



SUMMER 2009

WHAT'S UP?

NEWS FOR ACERA MEMBERS

The Best Bang for Your Retirement Buck

Public pension plans have been the subject of media stories in recent months, many questioning whether the plans are a suitable method for providing income after retirement. But what has been under-reported is that public pensions add value to the economy by multiplying taxpayer dollars and stabilizing volatile economies, while delivering a sensible retirement at half the cost of individual investment accounts.

Lifetime Benefits

"Defined benefit pension plans," which make up the majority of public pensions (including ACERA), collect contributions from workers and/or employers, investing the pooled funds in financial markets so that earnings can pay for lifetime benefit payments to retired workers. "Defined contribution plans," such as 401(k), 403(b), and 457 plans, differ in that individuals contribute to accounts that are invested in financial securities of the individual's choosing, exposing the individual to the ups and down of the market. Another important difference is that defined

contribution accounts typically cannot provide lifetime income—when individuals retire and deduct funds from the account, those funds are finite and can run out. And unlike many defined benefit plans, defined contribution accounts don't have cost of living adjustments built in to keep up with inflation.

This is why state and local government pension plans are highly valued by the teachers, public safety personnel, and other public servants who count on these plans for a secure source of income in retirement. Traditional, defined benefit pension plans are an important reason why many

employees choose a career in public service over higher paying private sector careers. But the benefits provided by state and local government pension plans have an effect that reaches well beyond the retirees who receive pension checks.

Stimulus

A February 2009 report by the non-profit National Institute on Retirement Security (NIRS), finds that expenditures made by retirees of state and local government provide a steady economic stimulus to California communities and the state economy. According to their study, **(continues)**

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

LOSE WEIGHT, SAVE YOUR WALLET

Many Americans are carrying around some excess pounds. According to the U.S. National Institutes of Health, 66% of U.S. adults are overweight or obese (61.6% of women and 70.5% of men). The prevalence of overweight adults has steadily increased over the years among all genders, ages, races, and educational levels. Staying out of this majority may save you money.

Expense According to the Centers for Disease Control and Prevention, the more overweight you are, the more you increase your risk for the following expensive medical conditions: Hypertension, coronary heart disease, type 2 diabetes, stroke, osteoarthritis, liver disease, gallbladder disease, sleep apnea, and some cancers. Losing weight decreases your chances of having to empty your wallet an average of \$10,000, according to a 2004 USDA report.

Decreased Earnings While health problems deplete savings, an overweight person may have difficulty accumulating savings in the first place. A recently completed 15-year Ohio State University study showed that for every one-point increase in Body Mass Index (a ratio of weight to height), baby boomers' net worth fell \$1000 on average. The typical female baby boomer earns \$313.70 less per year for each one-point BMI increase, whereas male baby boomers lose \$161.30 in earnings for each one-point increase, due to a variety of factors.

Motivation On the flip side, it may seem like you need to spend a lot of money to lose weight on things like supplements, diet foods, and books. However, a study published in February 2009 in *The New England Journal of Medicine* compared four well-known diets (low-carb, low-fat, etc.) and found they all produced similar results, showing that it doesn't matter which diet you pick. What matters more is your level of motivation—finding a program you can stick with is the biggest controller of success.

Focus on staying motivated. If you are motivated enough on your own to consume less calories, increase exercise, and learn healthier eating habits, then it won't cost you much. If you find you need more to stay motivated, start with an inexpensive guide book. If you find you need to join a weight loss program to stay motivated, the investment you make now will save you loads of money in medical bills and quality of life in the long run.

Your primary care physician can give you basic guidelines for a healthy diet, or can refer you to a nutritionist for specialized help.



the best bang for your retirement buck

(continued from cover page)

each dollar paid out to retirees in benefits supports \$1.47 in economic activity in California.

"The multiplier effect occurs because one retiree's spending in California becomes another person's income," said Ilana Boivie, NIRS policy analyst and report co-author. "For example, a retired California teacher may spend his or her pension check to pay the gas bill, buy a car, or make purchases at the local pharmacy, grocery store, or movie theatre. As a result of the retiree's spending, businesses see an increase in their income, which then enables businesses to spend and create jobs. Each successive round of spending ripples through the California economy to generate an economic impact that is much larger than the initial spending by the retiree."

State and local pensions paid \$23.52 billion in benefits to California residents in 2006. Retirees' expenditures from these benefits supported \$34.5 billion in total economic output in the state.

Stability

"Economists have long known that the steady monthly income provided by pensions can act as an 'automatic stabilizer,'" said Beth Almeida, NIRS executive director and report co-author. "That is, retirees with a stable monthly pension income can continue to spend on basic needs, even during an economic downturn. In contrast, retirees relying solely on plummeting 401(k)s or individual retirement accounts likely are forced to retreat from spending precisely at the time when the California economy most needs stimulus," Almeida explained.

Incredible Savings

Defined benefit pensions are not a gift to workers. Pensions are deferred wages, invested on a group basis by

message from the CEO

Dear Members,
 From 2003-2007 many investors were tempted to overreach for investment returns, taking on additional uncompensated risk. When asset prices were collapsing in 2008, these investors ran for the door to avoid losing any more, and kept running. And they quit the market just when assets were likely to be available at prices way below their fair market value.

Institutions like ACERA enjoy a significant advantage here. The ACERA Board has always recognized that while you may sometimes garner higher returns from riskier investments, you have to give up something. That something is safety. ACERA's goal is to achieve the return we expect and to decline to take uncompensated risk. We would rather have a higher confidence of achieving our return expectations over time than try for more return at the risk of losing money. Less gain, perhaps, but less pain.

There are signs the economy is improving. Consumer confidence is up along with durable goods orders. Banks are recapitalizing on the backs of their customers and Wall Street is somewhat more confident. But, business is still bad. Unemployment is rising. Credit is scarce, restructuring and bankruptcies are common, and no one knows how the federal deficit spending will come out or how states like California will deal with their fiscal crises. Yet some people seem confident that a business-as-usual recovery will occur, within traditional decline/recovery times. I, however, think this will be a long, slow recovery.

Charles F. Conrad

Charles F. Conrad
 Chief Executive Officer



investment professionals. Workers agree to put off getting a portion of their paychecks in order to receive a steady income in their retirement years.

Down economic years like 2008 may cause public employers to have to increase their portion of contributions to pension funds, much coming from tax dollars. But taxpayers get a good deal for their money. NIRS found that each taxpayer dollar invested in California's public pensions supported \$7.91 in total economic activity. This hefty multiplication is due largely to economic efficiencies embedded in pensions

systems which enable them to deliver the same retirement benefit at half the cost of individual accounts. Pensions realize cost savings from longevity risk pooling, they maintain optimal portfolio diversification, and earn higher investment returns as compared to individual accounts. This makes defined benefit plans the most fiscally efficient means of providing a modest but stable retirement income that cannot be outlived. Defined contribution plans are important to the retirement security equation, but they were not designed to stand on their own.

investment performance

In the first quarter of 2009, the Retirement Board adopted Columbus Circle Investors, Waddell & Reed Asset Management and Wells Capital Management as the short-listed candidates for ACERA's search for a large cap growth equity manager. TCW, the incumbent manager, will be included as the fourth candidate in this search. In the same quarter, the Board approved the 2009 Investment Plan for ACERA's PEARLS Portfolio. The Board also decided to invest \$30 million in Gresham's Tangible Asset Program Fund, which is the first commodity fund allocation for ACERA's PEARLS Portfolio.

For the quarter, every major domestic equity index posted a negative return. The DJIA, S&P500, and NASDAQ returned -12.43%, -11.01%, and -3.08%, respectively. The Barclays Aggregate Bond Index returned 0.10%.

ACERA's total Fund returned -8.0% in the first quarter of 2009 and was ranked in the 90th percentile among public funds greater than \$100 million. The Fund trailed its policy index by 0.2%. Longer term, the three-year gross return of -8.5% and the five-year gross return of -0.9% trailed its Policy Index by 1.8% and 0.9% ranking in the 85th and 76th percentiles, respectively. The market value of the total Fund as of 3/31/09 was \$3,462,867,035.

Investment Returns for 1st Quarter, 2009*

	1st Quarter	1 Year	3 Year	5 Year
TOTAL FUND	-8.0%	-31.4%	-8.5%	0.9%
Policy Index**	-7.8%	-29.1%	-6.7%	0.0%

* 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.

RETIREE PAGE

Is My Health Fair?



How much does my health plan cost? Which medications are covered? Are name brands covered, or do I have to use generics? What happens if I move out of the area? Am I covered if I go on vacation out of state? Do I need a referral for a specialist? Is medical equipment covered? Are hearing aids covered and for how much? Can I add dependents that are living with me? Can I name a trust as my beneficiary? If I pass away, what will my spouse get? Is my spouse eligible for COLA?

You can find answers to these and all the rest of your questions at ACERA's Annual Health Fair at the Oakland Airport Hil-



ton on Friday, October 30, 2009 from 10:00 a.m.

to 2:00 p.m. We encourage you and your spouse, domestic partner, or caregiver to attend this informative, social event. Representatives from ACERA's



medical, dental, and vision plans will be in attendance to answer your or your companions' questions. These representatives can provide

very useful information on enrolling for the first time in a plan or changing to a different plan. ACERA Retirement Specialists will also be on hand to answer any questions or concerns you may have regarding your membership with ACERA.

The ACERA Health Fair will also include vendors such as the retiree associations, ACRE and REAC; Newport Audiology; 1st United Service Credit Union; Social Security Administration; Alameda County's deferred compensation vendor; and many more. There will be mini-presentations on topics including Wills & Trusts (by ACERA's talented attorney Marguerite Malloy) and Deferred Compensation (by financial services professional Mark Tomei). Parking will be validated, so bring your ticket to the validation table inside the Health Fair.



Be on the lookout for more information about this fun, educational event. We look forward to seeing you and your spouse, domestic partner, or caregiver there!

Open Enrollment for 2010 Plan Year

ACERA's Open Enrollment for the 2010 Plan Year runs from November 1 to November 30, 2009. Prior to Open Enrollment, ACERA will announce any changes to benefits and plans, such as provider changes or coverage changes. Open Enrollment is your annual opportunity to evaluate your current healthcare coverage (medical, dental, and vision) and determine if you want to remain in your current plan or switch to another plan. Additionally, it is the one time of year when you can add eligible dependents to your plans. Any applicable changes will be effective February 1, 2010.

By October 31, you should receive this year's Open Enrollment packet, which includes your Retiree Annual Statement (RAS). Your personalized RAS contains your

New Benefits Consultant to Evaluate "Out of Area" Plan

Every three to five years ACERA conducts a Request for Proposal (RFP)* for existing contracts (e.g. vision plan, dental plan, benefits consultant) to determine if we are receiving the best value, expertise, and service from our vendors. As a result of the recent Benefits Consultant RFP, ACERA has selected a new benefits consultant, Woodruff-Sawyer & Co. who is based in the San Francisco Bay Area.

One of the recent directives from ACERA's Board of Retirement is to have Woodruff-Sawyer & Co. evaluate the medical plan market to determine if there is a viable "out of area" plan for our retirees. ACERA's Board and staff and were very concerned last year when 200 retirees covered under Alameda County's contracted PacifiCare PPO Plan experienced a 73% premium increase. With close to 600 retirees living outside of the existing service area (either outside of California or in a rural area of California) and with the County holding the current medical plan contracts with Anthem Blue Cross, Kaiser Permanente, and PacifiCare/United Healthcare, ACERA is reviewing its options.

* An RFP is a document used in sealed-bid procurement procedures through which potential vendors are notified of ACERA's service requirements and may submit proposals for award of contract.

current elections for Healthcare plans, beneficiary designations and federal/state tax withholdings. It also provides a comparison of your current healthcare premiums to the 2010 premiums and any out of pocket costs you may incur effective February 1, 2010 as a result of changes in premiums or plan changes.

Upon receipt of the Open Enrollment packet, please take a few minutes to review the contents, making sure all of your information on the RAS is current. Please also check for any changes to your healthcare plan, and review your new monthly cost for coverage.

NO OPEN ENROLLMENT FOR CALPERS LTC

For those members or family members who are enrolled in the CalPERS Long Term Care (LTC) program, the program has informed ACERA that they will NOT be conducting an Open Enrollment period this year. If members have questions, please contact LTC directly at their customer service number 1-800-982-1775.

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NOVEMBER						
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ACERA Calendar

■ 2009 PRE-RETIREMENT PLANNING SEMINARS

August 6, October 1, November 5 & 12; 9:30-12:00

■ 2009 MID-CAREER PLANNING SEMINARS

September 3, October 8; 9:30-12:00

○ POST SESSIONS

September 3, 12:15-1:15, Impact of Divorce on ACERA Benefits
 October 1, 12:15-1:15; Wills, Trusts, and Powers of Attorney

■ RETIREE EDUCATIONAL SEMINARS

September 29, 9:30-12:00, Medicare Transition
 October 30, 10:00-2:00, Health Fair at Oakland Airport Hilton

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

August 20, September 29, October 29

■ 2009 RETIREMENT BOARD MEETINGS

August 20, September 17, October 15
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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