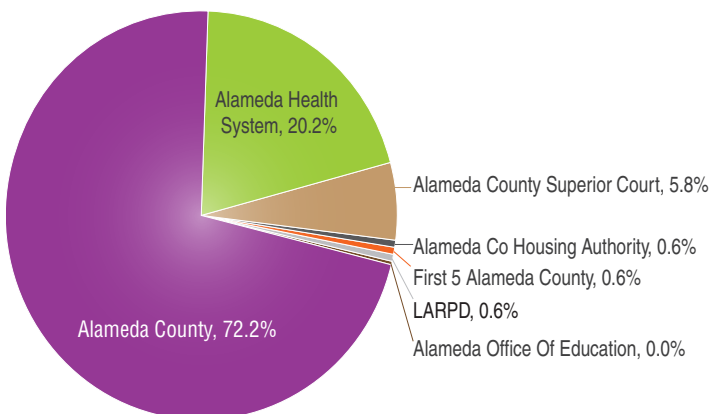
**Financial Achievements** | ACERA's Fund returned 20.2% (gross). ACERA made \$75 million and \$90 million in new commitments to the Private Equity/Alternatives asset class and the Real Estate asset class respectively, increasing the total Private Equity/Alternatives commitment to 10.1% of the portfolio. ACERA amended its General Investment Guidelines, Policies, and Procedures; the Emerging Investment Manager Policy; and the benchmark for the active investment managed accounts. ACERA conducted a study on Capital Market Conditions and Portfolio Allocation, as well as an education study on Risk Management.

**Benefits** | ACERA successfully increased reserve fund sustainability by transitioning members to a Medicare Exchange, saving \$2.5 million. ACERA processed an additional 250 retirements in the spring due to late 2012 PEPRA retirements and developed/updated a host of processes initiated by changes from PEPRA.

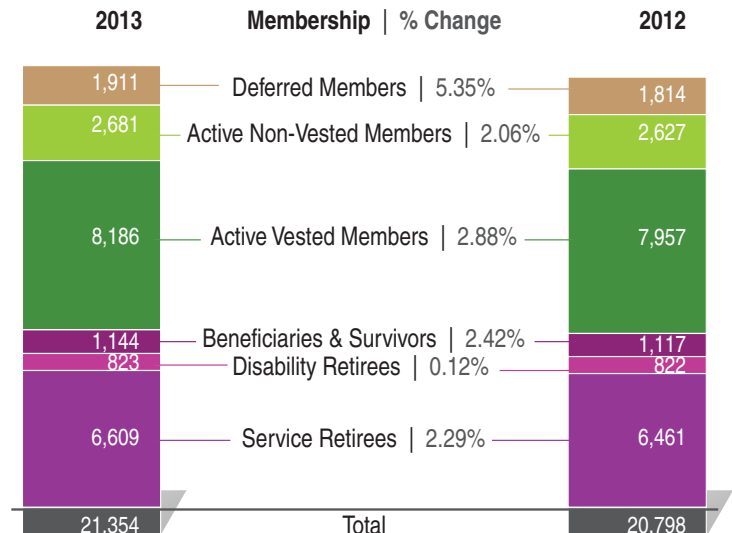
## ACERA's Membership

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

### Active Membership



### Total Membership



Answered

22,600

Telephone calls

90%

of calls in 30 seconds or less

Counseled

450

Ready-to- retire members

Fulfilled

1,720

Formal written requests

Processed

544

Members into retirement

Administered

6,160

Members in ACERA medical plans

Scanned and Indexed

43,200

Member documents

New Website Stats

20,350

Users visited the new website so far

A 300%

increase over old site

Members Generated

22,750

Retirement estimates through Web Member Services (up from 9,350)

a 243%

increase

## Board of Retirement

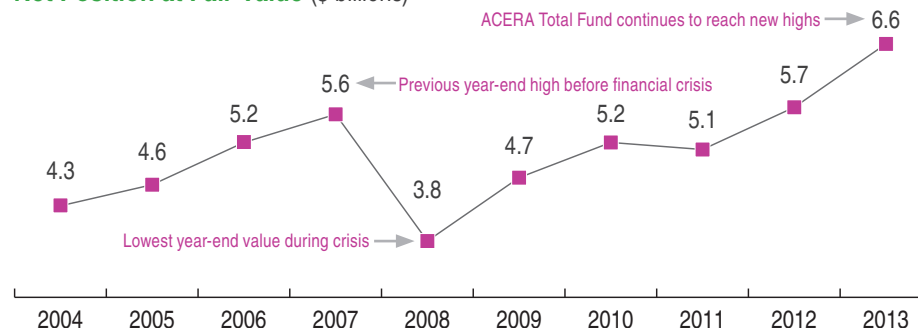
The Board of Retirement oversees the Chief Executive Officer in the performance of his or her duties in accordance with the law, ACERA's regulations, and Board policies. ACERA's Board Members as of January 1, 2014 are:

<b>Dale E. Amaral</b>		Elected by Safety Members
<b>Ophelia B. Basgal</b>		Appointed by the Board of Supervisors
<b>Annette Cain-Darnes</b>	Chair	Appointed by the Board of Supervisors
<b>Keith Carson</b>		Appointed by and Member of Board of Supervisors
<b>George Dewey</b>	2nd Vice Chair	Appointed by the Board of Supervisors
<b>Liz Koppenhaver</b>		Elected by Retired Members
<b>Elizabeth Rogers</b>	1st Vice Chair	Elected by General Members
<b>David M. Safer</b>	Alternate Retired	Elected by Retired Members
<b>Darryl L. Walker, Sr.</b>	Alternate Safety	Elected by Safety Members
<b>Donald R. White</b>		Ex-Officio Member, Treasurer-Tax Collector
<b>George Wood</b>		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. "Net Position" in the charts below is a term for the value of ACERA's Fund after investment earnings, other additions, and deductions have been accounted for.

### Net Position at Fair Value (\$ billions)



### ACERA's Net Position (Condensed)

For the Years Ended December 31, 2013 & 2012

	2013	2012	Increase (Decrease) Amount	Percent Change
<i>(Dollars in millions)</i>				
Net Investment Income	\$ 1,109.7	\$ 711.9	\$ 397.8	56%
Contributions & Misc. Income	267.6	259.1	8.5	3%
Reserve Transfers	40.7	38.8	1.9	5%
<b>Total Additions</b>	<b>1,418.0</b>	<b>1,009.8</b>	<b>408.2</b>	<b>40%</b>
Retirement Benefit Payments & Refunds	359.9	330.4	29.5	9%
Postemployment Medical Benefits	30.6	32.7	-2.1	-6%
Administration	14.7	14.1	0.6	4%
Reserve Transfers	40.7	38.8	1.9	5%
<b>Total Deductions</b>	<b>445.9</b>	<b>416.0</b>	<b>29.9</b>	<b>7%</b>
<b>Net Position at End of Year</b>	<b>\$ 6,640.3</b>	<b>\$ 5,668.2</b>	<b>\$ 972.1</b>	<b>17%</b>

## 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 2013, ACERA offered qualified retirees the following non-vested benefits:

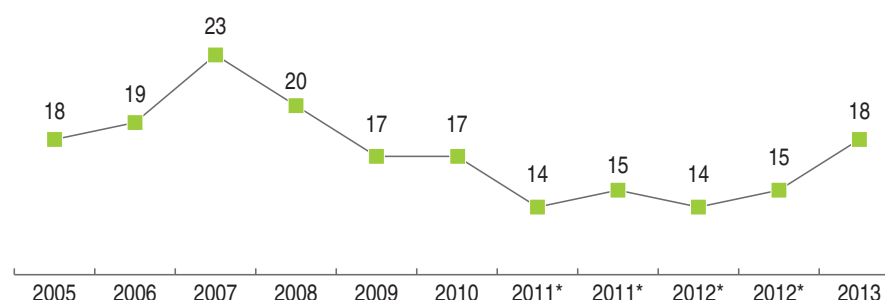
Financial Benefits	Supplemental COLA
	Monthly Medical Allowance (MMA)
	Dental Coverage Subsidy
Healthcare Benefits	Vision Coverage Subsidy
	Medicare Part B Reimbursement Plan
	Implicit Subsidy (Paid to County)

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, 2013, the SRBR balance was \$643.1 million, which is projected to fund benefits until 2032, which is 18+ 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 fund exhausted (assuming no further interest gain sharing). Projections use data as of December 31 of each year depicted.



\* ACERA's actuary made two projections using data from these years.

## 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 2013; check www.acera.org for more current numbers. Participating employers contributed 100% of the annual required contributions to the pension plan.

	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)	(How much we have, divided by how much we owe)
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%
2008		\$4,644.0	\$5,537.9	\$893.9	83.9%

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 ending December 31, 2013, ACERA's total Fund realized a 20.2% (gross) rate of return and ACERA's net position grew by \$1.0 billion, ranking the fund in the upper 8th percentile among public funds in a universe of 750+ peer funds.

### ACERA Rates of Return & Rankings

	ACERA Fund Rate of Return	Ranking among all U.S. public funds larger than \$100 million
2013	20.2%	8th percentile
Annualized 5 years	14.8%	4th percentile
Annualized 10 years	7.8%	7th percentile
Annualized 15 years	7.1%	8th percentile

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

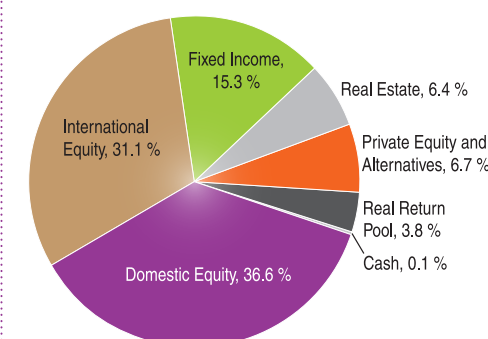
The table below shows a breakdown of ACERA's investments by the various classes of assets we invest in, and the performance of each class during 2013.

### Performance Highlights of ACERA's 2013 Investment Fund (Gross Results)

	Description	2013 Return	\$ Value in Billions
Total Fund Return		20.2%	
Policy Index Return		20.6%	
Median Return	Peer Group Return	15.5%	
Domestic Equity	Stocks	37.3%	\$ 2.42
International Equity	Stocks	20.1%	2.06
Fixed Income	Bonds/Debt	0.0%	1.02
Real Estate	Real, Tangible Properties	14.2%	0.43
Private Equity & Alternatives	Non-Public Companies	13.4%	0.44
Real Return Pool	Real Assets/Inflation Hedge	-8.9%	0.26
Year-End Fund Value			\$ 6.64

ACERA's actual asset allocation shows ratios of the classes of assets we've invested in. 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

