



ALAMEDA COUNTY
EMPLOYEES' RETIREMENT
ASSOCIATION

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



Popular Annual
Financial Report

Securing Your Retirement

2019

For the Year Ended
December 31, 2019

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 accomplished a lot administratively, and our investments performed robustly. ACERA's net position increased by \$1.2 billion to \$8.8 billion as of December 31, 2019, representing an 18.7% gross return.

Though this annual financial report summarizes the fund's strong performance in 2019, I would be remiss not to mention the significant downturn and considerable volatility the market has experienced in 2020 due to the worldwide COVID-19 pandemic. As of this writing, the market and ACERA's fund have recovered much of their decline in value, but markets may remain uncertain as the nation and the world copes with and recovers from the virus. Providing you with retirement security is central to our mission. We're able to provide that security through long-term investing. We have built an investment portfolio which is designed to generate returns over decades—rather than days, weeks, or months. Over the last 25 years, we've earned an average annual return of 9.0% on our investments, a period which includes multiple major market downturns. Learn more about our approach at acera.org/investments.

Our top priority at ACERA is the health and wellbeing of our members, our employees, and our families. We're in the retirement business, and many of our members are those most at risk from COVID-19. We want to ensure your safety while continuing to serve all of your retirement needs. While we continue to limit public presence in our office, we're expanding our virtual educational resources to help you plan your retirement future. We continue to both process retirements and make retirement payments on schedule. Visit acera.org for assistance and news.

We wish you and your family health and safety, and we're excited to continue serving you.

Sincerely,

David Nelsen,
Chief Executive Officer

Counseled **670**
ready-to- retire
members

Processed **505**
members into
retirement

Board of Retirement

Henry C. Levy

CHAIR

Ex-Officio Member, Treasurer-Tax Collector

Elizabeth Rogers

1ST VICE CHAIR

Elected by General Members

Jaime Godfrey

2ND VICE CHAIR

Appointed by Board of Supervisors

Dale E. Amaral

Elected by Safety Members

Ophelia B. Basgal

Appointed by Board of Supervisors

Keith Carson

Appointed by & Member of Board of Supervisors

Tarrell V. Gamble

Appointed by Board of Supervisors

Liz Koppenhaver

Elected by Retired Members

Nancy Reilly

ALTERNATE RETIRED

Elected by Retired Members

Darryl L. Walker, Sr.

ALTERNATE SAFETY

Elected by Safety Members

George Wood

Elected by General Members

Active Membership

Enrolled **15,814** so far in Web Member Services at ACERA.ORG/WMS

That's **65%** of all members

Strengthening ACERA

Accomplishment Highlights

2019

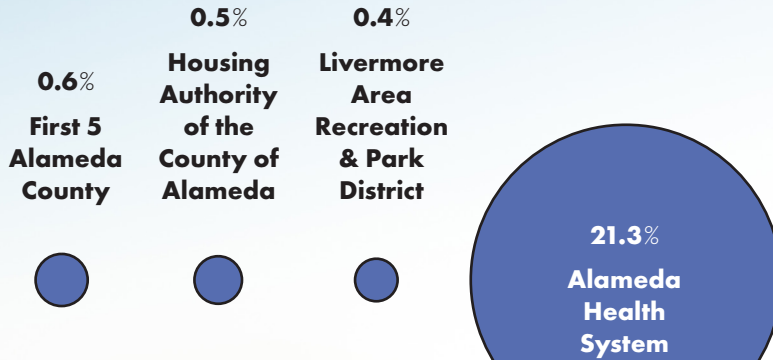
RELAUNCHED OUR WEB MEMBER

PORTAL • We relaunched Web Member Services with an enhanced, intuitive user interface and a new responsive design which allows it to render well on any size device. Members can now upload forms and documents confidentially in the portal.

CONTINUED WORK ON PENSION

SOFTWARE REPLACEMENT • We made considerable headway on the project we launched the previous year to replace our pension database software, completing a full requirement definition process, and initiating a data conversion cleanup sub-project and an employer reporting portal subproject. Replacement will go live in 2023 and will deliver huge gains in efficiency through automation.

ACERA ALSO... held 5 retiree wellness events; enhanced our associate development program; migrated communications to the cloud with Microsoft Office 365 for enhanced collaboration features; adjusted our investment asset allocation to improve diversification and long-term sustainability; optimized our investment department using Lean methodology; recruited a new chief counsel; streamlined ACERA's vendor payments and cash management with paperless processes; launched an internal financial fraud hotline; completed multiple internal audits and an employer audit; adopted an ESG Belief Statement for investments; and adopted \$436 million in new commitments to privately placed funds.



ACERA's Membership

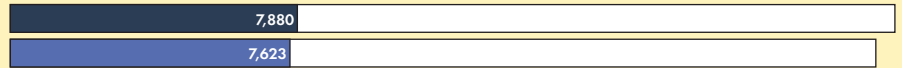
ACERA's members are current and former employees of six participating employers who collectively share the risks of supporting a multi-employer, cost-sharing, defined benefit retirement plan. **More at www.acera.org/about.**

Membership Changes

2019 total members: **24,262**

2018 total members: **23,739**

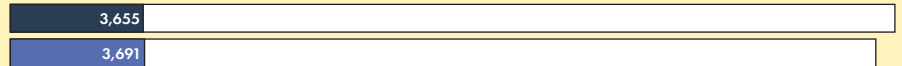
SERVICE RETIREES



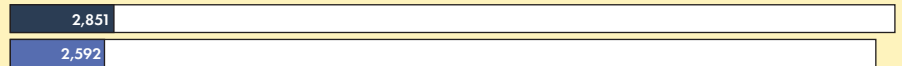
ACTIVE VESTED



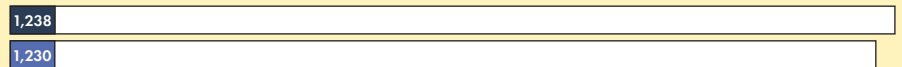
ACTIVE NON-VESTED



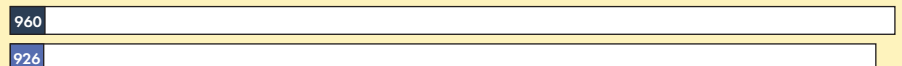
DEFERRED

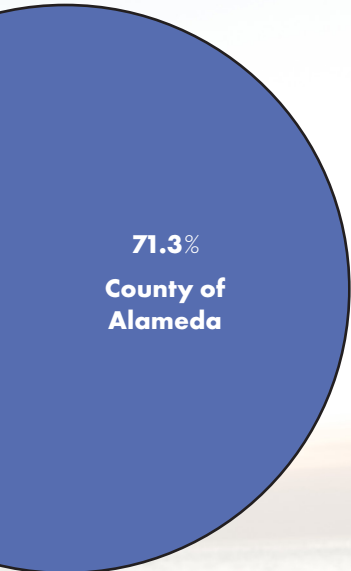


BENEFICIARIES

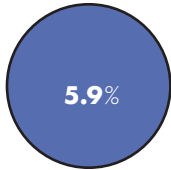


DISABILITY RETIREES





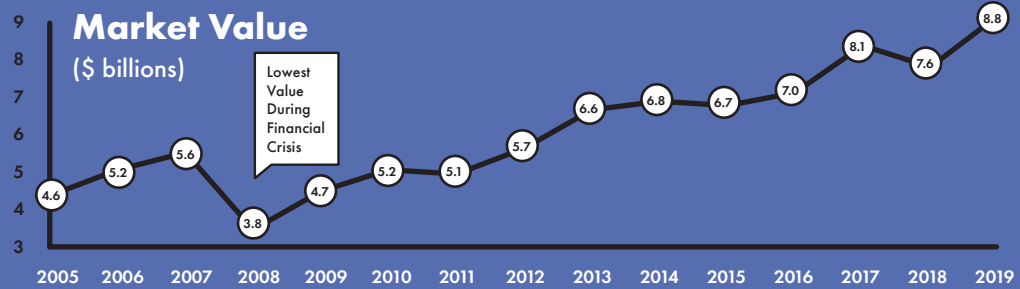
The Superior Court of CA for the County of Alameda



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)

	2019	2018	Increase (Decrease) Amount	Percent Change
ADDITIONS				
Net investment income + Misc. income	\$ 1,359.4	\$ -354.6	\$ 1,714.0	483%
Employee & Employer contributions	401.6	364.4	37.2	10%
Reserve transfers	53.2	50.8	2.4	5%
<i>Total additions</i>	\$ 1,814.2	\$ 60.6	\$ 1,753.6	2,894%
DEDUCTIONS				
Retirement benefit payments & refunds	\$ 504.1	\$ 471.9	\$ 32.2	7%
Postemployment medical benefits	43.6	40.9	2.7	7%
Administration	16.6	16.5	0.1	1%
Reserve transfers	53.2	50.8	2.4	5%
<i>Total deductions</i>	617.5	580.1	37.4	6%
Fiduciary net position at end of year	\$ 8,789.3	\$ 7,592.6	\$ 1,196.7	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
<i>(Dollars in millions)</i>				
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
2018	\$ 7,239.3	\$ 9,376.4	\$ 2,137.1	77.2%
2017	6,830.4	8,987.1	2,156.7	76.0%*
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%

*Reduction in funded ratio primarily due to reduction in assumed annual rate of return

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

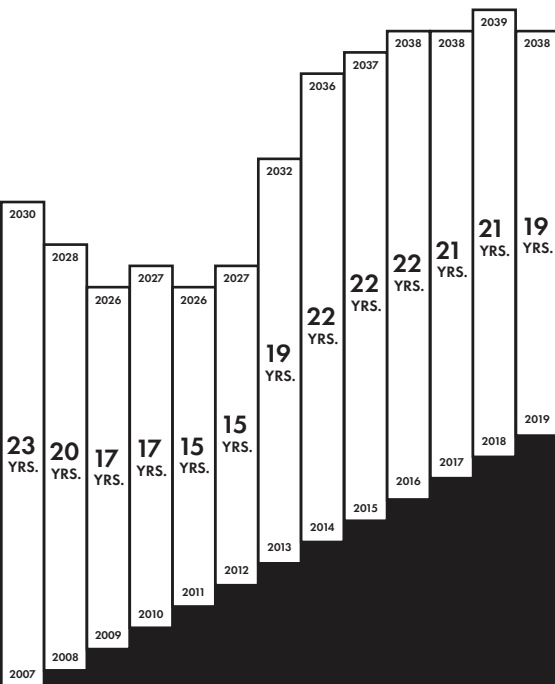
Non-Guaranteed Benefits and the Supplemental Retirees Benefits Reserve (SRBR)

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 7.25% 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 13 years.

More at www.acera.org/srbr.



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		2019 Return	Ranking in a universe of public funds over \$1 billion*
TOTAL FUND			
2019 Total fund return	ACERA fund return	18.7%	17th percentile
2019 Policy index return	Benchmark	17.2%	44th percentile
2019 Median return	Peer group return	16.7%	50th percentile
Annualized 5 years	Average return over 5 years	8.0%	14th percentile
Annualized 10 years	Average return over 10 years	9.3%	10th percentile
Annualized 15 years	Average return over 15 years	7.3%	9th percentile
INDIVIDUAL ASSET CLASSES			
\$ Value in billions			
Domestic equity	Stocks	31.9%	\$ 2.47
International equity	Stocks	24.6%	2.43
Fixed income	Bonds/debt	9.7%	1.38
Real estate	Real, tangible properties	6.5%	0.59
Private equity	Non-public companies	9.7%	0.55
Absolute return	Diversifying returns	1.9%	0.80
Real assets	Inflation-sensitive investments	4.7%	0.44
Private credit	Loans to private companies	NM†	0.03
Cash	Cash	1.8%	0.05
TOTAL			\$ 8.76

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

† NM=No meaningful return data was produced due to short period of time before year end





**Alameda County Employees'
Retirement Association**

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For the Year Ended
December 31 2019

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 1947 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 2019.

Answered
23,523
telephone
calls

Fulfilled
1,008
formal
written
requests

97%
of callers
spent less than
60 seconds
on hold

**Scanned
& indexed**
42,179
member
documents

Subscribed
1,489
people to
email news
updates at
[acera.org/
subscribe](http://acera.org/subscribe)

**Members
generated**
24,728
retirement
estimates through
Web Member
Services
acera.org/wms