The Popular Annual Financial Report (PAFR) is a summary of the Comprehensive Annual Financial Report (CAFR) for the year ended **DECEMBER 31, 2017**

Message from the Chief Executive Officer, David Nelsen

Dear ACERA Members,

THIS REPORT GIVES you a brief picture of the performance of your pension fund this past year and over time. We've accomplished a lot administratively and our investments have performed remarkably. ACERA's fund continued to grow in 2017. ACERA's net position increased by $2.15 billion to $8.11 billion as of December 31, 2017. This growth represents an extraordinary 19.5% (gross) rate of return. Even with this solid performance, it's good to remember that our returns may fluctuate from year to year, but it's our long term average earnings that drive the funding of your pension benefits. We take a prudent and long-term approach toward investments and don't make rash decisions. We establish a long-term investment strategy and track its success so we can make changes as needed. We'd love for you to learn more about our approach on our investments web page, **www.acera.org/investments.**

Administratively, we worked on consistently providing superior member services, while taking steps to be increasingly cost effective. It has been a productive year, and we are excited to continue serving you in 2018 and beyond.

Sincerely,

David Nelsen,
Chief Executive Officer

Counseled **461** Ready-to-retire members

Processed **439** members into retirement

Board of Retirement

Terrell V. Gamble
CHAIR
Appointed by the Board of Supervisors

George Wood
1ST VICE CHAIR
Elected by General Members

Henry C. Levy
2ND VICE CHAIR
Ex-Officio Member, Treasurer-Tax Collector

Dale E. Amaral
Elected by Safety Members

Ophelia B. Basgal
Appointed by Board of Supervisors

Annette Cain-Darnes*
Appointed by Board of Supervisors

Keith Carson
Appointed by A Member of Board of Supervisors

Liz Koppenhaver
Elected by Retired Members

Nancy Reilly
ALTERNATE RETIRED
Elected by Retired Members

Elizabeth Rogers
Elected by General Members

Darryl L. Walker, Sr.
ALTERNATE SAFETY
Elected by Safety Members

*Annette Cain-Darnes resigned from the Board on June 5, 2018. The Board of Supervisors have appointed Jaime Godfrey to serve the remaining term until November 20, 2018.

The financial data in the PAFR derive from the more detailed CAFR. Both are consistent with generally accepted accounting principles and guidelines established by the Governmental Accounting Standards Board. You can find both the CAFR and the PAFR online at **www.acera.org/cafr.**

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

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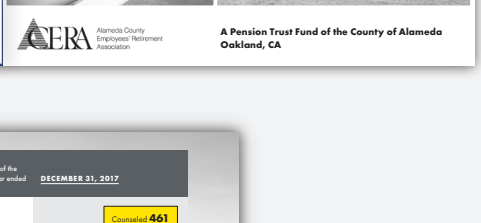
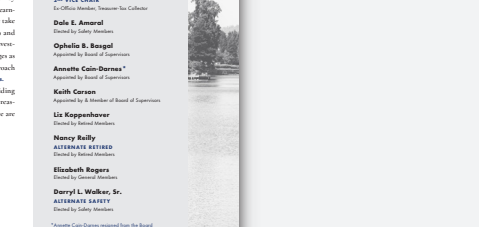
Popular Annual Financial Report

For the Year Ended December 31 **2017**



Building *Up* Your Future



ACERA Alameda County Employees' Retirement Association

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

Serving You

OUR MISSION AT ACERA is to provide members and employers with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services. We've been doing this since our establishment in 1937 under the County Employees Retirement Law of 1937 (CERL). ACERA is one of the few county retirement organizations that has adopted Article 5.5 of the CERL. This means that our members also receive non-guaranteed benefits such as healthcare.

Our dedicated and diverse team at ACERA uses its expertise to provide these benefits to you, our members. On the following pages you can see some of the ways we've improved our service in 2017.

Answered **21,074** telephone calls	**Fulfilled** **579** formal written requests	**84%** of callers spent less than 30 seconds on hold
Scanned & indexed **44,367** member documents	**Subscribed** **1,404** people to email news updates at acera.org/get-news	**Members generated** **21,233** retirement estimates through Web Member Services acera.org/wms

475 14th Street STE 1000 | Oakland, CA 94612 | www.acera.org

Enrolled **13,103** so far in Web Member Services at ACERA.ORG/WMS

That's **56%** of all members

Strengthening ACERA

Accomplishment Highlights

2017

IMPLEMENTED PROCESS OPTIMIZATION SYSTEM • ACERA implemented a Process Excellence initiative where all 90+ associates will train in Lean Six Sigma process improvement methodologies, and we will systematically review our processes to eliminate waste and maximize efficiency.

OVERHAULED FIRST RETIREMENT CHECK PROCESS • We successfully completed our first Process Excellence project, reducing waste in the retirement process; most new ACERA retirees now start at their full retirement allowance, rather than 80% under the previous process.

CONDUCTED PHASE 1 OF PENSION SOFTWARE REPLACEMENT • We reviewed proposals to replace/upgrade our pension database software used to calculate your retirement. We anticipate completing a full upgrade in 3 years.

ACERA ALSO... completed a cyber security review; developed an anti-fraud/theft training program; adopted new Private Equity and Absolute Return policies and approved 5 commitments totaling $252.7+ million; engaged deferred compensation plan agents in our retirement planning seminars; began an upgrade of your Web Member Services portal; and much more at **www.acera.org/cafr.**

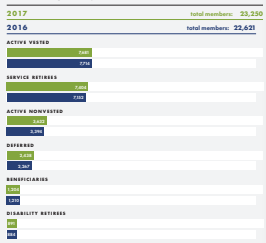
Active Membership

ACERA's Membership

ACERA's members are current and former employees of six participating employers who collectively share the risks of supporting a multi-employer, cost-sharing, defined benefit retirement plan. **More at www.acera.org/about.**

Membership Changes

2017	total members:	23,250
2016	total members:	22,621



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ACERA Financial Highlights

The funding sources that finance the retirement benefits are member contributions, employer contributions, and investment income. ACERA's assets are primarily used for the payment of benefits to members and their beneficiaries, the refund of contributions to terminated employees, and the cost of administering the retirement system.

More at www.acera.org/cafr.

Financial Summary *(Fiduciary Net Position Condensed)*

(Dollars in millions)	2017	2016	Increase (Decrease) Amount	Percent Change
ADDITIONS				
Net investment income	$ 1,308.2	$ 470.0	$ 838.2	178%
Employee & Employer contributions + Misc. income	337.3	328.0	9.3	3%
Reserve transfers	48.3	41.0	7.3	18%
Total additions	$ 1,693.8	$ 839.0	$ 854.8	102%
DEDUCTIONS				
Retirement benefit payments & refunds	$ 445.3	$ 422.3	23.0	5%
Postemployment medical benefits	37.9	34.9	3.0	9%
Administration	15.8	15.8	-	0%
Reserve transfers	48.3	41.0	7.3	18%
Total deductions	547.3	514.0	33.3	6%
Fiduciary net position at end of year	$ 8,112.1	$ 6,965.6	$ 1,146.5	16%

Pension Plan Funding Status

ACERA hires an independent actuary to conduct annual valuations of pension assets and expenses. The actuarial values are compared to determine the annual contribution rates that ACERA's members and employers are required to pay to meet pension obligations. You may notice that the actuarial value of assets and the net position differ; this is because gains and losses are mathematically "smoothed" over a 5 year period. This minimizes the effect of market volatility on contribution rates. Participating employers contributed 100% of the annual required contributions to the pension plan, which include additional contributions so ACERA can re-achieve 100% funding over time.

Actuarial Values and Funded Ratio

ACTUARIAL VALUATION AS OF DECEMBER 31	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	UNFUNDED ACTUARIAL ACCRUED LIABILITY	FUNDED RATIO
(Dollars in millions)				
PLAIN ENGLISH:	How Much We Have Now	How Much We Owe, Now & in the Future	How Much More We'll Need	% of How Much We Owe That We Have Now
2016	$ 6,436.1	$ 8,237.7	$ 1,801.6	78.1%
2015	6,083.5	7,875.0	1,791.5	77.3%
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%

Check **www.acera.org/actuarial** for more information on pension plan funding and the Net Pension Liability calculation required by GASB 67.

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

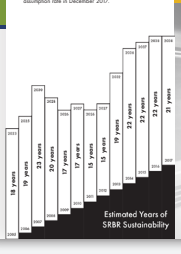
NON-GUARANTEED BENEFITS CURRENTLY OFFERED

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

ACERA's non-guaranteed (non-vested) benefits are subject to available funds in ACERA's Supplemental Retirees Benefits Reserve (SRBR). The SRBR receives regular interest earnings and half of any annual interest income above our 7.6% annual projection*. Each year, our actuary projects how many years the SRBR will last at current benefit levels. ACERA aims to keep the SRBR above a projected 15-year sustainability level. The Board of Retirement may change or end non-guaranteed benefits to meet this goal. Below is the projection made for each of the last 15 years.

More at www.acera.org/srbr.

*ACERA adopted a 7.25% actuarial assumption rate in December 2017.



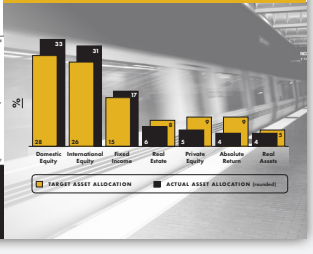
Investment Performance

GROSS RESULTS

The Board of Retirement has the fiduciary responsibility to prudently invest ACERA's funds to minimize overall risk and maximize returns.

More at www.acera.org/investments.

Investment Fund Performance Highlights *(Gross Results)*

Description		2017 Return	Ranking in a Universe of Public Funds Over $1 billion*
TOTAL FUND			
2017 Total fund return		19.5%	2nd percentile
2017 Policy index return	Benchmark	18.6%	4th percentile
2017 Median return	Peer group return	16.7%	50th percentile
Annualized 5 years	Average return over 5 years	10.7%	8th percentile
Annualized 10 years	Average return over 10 years	6.5%	4th percentile
Annualized 15 years	Average return over 15 years	8.9%	1% percentile
INDIVIDUAL ASSET CLASSES			5 Value in billions
Domestic equity	Stocks	21.3%	$ 3.0
International equity	Stocks	31.1%	2.0
Fixed income	Bonds/debt	8.3%	1.3
Real estate	Real, tangible properties	8.6%	0.7
Private equity	Non-public companies	14.2%	0.5
Absolute return	Stable, positive returns	7.6%	0.3
Real assets	Inflation hedge	6.1%	0.2
Cash	Cash	1.2%	0.1
TOTAL			8.1

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