ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

For the Year Ended December 31, 2020

Comprehensive Annual Financial Report

Resilient Together

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A Comprehensive Annual Financial Report

for the Year Ended: **DECEMBER 31, 2020**

Issued By:

David Nelsen CHIEF EXECUTIVE OFFICER

Margo Allen FISCAL SERVICES OFFICER

Alameda County Employees' Retirement Association

475 14th Street, Suite 1000, Oakland, CA 94612

A Pension Trust Fund of the County of Alameda

(State of California)

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Introduction

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
475 14th Street, Suite 1000, Oakland, CA 94612 (800) 838-1932 (510) 628-3000 f. (510) 268-9574 www.acera.org

Letter of Transmittal

Dear Board of Retirement Members:

I am pleased to submit this *Comprehensive Annual Financial Report of the Alameda County Employees' Retirement Association for the Year Ended December 31, 2020*.

This report presents the financial condition of the Pension Plan, the Other Postemployment Medical Benefits (OPEB), and Non-OPEB, as well as, investment results for the year ended December 31, 2020.

It also includes information from the current actuarial valuations as of December 31, 2019. The information presented is accurate and reliable. It conforms to generally accepted accounting principles and is free of material misstatements.

ACERA 2020 – Overview

Mission

ACERA provides members and employers with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services. Under the supervision and direction of the Board of Retirement (the Board), ACERA deploys competent, professional, impartial, and open procedures designed to treat all members fairly and with courtesy and respect. ACERA manages investments by balancing the need for financial security of its members with superior performance.

ACERA and its Services

ACERA was established by the Alameda County Board of Supervisors in 1947, under the County Employees Retirement Law of 1937 (CERL or 1937 Act), to provide retirement allowances and other benefits for County employees. ACERA's membership is composed of the following participating employers:

- Alameda County
- Alameda Health System
- First 5 Alameda County
- Housing Authority of the County of Alameda
- Livermore Area Recreation and Park District
- The Superior Court of California for the County of Alameda

In accordance with the CERL and ACERA's investment policies, ACERA collects and invests employer and member contributions to fund member benefits (including lifetime retirement, disability, and death benefits), pay administration expenses, and offer non-vested benefit programs for select medical and supplemental COLA benefits (subject to annual Board approval under CERL Article 5.5).

Investment Performance

After a precipitous stock market plunge in February and March of 2020 at the onset of the COVID-19 pandemic, stocks recovered steadily throughout the year—aided by a federal stimulus package, massive amounts of liquidity from the Fed, and rapid development of COVID-19 vaccines—reaching previous highs by early November and continuing to climb from there. Conversely, the overall economy languished, shrinking by 3.5% with 5 million more Americans unemployed by the year's end than in February.

The total fund had an 12.5% gross rate of return, and the fund ranked in the 39th percentile of comparable pension funds for the year ended December 31, 2020.

The fair value of ACERA's net position increased by $0.9 billion, to $9.7 billion. ACERA's annualized gross rate of return over the last five and ten year spans was 10.4% and 9.1%, ranking ACERA's fund in the 23rd and 20th percentiles, respectively. ACERA's investment goal is to operate at a level of performance in the upper quartile of comparable pension funds on a risk adjusted basis.

Financial Reporting

ACERA management is responsible for the accuracy, completeness, and fair presentation of the information in this report. Williams, Adley & Company-CA, LLP provides external audit services to determine whether the financial statements are presented in conformity with generally accepted accounting principles. The Management's Discussion and Analysis (MD&A) Section starting on page 12 provides a thorough analysis of ACERA's operations and financial status.

Internal Controls

Management employs an annual risk assessment to design, implement, and maintain effective internal controls. Recognizing that even sound internal controls have inherent limitations, management is developing a risk profile by applying an Enterprise Risk Management (ERM) framework. The ERM framework will be applied in strategy setting to identify potential events that may affect the organization to better assess risk potential and provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Common risk considerations include safeguarding pension assets, maintaining accurate and reliable accounting records, protecting member privacy, preventing fraud, and ensuring compliance with laws and regulations. The Board of Retirement oversees management's performance, and is ultimately responsible for confirming that management fulfills its duty in this regard. In addition, ACERA's Office of Internal Audit independently assesses whether the organization's risk management, control, and governance processes are adequate.

Actuarial Funding Status

ACERA engages an independent firm to conduct an annual actuarial valuation. The pension plan's actuarial accrued liability increased from $9.38 billion in 2018 to $9.80 billion as of December 31, 2019.

The plan's valuation value of assets increased from $7.24 billion in 2018 to $7.60 billion as of December 31, 2019. The Unfunded Actuarial Accrued Liability (UAAL) increased from $2.14 billion in 2018 to $2.20 billion as of December 31, 2019, with the funded ratio increasing from 77.2% to 77.6%, respectively.

The Actuarial Section of this report starting on page 95 contains a more detailed discussion of the funding requirements.

Supplemental Retiree Benefits Reserve

ACERA administers a Supplemental Retiree Benefits Reserve (SRBR) funded by regular earnings and a 50/50 share of gains above the assumed actuarial investment rate of 7.25%. As of December 31, 2019, the SRBR held $928.6 million in actuarial value of assets, of which, $888.2 million will fund the current benefit structure until the year 2040 for postemployment medical benefits and $40.4 million will fund the current non-OPEB benefit structure until the year 2037, even if no new earnings above the assumed investment rate of return are allocated to the SRBR.

Membership

In 2020, ACERA's active membership decreased from 11,333 to 11,291. The number of retired members and beneficiaries receiving pension benefits increased from 10,078 to 10,279. Deferred membership increased from 2,851 to 2,910. Total membership increased from 24,262 to 24,480.

2020 Accomplishments

As the world confronted the spread of COVID-19, ACERA prioritized the health and wellbeing of our members, employees, and families, focusing on providing continuity of essential services and upgrading systems to allow for remote work and remote member service.

COVID-19 Response

ACERA closed its office to the public on March 17, 2020, transitioning nearly all staff to working from home. During this period, ACERA:

- Established critical server connectivity with Amazon Workspaces to permit staff to access a virtual desk and support a work-from-home arrangement.
- Implemented virtual Board and Committee meetings utilizing Zoom.
- Processed all retirements on schedule.
- Made all retirement payments on schedule.
- Processed divorces, powers of attorneys, death benefits, contract negotiations, and policy reviews on schedule.
- Converted all seminars to webinars.
- Established a virtual call center, enabling staff to continue member-counseling services from home.
- Implemented phone retirement counseling and video retirement counseling sessions via Zoom.
- Provided staff to serve as community Disaster Service Workers for the County.
- Kept the securities litigation program on track.
- Developed and launched a virtual retirement packet.
- Held a virtual health fair in lieu of an in-person one.
- Renovated the office lobby, enhancing workplace readiness and protection protocol measures for when the office reopens to members and the public.

Organization-Wide Accomplishments

Utilizing considerable resources from all departments across the organization, ACERA continued its project to upgrade its pension administration system from Pension Gold 2 to Pension Gold 3 by 2023. ACERA:

- Achieved county consensus on an expanded build of employer reporting portal.
- Completed the OnBase integration design to automate forms, correspondence, updates, storage, and distribution in workflows.
- Completed the schedule of OnBase CASE Manager workflows to support data-driven productivity management.
- Completed a framework to build benefit estimator and service credit purchase estimator in member portal for member retirement planning.

Administration Accomplishments

Administratively, ACERA:

- Completed a Retiree Payroll Deduction Policy audit to guide the administration of pension benefits.
- Launched the Granicus Agenda Management/ Meeting program.
- Created an approved benefits listing to eliminate the assignment of benefits for any purpose other than a valid requirement.
- Determined processes for deductions made from retiree's checks that ensure consistency with policy.
- Implemented GASB-87 requirements to report certain lease assets and liabilities for leases that previously were classified differently in this report.
- Received an unmodified audit opinion for the December 31, 2020 Financial Statements.

Investments Accomplishments

In 2020, ACERA:

- Conducted a Large Cap Value Manager search.
- Expanded the Emerging Managers program to include Private Equity, Private Real Estate, and Private Real Assets in addition to the public markets.
- Amended its Real Assets Policy and adopted a New Real Assets Structure of 5% Commodities, 10% Listed Natural Resources, 10% Listed Infrastructure, 25% Private Natural Resources, and 50% Private Infrastructure, representing a 10% and 15% allocation shift from Commodities and Private Natural Resources (respectively) to Private Infrastructure, which was more attractive on a risk/ return basis.

- Changed its International Equity manager structure, eliminating a manager and reallocating funds among ACERA's existing asset class managers. The structure maintains an equivalent amount of risk as the previous structure and focuses the asset class's risk budget on active manager decisions intended to produce alpha, providing the same or slightly better long-term expected alpha with a slight decrease to management fees.
- The Board continued to expand the Total Fund's investment in 8 privately placed funds worth over $335 million, continuing to approach target allocations in these asset classes. Broken down by asset class, this represents:
  - 3 new commitments to Private Equity totaling $80 million.
  - 2 new commitments to Real Assets totaling $70 million.
  - 1 new commitment to Real Estate totaling $35 million.
  - 2 new commitments to Private Credit totaling $150 million.

Benefits Accomplishments

ACERA continued to enhance its customer service and benefits administration, though Benefits Department staff spent the bulk of their available development time on the pension administration system upgrade. In the past year, ACERA:

- Redesigned and relaunched ACERA's website using a contemporary, responsive design, and produced virtual seminar and instructional videos.
- Developed an online retirement packet and a walk-through, counseling intake form, and post-counseling electronic survey.
- Implemented phone and video retirement counseling appointments.
- Upgraded the member portal to enable the secure transfer of forms and documents containing personal information.
- Initiated various optimization projects including creation of automated departmental and interdepartmental workflows, counseling process optimization, revision of service retirement application and tracking process, and disability process optimization.
- Increased the 60-day retirement application window to 90 days based on recent legislative changes.

Certificate of Achievement

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 its Comprehensive Annual Financial Report for the year ended December 31, 2019 (See page 6). This has been the twenty third year ACERA has received this prestigious award

Acknowledgments

The compilation of this report reflects the combined efforts of ACERA's management and staff under the leadership of the Board of Retirement. This report and the corresponding Popular Annual Financial Report are available to members and the general public on ACERA's website at www.acera.org.

The dedication of ACERA staff forms the nucleus of our service mission, and I wish to express deep gratitude to them for the success of our operation.

Respectfully submitted,

David Nelsen
Chief Executive Officer
June 24, 2021

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alameda County Employees' Retirement Association California

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

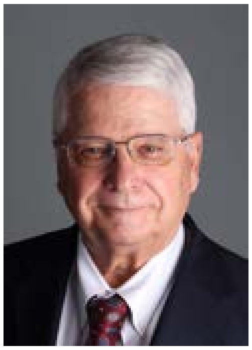
Christopher P. Morrill

Executive Director/CEO

Also awarded each year from 1996 through 2010 and 2012 through 2019

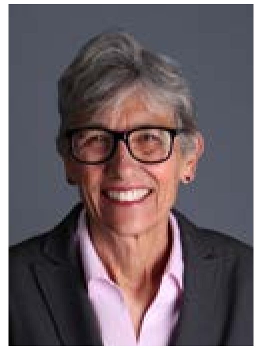
Members of the Board of Retirement

As of January 1, 2021

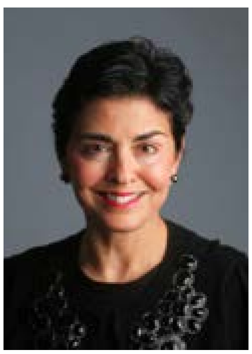


Dale E. Amaral
Chair
Elected by Safety Members

Jaime Godfrey
First Vice-Chair
Appointed by the Board of Supervisors



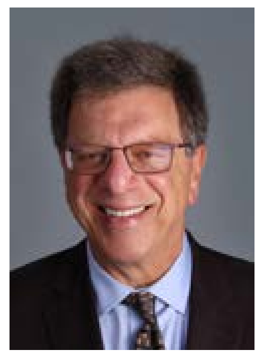
Liz Koppenhaver
Second Vice-Chair
Elected by Retired Members



Ophelia B. Basgal
Appointed by the Board of Supervisors

Keith Carson
Appointed by and member of the Board of Supervisors

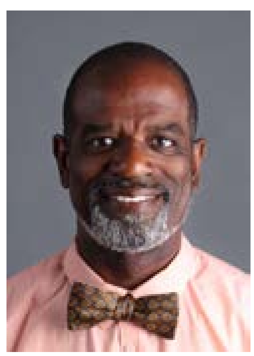
Tarrell V. Gamble
Appointed by the Board of Supervisors



Henry C. Levy
Ex-Officio Member Treasurer-Tax Collector

Nancy Reilly
Alternate Elected by Retired Members

Elizabeth Rogers*
Elected by General Members



Darryl L. Walker Sr.
Alternate Elected by Safety Members

George Wood
Elected by General Members

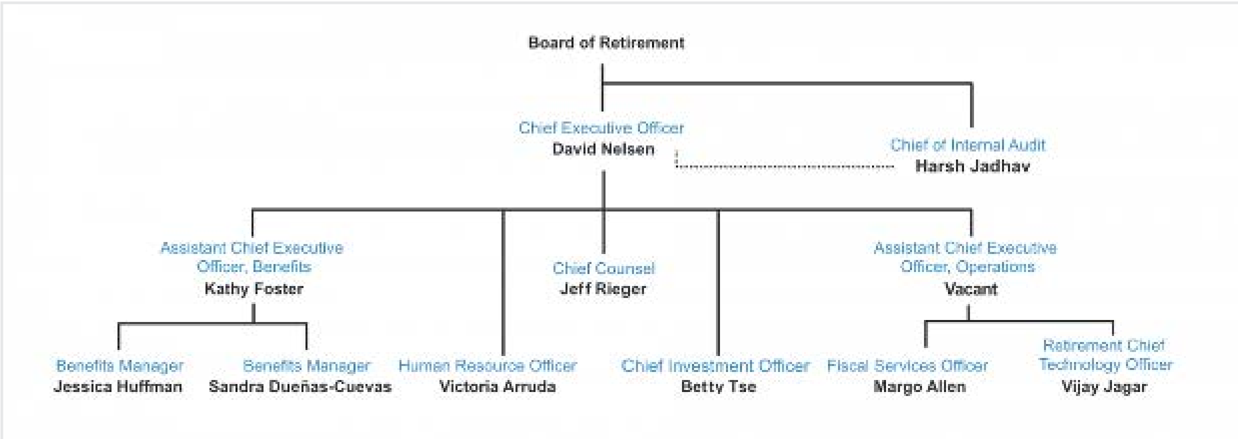
2020 Board of Retirement

*Henry C. Levy **(Chair)**, Elizabeth Rogers **(First Vice-Chair)**, Jaime Godfrey **(Second Vice-Chair)**, Dale E. Amaral, Ophelia B. Basgal, Keith Carson, Tarrell V. Gamble, Liz Koppenhaver, George Wood, Nancy Reilly **(Alternate Retiree)**, Darryl L. Walker **(Alternate Safety)***

* Elizabeth Rogers retired and resigned from the Board on April 1, 2021.

Administrative Organizational Chart

As of December 31, 2020



Professional Consultants[1]

Actuary

Segal[2]

Benefits

Segal[2]

Fiscal Services

Armanino LLP

Human Resources

Lakeside Group[3]

Independent Auditors

Williams, Adley & Company-CA, LLP

Information Technology

Digital Deployment
Levi, Ray & Shoup Consulting
Segal[2]
Maverick Networks Inc.
NEKO Industries

Legal

Berman Tabacco
Bernstein Litowitz Berger & Grossmann LLP
Hanson Bridgett LLP
Kaplan Fox & Kilsheimer LLP
Kessler Topaz Meltzer Check
K&L Gates
Meyers Nave Professional Law Corporation
Nossaman, LLP
Pomeranz LLP
Reed Smith, LLP

Other Specialized Services

American Arbitration Association
Manager Medical Review Org, Inc.
Willis Towers Watson

1 The listing of Investment Professionals found on page 91 provided services to the total fund which includes pension plan and postemployment medical benefits. Also, the schedule of Brokerage Commissions and schedule of Investment Managers' Fees are reported on page 92 and page 93, respectively. Not all of the professional consultants listed above are required to file a Statement of Economic Interests (Form 700) under ACERA's Conflict of Interest Policy.

2 Segal provides actuarial consulting, benefit consulting and pension administration system project oversight services.

3 The Lakeside Group is a division of the Alameda County Human Resource Services Department.

Financial

WILLIAMS ADLEY

Independent Auditor's Report

Board of Retirement
Alameda County Employees' Retirement Association
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Alameda County Employees' Retirement Association (ACERA), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise ACERA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of ACERA as of December 31, 2020, and the change in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Net Pension Liability of Employers

As described in note 5, based on the most recent actuarial valuation as of December 31, 2020, ACERA's independent actuaries determined that, at December 31, 2020, the total pension liability exceeded the pension plan's fiduciary net position by $2.2 billion.

Net OPEB Liability of Employers

As described in note 7, based on the most recent actuarial valuation as of December 31, 2020, ACERA's independent actuaries determined that, at December 31, 2020, the total OPEB liability exceeded the OPEB plan's fiduciary net position by $6.7 million.

Implementation of New Accounting Pronouncement

As described in note 1 of the financial statements, effective January 1, 2020, ACERA adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, and restated beginning fiduciary net position for the retroactive application of this new accounting standard. Our opinion is not modified with respect to these matters.

WILLIAMS, ADLEY & COMPANY-CA, LLP
Certified Public Accountants / Management Consultants
7677 Oakport Street, Suite 1000 • Oakland, CA 94621 • (510) 893-8114 • Fax: (510) 893-2603
http://wacllp.com

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net pension liability and related ratios, schedule of employer contributions for the pension plan and non-OPEB, schedule of investment returns, schedule of changes in the net OPEB liability and related ratios, and the schedule of employer contributions for OPEB, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards* Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise ACERA's basic financial statements. The schedules of administration expense, investment expenses, and payments to other consultants, and the introduction, investment, actuarial, and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of administration expense, investment expenses, and payments to other consultants are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introduction, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Summarized Comparative Information

We have previously audited ACERA's 2019 financial statements, and our report dated June 17, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2021, on our consideration of ACERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ACERA's internal control over financial reporting and compliance.

Williams, Adley & Company-CA, LLP

Oakland, California
June 24, 2021

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) presents the financial activities of the Alameda County Employees' Retirement Association (ACERA) for the year ended December 31, 2020. It provides an overview of the financial position and the combined results of operations for the pension plan and non-OPEB and Other Postemployment Benefits (OPEB). The narrative, in conjunction with the financial statements starting on page 20 and the notes to the financial statements beginning on page 23, presents ACERA's overall financial position, and the results of its operations. ACERA's funding is a combination of participating employer and member contributions and earnings on invested assets. The Chief Executive Officer's Letter of Transmittal starting on page 2 of this Comprehensive Annual Financial Report (Annual Report) should be read along with the MD&A narrative.

(Note: Amounts in this section are rounded and may not add or agree to other sections of this Annual Report.)

Financial Highlights

As of December 31, 2020, ACERA's net position, which represents funds restricted for paying current and long-term pension benefit obligations and non-vested OPEB for plan members and their beneficiaries, was $9.6 billion, a $840.5 million increase compared to December 31, 2019. This 10% increase was primarily attributable to the increase in fair value of ACERA's investment portfolio during 2020.

As of December 31, 2020, the Net Pension Liability (NPL) was $2,194.4 million, compared to $2,140.7 million as of December 31, 2019. The $53.7 million increase was primarily due to increases of unfavorable differences in the actuarial experience and changes in assumptions that were partially offset by the favorable investment return during calendar year 2020. The unfavorable increases in the actuarial experience and changes in assumptions were $33.0 million and $236.5 million, respectively; while the net investment gain was $755.5 million in 2020.

As of December 31, 2020, the Net OPEB Liability (NOL) was $6.7 million, compared to $112.9 million as of December 31, 2019. The $106.2 million decrease was primarily the result of the favorable investment return during calendar year 2020 of about $262.1 million, which was partially offset by an unfavorable increase of $57.7 million that resulted from changes of assumptions. The favorable investment results allocated to the Supplemental Retiree Benefits Reserve (SRBR), are credited by semiannual transfers to the reserve as defined by Article 5.5 of the County Employees' Retirement Law of 1937 (1937 Act).

As of December 31, 2019, the date of the pension plan actuarial funding and the SRBR sufficiency actuarial valuations used for the 2020 annual report, the actuarial investment rate of return assumption used was 7.25%. The inflation rate assumption was 3.00% with assumed payroll growth increase of 3.50%.

As of December 31, 2019, ACERA had $260.7 million in net deferred investment gains based on the actuarial value of assets. These deferred gains represent 3.0% of the fair value[1] of assets, as of the December 31, 2019, actuarial valuation date. Unless offset by future investment losses or other unfavorable experience, the recognition of the $260.7 million market gains is expected to have a favorable impact on the Association's future funded percentage and contribution rate requirements.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to ACERA's Basic Financial Statements, which comprise the following five components:

- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position
- Notes to the Basic Financial Statements
- Required Supplementary Information (RSI) and Notes to RSI
- Supplemental Schedules

The basic financial statements report the components of the fiduciary net position held in trust for benefits, the components of the changes in the fiduciary net position (additions and deductions), along with explanatory notes to the basic financial statements.

ACERA's basic financial statements have two reporting columns. The first column reports the pension plan and non-OPEB, and the second column reports the postemployment medical benefits. ACERA's pension benefits and the non-OPEB are valued together for the purpose of determining and reporting the NPL. In addition to the basic financial statements, this report contains required supplementary information and supplemental schedules intended to assess the historical context of ACERA's progress in meeting benefit obligations through funding of contributions and investment income.

The Statement of Fiduciary Net Position on page 20 provides a snapshot of account balances at year's end. It includes the assets available for future benefit payments as well as liabilities outstanding at year's end.

ACERA did not have any transactions that met the criteria for deferred outflows of resources or deferred inflows of resources as defined in GASB Statement No. 63 and GASB Statement No. 65. As a result, those line items are not displayed on the 2020 Statement of Fiduciary Net Position.

ACERA implemented GASB Statement No. 87, *Leases*, for financial reporting year 2020. This statement provides guidance for lease contracts for nonfinancial assets (for example vehicles and buildings) but excludes nonexchange transactions, including donated assets and leases of intangible assets (such as patents and software licenses).

The Statement of Changes in Fiduciary Net Position starting on page 21 provides a summary view of the additions to and deductions from the fiduciary net position that occurred over the course of the 2020 financial year.

The *Basic Financial Statements* include all assets and liabilities, using the accrual basis of accounting, in compliance with generally accepted accounting principles, similar to the accounting method used by most private-sector companies. All of the year's asset additions and deductions are taken into account regardless of when the corresponding cash is received or paid. All investment purchases and sales are reported as of the trade date. Investments are

1 Fair value replaced "market value" as originally written by actuary.

reported at current fair value and in accordance with GASB Statement No. 31. Both realized and unrealized investment gains and losses are recognized. Each depreciable component of capital assets is depreciated over its useful life.

Notes to the Basic Financial Statements starting on page 23 provide additional information essential for a complete understanding of the basic financial statements.

Required Supplementary Information and Notes to Required Supplementary Information starting on page 58 illustrate the GASB Statement No. 67 financial reporting requirements in the Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, Schedule of Investment Returns, and Notes to Required Supplementary Information for the Pension Plan and Non-OPEB. Also reported are the requirements of GASB Statement No. 74 in the Schedules of Changes in Net OPEB Liability and Related Ratios and Schedule of Employer Contributions, along with the Notes to the Required Supplementary Information for Postemployment Medical Benefits.

Supplemental Schedules of administrative expenses, investment expenses and payments to other consultants are presented on page 65.

Tables 1 and 2 starting below, present condensed information about ACERA's financial position and results of operations for the current year in comparison to the preceding year, and form the basis for this financial discussion.

Table 1: Fiduciary Net Position (Condensed)

As of December 31, 2020 and 2019 (Dollars in Millions)

	2020	2019	Increase (Decrease) Amount	Percent Change
ASSETS				
Current Assets	$ 262.8	$ 171.1	$ 91.7	54%
Investments at Fair Value	9,601.8	8,765.3	836.5	10%
Capital Assets, net	4.3	2.5	1.8	72%
Total Assets	**9,868.9**	**8,938.9**	**930.0**	**10%**
LIABILITIES				
Current Liabilities	239.0	149.6	89.4	60%
Long-term Lease Liabilities	0.1	-	0.1	N/A
Total Liabilities	**239.1**	**149.6**	**89.5**	**60%**
NET POSITION				
Restricted - Held in Trust for Benefits	**$ 9,629.8**	**$ 8,789.3**	**$ 840.5**	**10%**

Table 2: Changes In Fiduciary Net Position (Condensed)

For the Years Ended December 31, 2020 and 2019 (Dollars in Millions)

	2020	2019	Increase (Decrease) Amount	Percent Change
ADDITIONS				
Member Contributions	$ 106.1	$ 103.1	$ 3.0	3%
Employer Contributions	309.8	298.5	11.3	4%
Net Investment Income (Loss)	1,017.3	1,358.2	(340.9)	-25%
Miscellaneous Income	0.3	1.2	(0.9)	-75%
Transfer to Employers' Advance Reserve from SRBR for Employer Contributions to 401(h) Account	45.5	44.9	0.6	1%
Transfer to Employers' Advance Reserve from SRBR for Implicit Subsidy	6.4	6.9	(0.5)	-7%
Transfer from Employers' Advance Reserve to SRBR for OPEB Related Administrative Expenses	1.4	1.4	–	0%
Total Additions	**1,486.8**	**1,814.2**	**(327.4)**	**-18%**
DEDUCTIONS				
Retirement Benefit Payments	521.6	493.4	28.2	6%
Postemployment Medical Benefits	46.0	43.6	2.4	6%
Member Refunds	9.2	10.7	(1.5)	-14%
Administration	16.2	16.6	(0.4)	-2%
Transfer from SRBR to Employers' Advance Reserve for Employer Contributions to 401(h) Account	45.5	44.9	0.6	1%
Transfer from SRBR to Employers' Advance Reserve for Implicit Subsidy	6.4	6.9	(0.5)	-7%
Transfer to SRBR from Employers' Advance Reserve for OPEB Related Administrative Expenses	1.4	1.4	–	0%
Total Deductions	**646.3**	**617.5**	**28.8**	**5%**
CHANGE IN NET POSITION	**840.5**	**1,196.7**	**(356.2)**	**-30%**
NET POSITION - JANUARY 1	**8,789.3**	**7,592.6**	**1,196.7**	**16%**
CUMULATIVE EFFECT OF ACCOUNTING CHANGE	**-**	**-**	**-**	**-**
NET POSITION - DECEMBER 31	**$ 9,629.8**	**$ 8,789.3**	**$ 840.5**	**10%**

Analysis of Financial Position

Fiduciary net position held in trust for benefits equals assets less liabilities. Table 1, on page 14, displays the condensed information of the fiduciary net position, which as of December 31, 2020, totaled approximately $9.6 billion. This is a $840.5 million or a 10% increase from the prior year, primarily a result of an increase in the fair value of ACERA's invested assets. The Investment Section, starting on page 67, provides further details about ACERA's investment performance.

Current Assets

The components of current assets are detailed on the Statement of Fiduciary Net Position on page 20. Total current assets increased by $91.7 million from $171.1 million in 2019 to $262.8 million in 2020. This 54% increase was primarily due to the increase in Unsettled Trades-Investments Sold totaling $93.0 million partially offset by decrease in cash.

Investments at Fair Value

ACERA's investments at fair value increased 10% from $8.8 billion in 2019 to $9.6 billion in 2020. The $0.8 billion increase was net of ACERA's $183.2 million cash draw in 2020 on the portfolio to pay retirement benefits and administrative costs.

Capital Assets, Net

Capital assets include equipment, furniture, information systems, leasehold improvements, and right-to-use assets. The value of capital assets increased from $2.5 million in 2019 to $4.3 million in 2020. The net increase of $1.8 million or 72% was due to the increase in capital expenditures for the Pension Administration System upgrade and the recognition of right-to-use assets as a result of adopting GASB Statement No. 87, *Leases*. As of December 31, 2020, the value of right-to-use assets, net of accumulated depreciation was $0.1 million.

Total Assets

In all, total assets experienced a net increase of $930.0 million, from $8.9 billion in 2019 to $9.9 billion in 2020. The increase in total investments at fair value accounted for most of the increase in total assets.

Liabilities

The components of ACERA's current liabilities are detailed in the Statement of Fiduciary Net Position on page 20. Current liabilities increased by $89.4 million or 60% from $149.6 million in 2019 to $239.0 million in 2020. The net increase is mainly attributed to the $93.6 million increase in Unsettled Trades-Investments Purchased partially offset by the decrease in securities lending liability.

ACERA recognized long-term lease liability as a result of adopting GASB Statement No. 87, *Leases*. As of December 31, 2020, the long-term lease liability totaled $0.1 million.

Analysis of Results of Operations

The change in fiduciary net position equals total additions less total deductions. Table 2, on page 15, displays the condensed information about ACERA's 2020 financial activity. From January 1 to December 31, 2020, ACERA's fiduciary net position increased by $840.5 million. The increase was almost exclusively due to appreciation of the fair value of ACERA's invested assets.

Additions to Fiduciary Net Position

The primary funding sources for ACERA's member benefits are member contributions, employer contributions, and net investment income. Additions to and deductions from fiduciary net position include transfers to and from the employers' advance reserve and the supplemental retiree benefits reserve.

Total additions to ACERA's fiduciary net position for the years ended December 31, 2020, and 2019, were $1.5 billion and $1.8 billion, respectively. ACERA's net investment income for 2020 was $1.0 billion, compared to $1.4 billion in investment income in 2019. See the Net Investment Income (Loss) section on page 17 for a more comprehensive discussion of this increase.

The December 31, 2019, actuarial valuation report recommended a contribution rate increase for employers. The Board of Retirement approved the increase to be in effect by September 2020. The aggregate member contribution rate remained 9.34% of payroll.

The aggregate employer contribution rate increased from 27.85% to 28.56% of payroll. This change was primarily due to (a) lower than expected return on investments (after smoothing), (b) the effect of amortizing the prior year's UAAL over a smaller than expected total projected payroll, (c) higher than expected individual salary increases for active members, (d) actual contributions lower than expected, and (e) other actuarial losses.

Member Contributions

Total member contributions for 2020 were $106.1 million, up $3.0 million or 3% over 2019 total member contributions of $103.1 million. As previously stated, 2019 actuarial valuation contribution rates went into effect September 1, 2020.

Employer Contributions

Total employer contributions collected for 2020 were $309.8 million, an increase of 4% or $11.3 million over the $298.5 million in total contributions collected in 2019.

Net Investment Income (Loss)

Net investment income for 2020 was $1.0 billion. The $340.9 million decrease in net investment income was primarily due to lower appreciation in the fair value of invested assets. The 2020 net appreciation of investments was $1.0 billion compared to a 2019 net appreciation of $1.4 billion.

Miscellaneous Income

Miscellaneous income for 2020 totaled $0.3 million, down $0.9 million or 75% from 2019. This decrease is mainly due to a decrease of class action securities litigation settlements.

Transfers between Employers' Advance Reserve and SRBR

Postemployment medical benefits are paid from employers' 401(h) accounts. Participating employers identify a portion of their contributions as 401(h) contributions. Employers funded $45.5 million and $44.9 million to their 401(h) accounts for years 2020 and 2019, respectively. See 401(h) Postemployment Medical Benefits Account on page 33.

In July 2011, ACERA applied the provisions of the 1937 Act (Section 31596.1) and allocated a portion of the 401(h) contributions towards administrative costs. As a result, $1.4 million was transferred from the employers' advance reserve to SRBR for both 2020 and 2019.

There was a $6.4 million transfer from the SRBR to the employers' advance reserve in 2020 to compensate Alameda County for the 2019 blended rate health care implicit subsidy. The implicit subsidy transfer decreased by $0.5 million or 7% from the $6.9 million implicit subsidy transfer in 2019. This decrease was primarily due to lower difference between the County's blended and unblended medical insurance rates for 2019 versus 2018.

Deductions from Fiduciary Net Position

Total deductions are composed of four main categories, i.e., retirement benefits (including service retirement and disability payments, death benefits, non-OPEB burial benefits and supplemental COLA), postemployment medical benefits, member refunds, and administration expenses of the retirement system.

Total deductions from the fiduciary net position for 2020 were $646.3 million. This is $28.8 million or a 5% increase over the $617.5 million in total deductions for 2019. Service retirement and disability benefit payments alone increased 6.0% or $28.2 million over 2019. The 401(h) transfer increased $0.6 million or 1% for 2020, and as already stated the implicit subsidy transfer decreased $0.5 million or 7% for 2020.

Retirement Benefit Payments

Retirement benefit payments in 2020 totaled $521.6 million, a $28.2 million or 6% increase over $493.4 million in 2019. The increase in benefit payments is primarily due to higher average benefits of retirees added to the retirement payroll compared to the lower average retirement allowance of those retirees removed from the retirement payroll.

Postemployment Medical Benefits

Postemployment medical benefits paid from the 401(h) account in 2020 were $46.0 million, an increase of $2.4 million or 6% over the $43.6 million paid from the 401(h) account in 2019. This increase was due in part to higher health premiums and in part to an increase in new retirees. ACERA's maximum monthly medical benefit for 2020 was $578.65 per member. For retirees 65 years and older, enrolled in the Medicare Exchange individual plans, ACERA utilized Health Reimbursement Accounts (HRAs). Retirees 65 years and older, who were on the Medicare Exchange, received a maximum of $443.28 Monthly Medical Allowance (MMA).

Member Refunds

Member refunds originate from either a member separation from service (termination) or an active member death. Member refunds decreased by $1.5 million or 14% from $10.7 million in 2019 to $9.2 million in 2020. The decrease was primarily due to decreases in termination refunds.

Administration Expense

Total administration expense for 2020 decreased to $16.2 million, from $16.6 million in 2019. Administration expenses cover the basic cost of operating the retirement system. Some expenses are subject to the statutory limit, as defined in the following paragraph, and others are excluded from the statutory limit.

In accordance with legal spending restrictions outlined in the County Employee Retirement Law of 1937 (1937 Act), ACERA's Board of Retirement adopts an operating expense and administrative budget, effective for the following year. The annual amount of administrative budget is subject to legal and budgetary restrictions. Note 11 to the Basic Financial Statements, page 56, further describes the legal limitations. Consequently, the administrative budget for 2020 was kept in compliance with the "1937 Act" legal spending restrictions of 0.21% of the accrued actuarial liability of the retirement system.

Administrative expenses subject to the statutory limit increased by 2% or $0.2 million, from $13.2 million in 2019 to $13.4 million in 2020. The major categories of operating expenses subject to the statutory limit include personnel services, professional services, communications, and utilities, and other (i.e., depreciation, board of retirement operating expenses, insurance, miscellaneous, training, maintenance-equipment, and supplies).

Administrative expenses excluded from the statutory limit decreased slightly from $3.4 million in 2019 to $2.8 million in 2020. The categories of operating expenses not subject to the statutory limit include legal, technology, actuarial, investment and business continuity expenses.

Currently Known Facts and Events

Litigation: In the DSA v. ACERA lawsuit, the Deputy Sheriffs' Association and others alleged that AB 197 (effective January 1, 2013) violated the rights of legacy members to have certain elements of compensation included in their final compensation for purposes of calculating their retirement allowances. The trial court prevented ACERA from implementing AB 197 until July 2014, at which time the trial court issued a writ that required ACERA to implement AB 197. After years of litigation, in Alameda County Deputy Sheriff's Association v. Alameda County Employees' Retirement Association (2020) 9 Cal.5th 1032, the California Supreme Court held that AB 197 did not violate members' rights. At this time, the Supreme Court's decision does not require ACERA to make any changes to its practices, but in 2021 there will be remand proceedings in the trial court in which the parties will resolve several issues that were left unresolved by the Supreme Court's opinion. The issues may include (a) how ACERA administers "standby" and "on call" pay (and similar types of pays), which may or may not be paid for work outside of normal working hours, (b) how ACERA administers the inclusion of leave cash outs in final compensation, (c) whether ACERA must make adjustments for members who retired during the stay period from January 2013 to July 2014, and (d) whether some members may be due refunds for member contributions that they made to ACERA on pay items that are no longer included in members' final compensation in light of AB 197.

Litigation: In the AHS v. ACERA lawsuit (filed February 7, 2019), the Alameda Health System, a participating employer in ACERA, filed suit against ACERA and the County of Alameda objecting to ACERA's use of the percent of payroll method for calculating unfunded liability. The case, which seeks to require ACERA to collect less contributions from AHS and more contributions from the County (and possibly other participating employers), is pending in the San Francisco Superior Court and is being defended vigorously by ACERA.

Business Continuity: Since early March 2020, ACERA has been responding to a pandemic spreading from person to person caused by a novel (new) coronavirus. The disease was named "coronavirus disease 2019" (abbreviated "COVID-19"). Throughout 2020, the virus posed a serious public health risk; consequently, ACERA was required to comply with alternative work guidelines associated with state and county health and safety mandates. As health and safety restrictions eased in the latter half of 2020, ACERA sustained a work-from-home posture for a majority of its staff. In the early months of 2021, vaccines for the virus have become available. It is anticipated that by the end of the third quarter of 2021, enough people will be vaccinated for health and safety restrictions to ease to a level that businesses will reopen. To that end, ACERA management is actively formulating a new hybrid work arrangement for implementation in the latter half of 2021.

Fiduciary Responsibilities

ACERA's Board of Retirement and management are fiduciaries of the retirement plan. Under the California Constitution and the 1937 Act, assets of the retirement plan can be used only for the exclusive benefit of the plan participants and their beneficiaries.

Requests for information

This report is designed to provide the Board of Retirement, the membership, participating employers, taxpayers, investment managers, vendors, and other stakeholders or interested parties with a general overview of ACERA's financial condition, financial activities, and funding status. Questions regarding any of the information provided in this report or requests for additional information should be addressed to:

ACERA
Fiscal Services Department
475 14th Street, Suite 1000
Oakland, California 94612-1900

You can also contact us by e-mail at info@acera.org or by phone at (510) 628-3000 during normal business hours. Our website www.acera.org contains a wealth of information and is always accessible.

Respectfully submitted,

Margo Allen
Fiscal Services Officer
May 3, 2021

Basic Financial Statements

Statement of Fiduciary Net Position

As of December 31, 2020, with Comparative Totals as of December 31, 2019 (Dollars in Thousands)

	Pension Plan & Non-OPEB	Postemployment Medical Benefits	Total 2020	Total 2019
ASSETS				
Cash	$ 3,236	$ -	$ 3,236	$ 4,151
Securities Lending Cash Collateral	117,171	-	117,171	121,705
Receivables				
Contributions	21,756	-	21,756	18,311
Investment Receivables	17,179	-	17,179	17,044
Unsettled Trades - Investments Sold	96,400	-	96,400	3,361
Futures Contracts	236	-	236	307
Foreign Exchange Contracts	5,853	-	5,853	5,129
Other Receivables	197	-	197	291
Total Receivables	**141,621**	**-**	**141,621**	**44,443**
Prepaid Expenses	755	-	755	763
Total Current Assets	**262,783**	**-**	**262,783**	**171,062**
Investments at Fair Value				
Short-Term Investments	182,037	-	182,037	231,759
Domestic Equity	562,387	-	562,387	500,700
Domestic Equity Commingled Funds	2,159,591	-	2,159,591	1,976,776
International Equity	1,296,336	-	1,296,336	1,185,022
International Equity Commingled Funds	1,460,569	-	1,460,569	1,189,559
Domestic Fixed Income	1,093,183	-	1,093,183	981,101
International Fixed Income	190,474	-	190,474	111,729
International Fixed Income Commingled Funds	159,176	-	159,176	148,935
Real Estate - Separate Properties	72,474	-	72,474	73,871
Real Estate - Commingled Funds	528,671	-	528,671	511,498
Real Assets	467,886	-	467,886	436,816
Absolute Return	645,134	-	645,134	801,739
Private Equity	726,180	-	726,180	583,085
Private Credit	57,747	-	57,747	32,707
Total Investments	**9,601,845**	**-**	**9,601,845**	**8,765,297**
Non-OPEB Assets	41,677	-	41,677	40,430
Due from Pension Plan	(940,806)	899,129	(41,677)	(40,430)
Capital Assets at Cost (Net of Accumulated Depreciation and Amortization)	4,319	-	4,319	2,532
Total Assets	**8,969,818**	**899,129**	**9,868,947**	**8,938,891**
LIABILITIES				
Securities Lending Liability	117,171	-	117,171	121,705
Unsettled Trades - Investments Purchased	100,393	-	100,393	6,750
Futures Contracts	-	-	-	131
Swap Contracts	-	-	-	2,501
Foreign Exchange Contracts	-	-	-	2
Investment-Related Payables	12,191	-	12,191	11,867
Accrued Administration Expenses	2,858	-	2,858	2,358
Members Benefits & Refunds Payable	6,155	-	6,155	4,042
Retirement Payroll Deductions Payable	267	-	267	256
Current Lease Liability	42	-	42	-
Long-term Lease Liability	103	-	103	-
Total Liabilities	**239,180**	**-**	**239,180**	**149,612**
NET POSITION - Held in Trust for Benefits	**$ 8,730,638**	**$ 899,129**	**$ 9,629,767**	**$ 8,789,279**

The accompanying Notes to the Basic Financial Statements are an integral part of these Basic Financial Statements.

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2020, with Comparative Totals for the Year Ended December 31, 2019 (Dollars in Thousands)

	Pension Plan & Non-OPEB	Postemployment Medical Benefits	Total 2020	Total 2019
ADDITIONS				
Contributions				
Member	$ 106,104	$ -	$ 106,104	$ 103,117
Employer	264,297	45,456	309,753	298,527
Total Contributions	**370,401**	**45,456**	**415,857**	**401,644**
Investment Income				
From Investment Activities:				
Net Appreciation (Depreciation) in Fair Value of Investments	989,949	-	989,949	1,307,647
Dividends, Interest, & Other Investment Income	77,034	-	77,034	99,209
Total Income (Loss) from Investment Activities	**1,066,983**	**-**	**1,066,983**	**1,406,856**
Total Investment Expenses	(50,246)	-	(50,246)	(49,756)
Net Income (Loss) from Investment Activities	**1,016,737**	**-**	**1,016,737**	**1,357,100**
From Securities Lending Activities:				
Securities Lending Income	1,182	-	1,182	5,756
Securities Lending Expenses				
Borrower Rebates	(434)	-	(434)	(4,391)
Management Fees	(150)	-	(150)	(273)
Total Securities Lending Activity Expenses	**(584)**	**-**	**(584)**	**(4,664)**
Net Income from Securities Lending Activities	**598**	**-**	**598**	**1,092**
Earnings Allocated to Non-OPEB	2,594	-	2,594	2,462
Earnings Allocated	(59,495)	56,901	(2,594)	(2,462)
Total Net Investment Income (Loss)	**960,434**	**56,901**	**1,017,335**	**1,358,192**
Miscellaneous Income	318	-	318	1,231
Transfer to Employers' Advance Reserve from SRBR for Employer Contributions to 401(h) Account	45,456	-	45,456	44,858
Transfer to Employers' Advance Reserve from SRBR for Implicit Subsidy	6,447	-	6,447	6,899
Transfer from Employers' Advance Reserve to SRBR for OPEB Related Administrative Expense	-	1,416	1,416	1,354
Total Additions	**$ 1,383,056**	**$ 103,773**	**$ 1,486,829**	**$ 1,814,178**

The accompanying Notes to the Basic Financial Statements are an integral part of these Basic Financial Statements.

Statement of Changes in Fiduciary Net Position (Continued)

For the Year Ended December 31, 2020, with Comparative Totals for the Year Ended December 31, 2019 (Dollars in Thousands)

	Pension Plan & Non-OPEB	Postemployment Medical Benefits	Total 2020	Total 2019
DEDUCTIONS				
Benefits				
Service Retirement and Disability Benefits	$ 517,162	$ -	$ 517,162	$ 489,453
Death Benefits	3,070	-	3,070	2,609
Burial Benefits - Non-OPEB	231	-	231	217
Supplemental Cost of Living Allowance - Non-OPEB	1,116	-	1,116	1,181
Post Employment Medical Benefits	-	46,021	46,021	43,562
Total Benefit Payments	**521,579**	**46,021**	**567,600**	**537,022**
Member Refunds	9,184	-	9,184	10,725
Administration				
Administrative Expenses	12,006	1,416	13,422	13,227
Legal Expenses	944	-	944	1,610
Technology Expenses	903	-	903	921
Actuarial Expenses	335	-	335	308
Business Continuity Expenses	622	-	622	562
Total Administration	**14,810**	**1,416**	**16,226**	**16,628**
Transfer from SRBR to Employers' Advance Reserve for Employer Contributions to 401(h) Account	-	45,456	45,456	44,858
Transfer from SRBR to Employers' Advance Reserve for Implicit Subsidy	-	6,447	6,447	6,899
Transfer to SRBR from Employers' Advance Reserve for OPEB Related Administrative Expense	1,416	-	1,416	1,354
Total Deductions	**546,989**	**99,340**	**646,329**	**617,486**
CHANGE IN NET POSITION	**836,067**	**4,433**	**840,500**	**1,196,692**
NET POSITION - JANUARY 1	**7,894,583**	**894,696**	**8,789,279**	**7,592,587**
Cumulative Effect of Accounting Change	**(12)**	**-**	**(12)**	**-**
Beginning Net Position as Restated	**7,894,571**	**894,696**	**8,789,267**	**7,592,587**
NET POSITION - DECEMBER 31	**$ 8,730,638**	**$ 899,129**	**$ 9,629,767**	**$ 8,789,279**

The accompanying Notes to the Basic Financial Statements are an integral part of these Basic Financial Statements.

Notes to the Basic Financial Statements

(an integral part of the Basic Financial Statements)

1. Summary of Significant Accounting Policies

Reporting Entity

ACERA is an independent, public employees' retirement system with its own governing board. ACERA's financial statements are included in the County of Alameda's financial statements as a pension and other employee benefit fiduciary trust fund.

Basis of Accounting

ACERA follows generally accepted accounting principles in the United States and reporting guidelines set forth by the Governmental Accounting Standards Board (GASB).

ACERA's (fiduciary trust fund) financial statements are prepared on the accrual basis of accounting. Employer and employee contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Security purchases and sales are recognized in the financial statements as of the trade date. Retirement benefits and member refunds are recognized as liabilities when due and payable in accordance with the terms of the plan. Other expenses are recognized when the corresponding liabilities are incurred.

Investments

Investments are reported at fair value. Fair value for investments of publicly traded stocks and bonds and issues of the U.S. Government and its agencies is based on the last reported sale price as of the fiscal year-end. Fair value of securities denominated in a foreign currency reflects exchange rates in effect at fiscal year-end. The fair value of ACERA's short-term investments held in external investment pools managed by the master custodian and securities lending agent is provided by the pool manager and is reported at net asset per share value for the pool. Fair value of investments in commingled funds of debt securities, equity securities, and real estate is based on the fund share price provided by the fund manager, which is based on net asset value. Fair value of investments in real estate separate properties is based on prices in a competitive market as determined by the investment manager relying on periodic appraisals and is reported net of the outstanding balance of associated mortgages. The fair value of private equity, private credit, absolute return, and real assets is based on ACERA's pro rata share and determined by the fund's general partner based on a variety of valuation methods including current market multiples for comparable companies, recent sales of comparable companies, net present value of expected cash flows, appraisals and adjustments to prevailing public market prices based on control and/or liquidity, as appropriate. All funds are audited annually by the funds' independent auditors.

Investment Income

Interest income is recognized as it accrues. Dividend income is recognized when the dividends are declared.

Realized and unrealized gains and losses on investments are combined and reported together as the net appreciation (depreciation) in the fair value of investments.

Securities Lending Activity

Securities lending transactions are short-term collateralized loans of ACERA's securities for the purpose of generating additional investment income. For each lending transaction, ACERA receives either cash collateral or non-cash collateral.

The underlying securities out on loan are reported on the Statement of Fiduciary Net Position as if the lending transaction had not occurred.

Cash collateral held (or any security that can be sold or pledged without a default by the borrower) is separately reported on the Statement of Fiduciary Net Position in current assets. A corresponding liability of an equal amount (the obligation to return the cash collateral) is reported as a liability.

Non-cash collateral held is not reported on the Statement of Fiduciary Net Position nor is there a corresponding liability reported on this statement.

Derivative Instruments

ACERA's investments include the following types of investment derivative instruments: futures, forwards, spot contracts, swaps and warrants. ACERA enters into derivative instrument contracts for investment purposes and to manage risks associated with its investment portfolio.

The fair value of exchange traded derivative instruments such as futures, swaps, spot contracts, and warrants are based on quoted market prices. The fair value of non-exchange traded derivative instruments such as forward contracts and certain futures contracts is determined by an external pricing service using various proprietary methods.

The fair value of derivative instrument contracts is reported in investments as assets or liabilities on the Statement of Fiduciary Net Position.

Collateral and Margin Account

For the equity index futures, there is an initial margin requirement to open a contract position as well as a collateral maintenance requirement that must be kept until the position is closed out.

ACERA reports the collateral for the equity index futures in short-term investments.

Capital Assets

Capital assets are carried at cost, net of accumulated depreciation or amortization. ACERA's capitalization threshold is an initial cost of $5,000 and two years of useful life. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the depreciable assets or over the term of the lease.

For each asset, ACERA recognizes one-half year of expense in the year the asset is placed in service and one-half year of expense in the year of retirement.

The estimated useful lives for the assets in each category are as follows:

	Years
Leasehold Improvements	27.5
Information System - Retirement	7.0
Office Furniture	7.0
Business Continuity Assets	5.0
Computer Hardware	5.0
Offsite Office Equipment	5.0
Electronic Document Management System	5.0
Information System - Accounting	3.0
Computer Software	3.0

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Naturally, actual results may differ from estimates.

Income Taxes

ACERA operates as a Defined Benefit Pension Plan, qualified under section 401(a) of the Internal Revenue Code and is not subject to tax under current income tax laws. All assets accumulated for the payment of benefits may legally be used to pay benefits, including refunds of member contributions to any of the plan members or beneficiaries, as defined by the terms of the plan.

New Accounting Pronouncements

ACERA's early implementation of the provisions of GASB Statement No. 87, *Leases*, was completed for the fiscal year ended December 31, 2020. The implementation of this Statement has changed ACERA's financial statements as follows: added new right-to-use asset category under capital assets and lease liability line item to the Statement of Fiduciary Net Position, additional note disclosures in Note 9, and a breakdown of lease expense in the Administration Expense table of the Supplemental Schedules section. These additions to the financial statements and related disclosures are expected to better meet the information needs of the financial statement users.

GASB Statement No. 92, *Omnibus 2020*, was issued in January 2020. This Statement addresses issues that were identified during implementation and application of certain GASB Statements and a variety of topics related to specific provisions. The implementation and applicability issues addressed in the Statement include those related to Statement Nos. 73, 74, 84, and 87. Items addressed under the specific provisions include correction to the terminology used to refer to derivative instruments. The provisions of this Statement were originally effective for reporting periods beginning after June 15, 2020. GASB Statement No, 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued in May 2020, postponed the effective date of Statement No. 92, by one year to reporting periods beginning after June 15, 2021. ACERA implemented the only applicable section of this Statement, which is terminology used to refer to derivative instruments for the fiscal year ended December 31, 2020.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued in March 2020. The objective of this Statement is to address the accounting and financial reporting implications that result from replacement of the IBOR (Inter Bank Offered Rate). The global reference to LIBOR (the London Inter Bank Offered Rate) will cease at the end of 2021. Statement No. 93, removes LIBOR as an appropriate benchmark interest rate and identifies a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates. The Statement also provides exceptions for hedge accounting termination provisions of Statement No, 53 and lease modification guidance in Statement No, 87, which will result from replacement of the reference rate. The provisions of Statement No. 93, were originally effective for reporting periods beginning after June 15, 2020, except for paragraphs 11b, 13, and 14, which are effective for the reporting periods ending after December 31, 2021. GASB Statement No, 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued in May 2020, postponed the effective date of Statement No. 93, by 1 year for reporting periods beginning after June 15, 2021. ACERA will implement the applicable provision of this Statement for the fiscal year ending December 31, 2022.

GASB Statement No. 94, *Public-Private and Public-Public Partnership and Availability Payment Agreements*, was issued in March 2020. The provisions of this Statement are effective for reporting periods beginning after June 15, 2022. This Statement will not impact ACERA.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020. This Statement provides guidance on accounting and financial reporting for subscription-based information technology arrangements (SBITAs). The guidance requires the recognition of a right-to-use subscription asset and a corresponding subscription liability for contracts that convey control of the right-to-use another party's information technology software alone or in conjunction with tangible capital assets for a specified time period in an exchange or exchange-like transaction. The requirements of this statement are similar to those of Statement No. 87, *Leases*. The provisions of this Statement are effective with fiscal years beginning after June 15, 2022. ACERA will implement the provisions of this Statement for the fiscal year ending December 31, 2023.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statement No. 14 and No. 84, and Supersession of GASB Statement No. 32*, was issued in June 2020. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, except for paragraphs 4 & 5, which are effective immediately. This Statement will not impact ACERA.

Prior Period Adjustment

ACERA implemented GASB Statement No. 87, *Leases*, effective January 1, 2020. As a result of the retroactive implementation requirement, the beginning balance of the fiduciary net position was adjusted by $12,000 for the cumulative effect of this accounting change. For additional information on leases, refer to Note 9 starting on page 55.

2. Plan Description

ACERA is an independent public employees' retirement system which operates a cost-sharing, multiple-employer, defined benefit pension plan serving participating employers. In addition, ACERA administers Other Postemployment Medical Benefits (OPEB) and Non-OPEB. ACERA began operations in its present form on January 1, 1948.

ACERA is governed by the California constitution, and state and federal laws, including but not limited to the 1937 Act, beginning at California Government Code Section 31450 et. seq., PEPRA and the bylaws and policies adopted by the Board of Retirement.

These laws and policies govern ACERA's plan structure and operation. The provisions of state and federal laws govern requirements concerning membership, governance, contributions, benefits, service, retirement eligibility, disability, cost-of-living adjustment, financial provisions, optional allowances, reciprocal benefits, administration expenses, etc.

ACERA is not affiliated with the California Public Employees' Retirement System (CalPERS).

ACERA meets member and beneficiary obligations through member contributions, participating employer contributions, and investment income. Contributions are prudently invested in accordance with the 1937 Act.

ACERA provides basic lifetime retirement, disability, and death benefits to members who meet the minimum age and length-of-service requirements. In addition, ACERA administers supplemental retiree postemployment medical, dental care, vision care, and cost-of-living adjustments programs. In this report, "basic" benefits refers to vested benefits provided for in accordance with the 1937 Act, whereas "supplemental" benefits refers to additional non-vested benefits paid at the discretion of the Board of Retirement and subject to available funds.

Board of Retirement

The Board of Retirement has sole and exclusive responsibility over plan assets and the administration of the retirement system to ensure prompt delivery of benefits and related services as provided in Article XVI of the California Constitution.

The Board of Retirement has nine members and two alternates. The Alameda County Board of Supervisors appoints four members, and four are elected by ACERA's membership. The County Treasurer serves as an ex-officio board member. One alternate member is elected by safety members and one alternate member is elected by retired members. The Board of Retirement is currently composed of the following members:

Board of Retirement

Type of Member	Elected / Appointed By	# Of Members
County Treasurer	Ex-Officio Member	1
County Resident	Appointed by Board of Supervisors	4
General Member	Elected by General Members	2
Safety Member	Elected by Safety Members	1
Retired Member	Elected by Retired Members	1
Alternate Retired Member	Elected by Retired Members	1
Alternate Safety Member	Elected by Safety Members	1

Board members, with the exception of the County Treasurer, serve a three-year term in office, with no term limits.

The Board of Retirement oversees the Chief Executive Officer in the performance of his duties in accordance with the law and ACERA's board policies.

Authority for Establishing and Amending Benefit Provisions

State and federal laws, as well as the California constitution, provide the authority for establishing ACERA's benefit provisions. In most cases, where the 1937 Act provides options concerning the allowance of credit for service, the offering of benefits, or the modification of benefit levels, the law generally requires approval of the employers' governing boards for the option to take effect.

Separately, in 1984, the Alameda County Board of Supervisors and the Board of Retirement approved the adoption of Article 5.5 of the 1937 Act. This adoption permitted the establishment of a Supplemental Retiree Benefits Reserve (SRBR) for ACERA.

Article 5.5 provides for the systematic funding of the SRBR and stipulates that its assets be used only for the benefit of retired members and their beneficiaries. The 1937 Act grants exclusive authority over the use of SRBR funds to the Board of Retirement. The SRBR provides funding for non-vested and non-pension benefits including supplemental COLA and retired member death benefit. Other non-vested retiree health benefits are provided in agreement with ACERA's participating employers through the use of Internal Revenue Code 401(h) accounts. These retiree health benefits include dental and vision care, Medicare Part B reimbursement, and the Monthly Medical Allowance (MMA). Employer contributions fund the 401(h) benefits. ACERA treats an equal amount of SRBR assets as employer contributions for pensions. The provision of all supplemental benefits is subject to annual review and authorization by the Board of Retirement.

Participating Employers

ACERA operates as a cost-sharing, multiple-employer, defined benefit plan for Alameda County (the "County"), and five other participating employers (which are special districts) located in the County, but not under the control of the County Board of Supervisors. In this report, the County and special districts are referred to as "participating employers". All risks and costs, including benefit costs, are shared by the participating employers.

The five other participating employers are:

- Superior Court of California for the County of Alameda
- Alameda Health System
- First 5 Alameda County
- Housing Authority of the County of Alameda
- Livermore Area Recreation and Park District

Alameda County Office of Education is no longer an active participating employer as the last active member under this employer retired on December 30, 2016. However, this employer still owes an unfunded actuarial accrued liability to ACERA as ACERA still pays retirement benefits to several of its retired members.

Plan Membership

With the exception of Alameda Health System, all full-time employees of participating employers who are appointed to permanent positions are statutorily required to become members of ACERA. With the passage of AB1008 in 2013, employees of newly acquired hospitals by Alameda Health System are not eligible for membership unless they are subject to an existing memorandum of understanding. Effective October 31, 2013, all newly hired unrepresented employees of any Alameda Health System facility are prohibited from membership.

Safety and General Members

ACERA has two membership types, Safety and General, which are based on job classifications:

- Safety members are employees working in active law enforcement, deferred firefighters, or positions that have been designated Safety positions by the Board of Retirement (e.g., Juvenile Hall Group Counselors and Probation Officers).
- General members are all other members.

Defined Benefit Pension Plan

ACERA's Membership

As of December 31, 2020

Members, Survivors, and Beneficiaries Now Receiving Benefits	
Service Retirement	8,071
Disability Retirement	971
Beneficiaries and Survivors	1,237
Subtotal	**10,279**
Active Members	
Active Vested Members	7,698
Active Non-vested Members	3,593
Subtotal	**11,291**
Deferred Members	2,910
Total Membership	**24,480**

Membership Status and Vesting

Members are considered to be active, as long as they remain employed full-time by a participating employer (or subsequently change to part-time employment).

Members become vested in retirement benefits upon completion of five years of credited service.

Service Retirement

ACERA's regular (service) retirement benefits are based on service credit, final average salary, and age at retirement, according to the applicable statutory formula. Members who qualify for service retirement are entitled to receive monthly service retirement benefits for life.

Non-Tier 4 vested General members may retire at age 50, with 5 years of service credit and a total of 10 years of qualifying membership, or at any age with 30 years of service, or at age 70, regardless of service credit.

Non-Tier 4 vested Safety members may retire at age 50, with 5 years of service credit and a total of 10 years of qualifying membership, or at any age, with 20 years of service, or at age 70, regardless of service credit.

Tier 4 General members may retire at age 52, with 5 years of service credit or at age 70, regardless of service credit.

Tier 4 Safety members may retire at age 50, with 5 years of service credit or at age 70, regardless of service credit.

Active Member Death Benefits

ACERA provides specified active member death benefits to beneficiaries and members' survivors.

The basic active member death benefit consists of a member's retirement contributions plus interest plus one month's pay for each full year of service (up to the maximum of six-month's pay). Other death benefits may be available based on years of service, marital status, and whether the member has minor children.

Tier 1, Tier 2, Tier 3, and Tier 4 Benefit Levels

The structure of the plan provides for four benefit levels or tiers within General membership and three tiers within Safety membership. The tiers differ mainly in the magnitude of contributions required and benefits received.

Generally, members with an entry date prior to July 1, 1983, belong to Tier 1, while those with an entry date on or after July 1, 1983, and before January 1, 2013, belong to Tier 2, and members with an entry date on or after January 1, 2013, belong to Tier 4.

Most active ACERA members belong to Tier 2. Alameda

County Housing Authority members are mostly in Tier 1, but those hired between September 30, 2011, and January 1, 2013, belong to Tier 2. Relative to the Tier 1 members, active members in Tier 2 contribute somewhat less to the pension plan as a percent of compensation and will receive somewhat lower retirement benefits.

Effective October 1, 2008, Livermore Area Recreation and Park District (LARPD) implemented a General Tier 3 plan for current and new employees. Those LARPD members hired before October 1, 2008, who elect General Tier 3 membership, and those hired after October 1, 2008, but before January 1, 2013, will receive an enhanced benefit of 2.5% at 55, which is higher than the Tier 1 benefit (at most retirement ages) as a result of higher employer and employee contribution rates.

Effective October 17, 2010, and before January 1, 2013, there are three benefit formula options for Safety membership within Tier 2. Two benefit formulas of 2% at 50 and 3% at 55 were implemented for new Safety members with different contribution rates. The Safety members hired before October 17, 2010, are still under the benefit formula of 3% at 50.

In accordance with PEPRA, General and Safety members hired on or after January 1, 2013, belong to Tier 4. Tier 4 members are required to contribute at least 50% of the Normal Cost rate. Under the Tier 4 formulas, General members will receive a benefit of 2.5% at age 67 and Safety members will receive a benefit of 2.7% at age 57. Note 3, Contributions, starting on page 30 explains retirement plan contribution rates.

Integration with Social Security

The contributions and benefits associated with the federal Social Security program are completely separate from ACERA members' contributions and benefits. Most General members of ACERA are covered by Social Security, and most Safety members are not.

ACERA contributions and benefits are integrated with Social Security for non-Tier 4 members who are covered by Social Security. The purpose of integration is to reduce the degree in which ACERA's plan coverage overlaps Social Security coverage.

Basic Cost of Living Adjustment

Retirement allowances are indexed for inflation. Retirees receive automatic basic Cost-of-Living Adjustments (COLAs) based upon the Consumer Price Index (CPI) for the San Francisco Bay Area. The adjustments go into effect on April 1 each year. Under the 1937 Act, annual COLA increases are capped at 3% for Tier 1 and Tier 3, and 2% for Tier 2 and Tier 4 members. The expected impact of future basic COLA is a factor in setting the contribution rates for members and employers. In any year that the basic COLA adjustment for a retiree falls short of the CPI increase for that year due to the statutory cap, the shortfall is carried over and applied in a future year to the extent that the CPI falls short of the statutory cap in the future year.

The CPI calculation for 2020 was 2.45% and was rounded to 2.50%, the nearest one-half percent, in accordance with California Government Code Section 31870 and 31870.1. There was a maximum of 3.0% COLA increase granted for all Tier 1 and Tier 3 members. A maximum COLA increase of 2.0% was granted to all Tier 2 and Tier 4 members. Tier 1 and Tier 3 members will bank 0.0% as the 2020 COLA does not exceed the 3.0% statutory cap. Tier 2 and Tier 4 members will bank 0.5% as the 2020 COLA exceeds the 2% statutory cap.

Postemployment Medical Benefits

ACERA administers a medical benefits program for eligible retired members. Benefits include monthly medical allowances and Medicare Part B premium reimbursements. Dental and vision coverages are also available for eligible retired members. These benefits are paid through a 401(h) account, in accordance with federal tax laws. The maximum levels of the monthly medical allowances are reviewed annually by the Board of Retirement.

Program Membership

Retired members with a minimum of ten years of service credit or those who retired due to a service connected disability are eligible to receive a monthly medical allowance benefit if they enroll in one of the ACERA-sponsored medical plans or Medicare exchange. Retired members eligible for the monthly medical allowance benefit may also be reimbursed for the lowest standard Medicare Part B premium with proof of enrollment in Medicare Part B.

Members receiving a service retirement or a non-service connected disability, with ten or more years of ACERA service credit will be eligible to receive dental and vision allowances. The following are exemptions of the years-of-service eligibility requirements: (a) non-service connected disability recipients with less than ten years of ACERA service credit and with a retirement date effective prior to February 1, 2014; and, (b) all service connected disability recipients, regardless of years of service.

Non-OPEB

ACERA also provides non-health, postemployment benefits, such as supplemental COLA and a lump sum retired member death benefit.

Separate from the basic COLA, the Board of Retirement implemented an ad-hoc supplemental Cost-of-Living Adjustment (supplemental COLA) program effective January 1, 1998. The supplemental COLA is structured to maintain each retiree's purchasing power at no less than 85% of the purchasing power of the original benefit. Under this program, each retiree's current allowance is adjusted, as necessary, so that the adjusted allowance becomes at least 85% of the original benefit amount indexed with the CPI.

A lump sum retired member death benefit of $1,000 is provided to beneficiaries.

Program Membership

All retired members are eligible to receive supplemental COLA and a retired member death benefit.

Actuarial Valuation

An annual actuarial funding valuation is performed for the pension plan. In addition, there is a separate annual actuarial valuation performed for Postemployment Medical Benefits and Non-OPEB. Note 6, Actuarial Valuation, starting on page 36 provides additional information about this topic.

3. Contributions

Pension Plan

Authority for Establishing and Amending Obligations to Make Contributions

The California constitution, as well as state and federal laws, establishes the basic obligations for participating employers and active members to make contribution payments to the pension plan. Member and employer contribution rates are based on recommendations made by an independent actuary and adopted by the Board of Retirement. These rates are based on membership type (General and Safety) and tier (Tiers 1, 2, 3, and 4).

Funding Objective

One of the funding objectives of the pension plan is to establish member and participating employer contribution rates that will remain as level as possible over time as a percentage of payroll, unless plan benefit provisions are changed. The funding for retirement benefits arises from three sources: member contributions, employer contributions, and the earnings on invested assets.

Member Contributions and Refunds

Active members are required by statute to contribute toward pension plan benefits. The non-Tier 4 member contribution rates are formulated on the basis of age at the date of entry and actuarially calculated benefits. The 1937 Act authorizes participating employers to pay all or a portion of an employee's retirement contribution obligation on the employee's behalf. These employer payments are called contribution offsets. Member contributions and credited interest are refundable upon termination of membership. Note 4, Reserves, starting on page 32 explains semi-annual interest crediting. The employer-paid contribution offsets may or may not be refundable.

Pursuant to PEPRA Section 7522.30, Tier 4 members are required to contribute 50% of the normal cost rate. The code also prohibits participating employers from paying any portion of the 50% share of member contributions on the employee's behalf.

Employer Contributions

The pension plan provides lifetime retirement and disability benefits to its members. Participating employers are required by statute to contribute the necessary amounts to fund these estimated benefits not otherwise funded by member contributions or expected investment earnings.

Employer contribution rates vary from year to year and depend on the established level of benefits, the rate of return on investments, and the cost of administering benefits.

Member Rates Based on Age-at-Date-of-Entry

The ranges of current non-Tier 4 member contribution rates based on age-at-date-of-entry are shown as follows (effective September 2020). Generally, each pair of percentages ranges from youngest to oldest within each category. In November 2012, the Board of Retirement approved the use of a single, flat contribution rate, regardless of the age at entry for Tier 4 members.

Current Member Contribution Rates

Effective September 2020

Tier 1: (entry date prior to July 1, 1983)	
General	7.83% - 16.20%
Safety 3% @ 50	15.65% - 23.73%
Tier 2: (entry date July 1, 1983, and before January 1, 2013)	
General	5.41% - 11.42%
Safety 3% @ 50	13.47% - 19.81%
Tier 2: (entry date October 17, 2010, and before January 1, 2013)	
Safety 2% @ 50	9.98% - 16.02%
Safety 3% @ 55 (with less than 5 years of vesting service)	15.34% - 21.61%
Safety 3% @ 55 (with 5 or more years of vesting service)	13.34% - 19.61%
Tier 3: (LARPD only - entry date prior to January 1, 2013)	
General	9.43% - 17.71%
Tier 4: (entry date January 1, 2013 or later)	
General	8.85%
Safety	15.42%

For non-Tier 4 members covered by Social Security, the contribution rates shown apply to biweekly salary over $161 (a one-third reduction in the rates applies to the first $161 of biweekly salary). The one-third reduction in the rates for the first $161 of biweekly salary does not apply to Tier 4 member contributions.

Postemployment Medical Benefits and Contributions

In accordance with federal tax law, postemployment medical benefits and related administrative expenses are paid through a 401(h) account with contributions from the participating employers. There is no requirement and no guarantee that the employers will continue to contribute to the 401(h) account. If authorized by the Board of Retirement, ACERA treats an equal amount of SRBR assets as employer contributions available for paying pension benefits. ACERA's Board of Retirement has no authority to demand future payments from participating employers to fund the 401(h) account. Consequently, these benefits can only be paid as long as assets are available. When assets are fully depleted, no postemployment medical benefits will be paid by ACERA. In compliance with 1937 Act Section 31618.5, employers allocate a portion of their contribution to the 401(h) account for administrative costs related to providing benefits in addition to contributions for the postemployment medical benefits.

Pension Obligation Bonds

In 1995 and 1996, Alameda County issued pension obligation bonds and contributed the net bond proceeds to the ACERA pension plan. ACERA received aggregate net proceeds of $591 million from these bonds. Alameda Health System, First 5 Alameda County, and the Superior Court of California for the County of Alameda were part of the County of Alameda when the pension obligation bonds were issued. They subsequently separated and became discretely presented component units or special districts of the County of Alameda. The net bond proceeds contributions allow ACERA to provide "pension obligation bond credits" to these employers (thus reducing contributions otherwise payable) over the period of time used by ACERA to amortize its Unfunded Actuarial

Accrued Liability (UAAL). These employers received pension obligation bond credits of approximately $58.2 million in the year ended December 31, 2020.

4. Reserves

Reserves represent components of the fiduciary net position. The annual change in ACERA's reserves equals the annual change in the fiduciary net position.

While a member is active, member and employer contributions associated with that member are accumulated in two separate components of reserves—the member reserve and employers' advance reserve. When a member retires, ACERA makes a one-time transfer of the associated contributions plus credited interest from these two reserve components into the retired member reserve, of an amount equal to the estimated lifetime benefits.

Actuarial Asset Smoothing

Net investment income reported on the Statement of Changes in Fiduciary Net Position affects the reserves indirectly through an actuarial asset "smoothing" process approved by the Board of Retirement. This process is intended to minimize the impact of short-term investment gains or losses. Smoothing of asset gains or losses is conducted semi-annually in conjunction with interest crediting, with calculation periods ending June 30 and December 31. It involves spreading the difference between actual and expected market returns over ten successive semi-annual periods to determine the actuarial value of assets.

Semi-annual Interest Crediting

ACERA updates reserve balances on a semi-annual basis as of June 30 and December 31 each year. At these times, ACERA carries out a multi-step process to calculate new reserve balances as specified in Article 5.5 of the 1937 Act. The amount of "net earnings" to be credited for the semi-annual period is calculated based on the actuarial smoothing process described earlier. To the extent that net earnings are available, interest is credited to all components of the reserves, with the exception of the market stabilization reserve and the contingency reserve. Interest credited is based upon the actuarial assumed interest rate (or the actual rate if lower). This is defined as "Regular Earnings."

In June 2014, the Board of Retirement approved the use of the contingency reserve to fund the interest shortfall, whenever the Regular Earnings during the 6-month interest crediting period are less than the assumed rate of return, but not negative.

If there are investment earnings above the target investment return rate, 50% is credited to the SRBR and the remaining 50% is credited proportionally to all other reserves (except for the contingency reserve and the market stabilization reserve).

Components of Reserves

The Member Reserve represents the total accumulated member contributions of current active and inactive (deferred) members. Additions include member contributions and credited interest; and deductions include refunds of member contributions along with credited interest and transfers to the retired member reserve made when a member retires.

The Employers' Advance Reserve represents the total net accumulated employer contributions for future retirement payments to active and deferred members. Additions include contributions from the employers and credited interest; and deductions include transfers to the retired member reserve made when each member retires or payment of benefits upon the death of an active member. Employer contribution rates are actuarially determined taking into account other events such as a member electing a refund of contributions. Therefore, a refund of member contributions should not have an adverse impact on the accumulation of funds in the employers' advance reserve.

According to Section 31618.5 of the 1937 Act, to the extent that an employer contributes to the 401(h) account to pay the cost of administering postemployment medical benefits, there is an annual transfer from the employers' advance reserve to the supplemental retiree benefits reserve for an amount equal to the postemployment medical benefit related administrative expenses. For the year ended December 31, 2020, the transferred amount was $1.4 million.

The Retired Member Reserve represents funds accumulated to pay retirement benefits to retired members. This reserve represents the total net accumulated transfers from the member reserve and the employers' advance reserve (both made at the time a member retires), and credited interest, reduced by payments to retired members, beneficiaries, and survivors.

The Supplemental Retiree Benefits Reserve (SRBR) was established on January 1, 1985, under Article 5.5 of the 1937 Act. The SRBR represents funds required by statute to be set aside from regular earnings and investment earnings above the assumed rate of return to provide supplemental benefits to retirees. The reserves table on page 34 shows the amounts of the SRBR currently available to pay for non-vested benefits. The Board of Retirement decides on an annual basis what member benefits to pay from the SRBR.

When there are funds available in the SRBR, the Board of Retirement can approve a transfer of an amount equal to the participating employers' 401(h) contributions and 401(h) administrative cost contributions from the SRBR to the employers' advance reserve. The Board of Retirement may also approve a transfer from the SRBR to the employers' advance reserve to reimburse the employers' payment of implicit subsidy to pay the full cost of postemployment medical benefits. Non-vested benefits currently funded by the SRBR are described in the following two paragraphs.

The 401(h) Postemployment Medical Benefits Account is used to pay the medical allowances, Medicare Part B reimbursement, dental and vision, and the associated administrative cost. The account is set up under the provisions of Internal Revenue Code section 401(h), which provides for payment of benefits on a tax-free basis. Each year participating employers decide whether to contribute the needed funds and to identify them as 401(h) account contributions. For the year ended December 31, 2020, the employers funded $45.5 million of 401(h) contributions, including $44.1 million for estimated cost of postemployment medical benefits and $1.4 million for administrative cost of the 401(h) account.

The Non-OPEB Reserve is used to pay for the Supplemental COLA and the retired member death benefit. For the year ended December 31, 2020, $1.1 million of Supplemental COLA and $0.2 million of retired member death benefits were paid. The reserve is increased through interest crediting of regular earnings and investment earnings above the assumed rate of return.

The Contingency Reserve represents reserves accumulated to satisfy the statutory requirement of establishing a reserve against deficiencies in future interest crediting. The size of the reserve is determined semi-annually by the Board of Retirement. The 1937 Act stipulates that the contingency reserve cannot exceed 3.0% of total assets and that, if the reserve falls below 1.0% of total assets, earnings from subsequent periods shall fund the reserve until the reserve level is at least 1.0% of total assets. Effective with the June 30, 2014, interest crediting cycle, the Board of Retirement set the contingency reserve to be a minimum of 1.0% of total assets, and authorized the use of funds in the contingency reserve to cover interest shortfalls whenever earnings during the 6-month interest crediting period are less than the assumed rate of return, but not negative.

The Market Stabilization Reserve Account represents the deferred balance of investment gains or losses not yet realized in the interest crediting process. This balance arises from the five-year actuarial smoothing process for investment earnings. The market stabilization reserve account balance thus represents the difference between (1) the aggregate amounts initially deferred (smoothed) from the ten most recent semi-annual periods, and (2) the amounts subsequently recognized for semi-annual interest crediting from these same ten periods.

Allocation of Earnings to Reserves for 2020

ACERA had $1.0 billion gains from investment activities net of administrative expenses for the year ended December 31, 2020. The Contingency Reserve was adjusted to 1% of total assets and subsequently reduced to $0.0 at June 30, 2020 and $69.0 million at December 31, 2020 to fund the interest crediting shortfalls for both six-month interest crediting periods.. The reduction left the Contingency Reserve at 0.7% of total assets at the end of 2020.

The market stabilization reserve account increased by $382.6 million during 2020 as a result of applying the actuarial five-year smoothing process and the actuarial value corridor limits. All other reserve accounts (excluding the contingency and market stabilization reserves) received interest crediting of approximately $549.8 million.

Reserves

As of December 31, 2020 (Dollars in Thousands)

	Pension and Non-OPEB	Postemployment Medical Benefits	Total
Member Reserve	$ 1,640,497	$ -	$ 1,640,497
Employers' Advance Reserve	1,290,880	-	1,290,880
Retired Member Reserve	5,045,314	-	5,045,314
SRBR	41,677	890,077	931,754
401(h) Account	-	9,052	9,052
Contingency Reserve	68,984	-	68,984
Market Stabilization Reserve Account	643,286	-	643,286
Total Reserves	**$ 8,730,638**	**$ 899,129**	**$ 9,629,767**

5. Net Pension Liability

The components of the Net Pension Liability were as follows:

Net Pension Liability

(Dollars in Thousands)

	December 31, 2020	December 31, 2019
Total Pension Liability	$ 10,639,300	$ 9,959,792
Plan's Fiduciary Net Position[1]	8,444,884	7,819,099
Net Pension Liability	**$ 2,194,416**	**$ 2,140,693**
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	79.37%	78.51%

1 *For 2020, the Plan's Fiduciary Net Position amount shown ($8,444,884) includes the net fair value of assets ($9,629,767) less OPEB-related SRBR assets ($1,184,883). The OPEB-related SRBR assets include $882,528 in the SRBR-OPEB reserve (after reducing the reserve by the $7,549 SRBR implicit subsidy transfer), and $9,052 in the 401(h) reserve, plus a proportionate share of one half of the deferred market gains (after adjustment to replenish the balance in the Contingency Reserve) commensurate with the size of the OPEB to total SRBR and 401(h) reserve to valuation and 401(h) reserves ($293,303). For 2019, the Plan's Fiduciary Net Position amount shown ($7,819,099) includes the net fair value of assets ($8,789,279), less OPEB-related SRBR assets ($970,180). The OPEB-related SRBR assets include $877,769 in the SRBR-OPEB reserve (after reducing the reserve by the $6,511 SRBR implicit subsidy transfer), and $10,416 in the 401(h) reserve, plus a proportionate share of one half of the deferred market gains (after adjustment to replenish the balance in the Contingency Reserve) commensurate with the size of the OPEB to total SRBR and 401(h) reserve to valuation and 401(h) reserve ($81,995).*

The Net Pension Liability (NPL) for the plan was measured as of December 31, 2020 and 2019. The Plan's Fiduciary Net Position was valued as of the measurement dates and the Total Pension Liability was determined based upon rolling forward the Total Pension Liability (TPL) from actuarial valuations as of December 31, 2019 and 2018, respectively.

The Total Pension Liability and the Plan's Fiduciary Net Position include liabilities and assets for non-OPEB. The assets for non-OPEB are held in the SRBR to pay non-vested Supplemental COLA and the retired member death benefit.

Actuarial Assumptions

The Total Pension Liabilities (TPL) as of December 31, 2020, and December 31, 2019, were determined using actuarial valuations as of December 31, 2019, and December 31, 2018, respectively.

The actuarial assumptions used to develop the December 31, 2020, TPL are based on the results of an experience study for the period December 1, 2016 through November 30, 2019, applied to all periods included in the measurement. They are the same assumptions used in the December 31, 2020 funding valuation for ACERA. The December 31, 2019, TPL was based on the results of an experience study for the period December 1, 2013 through November 30, 2016, applied to all periods in the measurement. They are the same assumptions used in the December 31, 2019, funding valuation for ACERA.

Key Assumptions Used in the Measurement

Valuation Date	December 31, 2020	December 31, 2019
Inflation	2.75%	3.00%
Salary Increases	General: 8.35% to 3.65% and Safety: 11.25% to 4.05%, vary by service, including inflation	General: 8.30% to 3.90% and Safety: 11.30% to 4.30%, vary by service, including inflation
Investment Rate of Return	7.00% , net of pension plan investment expense, including inflation	7.25% , net of pension plan investment expense, including inflation
Other Assumptions Based on Actuarial Experience Study of	December 1, 2016 through November 30, 2019	December 1, 2013 through November 30, 2016

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments[1] was determined in 2020 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the December 31, 2020 actuarial valuation. This information will be subject to change every three years based on the results of an actuarial experience study.

Target Asset Allocation and Projected Arithmetic Real Rate of Return

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Domestic Large Cap Equity	22.40%	5.43%
Domestic Small Cap Equity	2.50%	6.21%
International Developed Equity	17.00%	6.67%
International Small Cap Equity	3.00%	7.36%
Emerging Markets Equity	5.00%	8.58%
Core Plus Fixed Income	11.50%	1.10%
High Yield Bonds	1.60%	2.91%
Global Fixed Income	3.00%	-0.63%
Private Equity	10.50%	10.00%
Core Real Estate	8.00%	4.58%
Commodities	0.75%	3.46%
Infrastructure	1.75%	7.80%
Private Credit	4.00%	8.50%
Absolute Return	9.00%	3.70%
Total	**100.00%**	**5.56%**

1 Note that the investment return assumption for funding purposes was developed net of both investment and administrative expenses; however, the same investment return assumption was used for financial reporting purposes, and it was considered gross of administrative expenses for financial reporting purposes. (This resulted in an increase in the margin for adverse deviation when using that investment return assumption for financial reporting.)

Discount Rate

The discount rate used to measure the Total Pension Liability (TPL) was 7.00% as of December 31, 2020, and 7.25% as of December 31, 2019. Article 5.5 of the Statute, which authorizes the allocation of 50% of excess earnings to the SRBR, does not allow for the use of a different investment return assumption for funding than is used for interest crediting. In order to reflect the provisions of Article 5.5, future allocations to the SRBR have been treated as an additional outflow against the Plan's Fiduciary Net Position in the GASB crossover test[1]. It is estimated that the additional outflow would average approximately 0.65% of assets over time, based on the results of the actuarial stochastic modeling of the 50% allocation of future excess earnings to the SRBR.

The projection of cash flows used to determine the discount rate assumes plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially determined contribution rates[2] plus additional future contributions that would follow from the future allocation of excess earnings to the SRBR. Projected employer contributions that are intended to fund the service costs for the future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of both December 31, 2020, and December 31, 2019.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability as of December 31, 2020, calculated using the discount rate of 7.00%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

As of December 31, 2020 (Dollars in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Net Pension Liability	$ 3,575,601	$ 2,194,416	$ 1,056,556

Money-Weighted Rate of Return

The annual money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. For the year ended December 31, 2020, the annual money-weighted rate of return on the total investments (pension plan and OPEB) was 11.70%. For trend information, refer to the Schedule of Investment Returns under the RSI section on page 59.

6. Actuarial Valuation

ACERA retains an independent actuarial firm to conduct actuarial valuations of the pension plan, postemployment medical benefits, and non-OPEB to monitor ACERA's funding status and to establish the contribution rate requirements for the pension plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and

1 The purpose of the GASB crossover test is to determine if the full expected return (or 7.00% in this case) can be used as the discount rate to determine the TPL and the NPL. That is, if there is no crossover point where the projected benefit payments would exceed the Plan's Fiduciary Net Position, then the full expected return assumption can be used. ACERA does pass the crossover test, which means that the full 7.00% investment rate of return assumption can be used as the discount rate to determine the TPL and the resulting NPL.

2 For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and health care cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Pension Plan

The purpose of the valuation is to reassess the magnitude of ACERA's benefit commitments in comparison with the assets currently available to support those commitments. As a result, employer and member contribution rates are adjusted accordingly. For the pension plan, the actuarial assumptions have been selected to estimate, as closely as possible, what the actual cost of the plan will be so as to permit an orderly method for setting aside contributions in the present to provide benefits in the future, and to maintain equity among generations of participants and taxpayers.

Contribution requirements are determined under the entry age cost method. This method is designed to collect contributions as a level percentage of pay. Any actuarial gains or losses that occur under this method are amortized as a level percentage of pay. To minimize the impact of short-term investment gains or losses, the Board of Retirement adopted an asset smoothing process described starting on page 32 under Actuarial Asset Smoothing.

There are no legal or contractual maximum contribution rates under the 1937 Act that would affect the projection of benefits for financial reporting purposes.

ACTUARIAL METHODS AND ASSUMPTIONS - Pension Plan

The status and funding progress for the pension plan is calculated based on the following actuarial methods and assumptions.

Valuation Date	12/31/2019
Actuarial Cost Method	Entry Age
Amortization Method	Level percent of compensation
Amortization of UAAL (Prior to January 1, 2012)	Closed 30 years decreasing period
Remaining Amortization Period (Prior to January 1, 2012)	13 years
Amortization of New UAAL (On or after January 1, 2012)	Plan amendments are amortized over separate decreasing 15-year periods. Early retirement incentive programs (ERIPs) are amortized over separate decreasing 5-year periods. Assumption and method changes are amortized over separate decreasing 20-year periods. Experience gains/losses are amortized over separate decreasing 20-year periods.
Asset Valuation Method	Actuarial Value of Assets is determined by phasing in any difference between actual and expected market return semi-annually over a five-year period.
Valuation Value of Assets	The Actuarial Value of Assets reduced by the value of the non-valuation reserves.
Actuarial Assumptions	Interest Rate: 7.25% Inflation Rate: 3.00% Across-the-Board Salary Increases: 0.50% Salary Increases: General 8.30% - 3.90% and Safety 11.30% - 4.30% Demographic: refer to page 108
Postemployment Benefit Increases	3.00% of Tier 1 and Tier 3 retirement income 2.00% of Tier 2 and Tier 4 retirement income

Postemployment Medical Benefits

If participating employers continue to make contributions to the 401(h) account, and the Board of Retirement continues to treat equal amounts of SRBR assets as contributions for pensions, then the postemployment medical benefits are 82.7% funded assuming that the current benefit continues in perpetuity.

Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility.

Under the actuarial assumed rate of 7.25% per year for future investment earnings, it is anticipated that available assets will be sufficient to fund postemployment medical benefits through year 2040.

ACTUARIAL METHODS AND ASSUMPTIONS - Postemployment Medical Benefits

The status and funding progress for the postemployment medical benefits is calculated based on the following actuarial methods and assumptions.

Valuation Date	12/31/2019
Actuarial Cost Method	Entry Age
Asset Valuation Method	Same as Pension Plan
Actuarial Assumptions	Same as Pension Plan
Health Care Cost Trend Rates:	
Non-Medicare Plan	Graded down from 6.75%[1] by 0.25% each year until it reaches 4.50%
Medicare Advantage Plan	Graded down from 6.25%[1] by 0.25% each year until it reaches 4.50%
Dental and Vision	4.00%
Medicare Part B	4.50%
Postemployment Benefit Increases:	
Dental, Vision, and Medicare Part B	Subsidies are assumed to increase at 100% of the health care cost trend rates for these benefits.
Monthly Medical Allowance (MMA)	Subsidies are assumed to increase at 50% of the health care cost trend rates for MMA benefits or 3.00% from calendar year 2021 to 2022, graded down to the ultimate rate of 2.25% over 6 years.

1 Before adjusting the first-year rate by 1.20% for non-Medicare trend and 0.90% for Medicare trend to reflect the repeal of the Health Insurance Tax (HIT). The adjusted starting rates are 5.55% for non-Medicare trend and 5.35% for Medicare trend.

Non-OPEB

Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility.

Under the actuarial assumed rate of 7.25% per year for future investment earnings, it is anticipated that available assets will be sufficient to fund the Supplemental COLA and retired member death benefit program through year 2037.

ACTUARIAL METHODS AND ASSUMPTIONS - Non-OPEB

The status and funding progress for the Non-OPEB is calculated based on the following actuarial methods and assumptions.

Valuation Date	12/31/2019
Actuarial Cost Method	Entry Age
Asset Valuation Method	Same as Pension Plan
Actuarial Assumptions	Same as Pension Plan
Postemployment Benefit Increases:	
Supplemental COLA Benefits	Payable when the current allowance from the pension plan drops below 85% of the original pension plan benefit indexed with CPI. Benefits are assumed to increase by the difference between inflation and the cost-of-living benefit guaranteed in the pension plan (3.00% for Tier 1 and Tier 3; and 2.00% for Tier 2, Tier 2C, Tier 2D, and Tier 4), subject to other limitations.

7. Postemployment Medical Benefits and Net OPEB Liability

Plan Description

ACERA administers a non-vested medical benefits program for eligible retired members. Retirees can also purchase medical benefits for eligible dependents on an out-of-pocket basis. The postemployment medical, dental and vision benefits and the related administrative costs are paid through a 401(h) account funded by the participating employers' 401(h) account contributions.

The plan provides the following postemployment benefits:

- Health care subsidy in the form of monthly medical allowance,
- Medicare Part B reimbursement, and
- Dental and vision subsidies.

These benefits are paid in the form of a monthly medical allowance. The allowance is subject to annual reauthorization by the Board of Retirement.

Plan Membership

As of December 31, 2020

Retired members receiving medical benefits	6,664
Retired members receiving dental and vision benefits	7,906
Vested terminated members entitled to, but not receiving benefits	451
Active members	11,322

Benefits Provided

The County negotiates the medical contracts with the providers covering both active and retired members. This arrangement results in "blended" medical premium rates that allow early retirees under 65 years of age, not yet Medicare-eligible, to purchase medical insurance from one of these providers at rates lower than otherwise available (an "implicit subsidy"). ACERA and the County collectively determined that the total amount of implicit subsidy for the blended medical premium rate for the year 2019 was $6.4 million. SRBR assets in this amount were treated as a pension contribution in 2020 upon the Board of Retirement's approval to compensate the County for the implicit subsidy. The estimated implicit subsidy amount for 2020 is $7.5 million. Outside of the County negotiated group plans, retirees over the age of 65 have the option to purchase individual Medicare insurance through a Medicare exchange. ACERA utilizes Health Reimbursement Accounts (HRAs) to facilitate the monthly medical allowance for these members.

Benefit Eligibility

Only ACERA's retirees are eligible to receive the medical, dental and vision subsidies; dependents are ineligible to receive these benefits. Retirees eligible for monthly medical allowance are also eligible for reimbursement of Medicare Part B premiums. The 2020 maximum monthly allowance for group plans was $578.65 and $443.28 for members enrolled in the individual plans through the Medicare exchange. The maximum monthly combined dental and vision subsidy was $46.28 in 2020.

The actual amount of the monthly medical allowance for each retiree depends on the retiree's number of years of service. A minimum of 10 years of service is required for service retirement and non-duty disability retirement. There is no minimum service requirement for duty disability retirees. The subsidies are 50% for retirees with 10-14 years of service, 75% for retirees with 15-19 years of service, and 100% for retirees with 20+ years of service.

Covered Retirees

Retirees currently enrolled in the medical, dental, and vision plans through the program are as follows:

As of December 31, 2020

Number of Subsidized Retirees	
Medical	5,170
Medicare Exchange	1,623
Medicare Part B	5,654
Dental and Vision	8,020

Contributions and Reserves

There are no legal or contractual contribution requirements for the OPEB plan. Please refer to Note 3 starting on page 30 for details.

Reserve requirements of the SRBR are disclosed under Note 4 starting on page 32.

Investments

ACERA's OPEB plan is unique in that there are no direct contributions to invest for this plan. Funding for the OPEB plan relies entirely on semi-annual earnings allocations from the total fund to the Supplemental Retiree Benefits Reserve (SRBR) as mandated by Article 5.5 of the 1937 Act. ACERA's total fund includes assets of the pension plan and SRBR. The OPEB assets are accumulated in the 401(h) account and the SRBR OPEB reserve account. Therefore, references to investment target allocations, long-term expected rate of return, and discount rate all apply to the total fund.

The total fund's annual money-weighted rate of return on investments, net of investment expenses is reported on page 59 of the RSI.

Net OPEB Liability

The components of the Net OPEB Liability were as follows:

(Dollars in Thousands)

	December 31, 2020	December 31, 2019
Total OPEB Liability	$ 1,191,571	$ 1,083,114
Plan's Fiduciary Net Position[1]	1,184,883	970,180
Net OPEB Liability	**$ 6,688**	**$ 112,934**
Plan's Fiduciary Net Position as a Percentage of the Total OPEB Liability	99.44%	89.57%

1 *For 2020, the Plan's Fiduciary Net Position shown ($1,184,883) includes the OPEB-related SRBR reserve of $882,528 (after reducing the reserve by the SRBR implicit subsidy transfer of $7,549) and 401(h) reserve ($9,052), plus the proportionate share of one-half of the net deferred investment gain that is commensurate with the size of the OPEB SRBR reserve to total SRBR and 401(h) reserve to valuation and 401(h) reserve ($293,303), after adjusting the Contingency Reserve from $69.0 million to $98.7 million (1% of total assets). For 2019, the Plan's Fiduciary Net Position shown ($970,180) includes the OPEB-related SRBR reserve of $877,769 (after reducing the reserve by the SRBR implicit subsidy transfer of $6,511) and 401(h) reserve ($10,416), plus the proportionate share of one-half of the net deferred investment gain that is commensurate with the size of the OPEB SRBR reserve to total SRBR and 401(h) reserve to valuation and 401(h) reserve ($81,995), after first replenishing the Contingency Reserve from $0 to $89.4 million (1% of total assets). Note that amounts may not total properly due to rounding.*

The Net OPEB Liability was measured as of December 31, 2020 and 2019. The Plan's Fiduciary Net Position was valued as of the measurement date, while the Total OPEB Liability was determined by rolling forward the Total OPEB Liability as of December 31, 2019 and 2018, respectively.

Plan Provisions

The plan provisions used in the measurement of the Net OPEB Liability as of December 31, 2020 and 2019 are the same as those used for the SRBR sufficiency valuation as of December 31, 2019 and 2018, respectively.

Actuarial Assumptions

The actuarial assumptions used for the December 31, 2020 valuation were based on the results of the experience study for the period from December 1, 2016 through November 30, 2019 that were approved by the Board effective with the December 31, 2020 valuation and the health care trend assumptions recommended for the sufficiency study for the SRBR as of December 31, 2020. The assumptions used in the December 31, 2020 SRBR OPEB actuarial valuation for ACERA were applied to all periods included in the measurement. The actuarial assumptions used for the December 31, 2019 valuation were based on the results of the experience study for the period from December 1, 2013 through November 30, 2016 that were approved by the Board effective with the December 31, 2017, valuation and the health care trend assumptions recommended for the sufficiency study for the SRBR as of December 31, 2019. The assumptions used in the December 31, 2019, SRBR OPEB actuarial valuation for ACERA were applied to all periods included in the measurement.

Key Assumptions Used in the Measurement

Valuation Date	December 31, 2020	December 31, 2019
Investment Rate of Return	7.00% , net of OPEB investment expense, including inflation	7.25%, net of OPEB investment expense, including inflation
Inflation	2.75%	3.00%
Health Care Premium Trend Rates[1]		
Non-Medicare medical plan	Graded from 6.75% to ultimate 4.50% over 9 years	Graded from 6.75% to ultimate 4.50% over 9 years
Medicare medical plan	Graded from 6.25% to ultimate 4.50% over 7 years	Graded from 6.25% to ultimate 4.50% over 7 years
Dental	0.00% for the first two years to reflect a three-year rate guarantee (premiums fixed at 2021 level for 2022 and 2023) and 4.00% thereafter.	4.00%
Vision	0.00% for the first four years to reflect a five-year rate guarantee (premiums fixed at 2021 level for 2022, 2023, 2024 and 2025) and 4.00% thereafter.	4.00%
Medicare Part-B[2]	4.50%	4.50%
Other Assumption Based on Actuarial Experience Study	December 1, 2016 through November 30, 2019	December 1, 2013 through November 30, 2016

1 The trend rates shown above for 2020 as of the December 31, 2019 measurement do not include a one-time reduction of 1.20% to the first year non-Medicare trend of 6.75% and 0.90% to the first year Medicare trend of 6.25% to reflect the recent repeal of the Health Insurance Tax (HIT) taking effect in 2021.

2 The actual calendar year 2020 trend of 2.70% reflecting the standard 2021 calendar year premium of $148.50 per month, consistent with actuary's Medicare Part B memo dated November 12, 2020 was reflected in the current year GASB 74 valuation with December 31, 2020 measurement date.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments[1] was determined in 2020 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the December 31, 2020 actuarial valuation. This information will be subject to change every three years based on the results of an actuarial experience study.

1 Note that the investment return assumption for SRBR sufficiency (and pension funding) purposes was developed net of both investment and administrative expenses; however, the same investment return assumption was used for financial reporting purposes, and it was considered gross of administrative expenses for financial reporting purposes. (This resulted in an increase in the margin for adverse deviation when using that investment return assumption for financial reporting.)

Target Asset Allocation and Projected Arithmetic Real Rate of Return

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Domestic Large Cap Equity	22.40%	5.43%
Domestic Small Cap Equity	2.50%	6.21%
International Developed Equity	17.00%	6.67%
International Small Cap Equity	3.00%	7.36%
Emerging Markets Equity	5.00%	8.58%
Core Plus Fixed Income	11.50%	1.10%
High Yield Bonds	1.60%	2.91%
Global Fixed Income	3.00%	-0.63%
Private Equity	10.50%	10.00%
Core Real Estate	8.00%	4.58%
Commodities	0.75%	3.46%
Infrastructure	1.75%	7.80%
Private Credit	4.00%	8.50%
Absolute Return	9.00%	3.70%
Total	**100.00%**	**5.56%**

Discount Rate

The discount rate used to measure the Total OPEB Liability was 7.00% and 7.25% as of December 31, 2020 and December 31, 2019, respectively. The projection of cash flows used to determine the discount rate assumed benefits are paid out of the current OPEB SRBR assets. Based on those assumptions, the SRBR OPEB Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on the OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability as of December 31, 2020, and December 31, 2019.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB Liability as of December 31, 2020, calculated using the discount rate of 7.00%, as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

As of December 31, 2020 (Dollars in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Net OPEB Liability	$ 161,735	$ 6,688	$ (121,796)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the Net OPEB liability as of December 31, 2020, calculated using the trend rate as well as what the Net OPEB Liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

As of December 31, 2020 (Dollars in Thousands)

		1% Decrease[1]		Current Trend Rates[1]		1% Increase[1]
Net OPEB Liability	$	(146,614)	$	6,688	$	196,585

1 Current trend rates: 6.75% graded down to 4.50% over 9 years for Non-Medicare medical plan costs; 6.25% graded down to 4.50% over 7 years for Medicare medical plan costs, 4.00% for all years after the first two years and four years for Dental and Vision costs, respectively; and 4.50% for all years for Medicare Part B costs. The first two years of trend for dental were 0.00% to reflect three-year rate guarantee (premiums fixed at 2021 levels for 2022 and 2023). The first four years of trend for vision were 0.00% to reflect five-year rate guarantee (premiums fixed at 2021 levels for 2022, 2023, 2024 and 2025).

8. Deposits and Investments

The 1937 Act gives the Board of Retirement exclusive control over ACERA's investment portfolio. Except as otherwise restricted by the California constitution or other laws, the 1937 Act allows the Board of Retirement to prudently invest, or delegate the authority to invest the investment portfolio through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction.

The Board of Retirement investment authority granted under the 1937 Act was also incorporated into the state constitution as the California Pension Protection Act of 1992 (Article 16, Section 17 of the California Constitution), which requires the Board, its officers, and employees to discharge their duties with respect to ACERA and the investment portfolio under the following rules:

- "The members of the retirement board shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.
- The members of the retirement board shall discharge their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.
- The members of the retirement board shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so."

Deposits

Operational cash accounts held with a financial institution are swept daily into a pooled money market fund, which invests in repurchase agreements and U.S. treasury bills and notes.

Investments

ACERA's asset classes include domestic equity, international equity, domestic fixed income, international fixed income, real estate, private equity, absolute return, private credit and real assets. Investments in any asset class may be held in direct form, commingled/pooled form, or both.

As of December 31, 2020, thirteen investment managers managed the stock and fixed income securities portfolios, twelve investment managers were used for real estate investments, twenty-eight investment managers were used for private equity, seven investment managers were used for absolute return, three investment managers were used for private credit and eight investment managers were used for real assets investments.

Available cash held by investment managers is swept daily into a pooled short-term investment fund managed by the custodial bank. This short-term investment fund holds short-term obligations and deposits, including U.S. treasury and agency obligations, corporate bonds, commercial paper, repurchase agreements, certificates of deposit, bankers' acceptances, time deposits, and floating-rate notes.

Likewise, cash collateral received in connection with the securities lending program in which ACERA participates is held in a separate short-term investment pool.

These two investment pools are each held in a trust fund sponsored by State Street Bank and Trust Company, the investment custodian, and the securities lending agent. They are regulated by the Federal Reserve, Comptroller of the Currency, the Massachusetts Commissioner of Banks, and the U.S. Department of Labor.

The value of the underlying instruments in these investments pools is adjusted to fair value. The fair value of ACERA's position in these investment pools is not materially different from the value of the pool shares.

Governmental Accounting Standards Board, Statement No. 72 (GASB 72), *Fair Value Measurement and Application*, generally requires investments to be measured at fair value, using the appropriate valuation techniques under the circumstances and for which sufficient data are available to measure the fair value. The three approaches to measuring fair value are:

1. Market Approach (actual market transactions for identical or similar items);
2. Cost Approach (the current cost to replace the service capacity of an asset); and
3. Income Approach (discounting the current value of the future cash flows).

The quality of the data (inputs) used to determine fair value can vary. Some inputs are directly or indirectly observable (independently verifiable). Other inputs are unobservable. GASB 72 establishes a three-tier hierarchy of inputs used to measure fair value consisting of:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date. Level 1 investments include public equity securities and other publicly traded securities such as widely held domestic and international stocks, certain derivative instruments and U.S. Treasury securities.
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs. Fair values may be based on market multiples techniques and/or matrix pricing techniques. Level 2 investments include fixed or variable-income securities, commingled funds, certain derivative instruments and other assets that are valued using market information.
3. Level 3 inputs are unobservable inputs for an asset or liability. Included in this level are corporate bonds that are restricted and do not trade readily. The fair value of investments in real estate separate properties which is based on prices in a competitive market as determined by the investment manager relying on periodic appraisals is also included in Level 3 investments.

GASB 72 allows a government entity to use Net Asset Value (NAV) per share (or its equivalent) for an investment in a nongovernmental entity that does not have a readily determined fair value. Investments measured at NAV without determinable fair value are excluded from the level of fair value hierarchy. Selected additional disclosures are required for investments measured at NAV such as fair value measurement, government's unfunded commitments related to the investment type, general description of the terms and conditions upon which a government may redeem investments, and an estimate of when the redemption restriction might lapse for investments restricted from redemption. For private equity type investments, ACERA relies on the audited financial statements of its partnerships. The inputs used by the general partner include some or all of the following: the original transaction price, recent private transactions in the same or similar instruments, completed or pending third-party transactions in comparable businesses, recapitalizations and other transactions across the capital structure, public market valuation multiples for similar offerings in the equity or debt capital markets, as well as changes in the investment's earnings before interest, taxes, depreciation and amortization, cash flows, implied yields and leverage ratios.

Investments and Derivative Instruments Measured at Fair Value - Pension Plan

As of December 31, 2020 (Dollars in Thousands)

		Fair Value Measurements Using		
Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Cash Equivalents				
Government Issues	$ 26,661	$ 26,661	$ -	$ -
STIF-Type Instruments	141,974	-	141,974	-
Total Cash Equivalents	**168,635**	**26,661**	**141,974**	**-**
Fixed Income Securities				
Asset-Backed Securities	32,719	-	32,719	-
Commercial Mortgage-Backed Securities	86,973	-	86,973	-
Convertible Bonds	16,552	-	16,552	-
Corporate Bonds	699,888	-	699,888	-
FHLMC	42,097	-	42,097	-
FNMA	75,661	-	75,661	-
GNMA I	1,268	-	1,268	-
GNMA II	12,429	-	12,429	-
Government Issues	315,485	152,298	163,187	-
Municipals	3,326	-	3,326	-
Mutual Funds	28,584	-	28,584	-
Non-Security Assets	127,851	-	127,851	-
Total Fixed Income Securities	**1,442,833**	**152,298**	**1,290,535**	**-**
Equity Securities				
Non-U.S. Equity	1,296,336	1,294,128	2,208	-
Pooled Investments	3,620,160	3,413,352	206,808	-
U.S. Equity	562,387	562,387	-	-
Total Equity Securities	**5,478,883**	**5,269,867**	**209,016**	**-**
Real Assets				
Mutual Funds	360,931	-	360,931	-
Total Real Assets	**360,931**	**-**	**360,931**	**-**
Real Estate				
Properties	72,474	-	-	72,474
Total Real Estate	**72,474**	**-**	**-**	**72,474**
Collateral from Securities Lending	117,171	-	117,171	-
Total Investments by Fair Value Level	**7,640,927**	**$ 5,448,826**	**$ 2,119,627**	**$ 72,474**
Investments Measured at Net Asset Value (NAV)				
Real Assets	106,955			
Private Equity	726,180			
Absolute Return	645,134			
Real Estate	528,671			
Private Credit	57,747			
Total Investments Measured at NAV	**2,064,687**			
Total Investments	**$ 9,705,614**			
Derivative Instruments				
Futures	$ 236	$ 236	$ -	$ -
Forwards and Spot Contracts	5,853	5,853	-	-
Total Derivative Instruments	**$ 6,089**	**$ 6,089**	**$ -**	**$ -**

Investments Measured at the NAV

As of December 31, 2020 (Dollars in Thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real Assets[1]	$ 106,955	$ 158,673	Not Eligible	N/A
Private Equity[2]	726,180	505,214	Not Eligible	N/A
Absolute Return[3]	645,134	8,314	Not Eligible, or Between Daily and Quarterly	N/A or Between 1 Day and 90 Days
Real Estate[4]	528,671	113,205	Not Eligible or Quarterly	N/A or up to 90 Days
Private Credit[5]	57,747	97,623	Not Eligible	N/A
Total Investments Measured at NAV	**$ 2,064,687**	**$ 883,029**		

1 *The Real Assets portfolio consists of 9 funds which include 8 limited partnerships and 1 separately managed account. The eight limited partnerships are commingled vehicles that invest in private infrastructure and natural resources. Two of the eight limited partnerships were committed to in 2020, but had yet to call capital by 12/31/20. These limited partnerships are valued at net asset value on a quarterly basis and, due to contractual limitations, none of these vehicles are eligible for redemption but rather distribute capital proceeds over the funds' lifespans, which are up to 12 years. The one separately managed account holds shares in three commingled vehicles. These commingled vehicles invest in publicly traded infrastructure and natural resources equities, commodity futures, and total return swaps. This separately managed account is not measured at net asset value and classified as level 2 in fair value hierarchy.*

2 *Private Equity – The Private Equity portfolio consists of 54 funds, which invest primarily in buyout, debt-related, special situations, and venture capital opportunities. The fair value of these funds is determined using net asset value represented in the audited financial statements plus/minus the latest quarterly cash flows. These funds are not eligible for redemption but rather distribute capital proceeds over the funds' lifespans in either cash or "in-kind" shares of the funds' portfolio companies. Distributions to the funds' investors occur over the span of approximately 8 to 15 years.*

3 *Absolute Return – The Absolute Return portfolio consists of 8 funds that include a variety of commingled, liquid and illiquid idiosyncratic strategies and one fund of hedge funds account. There are three illiquid limited partnerships. These vehicles are valued at net asset value on a quarterly basis. Due to contractual limitations, two of these vehicles are not eligible for redemption for up to 6 years, while the third vehicle can be terminated by majority limited partners vote or by the general partner. There are five hedge fund model limited partnerships and limited liability companies, including the fund of hedge funds account. Valuations occur monthly. Redemptions can occur between daily and quarterly with a range of one day to 90 days' notice.*

4 *Real Estate – The Real Estate portfolio consists of 14 funds and a separate building (1), which also serves as ACERA's headquarters. The Real Estate funds in the portfolio invest primarily in U.S. commercial real estate (office, industrial, retail, multi-family, and other). These funds are designed as commingled funds or as limited partnerships (private equity structure). The investments that are structured as private equity or limited partnerships are not eligible for redemption but rather distribute proceeds over the funds' lifespan as distributions or return of capital. The primary objectives of the real estate portfolio are income and appreciation; distribution income is typically made on a quarterly basis throughout the lives of the funds. The fair value of these funds is determined using third-party appraisals every three years or an internal appraisal. Net asset values are typically reported one quarter in arrears, plus/minus the latest quarter's cash flows (capital calls and distributions). The commingled accounts are eligible for redemption, typically, with up to 90 days' notice. These commingled funds are also subject to a withdrawal queue.*

5 *Private Credit – The Private Credit Portfolio is comprised of 3 Funds. The funds are illiquid limited partnerships and are valued at net asset value on a quarterly basis. Due to contractual limitations, the funds are not eligible for redemption but rather distribute capital proceeds over the funds' lifespans, which are up to nine years. Private Credit investments are typically performing senior secured, first or second lien loans secured against the assets of a company. Two funds were committed in 2020 but had yet to call capital by 12/31/2020 which are included in total funds.*

Derivative Instruments

ACERA has the following types of derivative instruments: futures contracts, currency forward contracts, spot contracts, swap contracts, and warrants. A futures contract represents an agreement to purchase or sell a particular asset for a given price at a specified future date. Currency forward contracts generally serve to hedge or offset, the impact of foreign currency exchange rate fluctuations on the reported U.S. dollar fair value of investments denominated in foreign currencies. A swap is a derivative contract through which two parties exchange the cash flows or liabilities from two different financial instruments. Warrants allow the holder the right, but not the obligation, to buy or sell a security for a given price within a specified time period.

The following Investment Derivative Instruments schedule reports the fair value balances, changes in fair value, and notional amounts of derivative instruments outstanding as of and for the year ended December 31, 2020, classified by type. For financial reporting purposes, all ACERA derivative instruments are classified as investment derivative instruments.

Investment Derivative Instruments

For Year Ended December 31, 2020 (Dollars in Thousands)

Derivative Type	Classification	Notional Value/Shares	Fair Value	Changes in Fair Value[2]
Currency Forward Contracts	Receivable/Liability[1]	$ 288,478	$ 5,852	$ (5,942)
Futures Contracts - Long	Futures	-	-	6,033
Futures Contracts - Short	Futures	(16,400)	-	1,532
Index Futures Long	Futures	-	-	(3,846)
Index Futures Short	Futures	-	-	(853)
Total Return Swaps Bond	Swaps	-	-	6,517
Total Return Swaps Equity	Swaps	-	-	(77)
Warrants	Equity	15	4	4
Total			**$ 5,856**	**$ 3,368**

1 *Currency forward contracts are reported in Foreign Exchange Contracts, which includes spot contracts which are not derivative instruments.*

2 *Change in fair value includes realized and unrealized gains and losses on derivative instruments and is reported as Net Appreciation (Depreciation) in Fair Value of Investments on the Statements of Changes in ACERA's Fiduciary Net Position.*

Securities Lending Activity

The Board of Retirement policies authorize ACERA to participate in a securities lending program. Securities lending transactions are short-term collateralized loans of ACERA's securities for the purpose of generating additional investment income. ACERA has a securities lending agreement in place that authorizes the securities lending agent to lend ACERA's securities to broker-dealers and banks pursuant to a loan agreement. For securities on loan, ACERA receives either cash or non-cash collateral. ACERA invests the cash collateral in a pooled short-term investment fund maintained by the securities lending agent and receives earnings on it in exchange for paying a loan rebate fee to the borrower. In the case of non-cash collateral, the borrower pays ACERA a loan premium.

For the year ended December 31, 2020, on behalf of ACERA, the securities lending agent lent ACERA's securities (government bonds, corporate stocks, corporate bonds, international equities, and international fixed income) to borrowers under the securities lending agreement and ACERA received cash (U.S. and foreign currency), securities issued or guaranteed by the United States government, and sovereign debt or irrevocable bank letters-of-credit as collateral.

ACERA did not have the ability to pledge or sell collateral securities delivered absent a borrower default (therefore, such non-cash collateral is not reported on the Statement of Fiduciary Net Position).

Borrowers were required to deliver collateral for each loan equal to:

- Loaned securities denominated in U.S. dollars or sovereign debt issued by foreign governments, with a margin of at least 102% of the fair value of the loaned securities; or
- Loaned securities not denominated in U.S. dollars, or whose primary trading market was not located in the United States, with a margin of at least 105% of the fair value of the loaned securities.

Moreover, borrowers were required to maintain the designated margin percentage of collateral on a daily basis.

ACERA did not impose any restrictions for the year ended December 31, 2020, on the amount of the loans that the securities lending agent made on its behalf. In the event the borrower failed to return the loaned securities, the securities lending agent indemnified ACERA by agreeing to purchase replacement securities. If the collateral was inadequate to replace the securities lent, the securities lending agent supplemented the amount of cash collateral. If the borrower failed to pay ACERA for any income distributions on loaned securities, the securities lending agent will also supplement the income amount due to ACERA. There were no losses during the year ended December 31, 2020, resulting from a default of the borrowers or the securities lending agent.

For the year ended December 31, 2020, ACERA and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders in a short-term investment pool managed by the securities lending agent. For the 2020 fiscal year, the short-term investment fund is separated into two investment pools: (a) a liquidity pool and (b) a duration pool. As of December 31, 2020, the Quality D Short –Term investment fund liquidity pool had an average duration of 16 days and an average weighted final maturity of 76 days for U.S. dollars collateral. The Quality D Short-Term investment fund duration pool had an average duration of 17 days and an average weighted final maturity of 1,539 days for U.S. dollars collateral. For the year ended December 31, 2020, ACERA had no credit risk exposure to borrowers because, for each borrower, the value of borrower collateral held exceeded the value of the securities on loan to the borrower..

As of December 31, 2020, ACERA had securities on loan with a total fair value of $173.53 million; however, the cash collateral held against the loaned securities was $178.29 million which is more than the total fair value of loaned securities by $4.76 million.

Deposit, Investment, and Derivative Instrument Risks

GASB Statements No. 40 (GASB 40) and No. 53 (GASB 53) require the disclosure of specific risks that apply to ACERA's deposits, investments, and derivative instruments. They identify the following risks:

- Custodial Credit Risk—Deposits and Investments;
- Concentration of Credit Risk;
- Credit Risk—Investments and Derivative Instruments;
- Interest Rate Risk;
- Fair Value Highly Sensitive to Changes in
- Interest Rates; and,
- Foreign Currency Risk

Investment Policies

GASB 40 requires the disclosure of deposit or investment policies (or the lack thereof) that relate to investment and custodial risks.

ACERA has chosen to manage the investment risks described by GASB 40 and GASB 53 by contractually requiring each portfolio investment manager to abide by restrictive investment guidelines specifically tailored to that individual manager rather than adopting across-the-board investment policies with respect to these investment risks. The guidelines stipulate the investment style, performance objective, performance benchmarks, and portfolio characteristics.

For example, in the case of foreign currency risk, the policy guidelines for the U.S. dollars equity portfolios differ from those for the non-U.S. dollars equity portfolios. Likewise, in the case of credit risk, the guidelines for one fixed income manager stipulate a minimum acceptable credit rating for each debt instrument while the guidelines for a different fixed income portfolio merely require that the average credit ratings for a certain fair value percentage of the portfolio meet a minimum requirement.

Each separate account manager is likewise subject to a "manager standard of care" that establishes a fiduciary relationship requiring the manager to act prudently and solely in the best interest of ACERA.

Separately, ACERA's guidelines also require each manager's investment return performance to compare favorably with the performance of the relevant passive market index such as the Barclays Capital Aggregate Bond Index.

ACERA's investment staff continually monitors all investment managers for compliance with the respective guidelines.

Custodial Credit Risk—Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, ACERA will not be able to recover deposits nor be able to recover collateral securities that are in the possession of an outside party. ACERA has no general policy on custodial credit risk for deposits.

By necessity, ACERA maintains operational cash deposits to support day-to-day cash management requirements. As of December 31, 2020, cash held with a financial institution in a pooled money market fund amounted to $2.58 million, of which $0.25 million was insured and $2.33 million was uninsured and uncollateralized subject to custodial credit risk.

Custodial Credit Risk—Investments

The custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, ACERA will not be able to recover the value of investment securities that are in the possession of an outside party. The individual investment guidelines for each investment manager require that managed investments be held and maintained with the master custodian in the name of ACERA. The master custodian may rely on sub-custodians. The custodial requirement does not apply to real estate investments, investments in commingled pools, private equity, absolute return, private credit and real assets. As of December 31, 2020, ACERA had no investments that were exposed to custodial credit risk.

Custodial Credit Risk—Derivative Instruments

ACERA's investments include collateral associated with derivative instruments. As of December 31, 2020, net collateral for derivative instruments was ($1.4) million. Each account was uninsured and uncollateralized, and subject to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of ACERA's investment in a single issuer of securities. The individual investment guidelines for each fixed income manager restrict concentrations greater than 5% in the securities of any one issuer (excluding direct obligations of the U.S. and/or eligible foreign governments, and those explicitly guaranteed by the U.S. and/or eligible foreign governments). As of December 31, 2020, ACERA had no investments in a single issuer that equaled or exceeded 5% of the fiduciary net position.

Credit Risk—Investments

Credit risk is the risk that the issuer of a debt security or other counterparty to an investment will not fulfill its obligations. The individual investment guidelines for each fixed income investment manager describe applicable restrictions on credit risk. The credit risk restrictions by investment portfolio are as follows:

The credit quality ratings of a security, (e.g., from Moody's or S&P) give an indication of the degree of credit risk for that security.

The Credit Risk Analysis schedule on page 50 discloses credit ratings of ACERA's debt investments by type and for each external investment pool as of December 31, 2020.

Credit Risk Analysis

As of December 31, 2020 (Dollars in Thousands)

		Adjusted Moody's Credit Rating[1]								
	Total	Aaa	Aa	A	Baa	Ba	B	Caa	Ca and Below	Not Rated
Debt Investments By Type										
Collateralized Mortgage Obligations	$ 86,974	$ 47,507	$ 965	$ 737	$ 799	$ 83	$ 592	$ 1,642	$ 193	$ 34,456
Convertible Bonds	16,551	-	-	-	690	-	-	4,691	-	11,170
Corporate Bonds	699,888	5,878	8,664	87,500	441,473	117,890	24,439	13,306	-	738
Federal Home Loan Mortgage Corp.[2]	42,097	-	-	-	-	-	-	-	-	42,097
Federal National Mortgage Assn.[2]	75,661	-	-	-	-	-	-	-	-	75,661
Government National Mortgage Assn. I, II[2]	13,696	-	-	-	-	-	-	-	-	13,696
Government Issues[3]	315,485	268,324	9,192	7,381	23,281	368	-	-	-	6,939
Municipal Bonds	3,326	113	627	2,586	-	-	-	-	-	-
Other Asset Backed Securities	32,719	20,003	695	1,039	1,930	1,172	-	1,607	3,394	2,879
Subtotal Debt Investments	**1,286,397**	**341,825**	**20,143**	**99,243**	**468,173**	**119,513**	**25,031**	**21,246**	**3,587**	**187,636**
External Investment Pools of Debt Securities										
Securities Lending Cash Collateral Fund										
Liquidation Pool[4]	116,321	-	-	-	-	-	-	-	-	116,321
Duration Pool[4]	808	-	-	-	-	-	-	-	-	808
Master Custodian Short-Term Investment Fund[4]	141,973	-	-	-	-	-	-	-	-	141,973
Subtotal External Investment Pools	**259,102**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**259,102**
Total	**$1,545,499**	**$341,825**	**$ 20,143**	**$ 99,243**	**$ 468,173**	**$119,513**	**$ 25,031**	**$21,246**	**$ 3,587**	**$446,738**

1 Adjusted Moody's Credit Rating: This schedule displays the fair value of investments by credit rating in increasing magnitude of risk. Investments are classified by Moody's credit rating, or by the Moody's rating that corresponds to the Standard & Poor's (S&P) credit rating if the investment has a S&P rating but not a Moody's rating. Also whenever both ratings for an investment exist and the S&P rating for the investment indicates a greater degree of risk than the Moody's rating, then the investment's Moody's credit rating is adjusted, solely for the purpose of this disclosure, to the Moody's rating corresponding to the greater degree of risk.

2 The investments in the following debt instruments --i.e., Federal Home Loan Mortgage Corp., Federal National Mortgage Assn., and Government National Mortgage Assn., that are Not Rated are implicitly guaranteed by the U.S. Government.

3 In Government issues, the investments that are Not Rated are composed of foreign investments that are guaranteed by the foreign governments issuing the debt.

4 The external investment pools are not rated.

Credit Risk—Derivative Instruments

ACERA is exposed to credit risk on investment derivative instruments that are traded over the counter and are reported in asset positions. Derivative instruments exposed to credit risk include currency forward contracts, and synthetic futures (which are included in futures contracts). To minimize credit risk exposure, ACERA's investment managers continually monitor credit ratings of counterparties. Should there be a counterparty failure, ACERA would be exposed to the loss of the fair value of derivative instruments that are in asset positions and any collateral provided to the counterparty, net of the effect of applicable netting arrangements. ACERA has no general investment policy with respect to netting arrangements or collateral requirements. Netting arrangements legally provide ACERA with a right of set-off in the events of bankruptcy or default by the counterparty. ACERA's investment managers may have collateral posting provisions associated with currency forward contracts. In the event of counterparty failure, ACERA would be exposed to loss of collateral provided to the counterparty. Collateral provided by the counterparty to ACERA reduces its credit risk exposure. The collateral associated with investment derivative instruments is disclosed on page 49 under Custodial Credit Risk—Derivative Instruments.

The following Credit Risk—Derivative Instruments schedule discloses the counterparty credit ratings of ACERA's investment derivative instruments in asset positions by type, as of December 31, 2020. These amounts represent the maximum loss that would be recognized if all counterparties fail to perform as contracted, without respect to any collateral or other security, or netting arrangement.

Credit Risk Analysis – Investment Derivative Instruments Subject to Credit Risk

As of December 31, 2020 (Dollars in Thousands)

Adjusted Moody's Credit Rating[1]	Fair Value	%
Aa	$ 7,153	99%
BBB	51	1%
Subtotal Derivative Instruments in Asset Position	**7,204**	100%
Derivative Instruments in Liability Position	(1,352)	
Total Derivative Instruments in Asset/(Liability) Position	**$ 5,852**	

See footnote 1 on page 50.

As of December 31, 2020, the $7.2 million maximum exposure of derivative instruments credit risk was reduced by ($1.4) million of liabilities included in netting arrangements, resulting in a net exposure to credit risk of $5.8 million (rounded).

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

ACERA has investments in three fixed income portfolios containing individual debt securities as well as investments in external investment pools containing debt securities. All of these investments are subject to interest rate risk. ACERA has no general policy on interest rate risk for the fixed income portfolios or for the investments in external pools. ACERA manages interest rate risk for the three fixed-income portfolios by setting limits on portfolio duration for each portfolio. The duration restrictions by investment portfolio (with portfolio style) are as follows:

The following Interest Rate Risk Analysis—Duration schedule discloses the duration of ACERA's debt investments by type and the duration of each of the external investment pools of debt securities. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present values of cash flows, weighted for those cash flows as a percentage of the investment's full price. The Master Custodian Short-Term Investment Fund had an average weighted maturity of 46 days as of December 31, 2020.

Interest Rate Risk Analysis – Duration

As of December 31, 2020 (Dollars in Thousands)

Debt Investments by Type	Fair Value	Duration in Years
Collateralized Mortgage Obligations	$ 86,974	3.4
Convertible Bonds	16,551	1.1
Corporate Bonds	699,888	7.6
Federal Home Loan Mortgage Corp.	42,097	-0.7
Federal National Mortgage Assn.	75,661	0.9
Government National Mortgage Assn. I, II	13,696	-1.0
Government Issues	315,485	9.5
Municipal Bonds	3,326	7.3
Other Asset Backed Securities	32,719	2.5
Total of Debt Investments	**$ 1,286,397**	
External Investment Pools of Debt Securities	**Fair Value**	**Duration**
Securities Lending Cash Collateral Fund		
Liquidity Pool	$ 116,321	16 days
Duration Pool	808	17 days
Master Custodian Short-Term Investment Fund	141,973	-
Total External Investment Pools	**$ 259,102**	

Fair Value Highly Sensitive to Changes in Interest Rates

The Interest Rate Risk Analysis table below discloses the degree to which ACERA's investments are sensitive to interest rate changes due simply to the remaining term to maturity. In contrast, ACERA's investments with fair values that are highly sensitive to interest rates due to other factors are disclosed on the Interest Rate Risk Analysis - Highly Sensitive schedule below. ACERA has no general investment policy with respect to investments with fair values that are highly sensitive to changes in interest rates.

Interest Rate Risk Analysis – Highly Sensitive

As of December 31, 2020 (Dollars in Thousands)

Investment Type	Investment Description	Interest Rates	Fair Value
Collateralized Mortgage Obligations	Freddie Mac STACR	1.00%	$ 689
Corporate Bonds	Various debt related Securities	1.00% to 7.69%	76,226
Government Issues	Various debt related Securities	1.75% to 8.50%	22,006

Investment with Fair Values Highly Sensitive to Changes in Interest Rates

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment or deposit. ACERA has no general investment policy with respect to foreign currency risk.

Foreign Currency Risk—Investments

The Foreign Currency Risk Analysis schedule on page 54 shows the fair value of investments that are exposed to this risk by currency denomination and investment type. This provides an indication of the magnitude of foreign currency risk for each currency.

Foreign Currency Risk—Swap and Futures Contracts

Swap and futures contracts are derivative instruments. A swap is a derivative contract through which two parties exchange the cash flows or liabilities from two different financial instruments. A futures contract represents an agreement to purchase or sell a particular asset for a given price at a specified future date.

For those swap and futures contracts which are dollar-denominated securities issued by foreign countries, there is an exposure to a foreign currency risk.

Foreign Currency Risk—Foreign Exchange Contracts

Foreign exchange contracts are subject to foreign currency risk. Foreign exchange contracts include currency forward contracts and spot contracts. Currency forward contracts are derivative instruments and are described in the derivative instruments section of this note. Spot contracts are generally used when ACERA is required to make or receive payments in a foreign currency. Spot contracts are agreements to buy or sell a certain amount of foreign currency at the current market rate, for settlement in two business days.

The dollar impact that foreign exchange contracts have on foreign currency risk is equal to the foreign currency settlement amounts translated in the same manner as the investments (i.e. spot exchange rate at the end of the year). The impact appears in the column labeled Foreign Currency on the schedule on page 54. The Net Exposure column of the schedule indicates the net foreign currency risk, i.e., the gross risk associated with the investments less the risk hedged by the outstanding foreign exchange contracts.

Foreign Currency Risk Analysis

Fair Value of Investments Exposed to Foreign Currency Risk by Currency

As of December 31, 2020 (Dollars in Thousands)

Trade Currency Name	Investment Type											
	Common Stock	Corporate Bonds	Foreign Currency	Government Issues	Collateralized Mortgage Obligations	Depository Receipts	Currency Swap	Limited Partnership	Preferred Stock	Real Estate Investment Trust	Warrants / Rights	Net Exposure
Argentine Peso	$ -	$ -	$ 12	$ 315	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 327
Australian Dollar	7,842	-	120	24,105	-	-	(656)	-	-	-	-	31,411
Brazilian Real	8,132	-	-	-	-	-	302	-	3,985	-	-	12,419
Canadian Dollar	14,087	-	453	-	-	-	51	-	-	5,650	-	20,241
Chilean Peso	-	-	-	-	-	-	1,514	-	-	-	-	1,514
Czech Koruna	-	-	-	-	-	-	482	-	-	-	-	482
Danish Krone	36,814	-	26	-	-	-	-	-	-	-	-	36,840
Euro Currency	344,502	-	366	-	571	290	(14)	33,725	691	376	-	380,507
Hong Kong Dollar	121,780	-	14	-	-	-	-	-	-	801	-	122,595
Hungarian Forint	-	-	-	-	-	-	258	-	-	-	-	258
Iceland Krona	3,377	-	-	-	-	-	-	-	-	-	-	3,377
Indian Rupee	-	-	-	-	-	-	199	-	-	-	-	199
Indonesian Rupiah	7,446	-	-	-	-	-	-	-	-	-	-	7,446
Japanese Yen	240,200	-	1,641	-	-	-	185	-	-	129	-	242,155
Malaysian Ringgit	-	-	-	6,479	-	-	-	-	-	-	-	6,479
Mexican Peso	820	371	-	19,559	-	-	880	-	-	-	-	21,630
New Israeli Sheqel	472	-	7	-	-	-	-	-	-	-	-	479
New Taiwan Dollar	14,546	-	-	-	-	-	-	-	-	-	-	14,546
New Zealand Dollar	2,306	-	3	-	-	-	-	-	-	-	-	2,309
Norwegian Krone	8,068	-	4	-	-	-	340	-	-	-	-	8,412
Philippine Peso	171	-	-	-	-	-	-	-	-	-	-	171
Polish Zloty	2,315	-	-	902	-	-	(30)	-	-	-	-	3,187
Pound Sterling	184,923	-	398	-	-	-	1,479	-	-	66	-	186,866
Russian Ruble	-	-	-	-	-	-	235		-	-	-	235
Singapore Dollar	21,956	-	58	-	-	-	-	-	-	-	-	22,014
South African Rand	6,310	-	-	368	-	-	57	-	-	-	-	6,735
South Korean Won	7,465	-	-	-	-	-	571	-	-	-	-	8,036
Swedish Krona	29,012	-	22	-	-	-	-	-	-	-	-	29,034
Swiss Franc	56,381	-	100	-	-	-	-	-	-	-	4	56,485
Thailand Baht	2,408	-	-	-	-	-	-	-	-	-	-	2,408
UAE Dirham	141	-	-	-	-	-	-	-	-	-	-	141
Yuan Renminbi	8,945	-	-	-	-	-	-	-	-	-	-	8,945
Grand Total	**$1,130,419**	**$ 371**	**$ 3,224**	**$ 51,728**	**$ 571**	**$ 290**	**$ 5,853**	**$ 33,725**	**$4,676**	**$ 7,022**	**$ 4**	**$ 1,237,883**

Real Estate

Real Estate Investment Income – Separate Properties

For the Year Ended December 31, 2020
(Dollars in Thousands)

Real Estate Investment Income		
Real Estate Income	$	5,839
Less Operating Expenses		(2,962)
Real Estate Net Income	**$**	**2,877**

There is no outstanding real estate related debt associated with the separate properties as of December 31, 2020.

9. Capital Assets

ACERA's capital assets include equipment and furniture, electronic document management system, information systems, leasehold improvements, and construction in progress. See the following table for details.

Capital Assets and Accumulated Depreciation

For the Year Ended December 31, 2020 (Dollars in Thousands)

	January 1, 2020	Additions	Deletions / Transfers	December 31, 2020
CAPITAL ASSETS - DEPRECIABLE				
Equipment and Furniture	$ 3,084	$ 10	$ -	$ 3,094
Right-to-Use Leased Office Equipment	205	8	-	213
Electronic Document Management System	4,163	9	-	4,172
Information Systems	10,457	-	-	10,457
Leasehold Improvements	2,585	-	-	2,585
Subtotal	**20,494**	**27**	**-**	**20,521**
CAPITAL ASSETS - NON DEPRECIABLE				
Construction-in-Progress	1,113	1,779	(19)	2,873
Total Capital Assets (Cost)	**21,607**	**1,806**	**(19)**	**23,394**
ACCUMULATED DEPRECIATION AND AMORTIZATION				
Equipment and Furniture	(3,020)	(23)	-	(3,043)
Right-to-Use Leased Office Equipment	(44)	(42)	-	(86)
Electronic Document Management System	(4,163)	(1)	-	(4,164)
Information Systems	(10,457)	-	-	(10,457)
Leasehold Improvements	(1,230)	(95)	-	(1,325)
Total Accumulated Depreciation and Amortization	**(18,914)**	**(161)**	**-**	**(19,075)**
CAPITAL ASSETS - NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION	**$ 2,693**	**$ 1,645**	**$ (19)**	**$ 4,319**

ACERA implemented GASB Statement No. 87, *Leases* as of January 1, 2020. Separate disclosures have been provided for leases that meet the requirements of GASB 87 and those that do not fall under the provisions of GASB 87.

ACERA has two leases that fall under GASB 87 and the details of these leases are as follows:

ACERA entered into a five-year lease for photocopiers and printers on December 1, 2018. The payments are due monthly in arrears. The monthly payment of $6,254 included a lease portion of $4,405 and non-lease/service portion of $1,849 at the beginning of lease. The lessor increased the rental amount by 2.14% after year one of the lease term. ACERA estimated the same percentage increase over the lease term in the lease liability calculation. However, per the terms of the contract, the lessor can increase the rental payment by up to 10% annually over the term of the lease. ACERA estimated an annual interest rate of 12.05% was charged on this lease based on the total market value of leased assets provided by the lessor. Currently, ACERA does not plan to extend this lease after the completion of the lease term on November 30, 2023.

ACERA entered into a five-year lease for postage machine on August 1, 2020. The payments are due quarterly in advance. The quarterly payment of $944 includes a lease portion of $473 and non-lease/service portion of $471. There is no increase in the quarterly payments as per the lease agreement. ACERA estimated an annual interest rate of 10.76% was charged on this lease based on the total market value of leased assets provided by the lessor. Currently, ACERA does not plan to extend this lease after the completion of the lease term on July 31, 2025.

Future Lease Payment Maturity Schedule under GASB 87

As of December 31, 2020 (Dollars in Thousands)

Year	Principal	Interest	Total Payment
2021	$ 42	$ 15	$ 57
2022	49	10	59
2023	51	3	54
2024*	2	-	2
2025*	1	-	1
Total	$ 145	$ 28	$ 173

* Interest amounts for 2024 and 2025 are not reported in the table as the rounded amounts are less that $1,000.

Since we implemented GASB 87 this year, no variable and other payments were recognized during the year which were not previously included in lease liability. There are no outstanding lease commitments and no impairment losses were recognized.

10. Leases

ACERA leases office space from Oakland 14th St. Office, a title holding corporation formed by ACERA. The original lease term was extended for seven years and shall expire on December 31, 2021, with an option to renew for five additional years. Under the terms of the lease agreement, ACERA's base rent is abated. However, ACERA is required to pay its proportionate share of building operating expenses as defined in the lease. ACERA's share of these operating expenses was approximately $53,000 for the year ended December 31, 2020.

11. Administration Expense

ACERA's Board of Retirement annually adopts an operating expense budget covering expenses to be incurred in the following fiscal year. The operating budget includes the administration expense budget which is subject to the statutory limit based on exclusions specified in the 1937 Act.

ACERA has adopted the provisions of the 1937 Act which allows ACERA to exclude actuarial, investment, legal, business continuity and technology direct costs from administration expenses. Since investment related expenses were offset against investment income, the remaining exclusions totaled $2.8 million for 2020. ACERA also conforms to the provision of the 1937 Act that limits the administration cap to 0.21 percent of the Accrued Actuarial Liability (AAL). ACERA uses the AAL as of December 31 of the year in which the budget is adopted for this purpose.

A schedule of Administration Expense is included in the Supplemental Schedules on page 65.

Application of Statutory Limit on Administration Expense

For the Year Ended December 31, 2020 (Dollars in Thousands)

Total Accrued Actuarial Liability as of December 31, 2019	$	11,064,760
Limit: Maximum Allowable fraction of Total Accrued Actuarial Liability (0.21%) times Total Accrued Actuarial Liability	$	23,236
Portion of Administrative Expenses for the Fiscal Year subject to the Statutory Limit		13,422
Excess of Limit over Portion of Administration Expense Subject to Limit	$	9,814
Portion of Administration Expense Subject to Limit as a Percentage of Accrued Actuarial Liability		0.12%

12. Related Party Transactions

By necessity, ACERA is involved in various business transactions with the County, the primary plan sponsor. These include reimbursement to the County for the salary and benefits of ACERA staff members paid through the County and reimbursement to the Alameda County Human Resources Department for personnel consulting services and for administering ACERA's retired members' health benefits. Also, under the Board of Retirement policy, ACERA reimburses the County for a portion of the salary and benefits of each County employee elected to the Board of Retirement. Lastly, ACERA reimburses the County for the cost of services provided in the following areas: insurance/risk management, information technology, and telecommunications.

Also, ACERA leases office space from Oakland 14th St. Office, a title holding company controlled by ACERA. Note 10—Leases describes this arrangement.

Related Party Transactions

For the Year Ended December 31, 2020
(Dollars in Thousands)

Reimbursed Cost of ACERA		
Staff Members	$	13,960
Reimbursed Costs of County Services		890
State Mandated Benefit Replacement Program IRC 415(m)		798
County Personnel Services		77
Partial Salary/Benefits Reimbursement for Elected Board Members		354
Total	**$**	**16,079**

13. Subsequent Events

Management has evaluated subsequent events through June 24, 2021, the date ACERA's financial statements are available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

During March 2021, ACERA's management became aware that the County of Alameda intends to make an extraordinary contribution of approximately $800 million by June 30, 2021, or soon thereafter, to reduce a portion of its actuarial accrued unfunded liability for its safety membership.

The Livermore Area Recreation & Park District (LARPD) issued pension obligation bonds on June 22, 2021, and expects to contribute approximately $12.6 million to reduce a portion of its actuarial accrued unfunded liability.

Required Supplementary Information (RSI)

Pension Plan and Non-OPEB

Schedule of Changes in Net Pension Liability and Related Ratios

For the Years Ended December 31 (Dollars in Thousands)

	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability (TPL)[1]								
Service Cost[2]	$ 221,824	$ 215,625	$ 209,890	$ 187,409	$ 175,642	$ 172,585	$ 167,120	$ 166,639
Interest	718,927	688,655	659,592	636,556	603,168	579,500	542,377	522,203
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	33,007	24,548	13,710	17,516	(68,176)	(31,965)	(85,379)	(61,362)
Changes of assumptions	236,513	-	-	316,728	150,677	-	431,863	-
Benefit payments, including refunds of member contributions	(530,763)	(504,185)	(471,943)	(445,288)	(422,223)	(401,298)	(378,689)	(359,938)
Net Change in Total Pension Liability	**679,508**	**424,643**	**411,249**	**712,921**	**439,088**	**318,822**	**677,292**	**267,542**
Total Pension Liability - Beginning	**9,959,792**	**9,535,149**	**9,123,900**	**8,410,979**	**7,971,891**	**7,653,069**	**6,975,777**	**6,708,235**
Total Pension Liability - Ending (a)	**$10,639,300**	**$ 9,959,792**	**$ 9,535,149**	**$ 9,123,900**	**$ 8,410,979**	**$ 7,971,891**	**$ 7,653,069**	**$ 6,975,777**
Plan's Fiduciary Net Position (FNP)								
Contributions - employer[3]	$ 309,753	$ 298,527	$ 269,684	$ 247,064	$ 241,729	$ 224,607	$ 213,255	$ 191,180
Contributions - member	106,104	103,117	94,736	89,326	85,736	82,949	79,714	76,230
Net investment income	755,501	1,165,767	(216,308)	1,065,908	423,718	49,021	318,245	736,914
Benefit payments, including refunds of member contributions	(530,763)	(504,185)	(471,943)	(445,288)	(422,223)	(401,298)	(378,689)	(359,938)
Administrative expense	(14,810)	(15,274)	(15,246)	(14,571)	(14,618)	(14,262)	(13,855)	(13,634)
Other	-	-	-	-	-	-	-	-
Net Change in Plan's Fiduciary Net Position	**625,785**	**1,047,952**	**(339,077)**	**942,439**	**314,342**	**(58,983)**	**218,670**	**630,752**
Plan's Fiduciary Net Position[4] - Beginning	**7,819,099**	**6,771,147**	**7,110,224**	**6,167,785**	**5,853,443**	**5,912,426**	**5,693,756**	**5,063,004**
Plan's Fiduciary Net Position[4] - Ending (b)	**$ 8,444,884**	**$ 7,819,099**	**$ 6,771,147**	**$ 7,110,224**	**$ 6,167,785**	**$ 5,853,443**	**$ 5,912,426**	**$ 5,693,756**
Net Pension Liability (NPL) - Ending (a) - (b)	**$ 2,194,416**	**$ 2,140,693**	**$ 2,764,002**	**$ 2,013,676**	**$ 2,243,194**	**$ 2,118,448**	**$ 1,740,643**	**$ 1,282,021**
FNP as a Percentage of the TPL	**79.37%**	**78.51%**	**71.01%**	**77.93%**	**73.33%**	**73.43%**	**77.26%**	**81.62%**
Covered Payroll[5]	**$ 1,111,849**	**$ 1,081,587**	**$ 1,046,034**	**$ 995,178**	**$ 947,568**	**$ 945,858[6]**	**$ 886,925**	**$ 853,350**
NPL as a Percentage of Covered Payroll	**197.37%**	**197.92%**	**264.24%**	**202.34%**	**236.73%**	**223.97%**	**196.26%**	**150.23%**

1 Total pension liability is not available for years prior to December 31, 2013. Information will be presented in future years as it becomes available.

2 The service cost is based on the previous year's valuation, meaning the December 31, 2020 measurement date values are based on the valuation as of December 31, 2019.

3 Employer contributions are on a net basis after (i) considering the total cash contributions made by the employers, (ii) reducing by the employer contributions made to the 401(h) account, and (iii) increasing by the amount of transfer from the SRBR to the Employer Advance Reserve for employer contribution made to the 401(h) account in (ii).

4 For 2020, the Plan's Fiduciary Net Position amount shown ($8,444,884) includes the net fair value of assets ($9,629,767) less OPEB-related SRBR assets ($1,184,883). The OPEB-related SRBR assets include $882,528 in the SRBR-OPEB reserve (after reducing the reserve by the $7,549 SRBR implicit subsidy transfer), and $9,052 in the 401(h) reserve, plus a proportionate share of one half of the deferred market gains (after adjustment to replenish the balance in the Contingency Reserve) commensurate with the size of the OPEB to total SRBR and 401(h) reserve to valuation and 401(h) reserves ($293,303). For 2019, the Plan's Fiduciary Net Position amount shown ($7,819,099) includes the net fair value of assets ($8,789,279), less OPEB-related SRBR assets ($970,180). The OPEB-related SRBR assets include $877,769 in the SRBR-OPEB reserve (after reducing the reserve by the $6,511 SRBR implicit subsidy transfer), and $10,416 in the 401(h) reserve, plus a proportionate share of one half of the deferred market gains (after adjustment to replenish the balance in the Contingency Reserve) commensurate with the size of the OPEB to total SRBR and 401(h) reserve to valuation and 401(h) reserve ($81,995).

5 For years ended December 31, 2017 and later, covered payroll represents Compensation Earnable and Pensionable Compensation and is defined as the payroll on which contributions to the pension plan are based. For the years ended before December 31, 2017, covered payroll was referred to as covered-employee payroll and only Compensation Earnable and Pensionable Compensation that would possibly go into the determination of retirement benefits are included.

6 The covered payroll for the year 2015 includes 1 additional pay period.

Schedule of Employer Contributions

Last Ten Fiscal Years (Dollars in Thousands)

Year Ended December 31	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll[1]	Contributions as a Percentage of Covered Payroll
2011	$ 162,879	$ 162,879	$ -	$ 837,482	19.45%
2012	179,649	179,649	-	845,933	21.24%
2013	191,180	191,180	-	853,350	22.40%
2014	213,255	213,255	-	886,925	24.04%
2015	224,607	224,607	-	945,858[2]	23.75%
2016	241,729	241,729	-	947,568	25.51%
2017	247,064	247,064	-	995,178	24.83%
2018	269,684	269,684	-	1,046,034	25.78%
2019	298,527	298,527	-	1,081,587	27.60%
2020	309,759	309,753	6[3]	1,111,849	27.86%

1 For years ended December 31, 2017 and later, covered employee payroll represents Compensation Earnable and Pensionable Compensation and is defined as the payroll on which contributions to the pension plan are based. For the years ended before December 31, 2017, covered payroll was referred to as covered-employee payroll and only Compensation Earnable and Pensionable Compensation that would possibly go into the determination of retirement benefits are included.

2 The covered payroll for the year 2015 includes 1 additional pay period.

3 Actuarially Determined Contribution for the Alameda County Office of Education of $78 less actual contribution paid of $72 (in thousands).

Schedule of Investment Returns

Last Ten Fiscal Years[1] (As of December 31)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Annual Money-Weighted Rate of Return, net of Investment Expense	11.70%	18.10%	-4.44%	19.02%	7.16%	-0.10%	4.27%	19.87%	N/A	N/A

1 Information prior to 2013 is not available. Ten years of information will be presented when it becomes available.

Postemployment Medical Benefits

Schedule of Changes in Net OPEB Liability and Related Ratios

For the Years Ended December 31 (Dollars in Thousands)

	2020	2019	2018	2017
Total OPEB Liability[1]				
Service Cost[2]	$ 31,511	$ 27,678	$ 31,577	$ 26,991
Interest	79,142	73,843	73,427	69,879
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(13,871)	(41,706)	(27,712)	(21,627)
Changes of assumptions	57,696	12,524	(11,430)	58,973
Benefit payments	(46,021)	(43,562)	(40,879)	(37,904)
Net Change in Total OPEB Liability	**108,457**	**28,777**	**24,983**	**96,312**
Total OPEB Liability - Beginning	**1,083,114**	**1,054,337**	**1,029,354**	**933,042**
Total OPEB Liability - Ending (a)	**$ 1,191,571**	**$ 1,083,114**	**$ 1,054,337**	**$ 1,029,354**
Plan's Fiduciary Net Position (FNP)				
Contributions - employer[3]	N/A	N/A	N/A	N/A
Contributions - member	N/A	N/A	N/A	N/A
Net investment income	$ 262,140	$ 193,656	$ (138,333)	$ 243,189
Benefit payments	(46,021)	(43,562)	(40,879)	(37,904)
Administrative expense	(1,416)	(1,354)	(1,224)	(1,204)
Other	-	-	-	-
Net Change in Plan's Fiduciary Net Position	**214,703**	**148,740**	**(180,436)**	**204,081**
Plan's Fiduciary Net Position - Beginning[4]	**970,180**	**821,440**	**1,001,876**	**797,795**
Plan's Fiduciary Net Position - Ending (b)[4]	**$ 1,184,883**	**$ 970,180**	**$ 821,440**	**$ 1,001,876**
Net OPEB Liability - Ending (a) - (b)	**$ 6,688**	**$ 112,934**	**$ 232,897**	**$ 27,478**
FNP as a Percentage of the Total OPEB Liability	**99.44%**	**89.57%**	**77.91%**	**97.33%**
Covered-Employee Payroll[5]	**N/A**	**N/A**	**N/A**	**N/A**
Net OPEB Liability as a Percentage of Covered-Employee Payroll	**N/A**	**N/A**	**N/A**	**N/A**

1 Total OPEB liability is not available for years prior to December 31, 2017. Information will be presented in future years as it becomes available.

2 The service cost is based on the previous year's valuation, meaning the December 31, 2020 measurement date values are based on the valuation as of December 31, 2019.

3 Employer contributions are on a net basis. Benefits are funded by employer contributions to the 401(h) account and similar amounts are transferred from the SRBR to the Employer Advance Reserve to backfill the employer contributions that would have otherwise been made to the Retirement Plan.

4 For 2020, the Plan's Fiduciary Net Position shown ($1,184,883) includes the OPEB-related SRBR reserve of $882,528 (after reducing the reserve by the SRBR implicit subsidy transfer of $7,549) and 401(h) reserve ($9,052), plus the proportionate share of one-half of the net deferred investment gain that is commensurate with the size of the OPEB SRBR reserve to total SRBR and 401(h) reserve to valuation and 401(h) reserve ($293,303), after adjusting the Contingency Reserve from $69.0 million to $98.7 million (1% of total assets). For 2019, the Plan's Fiduciary Net Position shown ($970,180) includes the OPEB-related SRBR reserve of $877,769 (after reducing the reserve by the SRBR implicit subsidy transfer of $6,511) and 401(h) reserve ($10,416), plus the proportionate share of one-half of the net deferred investment gain that is commensurate with the size of the OPEB SRBR reserve to total SRBR and 401(h) reserve to valuation and 401(h) reserve ($81,995), after first replenishing the Contingency Reserve from $0 to $89.4 million (1% of total assets). Note that amounts may not total properly due to rounding.

5 Covered-employee payroll is not shown as contributions to the OPEB plan are not based on a measure of pay. Covered-employee payroll represents Compensation Earnable and Pensionable Compensation. Only Compensation Earnable and Pensionable Compensation that would go into the determination of retirement benefits would otherwise be included.

Schedule of Employer Contributions - OPEB

Last Ten Fiscal Years (Dollars in Thousands)

Year Ended December 31	Actuarially Determined Contributions (ADC)[1]	Contributions in Relation to ADC[1]	Contribution Deficiency (Excess)	Covered-Employee Payroll[2]	Contributions as a Percentage of Covered-Employee Payroll
2011	N/A	N/A	$ -	N/A	N/A
2012	N/A	N/A	-	N/A	N/A
2013	N/A	N/A	-	N/A	N/A
2014	N/A	N/A	-	N/A	N/A
2015	N/A	N/A	-	N/A	N/A
2016	N/A	N/A	-	N/A	N/A
2017	N/A	N/A	-	N/A	N/A
2018	N/A	N/A	-	N/A	N/A
2019	N/A	N/A	-	N/A	N/A
2020	N/A	N/A	-	N/A	N/A

1 *Benefits are funded by employer contributions to the 401(h) account and similar amounts are transferred from the SRBR to the Employer Advance Reserve to backfill the employer contributions that would have otherwise been made to the Retirement Plan.*

2 *Covered-employee payroll is not shown as contributions to the OPEB plan are not based on a measure of pay. Covered-employee payroll represents Compensation Earnable and Pensionable Compensation. Only Compensation Earnable and Pensionable Compensation that would go into the determination of retirement benefits would otherwise be included.*

The Schedule of Investment Returns for the total fund is reported on page 59 of the RSI

Notes to Required Supplementary Information

PENSION PLAN AND NON-OPEB

Actuarial Assumptions

The Total Pension Liabilities (TPLs) as of the measurement dates were calculated by rolling forward the liabilities from prior years' actuarial valuations. The actuarial assumptions used to develop the TPLs are the same assumptions used for the respective funding valuations. The key assumptions used for rolling forward the TPL to December 31, 2020, are as follows:

Inflation	2.75%
Salary Increases	General: 8.35% to 3.65% and Safety: 11.25% to 4.05%, vary by service, including inflation
Investment Rate of Return	7.00%, net of pension plan investment expense, including inflation

Methods and Assumptions Used to Establish Actuarially Determined Contribution (ADC) Rates

Actuarially determined contribution rates for the first six months of calendar year 2020 (or the second half of fiscal year 2019-2020) are calculated based on the December 31, 2018, valuation. Actuarially determined contribution rates for the last six months of calendar year 2020 (or the first half of fiscal year 2020-2021) are calculated based on the December 31, 2019, valuation.

Valuation Date	December 31, 2019	December 31, 2018
Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percentage of payroll (3.50% payroll growth assumed)	Level percentage of payroll (3.50% payroll growth assumed)
Remaining Amortization Period	Prior to January 1, 2012, the total UAAL was amortized on a 30-year decreasing period, with 21 years remaining as of December 31, 2011 (and 13 years remaining as of December 31, 2019). On or after January 1, 2012, any new UAAL resulting from plan amendments are amortized over separate decreasing 15-year periods. Early retirement incentive programs (ERIPs) are amortized over separate decreasing 5-year periods. Assumption and method changes are amortized over separate decreasing 20-year periods. Experience gains/losses are also amortized over separate decreasing 20-year periods.	Prior to January 1, 2012, the total UAAL was amortized on a 30-year decreasing period, with 21 years remaining as of December 31, 2011 (and 14 years remaining as of December 31, 2018). On or after January 1, 2012, any new UAAL resulting from plan amendments are amortized over separate decreasing 15-year periods. Early retirement incentive programs (ERIPs) are amortized over separate decreasing 5-year periods. Assumption and method changes are amortized over separate decreasing 20-year periods. Experience gains/losses are also amortized over separate decreasing 20-year periods.
Asset Valuation Method	The actuarial value of assets is determined by recognizing any difference between the actual and the expected market return over 10 six-month interest crediting periods. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets. The valuation value of asset is the actuarial value of assets reduced by the value of the non-valuation reserves.	

Actuarial Assumptions:	December 31, 2019	December 31, 2018
Investment rate of return	7.25%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation
Inflation rate	3.00%	3.00%
Real across-the-board salary increases	0.50%	0.50%
Projected salary increases	General: 8.30% to 3.90% and Safety: 11.30% to 4.30%, vary by service, including inflation	General: 8.30% to 3.90% and Safety: 11.30% to 4.30%, vary by service, including inflation
Cost of living adjustments	3.00% of retirement income for General Tiers 1 and 3, and Safety Tier 1. 2.00% of retirement income for General Tiers 2 and 4, and Safety Tiers 2, 2C, 2D, and 4.	3.00% of retirement income for General Tiers 1 and 3, and Safety Tier 1. 2.00% of retirement income for General Tiers 2 and 4, and Safety Tiers 2, 2C, 2D, and 4.
Other assumptions	Same as those used in the December 31, 2019 funding actuarial valuation	Same as those used in the December 31, 2018 funding actuarial valuation

Postemployment Medical Benefits

The actuarial assumptions used for the postemployment medical benefits valuation were consistent with those applied to the pension plan with the exception of Health Care Cost Trend Rate assumptions which are specific to the postemployment medical benefits.

The Total OPEB Liabilities as of the measurement dates were calculated by rolling forward the liabilities from prior years' sufficiency valuation. The key assumptions used for rolling forward the total OPEB liability to December 31, 2020, are as follows:

Investment Rate of Return	7.00% net of OPEB plan investment expense, including inflation
Inflation	2.75%
Health Care Premium Trend Rates	
Non-Medicare medical plan	Graded from 6.75% to ultimate 4.50% over 9 years
Medicare medical plan	Graded from 6.25% to ultimate 4.50% over 7 years
Dental	0.00% for the first two years to reflect a three-year rate guarantee and 4.00% thereafter.
Vision	0.00% for the first four years to reflect a five-year rate guarantee and 4.00% thereafter.
Medicare Part B reimbursement	4.50%
Other Assumptions	Based on the experience study for the period December 1, 2016 through November 30, 2019.

Supplemental Schedules

Administration Expense

For the Year Ended December 31, 2020
(Dollars in Thousands)

Personnel Services	
Staff Wages	$ 7,417
Fringe Benefits	3,368
Temporary Services	424
Total Personnel Services	**11,209**
Professional Services	
Consultant Fees	390
Audit	112
Total Professional Services	**502**
Communications	
Printing	45
Postage	49
Communication	66
Total Communications	**160**
Office Space and Utilities	
Office Space and Utilities	41
Total Office Space and Utilities	**41**
Lease Expenses	
Interest on Lease Liabilities	15
Amortization of Right-to-use Assets	32
Total Lease Expenses	**47**
Other	
Depreciation and Amortization	89
Board Operating Expenses	244
Insurance	663
Miscellaneous	346
Training	61
Equipment Leases[2]	4
Equipment Maintenance	50
Supplies	6
Total Other	**1,463**
Subtotal: Administrative Expense Subject to Statutory Limit	**13,422**
Actuarial Expenses	335
Business Continuity	622
Legal Expenses	944
Technology Expenses	903
Subtotal: Administration Expense Excluded from Statutory Limit[1]	**2,804**
TOTAL ADMINISTRATION EXPENSE	**$ 16,226**

1 *Legal expenses, business continuity, and technology include an allocation of administration overhead expenses.*

2 *Lease expenses that do not fall under GASB 87.*

Investment Expenses

For the Year Ended December 31, 2020
(Dollars in Thousands)

Investment Manager Fees[1]	$ 43,681
Brokerage Commissions	1,039
Investment Allocated Costs	2,602
Investment Consultants	1,282
Other Investment Expenses	1,086
Investment Custodians	556
Total Investment Expenses	**$ 50,246**

1 *The Investment Section of this report provides details of Investment Manager Fees by type of investment manager.*

Payments to Other Consultants[1]

For the Year Ended December 31, 2020
(Dollars in Thousands)

Actuarial & Audit Services	$ 525
Human Resources Consulting	77
Legal Services	298
Other Specialized Services	494
Total Payments to Consultants	**$ 1,394**

1 *These are payments to outside consultants other than investment advisors. See the table above for fees paid to investment professionals.*

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Investments

Chief Investment Officer's Report

2020 CALENDAR YEAR PERFORMANCE HIGHLIGHTS OF ACERA'S INVESTMENT FUND (FUND)

In 2020, ACERA's Total Fund reached its highest level during the end of the fourth quarter at $9.65 billion. ACERA's portfolio returned a gross 12.48% in 2020, as shown in the table below, which includes Asset Class detail. Over the 2016 – 2020 period, the Total Fund's annualized return is 10.44%[1]. More importantly, ACERA has passed an exciting Total Fund milestone of $10.02 billion in early April, 2021.

YEAR ($ Values in Billions)	2020	$ Value	Actual %	Target %
Total Fund Return (as of 12/31/20)[1,2]	12.5%	$ 9.65	100.0%	100.0%
Policy Index	12.3%	-	-	-
Median	11.5%	-	-	-
Domestic Equity	20.3%	$ 2.71	28.1%	25.0%
International Equity	15.1%	$ 2.79	28.9%	25.0%
Fixed Income	12.3%	$ 1.56	16.3%	16.0%
Real Estate	1.8%	$ 0.61	6.3%	8.0%
Private Equity	11.6%	$ 0.72	7.4%	8.0%
Absolute Return	-1.1%	$ 0.67	7.0%	9.0%
Real Assets	-2.2%	$ 0.47	4.8%	5.0%
Private Credit	0.8%	$ 0.06	0.6%	4.0%
Cash	0.6%	$ 0.06	0.6%	0.0%
Year-End Total Fund (as of 12/31/20)	-	$ 9.65	-	-
Beginning Total Fund (as of 12/31/19)	-	$ 8.76	-	-
Total Change in Fund Value	**-**	**$ 0.89**	**-**	**-**

Source: Verus[3] (Gross of Fees)

1 *All returns are gross. Total Fund Return (net of fees) for 2020 is 12.30%.*

2 *For 2020, ACERA made net disbursements of approximately $183.2M to pay supplemental retiree benefits, salaries, and administrative costs. For reference, net disbursements from the Total Fund for 2019, 2018, 2017, 2016, and 2015 were $171.5M, $173.5M, $167.6M, $150.5M, and $140.0 M, respectively*

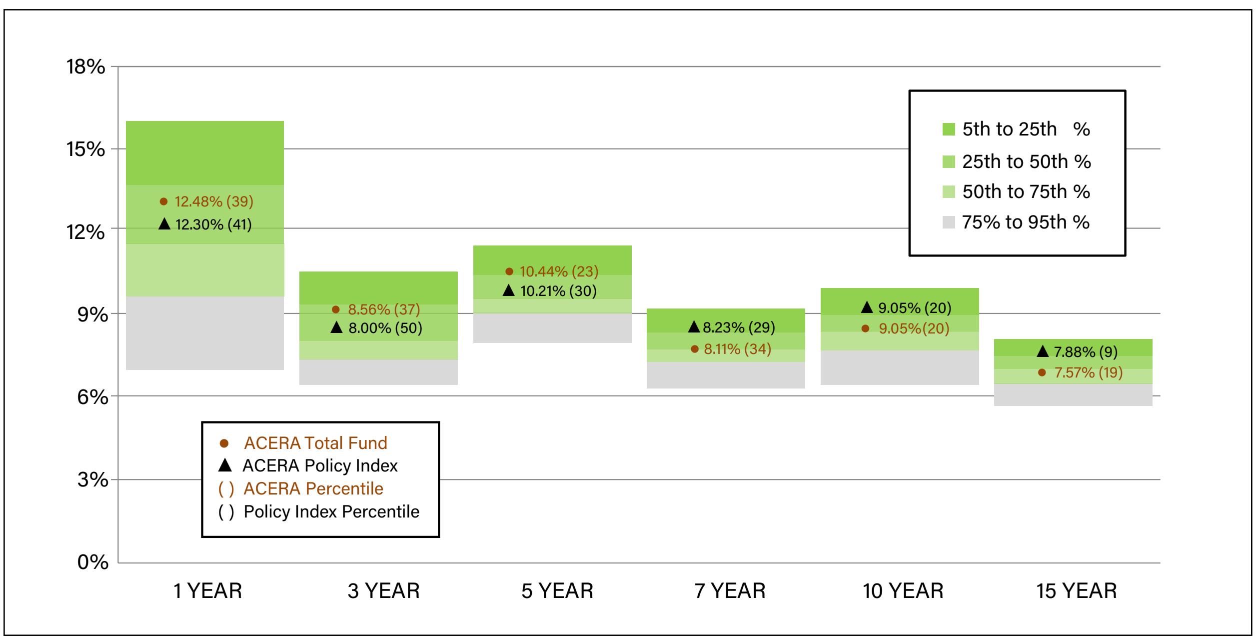
3 *Verus Advisory, Inc. ("Verus") is ACERA's General Investment Consultant.*

NOTE: Returns for periods greater than one year are annualized. Monthly return calculations are time-weighted, and market value based. Results of all publicly traded investments are presented in a format consistent with the CFAI Global Investment Performance Standards®.

1 The fund generated the following annual returns: 2016 +7.44%; 2017 +19.50%; 2018 -4.05%; 2019 +18.69%

ACERA Year-End Market Values 2002-2020

ACERA TOTAL FUND RETURNS VS. TOTAL PUBLIC FUNDS ANNUALIZED RETURNS[1]



1 Total Fund and asset class composites are ranked against the InvMetrics universe. A ranking of 1 is a top percentile ranking and a ranking of 100 is a bottom percentile ranking. The InvMetrics Public DB Funds > $1B Gross universe consists of 94 members and $1.209 trillion. Effective 1/1/2017, only traditional asset classes (public equity, public fixed income, public real estate) investment management fees will be excluded in the gross of fee return calculation.

	1 Year		3 Years		5 Years		7 Years		10 Years		15 Years	
	Return %	Rank	Return %	Rank	Return %	Rank	Return %	Rank	Return %	Rank	Return %	Rank
ACERA	12.48%	39	8.56%	37	10.44%	23	8.11%	34	9.05%	20	7.57%	19
Policy Index	12.30%	41	8.00%	50	10.21%	30	8.23%	29	9.05%	20	7.88%	9
Median	11.54%	50	7.99%	50	9.50%	50	7.58%	50	8.35%	50	6.94%	50

Source: Verus (Gross of Fees)

"The Board's primary goals in managing the Fund are:

1. To ensure that sufficient funds are available to pay vested benefits and maintain supplemental benefits;
2. To comply with all applicable fiduciary standards; and
3. To add marginal value that will help reduce the costs of the plan and/or to increase benefits for the beneficiaries[1]."

ACERA believes that prudent management of risk is a central element of the investment function and that diversification among asset classes will reduce risk and enhance returns of the overall investment portfolio over the long-term. ACERA has strong controls in place to monitor and manage portfolio risks and to ensure compliance with all relevant fiduciary standards. It is important to remember that pension plan investments should be viewed over the long-term and that past performance is not indicative of future results.

PERFORMANCE HIGHLIGHTS FOR 2020

After a tumultuous turn of healthcare and economic events, The Total Fund increased 12.48% on a gross basis by the end of 2020, outperforming the Policy Index's return of 12.30% and the Median Fund's return of 11.54%. The year 2020 was an incredible year in that the global economy (and the global markets) were peaking in first quarter when the world succumbed to the coronavirus COVID-19. The economic impact of the pandemic immediately affected the U.S. as unemployment skyrocketed and much of social interaction came to a halt. Interestingly enough, the pandemic accelerated the already disruptive trends like e-commerce and working-from-home (technology) into the forefront. Nonetheless, with the surprising escalation of the pandemic, the U.S. equity markets dropped precipitously, some 2-standard deviations then turned ("V" shape recovery) led by e-commerce and the IT sectors. Energy and other commodities sectors hit bottom after a long slowdown–building a base for recovery.

In the first half of 2020, ACERA's Total Fund returned -5.74% gross, which ranked in the 81st percentile of public funds larger than $1 billion. The Total Fund underperformed the Policy Index and the Median Fund, which returned -4.44% and -4.06%, respectively. Much of the market decline occurred in March; however, in the second quarter, the Total Fund gained 10.89%.

In the second half of 2020, ACERA's Total Fund returned 19.04% on a gross basis, which ranked in the 8th percentile of public funds bigger than $1 billion. Since the Total Fund had a larger equity allocation relative to peer public funds, the Total Fund was comparatively more volatile. During the second half of 2020, the global equity markets continued to rally. Our U.S. portfolio returned 25.44% gross, and our International Equity returned 28.12% gross.

Adding the 2020 year-end results,12.48%, the Total Fund's annualized returns over a 3-year, 5-year, and 10-year period are 8.56%, 10.44%, and 9.05%, on a gross basis, respectively. These returns are all above the actuarial return of 7.00%[2].

1 ACERA General Guidelines, Policies, and Procedures, amended September 20, 2018, p.7.

2 The assumed annual rate of investment returns was lowered to 7.00% from 7.25% in December 2020 by the Board of Trustees.

FACTORS AFFECTING ACERA'S PORTFOLIO IN 2020

The Board's Actions

In January of 2020, the Board authorized Staff to negotiate a contract extension with State Street for ACERA's custody contract and approved the shortlist of candidates for the Large Cap Value Manager search. In February 2020, the Board approved the ACERA Environmental, Social, and Governance (ESG) Belief Statement. This was a preface to developing an ESG Policy, which was completed in early 2021, before we concluded this report. During the first quarter, the Board approved an RFI search for Overlay providers in order to help manage excess cash.

During the last quarter of 2020, the Board approved 1) a new International Equities structure that eliminated the quantitative allocation and reallocated capital among the remaining allocations, 2) a new Real Assets Structure, and adopted the 2020 – 2026 Real Asset Investment Plan, and 3) the 2021 – 2023 Private Equity Investment Plan.

The Board continued to expand and diversify the Total Fund and made three new commitments to Private Equity totaling $80 million, two new commitments in Real Assets totaling $70 million, two new commitments to Private Credit totaling $150 million, and one new commitment to Real Estate totaling $35 million.

The Board is made up of eleven appointed or elected members, including two alternates. All Board members are members of the Investment Committee. Both the Board and the Investment Committee meet monthly. An experienced group of fiduciaries, they work closely with Staff and consultants to carry out their fiduciary responsibilities. Meeting agendas and minutes can be found on ACERA's website, www.acera.org.

ACERA'S PORTFOLIO - DETAIL

ACERA's portfolio is diversified among eight major asset classes and strategies: domestic equities, international equities, fixed income, real estate, private equity, absolute return, real assets, and most recently, private credit. The purpose of diversification is to reduce risk while maximizing potential long-term return. The portfolio is constructed such that its volatility (defined as a measure of risk, i.e., standard deviation) is less than that of a traditional long-only, equity-only portfolio. ACERA's Fund is positioned to weather various market conditions and provide steady growth and income (net return) over the long-term.

Asset Class Review - 2020

U.S. Equity	
Asset Class Allocation – Target	25.0%
Asset Class Allocation – Actual	28.1%
Return	20.3%
Benchmark (Russell 3000 Index)	20.9%
Over/(Under) Performance - relative to Benchmark	-0.6%
InvMetrics[1] U.S. Equity (Gross) - Median	18.5%

Source: Verus Advisory, Inc.

Numbers may not add up due to rounding

In 2020, ACERA's U.S. Equity asset class returned 20.34% gross, underperforming the Russell 3000 Index, the assigned benchmark, by 0.55%. Approximately 79% of the U.S. Equity asset class is passively invested in the Blackrock Russell 1000 index, which returned 21.01% gross for the year. ACERA's two Large Cap managers provided positive results for the year. On a gross basis, the Large Cap Growth manager returned 38.8%, while its benchmark, the Russell 1000 Growth, returned 38.49%. On a gross basis, the combined Large Cap Value managers returned -11.1%, whereas its benchmark, the Russell 1000 Value, returned 2.8%. (ACERA terminated the large cap value manager in October of 2020 (-26.6% through 10/30/20) and transitioned to a new value manager who returned 15.5% in the fourth quarter of 2020.) For ACERA's U.S. Small Cap managers, the Small Cap Growth manager returned 40.64% gross versus the Russell 2000 Growth benchmark, which nearly returned 34.63%. The Small Cap Value manager generated a gross

1 As of 12/31/20, InvMetrics Public DB Funds > $1B Gross universe consists of 94 members and $1.029 Trillion.

return of 5.90%, outperforming its benchmark, the Russell 2000 Value, and its return of 4.63%. Across U.S. asset class styles, Growth stocks outperformed Value stocks, with small cap slightly outperforming large cap. ACERA's actively managed portfolios outperformed the passive index manager. For example, the large cap growth account was up 38.8% versus the large cap value account, which was down -11.1%. The small cap growth manager was up 40.64% versus the small cap value account, which was up 5.9%. The passive portfolio was up 21.01%.

International Equity	
Asset Class Allocation – Target	25.0%
Asset Class Allocation – Actual	28.9%
Return	15.1%
Benchmark (MSCI ACWI IMI – ex U.S. Index)	11.6%
Over/(Under) Performance – relative to Benchmark	3.5%
InvMetrics All DB ex-U.S. Equity (Gross) - Median	12.8%

Source: Verus Advisory, Inc.

Numbers may not add up due to rounding

In 2020, ACERA's International Equities portfolio produced 15.09% on a gross basis. For the majority of the year –three quarters, the largest International Equity allocation, approximately 20%, is passively invested through the MSCI World ex-U.S. Index; this investment returned 8.01% for the trailing 1-year period. The next largest allocations were invested through three stylistically complementary Large Cap managers (i.e., one Fundamental Growth, one Fundamental Value, and one Quantitative). The Fundamental Growth manager returned 22.60% versus 11.13% for the benchmark, MSCI ACWI ex-U.S. IMI. The Fundamental Value manager returned 0.69% versus 11.13% for the benchmark, MSCI ACWI ex-U.S.A. Value. (The account, however, outperformed its secondary benchmark, the MSCI ACWI ex-U.S. Value Gross, which was down 0.21%.) The Quantitative manager, who was let go as of October 31, 2020, returned -8.68% versus -6.95% (MSCI ACWI ex-U.S.), for the ten-month period. (In the fourth quarter, the ACERA Board adopted the recommendation to change the manager structure for the international equity asset class and closed the All Cap Quantitative allocation.) Additionally, two 10% allocations each is managed respectively by a Foreign Small Companies fund manager, and a dedicated Emerging Markets equity manager. For 2020, the Foreign Small Companies account was up 10.77% versus 14.67% for the MSCI ACWI ex-U.S. Small Cap Gross. However, the Foreign Small Companies account did outperform the MSCI ACWI ex-U.S. Small Cap Value Index, which was up 5.27%. The dedicated Emerging Markets Equity account was up 61.42% versus the MSCI EM up 18.69% for 2020. The remaining International Equity portfolio investment is allocated to an Emerging Investment Manager (EIM). For the year, the EIM returned 13.40% gross versus the MSCI ACWI ex-U.S.A. benchmark of 11.13%. Similar to the U.S. Equity asset class, Growth stocks in the International Equity markets outperformed Value stocks and Emerging Markets outperformed many asset classes.

Fixed Income	
Asset Class Allocation – Target	16.0%
Asset Class Allocation – Actual	16.3%
Return	12.3%
Benchmark (75% BBgBarc US Agg/15% FTSE WGBI-ex U.S./10% BBgBarc US Corp HY)	8.2%
Over/(Under) Performance – relative to Benchmark	4.1%
InvMetrics Fixed Income (Gross) - Median	7.7%

Source: Verus Advisory, Inc.

Numbers may not add up due to rounding

ACERA's Fixed Income portfolio returned 12.31% gross in 2020, outperforming its blended benchmark (75% Bloomberg Barclays U.S. Aggregate Bond Index, 15% FTSE World Government Bond Index ex-U.S., and 10% Bloomberg Barclays U.S. Corporate High Yield Index) by 4.13%. The strong performance in the fixed income markets was driven by the loosening of monetary conditions prior to the March 2020 COVID-19 market volatility (and the beginning of the U.S. and global lockdowns), then a strong rebound in credit and drop in interest rates that began in response to the pandemic in late March and continued throughout the year. Driving these changes were unprecedented monetary and fiscal stimulus. Indeed, going into 2020, the effective Federal Funds Rate and the yield on the 10-Year U.S. Treasury were 1.6% (versus a cycle high of 2.4% in July 2019) and 1.9% (versus a cycle high of 3.2% in November 2018), respectively. By the end of March, the effective Fed Funds rate dropped back down to the zero bound level (i.e., 0.1%) where it had been between December 2008 and December 2015 and the yield on the U.S. 10-Year Treasury fell to 0.7% reaching its lowest level intra-month, 0.5%, in over 60 years. Part of the Federal Reserve's intervention included the purchase of marketable securities, which previously focused only on U.S. Treasuries and Agency Mortgage Backed Securities (MBS), but were expanded to include riskier debt for the first time. The Fed's holdings of these securities on its balance sheet rose from $4.2 trillion (19% of GDP) at the beginning of the year to $7.1 trillion (33% of GDP) at the end of the year. These measures helped credit spreads narrow dramatically after the March market volatility with high-yield debt spreads (i.e., % yield in excess of the comparable maturity Treasury yield) narrowing to 3.9% by the end of the year, compared to peaking at 10.9% on March 23, 2020. These monetary measures were also important in absorbing the large increase in market supply of U.S. Treasuries resulting from the financing of huge amounts of U.S. Federal deficit spending. In 2020, U.S. Federal debt rose by $4.5 trillion or 20% to $27.7 trillion (129% of GDP versus 108% of GDP at the beginning of 2020). Other central banks globally also contributed monetary stimulus with the securities purchased and held by the ECB, for example, rising from EUR 4.7 trillion at the beginning of the year to EUR 7.1 trillion (approximately 60% of GDP) by the end of the year. The outperformance of ACERA's Fixed Income portfolio was driven by the outperformance of each of its fixed income managers. The U.S. Core Fixed Income manager (approximately 50% of the Fixed Income portfolio) produced a 9.20% gross return, outperforming its benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index, by 1.69%. ACERA's U.S.-focused Credit manager (approximately 25% of the Fixed Income portfolio) generated a 16.18% return, outperforming its benchmark, the Bloomberg Barclays U.S. Credit BAA Index by 6.75%. Finally, the Global Fixed Income manager (approximately 25% of the Fixed Income portfolio) generated a 13.98% gross return, outperforming its benchmark, the FTSE World Government Bond Index, by 3.87%.

Real Estate	
Asset Class Allocation – Target	8.0%
Asset Class Allocation – Actual	6.3%
Return	1.8%
Benchmark (NCREIF ODCE Property Index)	1.2%
Over/(Under) Performance – relative to Benchmark	0.6%
InvMetrics Real Estate (Gross) - Median	1.1%

Source: Verus Advisory, Inc.

Numbers may not add up due to rounding

In 2020, ACERA's Real Estate portfolio returned 1.86% for the year versus 6.53% for the prior year. The ACERA Real Estate portfolio slightly outperformed its benchmark, the National Council of Real Estate Investment Fiduciaries Open-End Diversified Core Property Index (NCREIF ODCE, 1.29%) by 0.57%. Over the past 3-year, 5-year, and 10-year periods, ACERA's Real Estate portfolio has annualized returns of 5.58%, 6.78%, and 9.6%, respectively, outperforming the NCREIF-ODCE annualized returns of 5.18%, 6.64% and 9.59%, respectively.

By Policy, the Real Estate portfolio is structured to have a greater than 70% in Core funds, 0% to 30% in Value-add funds, and 0% to 15% in Opportunistic funds. Additionally, the portfolio is diversified across geographic regions - mostly in the U.S. and in the 4 to 5 property types (Industrial, Office, Multifamily, Retail, Other). Considering the COVID-19 pandemic, the rapid decline in employment, the precipitous decline in the domestic economy, and the shelter-at-home order, the ACERA Real Estate portfolio did relatively well, holding its ground in 2020. Retail and Office, which were already subject to changing behavior/demographic declines, were negatively impacted as the pandemic exacerbated or accelerated those headwind trends. Industrial and distribution centers improved with e-commerce and online shopping performing very well. However, major coastal cities experienced declines in sales tax revenues as city dwellers and renters headed for the suburbs. It should be noted that the economic impact of the pandemic will be better quantified when liquidity improves and workers return to their offices.

Private Equity	
Asset Class Allocation – Target	8.0%
Asset Class Allocation – Actual	7.4%
Return	11.6%
Benchmark (Thomson Reuters C|A Global All PE Index), 1 Qtr Lag	10.6%
Over/(Under) Performance – relative to Benchmark	1.0%

Source: Verus, No Private Equity Median

Numbers may not add up due to rounding

ACERA's Private Equity portfolio returned 11.6% for the year, outperforming its benchmark, the Thomson Reuters C|A Global All PE Index (1-Quarter Lag), by 1.0%. The Private Equity portfolio is currently invested across 54 funds and is segregated into three sub-asset classes: buyouts, venture capital, and debt-related/special situations. Private Equity continues to be an important asset class to the Fund, providing strong consistent returns, additional diversification, and cash flow in the form of distributions. Because of the planned, gradual growth of the program and the return of capital as the early funds mature, the Private Equity portfolio continues to be under-funded toward its target allocation. As of December 31, 2020, ACERA's Private Equity portfolio has called approximately $995.7 million in capital and distributed approximately $791.7 million. There is roughly $482.8 million of uncalled capital based on total current commitments as of the end of 2020.

Absolute Return	
Asset Class Allocation – Target	9.0%
Asset Class Allocation – Actual	7.0%
Return	-1.1%
Benchmark (HFRI Fund of Funds Composite Index)	10.9%
Over/(Under) Performance – relative to Benchmark	-11.9%
InvMetrics All DB Hedge Funds (Gross) Median	5.9%

Source: Verus

Numbers may not add up due to rounding

ACERA's Absolute Return (AR) Portfolio has been designed to produce a return that is uncorrelated to the global equity markets, has an efficient risk/return profile, and be fairly liquid. In 2020, the AR portfolio's -1.07% return underperformed its benchmark, the HFRI Fund of Funds Composite Index, which returned 10.9%. During the COVID-19-related market volatility in March 2020, the AR Portfolio lost approximately 8.7%, bringing its first quarter loss to 9.6%, versus 8.8% loss for the benchmark. The March loss in the AR Portfolio was primarily driven by strategies which anticipated that equity market volatility in the U.S. would be lower than in Asia and one that was short equity market volatility overall. As the coronavirus spread to the U.S., domestic equity market volatility spiked to record highs, while Asian equity market volatility remained relatively subdued. The combination of spiking equity market volatility and higher relative U.S. equity market volatility generated the majority of the losses in the AR Portfolio for the month and quarter. (These strategies were eliminated or mitigated in the AR Portfolio after March 2020). Once global central banks applied extreme monetary policies to address the economic and market fallout from the pandemic and large deficit spending emerged particularly in the U.S., equities exploded higher off the March lows and continued to strengthen throughout the year. The post-March 2020 environment of strong and trending equity markets, the HFRI Fund of Funds Composite Index's high (0.8 - 0.9) correlation to global equities, and the persistent improvement in other risk assets helped the benchmark rise 21.5% between April and year-end, leaving its performance for the full year at 10.86%. Because the AR Portfolio was designed to be less sensitive to the performance of the equity markets, its rebound following the March volatility was not as strong as the benchmark. The primary reason for this underperformance during the broader market rebound was due to Alternative Premia strategies, which continued to perform poorly in 2020 after a weak 2019. These strategies are driven by the performance of alternative premia such as "Value", "Momentum", and "Quality" across asset classes. Because of this poor performance, and the potential for these strategies to continue to underperform amid extreme monetary policies, ACERA divested one alternative premia strategy focused on the equity markets in 2020 and, in 2021, changed the AR Portfolio's structure to eliminate alternative premia strategies.

Real Assets	
Asset Class Allocation – Target	5.0%
Asset Class Allocation – Actual	4.8%
Return	-2.2%
Benchmark (60% Nat Res/35% Infra/5% BCOM)	-0.9%
Over/(Under) Performance – relative to Benchmark	-1.1%

Source: Verus, No Real Assets Median

Numbers may not add up due to rounding

The objective of the Real Assets (RA) portfolio is to generate a positive, domestic inflation-sensitive return in excess of its blended benchmark, which last year consisted of 60% S&P Global LargeMidCap Commodity and Resources Index, 35% S&P Global Infrastructure Index, and 5% Bloomberg Commodity Index[1]. In 2020 roughly 80% of the RA Portfolio was invested in a benchmark-replication strategy while the remaining approximately 20% was invested in private infrastructure and natural resources vehicles. Accordingly, the difference in the RA Portfolio's return versus its benchmark reflects the roughly 20% of the RA Portfolio invested in private infrastructure and natural resources vehicles. Much like the other asset classes in ACERA's Total Fund, the 2020 performance of the RA Portfolio fell dramatically in the first quarter to reach its performance nadir at the end of March, followed by a strong rebound that occurred throughout the final three quarters of 2020.

Indeed, at the end of the first quarter, the year-to-date performance of the RA Portfolio was –23% (versus a –30.1% return for the benchmark). At that time, the S&P Global LargeMidCap Commodity and Resources Index had lost 32.3%, the S&P Global Infrastructure Index had lost 29.3%, and the Bloomberg Commodity Index had lost 22.9%. Following the massive monetary and fiscal stimulus in March and throughout the remainder of 2020 and the strong rebound in risk assets, the S&P Global LargeMidCap Commodity and Resources Index, the S&P Global Infrastructure Index, and the Bloomberg Commodity Index finished 2020 with full-year returns of +1.6%, -6.5%, and –3.1%, respectively. The relative performance of these indices over 2020 reflect the continuation of global lockdowns that remained in place through year-end 2020, and depressed the rebound in infrastructure investments and commodity demand.

To improve the RA Portfolio's risk/return profile, ACERA is building out the private infrastructure and natural resources investment exposures. Moreover, to capitalize on the projected strength of private infrastructure investments going forward, relative to private natural resources investments and commodities, the ACERA Board approved a change in the RA Portfolio structure that increases the target weighting to private infrastructure. Based on the Real Assets Investment Plan approved as part of this structural change, ACERA is expected to reach its targets for private infrastructure (50% of the RA Portfolio) and private natural resources (25%) within five to six years.

Private Credit	
Asset Class Allocation – Target	4.0%
Asset Class Allocation – Actual	0.6%
Return	0.8%
Benchmark (S&P/LSTA US Leveraged Loan 100 Index + 1.75%)	4.9%
Over/(Under) Performance – relative to Benchmark	-4.2%

Source: Verus Advisory, Inc.

Numbers may not add up due to rounding

Private Credit is a relatively new asset class that was approved and integrated into ACERA's Total Fund asset allocation in 2019. Though the private credit asset class can encompass a number of lending strategies conducted through private fund vehicles, ACERA's private credit investments focus on senior secured, first or second lien loans made to corporations, also known as "Direct Lending". The loans are typically floating rate loans made to companies with the equivalent of low-investment-grade to high-below-investment-grade credit quality. Returns are generated from interest on the loan, fees, and the return of principal. Overall, this asset class

1 On December 17, 2020, the ACERA Board adopted a new structure for the Real Assets Portfolio. The new structure includes sub-class target weightings of 60% to Infrastructure, 35% to Natural Resources, and 5% to Commodities. The previous structure included a 35% weighting to Infrastructure, a 50% weighting to Natural Resources, and a 15% weighting to Commodities.

is intended to produce growth in ACERA's portfolio with relatively low volatility and moderate diversification from the global equity markets. The benchmark for this asset class is the S&P/LSTA U.S. Leveraged Loan 100 Index plus 175 basis points.

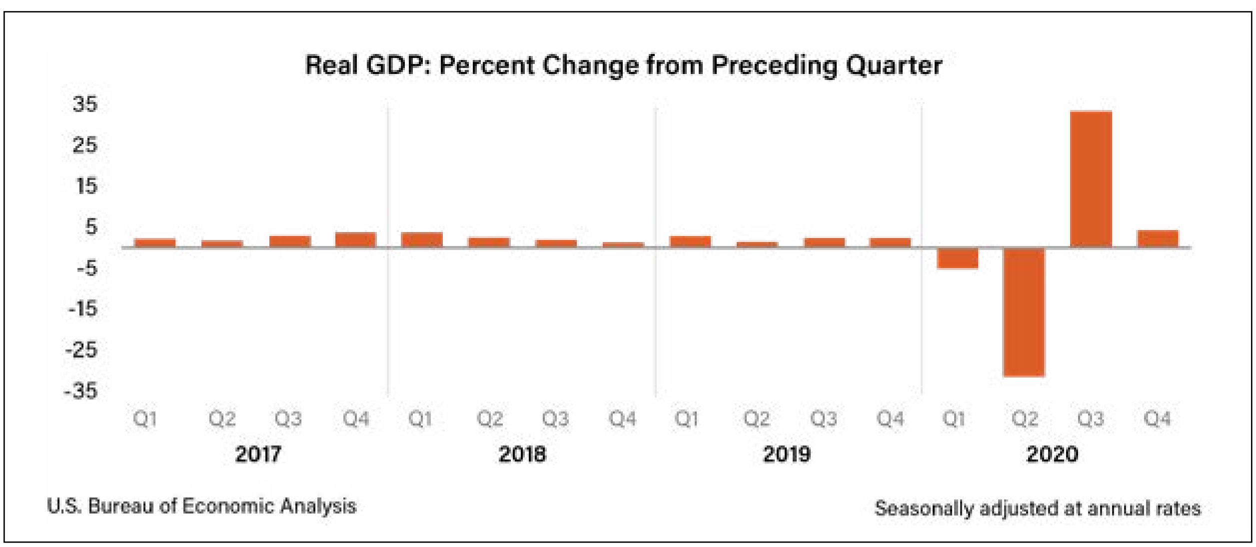
In 2020, ACERA's exposure to private credit investments was primarily through the first private credit investment approved by the ACERA Board in September 2019. In accordance with its Private Credit Investment Plan, ACERA also made two additional Private Credit investment commitments late in 2020, but these strategies did not call capital through year-end 2020 (though some management fees were charged on these commitments). In 2020, the return of the Private Credit Portfolio followed a similar path of the other asset classes, with investment performance suffering in the first quarter, followed by a strong rebound throughout the remaining nine months of 2020.

GENERAL ECONOMY AND INVESTMENT MARKETS IN 2020

The longest running bull market peaked in the beginning of 2020 as the economy and consumer spending slowed. Following favorable returns of 31.5% (S&P 500) in 2019, the stock market came to an abrupt halt after the tumultuous turn of economic events caused by the COVID-19 pandemic, and ended the first half of the year with the S&P 500 down 3.1%. From early February to late March, the S&P 500 dropped approximately 35% before sharply recovering. From April through the end of the year, the S&P 500 fully recovered and actually finished the year up 18.1%. In a similar way, Real GDP dropped sharply, but then recovered ending the year only off 3.5% year-over-year. With the backdrop of the 2008-2009 Great Financial Crisis, the world's governments and Central Banks stepped in to provide an abundant amount of liquidity.

The economic impact of the pandemic has had a tremendous effect on employment and the economy. With shelter-in-place and work-from-home, the economy felt like it just shut down. Everything that involved human interaction – from retail stores, restaurants, to travel, dried up. However, at the other end of the spectrum, the new economy accelerated - online shopping, technology equipment, and home repairs all sharply increased.

After March, markets responded quickly as growth stocks rebounded and anything tied to the old economy (value stocks) continued to drop (oil prices, auto sales). The second quarter and second half of 2020 experienced a "V" shaped recovery, but this soon turned into a "K" shape as the economy and the markets bifurcated. Cyclical industries struggled with demand and supply chain events; industrials and energy spent time restructuring, then rebuilding. Retail stores continued to struggle throughout the year with bankruptcies within the sector. By the end of the year, travel, schools, churches and restaurants started to slowly open up. If the equity markets are considered forward-looking indicators –and they have proven to be, the economy and the financial markets should recover on a sustainable basis over the next 18-months.



Equity Markets - Domestic and International

Although the year 2020 was tumultuous, the domestic and international equity markets ended well. With COVID-19 and the collapse in world oil, prices in the global financial markets were hit hard in the second quarter of the year. Volatility (as measured by the Chicago Board of Options Exchange Volatility Index, VIX) spiked up to levels not seen since 2008 - 2009. The surprise of the pandemic caught the markets off guard and investors responded accordingly. Typically, the equity markets are leading indicators –often pricing 12 to 18 months forward. Alongside the race for finding a vaccine and the liquidity provided by the U.S. Government, the S&P recovered and finished up 12.1%, and the MSCI ACWI ex-U.S. finished up 11.1% in USD terms. Sectors within the S&P 500 had a wide range and performance. For example, online retail and information technology were up 69% and 44%, respectively. The energy, airlines, retail REITs sectors declined 34%, 31%, and 28%, respectively. By the end of the third and fourth quarter, however, energy and financials gained 27.8%, and 23.2%, respectively; technology continued its run-up, gaining another 11.8%; and, real estate was up only 4.9%. Value stocks began to outperform growth stocks. With regard to the international equity markets, the United Kingdom declined 10.4%, but France and Germany equity markets gained 4.7% and 12.3%, respectively. Asia was strong (Japan +14.9%, China +29.7%). Again, it must be noted that the governments and central banks have provided much liquidity to offset the effects of the pandemic.

Fixed Income Markets - Domestic and Global

As 2020 began, monetary policies globally were directionally dovish as most central banks loosened monetary conditions throughout 2019 after their attempts to normalize extreme post-Great-Financial-Crisis policies over the 2015-2018 period created too much financial tightening. Accordingly, the effective Fed Funds Rate began 2020 at 1.6% versus a tightening-cycle high of 2.4% (in July 2019) and the Federal Reserve's balance sheet stood at $4.2 trillion (19% of U.S. GDP) versus $3.8 trillion in August 2019. Then, during the first quarter of 2020, fears of the potential economic and market impacts emerging from COVID-19 and the lockdowns associated with combating it, caused a severe risk-off move in March. This risk-off move caused safety assets such as U.S. treasuries (and the U.S. Dollar), along with other developed-market sovereign debt to rally while riskier credits (i.e., lower quality corporate bonds or emerging market debt and currencies) dramatically sold off. In response to the dangers, the U.S. Federal Reserve, and other global central banks, began an unprecedented monetary response late in March that would continue throughout the year. By the end of March, the Fed had cut the Fed Funds rate back to the zero bound (i.e., effective Fed Funds rate of 0.1%) and in conjunction with the U.S. Treasury Department, began to implement lending programs aimed at providing liquidity to the markets and borrowers. These measures arrested and reversed deep losses that were experienced across most asset classes in March but most risk assets ended the first quarter significantly in the red. For example, the Bloomberg/Barclays U.S. Corporate High Yield Index lost 12.7% in the quarter and the JP Morgan Government Bond Index – Emerging Markets (an index of global emerging market debt) finished the period down 15.2%. By comparison, investors fleeing to the safety of the U.S. Dollar and U.S. Treasuries saw the Bloomberg/Barclays U.S. Treasury Index gain 8.2% in the quarter.

From April through December 2020, central banks globally continued to act aggressively to combat the economic fallout of COVID-19. Debt securities purchased and held on central bank balance sheets exploded higher. Unprecedented fiscal stimulus and a gradual strengthening of economic activity after the spring helped riskier fixed-income segments and currencies rebound throughout the year. Meanwhile due to dovish Fed Policies, and the U.S. M2 money supply rising 25% by the end of the year, the U.S. Dollar Index weakened close to 10% from April until year-end. By the end of the year interest rates were broadly lower than they were at the beginning of the year, helping boost bond prices, and credit spreads finished the year close to where they started the year at. These factors helped the global fixed income markets, as measured by the Bloomberg/Barclays Global Aggregate Bond Index return 9.2%. In addition riskier bond segments improved dramatically off their March lows with the Bloomberg/Barclays U.S. Corporate High Yield Index finishing up 7.1% while the JP Morgan Government Bond Index – Emerging Markets narrowed its full-year loss to 5.8%.

Real Estate Markets[1]

The NCREIF ODCE Property Index rose 1.19% in 2020 versus 5.34% in 2019, marking the eleventh consecutive year of positive annual returns. The one-year total return ended December 31, 2020 was comprised of 3.8% income and a -2.6% appreciation return. The year was marked with an acceleration of a real-estate-market-in-disruption that had been underway for a while. For example, Industrial was strong because of e-commerce and distribution logistics; Retail continued to weaken. There continued to be disparity across the property sectors. For the year, Office was up 0.1%, Retail down 9.4%, Industrial up 7.6%, and Apartment up 1%. As such, for the one-year ended December 31, 2020, institutional contributions were $11.7 billion, and distributions and redemptions were $14.4 billion, resulting in an annual investor net cash flow of negative $2.7 billion. As 2020 finished out, the COVID-19 pandemic continued to have heavy effects on various property types. Core properties continue to report to acceptable levels of rent; however, as leases come up and are renegotiated, as foot traffic picks up, it is difficult to ascertain how long it will be before a return to normal.

Private Equity (PE) Markets[2]

Massive disruptions caused by COVID-19 in 2020, led to a massive drop in PE activity in the second quarter of 2020, but the rapid recovery of the credit and equity markets in the second half of 2020 allowed for PE activity to rebound dramatically. The total value of global buyout deals completed in 2020 was approximately $592 billion, 8% higher than 2019's total. However, due to the disruptions experienced in the first half of the year, the number of buyout deals completed in 2020 dropped to approximately 3,100 deals, a 24% decrease compared to 2019. Many experts believe this slowdown is temporary with many postponed deals ready to be resumed in a post-pandemic world. While the total number deals were lower in 2020, the total deal value still increased because the average deal size grew to $776 million, a 24% increase from 2019. The larger average deal size reflects a growing number of multi-billion dollar PE funds that require bigger deal size. Additionally, during the onset of the pandemic, financing was only available to the larger, well-established firms.

Dry powder, defined as uncalled capital that has been committed, continues to reach record levels, reaching over $2.9 trillion globally across all fund types. However, among the alternative asset classes, dry powder for Direct Lending has grown at the fastest rate (726% increase from 2010 to 2020). The average age of the buyout dry powder continues to be relatively low at 22 months (versus the five-year average of 20.2 months), which indicates that old capital continues to be replaced with new capital as deals cycle. Global buyout exit value remained strong, totaling $427 billion in 2020 versus $405 billion in 2019.

Generally, private equity as a whole continues to perform above public equities across several time horizons using Public Market Equivalent (PME) measures. However, the premium continues to shrink in the U.S. due to the maturation of the private equity industry as well as the recent strong 10-year run in the public markets. Some experts expect the premium to return to normal when the recent public equity outperformance reverts to long-term averages.

Absolute Return Markets

The absolute return markets (i.e., hedge funds), had a strong 2020 with the HFRI Fund of Fund Composite rising 10.9%, its best year since 2009. Combining 2020's return with 2019's return of 8.4%, the 2019-2020 period is the Composite's best two-year period since 2006-2007. Like 2019, 2020 benefited from accommodative monetary policies and interventions by central banks globally that helped equity markets and other risk assets trend higher following the COVID-19 related market volatility in March 2020. With the performance of hedge funds typically having a high correlation to global equities (i.e., 0.8-0.9 for the HFRI Fund of Funds

1 Source: Callan LLC, Verus Advisory Inc.

2 Source: Bain & Company, Preqin

Composite), though typically a relatively low beta to the global equity markets (i.e. approximately 0.3), the environment for these strategies over the last two years (i.e., MSCI World +28.4% return in 2019 and +16.5% return in 2020) has been very supportive of these strategies.

During the severe market volatility in March 2020, which saw risk assets drop dramatically, hedge fund strategies were beaten down with the HFRI Fund of Funds Composite falling -8.8% in the first quarter. Hedge fund strategies were largely impacted across the board with the severe market volatility hitting short volatility strategies hardest, followed by credit (including structured credit), relative value, equity long/short (including equity market neutral), and macro. As risk assets rebounded throughout the remaining three quarters of 2020, hedge fund strategies across the board recovered strongly. Long/short equity had an excellent 2020, as managers saw ample opportunities to play thematic trends in the equity markets and capture some equity market beta from the market moves higher, helping the HFRI Equity Hedge Index generate a 17.9% return in 2020 (best year since 2009). Credit strategies also performed well as severe and short-lived market dislocations in the credit markets provided ample trading opportunities to capitalize on. Accordingly, the HFRX Fixed-Income Credit Index rose 11.3% in 2020 (best annual return since 2009). Moreover, relative value strategies such as merger arbitrage and convertible arbitrage also saw solid full-year returns as the dislocations in the relative prices of securities created in the March volatility offered attractive entry points into these trades that performed well post March. This helped the HFRX Relative Value Arbitrage Index produce an 8.1% full-year return (its best since 2009). Finally, macro strategies performed fairly well with less volatility throughout the year with the HFRI Macro Index returning 5.4% in 2020.

Real Assets Markets

The real assets markets, including infrastructure, natural resources, and commodities, had a rocky 2020. The shutdown of global economies resulting from the COVID-19 pandemic significantly curtailed the use of legacy infrastructure assets (i.e., airports and toll roads) and the demand for commodities (i.e. gasoline/crude oil). As the global lockdowns commenced in the spring of 2020, elevated uncertainty related to the timeframe and degree to which societies globally would face mobility restrictions, along with severe dislocations in the capital markets, sent the value of real assets plummeting in the first quarter of 2020.

As unprecedented monetary and fiscal stimulus helped lift investment assets globally post-March 2020, and the severe mobility restrictions of the spring were eased in certain regions, the use of legacy infrastructure and demand for commodities improved. Moreover, with the significant expansion of the U.S. M2 money supply throughout the year (+25% in 2020), along with the emergency approval of multiple COVID-19 vaccines late in the year, the outlook for real assets brightened further towards the end of 2020. Despite this improvement, the year ended with material uncertainties related to how the world will change permanently as a result of the societal changes related to COVID-19 (i.e., a higher percentage of the workforce working from home). These uncertainties remained issues for legacy infrastructure assets and long-term commodity demand. For all of 2020, the S&P Global Infrastructure Index lost 6.5%, the S&P Global LargeMidCap Commodity and Resources Index gained 1.6%, and the Bloomberg Commodity Index recovered to finish down 3.1% for the year.

Private Credit Markets

The Private Credit markets, defined in this report as private direct lending to corporations, had a volatile year in 2020. The year came at the end of a very long credit cycle that saw corporate leverage materially rise and credit standards materially loosen, creating a risky mix for lenders to deal with going into the COVID-19 pandemic. Once the markets began to price in potential COVID-19-related risks in the first quarter of 2020, the prices of private loans fell materially, with the S&P/LTSA U.S. Leverage Loan 100 Index, a proxy for private direct lending, falling 12.2% for the three months ended March 31, 2020. Lending activity, which is largely driven by private equity buyout activity, slowed dramatically in the second quarter as leveraged buyout transactions dwindled and both private equity sponsors and direct lenders took the quarter to evaluate the liquidity profile of their existing portfolio companies and borrowers, respectively. Loans to companies in industries hit hard by COVID-19 presented the biggest risks and consumed the most time. However, there were also many companies that were not affected by, or benefited from, the pandemic, and such companies performed well. Accordingly, depending upon the mix of these types of loans in direct lending portfolios, direct lenders had to deal with differing levels of portfolio stress. During this period of great uncertainty, large direct lenders capitalized on privately negotiated lending opportunities to large borrowers who were having difficulty accessing loans in the leveraged loan and high yield markets. This trend continued throughout the year as large direct lenders provided bespoke lending solutions to the large corporations that would normally have secured capital through other channels. Meanwhile, the unprecedented level of monetary and fiscal support helped the capital markets rebound beginning in the second quarter and the economy recover in the second half of the year. Private equity buyout activity rebounded in the July-December period, which opened up lending opportunities, particularly for larger direct lenders. As time went on, privately valued direct lending portfolios, particularly those with high exposure to industries not materially impacted by COVID-19, recovered from the first quarter 2020 losses as corporate fundamentals improved and liquid comparable loans, used in part to value these private loans, rebounded. Reflecting this recovery, the S&P/LSTA U.S. Leveraged Loan 100 Index more than recouped its first quarter loss and ended 2020 with a 2.8% full-year gain.

ECONOMIC OUTLOOK FOR 2021 AND BEYOND

Although the global economy is diverse and dynamic as ever, the U.S. remains the largest economy as measured by GDP ($20.81 trillion). However, to put the global economies into perspective, Asia–and in particular, China ($14.86 trillion), has become the dominant source of GDP growth. China has established its dominance as the second largest economy in the world and its trading relationship with the U.S. will continue to influence the global economy. Accordingly, the financial markets look to track the changing dynamics of the international economic markets–including tariff wars and the coronavirus.

With the devastating global COVID-19 pandemic, governments and societies around the world have responded with shelter-in-place and social distancing. The COVID-19 pandemic has created a sharp drop in the global economy. Because of the unprecedented market volatility, there is now record unemployment (i.e., from 3.6% in February to near 15% unemployment in April in the U.S.), and therefore, extremely high demand in liquidity and financial aid/distressed debt. Debt levels today already grossly exceed the Great Recession levels.

To counter the economic fallout, the U.S. and other foreign governments, the World Bank, and the International Monetary Fund have unveiled massive financial support packages (more debt) to help countries overcome the health crisis and limit economic damage. It is expected that liquidity will continue to be pumped into the economy and interest rates will be kept very low. Pandemic aid to households is pouring money into the U.S. economy, priming it for rapid growth this year. Accordingly, anxiety about inflation is picking up among economists and in the markets where long-term interest rates have been grinding higher since President Biden unveiled plans for huge new fiscal stimulus. We believe that inflation represents the clearest and present danger to the U.S. economic outlook at present. Economists project that a combination of fiscal and monetary stimulus plus vaccinations allowing most of the economy to reopen should largely eliminate the output gap this year. The Brookings Institution projects that if President Biden's full $1.9 trillion plan is enacted, GDP will soar 7.8% this year. By early next year, they say, GDP would stand 2.6% above the CBO's estimate of potential, and unemployment would temporarily dip to 3.2%. With populism more in check, President Biden is bringing more normalcy to politics and reversing some of the extreme measures deployed by former President Trump. With the huge levels of new public debt, the IMF and the World Bank see the world economies slowing down after the initial economic recovery, and returns to be much more muted.

However, a slowing global GDP is not the only concern. The U.S. government is incurring gaping budget deficits, and the ratio of federal government debt-to-GDP has climbed to its highest level since the end of the Second World War. In short, the debt-to-GDP ratio of the federal government has risen to roughly 100%, the highest ratio since the end of the Second World War. Higher rates will push up government borrowing costs. Household finances could deteriorate if rates move significantly higher. The United States is not the only major economy that has experienced a sharp rise in government debt since the pandemic struck. Some governments could feel compelled to undertake fiscal consolidation as they had done in the immediate aftermath of the global financial crisis a decade ago. China has an excessive amount of debt in its non-financial corporate sector and, should a debt crisis occur in China in the next year or so, this would impart a sharp slowing effect on the global economy.

Assuming that the pandemic does not come roaring back and close down the economy again, we look for strong rates of U.S. economic growth later this year and into 2022. However, we will be watching inflation and measures of inflation expectations closely in the coming months to determine whether we need to make any changes to our economic forecasts, and therefore, to our ACERA Total Fund.

GENERAL INFORMATION

Institutional investment management firms manage ACERA's assets (outsourced). Professional investment consultants, along with ACERA's investment staff, closely monitor the activities of these managers and assist the Board with the implementation of investment policies and long- term strategies. ACERA's goal remains to achieve a level of performance that will rank the Fund in the upper quartile of comparable pension funds on a risk-adjusted basis. ACERA also seeks to be as fully funded as possible so that its benefit costs do not become a burden upon future generations of members and taxpayers.

Summary of ACERA's General Investment Guidelines, Policies and Procedures (General Policy)

The General Policy can be found at https://www.acera.org/download/general-investment-guidelines-policies-and-procedures

SUMMARY OF ACERA'S OTHER INVESTMENT - RELATED POLICIES

Private Equity Policy

The ACERA Private Equity Policy can be found at https://www.acera.org/download/private-equity-investment-policy

Absolute Return Policy

The ACERA Absolute Return Policy can be found at https://www.acera.org/download/absolute-return-policy

Real Estate Investment Guidelines, Policies, and Procedures (Real Estate Policy)

The Real Estate Policy can be found at https://www.acera.org/download/real-estate-policy

Emerging Investment Manager Policy

This Emerging Investment Manager Policy (EIM Policy) can be found at https://www.acera.org/post/emerging-managers-policy

Directed Brokerage Policy

The Directed Brokerage can be found at https://www.acera.org/directed-brokerage-program.

Real Assets Policy

In December, 2020, the ACERA Board adopted a new Real Assets (RA) Structure, therefore, the RA Policy was amended as highlighted below.

The Real Assets Policy governs all investments in the Real Assets asset class. The purpose of this Policy is to: 1) set forth the RA investment policies and guidelines which are deemed to be appropriate and prudent; 2) establish criteria against which RA investment opportunities are to be measured; and 3) serve as a review document to guide the ongoing oversight of the RA portfolio on a consistent basis. Within this policy is the strategic objective of real assets investments. Their objective is to generate a positive, domestic inflation-sensitive return in excess of the asset class's blended benchmark (60% S&P Global Infrastructure Index/35% S&P Global LargeMidCap Commodity and Resources Index/5% Bloomberg Commodity Index). In order to reach this strategic objective, the Policy establishes long-term targets for infrastructure (60% target), natural resources (35%), and commodity (5%) sub-asset classes, along with long-term targets for liquid and illiquid investments in these classes. Interim (5-8 year) sub-asset class target ranges (including liquid and illiquid investment targets) are provided in the Policy's Addendum. These interim ranges take into consideration the time it takes to build out the asset class' illiquid investment exposures.

Finally, amongst other guidelines, the Policy establishes the types of investments in this asset class, roles and responsibilities, and due diligence, performance evaluation and monitoring, and reporting processes. The Policy can be found at https://www.acera.org/investment-update/real-assets-policy.

Private Credit Policy

The Private Credit Policy can be found at https://www.acera.org/download/private-credit-investment-policy.

Proxy Voting Guidelines and Procedures (Proxy Guidelines)

The Proxy Voting Guidelines Policy can be found at https://www.acera.org/investment-update/proxy-voting-guidelines-and-procedures

SPECIFIC INVESTMENT RESULTS BY ASSET CLASSIFICATION

In summary, ACERA's Total Fund was up 12.5% and finished 2020 with a market value of $9.65 billion, bringing in an additional $890 million to serve the members' needs.

Respectfully Submitted,

Betty Tse

Betty Tse, CPA, CGMA, MBA
Chief Investment Officer, ACERA
June 1, 2021

Investment Consultant's Report

Verus

Memorandum

To: Alameda County Employees' Retirement Association

From: Verus

Date: March 17, 2021

RE: 2020 Review and Outlook

Executive Summary

Calendar year 2020 was unprecedented from both an economic and market standpoint, driven by the first global pandemic in a century. During the first quarter, markets dropped sharply during the onset of COVID-19. However, the remainder of the calendar year was largely supportive of risk assets following massive monetary and fiscal stimulus introduced to combat the global shutdown of the economy. In this environment, ACERA's portfolio ended 2020 up 12.5% (+12.3% net), with all asset classes except real assets and absolute return positive for the year. The results were in line with the Policy Index (+12.3) and ranked above median against ACERA's peers. U.S. equities performed better than International markets, gaining 20.2% in 2020 vs. 14.7% for the international composite. Fixed income appreciated by 12.1%, beating the composite benchmark of 8.2%. Private equity rose 11.6% for the year, and real assets lost -2.3% for the year. Growth continued to significantly outperform value during the first three quarters of 2020, with value making a comeback in the fourth quarter following the news of an approved vaccine and the results of the U.S. election.

In this memo, we will review the investment environment in 2020 for the major asset classes, detail 2020 initiatives and outline ACERA's work plan for 2021.

U.S. Equity

While economic growth and equity market performance have historically exhibited a positive relationship, there have been many periods throughout history when the two have diverged materially. This past year was without a doubt one of those periods—real gross domestic product shrunk -2.5% in 2020, while the S&P 500 Index delivered a total return of 18.4%. To have received that 18.4%, however, investors needed to have the poise to withstand levels of volatility not seen since the 2008-2009 Global Financial Crisis, and extreme economic uncertainty. Between the beginning of the year and the February 19th pre-pandemic peak, the S&P 500 returned 5.1%. The Index proceeded to plunge -33.8% by March 23rd, and then surge +70.2% by the end of the year. The resilience of the S&P 500 Index could at least be partly attributed to unprecedented fiscal support, low interest rates and accommodative monetary policy, positive vaccine developments, and the relatively high weight of technology companies within the index which were more insulated or perhaps even benefited from the impacts of the pandemic.

Large-capitalization firms performed well throughout the year (Russell 1000 Index +21.0%) and tended to perform better on worsening COVID-19 related news flow, as many believed that a more prolonged pandemic improved the present value of future cash flows of large tech firms. As a result, the historically more cyclical tech sector experienced a somewhat defensive rotation. Small-cap stocks were hit hard in Q1 and Q2, specifically in the energy, financial, and industrial sectors, but bounced back aggressively in the second half of the year. In the fourth quarter alone, the Russell 2000 Index returned +31.4%, bringing its 2020 return (+20.0%) to just 1.0% behind the large-cap benchmark.

International Equity

Global equities returned 16.3% in U.S. dollar terms over the course of the year, and non-U.S. investors who had chosen not to hedge currency risk benefitted from a weaker dollar. International developed equities (MSCI EAFE USD +7.8%) underperformed the global opportunity set, as strong returns in the Netherlands (+24.1%) and Japan (+14.5%) were unable to counteract poor performance within Europe (+5.4%) more broadly, and the U.K. (-10.5%) specifically. The United Kingdom posted the poorest performance in U.S. dollar terms and was perhaps pressured by the uncertainty surrounding Brexit negotiations with the European Union, which finally concluded with the formation of an E.U.-U.K. trade arrangement on December 24th, and the completion of the separation in the final days of the year.

The policy response to pandemic-related disruptions varied widely across the international equity complex. Japan's response was widely viewed as one of the most aggressive, featuring strict and expeditious social distancing curbs, and fiscal stimulus amounting to over 40% of GDP. The experience in Europe was more fractured. While at first it appeared that the initial broad lockdowns had succeeded in slowing down the virus, relaxation of intra-European travel during the third quarter preceded a second wave in the fourth quarter that dwarfed the initial wave. This brought with it a second series of lockdowns in many countries across the continent.

European Union fiscal and monetary authorities were unable to provide the level of support seen in the U.S., U.K., and Japan, due in part to material differences in opinion between member states on how aggressive the policy response should have been, and in part due to the strings which many policymakers in Brussels sought to attach to the support packages. The European Commission eventually landed on a pandemic recovery fund sized at €750 billion ($885 billion), comprised of both grants and loans. The European Central Bank had little appetite for cutting rates further into negative territory, leaving its deposit rate at -0.50% and pursuing an aggressive asset purchase program. In March, the ECB established a temporary Pandemic Emergency Purchase Program (PEPP) with a capacity of €750 billion, which was eventually expanded to €1.35 trillion in June and then to €1.85 trillion by December. In the U.K., the Bank of England cut its main rate from 0.75% to 0.10% in March and expanded the target for its quantitative easing program from £645 billion in May to £895 billion by year-end.

Emerging market equities (MSCI EM USD +18.3%) kept pace with large-cap U.S. equities, and outpaced the international developed equity complex despite facing headwinds from currency movements. Dispersion within the universe was wide in U.S. dollar terms – the Asian segment of the MSCI Emerging Markets Index returned +28.4%, while the Latin American segment delivered a -13.8% loss. Sector allocations played a role in the divergence, as tech-heavy Asian indices benefitted from pandemic dynamics and from lower interest rates, which boosted the present value of companies viewed as higher-duration. The Latin American universe, which tends to have a higher concentration of "old-economy" companies, fared worse as energy prices dove and exports plummeted. Additionally, Asian currencies exhibited much lower volatility relative to the U.S. dollar, compared to Latin American currencies. Unhedged U.S. investors in EM Asia experienced returns of +28.4% (+25.5% in local terms) while unhedged U.S. investors in EM Latin America generated returns of -13.8% (+2.3% in local terms). Korean (+44.6%), Taiwanese (+41.0%) and Chinese (+29.5%) equities were the primary drivers of Asian outperformance, supported by rallies of 6.1%, 6.6%, and 6.7% in the Korean won, Taiwanese dollar, and onshore Chinese renminbi, respectively, relative to the U.S. dollar.

Fixed Income

Concerns over the pandemic led central banks around the globe to cut short-term interest rates to record lows, and longer-term interest rates fell dramatically as well, pushed lower by quantitative easing programs and broad risk-off sentiment. By year-end, the U.S. dollar value of global negative-yielding debt had risen from $11.2 trillion to a new all-time-high level of $17.8 trillion.

The plunge in global interest rates resulted in strong performance for Global Treasuries (+9.5%) in U.S. dollar terms. Within the United States, the 10-year U.S. Treasury yield fell from 1.92% to as low as 0.54%, before eventually recovering to 0.91% by the end of the year. The Bloomberg Barclays U.S. Treasury Index returned 8.0% over the year, and long-duration Treasuries (+17.7%) fared even better. Treasury inflation-protected securities (+11.0%) generated strong performance over the year as extensive fiscal accommodation stoked speculation for higher growth and inflation in a potential post-pandemic world. The ten-year breakeven inflation rate dove from around 1.8% to as low as 0.6%, and then recovered to 2.0% by the end of the year. While priced inflation did pick up substantially following the market turbulence in Q1, the impressive rise in TIPS breakeven inflation rates may be due to government purchases, as the Fed increased its TIPS holdings from 8% of the market to around 20%.

Within the credit space, riskier credit underperformed safer credit. Core fixed income returned +7.5%, roughly in-line with core-plus fixed income (+7.6%), while high-yield credit (+7.1%) and leveraged loans (+3.1%) underperformed on a relative basis. The option-adjusted spread of the Bloomberg Barclays High Yield Index spiked from around 3.5% to 11.0%

in mid-March as spreads in the energy sector surged from 7.8% to 23.1%. By year-end, high-yield credit spreads in the energy sector had fallen to 5.6%, and broad high yield spreads had compressed to 3.5% — just 10 basis points above their level from the beginning of the year. Default rates crept up during 2020 and will be worth monitoring over the coming quarters.

Emerging market debt underperformed risky U.S. credit over the full year, but this performance gap began to narrow in the fourth quarter. Hard-currency denominated emerging market debt (J.P. Morgan EMBI Global Diversified +5.3%) outperformed local-currency debt (J.P. Morgan GBI-EM Global Diversified +2.7%) as emerging market currencies broadly depreciated relative to the U.S. dollar.

Outlook

Exceptional returns across asset classes in 2020 likely dampened expectations for 2021. Many investors viewed last year's performance as a pulling-forward of 2021 returns, based on an assumption that sales and earnings growth would recover substantially next year. If that recovery does not take place, or if the global vaccination campaign runs into any snags, equities could be vulnerable to a pullback, especially considering current valuation levels. With global real yields subdued, and credit spreads back at pre-pandemic levels, carry and value remain scarce. How best to structure portfolios effectively given the low interest rate environment will likely remain a key theme this year. In terms of expected policy, the Fed has reiterated its commitment to keeping financial conditions easy until it sees sustained progress toward its goals of full employment and stable prices. The election of Joe Biden and Democratic control of Congress have been viewed as raising the chances of substantial additional fiscal support. However, historically narrow Democratic majorities in both chambers of Congress have resulted in a more constrained policy agenda. There is likely a high degree of uncertainty regarding the future market path, and therefore, a more neutral overall risk stance may be warranted.

Investment Guidelines, Policies, and Initiatives

In 2020, ACERA revised its international equity structure, simplifying it and removing the allocation to a quantitative large cap core manager and consolidating the proceeds between other existing international managers. The quantitative approach had not been working for a few years due to the value factor bias in the quantitative methodology. Over the fiscal year, ACERA also changed its U.S. Large Cap Value manager to another active value manager with more of an "all weather" approach from one that was "deep value" and a significant performance laggard.

Private equity and real assets continue to be funded at an incremental pace. Within real assets, ACERA increased its allocation to private infrastructure and decreased commodities and private natural resources accordingly. The Plan started a review of its absolute return structure with changes likely to come in 2021 with the goal of incrementally improving returns while adhering to portfolio objectives.

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The Board approved ACERA's ESG Mission Statement during 2020, which will be used in creating an ESG policy in 2021. Lastly, ACERA started reviewing its rebalancing and cash overlay procedures in 2020 and may recommend changes to its approach in the coming year.

Investment Objectives

In 2020, the total fund achieved a 12.3% net return, in line with the policy index return of 12.3%. ACERA ranked in the 41st percentile of its peers (Investment Metrics Public DB >$1B). The Plan's moderately higher equity allocation and lower fixed income allocation drove outperformance relative to peers.

The total fund's 3-year return was 8.4% and ranked in the 41st percentile of its peers and beat the Policy return of 8.0%. Over longer annualized time periods (7- and 10-years), ACERA has returned in the second quartile versus its peers. 7 and 10- year returns have exceeded the Association's assumed return of 7.0% with total fund returns of 7.9% and 8.8%, respectively.

During the year, the Association once again met its goals of complying with applicable fiduciary standards, and of continuously enhancing its investment portfolio. Most importantly, the Association ensured the availability of sufficient funds to pay vested benefits and maintain supplemental benefits for its participants.

Asset Allocation

	PERCENTAGE TARGET	12/31/20 ACTUAL
US EQUITY	25%	28.1%
NON-US EQUITY	25%	28.9%
FIXED INCOME	16%	16.3%
REAL ESTATE	8%	6.3%
PRIVATE EQUITY	8%	7.4%
ABSOLUTE RETURN	9%	7.0%
REAL ASSETS	5%	4.8%
PRIVATE CREDIT*	4%	0.6%
CASH	0%	0.6%

*** ACERA's asset allocation target was adopted by the Board on 5/15/2019. An increased allocation to Private Credit will be funded over a multi-year period.**

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Investment Results*

	ANNUALIZED		
	2020	THREE YEARS	FIVE YEARS
DOMESTIC EQUITY			
Total Domestic Equity	20.2%	14.6%	15.2%
Median	18.5%	13.3%	14.6%
Benchmark: Russell 3000	20.9%	14.5%	15.4%
INTERNATIONAL EQUITY			
Total International Equity	14.7%	7.2%	11.0%
Median	12.8%	5.7%	9.7%
Benchmark: MSCI ACWI ex US IMI	11.6%	5.3%	9.5%
FIXED INCOME			
Total Fixed Income	12.1%	6.6%	6.7%
Median	7.7%	5.5%	5.3%
Benchmark: Hybrid Index	8.2%	5.4%	5.0%
REAL ESTATE			
Total Real Estate	1.8%	5.4%	6.5%
Benchmark: NCREIF ODCE	1.2%	4.9%	6.2%
PRIVATE EQUITY			
Total Private Equity	11.6%	13.0%	12.4%
Benchmark: Thomson Reuters Global All PE 1 QTR Lag	10.6%	8.2%	9.5%
ABSOLUTE RETURN			
Total Absolute Return	-1.1%	-0.5%	1.4
Benchmark: HFRI Fund of Funds Composite	10.9%	4.9%	4.6%
REAL ASSETS			
Total Real Assets	-2.3%	-1.9%	0.6%
Benchmark: 50% S&P Global Natural Resources/ 35% S&P Global Infrastructure/15% Bloomberg Commodity	-1.3%	1.9%	5.8%

Verus

6

	ANNUALIZED		
	2020	**THREE YEARS**	**FIVE YEARS**
TOTAL FUND			
ACERA Total Fund	12.3%	8.4%	10.2%
Median	11.5%	8.0%	9.5%
Benchmark: Policy Index	12.3%	8.0%	10.2%

*NOTE: Returns for periods greater than one year are annualized and gross of fees. Monthly return calculations are time-weighted, and market value based. Results of all publicly traded investments are presented in a format consistent with the CFAI Global Investment Performance Standards®.

During a very tumultuous fiscal year, ACERA's investment strategy held up well and produced a portfolio return that was strong on both an absolute and relative basis. Over longer-term annualized periods measured as of year-end, ACERA has achieved its actuarial expected return and has ranked competitively versus other plans. The Fund continues to further diversify its holdings and will review its strategic asset allocation in 2021 to determine if marginal changes are needed with the goal of prudently benefiting the Association and its participants and beneficiaries.

Margaret Jadallah

Margaret Jadallah
Managing Director
Verus Investments

Past performance is no guarantee of future results. This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. Nothing herein constitutes investment, legal, accounting or tax investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other "forward-looking statements." No assurance can be given that future results described or implied by any forward-looking information will be achieved. Investing entails risks, including possible loss of principal. Verus Advisory Inc. and Verus Investors, LLC ("Verus") file a single form ADV under the United States Investment Advisors Act of 1940, as amended.

Verus

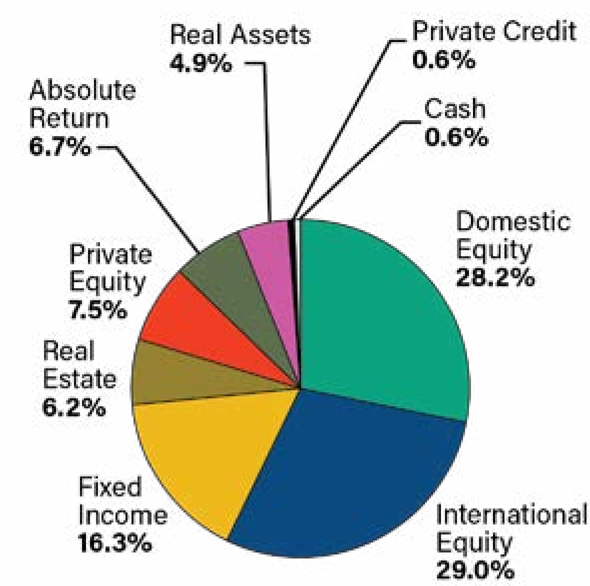
Asset Allocation

As of December 31, 2020

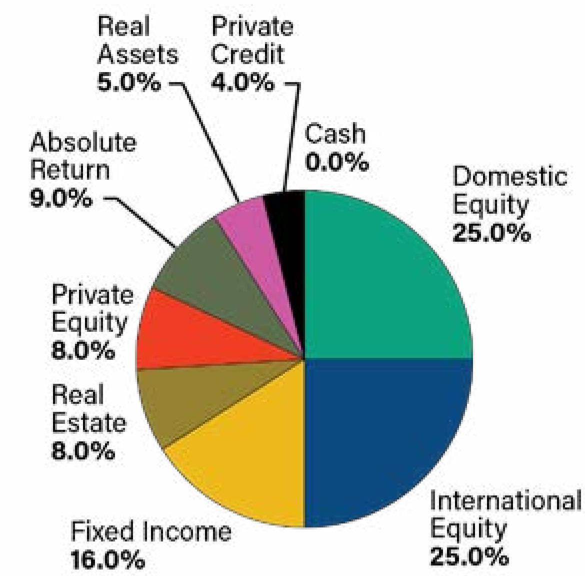
Investment Asset Class	Actual Asset Allocation[1]	Target Asset Allocation	Actual Allocation Over/ Under Target Allocation
Domestic Equity	28.2%	25.0%	3.2%
International Equity	29.0%	25.0%	4.0%
Fixed Income	16.3%	16.0%	0.3%
Real Estate	6.2%	8.0%	-1.8%
Private Equity	7.5%	8.0%	-0.5%
Absolute Return	6.7%	9.0%	-2.3%
Real Assets	4.9%	5.0%	-0.1%
Private Credit	0.6%	4.0%	-3.4%
Cash	0.6%	0.0%	0.6%
Total	**100.0%**	**100.0%**	**0%**

1 Based on total investment assets under management including receivable and payable balances as reported on the Statement of Fiduciay Net Position.

Actual Asset Allocation



Target Asset Allocation



Investment Professionals

For the Year Ended December 31, 2020

INVESTMENT MANAGERS

Domestic Equities

- Aristotle Capital Management
- BlackRock Institutional Trust Company, N.A.
- Kennedy Capital Management, Inc.
- TCW Asset Management Company
- William Blair Investment Management, LLC

International Equities

- Bivium Capital Partners, LLC
- BlackRock Institutional Trust Company, N.A.
- BNY Mellon Newton Emerging Market Equity Fund
- Capital Group Institutional Investment Services
- Franklin Templeton Institutional
- Mondrian Investment Partners Ltd.

Fixed Income

- Baird Advisors
- Brandywine Global Investment Management, LLC
- Loomis, Sayles & Company, L.P.

REAL ESTATE (SEPARATE & COMMINGLED FUNDS)

- AEW Capital Management
- Angelo, Gordon & Co.
- Artemis Real Estate Partners
- CIM Group
- Clarion LIT
- Heitman Capital Management
- Jamestown Premier Property
- J.P. Morgan Asset Management
- MetLife Investment Management
- Prudential Real Estate Investors
- RREEF America, LLC
- UBS Realty Investors LLC

PRIVATE EQUITY

- ABRY Partners, LLC
- Altas Partners
- Angeles Equity Partners
- Angelo, Gordon, & Co.
- Audax Group, L.P.
- Avista Capital Partners
- Bernhard Capital Partners Management, LP
- Canvas Ventures
- CapVest Equity Partners
- Catalyst Fund Limited Partnerships
- Centerbridge Partners, L.P.
- Clayton, Dubilier & Rice, LLC
- EQT Credit Opportunities
- General Catalyst Partners
- Genstar Capital
- Great Hill Partners
- Insight Equity
- JLL Partners
- Khosla Ventures
- KPS Capital Partners, L.P.
- Lindsay Goldberg
- New Enterprise Associates
- Oak Hill Advisors, L.P.
- Partners Group
- Partridge Hill Overseas Management, LLC
- Peak Rock Capital, LLC
- Sycamore Partners
- Third Rock Ventures
- VFF Management, LP
- Warburg Pincus, LLC

REAL ASSETS

- Brookfield
- CIM Group
- EQT Partners
- I Squared Capital Advisors, LLC
- Quantum Energy Partners
- State Street Global Advisors
- Taurus Fund Management Pty Limited
- Warburg Pincus Energy, LLC

ABSOLUTE RETURN

- Angelo, Gordon & Co.
- AQR Capital Management, LLC
- Blackstone Alternative Solutions, LLC
- CFM Institutional
- Lighthouse Strategic Alpha
- Neuberger Berman (DYAL)
- P/E Investments
- Two Sigma Advisers, LP

PRIVATE CREDIT

- BlackRock
- HPS Investment Partners, LLC
- Owl Rock Capital Partners

INVESTMENT CONSULTANTS

- AbelNoser Solutions – (Trading Cost & Directed Brokerage)
- Callan LLC – (Real Estate Investment)
- Capital Institutional Services – (Third-Party Directed Brokerage Administrator)
- Cortex Applied Research, Inc. (RFP Consultant)
- Doug McCalla dba Optimized Portfolio Rebalancing (Rebalancing Consultant)
- Institutional Shareholder Services – (Proxy Voting)
- Verus Advisory, Inc – (General Investment and Private Equity and Alternatives)

CUSTODIAL AND SECURITIES LENDING BANK

- State Street Bank and Trust Company

Investment Summary

As of December 31, 2020 (Dollars in Thousands)

Investment Asset Class		Fair Value	Percentage of Total Fair Value
Short-Term Investments	$	182,037	1.90%
Domestic Securities		562,387	5.86%
International Securities		1,296,336	13.50%
Domestic & Int'l Equity Commingled Funds		3,620,160	37.70%
Fixed Income Securities		1,442,833	15.03%
Real Estate - Separate Properties		72,474	0.75%
Real Estate - Commingled Funds		528,671	5.51%
Private Equity		726,180	7.56%
Private Credit		57,747	0.60%
Absolute Return		645,134	6.72%
Real Assets		467,886	4.87%
Total Investments at Fair Value	**$**	**9,601,845**	**100.00%**

This schedule excludes Investment receivable and payable balances as of December 31, 2020.

Brokerage Commissions

For the Year Ended December 31, 2020

Brokerage Firm	Rank		Commissions (in Thousands)	Shares/Par Value Traded (in Thousands)		Commission Per Share
UBS AG	1	$	155	38,447	$	0.004
Morgan Stanley & Co.	2		118	22,016		0.005
Goldman Sachs & Co.	3		71	33,872		0.002
JP Morgan Securities Inc.	4		70	17,719		0.004
Piper Jaffray & Co.	5		44	3,705		0.012
Capital Institutional Svcs Inc.	6		43	1,512		0.028
Barclays Capital Inc.	7		34	835		0.041
Credit Suisse Securities LLC	8		31	12,765		0.002
Virtu Americas LLC	9		28	1,368		0.020
Citigroup Global Markets Inc.	10		26	6,167		0.004
Jefferies & Company Inc.	11		22	2,023		0.011
Liquidnet Inc.	12		21	2,147		0.010
Instinet LLC	13		19	3,043		0.006
Merrill Lynch International	14		18	12,249		0.001
Bank Of America Merrill Lynch Inc.	15		17	2,797		0.006
CLSA Securities Ltd.	16		16	4,850		0.003
Mkm Partners LLC	17		16	481		0.033
Macquarie Securities Inc.	18		15	14,437		0.001
Sanford C. Bernstein & Co.	19		15	5,610		0.003
Robert W. Baird Co.	20		15	637		0.024
Top 20 Firms by Commission Dollars			**794**	**186,680**		**0.004**
All Other Brokerage Firms			245	28,606		0.009
Total Brokerage Commissions			**1,039**	**215,286**		**0.005**
Brokerage Commission Recapture			(28)	-		-
Net Brokerage Commission		**$**	**1,011**	**215,286**	**$**	**0.005**

Investment Manager Fees

For the Year Ended December 31, 2020 (Dollars in Thousands)

Investment Asset Class		2020
Domestic Equity	$	4,032
International Equity		9,812
Fixed Income		2,646
Real Estate		6,770
Private Equity		12,077
Absolute Return		4,486
Real Assets		3,858
Total Investment Manager Fees	**$**	**43,681**

Investment Assets Under Management (Fair Value)

As of December 31, 2020 (Dollars in Thousands)

Investment Asset Class		2020
Domestic Equity	$	2,713,460
International Equity		2,787,503
Fixed Income		1,565,054
Real Estate		601,149
Private Equity		726,180
Absolute Return		645,134
Real Assets		467,886
Private Credit		57,747
Cash		56,945
Total Investment Assets Under Management	**$**	**9,621,058**

This schedule includes investment receivable and payable balances as of December 31, 2020.

Largest Stock Holdings[1]

As of December 31, 2020 (Dollars in Thousands)

Rank	Shares	Issuer	Fair Value	Percentage of Holdings
1	3,059,060	ENEL SPA	$ 30,976	1.667%
2	43,284	ASML HOLDING NV	21,054	1.133%
3	650,911	OCADO GROUP PLC	20,349	1.095%
4	127,371	CONTINENTAL AG	18,896	1.017%
5	171,917	TAIWAN SEMICONDUCTOR SP ADR	18,746	1.009%
6	1,474,899	AIA GROUP LTD	18,070	0.972%
7	2,473,200	CK HUTCHISON HOLDINGS LTD	17,256	0.928%
8	841,486	SSE PLC	17,254	0.928%
9	63,472	ALLIANZ SE REG	15,587	0.839%
10	336,988	COMPAGNIE DE SAINT GOBAIN	15,462	0.832%
Total of Largest Stock Holdings			**193,650**	**10.42%**
Total Stock Holdings			**$ 1,858,723**	**100.00%**

1 The Holdings Schedules pertain to holdings of individual securities; they do not reflect ACERA's investments in commingled funds. A complete list of portfolio holdings is available upon request.

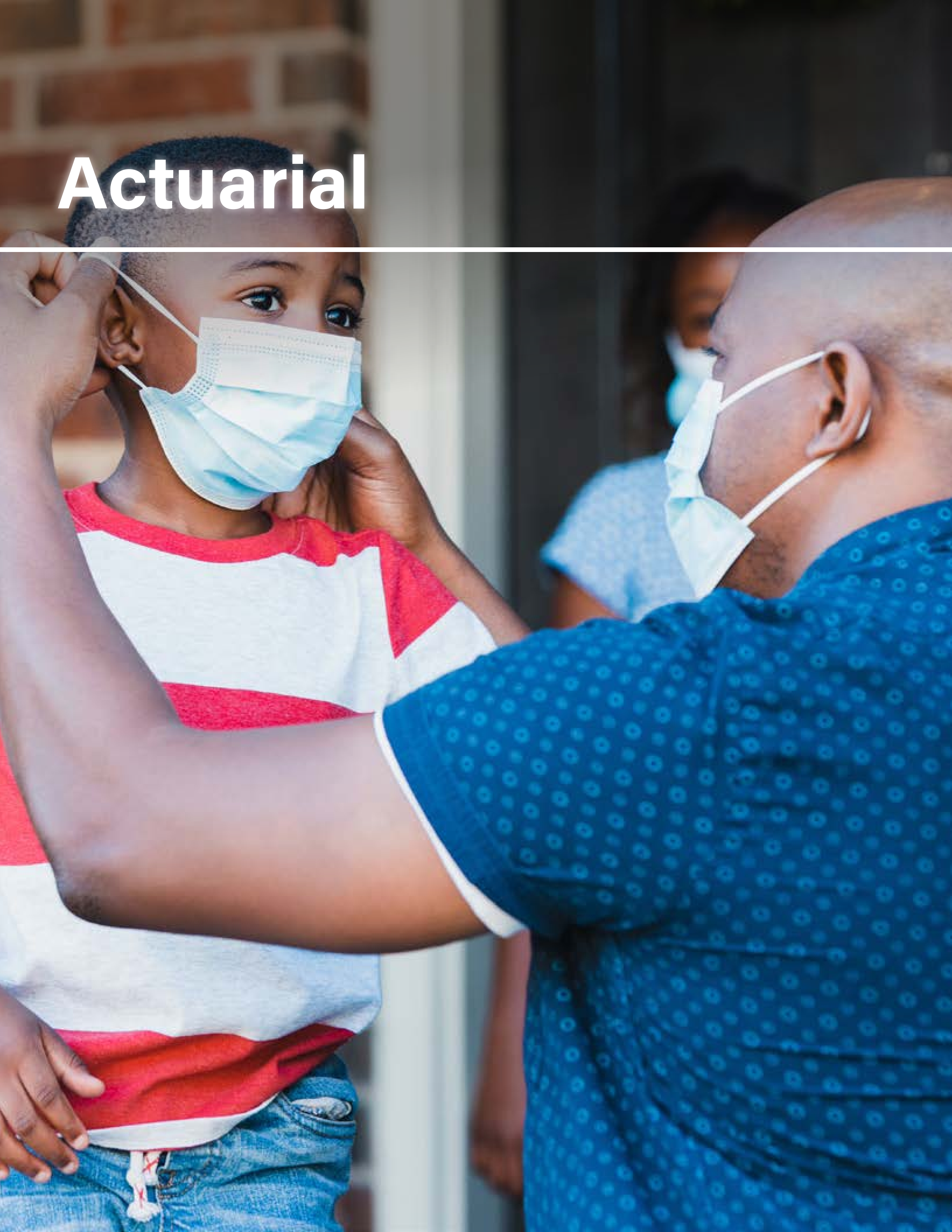
Largest Bond Holdings[1]

As of December 31, 2020 (Dollars in Thousands)

Rank	Shares	Issuer	Maturity Date	Interest Rate	Fair Value	Percentage of Holdings
1	35,575,000	US TREASURY N/B	5/15/2024	2.500%	$ 38,335	2.986%
2	26,525,000	US TREASURY N/B	5/15/2043	2.875%	33,533	2.612%
3	26,325,000	US TREASURY N/B	12/31/2022	2.125%	27,373	2.132%
4	21,425,000	US TREASURY N/B	2/15/2045	2.500%	25,550	1.990%
5	21,405,000	US TREASURY FRN	7/31/2022	0.145%	21,404	1.667%
6	18,925,000	US TREASURY N/B	8/15/2029	1.625%	20,245	1.577%
7	15,910,000	US TREASURY N/B	2/15/2050	2.000%	17,280	1.346%
8	13,350,000	US TREASURY N/B	11/15/2027	2.250%	14,824	1.155%
9	13,795,000	US TREASURY N/B	11/15/2050	1.625%	13,743	1.071%
10	10,075,000	US TREASURY N/B	5/15/2049	2.875%	13,008	1.013%
Total of Largest Bond Holdings					**225,295**	**17.55%**
Total Bond Holdings					**$ 1,283,657**	**100.00%**

1 A complete list of portfolio holdings is available upon request.

Actuarial



Actuary's Certification Letter – Pension Plan

Segal

180 Howard Street,
Suite 1100
San Francisco, CA 94105-6147
T 415.263.8200
segalco.com

May 20, 2021

Board of Retirement
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, California 94612-1900

Re: Alameda County Employees' Retirement Association
December 31, 2019 Actuarial Valuation of the Statutory Retirement Plan Benefits for Funding Purposes

Dear Members of the Board:

Segal prepared the December 31, 2019 actuarial valuation of the statutory Retirement Plan benefits of the Alameda County Employees' Retirement Association (ACERA) for funding purposes. We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices and ACERA's funding policy that was last reviewed with the Board in 2018. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice (ASOPs). (A discussion of the assumptions and methods used in the separate December 31, 2020 actuarial valuation for financial reporting purposes under Governmental Accounting Standards Board (GASB) Statement No. 67 is presented at the end of this letter.)

December 31, 2019 Actuarial Valuation for Funding Purposes

Actuarial valuations are performed on an annual basis with the last valuation completed as of December 31, 2019. The actuarial calculations presented in the valuation report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for statutory retirement benefits.

The December 31, 2019 actuarial valuation is based on the plan of benefits verified by ACERA and on participant and financial data provided by ACERA. Segal conducted an examination of all participant data for reasonableness and we concluded that it was reasonable and consistent with the prior year's data. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report.

We did not audit the Association's financial statements. For actuarial valuation purposes, Retirement Plan assets are valued at actuarial value. Under this method, the assets used to determine employer contribution rates take into account fair (or market) value by recognizing the differences between the total return at fair value and the expected investment return over 10 six-month periods.

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Alameda County Employees' Retirement Association
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One funding objective of the Plan is to establish rates, which, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed. Actuarial funding is based on the Entry Age Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL). With the exception of the UAAL for the Alameda County Office of Education (ACOE), the UAAL is amortized as a level percentage of payroll using a layered approach. Prior to January 1, 2012, the total UAAL was amortized on a 30-year decreasing period, with 21 years remaining as of December 31, 2011 (and 13 years remaining as of December 31, 2019). On or after January 1, 2012, any new UAAL resulting from plan amendments are amortized over separate decreasing 15-year periods; early retirement incentive programs (ERIPs) are amortized over separate decreasing 5-year periods; assumption and method changes are amortized over separate decreasing 20-year periods; and experience gains/losses are also amortized over separate decreasing 20-year periods. For ACOE, their UAAL is amortized as a level dollar amount under the declining employer payroll policy. The progress being made towards meeting the funding objective through December 31, 2019 is illustrated in the Schedule of Funding Progress.

Segal prepared all of the supporting schedules in the actuarial section of the Association's Comprehensive Annual Financial Report ("Annual Report") based on the results of the December 31, 2019 actuarial valuation for funding purposes. A listing of the supporting schedules related to the statutory retirement plan benefits that Segal prepared for inclusion in the actuarial and statistical sections of the Association's Annual Report is provided below. ACERA's staff prepared the remaining trend data schedules in the statistical section.

Actuarial Section (for Funding Purposes)

Exhibit I	Schedule of Active Member Valuation Data[1];
Exhibit II	Retirees and Beneficiaries Added To and Removed From Retiree Payroll[1];
Exhibit III	Schedule of Funded Liabilities by Type;
Exhibit IV	Actuarial Analysis of Financial Experience;
Exhibit V	Schedule of Funding Progress;

Statistical Section (for Funding Purposes)

Exhibit VI	Schedule of Average Benefit Payments for Retirees and Beneficiaries[1];
Exhibit VII	Schedule of Participating Employers and Active Members Statistics[1];
Exhibit VIII	Schedule of Benefit Expenses by Type[1];
Exhibit IX	Schedule of Retiree Members by Type of Benefit and Option Selected[1]; and
Exhibit X	Employer Contribution Rates.

[1] As permitted by the Actuarial Standard of Practice No. 4 (Measuring Pension Obligations), Segal has utilized participant data provided by ACERA as of November 30, 2019 with age and years of service adjusted to December 31, 2019 in calculating the liabilities for the December 31, 2019 valuation.

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Segal

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Actuarial Assumptions for Funding Valuation

The non-economic valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on our recommendations following the November 30, 2016 Experience Analysis. The Board adopted a 7.25% investment return assumption for the December 31, 2019 valuation. The other changes in economic assumptions were documented in our November 30, 2016 Actuarial Experience Study report.

As we disclosed in our December 31, 2019 funding valuation report, the 7.25% investment return assumption that the Board approved for determining the liabilities for funding purposes and used for establishing the employer and employee contribution rates was developed without considering the impact of any future 50/50 excess earnings allocation. This is based on our understanding that Article 5.5 of the Statute, which authorizes the allocation of 50% of excess earnings to the SRBR, does not allow for the use of a different investment return for funding than is used for interest crediting. This would appear in effect to preclude the prefunding of the SRBR through the use of an assumption lower than the market earnings assumption of 7.25%.

As required by the Actuarial Standard of Practice (ASOP) No. 4 ("Measuring Pension Obligations and Determining Pension Plan Costs or Contributions"), we performed a stochastic model, as detailed in our November 30, 2016 Experience Study report, to estimate the impact of the 50% allocation of future excess earnings to the SRBR. The results of our model indicated that the 50/50 allocation of future excess earnings would have about the same impact as an "outflow" (i.e., assets not available to fund the benefits included in the funding valuation) that would average approximately 0.60% of assets over time. For informational purposes only, when we applied the results of our stochastic model to this valuation, we estimated that such an annual outflow would increase the Actuarial Accrued Liability (AAL) measured in this valuation using a 7.25% investment return assumption from $9.80 billion to $10.51 billion (for a difference of $0.71 billion) and would increase the employer's contribution rate by about 4% - 5% of payroll.

It is our opinion that the assumptions used in the December 31, 2019 valuation produce results, which, in aggregate, reflect the future experience of the statutory Retirement Plan. An experience analysis is performed every three years, and the actuarial assumptions adopted by the Board resulting from the experience analysis performed as of November 30, 2016 first became effective in the valuation as of December 31, 2017, and continued in effect for the valuation as of December 31, 2019. The next experience analysis was performed as of November 30, 2019, and the assumptions adopted from that study first become effective in the valuation as of December 31, 2020.

Valuation Results

In the December 31, 2019 valuation, the ratio of the valuation assets to actuarial accrued liabilities (funded percentage) increased from 77.2% to 77.6%. The aggregate employer rate[2] has increased from 27.85% of payroll to 28.56% of payroll, while the aggregate employees' rate

[2] For employers with active member payroll.

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Alameda County Employees' Retirement Association
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increased from 9.33% of payroll to 9.34% of payroll. The increase in the funded percentage was primarily the result of an expected increase due to contributions made to pay down the unfunded liability, offset somewhat by a slight loss on the Valuation Value of Assets from the recognition of past investment losses after smoothing. The increase in the aggregate employer contribution rate was primarily the result of lower than expected return on investments (after smoothing), the effect of amortizing the prior year's UAAL over a smaller than expected total projected payroll, higher than expected individual salary increases for active members, actual contributions lower than expected, and other actuarial losses.

Under the actuarial value of assets method, the total unrecognized net investment gain as of December 31, 2019 is $260.7 million. This net investment gain will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, and will offset any investment losses that may occur after December 31, 2019. This implies that if the Association earns the assumed net rate of investment return of 7.25% per year on a fair value basis, it will result in investment gains on the actuarial value of assets in the next few years. So, if the actual market return is equal to the assumed 7.25% rate and all other actuarial assumptions are met, the contribution requirements would generally decrease in the next few years.

The net deferred gain of $260.7 million represents 3.0% of the fair value of assets as of December 31, 2019. Unless offset by future investment losses or other unfavorable experience, the recognition of the $260.7 million market gains is expected to have an impact on the Association's future funded percentage and contribution rate requirements. Under an approach which takes into account the size of the valuation and the SRBR reserves, this potential impact may be illustrated as follows:

- If a proportion of the net deferred gain that is commensurate with the size of the valuation reserves were recognized immediately in the valuation value of assets, the funded percentage would increase from 77.6% to 79.4%.
- If a proportion of the net deferred gain that is commensurate with the size of the valuation reserves were recognized immediately in the valuation value of assets, the aggregate employer rate[3] would decrease from 28.56% to about 27.5% of payroll.

To the best of our knowledge, the December 31, 2019 funding valuation report is complete and accurate and in our opinion presents the Plan's current funding information.

December 31, 2020 GASB Statement 67 Actuarial Valuation for Financial Reporting Purposes

Segal also prepared the December 31, 2020 GASB Statement 67 actuarial valuation for financial reporting purposes. The valuation was performed in order to comply with GASB Statement 67 and we certify that the assumptions and methods used for financial reporting purposes meet the parameters set by ASOPs and our understanding of generally accepted accounting principles (GAAP) applicable in the United States of America as promulgated by

[3] For employers with active member payroll.

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GASB. The GASB rules only define pension liability and expense for financial reporting purposes, and do not apply to contribution amounts for pension funding purposes.

When measuring pension liability, GASB uses the same actuarial cost method (Entry Age) and the same type of discount rate (expected return on assets) as ACERA uses for funding. This means that the Total Pension Liability (TPL) measure for financial reporting is determined on generally the same basis as ACERA's AAL measure for funding. The Net Pension Liability (NPL) is equal to the difference between the TPL and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the fair value of assets and therefore, the NPL measure is very similar to a UAAL calculated on a fair value basis.

As stated in the funding valuation subsection herein entitled Actuarial Assumptions for Funding Valuation, the investment return assumption used in the funding valuation excludes the impact of any future 50/50 excess earnings allocation to the SRBR. For the December 31, 2019 funding valuation, the investment return assumption adopted by the Board was 7.25%, as noted earlier. For the December 31, 2020 funding valuation, the Board adopted a 7.00% investment return assumption resulting from the experience analysis as of November 30, 2019, and that assumption was also used for the December 31, 2020 GASB 67 valuation discussed in this section. In order to estimate the impact of the 50% allocation of future excess earnings to the SRBR for the December 31, 2020 valuation, we updated our stochastic model and the results of our model indicated that the 50% allocation would have about the same impact as an "outflow" (i.e., assets not available to fund the benefits included in the determination of the TPL) that would average approximately 0.65% of assets over time. For financial reporting purposes, we have taken the 0.65% "outflow" and incorporated that into our GASB crossover test (Appendix A in the GASB Statement 67 valuation report)[4] along with the additional future employer contributions that would result from those future allocations of excess earnings to the SRBR under ACERA's funding policy.

The NPLs measured as of December 31, 2020 and 2019 were determined by rolling forward the TPLs for the funded benefits as of December 31, 2019 (calculated under the new actuarial assumptions effective for the December 31, 2020 valuation) and December 31, 2018, respectively. Similar to last year, we have included in the TPL as of December 31, 2020 the non-OPEB SRBR unlimited AAL of $116.4 million, which was calculated by rolling forward the total unlimited non-OPEB SRBR AAL as of December 31, 2019 that was calculated under the new actuarial assumptions effective for the December 31, 2020 valuation (including the 7.00% investment return assumption).

We have also continued the practice of adjusting the Plan's Fiduciary Net Position as of December 31, 2020 to include the $41.7 million set aside by the Retirement Board in the SRBR reserve to pay non-vested Supplemental COLA and retired member death benefits as of

[4] The purpose of the GASB crossover test is to determine if the full expected return (or 7.00% in this case) can be used as the discount rate to determine the TPL and the NPL. That is, if there is no crossover point where the projected benefit payments would exceed the plan's fiduciary net position, then the full expected return assumption can be used. As detailed in the GASB Statement 67 valuation report, ACERA does pass the crossover test, which means that the full 7.00% investment rate of return assumption can be used as the discount rate to determine the TPL and the resulting NPL.

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December 31, 2020.[5] It should be noted that as of December 31, 2020, the deferred investment gain for the entire Plan was $643.3 million and the Contingency Reserve was $69.0 million. Consequently, we have added to the Plan's Fiduciary Net Position the proportionate share of one-half of the net deferred investment gain that is commensurate with the size of the non-OPEB SRBR reserve, or $13.8 million, after first replenishing the Contingency Reserve from $69.0 million to $98.7 million (1% of total assets).The net effect of the adjustments to the Plan's Fiduciary Net Position as of December 31, 2020 for non-OPEB SRBR benefits was an additional $55.5 million.

Note that the proportionate share of one-half of the net deferred market gain as of December 31, 2020 for the Pension Plan was equal to $306.4 million, and in calculating the Plan's Fiduciary Net Position we have adjusted the Pension Plan's valuation value of assets in the funding valuation to reflect that amount as well as the $29.7 million of deferred market gain to replenish the Contingency Reserve.

The $60.9 million difference between the $116.4 million added to the TPL and the net $55.5 million added to the Plan's Fiduciary Net Position as of December 31, 2020 represents the NPL attributable to the non-OPEB SRBR benefits.

Note number 5 to the Basic Financial Statements and the Required Supplementary Information included in the Financial Section of the Annual Report were prepared by the Association based on the results of the GASB Statement No. 67 actuarial valuation as of December 31, 2020 prepared by Segal.

The undersigned are members of the American Academy of Actuaries and meet the qualification requirements to render the actuarial opinion contained herein.

Sincerely,

Andy Yeung, ASA, EA, MAAA, FCA
Vice President & Actuary

Eva Yum, FSA, EA, MAAA
Senior Actuary

JB/bbf
Attachments

[5] We have excluded the liability and the assets associated with the OPEB component of the SRBR reserve account because it is our understanding that those amounts are reportable under GASB 74/75.

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Segal

Actuary's Certification Letter – SRBR

Segal

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May 20, 2021

Board of Retirement
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, California 94612-1900

Re: Alameda County Employees' Retirement Association
December 31, 2019 Actuarial Valuation of the Discretionary SRBR Benefits for Sufficiency Purposes

Dear Members of the Board:

Segal prepared the December 31, 2019 actuarial valuation of the discretionary benefits provided through the Supplemental Retiree Benefits Reserve (SRBR) of the Alameda County Employees' Retirement Association (ACERA) for sufficiency purposes. We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for sufficiency purposes with regard to the Other Postemployment Benefits (OPEB) and non-OPEB benefits provided by the SRBR meet the parameters set by Actuarial Standards of Practice (ASOPs).

A discussion of the assumptions and methods used in the separate December 31, 2020 actuarial valuation for financial reporting purposes under GASB Statement No. 74 for the discretionary OPEB benefits provided by the SRBR is presented on page 4 of this letter. In addition, we have also provided a discussion of the assumptions and methods used for financial reporting purposes under GASB Statement No. 67 for the statutory Retirement Plan benefits and the discretionary non-OPEB benefits provided by the SRBR at the end of our actuarial certification letter pertaining to the statutory Retirement Plan benefits dated May 20, 2021. The pertinent GASB Statement No. 67 information from that letter pertaining to the non-OPEB benefits provided by the SRBR is also provided herein.

December 31, 2019 Actuarial Valuation for Sufficiency Purposes

Actuarial valuations are performed on an annual basis with the last valuation completed on December 31, 2019. The actuarial calculations were based upon the benefits provided under the terms of the substantive plan in effect at the time of the December 31, 2019 valuation. The December 31, 2019 actuarial valuation is based on the plan of benefits verified by ACERA and on participant, premium, and financial data provided by ACERA. Segal conducted an examination of all participant data for reasonableness and we concluded that it was reasonable

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Alameda County Employees' Retirement Association
May 20, 2021
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and consistent with the prior year's data. A summary of the average OPEB for new retired members, by years of service, is attached as Exhibit IV.

We did not audit the Association's financial statements. For the actuarial valuation for sufficiency purposes, SRBR assets are valued at actuarial value. Under this method, the assets used to determine the liabilities of the SRBR and the number of years the SRBR can continue to pay its current level of benefits (i.e., the sufficiency) take into account fair value by recognizing the differences between the total return at fair value and the expected investment return over 10 six-month periods. It should be noted that under the actuarial value of assets method, the total unrecognized net investment gain as of December 31, 2019 is $260.7 million. This net investment gain will be recognized in the determination of the actuarial value of assets in the next few years (i.e., deferred), and it will offset any investment losses that may occur after December 31, 2019.

The discretionary benefits provided through the SRBR include OPEB and non-OPEB. Benefits classified under OPEB include postretirement medical, dental, and vision benefits. Benefits classified under non-OPEB include supplemental COLAs and retired member death benefits.

For valuation purposes, the total cost of providing future postemployment benefits is projected, using actuarial assumptions that are common for both the statutory retirement and the discretionary SRBR benefits (e.g. turnover, mortality, disability, retirement, etc.), and assumptions that are unique to the discretionary SRBR OPEB (e.g., health care trend assumptions, etc.). The liabilities associated with providing non-OPEB SRBR benefits are disclosed together with the statutory Retirement Plan benefits under GASB 67. The liabilities associated with providing OPEB SRBR benefits are disclosed under GASB 74.

Based on the actuarial value of assets available as of December 31, 2019, the SRBR would only be able to pay benefits until 2040 for OPEB and until 2037 for non-OPEB. As noted above, the Association had deferred investment gains of $260.7 million that were not yet recognized in determining the combined actuarial value of assets for the Retirement Plan and the SRBR Plan as of December 31, 2019. The deferred gains of $260.7 million represent 3.0% of the fair value of assets as of December 31, 2019, and will increase the rate of return on the actuarial value of assets over the next few years, which may extend the sufficiency period of the SRBR.

Segal prepared all of the supporting schedules in the actuarial section of the Association's Comprehensive Annual Financial Report ("Annual Report") based on the results of the December 31, 2019 actuarial valuation for sufficiency purposes. A listing of the supporting schedules related to the discretionary SRBR benefits that Segal prepared for inclusion in the actuarial and statistical sections of the Association's Annual Report is provided below. ACERA's staff prepared the remaining trend data schedules in the statistical section.

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Segal

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Actuarial Section (for Sufficiency Purposes)

Exhibit I	Schedule of Active Member Valuation Data[1];
Exhibit II	Retirees Added To and Removed From OPEB Payroll[1];
Exhibit III	Member Benefit Coverage Information (OPEB) and Schedule of Funded Liabilities by Type (non-OPEB); and

Statistical Section (for Sufficiency Purposes)

Exhibit IV	Schedule of Average Other Postemployment Benefits (OPEB).

The non-economic valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on our recommendations following the November 30, 2016 Experience Analysis and specific health care related assumptions recommended for the December 31, 2019 SRBR valuation. The Board adopted a 7.25% investment return assumption for the December 31, 2019 valuation. The other changes in economic assumptions were documented in our November 30, 2016 Actuarial Experience Study report. Note that the investment return assumption for sufficiency purposes was developed without taking into consideration the impact of the 50/50 excess earnings allocation between the statutory retirement and SRBR asset pools.

The actuarial assumptions common to both the statutory retirement and discretionary SRBR benefits are provided in the Actuarial Section. Additional assumptions specific to the OPEB are included as an attachment to this letter (Schedule of Actuarial Assumptions). It is our opinion that the assumptions used in the December 31, 2019 valuation produce results, which, in aggregate, reflect the future experience of the SRBR. An experience analysis is performed every three years, and the actuarial assumptions adopted by the Board resulting from the experience analysis performed as of November 30, 2016 first became effective in the valuation as of December 31, 2017, and continued in effect for the valuation as of December 31, 2019. The next experience analysis was performed as of November 30, 2019, and the assumptions adopted from that study first become effective in the valuation as of December 31, 2020.

To the best of our knowledge, the December 31, 2019 valuation report is complete and accurate and in our opinion presents the Plan's current sufficiency information.

December 31, 2020 GASB Statement No. 74 Actuarial Valuation for Financial Reporting Purposes for the Discretionary OPEB Benefits Provided by the SRBR

Segal also prepared the December 31, 2020 GASB Statement No. 74 actuarial valuation for financial reporting purposes, which included information for the OPEB benefits payable from the SRBR. The valuation was performed in order to comply with GASB Statement No. 74 and we certify that the assumptions and methods used for financial reporting purposes meet the parameters set by ASOPs and our understanding of generally accepted accounting principles

[1] As permitted by the Actuarial Standard of Practice No. 4 (Measuring Pension Obligations), Segal has utilized participant data provided by ACERA as of November 30, 2019 with age and years of service adjusted to December 31, 2019 in calculating the liabilities for the December 31, 2019 valuation.

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applicable in the United States of America as promulgated by the GASB. For the December 31, 2019 SRBR sufficiency valuation, the investment return assumption adopted by the Board was 7.25%, as noted earlier. For the December 31, 2020 GASB Statement No. 74 (OPEB) and Statement No. 67 (non-OPEB) financial reporting valuations, the Board adopted a 7.00% investment return assumption resulting from the experience analysis as of November 30, 2019. In addition, the results of the December 31, 2020 GASB Statement No. 74 valuation reflect the health care cost trend assumptions recommended for the sufficiency study for the SRBR as of December 31, 2020, which were provided in our letter dated March 22, 2021.

The Total OPEB Liability (TOL) measured as of December 31, 2020 of $1,191.6 million has been determined by rolling forward the liability results used in determining the sufficiency of the SRBR to provide medical, dental, and vision subsidy benefits as of December 31, 2019.[2] That TOL has been adjusted to reflect the health care cost trend assumptions recommended for the sufficiency study for the SRBR as of December 31, 2020 (reference: our letter dated March 22, 2021) and the assumptions adopted by the Board resulting the experience analysis as of November 30, 2019 (including the 7.00% investment return assumption). The changes (from the December 31, 2019 sufficiency of the SRBR OPEB valuation to the December 31, 2020 GAS 74 valuation) in trend assumptions were to the Medicare Part B premium trend (reflect actual 2.7% increase from calendar year 2020 to 2021), non-Medicare plan's first year trend rate was reset to 6.75% in 2021 then graded down by 0.25% each year until reaching an ultimate rate of 4.50% after 9 years, Medicare plan's first year trend rate was reset to 6.25% in 2021 then graded down by 0.25% each year until reaching an ultimate rate of 4.50% after 7 years, Dental trend will be 0.00% for 2021 and 2022 due to the three-year rate guarantee for the 2021-2023 premiums, and Vision trend will be 0.00% for 2021, 2022, 2023, and 2024 due to the five-year rate guarantee for the 2021-2025 premiums.

We have also continued the practice of adjusting the Plan's Fiduciary Net Position of $1,184.9 million as of December 31, 2020 to include the $891.6 million set aside by the Retirement Board in the SRBR reserve to pay OPEB benefits as of December 31, 2020. This includes $882.5 million in the OPEB-related SRBR reserve (after reducing the reserve by the $7.5 million SRBR implicit subsidy transfer), and $9.1 million in the 401(h) reserve. It should be noted that as of December 31, 2020, the deferred investment gain for the entire Plan was $643.3 million. Consequently, after first replenishing the Contingency Reserve from $69.0 million to $98.7 million (1% of total assets), we have added to the Plan's Fiduciary Net Position the proportionate share of one-half of the net deferred investment gain that is commensurate with the size of the OPEB SRBR reserve to total SRBR and 401(h) reserve to valuation and 401(h) reserve, or $293.3 million (which will cause the future interest crediting rate to the SRBR reserve to be raised above 7.00% per year).

[2] When measuring OPEB liability, GASB uses the same actuarial cost method (Entry Age) and, for benefits that are being fully funded on an actuarial basis, the same type of discount rate (expected return on assets) as ACERA uses for funding. See discussions on page 2 of the December 31, 2020 GASB Statement No. 74 actuarial valuation regarding the source of funding for payment of OPEB SRBR benefits not covered by current OPEB Plan's Fiduciary Net Position in the SRBR.

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Segal

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Note number 7 to the Basic Financial Statements and the Required Supplementary Information included in the Financial Section of the Annual Report were prepared by the Association based on the results of the GASB Statement No. 74 actuarial valuation as of December 31, 2020 prepared by Segal.

December 31, 2020 GASB Statement No. 67 Actuarial Valuation for Financial Reporting Purposes for the Discretionary Non-OPEB Benefits Provided by the SRBR

As noted in our actuarial certification letter for the statutory Retirement Plan benefits dated May 20, 2021, Segal also prepared the December 31, 2020 GASB Statement No. 67 actuarial valuation for financial reporting purposes, which included information for the non-OPEB benefits payable from the SRBR. The valuation was performed in order to comply with GASB Statement No. 67 and we certify that the assumptions and methods used for financial reporting purposes meet the parameters set by ASOPs and our understanding of generally accepted accounting principles applicable in the United States of America as promulgated by the GASB.

For the statutory Retirement Plan benefits, the Net Pension Liabilities (NPLs) measured as of December 31, 2020 and 2019 have been determined by rolling forward the Total Pension Liabilities (TPLs) as of December 31, 2019 and December 31, 2018, respectively.[3] The TPL as of December 31, 2020 has been adjusted to reflect the assumptions adopted by the Board resulting from the experience analysis as of November 30, 2019. Similar to last year, we have included in the TPL as of December 31, 2020 the non-OPEB SRBR unlimited Actuarial Accrued Liability of $116.4 million, which was calculated by rolling forward the total unlimited non-OPEB SRBR AAL as of December 31, 2019 that was calculated under the new actuarial assumptions effective for the December 31, 2020 valuation (including the 7.00% investment return assumption).

We have also continued the practice of adjusting the Plan's Fiduciary Net Position as of December 31, 2020 to include the $41.7 million set aside by the Retirement Board in the SRBR reserve to pay non-vested Supplemental COLA and retired member death benefits as of December 31, 2020.[4] It should be noted that as of December 31, 2020, the deferred investment gain for the entire Plan was $643.3 million and the Contingency Reserve was $69.0 million. Consequently, we have added to the Plan's Fiduciary Net Position the proportionate share of one-half of the net deferred investment gain that is commensurate with the size of the non-OPEB SRBR reserve, or $13.8 million, after first replenishing the Contingency Reserve from $69.0 million to $98.7 million (1% of total assets).The net effect of the adjustments to the Plan's Fiduciary Net Position as of December 31, 2020 for non-OPEB SRBR benefits was an additional $55.5 million.

[3] When measuring pension liability, GASB uses the same actuarial cost method (Entry Age) and the same type of discount rate (expected return on assets) as ACERA uses for funding of the statutory Retirement Plan benefits.

[4] We have excluded the liability and the assets associated with the OPEB component of the SRBR reserve account because it is our understanding that those amounts are reportable under GASB 74/75.

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The $60.9 million difference between the $116.4 million added to the TPL and the net $55.5 million added to the Plan's Fiduciary Net Position as of December 31, 2020 represents the NPL attributable to the non-OPEB SRBR benefits.

Note number 5 to the Basic Financial Statements and the Required Supplementary Information included in the Financial Section of the Annual Report were prepared by the Association based on the results of the GASB Statement No. 67 actuarial valuation as of December 31, 2020 prepared by Segal.

The undersigned are members of the American Academy of Actuaries and meet the qualification requirements to render the actuarial opinion contained herein.

Sincerely,

Andy Yeung, ASA, EA, MAAA, FCA
Vice President & Actuary

Eva Yum, FSA, EA, MAAA
Senior Actuary

Thomas Bergman, ASA, EA, MAAA
Senior Actuary

JB/bbf
Attachments

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Segal

Summary of Actuarial Assumptions and Methods

Assumptions For Pension Plan

The following assumptions have been adopted by the Board of Retirement for the December 31, 2019, valuation based on the November 30, 2016, triennial experience study.

Summary of Assumptions

Actuarial Assumed Interest Rate	7.25%
Inflation Rate	3.00%
Payroll Growth Increase	3.50%
Projected Salary Increases	
General:	8.30% to 3.90%
Safety:	11.30% to 4.30%
These rates include inflation and real across-the-board salary increases.	
Retiree Cost-of-Living Adjustment (Basic)	
for Tier 1 and 3 members:	3.00%
for Tier 2 and 4 members:	2.00%
Employee Contribution Crediting Rate	7.25%

Net Investment Return

For valuation purposes, the assumed rate of return on the valuation value of assets was 7.25%, net of administration and investment expenses.

Employee Contribution Crediting Rate

7.25%, compounded semi-annually, subject to the availability of net earnings. ACERA operates under the Alternate Financial Provisions of Article 5.5 of the 1937 Act. The employee contribution crediting rate is the assumed actuarial investment rate of return to the extent that "net earnings" as defined in Article 5.5 are available. In addition, whenever there is a remaining balance of "net earnings", after all other required crediting, a portion of that remaining balance is also credited, as described in Article 5.5.

Actuarial Value of Assets

The Actuarial Value of Assets is determined by taking Market Value of Assets (MVA) less unrecognized returns in each of the last ten six-month interest crediting periods. Unrecognized returns are equal to the difference between the actual market return and the expected return on the market value, and are recognized semi-annually over a five-year period. The actuarial value of asset (AVA) is limited by a 40% corridor; the AVA cannot be less than 60% of MVA, or greater than 140% of MVA.

Post-Retirement Mortality

The actuarial valuation uses the Headcount-Weighted RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables, projected generationally with the two-dimensional MP-2016 projection scale adjusted as follows:

(A) HEALTHY*	
General Members and All Beneficiaries	No setback for males and females.
Safety Members	No setback for males and females.
(B) DISABILITY*	
General Members	Set forward seven years for males and set forward four years for females.
Safety Members	Set forward two years for males and no set forward for females.
(C) FOR EMPLOYEE CONTRIBUTION RATE PURPOSES	
General Members	No setback for males and females, projected 20 years with two-dimensional mortality improvement Scale MP-2016, weighted 30% male and 70% female.
Safety Members	No setback for males and females, projected 20 years with two-dimensional mortality improvement Scale MP-2016, weighted 75% male and 25% female.

* The RPH-2014 mortality tables and adjustments as shown above reasonably reflect the mortality experience as of measurement date. The mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

Assumed Retirement and Termination Rates

The rates shown for each cause represent the likelihood that a given member will terminate at a particular age or with the particular service for the indicated reason. For example, if the rate of retirement for a General Tier 1 member age 50 is 4.00, then it is assumed that 4.00 percent of the General Tier 1 members in this age bracket will receive service retirement during the year.

The following schedule indicates the assumed retirement rates.

Assumed Retirement Rates[1]

	Rates (%)							
Age	General Tier 1	General Tier 2	General Tier 3	General Tier 4	Safety Tier 1[2]	Safety Tier 2,2D[2]	Safety Tier 2C[2]	Safety Tier 4
49	0.00	0.00	0.00	0.00	0.00	10.00	0.00	0.00
50	4.00	2.00	6.00	0.00	35.00	15.00	4.00	4.00
51	4.00	2.00	3.00	0.00	30.00	15.00	2.00	2.00
52	4.00	2.00	5.00	4.00	25.00	15.00	2.00	2.00
53	4.00	2.00	6.00	1.50	35.00	15.00	3.00	3.00
54	4.00	2.00	6.00	1.50	45.00	15.00	6.00	6.00
55	6.00	2.00	12.00	2.00	45.00	15.00	10.00	10.00
56	8.00	3.00	13.00	2.50	45.00	15.00	12.00	12.00
57	10.00	4.00	13.00	3.50	45.00	15.00	20.00	20.00
58	12.00	4.00	14.00	3.50	45.00	20.00	10.00	10.00
59	14.00	5.00	16.00	4.50	45.00	20.00	15.00	15.00
60	20.00	7.00	21.00	6.00	45.00	30.00	60.00	60.00
61	20.00	9.00	20.00	8.00	45.00	30.00	60.00	60.00
62	35.00	15.00	30.00	18.00	45.00	30.00	60.00	60.00

1 The retirement rates only apply to members that are eligible to retire at the age shown.

2 Retirement rate is 100% after a member accrues a benefit of 100% of final average earnings..

Assumed Retirement Rates (continued)[1]

	Rates (%)							
Age	General Tier 1	General Tier 2	General Tier 3	General Tier 4	Safety Tier 1[2]	Safety Tier 2,2D[2]	Safety Tier 2C[2]	Safety Tier 4
63	30.00	16.00	25.00	15.00	45.00	30.00	60.00	60.00
64	30.00	18.00	25.00	17.00	45.00	50.00	60.00	60.00
65	35.00	25.00	30.00	22.00	100.00	100.00	100.00	100.00
66	35.00	25.00	25.00	25.00	100.00	100.00	100.00	100.00
67	30.00	25.00	25.00	25.00	100.00	100.00	100.00	100.00
68	30.00	30.00	25.00	30.00	100.00	100.00	100.00	100.00
69	35.00	35.00	50.00	35.00	100.00	100.00	100.00	100.00
70	65.00	50.00	65.00	50.00	100.00	100.00	100.00	100.00
71	65.00	50.00	65.00	50.00	100.00	100.00	100.00	100.00
72	65.00	50.00	65.00	50.00	100.00	100.00	100.00	100.00
73	65.00	50.00	65.00	50.00	100.00	100.00	100.00	100.00
74	65.00	50.00	65.00	50.00	100.00	100.00	100.00	100.00
75	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

1 The retirement rates only apply to members that are eligible to retire at the age shown.

2 Retirement rate is 100% after a member accrues a benefit of 100% of final average earnings.

Assumed Termination Rates Before Retirement

The following schedules indicate the assumed rates before retirement for disability, termination, and mortality.

Disability

Age	General Rate (%)[1]	Safety Rate (%)[2]
20	0.00	0.00
25	0.01	0.03
30	0.03	0.26
35	0.05	0.58
40	0.08	0.73
45	0.19	0.78
50	0.31	1.52
55	0.38	2.00
60	0.43	2.60

1 60% of General disabilities are assumed to be service connected disabilities. The other 40% are assumed to be non-service connected disabilities.

2 100% of Safety disabilities are assumed to be service connected disabilities.

Termination

Less than 5 years of Service[1]		
Years of Service	General Rate (%)	Safety Rate (%)
0-1	11.00	4.00
1-2	9.00	3.50
2-3	8.00	3.50
3-4	6.00	2.50
4-5	6.00	2.00
5 Years of Service or More[2]		
Age	General Rate (%)	Safety Rate (%)
20	6.00	2.00
25	6.00	2.00
30	5.40	2.00
35	4.40	1.70
40	3.40	1.20
45	3.00	1.00
50	3.00	1.00
55	3.00	1.00
60	3.00	0.40

1 60% of all terminated members with less than 5 years of service are assumed to choose a refund of contributions. The other 40% are assumed to choose a deferred vested benefit.

2 35% of all terminated members with 5 or more years of service are assumed to choose a refund of contributions. The other 65% are assumed to choose a deferred vested benefit. No termination is assumed after a member is eligible for retirement (as long as a retirement rate is present).

Mortality[1]

	General Rate (%)[2]		Safety Rate (%)[2]	
Age	Male	Female	Male	Female
20	0.05	0.02	0.05	0.02
25	0.05	0.02	0.05	0.02
30	0.05	0.02	0.05	0.02
35	0.05	0.03	0.05	0.03
40	0.06	0.04	0.06	0.04
45	0.10	0.07	0.10	0.07
50	0.17	0.11	0.17	0.11
55	0.27	0.17	0.27	0.17
60	0.45	0.24	0.45	0.24
65	0.78	0.36	0.78	0.36

1 Generational projections beyond the base year (2014) are not reflected in the above mortality rates. All pre-retirement deaths are assumed to be non-service connected.

2 Based on the Headcount-Weighted RP-2014 (RPH-2014) Employee Mortality Tables multiplied by 80%, projected generationally with two-dimensional MP-2016 projection scale.

Salary Increases

The annual rate of compensation increase has three components: inflation, across-the-board salary increases (other than inflation), and merit/promotional increases based on service.

Inflation: 3.00%

Across-the-board salary increase: 0.50%

Merit/promotional increases based on service:

Service	General	Safety
0-1	4.80%	7.80%
1-2	4.80%	7.80%
2-3	3.90%	7.00%
3-4	2.40%	4.40%
4-5	1.90%	3.50%
5-6	1.60%	2.30%
6-7	1.50%	1.60%
7-8	1.10%	1.00%
8-9	0.80%	1.00%
9-10	0.80%	0.90%
10-11	0.50%	0.80%
11+	0.40%	0.80%

Actuarial Cost Method

Entry Age Actuarial Cost Method. Entry Age on valuation date minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are based on costs allocated as a level percentage of compensation, as if the current benefit formula for each individual has always been in effect.

Amortization Method

Unfunded Actuarial Accrued Liability (UAAL) is amortized as a level percentage of payroll (3.50% payroll growth assumed).

Prior to January 1, 2012, the total UAAL was amortized on a 30-year decreasing period, with 21 years remaining as of December 31, 2011 (and 13 years remaining as of December 31, 2019).

On or after January 1, 2012, any new UAAL resulting from plan amendments are amortized over separate decreasing 15-year periods; early retirement incentive programs (ERIPs) are amortized over separate decreasing 5-year periods; assumption and method changes are amortized over separate decreasing 20-year periods; and experience gains/losses are also amortized over separate decreasing 20-year periods.

Alameda County Office of Education's UAAL amortization under the declining employer payroll policy is level dollar.

Consumer Price Index (San Francisco Bay Area)

Inflation assumption is 3.00% per year. Retiree COLA increases due to CPI are subject to 3% maximum change per year for General Tier 1, General Tier 3 and Safety Tier 1; and 2% maximum change per year for General Tier 2, General Tier 4, Safety Tier 2, Safety Tier 2C, Safety Tier 2D, and Safety Tier 4.

Actuarial Experience Study

The postretirement and preretirement demographic assumptions are based on the plan's actuarial experience through the last triennial experience study as of November 30, 2016, which was approved by the Board of Retirement on December 21, 2017.

Retirement Age and Benefit for Deferred Vested Members

For deferred vested members, retirement age assumptions are as follows:

General	Age 61
Safety	Age 56

For future deferred vested members who terminate with less than five years of service and are not vested are to retire at age 70 for both General and Safety if they decide to leave their contributions on deposit.

It is assumed that 30% of future General and 60% of future Safety deferred vested members will continue to work for a reciprocal employer. For reciprocals, 3.90% and 4.30% compensation increases per annum for General and Safety, respectively.

Future Benefit Accruals

One year of service per year of employment plus 0.003 years of additional service for General members and 0.006 years of additional service for Safety members, to anticipate conversion of unused sick leave for each year of employment.

Inclusion of Deferred Vested Members

All deferred vested members are included in this valuation.

Data Adjustments

Data as of November 30 has been adjusted to December 31 by adding one month of age and, for active members, one month of service.

Form of Payment

All active and inactive vested members are assumed to elect the unmodified option at retirement.

Percent of Members Married

70% of male members and 50% of female members.

Age and Gender of Spouse

For all active and inactive members, male member are assumed to have a female spouse who is 3 years younger than the member and female members are assumed to have a male spouse who is 2 years older than the member.

Unknown Data for Members

Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.

Payroll Growth

Inflation of 3.00% per year plus real "across-the-board" salary increases of 0.50% per year.

Increase in Internal Revenue Code Section 401(a)(17) Compensation Limit

Increase of 3.00% per year from valuation date.

Increase in Section 7522.10 Compensation Limit

Increase of 3.00% per year from valuation date.

Additional Cashout Assumptions

Additional pay elements are expected to be received during a member's final average earnings period. The percentages, added to the final year salary, used in this valuation are:

Membership Category	Service Retirement	Disability Retirement
General Tier 1	8.00%	6.50%
General Tier 2	3.00%	1.40%
General Tier 3	8.00%	6.50%
General Tier 4	N/A	N/A
Safety Tier 1	8.50%	6.40%
Safety Tier 2	3.50%	2.10%
Safety Tier 2C	3.50%	2.10%
Safety Tier 2D	3.50%	2.10%
Safety Tier 4	N/A	N/A

CHANGES IN ACTUARIAL ASSUMPTIONS

There have been no changes in actuarial assumptions since the last valuation.

Active Member Valuation Data – Pension Plan (Actuary's Exhibit I)

Valuation Date[1]	No. of Participating Agencies	Plan Type	Number	Annual Payroll ($)[2]	Annual Average Pay ($)	% Increase in Average Pay[3]
12/31/2011	7	General	9,283	745,444,475	80,302	0.91%
		Safety	1,441	147,044,625	102,043	0.55%
		Total	**10,724**	**892,489,100**	**83,224**	**0.78%**
12/31/2012	7	General	9,392	762,983,211	81,238	1.17%
		Safety	1,408	143,518,009	101,930	-0.11%
		Total	**10,800**	**906,501,220**	**83,935**	**0.85%**
12/31/2013	7	General	9,485	772,431,136	81,437	0.24%
		Safety	1,392	144,373,236	103,716	1.75%
		Total	**10,877**	**916,804,372**	**84,288**	**0.42%**
12/31/2014	7	General	9,617	800,224,521	83,209	2.18%
		Safety	1,408	148,623,609	105,557	1.78%
		Total	**11,025**	**948,848,130**	**86,063**	**2.11%**
12/31/2015	7	General	9,634	812,636,114	84,351	1.37%
		Safety	1,437	156,897,481	109,184	3.44%
		Total	**11,071**	**969,533,595**	**87,574**	**1.76%**
12/31/2016	7	General	9,673	839,157,054	86,753	2.85%
		Safety	1,438	164,494,775	114,391	4.77%
		Total	**11,111**	**1,003,651,829**	**90,330**	**3.15%**
12/31/2017	7[4]	General	9,887	884,429,873	89,454	3.11%
		Safety	1,436	171,231,780	119,242	4.24%
		Total	**11,323**	**1,055,661,653**	**93,232**	**3.21%**
12/31/2018	7	General	9,960	920,863,594	92,456	3.36%
		Safety	1,389	172,872,084	124,458	4.37%
		Total	**11,349**	**1,093,735,678**	**96,373**	**3.37%**
12/31/2019	7	General	9,960	952,171,197	95,600	3.40%
		Safety	1,376	177,005,751	128,638	3.36%
		Total	**11,336**	**1,129,176,948**	**99,610**	**3.36%**
12/31/2020	7	General	9,960	975,689,541	97,961	2.47%
		Safety	1,362	180,006,107	132,163	2.74%
		Total	**11,322**	**1,155,695,648**	**102,075**	**2.47%**

1 *As permitted by the Actuarial Standard of Practice No. 4 (Measuring Pension Obligations), the actuarial valuation has been prepared based on participant data provided by ACERA as of November 30.*

2 *Projected compensation was calculated by increasing the prior calendar year's compensation (assuming every employee will work full time) by the salary increase assumption.*

3 *Reflects the increase in average salary for members at the beginning of the year versus those at the end of the year. It does not reflect the average salary increases received by members who worked the full year.*

4 *Starting with the December 31, 2017 valuation date, there were no active members from the Alameda County Office of Education; however, there were still retired members from that participating agency.*

Retirees and Beneficiaries Added To and Removed From Retiree Payroll (Actuary's Exhibit II)

Valuation Date (December 31)[1]	Added to Rolls		Removed from Rolls		Rolls at End of Year				
	Number	Annual Allowance[2] (in $000's)	Number	Annual Allowance (in $000's)	Number	Annual Allowance (in $000's)	% Increase in Retiree Allowance	Average Annual Allowance	Change in Average Annual Allowance
2011	577	$ 30,660	(229)	$ (6,177)	7,906	$ 302,663	8.80%	$ 38,283	4.01%
2012	511	30,485	(242)	(6,269)	8,175	326,879	8.00%	39,985	4.45%
2013	625	33,150	(234)	(6,182)	8,566	353,847	8.25%	41,308	3.31%
2014	498	28,677	(251)	(7,156)	8,813	375,368	6.08%	42,593	3.11%
2015	469	27,312	(292)	(9,125)	8,990	393,555	4.85%	43,777	2.78%
2016	523	31,922	(271)	(8,778)	9,242	416,699	5.88%	45,088	2.99%
2017	512	32,718	(275)	(8,112)	9,479	441,305	5.90%	46,556	3.26%
2018	583	36,805	(279)	(10,484)	9,783	467,626	5.96%	47,800	2.67%
2019	590	40,287	(295)	(10,784)	10,078	497,129	6.31%	49,328	3.20%
2020	540	40,256	(326)	(13,288)	10,292	524,097	5.42%	50,923	3.23%

1 As permitted by the Actuarial Standard of Practice No. 4 (Measuring Pension Obligations), the actuarial valuation has been prepared based on participant data provided by ACERA as of November 30.

2 Includes data adjustments and automatic cost-of-living adjustments granted on April 1.

Actuarial Analysis of Financial Experience (Actuary's Exhibit IV)

(Dollars in Millions)

	Plan Years									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Prior Valuation Unfunded/(Prefunded) Actuarial Accrued Liability	$ 2,137	$ 2,157	$ 1,802	$ 1,791	$ 1,911	$ 1,651	$ 1,729	$ 1,491	$ 1,387	$ 1,110
Salary Increase Greater (Less) than Expected	13	16	(10)	(8)	(36)	(37)	(72)	(92)	(106)	(80)
COLA Increase Greater (Less) than Expected	-	-	-	-	(15)	-	-	-	(11)	(7)
Asset Return Less (Greater) than Expected	66	(17)	(11)	22	(61)	(145)	(33)	300	225	339
Other Experience (Including Scheduled UAAL Payment)	(21)	(19)	(20)	(3)	(8)	(18)	27	30	31	25
Economic and Non-economic Assumption Changes	-	-	396	-	-	460	-	-	7	-
Data Corrections	-	-	-	-	-	-	-	-	(42)[1]	-
Ending Unfunded/(Prefunded) Actuarial Accrued Liability	**$2,195**	**$2,137**	**$2,157**	**$1,802**	**$1,791**	**$1,911**	**$1,651**	**$1,729**	**$1,491**	**$1,387**

1 Following direction provided by ACERA, some retirees who were previously assumed to be married are now reclassified as single with no beneficiary eligible for an automatic continuance benefit.

Schedule of Funded Liabilities by Type - Pension Plan[1] (Actuary's Exhibit III)

(Dollars in Thousands)

	Aggregate Accrued Liabilities for				Portion of Accrued Liabilities Covered by Reported Assets			
Valuation Date	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)	Total	Valuation Value of Assets	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)
12/31/2010	$ 953,663	$ 3,487,411	$ 1,721,666	$ 6,162,740	$ 4,776,128	100%	100%	19%
12/31/2011	943,618	3,748,179	1,667,686	6,359,483	4,868,689	100%	100%	11%
12/31/2012	930,649	4,006,969	1,675,311	6,612,929	4,883,872	100%	99%	0%
12/31/2013	916,196	4,307,763	1,637,728	6,861,687	5,210,944	100%	100%	0%
12/31/2014	994,870	4,785,190	1,812,012	7,592,072	5,681,097	100%	98%	0%
12/31/2015	1,070,157	4,966,693	1,838,170	7,875,020	6,083,536	100%	100%	3%
12/31/2016	1,122,671	5,210,571	1,904,473	8,237,715	6,436,138	100%	100%	5%
12/31/2017	1,173,799	5,662,738	2,150,524	8,987,061	6,830,379	100%	100%	0%
12/31/2018	1,223,983	5,939,611	2,212,803	9,376,397	7,239,327	100%	100%	3%
12/31/2019	1,258,309	6,266,979	2,269,731	9,795,019	7,599,977	100%	100%	3%

1 The exhibit includes actuarial funded liabilities and assets. The non-valuation reserves such as Supplemental Retirees Benefit Reserve, Death Benefit and Reserve for Interest Fluctuation, etc., are not included.

Events affecting year-to-year comparability:

12/31/11 - Change in non-economic assumptions. Investment return assumption decreased from 7.90% to 7.80%. Effective February 6, 2011 for ACMEA Probation Mgrs. and effective March 6, 2011 for Teamsters Local Union 856, members in these groups can elect to enroll in either Safety Tier 2C (2% @ 50 formula) or Safety Tier 2D (3% @ 55 formula), with payment of additional member cost sharing contributions for Safety Tier 2D. Effective September 30, 2011, all new members hired by the Housing Authority enter General Tier 2.

12/31/12 - Modification to Entry Age cost method from aggregate basis to individual basis for normal cost calculation.

12/31/14 - Change in non-economic assumptions. Investment return assumption reduced from 7.80% to 7.60%; inflation assumption decreased from 3.50% to 3.25%.

12/31/17 - Change in non-economic assumptions (including merit and promotional salary increase assumptions and terminal pay assumptions). Investment return assumption reduced from 7.60% to 7.25%; inflation assumption decreased from 3.25% to 3.00%.

Schedule of Funding Progress – Pension Plan (Actuary's Exhibit V)

(Dollars in Thousands)

Actuarial Valuation Date	Valuation Value of Assets[1] (a)	Actuarial Accrued Liability (AAL)[2] (b)	Unfunded (Overfunded) AAL (UAAL) (b–a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b–a) /c
12/31/2010	$ 4,776,128	$ 6,162,740	$ 1,386,612	77.5	$ 898,342	154.4
12/31/2011	4,868,689	6,359,483	1,490,794	76.6	892,489	167.0
12/31/2012	4,883,872	6,612,929	1,729,057	73.9	906,500	190.7
12/31/2013	5,210,944	6,861,687	1,650,743	75.9	916,803	180.1
12/31/2014	5,681,097	7,592,072	1,910,975	74.8	948,848	201.4
12/31/2015	6,083,536	7,875,020	1,791,484	77.3	969,534	184.8
12/31/2016	6,436,138	8,237,715	1,801,577	78.1	1,003,651	179.5
12/31/2017	6,830,379	8,987,061	2,156,682	76.0	1,055,661	204.3
12/31/2018	7,239,327	9,376,397	2,137,070	77.2	1,093,735	195.4
12/31/2019	7,599,977	9,795,019	2,195,042	77.6	1,129,175	194.4

1 Excludes assets for SRBR and other non-valuation reserves. Includes the following amounts transferred from the SRBR to the employers' advance reserve to compensate the County for the implicit subsidy: (estimate provided by ACERA) 2010 $4,500; 2011 $4,411; 2012 $7,370; 2013 $6,993; 2014 $5,215; 2015 $5,325; 2016 $8,865; 2017 $5,830; 2018 $6,940; and 2019 $6,511.

2 Excludes liabilities for SRBR and other non-valuation reserves.

The actuarially determined contributions and actual contributions received from the participating employers are presented in the Schedule of Employer Contributions, included in the Required Supplementary Information Section.

Assumptions for Other Postemployment Benefits (OPEB) Plan

The actuarial assumptions used for the OPEB plan are consistent with those assumptions applied by the Retirement Board for the December 31, 2019, pension valuation, including the use of a 7.25% investment rate of return assumption. For a complete list of actuarial assumptions, refer to the summary of assumptions and methods for the pension plan. The actuarial assumptions that are specific to the OPEB plan are as follows:

Per Capita Health Costs

The combined monthly per capita dental and vision claims cost for plan year 2020 was assumed to be $46.28. The monthly Medicare Part B premium reimbursement for 2020 is $144.60. For calendar year 2020, medical costs for a retiree were assumed to be as follows:

Medical Plan[1]	Election Assumption	Monthly Premium	Maximum Monthly Medical Allowance[2]
Under Age 65[3]			
Kaiser HMO	80%	$ 785.44	$ 578.65
United Healthcare HMO Current Network	10%	1,087.80	578.65
Via Benefits Individual Insurance Exchange[4]	10%	N/A[4]	578.65
United Healthcare HMO SVA Network	0%	831.92	578.65
Age 65 and Older			
Kaiser Senior Advantage	75%	$ 411.54	$ 578.65
Via Benefits Individual Insurance Exchange	25%	326.61[5]	443.28

1 There are other plans available to retirees under 65, and age 65 and older, that have a range of premiums. The same costs as Kaiser HMO and Kaiser Senior Advantage are assumed for current non-Medicare and Medicare retires, respectively.

2 The Maximum Monthly Medical Allowance of $578.65 ($443.28 for retirees purchasing individual insurance from the Medicare exchange) is subject to the following subsidy schedule:

Completed Years of Service	Percentage Subsidized
10-14	50%
15-19	75%
20+	100%

3 Current retirees under 65 are assumed to elect medical plans in the same proportion as future retirees upon age 65.

4 Via Benefits individual insurance coverage is available to retirees under age 65 residing outside of ACERA medical plans' coverage area. It is assumed that these current retirees under 65 will draw the Maximum Monthly Subsidy ($578.65).

5 The derivation of amounts expected to be paid out in 2020 from the Health Reimbursement Account for members with 20 or more years of service is provided in the following table. In the table, the amounts expected to be paid for members with 10-14 and 15-19 years of service is also provided.

Derivation of Via Benefits Monthly Per Capita Costs

Years of Service Category	10-14	15-19	20+
1 Maximum MMA for 2019	$ 213.73	$ 320.59	$ 427.46
2 Total of Maximum MMA (From Jan. 2019 to Dec. 2019)	$479,281	$784,907	$4,958,001
3 Total of Actual Reimbursement (From Jan. 2019 to Dec. 2019)	$368,871	$573,300	$3,092,110
4 Ratio of Actual Reimbursement to Maximum 2019 MMA [(3)/(2)]	76.96%	73.04%	62.37%
5 Average Monthly Per Capita Cost for 2019 [(1)*(4)]	$ 164.49	$ 234.16	$ 266.59
6 Maximum MMA for 2020	$ 221.64	$ 332.46	$ 443.28
7 Increase in Average Monthly per Capita Cost due to the Change in Maximum MMA from 2019 to 2020 [(6)/(1)] * (5)	$ 170.58	$ 242.83	$ 276.46
8 Increased for Expected Medical Trend (7.40%[1]) from 2019 to 2020 [(7)*1.074]	$ 183.20	$ 260.80	$ 296.91
9 Increase for Additional 10% Margin for 2019 Expenses Incurred in 2019 but Reimbursed after December 2019 [(8)*1.10]	**$ 201.52**	**$ 286.88**	**$ 326.61**

1 6.50% medical trend for Medicare Plans plus 0.90% for the Health Insurance Tax (HIT).

Implicit Subsidy

The estimated average per capita premium for retirees under age 65 is $9,828 per year. Because premiums for retirees under age 65 include active participants for purposes of underwriting, the retirees receive an implicit subsidy from the actives. Had the retirees under age 65 been underwritten as a separate group, their age-based premiums would be higher for most individuals. The excess of the age-based premium over the per capita premium charged makes up the subsidy.

Below is a sample of the age-based costs for the retirees under age 65.

Age-Based Average Medical Costs for Retirees Under Age 65				
	Retiree		Spouse	
Age	Male	Female	Male	Female
50	$ 11,635	$ 13,252	$ 8,127	$ 10,641
55	13,817	14,265	10,874	12,317
60	16,409	15,376	14,558	14,285
64	18,826	16,312	18,377	16,078

Not all ACERA employers are receiving an implicit subsidy reimbursement from the Association. For SRBR sufficiency purposes, the projected implicit subsidy payments have been adjusted (by about 17% reduction of costs shown above) to account for this fact, based on data provided by the County of Alameda's health consultant.

The adjustment mentioned above has not been applied in the calculation of Actuarial Present Value of Projected Benefits and Actuarial Accrued Liability (AAL).

Health Care Cost Trend Rates

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are "net" and are applied to the net per capital costs shown above. The trend shown for a particular plan year is the rate that is to be applied to the premium for the shown calendar year to calculate the next calendar year's projected premium. For example, the projected 2021 calendar year premium for Kaiser (under age 65) is $810.72 per month ($785.44 increased by 3.22%).

	Rate (%)			
Calendar Year	All Non-Medicare Plans [3]	Medicare Plans[4]	Dental and Vision	Medicare Part B
2020	6.75[1],[2]	6.25[1],[2]	4.00[1]	4.50
2021	6.50	6.00	4.00	4.50
2022	6.25	5.75	4.00	4.50
2023	6.00	5.50	4.00	4.50
2024	5.75	5.25	4.00	4.50
2025	5.50	5.00	4.00	4.50
2026	5.25	4.75	4.00	4.50
2027	5.00	4.50	4.00	4.50
2028	4.75	4.50	4.00	4.50
2029 & Later	4.50	4.50	4.00	4.50

1 The actual trends are shown below, based on premium renewals for 2021 as reported by ACERA.

Kaiser HMO Early Retiree	United Healthcare HMO Early Retiree	Kaiser Senior Advantage	Dental and Vision
3.22%	5.77%	-7.13%	3.98%

2 Before reducing the first-year non-Medicare trend by 1.20% and the first-year Medicare trend by 0.90% to reflect the repeal of the Health Insurance Tax (HIT).

3 Non-Medicare plans.

4 Medicare plans.

Assumed Increase in Annual Maximum Benefits

For the "substantive plan design" shown in this report, actuary has assumed:

- Maximum medical allowances for 2021 will remain unchanged from $578.65 per month, then increase with 50% of trend for medical plans, or 3.00% graded down to the ultimate rate of 2.25% over 6 years;
- Dental and vision premium reimbursement will increase with full trend; and,
- Medicare Part B premium reimbursement will increase with full trend.

Participation and Coverage Election

Retired member and beneficiaries as of valuation date:

	Under Age 65	Upon Attaining Age 65
Medical Plan Subsidy (MMA)		
MMA on Record		
Current Retirees Under 65	100%	100% and assumed to choose carrier in same proportion as future retirees
Current Retirees 65 and Over	N/A	100%
No MMA on Record		
Less than 10 Years of Service	0%	0%
10+ Years of Service		
Current Retirees Under 65	0%	50%
Current Retirees 65 and Over	N/A	0%
Medicare Part B Premium Subsidy		
MMA on Record		
Current Retirees Under 65	N/A	100%
Current Retirees 65 and Over	N/A	100% if Part B reimbursement on record or purchasing individual insurance from the Medicare exchange
No MMA on Record		
Less than 10 Years of Service	N/A	0%
10+ Years of Service		
Current Retirees Under 65	N/A	50%
Current Retirees 65 and Over	N/A	0%
Implicit Subsidy	Current Retirees, married dependents and surviving beneficiaries under age 65 and enrolled in an ACERA non-Medicare plan are assumed to have an implicit subsidy liability.	
Dental and Vision Subsidy	Current retirees non self-paying ("Voluntary" or "Under 10 YOS" dental or vision code).	

Active and inactive vested members as of valuation date:

	Under Age 65	Upon Attaining Age 65
Medical Plan Subsidy (MMA)	80% of eligible members.	90% of eligible members.
Medicare Part B Premium Subsidy	80% of eligible members. (disabled only)	90% of eligible members.
Implicit Subsidy	80% of eligible members under age 65 are assumed to have an implicit subsidy liability.	
Dental and Vision Subsidy	100% of eligible members.	

Dependents

Demographic data were available for spouses of current retirees. For future retirees, male members were assumed to be three years older than their wives and female members were assumed to be two years younger than their husbands. Of the future retirees who elect to continue their medical coverage at retirement, 40% of males and 20% of females were assumed to have an eligible spouse who also opts for health coverage at that time.

Please note that these assumptions are only used to determine the cost of the implicit subsidy:

Plan Design

Development of plan liabilities was based on the plan of benefits in effect as described in Exhibit II and III of the December 31, 2019, sufficiency valuation report.

Administrative Expenses

An administrative expense load was not added to the projected incurred claim costs in developing per capita health costs.

Missing Participant Data

Any missing census items for a given participant was set to equal to the average value of that item over all other participants of the same membership status for whom the item is known.

Active Member Valuation Data – OPEB (Actuary's SRBR Exhibit I)

Valuation Date[1]	No. of Participating Agencies	Plan Type	Number	Annual Payroll ($)[2]	Annual Average Pay ($)	% Increase in Average Pay[3]
12/31/2011	7	General	9,283	745,444,475	80,302	0.91%
		Safety	1,441	147,044,625	102,043	0.55%
		Total	**10,724**	**892,489,100**	**83,224**	**0.78%**
12/31/2012	7	General	9,392	762,983,211	81,238	1.17%
		Safety	1,408	143,518,009	101,930	-0.11%
		Total	**10,800**	**906,501,220**	**83,935**	**0.85%**
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		Safety	1,392	144,373,236	103,716	1.75%
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		Total	**11,025**	**948,848,130**	**86,063**	**2.11%**
12/31/2015	7	General	9,634	812,636,114	84,351	1.37%
		Safety	1,437	156,897,481	109,184	3.44%
		Total	**11,071**	**969,533,595**	**87,574**	**1.76%**
12/31/2016	7	General	9,673	839,157,054	86,753	2.85%
		Safety	1,438	164,494,775	114,391	4.77%
		Total	**11,111**	**1,003,651,829**	**90,330**	**3.15%**
12/31/2017	7[4]	General	9,887	884,429,873	89,454	3.11%
		Safety	1,436	171,231,780	119,242	4.24%
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		Safety	1,376	177,005,751	128,638	3.36%
		Total	**11,336**	**1,129,176,948**	**99,610**	**3.36%**
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		Safety	1,362	180,006,107	132,163	2.74%
		Total	**11,322**	**1,155,695,648**	**102,075**	**2.47%**

1 *As permitted by the Actuarial Standard of Practice No. 4 (Measuring Pension Obligations), the actuarial valuation has been prepared based on participant data provided by ACERA as of November 30.*

2 *Projected compensation was calculated by increasing the prior calendar year's compensation (assuming every employee will work full time) by the salary increase assumption.*

3 *Reflects the increase in average salary for members at the beginning of the year versus those at the end of the year. It does not reflect the average salary increases received by members who worked the full year.*

4 *Starting with the December 31, 2017 valuation date, there were no active members from the Alameda County Office of Education; however, there were still retired members from that participating agency.*

Retirees Added To and Removed From OPEB Payroll (Actuary's SRBR Exhibit II)

	Added to Rolls		Removed from Rolls		Rolls at End of Year				
Valuation Date[1] (December 31)	Number	Annual Allowance (in $000's)	Number	Annual Allowance[2] (in $000's)	Number	Annual Allowance (in $000's)	% Increase in OPEB Allowance	Average Annual Allowance	Change in Average Annual Allowance
2011	494	$ 2,298	(179)	$ (421)	6,811	$ 31,701	6.29%	$ 4,654	1.37%
2012	426	1,921	(184)	(935)	7,053	32,687	3.11%	4,634	-0.43%
2013	537	2,430	(179)	(1,699)	7,411	33,418	2.24%	4,509	-2.70%
2014	421	1,725	(189)	(735)	7,643	34,408	2.96%	4,502	-0.16%
2015	388	1,745	(229)	(424)	7,802	35,729	3.84%	4,579	1.71%
2016	426	1,801	(207)	(870)	8,021	36,660	2.61%	4,571	-0.17%
2017	443	1,979	(197)	365	8,267	39,004	6.39%	4,718	3.22%
2018	497	2,243	(212)	844	8,552	42,091	7.91%	4,922	4.32%
2019	516	2,255	(229)	776	8,839	45,122	7.20%	5,105	3.72%
2020	459	2,160	(251)	135	9,047	47,417	5.09%	5,241	2.66%

1 *As permitted by the Actuarial Standard of Practice Statement No. 4 (Measuring Pension Obligations), the actuarial valuation has been prepared based on participant data provided by ACERA as of November 30.*

2 *Also reflects changes in benefit for continuing members. For example, the increase for continuing members as of December 31, 2020 more than offset the annual allowance removed from the rolls.*

Note: Beneficiaries are not eligible for OPEB. The allowances include medical, dental, vision and Medicare Part B premium subsidies but do not include any implicit subsidy costs valued for SRBR sufficiency or valuation liabilities.

Member Benefit Coverage Information - OPEB
(Actuary's SRBR Exhibit III)
Actuarial Accrued Liability Not Limited to Actuarial Value of Assets[1]

(Dollars in Thousands)

	Aggregate Accrued Liabilities for					Portion of Accrued Liabilities Covered by Reported Assets		
Valuation Date	Active Member Contributions	Retired/ Vested Members[2]	Active Members (Employer Financed Portion)[2]	Total[2]	Actuarial Value of Assets	Active Member Contributions	Retired/ Vested Members[3]	Active Members (Employer Financed Portion)[3]
12/31/2010	N/A	$ 417,456	$ 315,449	$ 732,905	$ 561,356	N/A	100%	46%
12/31/2011	N/A	429,316	324,900	754,216	542,936	N/A	100%	35%
12/31/2012								
Scenario A	N/A	432,005	322,833	754,838	545,429	N/A	100%	35%
Scenario B	N/A	432,005	322,833	754,838	549,655	N/A	100%	36%
12/31/2013	N/A	428,851	295,725	724,576	617,627	N/A	100%	64%
12/31/2014	N/A	489,588	341,746	831,334	759,200	N/A	100%	79%
12/31/2015	N/A	511,694	389,287	900,981	822,858	N/A	100%	80%
12/31/2016	N/A	544,660	365,696	910,356	837,185	N/A	100%	80%
12/31/2017	N/A	585,466	416,176	1,001,642	858,005	N/A	100%	65%
12/31/2018	N/A	595,608	411,780	1,007,581	883,013	N/A	100%	70%
12/31/2019	N/A	631,644	442,548	1,074,192	888,184	N/A	100%	58%

1 When the actuarial accrued liabilities were limited to the current assets, the UAALs were $0. Similarly, the funded ratios were 100%.

2 Accrued liabilities have not been limited to benefits expected to be paid before the exhaustion of actuarial value of assets.

3 Assuming actuarial value of assets is first used to entirely fund the liabilities for retired/vested members before it is used to fund the liabilities for active members.

Events affecting year-to-year comparability:

12/31/11 - Change in non-economic assumptions. Investment return assumption decreased from 7.90% to 7.80%. The Board acted on July 19, 2012 to maintain the 2013 MMA at the 2012 level and to provide retirees currently enrolled in a United Healthcare Medicare group insurance plan with the option to purchase individual Medicare insurance from plans through a Medicare exchange, beginning in 2013. The Maximum monthly medical allowance is reduced for the individual plans.

12/31/12 - Scenario A excludes benefits and assets associated with the $750 lump sum death benefit, whereas Scenario B includes benefits and assets associated with the $750 lump sum death benefit. Both of these scenarios reflect the discontinuance of the Active Death Equity Benefit and the $4,250 Lump Sum Death Benefit. These two scenarios were provided per the request of ACERA's management to explore different options of consolidating or reclassifying the Death Benefit Reserve. The Board acted on July 18, 2013 to maintain the 2014 MMA at the 2013 level.

12/31/13 - The Board acted on July 17, 2014 to maintain the 2015 MMA at the 2014 level.

12/31/14 - Changes in non-economic assumption. Investment return assumption decreased from 7.80% to 7.60%; inflation assumption decreased from 3.50% to 3.25%. The Board acted on July 16, 2015 to increase the 2015 MMA by 3.5% for 2016.

12/31/15 - The Board acted to leave the 2016 MMA unchanged for 2017 and 2018.

12/31/17 - Changes in non-economic assumption. Investment return assumption decreased from 7.60% to 7.25%; inflation assumption decreased from 3.25% to 3.00%. The Board acted to increase the 2018 MMA for 2019. The maximum MMA for ACERA sponsored plans and individual (out-of-area) non-Medicare plans becomes $558.00 and the maximum MMA for individual Medicare plans becomes $427.46 for 2019.

12/31/18 The maximum MMA for ACERA sponsored plans and individual (out-of-area) non-Medicare plans becomes $578.65 and the maximum MMA for individual Medicare plans becomes $443.28 for 2020.

12/31/19 The Board acted to leave the 2020 MMA unchanged for 2021.

Note: At each valuation date, health care cost trend rates have been updated and starting premium costs have been revised to reflect updated data.

Schedule of Funded Liabilities by Type - Non-OPEB (Actuary's SRBR Exhibit III) Continued

Actuarial Accrued Liability Not Limited to Actuarial Value of Assets[1]

(Dollars in Thousands)

	Aggregate Accrued Liabilities for					Portion of Accrued Liabilities Covered by Reported Assets		
Valuation Date	Active Member Contributions	Retired/ Vested Members[2]	Active Members (Employer Financed Portion)[2]	Total[2]	Actuarial Value of Assets	Active Member Contributions	Retired/Vested Members[3]	Active Members (Employer Financed Portion)[3]
12/31/2010	N/A	$ 68,955	$ 107,546	$ 176,501	$ 69,256	N/A	100%	0%
12/31/2011	N/A	77,477	108,369	185,846	67,020	N/A	87%	0%
12/31/2012								
Scenario A	N/A	69,698	93,636	163,334	24,174	N/A	35%	0%
Scenario B	N/A	71,785	94,132	165,917	26,018	N/A	36%	0%
12/31/2013	N/A	81,814	96,985	178,799	26,870	N/A	33%	0%
12/31/2014	N/A	73,728	80,371	154,099	32,570	N/A	44%	0%
12/31/2015	N/A	83,016	84,635	167,651	35,194	N/A	42%	0%
12/31/2016	N/A	100,279	89,264	189,543	36,162	N/A	36%	0%
12/31/2017	N/A	84,063	65,558	149,621	37,517	N/A	45%	0%
12/31/2018	N/A	113,097	68,543	181,640	39,366	N/A	35%	0%
12/31/2019	N/A	124,174	71,375	195,549	40,430	N/A	33%	0%

1 When the actuarial accrued liabilities were limited to the current assets, the UAALs were $0. Similarly, the funded ratios were 100%.

2 Accrued liabilities have not been limited to benefits expected to be paid before the exhaustion of actuarial value of assets.

3 Assuming actuarial value of assets is first used to entirely fund the liabilities for retired/vested members before it is used to fund the liabilities for active members.

Events affecting year-to-year comparability:

12/31/11 - Change in non-economic assumptions. Investment return assumption decreased from 7.90% to 7.80%.

12/31/12 - Scenario A excludes benefits and assets associated with the $750 lump sum death benefit, whereas Scenario B includes benefits and assets associated with the $750 lump sum death benefit. Both of these scenarios reflect the discontinuance of the Active Death Equity Benefit and the $4,250 Lump Sum Death Benefit. These two scenarios were provided per the request of ACERA's management to explore different options of consolidating or reclassifying the Death Benefit Reserve.

12/31/13 - Increase in lump sum death benefit from $750 to $1,000.

12/31/14 - Changes in non-economic assumption. Investment return assumption decreased from 7.80% to 7.60%; inflation assumption decreased from 3.50% to 3.25%.

12/31/17 - Changes in non-economic assumption. Investment return assumption decreased from 7.60% to 7.25%; inflation assumption decreased from 3.25% to 3.00%.

Summary of Plan Provisions

Benefits Sections 31676.1, 31676.12, 31676.18, 31664, 31664.1, and 31664.2 Of The County Employees Retirement Law Of 1937 ("1937 Act") and Government Code Sections 7522.20(a) for General Tier 4 and 7522.25(d) for Safety Tier 4

Briefly summarized below are major provisions of the 1937 Act and the California Government Code as amended through December 31, 2019, and as adopted by Alameda County or other participating employers.

Membership Eligibility

With the exception of Alameda Health System, all full-time employees of participating employers who are appointed to permanent positions are statutorily required to become members of ACERA. With the passage of AB1008 in 2013, employees of newly acquired hospitals by Alameda Health System are not eligible for membership unless they are subject to an existing Memorandum of Understanding. Effective October 31, 2013, all newly hired unrepresented employees of any Alameda Health System facility are prohibited from membership.

Membership with ACERA usually begins with the second pay period following appointment to a full-time County or participating employer position, except for Housing Authority of the County of Alameda and Livermore Area Recreation & Park District. Membership for these employees is effective on the first day of employee's hire in an ACERA covered position. ACERA members who change from full-time to part-time are required to continue membership at ACERA (with future contributions and benefits adjusted accordingly).

Tiers (Benefit Levels)

General and Safety Tier 1 include, depending on the employer, all General and Safety members hired on or before June 30, 1983. General and Safety Tier 2 include, depending on the employer, General and Safety members hired after June 30, 1983. General Tier 3 was effective October 1, 2008 for electing General active members of the Livermore Area Recreation and Park District (LARPD). LARPD adopted a benefit improvement for all service under the 2.5% @ 55 formula as an option to their employees. The County adopted Safety Tier 2 formulas, 2% @ 50 (Safety Tier 2C) and 3% @ 55 (Safety Tier 2D), for new hires starting October 17, 2010. General and Safety Tier 4 include all General and Safety members hired on or after January 1, 2013. See page 144 and page 145 for employer and employee contribution rates.

Final Compensation for Benefit Determination ("Final Average Salary")

Final Average Salary (FAS) is defined as the highest 12 consecutive months of compensation earnable for Tier 1 and Tier 3; and the highest 36 consecutive months for Tier 2. For Tier 4 members, FAS is defined as the highest 36 consecutive months of pensionable compensation.

Return of Contributions

If a member should resign or die before becoming eligible for retirement, his or her contributions plus interest will be refunded upon request. In lieu of receiving a return of contributions, a vested member or member terminated after January 1, 2003, may elect to leave his or her contributions on deposit and receive a deferred vested benefit when eligible for retirement.

Eligibility for Service Retirement

General non-Tier 4 members are eligible to retire: at age 50 with 5 years of service and a total of 10 years of qualifying membership; at age 70 regardless of years of service, or at any age with 30 years of service. General Tier 4 members are eligible to retire at age 52 with 5 years of service or at age 70 regardless of service. Safety non-Tier 4 members are eligible to retire: at age 50 with 5 years of service and a total of 10 years of qualifying membership; at age 70 regardless of years of service; or at any age with 20 years of service. Safety Tier 4 members are eligible to retire at age 50 with 5 years of service or at age 70 regardless of service.

Eligibility for Deferred Service Retirement

Vested deferred members are terminated members who have completed five years of service and leave accumulated contributions in the retirement fund. Vested deferred members are entitled to receive retirement benefits upon meeting the eligibility requirements.

Service Retirement Benefit

The monthly service retirement benefit depends on age at retirement and is based on a percentage of the final average salary (divided by 12 or 36 depending on Tier to get a monthly amount) multiplied by years of service. It is illustrated below for selected age-at-retirement figures.

For non-Tier 4 members integrated with Social Security, the benefit is reduced by one-third of the percentage shown below times the first $350 of monthly final average salary per year of service credited after January 1, 1956.

Percentage of Final Average Salary for Selected Age-at-Retirement

	General				Safety				
Age-at-Retirement	Tier 1	Tier 2	Tier 3	Tier 4	Tier 1	Tier 2	Tier 2C	Tier 2D	Tier 4
50	1.34%	1.18%	2.00%	N/A	3.00%	3.00%	2.00%	2.29%	2.00%
52	1.49%	1.30%	2.20%	1.00%	3.00%	3.00%	2.22%	2.54%	2.20%
55	1.77%	1.49%	2.50%	1.30%	3.00%	3.00%	2.62%	3.00%	2.50%
57	2.00%	1.64%	2.50%	1.50%	3.00%	3.00%	2.62%	3.00%	2.70%
60	2.34%	1.92%	2.50%	1.80%	3.00%	3.00%	2.62%	3.00%	2.70%
62	2.62%	2.09%	2.50%	2.00%	3.00%	3.00%	2.62%	3.00%	2.70%
65	2.62%	2.43%	2.50%	2.30%	3.00%	3.00%	2.62%	3.00%	2.70%
67 and over	2.62%	2.43%	2.50%	2.50%	3.00%	3.00%	2.62%	3.00%	2.70%

Maximum Benefit

The maximum basic benefit payable to a non-Tier 4 member or beneficiary is 100% of final average salary. There is no maximum basic benefit payable to Tier 4 members.

Disability Benefit

Members with five years of service, regardless of age, are eligible to apply for non-service connected disability benefits. As with the service retirement benefit, the disability benefit is based on a percentage of final compensation.

The disability benefit is 1.8% of final compensation per year of service for General Tier 1 and Tier 3 members; and 1.5% final compensation per year of service for General Tier 2 and Tier 4 members. If this benefit does not exceed one-third of final compensation, the service is projected to age 62 for General Tier 1 and Tier 3, and to age 65 for General Tier 2 and Tier 4, but the total benefit cannot be more than one-third of final compensation.

The disability benefit is 1.8% per year of service for Safety members. If this benefit does not exceed one- third of final compensation, the service is projected to age 55, but the total benefit cannot be more than one- third of final compensation.

If the disability is service connected ("job-related"), then there is no age or service requirement. This benefit is the greater of 50% of final compensation, or the benefit amount derived from the member's age, years of service, and salary.

Members who apply for disability retirement benefits must be able to prove they are permanently unable to perform the usual duties of their current job. In addition, those who apply for a service connected disability must prove their incapacity to perform their duties was job-related.

Active Member Death Benefit

In addition to the return of contributions with credited interest, a lump sum death benefit is payable to the member's beneficiary or estate equal to one month's compensation for each completed year of service under the retirement system, based on the final year's average salary, but not to exceed six month's compensation.

If a member dies while eligible for service retirement or non-service connected disability, the eligible surviving spouse/domestic partner may elect to receive 60% of the allowance that the member would have received for retirement on the day of his or her death in lieu of the refund of employee contributions with interest and a lump sum death benefit.

Service Connected Death Benefit

If a member dies in the performance of duty, the eligible surviving spouse/domestic partner may elect to receive 50% of the member's final compensation (or 100% of the service retirement benefit, if greater).

Retired Member Death Benefit

If a member dies after retirement, a lump sum amount of $1,000 is paid to the beneficiary or estate. This benefit is excluded from the pension plan funding valuation, but is included in the SRBR non-OPEB sufficiency valuation.

In addition, if the retirement was for service connected disability, 100% of the member's allowance as it was at death is continued to the qualified surviving spouse/domestic partner for life.

If the retirement was for other than service connected disability, 60% of the member's unmodified allowance is continued to the qualified surviving spouse/domestic partner for life.

Basic Cost-of-Living Adjustments (COLA)

The basic Cost-of-Living Adjustments are based on the change in the San Francisco Bay Area Consumer Price Index (CPI) for the calendar year prior to the April 1 effective date. The basic COLA increase in retirement allowance is up to 3% per year for Tier 1 and Tier 3; and up to 2% for Tier 2 and Tier 4 members. For any year in which the CPI exceeds the COLA percentage cap for a member, the excess percentage is accumulated ("banked") for that member and subsequently applied as an increase to the allowance in a later year when the CPI figure falls short of the relevant cap.

Supplemental Benefits Excluded from Actuarial Valuation

Non-vested supplemental COLA and retiree healthcare program benefits are paid to eligible retirees and survivors. These supplemental benefits have been excluded from the pension plan funding valuation, but are included in the SRBR, OPEB and non-OPEB sufficiency valuation.

Contribution Rates

Basic member contribution rates are based on a formula reflecting the age at entry into the Association. The rates are such as to provide, for each year of service, an average annuity at age 60 of 1/100 of FAS for General members under Tier 1; at age 60 of 1/120 of FAS for General members under Tier 2; at age 55 of 1/100 of FAS for General members under Tier 3; 50% of the total Normal Cost rate for General Tier 4 members; at age 50 of 1/100 of FAS for non-Tier 4 Safety members; and 50% of the total Normal Cost rate for Safety Tier 4 members.

Note that in estimating FAS, an assumption to anticipate how much unused vacation would be available for conversion at retirement is included for non-Tier 4 members. Member cost of living contribution rates are actuarially determined to pay for one-half of future cost of living liabilities.

For non-Tier 4 members whose benefits are integrated with Social Security, the above contributions are reduced by one-third of that portion of such contribution payable with respect to the first $161 of biweekly salary. Member contributions are refundable upon termination from employment.

Employer contribution rates are actuarially determined to provide for the balance of the contributions needed to fund the benefits promised under the pension plan.

Exemption from Contributions After Thirty Years of Service

Non-Tier 4 Safety members with 30 or more years of service and General members hired on or before March 7, 1973, with 30 or more years of service are exempt from paying member contributions. However, Safety members in Tier 2D are required to continue paying the 3% cost-sharing contribution after 30 years of service.

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Statistical

Statistical

This section provides additional historical perspective, context, and detail in order to provide a more comprehensive understanding of this year's financial statements, note disclosures, and supplementary information, covering pension plan benefits, postemployment medical benefits and non-OPEB. This section also provides multi-year trend of financial and operating information to facilitate comprehensive understanding of how the organization's financial position and performance has changed over time. More specifically, the financial and operating information provides contextual data for the fiduciary net position, benefits, refunds, contribution rates and different types of retirement benefits. This information was produced by either ACERA's actuary or from ACERA's member database.

Additions to Fiduciary Net Position by Source

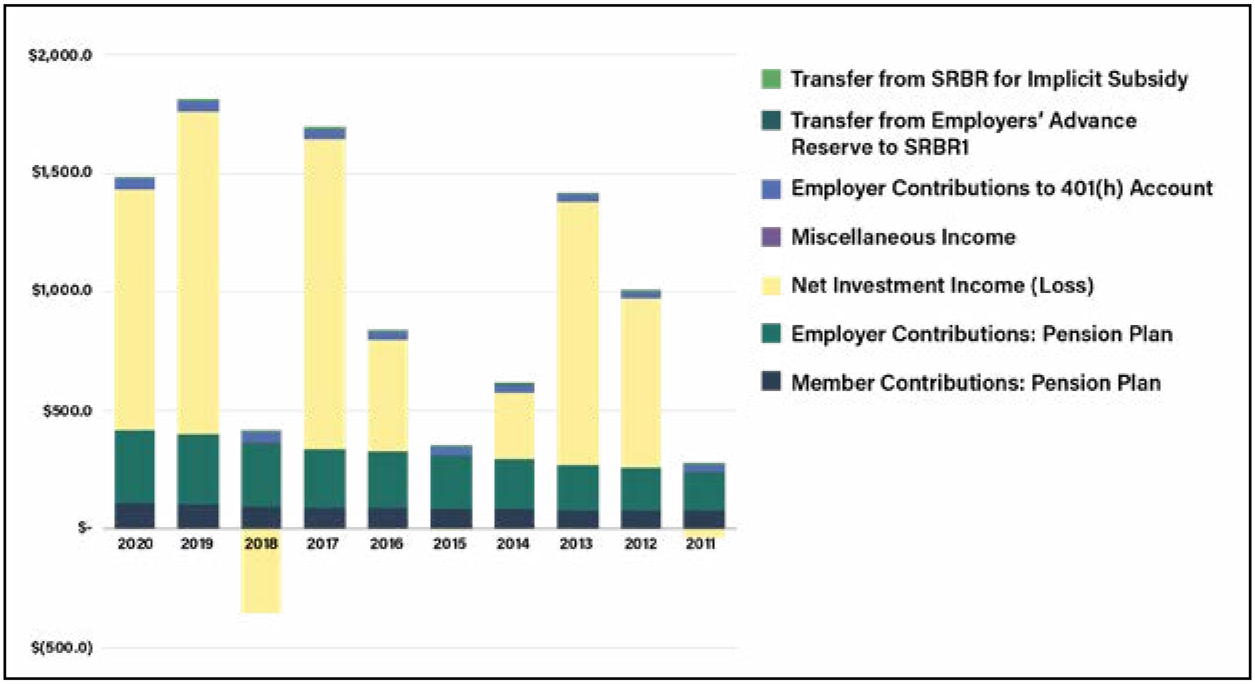
(Dollars in Millions)

Year Ended December 31	Member Contributions	Employer Contributions	Net Investment Income (Loss)	Misc. Income	Employer Contributions to 401(h) Account	Transfer from Employers' Advance Reserve to SRBR[1]	Transfer from SRBR for Implicit Subsidy	Total Additions
2020	$ 106.1	$ 309.8	$ 1,017.3	$ 0.3	$ 45.5	$ 1.4	$ 6.4	$ 1,486.8
2019	103.1	298.5	1,358.2	1.2	44.9	1.4	6.9	1,814.2
2018	94.7	269.7	(356.0)	1.4	43.8	1.2	5.8	60.6
2017	89.3	247.1	1,308.2	0.9	38.3	1.2	8.8	1,693.8
2016	85.8	241.7	470.0	0.5	33.8	1.2	6.0	839.0
2015	82.9	224.6	(6.5)	2.0	36.5	1.2	5.3	346.0
2014	79.7	213.3	280.6	0.4	34.0	1.1	7.0	616.1
2013	76.2	191.2	1,109.7	0.2	32.2	1.1	7.4	1,418.0
2012	78.6	179.6	711.9	0.9	33.4	1.0	4.4	1,009.8
2011	78.0	162.9	(40.7)	0.7	32.3	0.4	4.4	238.0

1 *Effective July 1, 2011, ACERA adopted Section 31618.5 of the 1937 Act. In compliance with this law, employers allocate a portion of their contribution to the 401(h) account for estimated administrative cost of these benefits, in addition to contributions for the Postemployment Medical Benefits.*

Additions to Fiduciary Net Position by Source

(Dollars in Millions)



Deductions from Fiduciary Net Position by Type

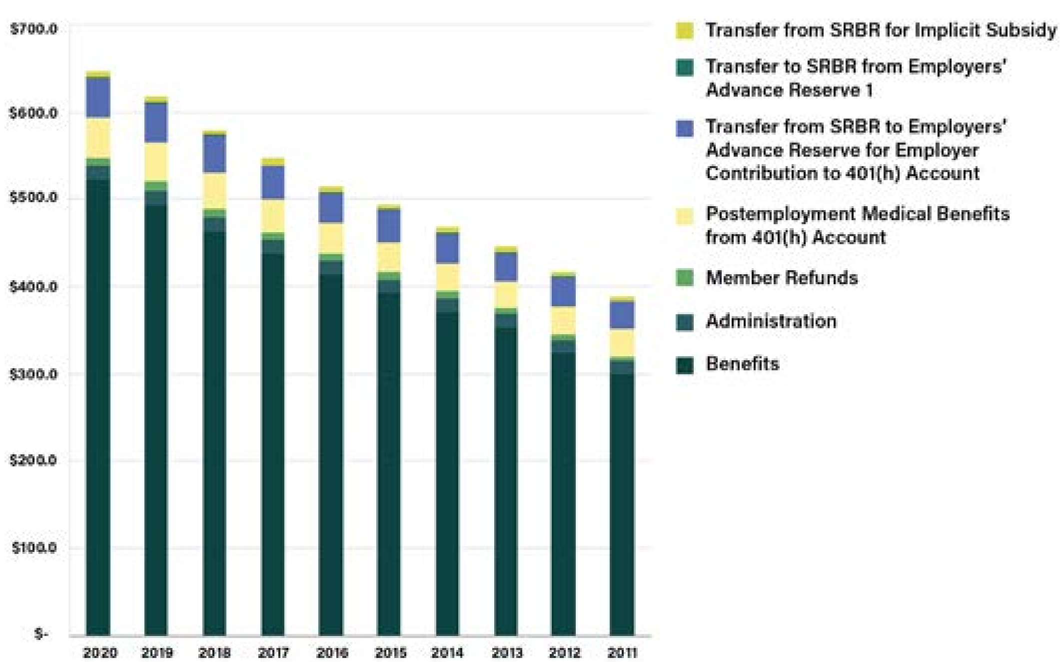
(Dollars in Millions)

Year Ended December 31	Benefits	Administration	Member Refunds	Postemployment Medical Benefits from 401(h) Account	Transfer from SRBR to Employers' Advance Reserve for Employer Contribution to 401(h) Account	Transfer to SRBR from Employers' Advance Reserve[1]	Transfer from SRBR for Implicit Subsidy	Total Deductions
2020	$ 521.6	$ 16.2	$ 9.2	$ 46.0	$ 45.5	$ 1.4	$ 6.4	$ 646.3
2019	493.4	16.6	10.7	43.6	44.9	1.4	6.9	617.5
2018	463.2	16.5	8.7	40.9	43.8	1.2	5.8	580.1
2017	437.4	15.8	7.9	37.9	38.3	1.2	8.8	547.3
2016	413.8	15.8	8.5	34.9	33.8	1.2	6.0	514.0
2015	392.3	15.4	9.0	33.7	36.5	1.2	5.3	493.4
2014	371.2	15.0	7.5	32.6	34.0	1.1	7.0	468.4
2013	353.6	14.7	6.3	30.6	32.2	1.1	7.4	445.9
2012	324.5	14.1	5.9	32.7	33.4	1.0	4.4	416.0
2011	300.2	13.8	5.4	31.6	32.3	0.4	4.4	388.1

1 *Effective July 1, 2011, ACERA adopted Section 31618.5 of the 1937 Act. In compliance with this law, employers allocate a portion of their contribution to the 401(h) account for estimated administrative cost of these benefits, in addition to contributions for the Postemployment Medical Benefits.*

Deductions from Fiduciary Net Position by Type

(Dollars in Millions)



Changes in Pension Plan Net Position
Last Ten Fiscal Years

For the Years Ended December 31 (Dollars in Millions)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
ADDITIONS										
Member Contributions	$ 106.1	$ 103.1	$ 94.7	$ 89.3	$ 85.8	$ 82.9	$ 79.7	$ 76.2	$ 78.6	$ 78.0
Employer Contributions	264.3	253.6	225.9	208.8	207.9	188.1	179.3	159.0	146.2	130.6
Total Contributions	**370.4**	**356.7**	**320.6**	**298.1**	**293.7**	**271.0**	**259.0**	**235.2**	**224.8**	**208.6**
Investment and Miscellaneous Income (Net of Expenses)	1,017.6	1,359.4	(354.6)	1,309.1	470.5	(4.5)	281.0	1,116.0	712.8	(40.0)
Transfer from SRBR for Employers Contributions to 401(h) Account	45.5	44.9	43.8	38.3	33.8	36.5	34.0	32.2	33.4	32.3
Transfer from SRBR for Employers Implicit Subsidy	6.4	6.9	5.8	8.8	6.0	5.3	7.0	7.4	4.4	4.4
Earnings Allocated to Postemployment Medical Benefits Reserve	(56.8)	(55.2)	(72.8)	(64.5)	(58.8)	(102.8)	(179.4)	(109.8)	(8.4)	(17.4)
Earnings Allocated to Non-OPEB Reserve	(2.6)	(2.5)	(3.2)	(2.7)	(2.5)	(4.4)	(7.8)	(4.9)	(1.0)	(2.1)
Total Additions	**1,380.5**	**1,710.2**	**(60.4)**	**1,587.1**	**742.7**	**201.1**	**393.8**	**1,276.1**	**966.0**	**185.8**
DEDUCTIONS										
Benefit Payments	520.3	492.0	461.9	436.0	412.3	390.5	369.1	351.4	320.8	295.8
Refunds	9.2	10.7	8.7	7.9	8.5	9.0	7.5	6.3	5.9	5.4
Administration Expenses	14.8	15.2	15.3	14.6	14.6	14.2	13.9	13.6	13.1	13.4
Transfer to SRBR from Employers' Advance Reserve[1]	1.4	1.4	1.2	1.2	1.2	1.2	1.1	1.1	1.0	0.4
Total Deductions	**545.7**	**519.3**	**487.1**	**459.7**	**436.6**	**414.9**	**391.6**	**372.4**	**340.8**	**315.0**
Changes in Pension Plan Net Position	**$ 834.8**	**$1,190.9**	**$ (547.5)**	**$ 1,127.4**	**$ 306.1**	**$ (213.8)**	**$ 2.2**	**$ 903.7**	**$ 625.2**	**$(129.2)**

1 *Effective July 1, 2011, ACERA adopted Section 31618.5 of the 1937 Act. In compliance with this law, employers allocate a portion of their contribution to the 401(h) account for estimated administrative cost of these benefits, in addition to contributions for the Postemployment Medical Benefits.*

Changes in Postemployment Medical Benefits Net Position
Last Ten Fiscal Years

For the Years Ended December 31 (Dollars in Millions)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
ADDITIONS										
Employer Contributions	$ 45.5	$ 44.9	$ 43.8	$ 38.3	$ 33.8	$ 36.5	$ 34.0	$ 32.2	$ 33.4	$ 32.3
Earnings Allocated to Postemployment Medical Benefits	56.8	55.2	72.8	64.5	58.8	102.8	179.4	109.8	8.4	17.4
Transfer from Employers' Advance Reserve to SRBR[1]	1.4	1.4	1.2	1.2	1.2	1.2	1.1	1.1	1.0	0.4
Transfer from SRBR Non-OPEB Reserve	-	-	-	-	-	-	-	34.1	-	-
Total Additions	**103.7**	**101.5**	**117.8**	**104.0**	**93.8**	**140.5**	**214.5**	**177.2**	**42.8**	**50.1**
DEDUCTIONS										
Administrative Expenses[1]	1.4	1.4	1.2	1.2	1.2	1.2	1.1	1.1	1.0	0.4
Postemployment Medical Benefits Payments[2]	46.0	43.6	40.9	37.9	34.9	33.7	32.6	30.6	32.7	31.6
Transfer to Employers' Advance Reserve from SRBR for Employer Contributions to 401(h) Account	45.5	44.9	43.8	38.3	33.8	36.5	34.0	32.2	33.4	32.3
Transfer to Employers' Advance Reserve for Implicit Subsidy	6.4	6.9	5.8	8.8	6.0	5.3	7.0	7.4	4.4	4.4
Total Deductions	**99.3**	**96.8**	**91.7**	**86.2**	**75.9**	**76.7**	**74.7**	**71.3**	**71.5**	**68.7**
Changes in Postemployment Medical Benefits Net Position	**$ 4.4**	**$ 4.7**	**$ 26.1**	**$ 17.8**	**$ 17.9**	**$ 63.8**	**$ 139.8**	**$105.9**	**$ (28.7)**	**$ (18.6)**

1 *Effective July 1, 2011, ACERA adopted Section 31618.5 of the 1937 Act. In compliance with this law, employers allocate a portion of their contribution to the 401(h) account for estimated administrative cost of these benefits, in addition to contributions for the Postemployment Medical Benefits.*

2 *Postemployment Medical Benefits are paid from the 401(h) account.*

Changes in Non-OPEB Net Position
Last Ten Fiscal Years

For the Years Ended December 31 (Dollars in Millions)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
ADDITIONS										
Earnings Allocated to Non-OPEB	$ 2.6	$ 2.5	$ 3.2	$ 2.7	$ 2.5	$ 4.4	$ 7.8	$ 4.9	$ 1.0	$ 2.1
Dispersal of the Death Benefit-Burial Reserve	-	-	-	-	-	-	-	(6.1)	-	-
Transfer to SRBR OPEB Reserve	-	-	-	-	-	-	-	(34.1)	-	-
Total Additions	**2.6**	**2.5**	**3.2**	**2.7**	**2.5**	**4.4**	**7.8**	**(35.3)**	**1.0**	**2.1**
DEDUCTIONS										
Non-OPEB Payments	1.3	1.4	1.3	1.4	1.5	1.8	2.1	2.2	3.7	4.4
Total Deductions	**1.3**	**1.4**	**1.3**	**1.4**	**1.5**	**1.8**	**2.1**	**2.2**	**3.7**	**4.4**
Changes in Non-OPEB Net Position	**$ 1.3**	**$ 1.1**	**$ 1.9**	**$ 1.3**	**$ 1.0**	**$ 2.6**	**$ 5.7**	**$(37.5)**	**$ (2.7)**	**$ (2.3)**

Benefit and Refund Deductions Combined from Pension Plan, Postemployment Medical Benefits[1], and Non-OPEB Net Position by Type
Last Ten Fiscal Years

For the Years Ended December 31 (Dollars in Thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Type of Benefit										
Age and Service Benefits:										
Retirees	$ 482,905	$ 456,754	$429,651	$ 406,234	$ 383,144	$362,618	$344,463	$329,273	$302,105	$279,581
Survivors	27,232	26,448	24,699	22,962	21,226	21,878	20,070	17,357	18,555	17,059
Death in Service Benefits:										
Survivors	3,140	3,052	3,050	2,967	2,809	2,797	2,791	2,786	2,714	2,641
Disability Benefits:										
Retirees - Duty	45,597	42,219	38,996	35,691	33,964	31,543	29,948	28,678	27,914	26,836
Retirees - Non-duty	4,409	4,775	4,199	4,115	4,264	4,165	3,944	3,728	3,847	3,796
Supplemental Disability	78	78	53	72	220	121	19	70	105	64
Survivors	4,239	3,696	3,465	3,258	3,052	2,871	2,592	2,296	2,000	1,774
Total Benefits	**$567,600**	**$537,022**	**$504,113**	**$475,299**	**$448,679**	**$425,993**	**$403,827**	**$384,188**	**$357,240**	**$331,751**
Type of Refund										
Death	$ 2,492	$ 1,940	$ 2,154	$ 1,822	$ 1,501	$ 1,542	$ 313	$ 1,825	$ 529	$ 890
Miscellaneous	37	135	21	56	295	14	25	130	9	39
Separation	6,655	8,650	6,534	6,015	6,675	7,435	7,115	4,364	5,355	4,477
Total Refunds	**$ 9,184**	**$ 10,725**	**$ 8,709**	**$ 7,893**	**$ 8,471**	**$ 8,991**	**$ 7,453**	**$ 6,319**	**$ 5,893**	**$ 5,406**

1 Postemployment Medical Benefits are paid from the 401(h) account.

Benefit and Refund Deductions from Pension Plan Net Position by Type
Last Ten Fiscal Years

For the Years Ended December 31 (Dollars in Thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Type of Benefit										
Age and Service Benefits:										
Retirees	$ 441,185	$ 417,295	$392,589	$371,716	$351,440	$331,998	$ 314,702	$301,372	$271,692	$248,890
Survivors	26,492	25,707	23,974	22,191	20,406	20,937	19,041	16,370	17,177	16,032
Death in Service Benefits:										
Survivors	3,096	3,000	2,993	2,908	2,744	2,730	2,715	2,698	2,611	2,539
Disability Benefits:										
Retirees - Duty	41,363	38,169	35,250	32,296	30,667	28,302	26,727	25,461	24,061	23,300
Retirees - Non-duty	3,848	4,197	3,654	3,606	3,753	3,638	3,424	3,218	3,266	3,291
Supplemental Disability	78	78	52	72	220	121	19	69	104	63
Survivors	4,170	3,616	3,391	3,188	2,984	2,811	2,536	2,234	1,933	1,711
Total Benefits	**$520,232**	**$492,062**	**$461,903**	**$435,977**	**$412,214**	**$390,537**	**$369,164**	**$351,422**	**$320,844**	**$295,826**
Type of Refund										
Death	$ 2,492	$ 1,940	$ 2,154	$ 1,822	$ 1,501	$ 1,542	$ 313	$ 1,825	$ 529	$ 890
Miscellaneous	37	135	21	56	295	14	25	130	9	39
Separation	6,655	8,650	6,534	6,015	6,675	7,435	7,115	4,364	5,355	4,477
Total Refunds	**$ 9,184**	**$ 10,725**	**$ 8,709**	**$ 7,893**	**$ 8,471**	**$ 8,991**	**$ 7,453**	**$ 6,319**	**$ 5,893**	**$ 5,406**

Benefit and Refund Deductions from Postemployment Medical Benefits Net Position by Type[1]
Last Ten Fiscal Years

For the Years Ended December 31 (Dollars in Thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Type of Benefit										
Age and Service Benefits:										
Retirees	$ 41,440	$ 39,127	$36,720	$ 34,116	$31,239	$30,050	$29,030	$27,051	$28,482	$ 27,743
Survivors	-	-	-	-	-	-	-	-	-	-
Disability Benefits:										
Retirees - Duty	4,044	3,890	3,643	3,310	3,209	3,152	3,094	3,068	3,693	3,371
Retirees - Non-duty	537	545	515	478	479	484	466	449	516	440
Supplemental Disability	-	-	1	-	-	-	-	1	1	1
Survivors	-	-	-	-	-	-	-	-	-	-
Total Benefits	**$ 46,021**	**$ 43,562**	**$40,879**	**$ 37,904**	**$34,927**	**$33,686**	**$32,590**	**$30,569**	**$32,692**	**$ 31,555**

1 Postemployment Medical Benefits are paid from the 401(h) account.

Benefit and Refund Deductions from Non-OPEB Net Position by Type
Last Ten Fiscal Years

For the Years Ended December 31 (Dollars in Thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Type of Benefit										
Age and Service Benefits:										
Retirees	$ 280	$ 332	$ 342	$ 402	$ 465	$ 570	$ 731	$ 850	$ 1,931	$ 2,948
Survivors	740	741	725	771	820	941	1,029	987	1,378	1,027
Death in Service Benefits:										
Survivors	44	52	57	59	65	67	76	88	103	102
Disability Benefits:										
Retirees - Duty	190	160	103	85	88	89	127	149	160	165
Retirees - Non-duty	24	33	30	31	32	43	54	61	65	65
Supplemental Disability	-	-	-	-	-	-	-	-	-	-
Survivors	69	80	74	70	68	60	56	62	67	63
Total Benefits	**$ 1,347**	**$ 1,398**	**$1,331**	**$ 1,418**	**$ 1,538**	**$ 1,770**	**$ 2,073**	**$ 2,197**	**$ 3,704**	**$ 4,370**

Benefit Expenses by Type
(Actuary's Exhibit VIII)

For the Years Ended December 31[1] (Dollars in Thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Service Retirement Payroll										
Basic	$ 337,357	$ 321,874	$ 304,103	$ 290,499	$ 275,935	$ 263,509	$ 253,426	$ 240,582	$ 220,298	$ 204,448
COLA	103,891	96,957	89,585	82,757	75,702	69,398	64,455	59,502	55,450	50,113
Total	**441,248**	**418,831**	**393,688**	**373,256**	**351,637**	**332,907**	**317,881**	**300,084**	**275,748**	**254,561**
Disability Retiree Payroll										
Basic	33,707	31,974	30,196	27,674	26,572	24,793	23,583	22,187	21,396	20,675
COLA	10,669	9,929	9,335	8,569	8,003	7,385	6,987	6,424	6,054	5,534
Total	**44,376**	**41,903**	**39,531**	**36,243**	**34,575**	**32,178**	**30,570**	**28,611**	**27,450**	**26,209**
Beneficiaries and Survivors										
Basic	23,116	21,904	20,697	19,179	18,643	17,495	16,675	15,550	14,559	13,558
COLA	15,357	14,491	13,710	12,627	11,844	10,975	10,242	9,602	9,122	8,335
Total	**38,473**	**36,395**	**34,407**	**31,806**	**30,487**	**28,470**	**26,917**	**25,152**	**23,681**	**21,893**
Total	**$ 524,097**	**$ 497,129**	**$ 467,626**	**$ 441,305**	**$ 416,699**	**$ 393,555**	**$ 375,368**	**$353,847**	**$326,879**	**$ 302,663**

1 *1 As permitted by the Actuarial Standard of Practice No. 4 (Measuring Pension Obligations), the actuarial valuation has been prepared based on participant data provided by ACERA as of November 30.*

Retired Members by Type of Benefit and Option Selected
Summary of Monthly Allowances Being Paid for the Month of December 2020[1]
(Actuary's Exhibit IX)

		Monthly Allowance		
	Number	Basic	Cost of Living	Total
GENERAL MEMBERS				
Service Retirement				
Unmodified	5,921	$ 18,895,748	$ 5,732,959	$ 24,628,707
Option 1	464	1,271,033	280,272	1,551,305
Option 2	425	1,060,191	277,421	1,337,612
Option 3	23	61,654	18,346	80,000
Option 4	27	64,922	14,703	79,625
Total	**6,860**	**21,353,548**	**6,323,701**	**27,677,249**
Disability				
Unmodified	588	1,264,070	477,534	1,741,604
Option 1	24	42,630	12,348	54,978
Option 2	3	3,966	833	4,799
Option 3	2	4,700	1,522	6,222
Option 4	0	-	-	-
Total	**617**	**1,315,366**	**492,237**	**1,807,603**
Beneficiaries	968	1,315,637	897,520	2,213,157
Total General	**8,445**	**$ 23,984,551**	**$ 7,713,458**	**$ 31,698,009**

		Monthly Allowance		
	Number	Basic	Cost of Living	Total
SAFETY MEMBERS				
Service Retirement				
Unmodified	1,066	$ 6,075,811	$ 2,175,095	$ 8,250,906
Option 1	44	219,779	42,584	262,363
Option 2	101	426,240	108,178	534,418
Option 3	4	31,933	6,757	38,690
Option 4	1	5,730	1,280	7,010
Total	**1,216**	**6,759,493**	**2,333,894**	**9,093,387**
Disability				
Unmodified	343	1,469,731	384,581	1,854,312
Option 1	7	17,227	6,923	24,150
Option 2	2	3,371	729	4,100
Option 3	2	3,235	4,567	7,802
Option 4	0	-	-	-
Total	**354**	**1,493,564**	**396,800**	**1,890,364**
Beneficiaries	277	610,696	382,256	992,952
Total Safety	**1,847**	**$ 8,863,753**	**$ 3,112,950**	**$ 11,976,703**
Total General and Safety	**10,292**	**$ 32,848,304**	**$ 10,826,408**	**$ 43,674,712**

1 *As permitted by the Actuarial Standard of Practice No. 4 (Measuring Pension Obligations), the actuarial valuation has been prepared based on participant data provided by ACERA as of November 30.*

Note: Results may not add due to rounding.

Retired Members by Type of Benefit – Pension Plan

As of December 31, 2020

Amount of Monthly Benefit	Number of Retired Members	Type of Benefit: Duty Disability Retirement	Non-Duty Disability Retirement	DRO Lifetime Annuity	Service Retirement	Survivorship	Continuance	Supplemental Disability	Option Selected: Unmodified - 60% Contingent Joint & Survivor	Option 1 - Single Life	Option 2 - 100% Contingent Joint & Survivor	Option 3 - 50% Contingent Joint & Survivor	Option 4 - 33% Contingent Joint & Survivor
$ 1 to $ 300	222	5	2	15	154	1	45	-	115	72	34	1	-
301 to 600	359	2	2	28	256	7	64	-	216	102	40	1	-
601 to 900	458	2	7	27	323	13	85	1	270	150	36	2	-
901 to 1,200	535	2	12	19	419	17	65	1	361	126	45	3	-
1,201 to 1,500	593	2	25	19	452	13	82	-	401	141	50	1	-
1,501 to 1,800	565	14	28	11	423	14	75	-	389	129	46	1	-
1,801 to 2,100	600	64	29	13	418	11	65	-	390	124	84	2	-
2,101 to 2,400	583	83	14	14	412	8	52	-	372	93	116	2	-
2,401 to 2,700	524	95	14	7	376	3	29	-	344	67	111	2	-
2,701 to 3,000	450	70	7	10	322	3	38	-	290	74	84	1	1
Over $3,000	5,390	470	19	33	4,516	27	324	1	4,061	620	694	15	-
Total	**10,279**	**809**	**159**	**196**	**8,071**	**117**	**924**	**3**	**7,209**	**1,698**	**1,340**	**31**	**1**

Retired Members by Type of Benefit – Postemployment Medical Benefits

As of December 31, 2020

Amount of Monthly Benefit	Number of Retired Members	Type of Benefit: Duty Disability Retirement	Non-Duty Disability Retirement	DRO Lifetime Annuity	Service Retirement	Survivorship	Continuance	Supplemental Disability	Option Selected: Unmodified - 60% Contingent Joint & Survivor	Option 1 - Single Life	Option 2 - 100% Contingent Joint & Survivor	Option 3 - 50% Contingent Joint & Survivor	Option 4 - 33% Contingent Joint & Survivor
$ 1 to $ 300	2,852	326	76	-	2,450	-	-	-	2,186	145	507	13	1
301 to 600	936	35	40	-	861	-	-	-	782	73	78	3	-
601 to 900	4,237	446	32	-	3,759	-	-	-	3,386	251	590	10	-
Total	**8,025**	**807**	**148**	**-**	**7,070**	**-**	**-**	**-**	**6,354**	**469**	**1,175**	**26**	**1**

Retired Members by Type of Benefit – Non-OPEB

As of December 31, 2020

		Type of Benefit							Option Selected				
Amount of Monthly Benefit	Number of Retired Members	Duty Disability Retirement	Non-Duty Disability Retirement	DRO Lifetime Annuity	Service Retirement	Survivorship	Continuance	Supplemental Disability	Unmodified - 60% Contingent Joint & Survivor	Option 1 - Single Life	Option 2 - 100% Contingent Joint & Survivor	Option 3 - 50% Contingent Joint & Survivor	Option 4 - 33% Contingent Joint & Survivor
$ 1 to $ 300	424	113	22	3	174	15	97	-	182	129	113	-	-
301 to 600	54	2	1	-	17	1	33	-	17	35	2	-	-
601 to 900	14	1	-	-	2	1	10	-	2	11	1	-	-
901 to 1,200	16	3	-	-	1	-	12	-	1	12	3	-	-
1,201 to 1,500	5	1	-	-	1	1	2	-	1	3	1	-	-
1,501 to 1,800	1	1	-	-	-	-	-	-	-	-	1	-	-
Total	**514**	**121**	**23**	**3**	**195**	**18**	**154**	**-**	**203**	**190**	**121**	**-**	**-**

Average Pension Benefit Payments
(Actuary's Exhibit VI)
Last Ten Fiscal Years

Retirement Effective Dates[1]	Years of Service							Incomplete Data
	0–4	5–9	10–14	15–19	20–24	25–29	30+	
Period 1/1/11–12/31/11								
Average Monthly Pension Benefit	$ 638	$ 1,180	$ 1,735	$ 2,598	$ 3,852	$ 5,704	$ 6,799	N/A
Average Final Average Salary	$ 7,660	$ 6,031	$ 6,461	$ 6,426	$ 7,357	$ 8,320	$ 8,325	N/A
Number of Retired Members Added	21	59	84	63	124	83	90	53
Period 1/1/12–12/31/12								
Average Monthly Pension Benefit	$ 1,133	$ 1,343	$ 1,791	$ 2,852	$ 3,956	$ 5,560	$ 6,840	N/A
Average Final Average Salary	$ 6,971	$ 6,728	$ 6,445	$ 7,147	$ 7,722	$ 8,461	$ 8,302	N/A
Number of Retired Members Added	19	39	91	45	99	79	80	59
Period 1/1/13–12/31/13								
Average Monthly Pension Benefit	$ 1,214	$ 1,133	$ 1,755	$ 2,412	$ 3,933	$ 5,029	$ 6,764	N/A
Average Final Average Salary	$ 9,387	$ 5,454	$ 6,766	$ 6,470	$ 7,592	$ 8,074	$ 8,211	N/A
Number of Retired Members Added	20	48	113	53	150	88	103	50
Period 1/1/14–12/31/14								
Average Monthly Pension Benefit	$ 851	$ 1,230	$ 1,874	$ 2,904	$ 3,481	$ 5,438	$ 6,204	N/A
Average Final Average Salary	$ 9,411	$ 6,884	$ 6,929	$ 7,397	$ 7,290	$ 8,700	$ 8,095	N/A
Number of Retired Members Added	21	36	102	59	85	89	62	44
Period 1/1/15–12/31/15								
Average Monthly Pension Benefit	$ 1,004	$ 1,642	$ 1,912	$ 2,722	$ 3,682	$ 5,164	$ 6,238	N/A
Average Final Average Salary	$ 9,461	$ 7,007	$ 6,933	$ 7,198	$ 7,752	$ 8,271	$ 8,205	N/A
Number of Retired Members Added	24	45	92	62	76	63	68	39
Period 1/1/16–12/31/16								
Average Monthly Pension Benefit	$ 998	$ 1,820	$ 1,742	$ 2,737	$ 3,456	$ 5,217	$ 6,164	N/A
Average Final Average Salary	$ 13,095	$10,334	$10,108	$ 7,775	$ 7,960	$ 9,002	$ 8,324	N/A
Number of Retired Members Added	22	54	89	76	82	81	75	44
Period 1/1/17–12/31/17								
Average Monthly Pension Benefit	$ 597	$ 1,749	$ 2,051	$ 2,527	$ 3,896	$ 4,624	$ 7,324	N/A
Average Final Average Salary	$ 8,571	$ 7,388	$ 7,629	$ 7,037	$ 7,679	$ 7,751	$ 9,185	N/A
Number of Retired Members Added	30	50	87	76	83	82	69	35
Period 1/1/18–12/31/18								
Average Monthly Pension Benefit	$ 983	$ 1,565	$ 1,988	$ 2,985	$ 4,179	$ 4,590	$ 6,873	N/A
Average Final Average Salary	$ 8,091	$ 7,099	$ 7,238	$ 7,636	$ 8,163	$ 7,878	$ 9,204	N/A
Number of Retired Members Added	20	64	101	97	87	92	87	35
Period 1/1/19–12/31/19								
Average Monthly Pension Benefit	$ 846	$ 1,459	$ 2,315	$ 3,140	$ 4,329	$ 5,528	$ 7,080	N/A
Average Final Average Salary	$ 10,462	$ 8,150	$ 7,943	$ 8,143	$ 8,278	$ 9,036	$ 9,143	N/A
Number of Retired Members Added	43	61	89	88	95	93	98	23
Period 1/1/20–12/31/20								
Average Monthly Pension Benefit	$ 1,170	$ 1,782	$ 2,439	$ 3,396	$ 4,639	$ 5,139	$ 7,717	N/A
Average Final Average Salary	$ 9,793	$ 8,479	$ 9,045	$ 8,413	$ 9,378	$ 8,605	$ 9,925	N/A
Number of Retired Members Added	21	60	80	73	102	65	107	32

1 As permitted by the Actuarial Standard of Practice No. 4 (Measuring Pension Obligations), the actuarial valuation has been prepared based on participant data provided by ACERA as of November 30.

Average Monthly Other Postemployment Benefits (OPEB)
(Actuary's SRBR Exhibit IV)
Last Ten Fiscal Years
Includes Monthly Medical Allowance, Dental, Vision, and Medicare Part B

Retirement Effective Dates[1]	Years of Service						
	0–4	5–9	10–14	15–19	20–24	25–29	30+
Period 1/1/11–12/31/11							
Average OPEB	$ 46	$ 46	$ 184	$ 301	$ 535	$ 561	$ 535
Number of Retired Members Added	15	55	82	50	119	75	98
Period 1/1/12–12/31/12							
Average OPEB	$ 47	$ 47	$ 244	$ 360	$ 466	$ 485	$ 510
Number of Retired Members Added	16	35	81	40	94	75	85
Period 1/1/13–12/31/13							
Average OPEB	$ 46	$ 46	$ 221	$ 349	$ 463	$ 491	$ 489
Number of Retired Members Added	15	39	100	43	137	88	115
Period 1/1/14–12/31/14							
Average OPEB	$ 0[2]	$ 0[2]	$ 207	$ 298	$ 498	$ 471	$ 484
Number of Retired Members Added	18	31	95	54	78	77	68
Period 1/1/15–12/31/15							
Average OPEB	$ 0	$ 0	$ 273	$ 326	$ 461	$ 483	$ 538
Number of Retired Members Added	23	34	79	53	67	58	74
Period 1/1/16–12/31/16							
Average OPEB	$ 0	$ 0	$ 205	$ 337	$ 504	$ 502	$ 567
Number of Retired Members Added	21	48	76	69	63	74	75
Period 1/1/17–12/31/17							
Average OPEB	$ 0	$ 0	$ 227	$ 398	$ 509	$ 528	$ 522
Number of Retired Members Added	26	40	76	72	75	78	76
Period 1/1/18–12/31/18							
Average OPEB	$ 0	$ 0	$ 207	$ 389	$ 483	$ 527	$ 565
Number of Retired Members Added	16	52	87	85	75	83	99
Period 1/1/19–12/31/19							
Average OPEB	$ 0	$ 0	$ 195	$ 373	$ 498	$ 544	$ 541
Number of Retired Members Added	37	55	71	81	84	86	102
Period 1/1/20–12/31/20							
Average OPEB	$ 0	$ 0	$ 199	$ 380	$ 545	$ 574	$ 542
Number of Retired Members Added	18	52	67	62	88	59	113

1 *As permitted by the Actuarial Standard of Practice Statement No. 6 (Measuring Retiree Group Benefit Obligations), the actuarial valuation has been prepared based on participant data provided by ACERA as of November 30.*

2 *Dental and vision subsidies ended in 2014 for most retired members with less than 10 years of service.*

Note: The "Average Final Average Salary" is not provided since these benefits are not dependent on salary.

Participating Employers and Active Members (Actuary's Exhibit VII)

As of November 30[1]

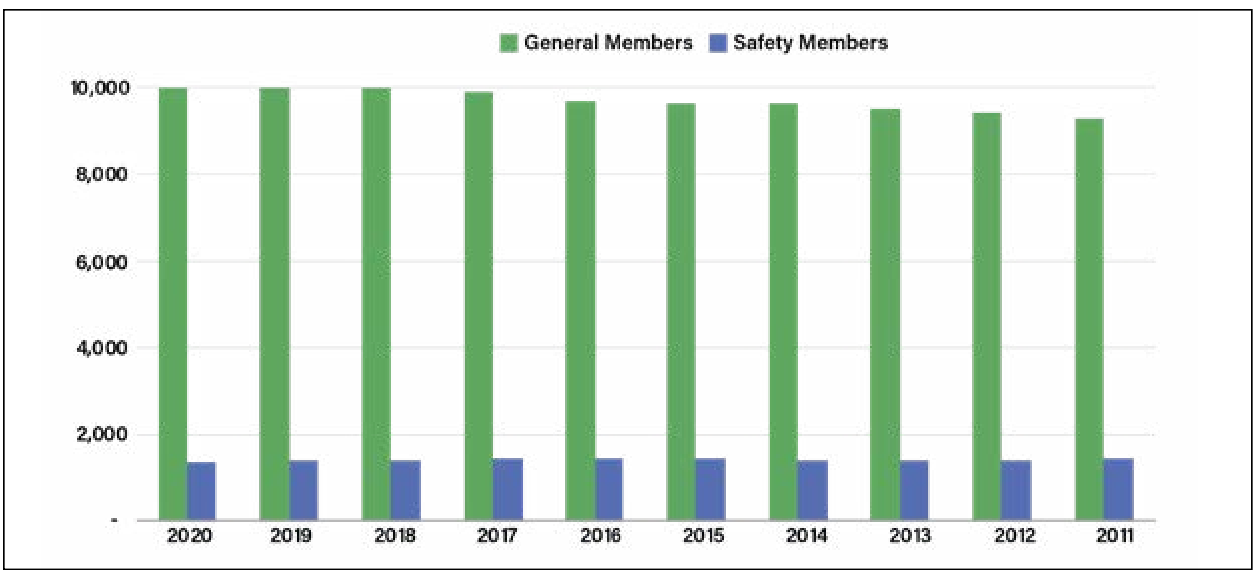
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
County of Alameda										
General Members	6,680	6,707	6,708	6,681	6,606	6,601	6,584	6,448	6,334	6,361
Safety Members	1,362	1,376	1,389	1,436	1,438	1,437	1,408	1,392	1,408	1,441
Total	**8,042**	**8,083**	**8,097**	**8,117**	**8,044**	**8,038**	**7,992**	**7,840**	**7,742**	**7,802**
Other Participating Employers (General Members)										
Alameda Health System[2]	2,451	2,409	2,430	2,431	2,246	2,205	2,231	2,203	2,187	2,028
Alameda County Office of Education[3]	-	-	-	-	1	1	1	1	1	1
First 5 Alameda County	70	67	62	60	55	52	50	60	62	62
Housing Authority of the County of Alameda	60	59	61	57	59	62	61	63	66	65
Livermore Area Recreation & Park District	43	51	58	56	62	65	63	62	63	61
The Superior Court of California for the County of Alameda	656	667	641	602	644	648	627	648	679	705
Total	**3,280**	**3,253**	**3,252**	**3,206**	**3,067**	**3,033**	**3,033**	**3,037**	**3,058**	**2,922**
Total Active Membership										
General Members	9,960	9,960	9,960	9,887	9,673	9,634	9,617	9,485	9,392	9,283
Safety Members	1,362	1,376	1,389	1,436	1,438	1,437	1,408	1,392	1,408	1,441
Total	**11,322**	**11,336**	**11,349**	**11,323**	**11,111**	**11,071**	**11,025**	**10,877**	**10,800**	**10,724**

1 *As permitted by the Actuarial Standard of Practice No. 4 (Measuring Pension Obligations), the actuarial valuation has been prepared based on participant data provided by ACERA as of November 30.*

2 *Formerly named Alameda County Medical Center.*

3 *Starting with the December 31, 2017 valuation, there were no active members from the Alameda County Office of Education; however, there were still retired members from that participating agency as of that date.*

Total Active Membership



Principal Participating Employers for Pension Plan, Postemployment Medical Benefits and Non-OPEB - Current Year and Nine Years Ago

As of December 31

Participating Employers	2020 Covered Employees	2020 Rank	2020 Percentage of Total System	2011 Covered Employees	2011 Rank	2011 Percentage of Total System
County of Alameda	8,021	1	71.0 %	7,783	1	72.4 %
Alameda Health System	2,445	2	21.7	2,075	2	19.3
The Superior Court of California for the County of Alameda	653	3	5.8	700	3	6.5
First 5 Alameda County	69	4	0.6	61	6	0.6
Housing Authority of the County of Alameda	60	5	0.5	65	4	0.6
Livermore Area Recreation & Park District	43	6	0.4	61	5	0.6
Alameda County Office of Education	-	-	-	1	7	-
Total	**11,291**		**100 %**	**10,746**		**100 %**

Employee Contribution Rates (Percent of Payroll) Last Ten Years

Fiscal Year Beginning July 1 - Effective month of September

	County and Other Participating Employers									
	General Member				Safety Member					
Year	Tier 1	Tier 2	Tier 3[1]	Tier 4	Tier 1	Tier 2	Tier 2C	Tier 2D[2]	Tier 4	Aggregate
2011/2012	9.79	7.29	12.74	-	13.33	14.41	11.51	17.41	-	8.68
2012/2013	9.13	7.04	12.48	8.25	11.99	14.04	11.91	16.72	13.75	8.33
2013/2014	9.02	7.32	12.78	8.25	11.53	14.77	12.50	16.43	13.75	8.60
2014/2015	8.97	7.28	12.69	8.12	12.24	14.72	12.57	16.39	16.77	8.58
2015/2016	9.02	7.41	12.89	8.09	12.59	15.08	12.76	16.73	15.25	8.75
2016/2017	9.23	7.36	13.15	8.06	10.71	15.04	12.67	16.48	14.65	8.77
2017/2018	9.19	7.36	13.15	8.10	12.22	15.04	12.53	16.32	14.20	8.80
2018/2019	9.59	7.81	13.56	8.76	11.57	15.84	13.52	16.42	15.75	9.37
2019/2020	9.54	7.75	13.99	8.80	8.55	15.85	13.38	16.15	15.58	9.34
2020/2021	9.43	7.70	14.41	8.85	9.96	15.81	13.48	16.09	15.42	9.34

1 *Tier 3 rate only applies to LARPD effective from October 1, 2008.*

2 *Rate includes the 5% cost-sharing contribution (with less than 5 years of vesting service) and 3% (with 5 or more years of vesting service).*

Employer Contribution Rates (Percent of Payroll)
(Actuary's Exhibit X)
Last Ten Years

Fiscal Year Beginning July 1 - Effective month of September

	County									
	General Member			Safety Member						
Year	Tier 1	Tier 2	Tier 4[1]	Tier 1	Tier 2	Tier 2C[2]	Tier 2D[2]	Tier 4[1]	Aggregate[3]
2011/2012	17.61	16.35	-	53.65	41.32	41.14	40.50	-	22.42
2012/2013	17.76	16.84	16.18	56.09	43.58	44.45	42.02	41.89	23.16[4]
2013/2014	19.86	19.19	17.77	62.25	48.91	51.05	46.61	47.27	26.04
2014/2015	19.58	18.66	17.45	66.88	49.57	52.29	47.01	50.68	25.65
2015/2016	20.86	20.11	19.22	71.82	54.00	55.81	51.41	52.72	27.67
2016/2017	20.22	19.39	18.54	70.87	52.73	54.05	50.10	50.89	26.96
2017/2018	20.10	19.37	18.63	68.31	53.25	54.64	51.11	50.90	27.09
2018/2019	22.30	21.57	20.90	76.41	61.19	62.54	59.64	57.92	30.57
2019/2020	22.31	21.40	20.83	80.60	62.34	63.63	61.60	59.20	30.46
2020/2021	22.90	21.92	21.43	83.07	63.66	64.94	63.31	60.49	30.98

	AHS, Superior Court and First 5			Other Participating Employers	Housing Authority	Housing Authority / Alameda County Office of Education[5]	LARPD[6]		
	General Member			General Member			General Member		
Year	Tier 1	Tier 2	Tier 4[1]	Tier 1	Tier 2	Tier 4[1]	Tier 1	Tier 3	Tier 4[1]
2011/2012	17.86	16.60	-	22.74	21.48	-	-	24.66	-
2012/2013	18.07	17.15	16.49	23.11	22.19	21.53	-	29.15	23.08
2013/2014	20.27	19.60	18.18	25.38	24.71	23.29	-	30.94	24.06
2014/2015	20.08	19.16	17.95	25.32	24.40	23.19	-	30.37	23.69
2015/2016	21.42	20.67	19.78	26.69	25.94	25.05	-	29.32	22.87
2016/2017	20.84	20.01	19.16	26.22	25.39	24.54	-	26.17	19.29
2017/2018	20.81	20.08	19.34	26.21	25.48	24.74	-	26.39	19.76
2018/2019	23.06	22.33	21.66	28.32	27.59	26.92	-	29.77	23.12
2019/2020	23.13	22.22	21.65	28.34	27.43	26.86	33.62	38.41	32.14
2020/2021	23.77	22.79	22.30	28.97	27.99	27.50	38.07	43.82	36.60

1 *Resulting from CalPEPRA legislation. Tier 4 became effective January 1, 2013.*

2 *New Sheriff's Department employees (excluding Probation Officers) hired on or after October 17, 2010.*

3 *The aggregate rate is based on payroll as of the prior December 31 date.*

4 *Aggregate rate is calculated based on December 31, 2011 valuation projected payroll. It is determined prior to the establishment of Tier 4.*

5 *Rate applied to Alameda County Office of Education (ACOE) before the December 31, 2018 valuation. Effective with the December31, 2018 valuation, ACOE's contribution is expressed as a level dollar amount based on the declining employer payroll policy.*

6 *Tier 1 rate combined with Other Participating Employers before the December 31, 2018 valuation.*

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Compliance

WILLIAMS ADLEY

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Retirement
Alameda County Employees' Retirement Association
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Alameda County Employees' Retirement Association (ACERA), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise ACERA's basic financial statements, and have issued our report thereon dated June 24, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ACERA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ACERA's internal control. Accordingly, we do not express an opinion on the effectiveness of ACERA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

WILLIAMS, ADLEY & COMPANY-CA, LLP
Certified Public Accountants / Management Consultants
7677 Oakport Street, Suite 1000 • Oakland, CA 94621 • (510) 893-8114 • Fax: (510) 893-2603
http://wacllp.com

WILLIAMS ADLEY

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACERA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communications is not suitable for any other purpose.

Williams, Adley & Company-CA, LLP

Oakland, California
June 24, 2021