



MEMORANDUM TO THE BOARD OF RETIREMENT

DATE: February 15, 2024
TO: Members of the Board of Retirement
FROM: Erica Haywood, Fiscal Services Officer *EH*
SUBJECT: Quarterly Unaudited Financial Statements as of December 31, 2023

Executive Summary

Attached for review is the unaudited financial statements for the period ended December 31, 2023.

The Fiduciary Net Position Held in Trust and the Change in Fiduciary Net Position compared to the same period in 2022 increased by \$980.3 million.

Financial Highlights

- Net Position Restricted (Held in Trust for Benefits), as reported on the Statement of Fiduciary Net Position totaled \$11.3 billion. Total Receivables increased by \$21.7 million, Investments at fair value increased by \$954.4 million, Capital Assets increased by \$2.2 million, and Total Liabilities without Security Lending Liability decreased by \$3.3 million.
- The year-over-year Change in Net Position increased by \$2.5 billion.
 - Total Additions year-over-year increased by \$2.5 billion. This include an increase in net investment income of \$2.5 billion.
 - Total Deductions year-over-year increased by \$29.3 million. The amount is mainly attributable to the growth in payments of service retirement, disability benefits, and member refunds.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF FIDUCIARY NET POSITION
As of 12/31/2023

	Year-To-Date 2023	Year-To-Date 2022
ASSETS		
Cash (Note 1)	5,606,534	6,915,492
Securities Lending Cash Collateral (Note 2)	158,812,517	133,698,608
Receivables:		
Contributions (Note 3)	26,266,635	23,161,972
Investment Receivables (Note 4a)	24,364,477	21,207,515
Unsettled Trades - Investments Sold	9,403,958	3,240,137
Futures Contracts (Note 5a)	8,931,394	40,501
Foreign Exchange Contracts (Note 7a)	2,713,605	2,476,715
Other Receivables (Note 8)	408,234	226,568
Total Receivables	72,088,303	50,353,408
Prepaid Expenses	833,905	805,022
Total Current Assets	237,341,259	191,772,530
Investments - at Fair Value:		
Short-Term Investments (Note 9)	196,147,413	220,267,913
Domestic Equity	626,628,121	512,795,476
Domestic Equity Commingled Funds	2,239,206,881	2,013,410,173
International Equity	787,281,130	1,103,927,986
International Equity Commingled Funds (Note 10)	2,002,804,049	1,379,258,977
Domestic Fixed Income	1,419,300,148	1,327,237,914
International Fixed Income	95,474,505	84,555,553
International Fixed Income - Commingled Funds (Note 11)	79,249,523	75,541,061
Real Estate - Separate Properties (Note 12)	48,281,843	55,578,263
Real Estate - Commingled Funds (Note 13)	756,420,764	780,660,090
Real Assets (Note 14)	657,541,879	620,459,469
Absolute Return (Note 15)	902,058,933	851,555,858
Private Equity (Note 16)	1,114,712,656	993,107,742
Private Credit (Note 17)	308,413,346	260,763,979
Total Investments	11,233,521,189	10,279,120,454
Capital Assets at Cost (Net of Accumulated Depreciation and Amortization) (Note 18)	9,752,086	7,583,582
Total Assets	11,480,614,534	10,478,476,565
LIABILITIES		
Securities Lending Liability (Note 2)	158,812,517	133,698,608
Unsettled Trades - Investments Purchased	18,988,634	22,507,685
Investment-Related Payables (Note 4b)	13,922,794	12,107,349
Futures Contracts (Note 5b)	0	1,041,432
Foreign Exchange Contracts (Note 7b)	9,939	393
Accrued Administration Expenses (Note 19)	3,083,756	2,932,899
Members Benefits & Refunds Payable (Note 20a)	6,304,889	7,251,408
Retirement Payroll Deductions Payable (Note 20b)	443,178	370,932
Lease Liability	234,592	53,798
Total Liabilities	201,800,299	179,964,503
DEFERRED INFLOWS OF RESOURCES		
Net Position		
Restricted - Held in Trust for Benefits	11,278,814,235	10,298,512,063
Total Net Position	11,278,814,235	10,298,512,063

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Twelve Months Ending 12/31/2023

	Year-To-Date 2023	Year-To-Date 2022
ADDITIONS		
Contributions: (Note 21)		
Members	126,470,150	120,673,520
Employers	288,635,251	281,646,702
Total Contributions	415,105,400	402,320,222
From Investment Activities:		
Net Appreciation/(Depreciation) in FV of Investments (Note 22)	1,148,260,790	(1,407,721,214)
Interest	64,162,253	55,325,809
Dividends	38,732,902	42,027,884
Real Estate - Net	18,732,756	24,421,555
Private Equity and Alternatives	46,560,357	37,753,827
Brokers Commissions - Directed Brokerage	6,707	5,127
Sub-Total-Dividends, Interest, Other Investment Inc. (Note 23)	168,194,975	159,534,203
Total Income from Investment Activities	1,316,455,765	(1,248,187,011)
Total Investment Expenses (Note 24)	(68,332,755)	(42,147,562)
Net Income from Investment Activities (Note 25)	1,248,123,010	(1,290,334,573)
From Securities Lending Activities:		
Securities Lending Income	8,701,280	3,069,804
Securities Lending Expenses	(8,014,988)	(2,449,139)
Net Income from Securities Lending Activities (Note 26)	686,293	620,664
Total Net Investment Income	1,248,809,303	(1,289,713,909)
Miscellaneous Income (Note 27)	714,352	116,668
Total Additions	1,664,629,055	(887,277,019)
DEDUCTIONS		
Benefits:		
Service Retirement and Disability Benefits (Note 28)	601,262,166	573,319,962
Death Benefits (Note 29)	3,989,157	3,360,373
Supplemental Cost of Living Allowance	1,134,334	943,290
Retiree Healthcare Program	47,072,346	46,711,117
Total Benefit Payments	653,458,004	624,334,742
Member Refunds	13,293,111	13,713,029
Administration: (Note 30)		
Administrative Expenses	12,934,506	12,669,476
Actuarial Expenses	469,482	381,772
Business Continuity Expenses	610,088	551,756
Legal Expenses	846,175	838,672
Technology Expenses	1,005,017	927,367
401(h) Expenses	1,710,500	1,657,000
Total Administration	17,575,768	17,026,043
Total Deductions	684,326,883	655,073,814
Net Increase(Decrease)	980,302,172	(1,542,350,834)
Net Position Held in Trust for Benefits:		
Net Position - January 1	10,298,512,063	11,840,862,896
Net Position - December 31	11,278,814,235	10,298,512,063

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
As of December 31, 2023

Basis of Accounting

ACERA follows the accounting principles and reporting guidelines set forth by the Government Accounting Standards Board (GASB). ACERA's financial statements are prepared on the accrual basis of accounting.

(Note 1)

Cash - \$5.61 million

Cash balance is the sum of the funds in the JP Morgan Bank operating accounts. The decrease of \$1.31 million from 6.92 million on December 31, 2022, is primarily due to timing difference between receipt of contributions and the transfer of funds for retiree payroll and investments.

(Note 2)

Securities Lending Cash Collateral - \$158.81 million

Cash collateral of \$158.81 million and \$133.70 million were held by ACERA, related to securities on loan as of December 31, 2023, and December 31, 2022, respectively. This amount is reported as an asset with a corresponding liability for the same amount in compliance with GASB Statement No. 28.

(Note 3)

Contributions Receivables - \$26.27 million

The receivable balances of December 31, 2023, increase by approximately \$3.11 million from \$23.16 million on December 31, 2022. This is primarily due to an increase in contribution rates.

(Note 4)

4a. Investment Receivables - \$24.36 million

The investment receivables balance as of December 31, 2023, increase by \$3.15 million from \$21.21 million on December 31, 2022. The increase is mainly attributed to interest and dividend receivables.

4b. Investment Related Payables - \$13.92 million

The increase of \$1.81 million in investment related payables balance as of December 31, 2023, from \$12.11 million on December 31, 2022, is primarily due to timing difference of investment manager fee payments.

(Note 5)

5a. Futures Contracts Receivables - \$8.93 million

The receivables represent the unrealized gains on open futures contracts. The balance for unrealized gains as of December 31, 2023, and December 31, 2022, were \$8.93 and \$0.04 million, respectively

5b. Futures Contracts Payables - \$0 million

The payables represent the unrealized losses on open futures contracts. The balance for unrealized losses as of December 31, 2023, and December 31, 2022, were \$0 and \$1.04 million, respectively.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
As of December 31, 2023

(Note 7)

7a. Foreign Exchange Contracts Receivables - \$2.71 million

The receivables represent unrealized gains on foreign exchange contracts. Foreign exchange (FX) contracts include currency forward contracts and spot contracts. As of December 31, 2023, and December 31, 2022, the unrealized on FX contracts were \$2.71 million and \$2.48 million, respectively. The increase in unrealized gains of \$0.23 million is mainly due to the change in foreign exchange contracts and market volatility.

7b. Foreign Exchange Contracts Payables - \$0.01 million

The payables represent unrealized losses on foreign exchange contracts. Foreign exchange (FX) contracts include currency forward contracts and spot contracts.

(Note 8)

Other Receivables - \$0.41 million

Other receivables as of December 31, 2023, are comprised primarily of funds due from deceased retirees' estates for overpayment of benefits and from insurance for ACERA legal claims.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
As of December 31, 2023

(Note 9)

Short-Term Investments - \$196.15 million

Short-term investments are temporarily kept in a pooled account with State Street Bank. These pooled assets are primarily invested in short-term investment funds 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.

(Dollars in Millions)

Fund Name	12/31/2023
Unallocated Cash	\$ 80.79
Parametric Portfolio Associates (cash overlay)	22.92
Capital Guardian	20.22
Baird Investors	19.34
Brandywine	14.74
Loomis	11.11
TCW	6.29
Kennedy	5.25
Aristotle Capital	4.96
William Blair Small Cap Growth	4.18
Bivium - Haven Global Partners	1.56
BIVIUM - Redwood DM	1.18
Bivium - Denali Advisors	0.99
Bivium - Arga Investment Management	0.59
Bivium - Promethos Capital, LLC	0.53
Bivium - Dundas Partners	0.44
Bivium - Cedar Street Asset Mgmt	0.41
AQR Capital Management, LLC	0.39
Bivium - Global Alpha Capital Mgmt	0.24
Bivium	0.01
Bivium - Applied Research Management	0.01
Grand total	\$ 196.15

(Note 10)

International Equity Commingled Funds - \$2,002.80 million

As of December 31, 2023, and December 31, 2022, the International Equity Commingled Funds were \$2,002.80 million and \$1,379.26 million, respectively. The increase of \$623.54 million is mainly due to unrealized gains from higher market valuations and the Board-approved structural changes to the International Equity portfolio.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
As of December 31, 2023

(Note 11)

International Fixed Income Commingled Funds - \$79.25 million

The increase of \$3.71 million from the previous year is due to market appreciation of investments. Disclosure of credit ratings on mutual fund holdings of fixed income portfolio is not required per GASB Statement No. 40.

(Note 12)

Real Estate Separate Properties - \$48.28 million

The following is a summary of Real Estate – Separate Property investments as of December 31, 2023, and December 31, 2022. The year-over-year decrease of \$7.30 million is due to the market value decrease of Oakland 14th Street property.

(Dollars in Millions)

<i>Investment Manager</i>	<i>Net Mkt. Value 12-31-2023</i>	<i>Net Mkt. Value 12-31-2022</i>	<i>No. of Properties 2023</i>	<i>No. of Properties 2022</i>
RREEF	\$ 48.28	\$ 55.58	1	1

(Note 13)

Real Estate Commingled Funds - \$756.42 million

Detailed records regarding these investments of public pension funds are exempt from disclosure under the California Government Code Section 7928.710. The decrease of \$24.24 million in 2023 as compared to 2022 is mainly due to unrealized losses from investments.

(Note 14)

Real Assets - \$657.54 million

Detailed records regarding these investments of public pension funds are exempt from disclosure under California Government Code Section 7928.710. The increase of \$37.08 million in 2023 as compared to 2022 is mainly due to net gain on investments.

(Note 15)

Absolute Return - \$902.06 million

Detailed records regarding these investments of public pension funds are exempt from disclosure under California Government Code Section 7928.710. The increase of \$50.50 million in 2023 as compared to 2022 is mainly due to net gain on investments.

(Note 16)

Private Equity - \$1,114.71 million

Detailed records regarding these investments of public pension funds are exempt from disclosure under California Government Code Section 7928.710. The increase of \$121.60 million in 2023 as compared to 2022 is due to additional investments net of distributions and net gain on investments.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
As of December 31, 2023

(Note 17)

Private Credit - \$308.41 million

Detailed records regarding these investments of public pension funds are exempt from disclosure under California Government Code Section 7928.710. The increase of \$47.65 million in 2023 as compared to 2022 is due to additional investments net of distributions and net gain on investments.

(Note 18)

Capital Assets at Cost (Net of Accumulated Depreciation and Amortization) - \$9.75 million

(Dollars in Millions)

	<i>12/31/2023</i>	<i>12/31/2022</i>
Retirement Information System and Others - Construction-In-Process	\$ 8.50	\$ 6.42
Equipment, Furniture & Information Systems	13.60	13.58
Electronic Document Management System	4.18	4.18
Right-to-Use Leased Office Equipments	0.38	0.21
Less: Accumulated Depreciation and Amortization	(17.89)	(17.89)
Net Book Value	8.77	6.50
Leasehold Improvements	2.59	2.59
Less: Accumulated Depreciation	(1.61)	(1.51)
Net Book Value	0.98	1.08
Total Capital Assets, Net	\$ 9.75	\$ 7.58

Depreciation is computed using the straight-line method over the following estimated useful lives or over the term of the lease:

<input type="checkbox"/> Computer Hardware	5 years
<input type="checkbox"/> Computer Software	3 years
<input type="checkbox"/> Equipment	5 years
<input type="checkbox"/> Furniture	7 years
<input type="checkbox"/> Information System – Retirement	7 years
<input type="checkbox"/> Information System – Accounting	3 years
<input type="checkbox"/> EDMS	5 years
<input type="checkbox"/> Right to use Leased Assets	5 years
<input type="checkbox"/> Disaster Recovery	5 years
<input type="checkbox"/> Leasehold Improvements	27.5 years

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
As of December 31, 2023

(Note 19)

Accrued Administration Expenses - \$3.08 million

Accrued administration expenses consist of accounts payable, payroll expense, actuarial services payable and other operating expenses.

(Note 20)

20a. Members' Benefits & Refunds Payable - \$6.30 million

The detail of Members Benefits and Refund Payables are as follows:

(Dollars in Millions)

<i>Accrued Benefits and Refunds</i>	<i>12/31/2023</i>	<i>12/31/2022</i>
Basic Active Death Benefits	\$ 0.64	\$ 0.93
Active Death Contribution Refunds	1.04	2.16
Retired Death Benefits	4.13	3.74
Members' Contribution Refunds	0.49	0.42
Total Members' Benefits & Refunds Payable	\$ 6.30	\$ 7.25

20b. Retirement Payroll Deductions Payables - \$0.44 million

The balance for December 31, 2023, includes \$0.02 million in health premium prepayments and accrual of \$0.42 million Health Reimbursement Account (HRA) benefits. The corresponding balance for December 31, 2022, included \$0.02 million in health premium prepayments and accrual of \$0.35 million Health Reimbursement Account (HRA) benefits.

(Note 21)

Contributions - \$415.11 million

The increase in contributions of \$12.79 million in 2023 as compared to 2022 is primarily due to an increase in contribution rates.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
As of December 31, 2023

(Note 22)

Net Appreciation/ (Depreciation) in Fair Value of Investments – \$1,148.26 million

(Dollars in Millions)

	<i>For the Period Ended</i>	
	<i>12/31/2023</i>	<i>12/31/2022</i>
<u>Actual / Realized Gains/(Losses)</u>		
Domestic Equities	\$ 129.19	\$ 67.39
International Equities	11.93	(8.45)
Domestic Bonds	(24.80)	(52.75)
International Bonds	(2.39)	(6.46)
Real Estate Commingled Funds	(25.55)	(75.68)
Private Equity & Alternative	52.52	118.38
Real Assets	17.60	60.08
Private Credit	0.70	1.34
Futures	(3.59)	(25.71)
Currency	(5.66)	(16.64)
<i>Total Realized Gains/(Losses)</i>	149.95	61.50
<u>Paper / Unrealized Gains/(Losses)</u>		
Domestic Equities	485.77	(717.40)
International Equities	382.32	(595.42)
Domestic Bonds	68.87	(224.12)
International Bonds	20.73	(17.33)
Real Estate Commingled Funds	(70.25)	196.99
Real Estate Sep. Props.	(8.21)	(16.86)
Private Equity & Alternative	85.29	(98.84)
Real Assets	11.92	3.47
Private Credit	11.33	(2.02)
Futures	9.93	(0.57)
Currency	0.61	2.88
<i>Total Unrealized Gains/(Losses)</i>	998.31	(1,469.22)
Total Net Realized and Unrealized Gains/(Losses)	\$ 1,148.26	\$ (1,407.72)

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
As of December 31, 2023

(Note 23)

Dividend, Interest, and Other Investment Income - \$168.19 million

(Dollars in Millions)

<i>Dividend, Interest, and Other Investment Income</i>	<i>For the Period Ended</i>	
	<i>12/31/2023</i>	<i>12/31/2022</i>
Interest Income	\$ 64.16	\$ 55.33
Dividend Income	38.73	42.03
Real Estate Income	18.73	24.42
Private Equity, Absolute Return and Real Asset Income / (losses)	46.56	37.75
Direct Brokerage Commissions Recapture	0.01	0.01
Total Net Income	\$ 168.19	\$ 159.54

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
As of December 31, 2023

(Note 24)

Investment Expenses - \$68.33 million

(Dollars in Millions)

<i>Investment Expenses</i>	<i>For the Period Ended</i>			
	<i>Basis Points</i>	<i>12/31/2023</i>	<i>Basis Points</i>	<i>12/31/2022</i>
Investment Manager and Incentive Fees	55.65	\$ 62.76	35.93	\$ 36.94
Investment Custodian	0.53	0.60	0.54	0.56
Investment Consultants & Other Expenses(*)	1.48	1.67	1.47	1.51
Subtotal	57.66	65.03	37.94	39.01
Investment Allocated Cost	2.93	3.30	3.05	3.13
Total Investment Expenses(**)	60.59	\$ 68.33	40.99	\$ 42.14

(*) *Investment Consultant and Other Expenses*

(Dollars in Millions)

	<i>For the Period Ended</i>			
	<i>Basis Points</i>	<i>12/31/2023</i>	<i>Basis Points</i>	<i>12/31/2022</i>
Investment Advising & Performance (Pearls, Alternative Investment)	0.89	\$ 1.00	0.96	\$ 0.99
Consultant - Portfolio Rebalancing	0.01	0.01	0.04	0.05
Consultant - Legal (Alternative Investment)	0.28	0.31	0.21	0.21
Subtotal – Consultants Expenses	1.18	1.32	1.21	1.25
Proxy Services	0.04	0.05	0.07	0.07
Transaction Cost Analysis	0.04	0.05	0.05	0.05
Other Investment Expenses/(Income)	0.22	0.25	0.14	0.14
Subtotal – Other Investment Expenses	0.30	0.35	0.26	0.26
Total Investment Consultants and Other Expenses	1.48	\$ 1.67	1.47	\$ 1.51

(**) The increase in total investment expenses of \$26.19 million in 2023 as compared to 2022 is primarily due to incentive fees and management fees from alternative investment managers.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
As of December 31, 2023

(Note 25)

Net Investment Income/ (Losses) – 1,248.12 million

(Dollars in Millions)

	<u>For the Period Ended</u>		<u>Inc./ (Dec.)</u>
	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>from previous period</u>
Paper / Unrealized Gains/(Losses)	\$ 998.32	\$ (1,469.22)	\$ 2,467.54
Actual / Realized Gains/(Losses)	149.94	61.50	88.44
Investment Income (Interest/Dividend/RE/Other) - Net of Expenses	99.86	117.39	(17.53)
Total Net Income/ (Losses)	\$ 1,248.12	\$ (1,290.33)	\$ 2,538.45

(Note 26)

Securities Lending Net Income - \$0.69 million

The securities lending net income balance as of December 31, 2023, and December 31, 2022, were \$0.69 million and \$0.62 million, respectively.

(Note 27)

Miscellaneous Income - \$0.71 million

The miscellaneous income of \$0.71 million is predominantly from prior year investment income and security litigation income recovery.

(Note 28)

Service Retirement and Disability Benefits - \$601.26 million

The increase of \$27.94 million was predominantly due to a higher average of benefits paid to newly added retirees compared to that of deceased retirees with lower average benefits. In addition, this included a modest increase of 239 in the total number of retirees and beneficiaries receiving benefits, from 10,764 on December 31, 2022, to 11,003 on December 31, 2023.

(Note 29)

Death Benefits - \$3.99 million

The death benefits paid out during the nine months ended December 31, 2023, were comprised of \$0.23 million of Retired Death Benefits, \$0.41 million of Active Death Benefits, and \$3.35 million of Survivorship Benefits.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
As of December 31, 2023

(Note 30)

Total Administration - \$17.57 million

ACERA's Board of Retirement adopted Section 31580.2 of the 1937 Act. This Section allows ACERA to exclude investment (included in Total Investment Expenses under Note 20 above), actuarial, legal, business continuity related expenses and technology costs from administrative expenses subject to statutory limits. Under Section 31618.5 ACERA excludes the SRBR administrative expenses from its total administrative expenses. ACERA's SRBR administrative expenses are the amounts that exceed the employers' 401(h) contributions allocated to estimated administrative costs of Postemployment Medical Benefits. The detail of total administration expenses are as follows:

(Dollars in Millions)

	12/31/2023	12/31/2022	<i>Inc./</i> (Dec.) <i>from previous</i> <i>period</i>
Administrative Expenses	\$ 12.92	\$ 12.67	\$ 0.25
Actuarial Expenses	0.47	0.38	0.09
Business Continuity Expenses	0.61	0.55	0.06
Legal Expenses	0.85	0.84	0.01
Technology Expenses	1.01	0.93	0.08
401(h) Administrative Expenses	1.71	1.66	0.05
Total	\$ 17.57	\$ 17.03	\$ 0.54