

The Popular Annual Financial Report (PAFR) is a summary of the Comprehensive Annual Financial Report (CAFR) for the year ended

DECEMBER 31, 2018

Counted 664 ready-to-retire members

Processed 512 members into retirement

Message from the Chief Executive Officer, David Nelsen

Dear ACERA Members,

THIS REPORT GIVES you a brief picture of the performance of your pension fund this past year and over time. While we accomplished a lot administratively, our investment performance ended the year on a down note like the rest of the market. ACERA's net position decreased by \$520 million to \$7.59 billion as of December 31, 2018, representing a -4.1% gross return (matching our benchmark, which also underperformed). Like I wrote last year after our extraordinary 19.9% gross rate of return in 2017, it's good to remember that our returns may fluctuate from year to year, but it's our long term average earnings that drive the funding of your pension benefits. For example, on average, we've earned 10.0% per year for the last 10 years. And as of May, the fund was back up to \$8.3 billion*, its highest historical value. We take a prudent and long-term approach toward investments and don't make rash decisions. We establish a long-term investment strategy and track its success so we can make changes as needed. We'd love for you to learn more about our approach on our investments web page, www.acera.org/investments. Administratively, we worked on consistently providing superior member services, while taking steps to be increasingly cost effective. It has been a productive year, and we are excited to continue serving you.

Sincerely,
David Nelsen, Chief Executive Officer

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

ACERA
Alameda County Employees' Retirement Association
475 146 Street, Suite 1000
Oakland, CA 94612

Financial Standard U.S. Bond **PAID** Oakland, CA Form No. 2281

Popular Annual Financial Report

For the Year Ended **December 31, 2018**

Serving You

OUR MISSION at ACERA is to provide members and employers with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services. We've been doing this since our establishment in 1947 under the County Employees Retirement Law of 1937 (CERL). ACERA is one of the few county retirement organizations that has adopted Article 5.5 of the CERL. This means that our members also receive guaranteed benefits such as healthcare.

Our dedicated and diverse team at ACERA uses its expertise to provide these benefits to you, our members. On the following pages you can see some of the ways we've improved our service in 2018.

Answered 20,726 telephone calls

Fulfilled 757 formal written requests

87.5% of callers spent less than 60 seconds on hold

Scanned & indexed 51,501 member documents

Subscribed 1,446 people to email news updates at acera.org/get-news

Members generated 25,781 retirement estimates through Web Member Services acera.org/wms

ACERA ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
A Pension Trust Fund of the County of Alameda
Oakland, CA

Popular Annual Financial Report

Natural Variation

For the Year Ended December 31, 2018

Active Membership

That's 61% of all members

Enrolled 14,534 in our Web Member Services at acera.org/wms

Strengthening ACERA
Accomplishment Highlights
2018

OVERHAULLED SERVICE CREDIT PURCHASE PROCESS - We used Lean Six Sigma process improvement methods to reduce service credit purchase request turnaround time from an average of 145 days down to 20 days, and we completed 55% of our backlog. Our new goal is to turn around these requests within 60 days.

LAUNCHED PENSION SOFTWARE REPLACEMENT - We launched the project to replace our pension database software. Replacement will go live in 2023 and will deliver huge gains in efficiency through automation.

RESTRICTED THE CUSTOMER SERVICE (SERVICES) DEPARTMENT - After an in-depth analysis of processes, volume, and customer service goals, we restructured our Benefits Department to improve customer experience.

ACERA ALSO... re-engineered the retirement application process; launched instructional web videos; created a new blog-style website page; transitioned to a new benefits consultant; launched an organization-wide scorecard to measure performance; created an associate development program; developed trustee and staff cybersecurity training; and adopted new commitments to our Private Equity, Absolute Return, Real Assets, and Real Estate asset classes totaling \$798 million.

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

Membership Changes

2018	total members:	33,739
2017	total members:	33,250

ACTIVE VESTED

2018	2017
1,041	1,041

SERVICE RETIREES

2018	2017
1,041	1,041

ACTIVE NONVESTED

2018	2017
1,041	1,041

RETIRED

2018	2017
1,041	1,041

RETIRED/RECEIVING

2018	2017
1,041	1,041

QUALIFYING RETIREES

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ACERA Financial Highlights

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

www.acera.org/cafr

Market Value (\$ billions)

2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

Financial Summary (Fidelity Net Position Conditional)

	2018	2017	Percent Change
ADDITIONS			
Net investment income + Misc. Income	1,364.6	1,360.1	1,364.7% -127%
Employee + Employer contributions	364.4	376.4	79.6% 8%
Revenue transfers	58.8	48.3	2.5% 5%
Total additions	1,787.8	1,784.8	1,787.8% -0%
DEDUCTIONS			
Retirement benefit payments + refunds	471.9	465.3	26.6% 6%
Postemployment medical benefits	49.5	37.9	3.0% 8%
Administration	16.5	15.8	0.7% 4%
Revenue transfers	58.8	48.3	2.5% 5%
Total deductions	696.7	667.3	6.0% 4%
Net position at end of year	7,989.4	8,121.1	-516.5% -6%

*Percentage change in net investment income from 2017 to 2018, but not applicable for 2018, 2017, 2016, 2015, & 2014.

Actuarial Values and Funded Ratio

YEAR	ACTUARIAL VALUE AS OF DECEMBER 31	ACTUARIAL VALUE OF ASSETS	ACTUARIAL LIABILITY	UNFUNDED ACTUARIAL LIABILITY	FUNDED RATIO
2018	6,480.4	6,887.3	2,567.7	763.9*	76.3%
2017	6,061.1	6,237.7	1,801.6	78.1%	78.1%
2016	6,083.5	7,875.0	1,971.5	72.3%	72.3%
2015	5,681.1	7,982.1	1,911.0	74.8%	74.8%
2014	5,218.9	6,861.7	1,650.7	75.9%	75.9%

*Reduction in funded ratio was primarily caused by change in assumed annual rate of investment returns from 7.0% to 7.5%.

Check www.acera.org/actuarial for more information on pension plan funding and the Net Pension Liability calculated by CASB 6.7.

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

NON-GUARANTEED BENEFITS CURRENTLY OFFERED

- Dental Coverage Subsidy
- Vision Coverage Subsidy
- Medicare Part B Reimbursement Plan
- Supplemental COA
- Health Savings Plan by County

ACERA's non-guaranteed (non-vested) benefits are subject to available funds in ACERA's Supplemental Retirees Benefits Reserve (SRBR). The SRBR receives regular interest earnings and half of any annual interest income above our 7.25% annual projection. Each year, our actuary projects how many years the SRBR will last at current benefit levels. ACERA aims to keep the SRBR above a projected 15 year sustainability level. The Board of Retirement may change or end non-guaranteed benefits to meet this goal. Below is the projection made for each of the last 13 years.

www.acera.org/ret

Investment Performance

GROSS RESULTS

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

www.acera.org/investments

Investment Fund Performance Highlights (Gross Results)

Strategy	2018	2017
TOTAL FUND		
2018 Total fund return	-4.1%	-4.1%
2018 Policy index return	Benchmark	-4.1%
2018 Median return	Peer group return	-3.7%
Average return over 3 years	12%	10%
Average return over 10 years	10%	8%
Average return over 15 years	7%	10%
INDIVIDUAL ASSET CLASSES		
Domestic equity	Stocks	1%
International equity	Stocks	11%
Fixed income	Bonds/Fair	1%
Real estate	Real-estate properties	7%
Private equity	Private equity	1%
Alternative assets	Stylite, positive returns	1%
Real assets	Inflation hedge	2%
Cash	Cash	1%
TOTAL		7%

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