



SPRING 2009

WHAT'S UP?

NEWS FOR ACERA MEMBERS

How Much do You Need to Retire?

Calculate How Much Income You'll Need

Most financial planners estimate that you will need at least 80% of your pre-retirement income each year during your retirement to maintain your current lifestyle. Your ACERA retirement allowance will contribute a portion of that amount—an estimate is part of your Member Statement (see the box below). Social Security will also contribute a portion of your retirement income, if you are eligible. But the important question in your retirement planning is: Will this be enough to meet my individual needs in the future?

There are shortcut methods of answering this question, like multiplying your expenses at age sixty by 25 or 30. The following more meticulous method will get you a ballpark figure by estimating how many years you'll be retired, how much you'll need for those years, and how much you have to start saving now in order to reach your goal.

Length of Retirement—First, estimate how many years you'll be retired by searching online for a "life expectancy calculator." These websites will ask health and lifestyle questions and give you a life expectancy estimate based on your answers. Subtract the age at which you're thinking of retiring—if your life expectancy is 90 years and you want to retire at 60, you'll be retired an estimated 30 years.

How Much You'll Need—Next, add up the yearly expenses you think you will have after retiring such as recurring bills, medical care, and house payments, and any additional expenses you might incur such as hobbies and vacations. Multiply these by the

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MEMBERS STATEMENTS ARE HERE

If you are an Active or Deferred ACERA Member, you should have received your annual Active/Deferred Member Statement (ADMS) in the mail. Your ADMS contains your current retirement contribution balance, your service credit totals, a snapshot of your estimated pension benefits at retirement and other information important in attaining a deeper understanding of the current and future value of your pension. Be sure to save it in a safe place for future reference—it's a powerful tool to help you plan for retirement.

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number of years you estimate you'll be retired and you'll have a total estimate for how much you'll need. (Goods and services get more expensive each year, so remember to add in yearly inflation, which is typically around 4%.)

How Much To Save—Finally, total up your estimated monthly ACERA retirement allowance with your estimated monthly Social Security allowance you will collect for the total of your retirement years (factoring in Cost of Living Adjustments), and subtract this from the total of how much you'll need. This number (what you will need minus what you'll be paid) approximates the total amount you'll need to save. Divide this amount by the number of years you have until retirement, and you'll know approximately how much you'll need to save each year to reach your goal. Don't forget to factor in potential investment earnings (but don't overestimate).

Online Calculators—There are many free websites with easy-to-use, yet sophisticated calculators that can similarly help you estimate these numbers more quickly and precisely—search online for "retirement calculators." And it's always a good idea to consult a certified financial planner who can help put you on the right track.

For an estimate of your ACERA retirement allowance, consult the Active/Deferred Member Statement you just received in the mail, or fill out a Retirement Estimate Request Form at www.acera.org/downloads. You can also visit Social Security's website, www.ssa.gov, which can provide you with your Social Security benefit estimate.

After you calculate how much you'll need, you'll know how much to save to reach your goal—and now is the best time to start.

YOUR ACERA BENEFITS ARE VALUABLE

As an Active or Deferred ACERA Member, your future retirement benefits have a high value. For each contribution you make to ACERA, your Employer makes an even greater contribution. Once you become eligible for retirement, the combination of these two sources of contributions along with investment earnings allows ACERA to pay you a monthly retirement allowance for the rest of your life.

A Great Deal

After retirement, the average ACERA member is paid out as much as they contributed within three to five years. Thus, if you collect a retirement allowance for 30 years, you will collect roughly 600-1000% more than you contributed. That's a great deal. And as an ACERA retiree, you may be eligible for valuable non-vested benefits such as a medical allowance, dental and vision care, and death benefits.

Deferring your Membership

If you ever terminate your employment with an ACERA Participating Employer, in almost all situations you will retain more value by deferring your membership than by terminating your membership and withdrawing your contributions. If you defer your membership, you elect to leave your accumulated employee contributions and interest on deposit with ACERA. Your contributions continue to earn interest if the Fund earns investment income. If you have at least 5 years of service credit, you are vested and will be eligible for retirement benefits when you meet the requirements. But no matter how much service credit you earned, if you return to employment in an ACERA covered position, you pick up right where you left off.

Withdrawing Retirement Contributions

In contrast, if you terminate your membership with ACERA and withdraw your employee contributions, you lose all rights to future retirement benefits. ACERA is required to deduct a mandatory 20% federal tax. You don't get to withdraw the contributions your employer made on your behalf. Also, keep in mind that that your ACERA membership must be terminated for 30 days before you can withdraw contributions, and if you are rehired within 30 days, you can't withdraw your contributions.

If you become an ACERA member again after a 30 day period, you may redeposit the withdrawn funds plus all interest that would have accrued up to the redeposit payment date. You would be required to pay this interest in all redeposit circumstances. Additionally, you would have a later date of service entry which would increase your contributions.

Remember, by statute, you do not have the ability to withdraw your employee contributions while still an ACERA member, or before 30 days after you have terminated membership. You cannot withdraw funds due to financial hardship.

As you can see, there are many factors to consider before making a decision to terminate ACERA membership. For more information on termination and the value of your ACERA benefits, please call ACERA at 510-628-3000 or toll free at 1-800-838-1932 or email us at info@acera.org.

Dear Members,

Most public pension plans in California have seen the market value of their investment portfolios decline by over one-third in the last year. The actuarial model used to fund these plans over long time frames assumes that the asset base will grow and that the fund will earn investment income on that larger base.

In ACERA's case, the assumed rate of return is 8%, the most common public fund assumption number. The recent market losses not only resulted in a severe constriction in the asset base, but eliminated both the fund growth and significantly reduced the expected income stream in future years. As a result, most public plans, including ACERA, are being told by their actuaries that employer contributions must be roughly doubled over the next five years to replace the lost income.

The ACERA Board of Retirement and its Actuarial Committee will be dealing with this issue in April and May. Once the impact of the economic downturn on the Fund and the options on how to most prudently move forward have been weighed by the committee and the Board of Retirement, a funding strategy will be adopted.

There will likely be a significant negative political and public response to this issue over the next year or two. I believe that public employees, like the auto, steel, and airline workers, may be faced with demands to increase pension contributions or reduce benefits, or both, to preserve a viable defined benefit retirement structure. This statement is my personal view and does not reflect the position of the Board of Retirement. Either of these actions would require legislative changes and union negotiations.

Most other public funds will have to deal with this issue later this year or in early 2010. ACERA will continue to keep you abreast of the situation.

Charles F. Conrad

Charles F. Conrad
Chief Executive Officer



ACERA AWARDED FOR FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to ACERA for our 2007 Comprehensive Annual Financial Report. This was the twelfth consecutive year ACERA has achieved this prestigious award.

ACERA also received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for our 2007 Popular Annual Financial Report, which is a condensed version of the comprehensive report that is mailed out to all ACERA members.

These awards recognize ACERA staff's continuing efforts to meet the highest standards of state and government financial reporting. Both reports can be viewed online in the Investments section of www.acera.org.

investment performance

In the fourth quarter of 2008, the Board established ACERA's Private Equity and Alternatives Return Leading Strategies (PEARLS) Policy to govern a target allocation of 10% of ACERA's Fund to the Private Equity and Alternatives asset class. Through the PEARLS Policy, the Board delegates Staff the authority to make final decisions with individual commitments up to 5% of the target allocation to the total PEARLS Portfolio or \$25 million (whichever is less). In the same quarter, the Board also decided to fully liquidate ACERA's real estate investments in JP Morgan Alternative Property Fund primarily due to its underperformance.

For the quarter, every major domestic equity index and bond index posted a negative return. The DJIA, S&P500, and NASDAQ returned -18.39%, -21.95%, and -24.61%, respectively. The Barclays Aggregate Bond Index returned 4.57%.

ACERA's total Fund returned -15.6% in the fourth quarter of 2008 and was ranked in the 83rd percentile among public funds greater than \$100 million. The Fund trailed its policy index by 1.20%. Longer term, the Fund's three-year gross return of -4.6% and the five-year gross return of 1.2% trailed its Policy Index by 1.9% and 1.0% ranking in the 85th and 71st percentiles, respectively. The market value of the total Fund as of 12/31/08 was \$3,794,336,861.

For more information, including ACERA's current investment performance, visit www.acera.org.

Investment Returns for 4th Quarter, 2008*

	4th Quarter	1 Year	3 Year	5 Year
TOTAL FUND	-15.6%	-30.3%	-4.6%	1.2%
Policy Index**	-14.4%	-26.9%	-2.7%	2.2%

* Returns for periods greater than one year are annualized. Results of all publicly traded investments are presented in accordance with CFA Institute standards.

** The Policy Index is 41% Russell 3000/ 21% Lehman Aggregate/ 4% Citigroup WGBI - ex US/ 3% Lehman High Yield/ 22% MSCI AC World - ex US/ 9% NCREIF Property Index.

Study Shows Dangerous Mixing of Medications Common

A study published last year by researchers at the University of Chicago Medical Center found that nearly 1 in 25 Americans over age 57 are potentially at risk for a harmful interaction of medications. The study interviewed over 3000 individuals ages 57–85 and found that prescription medications, over-the-counter medications, and dietary supplements were commonly used together.

Dangerous combinations of over-the-counter medications and dietary supplements were found, with the most common combination being aspirin and ginkgo biloba, which may increase the risk of internal bleeding when taken concurrently.

Overall, 4% of individuals were potentially at risk of having a major drug-drug interaction—roughly 1 in 25. This was higher for men ages 75 to 85—roughly 1 in 10.

Half of the interaction risk involved the use of over-the-counter medications like aspirin. Patients may not be aware of the potentially harmful interaction with prescription medications, so they may not notify their doctors and pharmacists of the over-the-counter medications they regularly take. Nearly half of these cases involved prescription medications like warfarin that prevent blood clots, usually

prescribed to patients recovering from heart attacks and strokes.

A 2007 report by the U.S. Centers for Disease Control and Prevention found that adults over age 65 visit the emergency room more than 175,000 times each year due to adverse drug reactions.

Before your doctor prescribes medication, it's important to inform her/him of all medications and dietary supplements you are taking on a regular schedule, like every day or every week. Additionally, your pharmacist is a great resource for information about medication and dietary supplement interactions; consult him/her before getting your prescription filled and before purchasing over-the-counter medications.

live well

Extend your life and lifetime benefit—tips for living well before and after retirement

HEALTHY MOUTH, HEALTHY YOU

There is mounting evidence of a connection between a person's oral and overall health. Recent studies have linked heart attacks and strokes to gum disease. Although no causal relationships have been discovered, a dental cleaning every six months to keep your teeth and gums healthy could possibly reduce your risk of heart disease and stroke. In addition, if you have regular oral examinations, your dentist may be the first health care provider to diagnose a health problem in its early stages, such as diabetes or oral cancer.

Make the most of your dental benefits

Most dental plans have low or no copayments/coinsurance for routine preventive care such as dental cleanings and checkups every six months. If you take advantage of your benefits, you'll save money in the long run by avoiding more costly dental procedures that can result from poor oral hygiene.

RETIREE PAGE

Direct Deposit Makes Retirement Easy

Direct deposit is a free service that allows you to automatically deposit your monthly ACERA retirement check into any checking or savings account you choose, without you having to lift a finger. Here are some of its advantages.

Safe and Reliable—Payments are fully traceable. There is no chance of your check getting stolen or lost in the mail.

Saves You Time—If it takes you an hour to travel to the bank, stand in line, and travel home, you spend half a day a year cashing checks. With direct deposit, you get this half day back to do whatever you want. And depending on your bank, direct deposits are usually authorized a day in advance of payday or at midnight on payday, so you often get your money earlier than everyone who's waiting at

home for the postal carrier. Additionally, you don't have to wait for the check to clear.

Saves You Money—You don't have to spend money on gas or public transportation, and you won't be tempted to make a withdrawal simply because you're already at the bank to make a deposit. And once you've automated your deposits, you can save even more money by paying your bills online. If you pay a dozen bills each month, and stick a \$0.44 stamp on each envelope, that adds up to \$5.28 per month,

\$63.36 per year, and more than \$600 over the next 10 years. And that doesn't even include the cost of checks.

Easy—You don't have to make special arrangements to have your check deposited if you're on vacation or just too busy.

Gets You Perks—Your bank will frequently offer you other benefits if you sign up for direct deposit, such as free checking or a lower minimum account balance. Call your bank and ask them.

And what are the disadvantages? ACERA can't think of any.

To sign up for direct deposit visit www.acera.org, click on downloads, and scroll down to the Direct Deposit Form. Print it out and follow the instructions. Or call ACERA at 510-628-3000 or toll free at 1-800-838-1932 or email us at info@acera.org, and we'll send you a form.



S	M	T	W	T	F	S
26	27	28	29	30	MAY 1	2
3	4	5	6	7	8	9
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31	JUNE 1	2	3	4	5	6
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2	3	4	5	6	7	8

ACERA Calendar

■ 2009 PRE-RETIREMENT PLANNING SEMINARS

June 4, August 6; 9:30-12:00

■ 2009 MID-CAREER PLANNING SEMINARS

May 7; 9:30-12:00

○ POST SESSIONS

May 7, 12:15-1:15: Wills, Trusts, and Powers of Attorney;

June 4, 12:15-1:15: Wills, Trusts, and Powers of Attorney

■ RETIREE EDUCATIONAL SEMINARS (NEW)

May 15, 11:30-2:30: Vision and Dental Plan Carriers

July 14, 9:00-12:00 and 2:00-4:00: Preventing Identity Theft

July 28, 9:30-12:00 Medicare Transition

All seminars are held in the ACERA Training room, 475 14th Street, 11th Floor, Oakland. To register, contact ACERA at 510-628-3000 or 800-838-1932 and specify the seminar you wish to attend. Space is limited.

■ 2009 CHECK MAILING DATES

May 28, June 29, July 30

■ 2009 RETIREMENT BOARD MEETINGS

May 21, June 18, July 16

Third Thursday of each month C.G. "Bud" Quist Board Room 10th Floor, 2:00 p.m.

Take a self-guided online Pre-retirement Planning seminar at <http://www.acera.org/membership/seminars/active/seminar.pdf>

WEBSITE: WWW.ACERA.ORG

TELEPHONE: 510-628-3000

TOLL-FREE: 1-800-838-1932

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BOARD OF RETIREMENT

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ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION



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