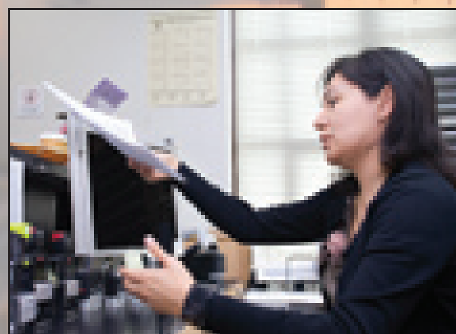
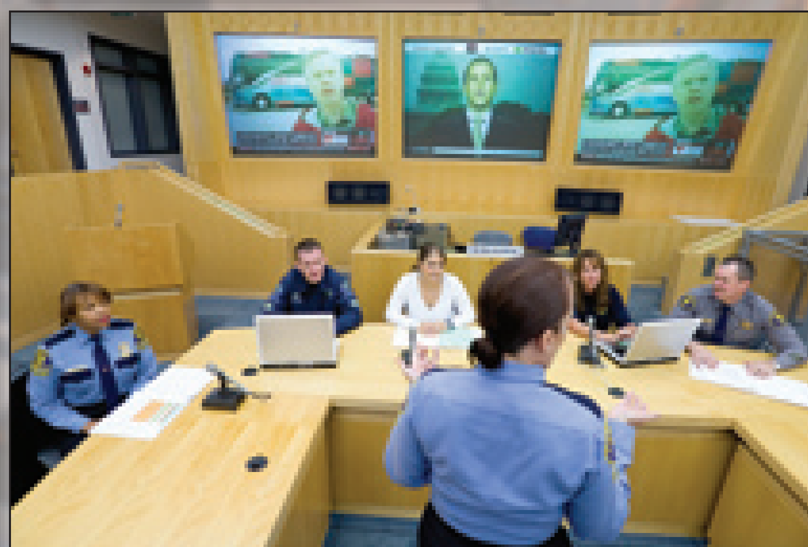
Earning Your Retirement

A Comprehensive Annual Financial Report for the Years Ended December 31, 2009 and 2008





ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
A Pension Trust Fund of the County of Alameda and Participating Employers • Oakland, California

Earning Your Retirement

A Comprehensive Annual Financial Report for
the Years Ended December 31, 2009 and 2008

Issued By

CHARLES F. CONRAD

Chief Executive Officer

CATHERINE E. WALKER, CPA

Assistant Chief Executive Officer

Alameda County Employees'
Retirement Association

A Pension Trust Fund of the County of Alameda
(State of California) and Participating Employers

475 14th Street • Oakland, CA 94612

Contents

Section 1 | Introduction

Section 2 | Financial

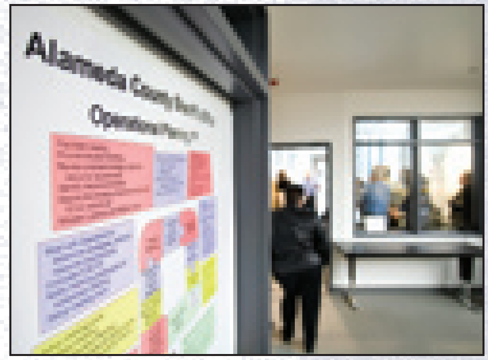
Section 3 | Investment

Section 4 | Actuarial

Section 5 | Statistical

Section 6 | Compliance

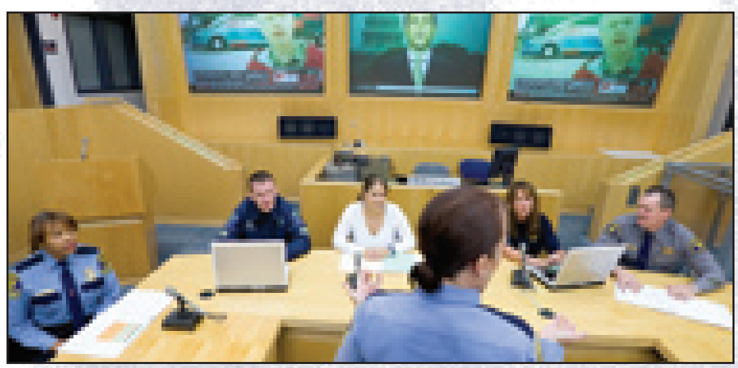
Earning Your Retirement



OFFICE OF HOMELAND SECURITY AND EMERGENCY SERVICES

The Office of Homeland Security and Emergency Services is headquartered out of the County's Emergency Operations Center where team members are prepared to provide emergency services to the residents of Alameda County in response to a variety of critical situations. Employees pictured: (in alphabetical order) Cecilia Diaz de León, Stacey Hernandez, Rudy Johnson, Ray Kelly, Jeff Lind, Greg Morgado, Mary Rose, Genevieve Pastor-Cohen, Melisa Tolero.

1:INTRODUCTION



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

Letter of Transmittal

Chief Executive Officer
Charles F. Conrad

Dear Board Members:

I am pleased to submit this *Comprehensive Annual Financial Report (CAFR) of the Alameda County Employees' Retirement Association for the Years Ended December 31, 2009 and 2008*.

This report presents the financial condition of the Pension Plan, Other Postemployment Benefits (OPEB), and Non-OPEB Benefits, as well as investment results for the year ended December 31, 2009. It also includes the latest actuarial valuation for the period ended December 31, 2008. All data and information presented in this report are accurate and reliable, conform to the generally accepted accounting principles, and are free of material misstatements.

Our Mission is to provide members and Participating Employers with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services. Our Management Team is committed to achieving the goals established by the Board. We will utilize a competent, professional, impartial, and open decision-making process. In providing benefits and services, all persons will be treated fairly and with courtesy and respect. Investments will be managed to balance the need for security with superior performance.

Like all public pension funds, the market value of ACERA's Fund began 2009 in decline, reaching its lowest value in late February, as effects of the 2008 capital market crisis continued into the new year. When markets began to rebound in March 2009, the market value of ACERA's investments started to rise again and continued to climb steadily for the remainder of 2009. From its lowest point in March 2009 until the end of the year, the Fund gained over 46%, generating ACERA net income from investment activities of approximately 26.6% for the year. The increase in Net Assets held in trust for benefits after all deductions were made was $871 million. Most of this gain will go towards offsetting the deferred investment loss from 2008. However, as the gain is not sufficient to fully offset the loss, there will be continued erosion in the funded ratio and increases in the employer contribution rate in the next several valuations.

The media attention surrounding public employee pension benefits continues, but favorable market conditions will both help to alleviate public disfavor and help to rebuild ACERA's funded status. It is unknown what effects the passage of federal health insurance reform legislation will have on the healthcare programs ACERA offers or members' premiums in those plans.

As of December 31, 2009 the Supplemental Retirees Benefit Reserve (SRBR) had an approximate value of $670 million. The next SRBR actuarial valuation will determine the duration those funds will be able to provide benefits. Even if no new funds are credited to the reserve, based on the previous valuation, the non-vested benefits matched by the SRBR will be funded well into the future.

ACERA's current portfolio and its asset allocation are well positioned to take advantage of the international economic situation. In 2009, ACERA increased its allocation to alternative investments at a very fortunate time to take advantage of the availability of mature investments at substantial discounts.

Performance Overview

- The Fund generated approximately a $0.9 billion increase in the market value of the investment portfolio from the prior year, due to a market rebound throughout most of 2009.
- Active Membership contracted from 11,136 to 10,952, a decrease of 1.7% from the prior year, due to retirements, reduced hiring and layoffs by Participating Employers.
- Members receiving Pension Benefits rose from 7,193 to 7,319, an increase of 1.8% from the prior year.

ACERA AND ITS SERVICES

ACERA was established by the Alameda County Board of Supervisors by Ordinance No. 446, dated October 21, 1947, operative January 1, 1948. Governed by the provisions of the County Employees Retirement Law of 1937 ("1937 Act"), ACERA provides retirement allowances and other benefits to seven Participating Employers:

- Alameda County
- Alameda County Medical Center
- Alameda County Office of Education
- 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

ACERA provides lifetime retirement, disability, and death benefits to its members. ACERA meets member and beneficiary pension obligations through member contributions, employer contributions, and investment income. Contributions are prudently invested in accordance with the 1937 Act and ACERA's investment policies to generate investment income to fund pension benefits and pay administration expenses. In addition, ACERA also provides or offers other supplemental benefit programs: (1) Other Postemployment Medical Benefits, (2) a supplemental Cost-of-Living Adjustment (COLA), and (3) a death benefit program. The first program provides an insurance subsidy for medical premiums, and also provides coverage under ACERA-sponsored dental and vision care plans. All three programs are non-vested benefits subject to annual Board of Retirement approval. Supplemental COLA and non-vested death benefits are funded by the SRBR, which is separately maintained in accordance with Article 5.5 of the 1937 Act. Postemployment Medical Benefits are funded by contributions from Participating Employers to the 401(h) account. After contributions are made, in accordance with the 1937 Act, ACERA treats an equal amount of SRBR assets as employer contributions available for paying pension benefits.

BOARD OF RETIREMENT

The Board of Retirement consists of eleven members, including a Retiree alternate and a Safety alternate. Six Board seats, which include the alternates, are filled by election, and four seats are appointed by the Alameda County Board of Supervisors. The Alameda County Treasurer is an ex-officio member.

In May 2009, ACERA Trustee Rosie Rios was nominated to be the Treasurer of the United States. In August 2009, Ms. Rios was confirmed by the U.S. Senate and accepted the position of U.S. Treasurer, whereupon she resigned from the Board of Retirement to pursue her new position.

Mr. George Dewey was appointed by the Alameda County Board of Supervisors to serve on ACERA's Board of Retirement as an appointed Trustee to fill the seat vacated by Ms. Rios.

After the nomination period for the 2009 Board election was closed, Ms. Elizabeth Rogers, the incumbent, was the only person to submit nomination papers and be certified as a Candidate for the Second Seat to represent the General Members for the 3-year term commencing January 1, 2010 and ending December 31, 2012. Based on Government Code Section 31523, no election was held, and the Board of Supervisors cast a unanimous ballot in favor of Ms. Rogers.

The Board expanded the market stabilization reserve actuarial value corridor policy from 80%/120% to 60%/140%, and retained a five-year smoothing period for market gains and losses. This allows ACERA to actuarially smooth the market value losses from the 2008 economic downturn over a five-year period to limit sharp increases in employer contributions.

The ACERA Board of Retirement oversees the Chief Executive Officer and staff in the performance of their duties in accordance with the 1937 Act, ACERA's regulations, and Board policies.

FINANCIAL REPORTING

ACERA's management is responsible for the accuracy, completeness, fair presentation of information, and all disclosures in this report. ACERA's management is also responsible for establishing and maintaining an adequate internal control structure to assure that ACERA operations are effective and efficient, operating policies and procedures are being adhered to, applicable laws and regulations are followed, assets are protected from loss, theft, or misuse, and financial reports are accurate and reliable. ACERA recognizes that even sound internal controls have inherent limitations. Our internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that cost-benefit analyses require estimates and judgments by management. To strengthen the internal control environment, ACERA has an internal audit function that is responsible for performing an annual risk assessment and evaluating our internal control structure effectiveness.

The accounting firm of Williams, Adley & Co., LLP provides audit services to ACERA. The financial audit ensures that ACERA's financial statements are presented in conformity with generally accepted accounting principles and are free of material misstatements. Williams, Adley & Co., LLP also provides a report on ACERA 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. This report is included in the Compliance Section of this report on pages 118 and 119.

The Management Discussion and Analysis Section starting on page 18 provides a thorough analysis of ACERA's operations and financial status.

The Financial Section starting on page 16 contains ACERA's basic financial statements, notes to the basic financial statements, required supplementary schedules, and supporting schedules.

ACERA continues to meet the reporting requirements of the Governmental Accounting Standards Board (GASB) Statement No. 43 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement No. 50 *Pension Disclosures*. ACERA has opted for early implementation of the provisions of GASB 53 *Accounting and Financial Reporting for Derivative Instruments* as discussed on page 30.

ACTUARIAL FUNDING STATUS

ACERA's funding objective is to satisfy all benefit commitments by following an actuarially prudent funding plan, obtaining superior investment returns consistent with established risk controls, and minimizing employer contributions to the retirement fund.

ACERA engages an independent actuarial consulting firm to conduct annual actuarial valuations of the Pension Plan, OPEB Benefits, and Non-OPEB Benefits. The purpose of the valuation is to reassess the magnitude of ACERA's benefit commitments. The actuary compares their assessment of these commitments to the assets expected to be available to support those commitments, so employer and member contribution rates can be adjusted accordingly.

The December 31, 2008 actuarial valuation is presented in this CAFR. It includes the latest available triennial experience study conducted in 2007.

The actuarial funding status is determined from a long-term, ongoing plan perspective. The valuation determines the progress made in accumulating sufficient assets to pay benefits when due. The Pension Plan's actuarial accrued liability at December 31, 2008 was $5,537.9 million; the actuarial value of assets was $4,644.0 million; the unfunded actuarial accrued liability was $893.9 million; and the funded ratio was 83.9%. For the year ended December 31, 2009, Participating Employers contributed 100% of the annual required contributions to the Pension Plan. The historical trend information regarding the funded status of the Pension Plan, Postemployment Medical Benefits, and Non-OPEB Benefits is shown on the Schedules of Funding Progress and the Schedules of Employer Contributions on pages 56–58.

The Actuarial Section of this report contains a more detailed discussion of funding.

ADMINISTRATION

Participating Employer Meeting

ACERA held a Participating Employers' Meeting in January 2009 to educate Participating Employers about the possible impact of the 2008 investment experience on employer contribution rates. In April 2009, ACERA held a special meeting with the Participating Employers where staff and ACERA's actuary further clarified the probable increase in employer contribution rates over the next five years as ACERA's 2008 investments losses would have to be recognized actuarially by a smoothing process over that period.

Electronic Document Management System

ACERA continued to make progress on its organization-wide Electronic Document Management System (EDMS) Project. In August 2009, after staff executed a thorough RFP process, the Board awarded the EDMS contract to Novanis of Springfield, IL. In December 2009, the project definition and planning phase was completed. In February and March 2010, ACERA project staff were trained on quality assurance and document retrieval. On the March 15, 2010, Benefits Department go-live day, ACERA began imaging all incoming benefits documents and routing the electronic copies to staff's electronic inboxes. The imaging of member backfiles also began on the go-live day. Remaining departments will go live individually throughout the spring, with the entire organization live by the end of fall. The project is scheduled to be completed in the spring of 2011.

Hiring of New Internal Auditor

ACERA has hired a new Internal Auditor, who started in September 2009. The objective of the Internal Audit Department is to provide an independent assessment of the organization's risks including financial risk, operational risk, compliance risk, and media risk. The department assesses the adequacy and effectiveness of ACERA's internal controls in mitigating those risks. The department also provides management with advisory services designed to improve ACERA's operations, evaluate and strengthen key financial and operational controls, and track and manage a remediation plan to ensure ineffective controls are corrected in a timely manner.

Retention of External Auditor

At the recommendation of ACERA's Audit Committee, staff issued a Request for Proposal (RFP) to conduct a search for independent auditors to conduct the annual audit of ACERA's financial statements. The previous external auditor search was conducted six years ago. The Board approved the retention of the incumbent firm, Williams Adley & Company, which responded to the RFP. Williams Adley & Company will conduct ACERA's external audits through 2013.

2010 Budget Development Challenges

In preparing the 2010 budget, the ACERA management team responded to the downturn in the economic climate by designing the budget to maintain essential services and service levels, while complying with a reduced administrative expense cap due to the decline in assets. The management team identified up to $2 million in possible budget reductions without permanent staff reductions. The management team focused on preserving ACERA's critical core competency necessary for the delivery of superior customer service. As an example of cost savings, the Benchmarking Study was completed in house, which resulted in approximately $50,000 in savings. Staff continues to look at ways to eliminate, defer, or reduce expenses.

LEGAL

Board Governance

ACERA continued its ongoing review of the Board of Retirement's Governance Policies to ensure accuracy and reflect any changes in law, practice, or structure. Individual policies are reviewed at least biennially.

ACERA Law Book Update

ACERA published an updated book cataloguing the laws that govern ACERA's administration of the retirement system. The new book accurately reflects a variety of changes in legislation that have occurred since the original book was published in 2003, allowing ACERA staff to rely upon it for reference. The complete book is posted on ACERA's website (www.acera.org) for the reference of members and the public.

INVESTMENTS

The 1937 Act and the California Constitution confer the authority and fiduciary responsibility for investing ACERA's funds on the Board of Retirement. In addition, Board members are legally required to carry out their duties in the manner of a prudent person familiar with such retirement and investment matters acting under similar circumstances. This prudent expert rule permits the Board to make investment allocation decisions and diversify investment holdings to reduce overall risk and increase returns.

The prudent expert rule also permits the Board to establish an investment policy based on professional advice and counsel, and allows for the delegation of investment authority to professional investment managers. ACERA's investment policy outlines the responsibility for the investment of the funds and the degree of risk deemed appropriate for ACERA's investments. Investment managers are contractually bound to carry out their responsibilities in accordance with the Board of Retirement's investment policy and to follow specific contractual guidelines.

For the year ended December 31, 2009, the market value of ACERA's investments increased by $0.9 billion, which provided a 26.6% rate of return, ranking ACERA in the upper 9th percentile among all public funds in the U.S. larger than $100 million. ACERA's annualized rate of return over the last five years was 3.62%, ranking ACERA in the 36th percentile. ACERA's annualized rate of return over the last ten years was 4.40%, ranking

ACERA in the 22nd percentile. ACERA's annualized rate of return over the last twenty years was 8.69%, ranking ACERA in the 10th percentile. ACERA's investment policy targets a ranking in the top 25th percentile.

The Investment Section of this report starting on page 64 presents a summary of ACERA's investment results, asset allocation, investment holdings, and other investment-related information.

2009 Investment Related Accomplishments

- To identify the best U.S. large cap growth manager, ACERA conducted a formal Request for Proposals search and concluded to continue to retain Trust Company of the West, the incumbent U.S. large cap growth manager to manage this mandate.
- To implement the Board's decision of establishing a 10% target allocation to the Private Equity and Alternatives asset class, ACERA continued to build the Private Equity and Alternatives Return Leading Strategies (PEARLS) portfolio in 2009. ACERA made eight commitments to six different PEARLS managers for a total of $133.5 million. As of December 31, 2009, ACERA committed a total of $208.5 million to 9 different PEARLS managers.
- ACERA conducted a review of its asset allocation. As a result, the expected return and risk for the total Fund were revised to 8.9% and 11.5% for 2009 from 2008's 8.4% and 11.7%, respectively.
- ACERA completed the manager structure studies for all three traditional asset classes, U.S. equity, fixed income, and international equity. The study resulted in one change to the international equity asset class, i.e. to mandate 10% international small cap allocation in ACERA's two fundamental international equity managers' respective portfolios.
- As the Board revised the target allocation to the real estate asset class from 9% to 6% in 2008, ACERA was able to lower the real estate allocation to 5.5% as of December 31, 2009. The decreased allocation was mainly attributed to the significant write down of the real property values due to the market conditions.
- Despite the J-curve effect that ACERA experienced within the PEARLS portfolio and significant write down of the property values in the real estate portfolio, ACERA's total Fund returned 26.6% in 2009 and was ranked in the upper 9th percentile among all public funds with assets greater than $100 million. The total Fund outperformed the Policy index, the expected total return, and the actuarial investment return assumption by 1.6%, 17.7% and 18.6%, respectively.

BENEFITS

Benchmarking Study

ACERA conducted a benchmarking survey of California public retirement systems similar in membership size with ACERA. Nine systems responded. Responses included completion times of various services offered to members, workload volumes, and number of staff assigned to services. Analysis of the survey is being used to review completion times of services at ACERA.

New Retired Member Benefits Handbook and Health Plan Brochure

ACERA completed design and distribution of two publications sent out with open enrollment materials to retirees. The Retired Member Benefits Handbook, which will be printed roughly every five years, communicates infrequently changed information about retired member benefits. Information that changes year-to-year, based on open enrollment, was provided as a much condensed ACERA Enrollment and Health Plan Brochure containing rates and plan design information. In future years, the Handbook will not be mailed out with Open Enrollment materials (unless a revised edition is produced), saving considerable printing and postage costs, as well as natural resources.

Updated Active/Deferred Member Statement

Based on the feedback of over 450 members who responded to a survey conducted the previous year, several improvements were made to this annual statement that is sent to all active and deferred members. The look and layout of the statement were updated to increase visual interest and clarity. New, more in-depth explanations were written describing the significance of the provided personal information. Supplementary explanations of the statement that were previously provided on a paper insert were made available on the new Member Statement Details webpage, along with forms and a link to the new online member survey, saving considerable printing and mailing costs.

Contracting of New Benefits Consultant

After a thorough RFP process, ACERA selected Woodruff-Sawyer & Co. as its benefits consultant, with a contract extending until 2014. With the assistance of the new consultant, ACERA explored the feasibility of contracting directly with one or more vendors to provide medical insurance benefits for ACERA's early and Medicare eligible retirees and their dependents. While ACERA found that quoted premiums were lower than current 2009 premiums contracted by Alameda County, Staff recommended postponing implementation for another year to allow for observation and possible implementation of changes due to pending National Health Care Reform.

New Medicare Transition Seminars

ACERA introduced bimonthly seminars to assist retirees with Medicare enrollment as they are approaching Medicare eligibility. ACERA mandates that retirees enroll in Medicare once they become eligible in order to enroll in one of ACERA's medical plans. Invitations to the seminar are sent out to members who are approaching Medicare eligibility and enrollment materials are provided to attendees during the seminar. Attendees are given a presentation explaining their options and have an opportunity to ask questions.

New Member Seminars

ACERA launched its New Member Seminar, targeted for active members with less than five years of service. The seminar presents basic information on how the retirement system works. This new seminar is an addition to ACERA's successful seminar series which includes mid-career, pre-retirement, and retiree seminars.

Supplemental Retirees Benefit Reserve (SRBR)

ACERA is one of three 1937 Act counties to administer an SRBR, which is funded from regular earnings on the SRBR plus earnings in excess of the assumed actuarial investment rates. The SRBR provides funding for non-vested benefits including Supplemental COLA and most of the Retiree Death Benefits. Other non-vested benefits are funded by Participating Employers' 401(h) contributions, and include dental and vision care, hearing-aid coverage, Medicare Part B Reimbursement Plan, and Monthly Medical Allowance (MMA). The MMA is a fixed dollar contribution toward an eligible retiree's ACERA health plan premium costs. A maximum MMA of $522.16 per month will be provided, effective February 1, 2010 through January 31, 2011. ACERA early retirees can enroll in County active employee medical plans, resulting in additional employer cost (implicit subsidy). Transfers from the SRBR to the Employers' Advance Reserve are made to compensate the County for this implicit subsidy. It is intended that medical benefits will be paid to members tax-free.

As of December 31, 2008, the SRBR held $684.3 million in actuarial value of assets. If Participating Employers continue to fund the 401(h) account and ACERA uses the SRBR to supplement pension contributions, this total will fund the current benefit structure until the year 2028 for Other Postemployment Benefits (OPEB) and Non-OPEB Benefits, even if no new excess investment earnings are available. The current funded level for Postemployment Benefits is 86.5% and for Non-OPEB Benefits is 37.5%, using a very conservative methodology based on GASB Statement No. 43 OPEB guidelines.

All non-vested benefits can only be paid from available assets, and pension assets are not available to finance such benefits in the event of a short fall. Under this definition of the non-vested benefits, the SRBR is 100% funded for both OPEB and Non-OPEB Benefits. See page 38 for a discussion of the SRBR.

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, 2008. The certificate is reproduced on page 13. This was the thirteenth consecutive year ACERA has achieved this prestigious award. To be awarded a Certificate of Achievement, a government entity must publish a readable, efficiently organized Comprehensive Annual Financial Report, which must satisfy both generally accepted accounting principles and applicable legal requirements. The award recognizes ACERA's conformance with the highest standard for state and government financial reports. It also reflects the collective effort of ACERA staff to maintain a standard of financial reporting that continues to meet the GFOA award standards.

A Certificate of Achievement is valid for a period of one year only. This Comprehensive Annual Financial Report for the year ended December 31, 2009 meets the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA for consideration for another Certificate of Achievement for Excellence in Financial Reporting.

ACERA also received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the year ended December 31, 2008. We will be submitting this year's PAFR for the Year Ended December 31, 2009 to the GFOA for consideration for another achievement award.

ACKNOWLEDGEMENTS

The compilation of this report reflects the combined effort of ACERA's staff under the leadership of the Board of Retirement. It is intended to provide complete and reliable information with respect to the Board's stewardship of ACERA.

This CAFR is mailed to all plan employers as well as to employee and retiree organizations. Their cooperation contributes significantly to the success of ACERA. The complete CAFR, including the PAFR, is also available to members and to the general public, and is posted on our website at www.acera.org. We hope our employers and members find these reports informative.

On behalf of the Board of Retirement, I would like to take this opportunity to express my gratitude to the staff, to the advisors, and to the many people who have worked so diligently to ensure the successful operation of ACERA.

Respectfully submitted,

Charles F. Conrad

Charles F. Conrad
Chief Executive Officer
May 28, 2010

Members of the Board of Retirement

Annette Cain-Darnes

CHAIR

Appointed by the Board of Supervisors

George Wood

FIRST VICE CHAIR

Elected by General Members

Ophelia B. Basgal

Appointed by the Board of Supervisors

Keith Carson

Appointed by and Member of the Board of Supervisors

David M. Safer

ALTERNATE

Elected by Retired Members

Darryl L. Walker

ALTERNATE

Elected by Safety Members

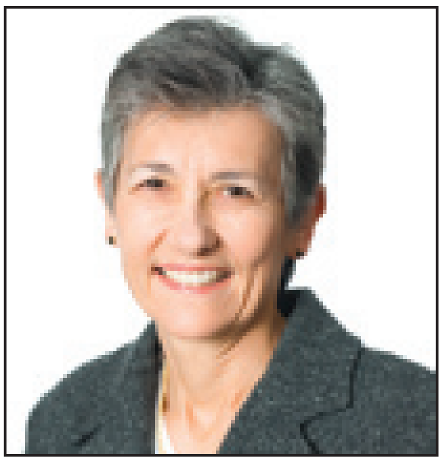
George Dewey

SECOND VICE CHAIR

Appointed by the Board of Supervisors

Dale E. Amaral

Elected by Safety Members

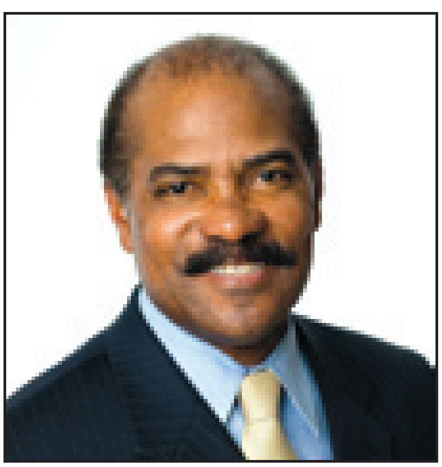


Liz Koppenhaver

Elected by Retired Members

Elizabeth Rogers

Elected by General Members



Donald R. White

EX-OFFICIO MEMBER

Treasurer–Tax Collector, County of Alameda

2009 BOARD OF RETIREMENT

Dale E. Amaral

Ophelia B. Basgal

Annette Cain-Darnes, *First Vice Chair*

Keith Carson

Rosie Rios/George Dewey

Liz Koppenhaver

Elizabeth Rogers, *Chair*

David M. Safer, *Alternate Retiree*

Darryl L. Walker, *Alternate Safety*

George Wood, *Second Vice Chair*

Donald R. White

Administrative Organization Chart

As of December 31, 2009

- Chief Executive Officer — Charles F. Conrad
  - Assistant Chief Executive Officer — Catherine E. Walker, CPA
    - Project & Information Services Manager (PRISM) — Latrena Walker
    - Chief Financial Officer — JP Singh, CPA
  - Assistant Chief Executive Officer—Benefits — Kathy Foster
    - Benefits Manager — Rose M. Kwong
  - Human Resources Officer — Victoria Arruda
  - Chief Counsel — Robert Gaumer, Esq.
  - Chief Investment Officer — Betty Tse, CPA

Professional Consultants[1]

Actuary
The Segal Company[2]

Administration
7th Gear Consulting

Benefits
Rael & Letson
Woodruff-Sawyer Inc.

Human Resources
Lakeside Group
Mercer Human Resources Consulting

Independent Auditors
Williams, Adley & Co., LLP

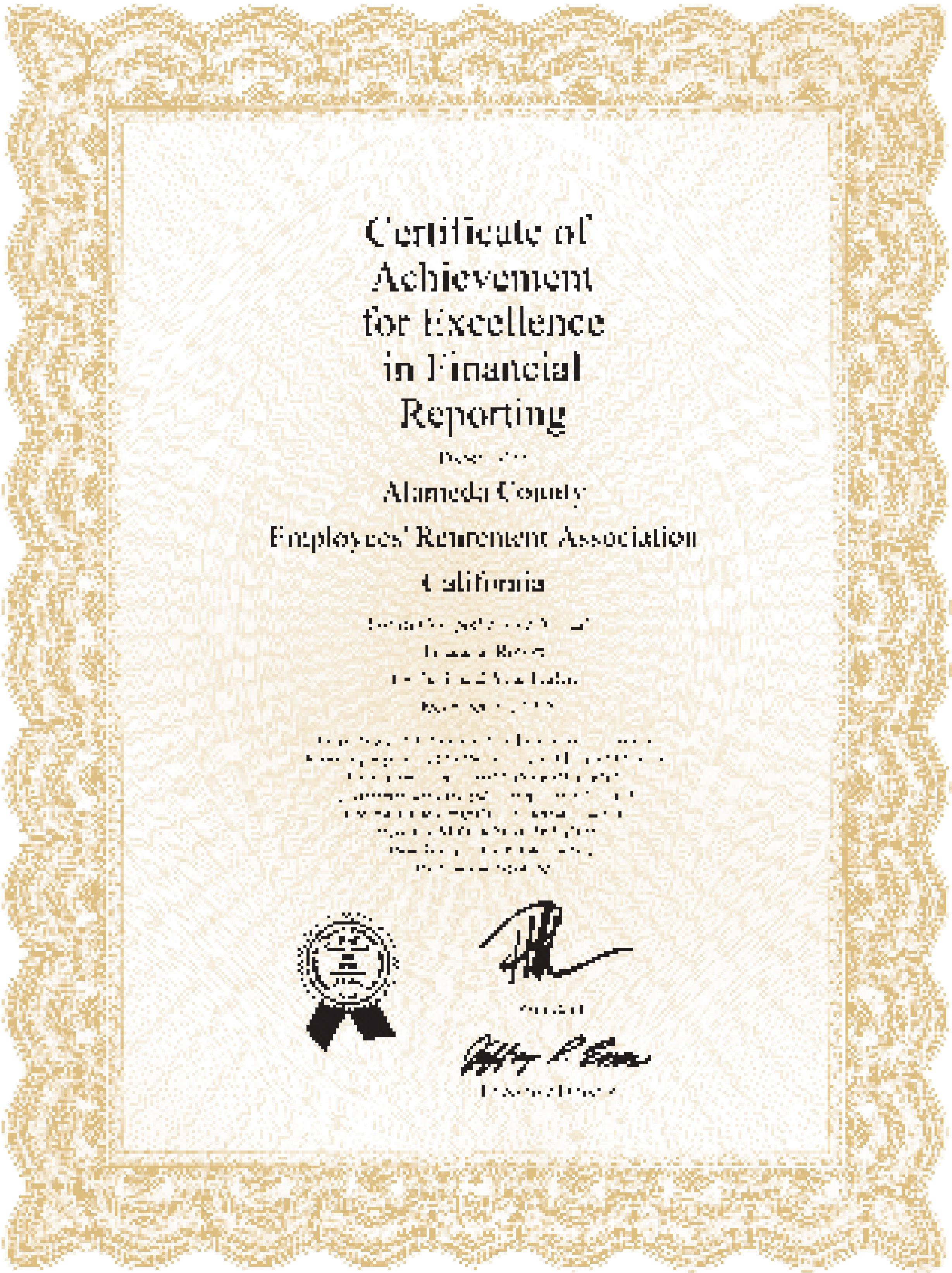
Information Technology
L.R. Wechsler, Ltd.

Legal
Hanson, Bridgett, LLP
Ice Miller
Manatt, Phelps & Phillips, LLP
Reed Smith, LLP

Other Specialized Services
Tobico LLC dba Tobi Designs

[1] Investment Professionals are listed on page 77 of this report. 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] The Segal Company also provides Administration and Benefits consulting services.

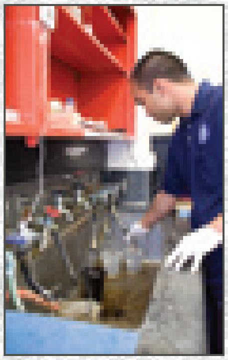

Certificate of Achievement for Excellence in Financial Reporting

Alameda County

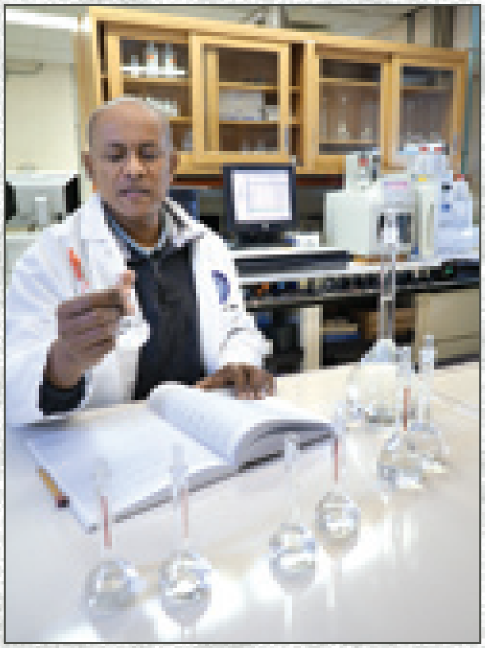
Employees' Retirement Association

California

ALSO AWARDED EACH YEAR FROM 1996 THROUGH 2007



Earning Your Retirement



ZONE 7 WATER AGENCY

Zone 7 Water Agency provides water reliability, water quality, and flood protection to the residents of Alameda County. One hundred percent of their work makes up sixty-five percent of you because your body is sixty-five percent water. Employees pictured: (above left) Taaque Tesfayohannes, (above right) Jeff Madsen.

2:FINANCIAL

WILLIAMS, ADLEY & COMPANY, LLP
Certified Public Accountants
Management Consultants

Independent Auditors' Report

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

We have audited the accompanying statements of plan net assets of the Alameda County Employees' Retirement Association (ACERA), as of December 31, 2009 and 2008, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of ACERA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ACERA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets as of December 31, 2009 and 2008, and the changes in plan net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in note 1 to the financial statements, ACERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, Accounting and Financial Reporting for Derivative Instruments for the year ended December 31, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2010 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

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Management Consultants

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18-26 and the schedules of funding progress and employer contributions on pages 56–58 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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.

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The schedules of investment expenses, payments to other consultants, and administration expense on pages 60 and 61, and the introduction, investment, actuarial, and statistical sections, are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules of investment expenses, payments to other consultants, and administration expense are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole. The introduction, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Williams, Adley & Company, LLP

May 24, 2010

ACERA
ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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Management's Discussion and Analysis

We are pleased to provide this overview and analysis of ACERA's financial position and combined results of its operations for the Pension Plan, the Other Postemployment Benefits (OPEB), and the Non-OPEB Benefits for the years ended December 31, 2009 and 2008. The information presented here, in conjunction with the Financial Statements and the Notes to the Financial Statements beginning on page 30, provides a fair presentation of ACERA's overall financial position and the results of its operations. This discussion and analysis should be read in conjunction with the Chief Executive Officer's Letter of Transmittal on pages 2 to 9 of this Comprehensive Annual Financial Report.

FINANCIAL HIGHLIGHTS

- ACERA's Net Assets at the close of 2009 were $4.7 billion. These Net Assets are held in trust to meet ACERA's specific ongoing program obligations for Pension, Postemployment Medical Benefits, and Non-OPEB Benefits to plan members and their beneficiaries.
- ACERA's Net Assets as of December 31, 2009 year was $870.9 million more than the prior year. This 23% increase was predominately due to the global capital market rebound which resulted in 26.6% investment return in 2009. Although this return was significantly better than ACERA's current 8.0% actuarial assumed interest rate, it still leaves ACERA $898 million in reduced Net Asset value compared to two years ago.
- As of December 31, 2008, the funded ratio for ACERA's Pension Plan was 83.9%, a decline of 6% from December 31, 2007. This decline was primarily due to the 62% increase in unfunded actuarial accrued liabilities caused by 2008 investment losses.
- As of December 31, 2008, the funded ratio for ACERA's Postemployment Medical Benefits and Non-OPEB Benefits were 86.5% and 37.5%, respectively. These ratios declined 11% and 3%, respectively, for the same

reasons as the decrease in the Pension Plan funding ratio. If the liabilities are limited to available assets, the funded ratio is 100% for both the Postemployment Medical Benefits and Non-OPEB.

- Under the actuarial value of assets method, ACERA had $1,522.4 million of unrecognized investment losses, representing 40% of the market value of assets as of the December 31, 2008 actuarial valuation date. These losses will be recognized in determining the actuarial value of assets for funding purposes over the next five years. Unless offset by future investment gains in excess of the 8% actuarially assumed net rate of investment return per year or other favorable experience, these losses are expected to significantly increase the employer contribution rate requirements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Statements of ACERA's Net Assets
- Statements of Changes in ACERA's Net Assets
- Notes to the Basic Financial Statements
- Required supplementary schedules and supporting schedules

The Basic Financial Statements report the components of ACERA's Net Assets held in trust for member benefits (ACERA's Net Assets), the components of the changes in these Net Assets (additions and deductions), along with explanatory notes to the Basic Financial Statements. These Basic Financial Statements include separate columns for ACERA's Pension Plan, Postemployment Medical Benefits, and Non-OPEB Benefits. In addition to the Basic Financial Statements, this report contains required supplementary information and supporting schedules intended to assess the historical context of ACERA's progress in meeting benefit obligations through funding of contributions and investment income.

The *Statements of ACERA's Net Assets* on page 27 show a snapshot of account balances at year-end. They indicate the assets available for future benefit payments as well as current liabilities outstanding at year end.

The *Statements of Changes in ACERA's Net Assets* on pages 28 and 29 provide a summary view of the additions to and deductions from ACERA's Net Assets that occurred over the course of the year.

The 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, not the cash settlement date. Investments are reported at current fair value. 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 on pages 30–55 provide additional information essential to a full understanding of the Basic Financial Statements.

Required Supplementary Schedules on pages 56–60 show ACERA's funding progress with its obligations to provide Pension, Postemployment Medical Benefits, and Non-OPEB Benefits to members, as well as historical trend information reflecting how much employers have contributed in relation to their annual required contributions.

Supporting Schedules of investment expenses, payments to other consultants, and administration expense are presented on pages 60 and 61.

Table 1: ACERA's Net Assets (Condensed)

As of December 31, 2009 and 2008 (Dollars in Millions)

	2009	2008	Increase (Decrease) Amount	Percent Change
Current Assets	$ 622.9	$ 517.5	$ 105.4	20%
Investments at Fair Value	4,657.1	3,774.5	882.6	23%
Capital Assets, net	3.2	3.0	0.2	7%
Total Assets	**5,283.2**	**4,295.0**	**988.2**	**23%**
Current Liabilities	606.3	489.0	117.3	24%
Total Liabilities	**606.3**	**489.0**	**117.3**	**24%**
Net Assets Held in Trust for Benefits	**$ 4,676.9**	**$ 3,806.0**	**$ 870.9**	**23%**

As of December 31, 2008 and 2007 (Dollars in Millions)

	2008	2007	Increase (Decrease) Amount	Percent Change
Current Assets	$ 517.5	$ 922.4	$ (404.9)	–44%
Investments at Fair Value	3,774.5	5,528.4	(1,753.9)	–32%
Capital Assets, net	3.0	2.0	1.0	50%
Total Assets	**4,295.0**	**6,452.8**	**(2,157.8)**	**–33%**
Current Liabilities	489.0	878.0	(389.0)	–44%
Total Liabilities	**489.0**	**878.0**	**(389.0)**	**–44%**
Net Assets Held in Trust for Benefits	**$ 3,806.0**	**$ 5,574.8**	**$ (1,768.8)**	**–32%**

Table 1 on page 20 and Table 2 on page 22 present condensed information about ACERA's financial position and results of operations for the current and prior years and are the basis for the following discussion.

ANALYSIS OF FINANCIAL POSITION

ACERA's Net Assets held in trust for pension and other postemployment benefits consist of assets less liabilities. Table 1 below shows condensed information on ACERA's Net Assets, which as of December 31, 2009, totaled $4.7 billion. This was $870.9 million or 23% more than the prior year, primarily a result of a 23% increase in the fair value of ACERA's investments from 2008 to 2009. ACERA's Net Assets decreased 32% in 2008 from the prior year due to a 32% decrease in the fair value of investments during the year. The Investment Section starting on page 64 provides further details about ACERA's investment performance.

Current Assets

The components of current assets are detailed on the Statements of ACERA's Net Assets on page 27. Current assets increased $105.4 million from $517.5 million in 2008 to $622.9 million in 2009. This increase was mostly due to securities lending cash collateral which increased $116.0 million. This increase was the result of improved capital market performance, leading to higher market values of securities on loan and therefore increasing the collateral requirements. All other current assets decreased by a net of $10.6 million, due primarily to the timing of the cash receipts of contributions, investment receivables, and unsettled trades of investments sold. Note that securities lending cash collateral is matched by an equal amount of offsetting securities lending liability reported as part of ACERA's current liabilities.

Current assets decreased $404.9 million during 2008. This was mainly due to the reduction in securities lending cash collateral of $282.2 million. This reduction was the result of underperformance in the capital markets, which led to a drop in securities on loan and therefore decreasing the collateral requirements. Investment receivables decreased $117.2 million mainly due to the termination of ACERA's long-short equity arbitrage investment program.

Investments at Fair Value

The fair value of ACERA's investments increased from $3,774.5 million in 2008 to $4,657.1 million in 2009, an increase of $882.6 million or 23%. The improvement in ACERA's investments was due to the commencement of the global economic turnaround in 2009, resulting in a strong across-the-board rebound in domestic and international capital markets in 2009. Governments from many countries initiated policies to support the financial markets and stimulate their economies. The equity market gains resulted from a rise in investor confidence based upon tentative signs of economic recovery.

In 2008, the fair value of investments decreased $1,753.9 million, or 32% compared to 2007. This decrease in ACERA's investments was mostly attributed to the unprecedented 2008 global credit and capital market crisis which led to a severe recession. The market was negatively impacted by the global financial crisis, decline in consumer confidence to historic lows, record high home foreclosures, and a steep rise in the unemployment rate.

Capital Assets, Net

Capital assets include equipment, furniture, information systems, leasehold improvements, and construction-in-progress. The net increase in capital assets in 2009 was minimal. The $0.8 million of 2009 additions to capital assets were primarily the Electronic Document Management System (EDMS) project. The EDMS project is expected to cost an additional $3.6 million in 2010.

ACERA's capital assets (net of accumulated depreciation and amortization) increased from $2.0 million in 2007 to $3.0 million in 2008. This net increase was primarily due to $1.6 million of leasehold improvements, less $0.9 million of depreciation and amortization.

Table 2: Changes In ACERA's Net Assets (Condensed)

For the Years Ended December 31, 2009 and 2008 (Dollars in Millions)	2009	2008	Increase (Decrease) Amount	Percent Change
ADDITIONS				
Member Contributions	$ 77.3	$ 75.6	$ 1.7	2%
Employer Contributions	132.2	129.7	2.5	2%
Net Income (Loss) from Investment Activities	963.6	(1,685.2)	2,648.8	157%
Miscellaneous Income	2.3	0.5	1.8	360%
Transfer to Employers' Advance Reserve from SRBR for Employer Contributions to 401(h) Account	27.9	28.5	(0.6)	–2%
Transfer to Employers' Advance Reserve from SRBR for Implicit Subsidy	4.1	3.1	1.0	32%
Total Additions (Declines)	**1,207.4**	**(1,447.8)**	**2,655.2**	**183%**
DEDUCTIONS				
Retirement Benefit Payments	256.7	242.9	13.8	6%
Postemployment Medical Benefits	27.8	26.7	1.1	4%
Member Refunds	7.7	6.5	1.2	18%
Administration	12.3	13.3	(1.0)	–8%
Transfer from SRBR to Employers' Advance Reserve for Employer Contributions to 401(h) Account	27.9	28.5	(0.6)	–2%
Transfer from SRBR to Employers' Advance Reserve for Implicit Subsidy	4.1	3.1	1.0	32%
Total Deductions	**336.5**	**321.0**	**15.5**	**5%**
Net Increase (Decrease)	**870.9**	**(1,768.8)**	**2,639.7**	**149%**
Beginning Net Assets Held in Trust for Benefits	**3,806.0**	**5,574.8**	**(1,768.8)**	**–32%**
Ending Net Assets Held in Trust for Benefits	**$ 4,676.9**	**$ 3,806.0**	**$ 870.9**	**23%**

For the Years Ended December 31, 2008 and 2007 (Dollars in Millions)	2008	2007	Increase (Decrease) Amount	Percent Change
ADDITIONS				
Member Contributions	$ 75.6	$ 72.4	$ 3.2	4%
Employer Contributions	129.7	130.0	(0.3)	0%
Net Income (Loss) from Investment Activities	(1,685.2)	430.9	(2,116.1)	–491%
Miscellaneous Income	0.5	0.9	(0.4)	–44%
Transfer to Employers' Advance Reserve from SRBR for Employer Contributions to 401(h) Account	28.5	27.3	1.2	4%
Transfer to Employers' Advance Reserve from SRBR for Implicit Subsidy	3.1	-	3.1	-
Total Additions (Declines)	**(1,447.8)**	**661.5**	**(2,109.3)**	**–319%**
DEDUCTIONS				
Retirement Benefit Payments	242.9	224.8	18.1	8%
Postemployment Medical Benefits	26.7	24.7	2.0	8%
Member Refunds	6.5	7.8	(1.3)	–17%
Administration	13.3	12.2	1.1	9%
Transfer from SRBR to Employers' Advance Reserve for Employer Contributions to 401(h) Account	28.5	27.3	1.2	4%
Transfer from SRBR to Employers' Advance Reserve for Implicit Subsidy	3.1	-	3.1	-
Total Deductions	**321.0**	**296.8**	**24.2**	**8%**
Net Increase (Decrease)	**(1,768.8)**	**364.7**	**(2,133.5)**	**–585%**
Beginning Net Assets Held in Trust for Benefits	**5,574.8**	**5,210.1**	**364.7**	**7%**
Ending Net Assets Held in Trust for Benefits	**$ 3,806.0**	**$ 5,574.8**	**$ (1,768.8)**	**–32%**

Current Liabilities

The components of current liabilities are detailed on the Statements of ACERA's Net Assets on page 27. Current liabilities increased from $489.0 million in 2008 to $606.3 million in 2009. This $117.3 million increase was primarily due to the $116.0 million increase in securities lending cash collateral. All other current liabilities increased by net $1.3 million, due to the timing of cash disbursements for investment-related payables, unsettled trades of investments purchased, member benefits and refunds payable, and accrued administration expenses.

Current liabilities decreased from $878.0 million in 2007 to $489.0 million in 2008. This $389.0 million decrease was mostly due to a decrease of $282.2 million in securities lending cash collateral and a decrease of $103.8 million in investment related payables.

ANALYSIS OF RESULTS OF OPERATIONS

Changes in ACERA's Net Assets consist of total additions less total deductions. Table 2 on page 22 shows condensed information about this financial activity. ACERA's Net Assets increased by $870.9 million in 2009. The increase was largely due to the favorable net investment income earned during 2009. ACERA's Net Assets decreased by $1,768.8 million in 2008, mainly due to net investment losses during the year.

Additions to ACERA's Net Assets

The primary funding sources for ACERA's member benefits are member contributions, employer contributions, and net investment income. This report includes ACERA's Pension Plan, Postemployment Medical Benefits, and Non-OPEB Benefits. Additions to and deductions from ACERA's Net Assets both include transfers to the Employers' Advance Reserve from the SRBR.

Total additions (declines) in ACERA's Net Assets for the years ended December 31, 2009 and 2008 were $1,207.4 million and ($1,447.8) million, respectively. For 2009, total additions increased $2,655.2 million compared to the prior year. This was primarily due to an increase in net investment income of $2,648.8 million compared to the prior year. See the Net Investment Income (Loss) section for a discussion of this increase.

The December 31, 2008 actuarial valuation report recommended contribution rates which were approved by the Board of Retirement and became effective September 2009. Average member contribution rates remained flat, while the aggregate employer rate increased by almost 2% of pay, mainly due to investment losses during 2008. For 2008, overall additions to ACERA's Net Assets compared to prior year additions decreased by $2,109.3 million, which was mainly due to a decrease of $2,116.1 million in net investment income.

Member Contributions

Total member contributions for 2009 were $77.3 million, up $1.7 million from 2008. This increase was mainly due to a 2.9% increase in pensionable wages. Total member contributions for 2008 were $75.6 million, up $3.2 million over 2007. This increase was mainly due to an increase in pensionable wages and a slight increase in contribution rates. The average member contribution rates were lower for the first nine months of 2008. Effective September 2008, the actuarially determined contribution rates modestly increased due to a change in membership demographics.

Employer Contributions

Total employer contributions for 2009 of $132.2 million were $2.5 million higher than 2008 due to a 2.9% increase in pensionable wages, and the higher aggregate employer rate. Total employer contributions for 2008 were $129.7 million, a slight decrease of $0.3 million from the prior year, largely as a result of a decrease in the average employer contribution rate, partially offset by an increase in pensionable wages.

Net Investment Income (Loss)

Net investment income was $963.6 million for 2009 compared to a net investment loss of ($1,685.2) million for 2008. Net investment income reflected ACERA's gross investment return of 26.6% in 2009 compared to a 30.3% gross investment loss in 2008. The 2009 investment return was 1.6 percentage points above ACERA's policy index return of 25.0% and well above the average large public pension fund return of 19.5%. It also exceeded ACERA's current 8.0% actuarial rate of return expectation. Net investment income (loss) is net of investment related expenses. These expenses are reported on the Statements of Changes in ACERA's Net Assets on page 28. Investment expenses of $22.5 million for 2009 were down $0.9 million or 4% compared to 2008 because ACERA negotiated a reduction in investment managers' fees. Securities lending activity expenses of $2.5 million for 2009 were down $13.3 million or 84% compared to 2008, because of the 68% drop in securities lending income. In 2008, the credit crisis led to volatility of the capital markets. This resulted in credit spreads widening at unprecedented levels due to several rate cuts in 2008 and a resulting lower of borrower's rebates, thereby enhancing securities lending income for ACERA in 2008. The Investment Section of this report describes investment results and comparatives in greater detail.

For 2008, the net investment loss of $1,685.2 million was a decline of $2,116.1 million compared to 2007. The investment loss reflected ACERA's total gross investment loss of 30.3% in 2008 compared to an 8.8% gross investment return in 2007.

Miscellaneous Income

Miscellaneous income primarily consists of class action litigation settlements and was $2.3 million in 2009 compared to $0.5 million for the prior year. The increase resulted principally from increased class action settlements during the year 2009. Miscellaneous income was $0.5 million in 2008, compared to $0.9 million for 2007.

Transfers to Pension Plan from SRBR

Postemployment Medical Benefits are paid from the 401(h) account. The Participating Employers identify a portion of their contributions as 401(h) contributions. For the years 2009 and 2008, the employers funded $27.9 million and $28.5 million, respectively, as 401(h) contributions. The $0.6 million year-to-year decrease was caused by excess contributions in 2008 adjusted in 2009. See 401(h) Postemployment Medical Benefits Account on page 38. Transfers of $4.1 million and $3.1 million for the years 2009 and 2008, respectively, were made to the Employers' Advance Reserve from the SRBR to compensate the County for the implicit subsidy. The 2009 transfer was for the Alameda County 2008 implicit subsidy. This implicit subsidy amount increased due to the increase in medical insurance premiums. See Note 6 to the Basic Financial Statements on page 42.

Deductions from ACERA's Net Assets

The five main categories of deductions from ACERA's Net Assets are retirement benefits, Postemployment Medical Benefits, Non-OPEB Benefits, member refunds, and the expense of administering the system.

Total deductions from ACERA's Net Assets for 2009 were $336.5 million, an increase of $15.5 million or 5% over the prior year. Most of this increase was a result of a $13.8 million or 6% increase in retirement benefit payments. Overall deductions from ACERA's Net Assets for 2008 totaled $321.0 million, an increase of $24.2 million or 8% over the prior year. Most of this increase was a result of the 8% increase in retirement benefit payments.

Retirement Benefits Payments

Retirement benefit payments in 2009 were $256.7 million, a $13.8 million or 6% increase over the prior year. Retirement benefits include service retirement allowances, disability allowances, death payments, and supplemental cost-of-living adjustments. The growth in benefit payments was due to a 2% net increase in the number of retirees during the year and a 6.6% increase in the average retirement allowance. This increase was caused by 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.

Retirement benefit payments in 2008 were $242.9 million, an $18.1 million or 8% increase over the prior year. The growth in retirement benefit payments in 2008 was for the same reasons as the growth in 2009.

Postemployment Medical Benefits

Postemployment Medical Benefits paid from the 401(h) account for 2009 were $27.8 million, up $1.1 million or 4% over the prior year. This increase was largely due to the 2% net increase in the number of retirees receiving these benefits and a 5% increase in the maximum monthly medical allowance from $478 in 2008 to $500 in 2009. Postemployment Medical Benefits paid from the 401(h) account for 2008 was $26.7 million, up $2.0 million or 8% over the prior year. This increase was largely due to the higher number of retirees receiving these benefits and a 5% increase in the maximum monthly medical allowance from $455 in 2007 to $478 in 2008.

Member Refunds

Member refunds arise from either member separation from service (termination) or active member death. Member refunds were $7.7 million in 2009, $1.2 million or 18% more than 2008. In 2009, the average active member death benefit was 19% more than 2008. The average termination refund amount was 24% more in 2009 compared to 2008. Member refunds were $6.5 million in 2008, $1.3 million or 17% less than 2007. In 2008, ACERA had fewer active member death cases compared to 2007. Termination refunds were less in 2008 compared to 2007.

Administration Expense

Administration expense covers the basic costs of operating the retirement system. These include staffing, professional service expenses, communications, software maintenance, depreciation, insurance, and other expenses. Approximately 60% of administration expense is for staffing (wages, fringe benefits, and temporary labor). Professional services expense includes the cost of member communications, audit fees, professional development, and outsourced check printing services. The annual amount of administration expense is subject to legal and budgetary restrictions. Every year the ACERA Board adopts an administration expense budget for the following year in accordance with legal spending restrictions. Note 10 to the Basic Financial Statements on page 54 describes these legal spending restrictions. ACERA's administration expense for 2009 and 2008 was in compliance with these legal and budgetary restrictions.

Administration expense was $12.3 million for 2009, a $1.0 million or 8% decrease from the prior year. This $1.0 million net decrease was mainly due to savings in professional service expenses of $0.3 million, depreciation expense of $0.3 million, legal expenses of $0.2 million, communications of $0.2 million, and other expenses of $0.3 million; partially offset by a $0.4 million increase in staffing costs. Almost all administration expenses decreased from 2008 to 2009 due to the concerted expense reduction effort in reaction to the impact of the sharp decline in the value of ACERA's Net Assets. The staffing expense increase resulted from filling vacant positions to address increased workload in various departments, increased communications to our members, and increased fringe benefit cost.

Administration expense was $13.3 million for 2008, a $1.1 million or 9% increase over the prior year, mainly due to staffing and professional service expenses. The staffing expense increase resulted primarily from filling vacant positions and the use of temporary staff to address increased workload in various departments, and increased communications to our members. Professional services expense included cost of the Electronic Data Management System (EDMS) project, member communications, and outsourced check printing services.

CURRENTLY KNOWN FACTS AND EVENTS

No facts, conditions, or decisions known to management that require disclosure have occurred subsequent to these financial statements through May 24, 2010.

FIDUCIARY RESPONSIBILITIES

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

REQUESTS FOR INFORMATION

This report is designed to provide the Board of Retirement, our membership, Participating Employers, taxpayers, investment managers, vendors, and other 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
Accounting and Operations 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.

JP Singh, CPA
Chief Financial Officer
May 24, 2010

Statements of ACERA's Net Assets

As of December 31, 2009 and 2008 (Dollars in Thousands)

	Pension Plan	Postemployment Medical Benefits	Non-OPEB Benefits	Total 2009	Total 2008
ASSETS					
Cash	$ 1,034	$ -	$ -	$ 1,034	$ 7,222
Securities Lending Cash Collateral	587,991	-	-	587,991	472,008
Receivables					
Contributions	11,236	-	-	11,236	9,789
Investment Receivables	18,103	-	-	18,103	20,509
Unsettled Trades—Investments Sold	3,731	-	-	3,731	7,112
Other Receivables	287	-	-	287	303
Total Receivables	**33,357**	-	-	**33,357**	**37,713**
Prepaid Expenses	557	-	-	557	550
Total Current Assets	**622,939**	**-**	**-**	**622,939**	**517,493**
Investments at Fair Value					
Short-Term Investments	143,861	-	-	143,861	141,437
Domestic Equities	1,110,539	-	-	1,110,539	860,197
Domestic Equity Commingled Funds	729,297	-	-	729,297	598,973
International Equities	1,174,711	-	-	1,174,711	830,215
International Equity Commingled Funds	57,129	-	-	57,129	33,960
Domestic Fixed Income	882,713	-	-	882,713	789,246
International Fixed Income	224,036	-	-	224,036	164,101
Real Estate—Separate Properties	90,802	-	-	90,802	114,887
Real Estate—Commingled Funds	162,288	-	-	162,288	238,069
Future Contracts—Equity Index	884	-	-	884	(1,672)
Equity Index Swaps	37	-	-	37	(232)
Foreign Exchange Contracts	1,424	-	-	1,424	2,639
Private Equity and Alternatives	79,358	-	-	79,358	2,660
Total Investments	**4,657,079**	**-**	**-**	**4,657,079**	**3,774,480**
Due from Pension Plan	(670,057)	596,576	73,481	-	-
Capital Assets at Cost (Net of Accumulated Depreciation and Amortization)	3,222	-	-	3,222	2,952
Total Assets	**4,613,183**	**596,576**	**73,481**	**5,283,240**	**4,294,925**
LIABILITIES					
Securities Lending Liability	587,991	-	-	587,991	472,008
Unsettled Trades—Investments Purchased	9,553	-	-	9,553	6,244
Investment-Related Payables	3,541	-	-	3,541	6,457
Accrued Administration Expenses	1,843	-	-	1,843	2,248
Members Benefits & Refunds Payable	3,424	-	-	3,424	2,015
Retirement Payroll Deductions Payable	8	-	-	8	3
Total Liabilities	**606,360**	**-**	**-**	**606,360**	**488,975**
Net Assets Held in Trust for Benefits	**$4,006,823**	**$ 596,576**	**$ 73,481**	**$4,676,880**	**$3,805,950**

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

Statements of Changes in ACERA's Net Assets

For the Years Ended December 31, 2009 and 2008 (Dollars in Thousands)

	Pension Plan	Postemployment Medical Benefits	Non-OPEB Benefits	Total 2009	Total 2008
ADDITIONS					
Contributions					
Member	$ 77,271	$ -	$ -	$ 77,271	$ 75,608
Employer	104,263	27,935	-	132,198	129,660
Total Contributions	**181,534**	**27,935**	**-**	**209,469**	**205,268**
Investment Income					
From Investment Activities:					
Net Appreciation (Depreciation) in Fair Value of Investments	852,129	-	-	852,129	(1,833,779)
Dividends, Interest, & Net Real Estate Operating Income	129,143	-	-	129,143	164,373
Total Income (Loss) from Investment Activities	981,272	-	-	981,272	(1,669,406)
Total Investment Expenses	(22,501)	-	-	(22,501)	(23,431)
Net Income (Loss) from Investment Activities	**958,771**	**-**	**-**	**958,771**	**(1,692,837)**
From Securities Lending Activities:					
Securities Lending Income	7,359	-	-	7,359	23,313
Securities Lending Expenses					
Borrower Rebates	(1,261)	-	-	(1,261)	(13,874)
Management Fees	(1,220)	-	-	(1,220)	(1,888)
Total Securities Lending Activity Expenses	(2,481)	-	-	(2,481)	(15,762)
Net Income from Securities Lending Activities	**4,878**	**-**	**-**	**4,878**	**7,551**
Earnings Allocated	(18,099)	16,102	1,997	-	-
Total Net Investment Income (Loss)	**945,550**	**16,102**	**1,997**	**963,649**	**(1,685,286)**
Miscellaneous Income	2,272	-	-	2,272	542
Transfer to Employers' Advance Reserve from SRBR for Employer Contributions to 401(h) Account	27,935	-	-	27,935	28,547
Transfer to Employers' Advance Reserve from SRBR for Implicit Subsidy	4,149	-	-	4,149	3,091
Total Additions (Decreases)	**$ 1,161,440**	**$ 44,037**	**$1,997**	**$ 1,207,474**	**$ (1,447,838)**

Statements of Changes in ACERA's Net Assets (Continued)

For the Years Ended December 31, 2009 and 2008 (Dollars in Thousands)

	Pension Plan	Postemployment Medical Benefits	Non-OPEB Benefits	Total 2009	Total 2008
DEDUCTIONS					
Benefits					
Service Retirement and Disability Benefits	$ 250,193	$ -	$ 108	$ 250,301	$ 235,899
Death Benefits	1,933	-	-	1,933	1,902
Burial Benefits	-	-	879	879	895
Supplemental Cost of Living Allowance	-	-	3,535	3,535	4,135
Postemployment Medical Benefits	-	27,839	-	27,839	26,681
Total Benefit Payments	**252,126**	**27,839**	**4,522**	**284,487**	**269,512**
Member Refunds	7,718	-	-	7,718	6,527
Administration					
Administration Expenses	9,652	-	-	9,652	10,470
Legal Expenses	2,000	-	-	2,000	2,237
Actuarial Expenses	234	-	-	234	303
Business Continuity Expenses	369	-	-	369	305
Total Administration	**12,255**	**-**	**-**	**12,255**	**13,315**
Transfer from SRBR to Employers' Advance Reserve for Employer Contributions to 401(h) Account	-	27,935	-	27,935	28,547
Transfer from SRBR to Employers' Advance Reserve for Implicit Subsidy	-	4,149	-	4,149	3,091
Total Deductions	**272,099**	**59,923**	**4,522**	**336,544**	**320,992**
Net Increase (Decrease)	**889,341**	**(15,886)**	**(2,525)**	**870,930**	**(1,768,830)**
NET ASSETS HELD IN TRUST FOR BENEFITS					
January 1	**3,117,481**	**612,464**	**76,005**	**3,805,950**	**5,574,780**
December 31	**$ 4,006,822**	**$ 596,578**	**$ 73,480**	**$ 4,676,880**	**$ 3,805,950**

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

ACERA is an independent public employee 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 the accounting principles and reporting guidelines set forth by the Governmental Accounting Standards Board (GASB).

ACERA's 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, not the settlement 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.

Implementation of New Accounting Principle

ACERA implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This Statement establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. This Statement requires most derivative instruments to be measured at fair value and reported on the statement of net assets. GASB Statement No. 53 also establishes disclosure requirements, which include summary information of derivative instruments and the government's exposure to financial risks. Implementation enhanced derivative disclosures, but did not change ACERA's accounting because derivatives were already reported at fair value on the Statements of ACERA's Net Assets.

Cash

Cash includes cash on hand, deposits with a financial institution, and deposits in a pooled account managed by the Alameda County Treasurer. The reported amounts of deposits in the pooled account are reported at the fair value. All participants in the pooled account share earnings and losses proportionately.

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 (based on market quotes). Fair value of investments in commingled funds of debt securities, equity securities, real estate, private equity, and alternatives 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 specialists relying on periodic appraisals and is reported net of the outstanding balance of associated mortgages.

Investment Income

Interest income is recognized as it accrues. Dividend income is recognized when the dividends are declared. Realized gains and losses 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 ACERA's Statements of Net Assets 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 Statements of ACERA's Net Assets 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 ACERA's Statements of Net Assets nor is there a corresponding liability reported on this statement.

Derivatives

ACERA's investments include the following types of investment derivatives: future contracts-equity index, currency forward contracts, and equity index swaps. ACERA enters into derivative contracts for investing purposes and to manage risks associated with its investment portfolio.

The fair value of derivative contracts is reported in investments on the Statements of ACERA's Net Assets.

Collateral and Margin Account

For the equity index futures, an initial margin is required to open a position and then there is 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. Capital assets with an initial cost of $3,000 or more and an estimated useful life in excess of one year are capitalized and depreciated. Depreciation and amortization are calculated using the straight-line method (for all assets except for information systems assets) over the estimated useful lives of the depreciable assets or over the term of the lease on leasehold improvements. The sum-of-the-years digits depreciation method is used for information systems assets.

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—Other	7.0
Information System—Retirement	7.0
Office Furniture	7.0
Business Continuity Assets	5.0
Computer Hardware	5.0
Offsite Office Equipment	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. Accordingly, actual results may differ from those estimates.

Reclassification

Certain financial statement items from the prior year's financial statements have been reclassified for comparative purposes. Such reclassifications had no effect on the net assets previously reported by ACERA.

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 provides Postemployment Medical Benefits and Non-OPEB Benefits.

ACERA is governed by the California Constitution, the County Employees Retirement Law of 1937 ("1937 Act") found in the California Government Code at Section 31450 et. seq., and the bylaws and policies adopted by the ACERA Board of Retirement. ACERA began operations in its present form on January 1, 1948.

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

The 1937 Act governs ACERA's plan structure and operation. The provisions of the 1937 Act 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 meets member and beneficiary obligations through member contributions, Participating Employer contributions, and investment income. Contributions are prudently invested in accordance with the 1937 Act and ACERA's investment policies to generate investment income to fund benefits and pay administration expenses.

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 retirees postemployment medical, dental care, vision care, Cost-of-Living Adjustment, and death benefit 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 funding.)

Board of Retirement

The ACERA Board of Retirement has sole and exclusive responsibility over the assets of the system and the responsibility to administer the system to assure prompt delivery of benefits and related services as provided in Article XVI of the California Constitution.

The Board 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.

Board members, with the exception of the County Treasurer, serve three-year terms in office, with no term limits. The four elected Board members are selected as follows:

- Two Board members are elected by General members of ACERA.
- One Board member is elected by Safety members of ACERA.
- One Board member is elected by retired members of ACERA.

The Board of Retirement oversees the Chief Executive Officer and staff in the performance of their duties in accordance with the 1937 Act, ACERA's by-laws, and Board policies.

Authority for Establishing and Amending Benefit Provisions

The 1937 Act provides the authority for the establishment of ACERA's benefit provisions. In most cases where the law 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 Retirees Benefit 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, Retiree Death Benefit and active death equity 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, hearing-aid coverage, Medicare Part B reimbursement, and the Monthly Medical Allowance (MMA). 401(h) benefits are funded by employer contributions. After contributions are made, in accordance with the 1937 Act, ACERA treats an equal amount of SRBR assets as employer contributions available for paying pension benefits. The provision of all supplemental benefits is subject to annual review and authorization by the Board of Retirement.

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 present 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.

Participating Employers

ACERA operates as a cost-sharing multiple-employer defined benefit plan for Alameda County (the "County"), the Superior Court of California for the County of Alameda, and five other Participating Employers (which are special districts) located in the County but not under the control of the County Board of Supervisors. All risks and costs, including benefit costs, are shared by the Participating Employers. The other Participating Employers are:

- Alameda County Medical Center
- Alameda County Office of Education
- First 5 Alameda County
- Housing Authority of the County of Alameda
- Livermore Area Recreation and Park District

Plan Membership

All full-time employees of Participating Employers who are appointed to permanent positions are statutorily required to become members of ACERA.

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, 2009 and 2008

	2009	2008
Members Now Receiving Benefits		
Service Retirement	5,472	5,352
Disability Retirement	793	786
Beneficiaries and Survivors	1,054	1,055
Subtotal	**7,319**	**7,193**
Active Members		
Active Vested Members	7,809	7,955
Active Non-vested Members	3,143	3,181
Subtotal	**10,952**	**11,136**
Deferred Members	1,850	1,819
Total Membership	**20,121**	**20,148**

Membership Status, Vesting, Refunds

Members are considered to be active members, so long as they remain employed full-time by a

Participating Employer (or subsequently change to part-time employment and elect to continue to make contributions).

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 years of credited service, final average salary, and age at retirement, according to the applicable statutory formulae. Members who qualify for service retirement are entitled to receive monthly service retirement benefits for life.

Vested General members may retire at age 50, with 10 years of qualifying service, or at any age with 30 years of qualifying service, or at age 70, regardless of service credit.

Vested Safety members may retire at age 50, with 10 years of qualifying service, or at any age, with 20 years of qualifying service, or age 70, regardless of service credit.

Death Benefits

ACERA provides specified death benefits to beneficiaries and members' survivors. The death benefits provided depend on whether the member is active or retired.

The basic active member death benefit consists of retirement contributions plus interest plus one month's pay for each full year of service (up to a 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, And Tier 3 Benefit Levels

The structure of the plan provides for three benefit tier levels within General membership and two benefit tier levels 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 belong to Tier 2. Most active ACERA members belong to Tier 2. All Alameda County Housing Authority members are in Tier 1. Relative to the more senior 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 Tier 3 plan for new employees and current employees if they elected. Tier 3 members will receive an enhanced benefit of 2.5% at 55 which is higher than the Tier 1 benefit (at most retirement ages), and as a result higher employer and employee contributions rates are required. Note 3 Contributions on page 35 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 members who are covered by Social Security. The purpose of integration is to reduce the degree to 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. Annual COLA increases are capped at 3% for Tier 1 and LARPD Tier 3, and 2% for Tier 2 members under the 1937 Act. The expected impact of future basic Cost-of-Living Adjustments 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.

There was no 2009 COLA increase granted for Tier 1, Tier 2, and Tier 3 members who retired after April 1, 2008 because the CPI for the San Francisco Bay Area did not increase for 2008.

Postemployment Medical Benefits

ACERA administers a medical benefits program for eligible retired members. Benefits include monthly medical allowances and Medicare Part B premium reimbursements. However, all retirees are entitled to dental and vision coverage. The benefits are paid by Participating Employers through a 401(h) account, in accordance with federal tax laws. The maximum levels of the monthly medical allowance are reviewed by the Board of Retirement annually.

Program Membership

Retired members with a minimum of ten years of service or those who retire due to duty disability are eligible to receive a monthly medical allowance benefit if they enroll in one of the ACERA-sponsored medical plans. Retired members eligible for the monthly medical allowance benefit may also be reimbursed for the Medicare Part B premium with proof of enrollment in Medicare Part B. All retired members are eligible to receive dental and vision benefits.

Non-OPEB Benefits

ACERA also provides other non-health Postemployment benefits. Benefits include supplemental COLA, retired member death benefit, and active death equity benefit.

Separately from the Basic Cost-of-Living Adjustment, 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.

The retired member death benefit is a one-time $4,250 lump sum death benefit payable to the beneficiary of a retiree. This benefit is only paid upon the death of a retiree; it is not paid upon the death of a beneficiary.

The active death equity benefit is available to an eligible beneficiary of an active member with five or more years of service. ACERA will fund the difference between the member's vested surviving spouse/domestic partner annuity benefit and a 100% surviving spouse/domestic partner annuity benefit.

Program Membership

All retired members are eligible to receive the supplemental COLA once they fall under 85% of the original benefit and their beneficiaries will receive the retired member death benefit.

Actuarial Valuation

An actuarial valuation is normally performed annually for the Pension Plan. In addition, there is a separate actuarial valuation conducted annually for Postemployment Medical Benefits and Non-OPEB Benefits. Note 5 Actuarial Valuation starting on page 39 provides more information about this.

3. CONTRIBUTIONS

Pension Plan

Authority for Establishing and Amending Obligations to Make Contributions

The 1937 Act establishes the basic obligations for Participating Employers and active members to make contributions 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 (Tier 1, Tier 2, and Tier 3). The Pension Plan under the 1937 Act has no legal or contractual maximum contribution rates.

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 investments held by the plan.

Member Contributions

Active members are required by statute to contribute toward Pension Plan benefits. The member contribution rates are formulated on the basis of age at the date of entry and actuarially calculated benefits. Three sections of the 1937 Act authorize 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, unless they were employer paid contribution offsets not in lieu of wages. Note 4 Reserves on page 37 explains semi-annual interest crediting.

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 level of benefits established, 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 member contribution rates based on age-at-date-of-entry are shown below (effective September 2009). Generally, each pair of percentages ranges from youngest to oldest age-at-date-of-entry within the category.

Current Member Contribution Rates
Effective September 2009

Tier 1: (entry date prior to July 1, 1983)	
General	9.10%–14.00%
Safety	17.30%–20.74%
Tier 2: (entry date July 1, 1983 or later)	
General	6.16%–10.19%
Safety	14.09%–17.72%
Tier 3: (LARPD only)	
General	10.72%–14.92%

For 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).

Supplemental Retirees Benefit Reserve (SRBR)

The funding for SRBR is limited to the interest credited at the actuarial assumed interest rate to the extent that earnings are available. In addition, the SRBR receives 50% of earnings in excess of the actuarial assumed interest rate ("Excess Earnings"). In accordance with Article 5.5 of the 1937 Act, ACERA semi-annually credits 50% of the balance of Excess Earnings to the SRBR and the other 50% is proportionally credited to all other reserves (except for the Contingency Reserve and the Market Stabilization Reserve).

Postemployment Medical Benefits

In accordance with federal tax law, Postemployment Medical Benefits 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 employers to fund the 401(h) account. 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.

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 County Medical Center, 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. These 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. These Employers received pension obligation bond credits of approximately $40 million and $39 million in the years ended December 31, 2009 and 2008, respectively.

4. RESERVES

Reserves represent components of ACERA's Net Assets. This means that the annual change in ACERA's reserves matches the annual change in ACERA's Net Assets.

Actuarial Smoothing

Net investment income reported on the Statements of Changes in ACERA's Net Assets affects the reserves indirectly through an actuarial "smoothing" process approved by the Board of Retirement. This process is intended to minimize the impact of short-term investment gains or losses. This process is conducted semi-annually with calculation periods ending June 30 and December 31. It involves spreading the difference between actual and expected market return 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 above. To the extent that net earnings are available, interest is credited to specified components of reserves in a prescribed sequence after crediting the Contingency Reserve as described on page 39. Interest credited is based upon the actuarial assumed interest rate (or at the actual rate if lower). This is defined as "Regular Earnings." If there are Excess Earnings remaining, 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).

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. At the time of the member's retirement, ACERA makes a one-time transfer of the associated contributions plus credited interest from these two components of reserves to the Retired Member Reserve.

Components of Reserves

The December 31, 2009 and 2008 balances of reserve components are noted in the table on page 38.

The Member Reserve represents the total accumulated member contributions of current active and inactive (deferred) members. Additions include member contributions and credited interest; deductions include refunds of member contributions along with credited interest and transfers to Retired Member Reserve made when the 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 Retired Member Reserve made when each member retires. A terminating member electing to receive a refund of member contributions does not affect the balance of the Employers' Advance Reserve. This is because employer contribution rates are based on an actuarial assumption that takes into account the expected rate of member terminations.

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, the Employers' Advance Reserve (both made at the time each member retires), and credited interest, reduced by payments to retired members, beneficiaries, and survivors.

The Supplemental Retirees Benefit 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 Excess Earnings to provide supplemental benefits to retirees. Effective December 31, 2006, the Board of Retirement approved an allocation from the SRBR and other reserves to Postemployment Medical Benefits and Non-OPEB Benefits. The Board of Retirement decides on an annual basis what member benefits to pay from the SRBR. The Reserves table below shows the amounts of the SRBR currently available to pay for non-vested benefits. 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) contribution 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 the extent of the employers' implicit subsidy for Postemployment Medical Benefits. See page 42 for a description of the employer implicit subsidy. Benefits currently covered by the SRBR are described in the following two paragraphs.

The 401(h) Postemployment Medical Benefits Account is used to pay the monthly medical allowance, Medicare Part B reimbursement, dental, vision, and hearing-aid coverage. This account is

Reserves

As of December 31, 2009 and 2008 (Dollars in Thousands)

2009	Pension	Postemployment Medical Benefits	Non-OPEB Benefits	Total
Member Reserve	$ 1,136,745	$ -	$ -	$ 1,136,745
Employers' Advance Reserve	452,834	-	-	452,834
Retired Member Reserve	3,194,134	-	-	3,194,134
SRBR Allocation	-	591,376	67,327	658,703
401(h) Account	-	5,200	-	5,200
Basic Death (Burial) Benefit	-	-	6,154	6,154
Total Reserves	**4,783,713**	**596,576**	**73,481**	**5,453,770**
UNDERFUNDED RESERVE ACCOUNTS				
Contingency Reserve Account	-	-	-	-
Market Stabilization Reserve Account	(776,890)	-	-	(776,890)
Total Reserves and Underfunded Accounts	**$ 4,006,823**	**$ 596,576**	**$ 73,481**	**$ 4,676,880**

2008	Pension	Postemployment Medical Benefits	Non-OPEB Benefits	Total
Member Reserve	$ 1,119,704	$ -	$ -	$ 1,119,704
Employers' Advance Reserve	432,011	-	-	432,011
Retired Member Reserve	3,152,316	-	-	3,152,316
SRBR Allocation	-	607,502	69,882	677,384
401(h) Account	-	4,962	-	4,962
Basic Death (Burial) Benefit	-	-	6,123	6,123
Total Reserves	**4,704,031**	**612,464**	**76,005**	**5,392,500**
UNDERFUNDED RESERVE ACCOUNTS				
Contingency Reserve Account	(825,360)	-	-	(825,360)
Market Stabilization Reserve Account	(761,190)	-	-	(761,190)
Total Reserves and Underfunded Accounts	**$ 3,117,481**	**$ 612,464**	**$ 76,005**	**$ 3,805,950**

set up under the provisions of Internal Revenue Code section 401(h), which provides for payment of benefits on a tax-free basis. Participating Employers decide each year whether to contribute the funds needed and identify them as 401(h) account contributions. For the years ended December 31, 2009 and 2008, the employers funded $27.9 million and $28.5 million, respectively, of 401(h) contributions.

The Non-OPEB Benefits Reserve is used to pay for supplemental COLA, active death equity benefits, and Death (Burial) Benefits. $3.5 million and $4.1 million were paid from the Non-OPEB Benefits Reserve for supplemental COLA for the years ended December 31, 2009 and 2008, respectively. $1.0 million and $1.4 million in Basic Death (Burial) Benefits and active death equity benefits were paid for deceased members for the years ended December 31, 2009 and 2008, respectively. The reserve is increased through regular and Excess Earnings.

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. 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. The Board set the contingency reserve to be a minimum of 1.4% as of June 30, 2009. The reserve is accumulated from Regular Earnings before crediting other reserves as described on page 37 under Semi-annual Interest Crediting.

The Market Stabilization Reserve represents the deferred balance of investment earnings not yet credited to other reserves. This balance arises from the five-year Actuarial Smoothing process for investment earnings described on page 37. The market stabilization reserve 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 2009 and 2008

ACERA's allocations of earnings and losses to reserves were earnings of $953.7 million and losses of $1,698.1 million for the years ended December 31, 2009 and 2008, respectively. $64.2 million of earnings and $889.9 million of losses were allocated to the Contingency Reserve for the years ended December 31, 2009 and 2008, respectively. In addition, $761.2 million of earnings were allocated to the contingency reserve and $761.2 million of losses were allocated to the market stabilization reserve in 2009 as a result of changing the market stabilization reserve actuarial value corridor policy from an upper limit of 120% to 140%. The Market Stabilization Reserve increased by $745.5 million for 2009 and decreased by $1,018.3 million for 2008 as a result of applying the actuarial five-year smoothing process and the actuarial value corridor limits.

5. ACTUARIAL VALUATION

ACERA retains an independent actuarial firm to conduct actuarial valuations of the Pension Plan, Postemployment Medical Benefits and Non-OPEB Benefits to monitor ACERA's funding status and funding integrity.

Pension Plan

The purpose of the valuations is to reassess the magnitude of ACERA's benefit commitments in comparison with the assets expected to be available to support those commitments. Consequently employer and member contribution rates can be adjusted accordingly. For the Pension Plan, the actuarial assumptions have been selected in order 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 today to provide benefits in the future, and to maintain equity among generations of participants and taxpayers.

Contribution requirements are determined under the entry age normal actuarial cost method. This method is designed to collect contributions as a level percentage of pay. Any gains or losses that occur under this method are amortized as a level

The funded status and funding progress of the Pension Plan, Postemployment Medical Benefits, and Non-OPEB Benefits as of December 31, 2008, the most recent actuarial valuation date, are as follows:

Funded Status and Funding Progress—Pension Plan

(Dollar Amounts in Thousands)

Actuarial Value of Assets[1] (a)	Actuarial Accrued Liability (AAL) [2] (b)	Unfunded AAL (UAAL) (b–a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b–a) /c
$4,644,010[3]	$5,537,919	$ 893,909	83.9	$ 864,260	103.4

[1] Excludes assets for SRBR and other non-valuation reserves.

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

[3] Includes $4,149,463 transferred from the SRBR to the employers' advance reserve to compensate the County for the 2008 implicit subsidy.

Funded Status and Funding Progress—Postemployment Medical Benefits Without Limit[2]

(Dollar Amounts in Thousands)

Actuarial Value of Assets[1] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b–a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b–a) /c
$ 608,314	$ 703,320	$ 95,006	86.5	$ 864,260	11.0

[1] SRBR assets that may be treated as employer contributions to the extent that Participating Employers make contributions to the 401(h) account. ACERA has no authority to require future funding from Participating Employers to the 401(h) account.

[2] Postemployment Medical Benefits are paid from the 401(h) account. The funded status for the Postemployment Medical Benefits does not incorporate the potential effect of legal or contractual funding limitations. Please refer to Required Supplementary Information for limitations imposed under Article 5.5 of the County Employees Retirement Law of 1937.

Funded Status and Funding Progress—Non-OPEB Benefits Without Limit[2]

(Dollar Amounts in Thousands)

Actuarial Value of Assets[1] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b–a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b–a) /c
$ 76,005	$ 202,534	$ 126,529	37.5	$ 864,260	14.6

[1] Portion of SRBR assets allocated to Non-OPEB Benefits for non-vested Supplemental COLA and death benefits.

[2] The funded status for the Non-OPEB Benefits does not incorporate the potential effect of legal or contractual funding limitations. Please refer to Required Supplementary Information for limitations imposed under Article 5.5 of the County Employees Retirement Law of 1937.

percentage of pay. To minimize the impact of short-term investment gains or losses, the Board of Retirement adopted a smoothing process described on page 37 under Actuarial Smoothing. The December 31, 2008 actuarial valuation determined that the Pension Plan was 83.9% funded using GASB guidelines.

The information for the funded status of the Pension Plan, which includes the actuarial value of assets, the actuarial accrued liability, the unfunded actuarial accrued liability, the funded ratio, the annual covered payroll, and the ratio of unfunded actuarial accrued liability to annual covered payroll are all presented on Funded Status and Funding Progress—Pension Plan table on page 40. There are no legal or contractual maximum contribution rates under the 1937 Act that would affect the projection of benefits for financial reporting purposes.

Postemployment Medical Benefits and Non-OPEB 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 86.5% funded assuming a substantive plan that will continue in perpetuity. This is the GASB 43 "funded ratio." As of December 31, 2008, the Non-OPEB Benefit was 37.5% funded. The Postemployment Medical Benefits and Non-OPEB Benefits "funded status" consist of the actuarial value of assets, the actuarial accrued liability, the unfunded actuarial accrued liability, the funded ratio, the annual covered payroll, and the ratio of unfunded actuarial accrued liability to annual covered payroll. The funding progress as of the most recent actuarial valuation date for the Postemployment Medical Benefits and Non-OPEB Benefits is presented in two separate tables on page 40.

Under current actuarial assumptions, it is anticipated that available SRBR assets will be sufficient to sustain paying Postemployment Medical Benefits, Supplemental COLA, and death benefits program through year 2028.

Actuarial Methods and Assumptions

The status and funding progress for Pension Plan, Postemployment Medical Benefits, and Non-OPEB Benefits are based on the following actuarial methods and assumptions.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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	Postemployment Medical Benefits	Non-OPEB Benefits
Valuation Date	12/31/08		
Actuarial Cost Method	Entry Age Normal		
Amortization of UAAL	Closed period 30 years (decreasing)		
Remaining Amortization Period	24 years	27 years	27 years
Assets Valuation Method	Difference between actual and expected market return smoothed over ten 6-months periods		
Actuarial Assumptions	Interest Rate: 8.00% Inflation Rate: 3.75% Across-the-Board Salary Increases: 0.25% Salary Increases: General 4.7% – 8.0% Safety 5.3% – 9.1% Demographic: refer to page 88		
Healthcare Cost Trend Rates Monthly Medical Allowance (MMA)		Graded down from 9% by 0.5% per annum until ultimate rate of 5%	
Dental and Vision		5%	
Medicare Part B		5%	
Postemployment Benefit Increases	For Tier 1 and 3 Members: 3.00% For Tier 2 Members: 2.00%	Dental, vision, and Medicare Part B subsidies are assumed to increase at 100% of the healthcare cost trend rates for these benefits. MMA subsidies are assumed to increase at 50% of the healthcare cost trend rates for the MMA benefit.	Supplemental COLA 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), subject to other limitations.

The required schedules of funding progress on pages 56 to 58 present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits over time. The calculation of the unfunded actuarial accrued liabilities each year is based on the benefits provided under the terms of the respective plan in effect at the time of each valuation and on the pattern of cost sharing between the employer and plan members up to that date.

6. POSTEMPLOYMENT MEDICAL BENEFITS

ACERA administers a medical benefits program for retired members and their eligible dependents. 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 not yet medicare-eligible to purchase medical care 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 rates for the year 2008 was $4.1 million. SRBR assets in this amount were treated as pension contributions in 2009 upon the Board’s approval to compensate the County for the implicit subsidy. The implicit subsidy amount for 2009 has not yet been determined. Approximately 77.4% and 77.9% of ACERA’s retirees purchased medical coverage as of December 31, 2009 and 2008, respectively. Approximately 99.9% of retirees enrolled in vision and dental through this program as of December 31, 2009 and 2008.

For several years, ACERA’s retirees have been eligible to receive a subsidy for medical premiums funded by the Participating Employer’s 401(h) account contributions. This subsidy takes the form of a monthly medical allowance. The allowance is subject to annual reauthorization by the Board of Retirement.

The actual amount of the allowance for each retiree depends on the retiree’s number of years of service. The subsidy ranges from 50% for retirees with 10+ years of service to 100% for retirees with 20+ years of service. Disability retirees are also eligible for the medical benefits program; the amount of their subsidy depends on the type of disability retirement (service connected or non-service connected).

Postemployment Medical Benefits Paid by the 401(h) Account

For the Years Ended December 31, 2009 and 2008
(Dollars in Thousands)

	2009	2008
Medical Premium Account Balance	$ 5,200	$ 4,962
Health Insurance Subsidies Paid	$ 27,839	$ 26,682
Number of Subsidized Retirees		
Medical	4,847	4,786
Medicare Part B	2,973	2,823
Dental and Vision	6,261	6,132

The program may be amended, revised or discontinued at any time.

7. 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 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.

Moreover, the 1937 Act 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."

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).

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.

ACERA also participates in the Alameda County Treasurer's investment pool. The pool invests in Local Agency Investment Funds (LAIF), banker's acceptances, collateralized time deposits, negotiable certificates of deposits, commercial paper, corporate notes and bonds, money market funds, federal agency notes and bonds, federal agency discount notes, and U.S. treasury notes.

Investments

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

As of December 31, 2009, eleven external investment managers managed securities portfolios, seven investment managers were used for real estate investments, and nine investment managers were used for private equity and alternative 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,

Investment Derivatives

For the Years Ended and as of December 31, 2009 and 2008 (Dollars in Thousands)

	2009		2008	2009/2008
Derivative Type	**Notional Value**	**Fair Value[1]**	**Fair Value[1]**	**Change in Fair Value[2]**
Currency Forward Contracts	$ 55,576	$ 1,428	$ 2,635	$ (1,207)
Future Contracts—Equity Index	38,516	884	(1,672)	2,556
Equity Index Swaps	8,523	37	(232)	269
Total	**$ 102,615**	**$ 2,349**	**$ 731**	**$ 1,618**

	2008		2007	2008/2007
Derivative Type	**Notional Value**	**Fair Value[1]**	**Fair Value[1]**	**Change in Fair Value[2]**
Currency Forward Contracts	$ 76,008	$ 2,635	$ 3,461	$ (826)
Future Contracts—Equity Index	8,699	(1,672)	(318)	(1,354)
Equity Index Swaps	16,394	(232)	(52)	(180)
Total	**$ 101,101**	**$ 731**	**$ 3,091**	**$ (2,360)**

[1] All investment derivatives are reported as Investments at Fair Value on the Statements of ACERA's Net Assets. Currency forward contracts are reported in Foreign Exchange Contracts, which also includes spot contracts that are not derivatives.

[2] All changes in fair value are reported as Net Appreciation (Depreciation) in Fair Value of Investments on the Statements of Changes in ACERA's Net Assets.

banker's 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 securities lending agent. They are regulated by the Federal Reserve, 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.

Derivatives

The Investment Derivatives schedule on page 43 reports the fair value balances, changes in fair value, and notional amounts of derivatives outstanding as of and for the years ended December 31, 2009 and 2008, classified by type. For financial reporting purposes, all ACERA derivatives are classified as investment derivatives.

The fair values of currency forward contracts are determined using a proprietary pricing service, which uses published foreign exchange rates as the primary source. The fair values of equity index swaps are determined by ACERA's investment managers based on quoted market prices of the instruments.

Securities Lending Activity

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 years ended December 31, 2009 and 2008, on behalf of ACERA, the securities lending agent lent ACERA's securities (government bonds, corporate stocks, corporate bonds, and international equities and 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 does 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 statements of ACERA's Net Assets).

Borrowers are 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 market value of the loaned securities; and
- 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 market value of the loaned securities.

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

ACERA did not impose any restrictions for the years ended December 31, 2009 and 2008 on the amount of the loans that the securities lending agent made on its behalf. In the event the borrower fails to return the loaned securities, the securities lending agent indemnifies ACERA by agreeing to purchase replacement securities. If the collateral is inadequate to replace the securities lent, the securities lending agent will supplement the amount of cash collateral. If the borrower fails 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 years ended December 31, 2009 and 2008 resulting from a default of the borrowers or the securities lending agent.

For the years ended December 31, 2009 and 2008, 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. The pooled investments included asset-backed securities, bank notes, certificates of deposit, commercial paper, repurchase agreements, and time deposits. As of December 31, 2009 and 2008, this investment pool had an average duration of 39 and 36 days, and an average weighted maturity of 212 and 470 days, respectively. Because the loans were terminable upon notice, their duration did not generally match the duration of the investments made with cash collateral. For the years ended December 31, 2009 and 2008, 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, 2009 and 2008, ACERA had securities on loan with a total fair value of $579.8 million and $461.8 million, respectively. ACERA received cash collateral held against the loaned securities of $588.0 million and $472.0 million, respectively. ACERA does not record the unrealized gain or loss resulting from changes in the market value of investments made with cash collateral, as the securities lending agent redeems the collateral investments at par value when the loaned securities are returned to ACERA. The recent credit crisis adversely impacted the value of these investments, resulting in unrecorded, unrealized losses of $9.3 million and $36.3 million as of December 31 2009 and 2008, respectively.

Deposit, Investment and Derivative Risks

GASB Statements No. 40 and 53 requires the disclosure of specific risks that apply to ACERA's deposits, investments and derivatives. They identify the following risks:

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

Investment Policies

GASB Statement No. 40 also 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 Statements No. 40 and 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. dollar equity portfolios differ from those for the non-U.S. dollar 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 of credit ratings for a certain fair value percentage of the portfolio meet a minimum requirement.

Each 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, 2009, cash held with a financial institution in a pooled money market fund amounted to $0.4 million, of which $0.3 million is uninsured and uncollateralized. As of December 31, 2008, cash held with a financial institution totaled $1.2 million, of which $1.0 million was uninsured and uncollateralized. The cash held in the Alameda County Treasurer's investment pool was $0.5 million and $5.9 million as of December 31, 2009 and 2008, respectively. These deposits are uninsured and uncollateralized, and 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 subcustodians. The custodial requirement does not apply to real estate investments, investments in commingled pools, and private equity and alternative investments. As of December 31, 2009 and 2008, ACERA had no investments that were exposed to custodial credit risk

Custodial Credit Risk—Derivatives

ACERA's investments include collateral associated with derivatives activity. As of December 31, 2009 and 2008, collateral for derivatives were $12.8 million and $15.1 million, respectively. The collateral margins are maintained in margin accounts at financial services firms that provide brokerage services. Each account is 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 all government and agency securities). As of December 31, 2009 and 2008, ACERA had no investments in a single issuer that equaled or exceeded 5% of ACERA's Net Assets.

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:

- Medium-Grade Fixed Income: A minimum of 51% of the market value of the portfolio must be rated BBB- or higher by Standard & Poor's (S&P) or Baa3 or higher by Moody's Investor Services (Moody's).
- Enhanced Index Fixed Income: Investments must be rated Baa/BBB or better by Moody's/S&P at time of purchase.
- Global Fixed Income: The average credit quality of the portfolio shall be grade "A" or better based on Moody's and/or S&P. Individual securities shall be of investment-grade quality, i.e., Baa3/BBB- and above.

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 47 discloses credit ratings of ACERA's debt investments by type and for each external investment pool, as of December 31, 2009 and 2008.

Credit Risk Analysis

As of December 31, 2009 (Dollars in Thousands)

Debt Investments By Type	Total	Adjusted Moody's Credit Rating[1] Aaa	Aa	A	Baa	Ba	B	Caa	Ca and Below	Not Rated
Collateralized Mortgage Obligations	$ 165,181	$ 65,817	$ 8,825	$ 22,969	$ 11,763	$ 1,866	$ 28,718	$ 25,223	$ -	$ -
Convertible Bonds	15,346	-	-	3,157	85	441	3,889	5,587	-	2,187
Corporate Bonds	486,148	9,160	29,626	86,683	198,853	65,299	68,079	18,849	5,139	4,460
Federal Home Loan Mortgage Corp.	23,755	23,755	-	-	-	-	-	-	-	-
Federal National Mortgage Assn.	128,688	128,688	-	-	-	-	-	-	-	-
Government Issues	237,709	163,453	8,618	30,976	26,552	8,110	-	-	-	-
Government National Mortgage Assn. I, II	6,280	6,280	-	-	-	-	-	-	-	-
Other Asset-Backed Securities	43,641	9,589	2,523	5,215	1,005	4,790	3,313	9,368	4,082	3,756
Subtotal Debt Investments	**1,106,748**	**406,742**	**49,592**	**149,000**	**238,258**	**80,506**	**103,999**	**59,027**	**9,221**	**10,403**
External Investment Pools of Debt Securities										
Securities Lending Cash Collateral Fund	587,991	-	-	-	-	-	-	-	-	587,991
Master Custodian Short-term Investment Fund	100,764	-	-	-	-	-	-	-	-	100,764
Subtotal External Investment Pools	**688,755**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**688,755**
Total	**$1,795,503**	**$406,742**	**$49,592**	**$149,000**	**$238,258**	**$80,506**	**$103,999**	**$59,027**	**$9,221**	**$699,158**

As of December 31, 2008 (Dollars in Thousands)

Debt Investments By Type	Total	Adjusted Moody's Credit Rating[1] Aaa	Aa	A	Baa	Ba	B	Caa	Ca and Below	Not Rated
Collateralized Mortgage Obligations	$ 179,809	$ 97,245	$ 9,040	$ 5,542	$ 8,071	$ -	$ -	$ -	$ -	$ 59,911
Convertible Bonds	12,511	-	-	-	-	25	145	3,221	-	9,120
Corporate Bonds	424,678	25,205	20,902	100,027	177,840	29,228	34,678	9,859	8,134	18,805
Federal Home Loan Mortgage Corp.	29,333	7,007	-	-	-	-	-	-	-	22,326
Federal National Mortgage Assn.	57,623	21,605	-	-	-	-	-	-	-	36,018
Government Issues	160,261	103,845	-	32,610	2,552	9,554	-	-	-	11,700
Government National Mortgage Assn. I, II	908	-	-	-	-	-	-	-	-	908
Other Asset-Backed Securities	88,224	67,223	2,213	4,328	13,370	1,090	-	-	-	-
Subtotal Debt Investments	**953,347**	**322,130**	**32,155**	**142,507**	**201,833**	**39,897**	**34,823**	**13,080**	**8,134**	**158,788**
External Investment Pools of Debt Securities										
Securities Lending Cash Collateral Fund	472,008	-	-	-	-	-	-	-	-	472,008
Master Custodian Short-term Investment Fund	98,972	-	-	-	-	-	-	-	-	98,972
Subtotal External Investment Pools	**570,980**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**570,980**
Total	**$1,524,327**	**$322,130**	**$32,155**	**$142,507**	**$201,833**	**$39,897**	**$ 34,823**	**$13,080**	**$8,134**	**$729,768**

[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. If the investment does not have a Moody's rating, but has a Standard & Poor's (S&P) rating, the Moody's rating that corresponds to the S&P rating is used. Whenever both ratings for an investment exist, and the S&P rating indicates a greater degree of risk than the Moody's rating, the investment's Moody's credit rating is adjusted, solely for the purpose of this disclosure, to the corresponding lower S&P rating.

Credit Risk—Derivatives

ACERA is exposed to credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to credit risk include currency forward contracts, equity index swaps, and synthetic futures (which are included in Future Contracts Equity Index). To minimize credit risk exposure, ACERA's investment managers continuously monitor credit ratings of counterparties. Should there be a counterparty failure, ACERA would be exposed to the loss of the fair value of derivatives 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 setoff in the event of bankruptcy or default by the counterparty. ACERA's investment managers may have collateral posting provisions associated with equity index swaps and 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 investments derivatives is disclosed on page 46 under Custodial Credit Risk—Derivatives.

The following Credit Risk—Derivatives schedule discloses the counterparty credit ratings of ACERA's investment derivatives in asset positions by type, as of December 31, 2009 and 2008. 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.

As of December 31, 2009 the maximum exposure of derivatives credit risk was reduced by $0.1 million of liabilities included in netting arrangements with those counterparties, resulting in a net exposure to credit risk of $2.0 million. As of December 31, 2008 the maximum exposure was reduced by $27,000 of collateral received from counterparty resulting in a net exposure to credit risk of $4.1 million

ACERA has investment derivative concentration of credit risk. As of December 31, 2009, 60.2% of the net exposure to credit risk for currency forward contracts are with one counterparty, with a credit rating of A. As of December 31, 2008, 82.5% of the net exposure to credit risk for currency forward contracts are with two counterparties, with credit ratings of A.

Credit Risk Analysis—Derivatives

As of December 31, 2009 (Dollars in Thousands)

		Adjusted Moody's Credit Rating[1]	
Derivative by Type	**Total**	**Aa**	**A**
Currency Forward Contracts	$ 2,050	$ 75	$ 1,975
Equity Index Swaps	37	-	37
Total Derivatives in Asset Positions	**$2,087**	**$ 75**	**$2,012**

As of December 31, 2008 (Dollars in Thousands)

		Adjusted Moody's Credit Rating[1]	
Derivative by Type	**Total**	**Aa**	**A**
Currency Forward Contracts	$ 3,942	$ 363	$ 3,579
Future Contracts—Equity Index	37	37	-
Equity Index Swaps	134	134	-
Total Derivatives in Asset Positions	**$4,113**	**$534**	**$3,579**

See footnote 1 on page 47

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:

- Duration Band: Barclays Baa Credit Capital Index duration +/- 2.5 years (Medium Grade Fixed Income)
- Duration: Match the Barclays Capital Aggregate Bond Index duration (Enhanced Index Fixed Income)
- Duration Band: 1–10 years duration (Global Fixed Income)

The Interest Rate Risk Analysis—Duration schedule below 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.

Interest Rate Risk Analysis—Duration

As of December 31, 2009 and 2008 (Dollars in Thousands)

	2009		2008	
Debt Investments by Type	**Fair Value**	**Duration in Years**	**Fair Value**	**Duration in Years**
Government Issues	$ 237,709	7.6	$ 160,261	7.2
Collateralized Mortgage Obligations	165,181	7.0	179,809	7.7
Convertible Bonds	15,346	6.9	12,511	2.0
Corporate Bonds	486,148	6.8	421,788	6.3
Other Asset Backed Securities	42,949	4.5	88,223	4.0
Federal National Mortgage Assn.	128,688	3.3	57,623	2.0
Federal Home Loan Mortgage Corp.	23,755	2.6	29,334	1.8
Government National Mortgage Assn. I, II	6,280	1.6	908	1.6
Subtotal of Investments with Duration	**1,106,056**		**950,457**	
Convertible Bonds	-	No Duration	2,890	No Duration
Other Asset Backed Securities	692	No Duration	-	No Duration
Subtotal of Investments without Duration	**692**		**2,890**	
Total of Debt Investments	**$ 1,106,748**		**$ 953,347**	
External Investment Pools of Debt Securities	**Fair Value**	**Duration**	**Fair Value**	**Duration**
Securities Lending Cash Collateral Fund	$ 587,991	39 days	$ 472,008	36 days
Master Custodian Short-Term Investment Fund	100,764	41 days	98,972	34 days
Total External Investment Pools	**$ 688,755**		**$ 570,980**	

Interest Rate Risk Analysis—Highly Sensitive

Investments with Fair Values Highly Sensitive to Changes in Interest Rates
As of December 31, 2009 and 2008 (Dollars in Thousands)

		2009		2008	
Investment Type	**Investment Description**	**Interest Rates**	**Fair Value**	**Interest Rates**	**Fair Value**
Zero Coupon Bonds	Privately Placed Securities	Zero-Coupon	$ 4,959	Zero-Coupon	$ 5,764
Collateralized Mortgage Obligations	Mortgage-related Securities	5.5 to 6.25%	33,604	5.0 to 6.5%	37,326
Total			**$38,563**		**$43,090**

Foreign Currency Risk Analysis

Fair Value of Investments Exposed to Foreign Currency Risk by Currency
As of December 31, 2009 (Dollars in Thousands)

	Investment Type							
Currency	Common Stock and Depository Receipts	International Equity Mutual Funds/Private Equity	Corporate Bonds	Foreign Currency	Government Issues	Currency Swaps	Equity Index Swaps and Futures	Net Exposure
Australian Dollar	$ 72,733	$ -	$ 8,591	$ 294	$ 25,101	$ (457)	$ (816)	$ 105,446
Brazilian Real	7,548	-	-	-	-	81	(197)	7,432
Canadian Dollar	44,033	-	3,411	313	25,440	53	(263)	72,987
Chilean Peso	-	-	-	-	-	(3)	-	(3)
Colombian Peso	-	-	-	-	1,060	-	-	1,060
Danish Krone	8,662	-	-	70	-	46	-	8,778
Egyptian Pound	629	-	-	-	-	-	-	629
Euro Currency	381,193	-	-	26,498	1,345	2,195	1,257	412,488
Hong Kong Dollar	51,681	-	-	109	-	(10)	203	51,983
Hungarian Forint	-	-	-	-	-	(75)	-	(75)
Iceland Krona	-	-	1,406	-	-	-	-	1,406
Indian Rupee	15,525	-	-	-	-	(5)	-	15,520
Indonesian Rupiah	2,352	-	-	-	7,050	12	-	9,414
Israeli Shekel	4,216	-	-	-	-	(2)	31	4,245
Japanese Yen	176,291	-	4,965	231	-	554	(210)	181,831
Malaysian Ringgit	1,833	-	-	-	11,839	-	(3)	13,669
Mexican Peso	5,505	-	1,037	566	13,990	(49)	17	21,066
New Russian Ruble	-	-	-	-	-	52	-	52
New Taiwan Dollar	10,979	-	-	1,368	-	90	-	12,437
New Zealand Dollar	3,513	-	9,638	240	8,428	(20)	-	21,799
Norwegian Krone	3,135	-	-	7	-	(919)	-	2,223
Polish Zloty	754	-	-	-	11,329	(45)	46	12,084
Pound Sterling	172,484	-	-	126	10,602	(399)	146	182,959
Singapore Dollar	25,263	-	5,150	61	-	(1)	16	30,489
South African Rand	8,937	-	-	(47)	3,175	42	27	12,134
South Korean Won	11,894	-	-	1,293	3,799	529	410	17,925
Swedish Krona	14,652	-	-	43	4,809	(190)	(3)	19,311
Swiss Franc	77,922	-	-	114	-	(46)	(357)	77,633
Thailand Baht	2,900	-	-	95	-	(5)	14	3,004
Turkish Lira	-	-	-	-	-	(4)	-	(4)
Various Currencies	-	62,121	-	-	-	-	-	62,121
Total	**$1,104,634**	**$62,121**	**$34,198**	**$31,381**	**$127,967**	**$1,424**	**$ 318**	**$1,362,043**

Foreign Currency Risk Analysis

Fair Value of Investments Exposed to Foreign Currency Risk by Currency
As of December 31, 2008 (Dollars in Thousands)

	Investment Type							
Currency	**Common Stock and Depository Receipts**	**International Equity Mutual Funds/Private Equity**	**Corporate Bonds**	**Foreign Currency**	**Government Issues**	**Currency Swaps**	**Equity Index Swaps and Futures**	**Net Exposure**
Argentine Peso	$ -	$ -	$ -	$ -	$ -	$ 158	$ -	$ 158
Australian Dollar	42,935	-	16,838	11	9,837	299	-	69,920
Brazilian Real	2,224	-	-	-	-	(93)	-	2,131
Canadian Dollar	29,252	-	3,657	98	10,517	(50)	-	43,474
Chilean Peso	-	-	-	-	-	(8)	-	(8)
Colombian Peso	-	-	-	-	845	-	-	845
Czech Koruna	-	-	-	-	-	6	-	6
Danish Krone	2,537	-	-	11	-	(16)	12	2,544
Egyptian Pound	1,090	-	-	-	-	-	-	1,090
Euro Currency	257,592	-	1,048	23,918	-	516	87	283,161
Hong Kong Dollar	23,879	-	-	21	-	-	-	23,900
Hungarian Forint	370	-	-	-	-	74	-	444
Iceland Krona	-	-	1,383	-	-	-	-	1,383
Indian Rupee	9,592	-	-	-	-	(16)	-	9,576
Indonesian Rupiah	258	-	3,769	183	4,155	233	-	8,598
Israeli Shekel	56	-	-	55	-	113	-	224
Japanese Yen	188,807	-	4,414	927	-	275	-	194,423
Malaysian Ringgit	448	-	-	278	10,183	-	-	10,909
Mexican Peso	7,822	-	932	775	18,612	98	(18)	28,221
New Russian Ruble	-	-	-	-	-	100	(348)	(248)
New Taiwan Dollar	2,348	-	-	212	-	10	-	2,570
New Zealand Dollar	2,317	-	5,573	89	-	505	-	8,484
Norwegian Krone	4,296	-	-	253	-	(29)	35	4,555
Philippine Peso	-	-	-	-	-	5	-	5
Polish Zloty	490	-	-	-	9,228	(2)	-	9,716
Pound Sterling	114,232	-	-	10	9,615	1,529	-	125,386
Singapore Dollar	14,400	-	5,326	14	-	(2)	-	19,738
South African Rand	3,012	-	188	-	4,770	190	-	8,160
South Korean Won	3,545	-	6,091	-	-	233	-	9,869
Swedish Krona	14,604	-	-	7	4,499	(58)	-	19,052
Swiss Franc	55,356	-	-	37	-	(448)	-	54,945
Thailand Baht	1,106	-	-	-	-	(8)	-	1,098
Turkish Lira	-	-	-	-	-	(975)	-	(975)
Various Currencies	-	33,960	-	-	-	-	-	33,960
Total	**$ 782,568**	**$ 33,960**	**$ 49,219**	**$ 26,899**	**$ 82,261**	**$ 2,639**	**$ (232)**	**$ 977,314**

Fair Value Highly Sensitive to Changes in Interest Rates

Debt investment terms may cause its fair value to be highly sensitive to interest rate changes. The Interest Rate Risk Analysis table described above 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 on page 49. ACERA has no general investment policy with respect to investments with fair values that are 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 schedules on pages 50 and 51 show 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—Equity Index Swaps and Futures

Equity index swaps and equity index future contracts are derivatives. An equity index swap represents an agreement between two parties to swap two sets of equity index values. An equity index future contract represents an agreement to purchase or sell an equity index for a given price at a specified future date.

For those equity index swaps and equity index future 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 derivatives and 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. 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 December 31, 2009 and 2008). The impact appears in the column labeled Foreign Exchange Contracts on the schedules on pages 50 and 51. 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

Real Estate

The remaining balances of real estate related debt outstanding associated with the acquisition of separate properties as of December 31, 2009 and 2008 were $25.6 million and $25.8 million, respectively.

Real Estate Investment Income—Separate Properties

For the Years Ended December 31, 2009 and 2008
(Dollars in Thousands)

	2009	2008
Real Estate Investment Income	$15,323	$14,585
Real Estate Expenses		
Non-Operating Expenses[1]	1,269	1,512
Operating Expenses	7,710	7,138
Total Expenses	**8,979**	**8,650**
Real Estate Net Income	**$6,344**	**$5,935**

[1] Non-operating expenses include interest expense resulting from loans on properties.

Capital Assets and Accumulated Depreciation

For the Years Ended December 31, 2009 and 2008 (Dollars in Thousands)

	January 1, 2009	Additions	Deletions/ Transfers/ Additions	December 31, 2009
CAPITAL ASSETS—DEPRECIABLE				
Equipment and Furniture	$ 2,684	$ 62	$ (16)	$ 2,730
Information Systems	10,457	-	-	10,457
Leasehold Improvements	2,460	5	-	2,465
Subtotal	**15,601**	**67**	**(16)**	**15,652**
CAPITAL ASSETS—NON DEPRECIABLE				
Construction-in-Progress	-	738	(52)	686
Total Capital Assets (at Cost)	**15,601**	**805**	**(68)**	**16,338**
ACCUMULATED DEPRECIATION AND AMORTIZATION				
Equipment and Furniture	(2,195)	(187)	14	(2,368)
Information Systems	(10,254)	(203)	-	(10,457)
Leasehold Improvements	(201)	(90)	-	(291)
Total Accumulated Depreciation and Amortization	**(12,650)**	**(480)**	**14**	**(13,116)**
Capital Assets—Net of Accumulated Depreciation and Amortization	**$ 2,951**	**$ 325**	**$ (54)**	**$ 3,222**

	January 1, 2008	Additions	Deletions/ Transfers/ Additions	December 31, 2008
CAPITAL ASSETS—DEPRECIABLE				
Equipment and Furniture	$ 2,897	$ 279	$ (492)	$ 2,684
Information Systems	10,457	-	-	10,457
Leasehold Improvements	873	1,587	-	2,460
Subtotal	**14,227**	**1,866**	**(492)**	**15,601**
CAPITAL ASSETS—NON DEPRECIABLE				
Construction-in-Progress	48	1,797	(1,845)	-
Total Capital Assets (at Cost)	**14,275**	**3,663**	**(2,337)**	**15,601**
ACCUMULATED DEPRECIATION AND AMORTIZATION				
Equipment and Furniture	(2,503)	(184)	492	(2,195)
Information Systems	(9,644)	(610)	-	(10,254)
Leasehold Improvements	(140)	(61)	-	(201)
Total Accumulated Depreciation and Amortization	**(12,287)**	**(855)**	**492**	**(12,650)**
Capital Assets—Net of Accumulated Depreciation and Amortization	**$ 1,988**	**$ 2,808**	**$ (1,845)**	**$ 2,951**

8. CAPITAL ASSETS

ACERA's investment in capital assets includes equipment, furniture, information systems, leasehold improvements, and construction-in-progress. During 2009, ACERA commenced the Electronic Document Management System (EDMS) project and incurred $686,000 of cost, with an additional $3.6 million of cost expected in 2010.

Depreciation expense was $480,000 and $855,000 for the years ended December 31, 2009 and 2008, respectively. The Capital Assets and Accumulated Depreciation schedule on page 53 provides details.

9. LEASES

During 2001, ACERA purchased the building where its offices are currently located: 475 14th St., Oakland, CA 94612. ACERA formed a title holding corporation named Oakland 14th St. Office to take ownership of the building. Under a lease agreement with Oakland 14th St. Office effective in 2007, ACERA occupies two and a half floors in the building, totaling approximately 36,000 square feet. The term of the lease is seven years and seven months, ending December 31, 2014. ACERA has 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 for the year ended December 31, 2009 totaled $80,000. These expenses were offset by a $36,000 credit for storage fees, reducing ACERA's operating expenses to $44,000 for the year ended December 31, 2009. ACERA's operating expenses totaled $137,000 for the year ended December 31, 2008.

ACERA leases photocopy machines and mailing equipment to support operations. Equipment rental expenses were $33,000 and $36,000 for the years ended December 31, 2009 and 2008, respectively. The future estimated minimum rental payments for these leases are as follows:

Future Minimum Rental Payments

As of December 31 (Dollars in Thousands)

Year	Amount
2010	$ 31
2011	32
2012	31
2013	32
2014	31
Total	**$ 157**

10. ADMINISTRATION EXPENSE

ACERA's Board of Retirement annually adopts an administration expense budget covering expenses to be incurred in the following fiscal year. The administration expense is normally limited to 0.18% of the assets of the retirement system in accordance with Section 31580.2 of the 1937 Act. Only a portion of the administration expense is subject to the statutory limit based on exclusions specified in the 1937 Act:

- In 2005, the Board adopted a provision of the 1937 Act (Section 31522.6) that allows ACERA to exclude actuarial, investment, legal, and business continuity related expenses from that portion of administration expense subject to the statutory limit. These exclusions (other than investment related expenses) totaled $2.6 million for 2009 and $2.8 million for 2008. Investment related expenses were offset against investment income.
- In 2009, ACERA adopted provision of Section 31580.3 of the 1937 Act which allows the Retirement Board to adopt a budget covering the entire expense of administration of 0.18 percent of total assets plus $1.0 million for software, hardware, and computer technology consulting service expenses.

ACERA's policy is to assess its compliance with the limitation based on an asset valuation date of June 30 of the year in which the budget is adopted. Consistent with the past practice, for the year 2009 the total administration expense was charged to the

Application of Statutory Limit on Administration Expense

For the Years Ended December 31, 2009 and 2008
(Dollars in Thousands)

2009

Total Assets as of June 30, 2008	$ 5,908,483
Limit: Maximum Allowable Fraction of Total Assets (0.18%) times Total Assets, plus $1 million	$ 11,635
Portion of Administration Expenses for the Fiscal Year subject to the Statutory Limit	9,652
Excess of Limit over Portion of Administration Expense Subject to Limit	**$ 1,983**
Portion of Administration Expense Subject to Limit as a Percentage of Total Assets	**0.16%**

2008

Total Assets as of June 30, 2007	$ 6,603,016
Limit: Maximum Allowable Fraction of Total Assets (0.18%) times Total Assets	$ 11,885
Portion of Administration Expenses for the Fiscal Year subject to the Statutory Limit	10,470
Excess of Limit over Portion of Administration Expense Subject to Limit	**$ 1,415**
Portion of Administration Expense Subject to Limit as a Percentage of Total Assets	**0.16%**

Pension Plan, and was not allocated to the Postemployment Medical benefits and Non-OPEB benefits.

A schedule of Administration Expense is included in the Supporting Schedules on page 61.

11. RELATED PARTY TRANSACTIONS

By necessity, ACERA is involved in various business transactions with the County of Alameda, 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. Under 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. ACERA reimburses the County for the cost of services provided in following areas: insurance/risk management, information technology, telecommunications, and administration of retired members' health benefit.

The balance of such costs at December 31, 2009 not yet reimbursed to the County was approximately $422,000, mainly for the salary and benefits of ACERA staff members.

ACERA leases office space from Oakland 14th St. Office, a title holding company owned by ACERA. Note 9 Leases on page 54 describes this arrangement.

Related Party Transactions

For the Years Ended December 31, 2009 and 2008
(Dollars in Thousands)

	2009	2008
Reimbursed Cost of ACERA Staff Members	$ 9,640	$ 8,716
Reimbursed Costs of County Services	226	238
Partial Salary/Benefits Reimbursement for Elected Board Members	209	187
Personnel Services	208	77
State-Mandated Benefit Replacement Program (415(m))	54	55
Total	**$ 10,337**	**$ 9,273**

Required Supplementary Schedules

Schedule of Funding Progress—Pension Plan (Actuary's Exhibit IX)

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets[1] (a)	Actuarial Accrued Liability (AAL)[2] (b)	Unfunded AAL (UAAL) (b–a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b–a) /c
12/31/03	$ 3,381,757	$ 3,890,043	$ 508,286	86.9	$ 714,344	71.2
12/31/04	3,557,918	4,336,123[3]	778,205[3]	82.1[3]	694,626	112.0
12/31/05	3,781,843	4,548,213	766,370	83.2	709,783	108.0
12/31/06	4,127,841[4]	4,825,157	697,316	85.5	762,139	91.5
12/31/07	4,560,213[4]	5,112,403	552,190	89.2	793,558	69.6
12/31/08	4,644,010[4]	5,537,919	893,909	83.9	864,260	103.4

[1] Excludes assets for SRBR and other non-valuation reserves.

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

[3] Includes Safety 3% at 50 formula improvement. If the Safety formula improvement is excluded, the total UAAL is $682,635,000 and the funded ratio is 83.9%.

[4] Includes the following amounts transferred from the SRBR to the employers' advance reserve to compensate the County for the implicit subsidy: 2005 and 2006—$6,303,514; 2007— $3,091,493; 2008—$4,149,463.

Schedule of Employer Contributions—Pension Plan

(Dollar Amounts in Millions)

Year Ended December 31	Annual Required Contribution[1]	Percentage (%) Contributed[2]
2003	$ 49	100
2004	85	100
2005	101	100
2006	127	100
2007	130	100
2008	130	100

[1] This schedule is prepared by ACERA's management and includes SRBR assets treated as Participating Employer contributions for pension benefits to the extent that Participating Employers make contributions to the 401(h) account.

[2] With the implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, some Participating Employers have allocated total contributions paid to ACERA between the Pension and OPEB and Non-OPEB Benefits based on the assumption that the annual required contribution to the Pension Plan would have been lower if Excess Earnings had not been transferred to the SRBR during the year ended December 31, 2008.

Schedule of Funding Progress—Postemployment Medical Benefits Without Limit[1, 3]

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets[2] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b–a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b–a) /c
12/31/06	$ 496,200	$ 591,400	$ 95,200	83.9	$ 762,139	12.5
12/31/07	614,444	639,821	25,377	96.0	793,558	3.2
12/31/08	608,314	703,320	95,006	86.5	864,260	11.0

Schedule of Funding Progress—Postemployment Medical Benefits With Limit[1, 4] (Actuary's SRBR Exhibit I)

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets[2] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b–a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b–a) /c
12/31/06	$ 496,200	$ 496,200	$ 0	100	$ 762,139	0
12/31/07	614,444	614,444	0	100	793,558	0
12/31/08	608,314	608,314	0	100	864,260	0

Schedule of Employer Contributions—Postemployment Medical Benefits

(Dollar Amounts in Thousands)

	Annual Required Contribution		
Year Ended December 31	Without Limit[3]	With Limit[4]	Percentage (%) Contributed[5]
2006	$ 25,989	$ 0	0
2007	23,807	0	0
2008	31,718	0	0

1 Postemployment Medical Benefits are paid from the 401(h) account.

2 SRBR assets that may be treated as employer contributions to the extent that Participating Employers make contributions to the 401(h) account. ACERA has no authority to require future funding from Participating Employers to the 401(h) account.

3 In accordance with the GASB 43 "substantive plan" definition, this information is presented using the assumptions that: Participating Employers continue the same benefits offered and pay the same contributions to the 401(h) account as of December 31, 2008; and that the Board of Retirement continues to treat available SRBR assets as pension contributions without the limits described under note 4. This information discloses the "without limit" unfunded actuarial accrued liability and "funded ratio" using the actuarial values of assets as described in footnote 2 and benefits provided as of December 31, 2008. Based on the amount of SRBR assets available for this purpose as of December 31, 2008, there are sufficient SRBR assets to continue substituting for employer pension contributions until the year 2028.

4 The "funded ratio" is 100% using the assumption that the Participating Employers will cease contributing to the 401(h) account when there are no SRBR assets available to subsidize Participating Employer pension contributions. Article 5.5 of the County Employees Retirement Law of 1937 provides that assets added to the SRBR reserve are limited to the Regular Earnings on the current SRBR reserve plus the Excess Earnings percentage allocation established by the Board of Retirement. Participating Employers decide on an annual basis whether to continue these benefits and what amount to contribute to the 401(h) account.

5 Some Participating Employers consider a portion of the transfer of Excess Earnings from the Pension Plan to the SRBR to be an employer contribution under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

Schedule of Funding Progress—Non-OPEB Benefits Without Limit[2]

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets[1] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b–a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b–a) /c
12/31/06	$ 66,300	$ 186,300	$ 120,000	35.6	$ 762,139	15.7
12/31/07	78,426	203,868	125,442	38.5	793,558	15.8
12/31/08	76,005	202,534	126,529	37.5	864,260	14.6

Schedule of Funding Progress—Non-OPEB Benefits With Limit[3] (Actuary's SRBR Exhibit I)

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets[1] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b–a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b–a) /c
12/31/06	$ 66,300	$ 66,300	$ 0	100	$ 762,139	0
12/31/07	78,426	78,426	0	100	793,558	0
12/31/08	76,005	76,005	0	100	864,260	0

Schedule of Employer Contributions—Non-OPEB Benefits

(Dollar Amounts in Thousands)

	Annual Required Contribution		
Year Ended December 31	Without Limit[2]	With Limit[3]	Percentage (%) Contributed[4]
2006	$ 17,224	$ 0	0
2007	18,331	0	0
2008	19,359	0	0

[1] Portion of SRBR assets allocated to Non-OPEB Benefits for non-vested Supplemental COLA and death benefits.

[2] In accordance with the GASB 43 "substantive plan" definition, this information is presented using the assumption that the Board of Retirement continues the same benefits offered as of December 31, 2008 without the limits described under note 3. This information discloses the "without limit" unfunded actuarial accrued liability and funded ratio using the actuarial values of assets and benefits as of December 31, 2008. Based on the amount of SRBR assets allocated for this purpose as of December 31, 2008, there are sufficient Non-OPEB reserve assets to provide these benefits until the year 2028.

[3] The funding of these benefits is limited to the portion of the SRBR reserve allocated to Non-OPEB Benefits. As a result, there is no unfunded actuarial accrued liability and the funded ratio is 100%. The Board of Retirement has the authority to change or discontinue these benefits. Article 5.5 of the County Employees Retirement Law of 1937 provides that assets added to the SRBR reserve are limited to the Regular Earnings on the current SRBR reserve plus the Excess Earnings percentage allocation established by the Board of Retirement. If SRBR reserves are depleted, no funds will be available to pay these benefits and they will cease. The Board of Retirement decides on an annual basis whether to continue these benefits and in what amount.

[4] Some Participating Employers consider a portion of the transfer of Excess Earnings from the Pension Plan to the SRBR to be an employer contribution under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.*

Notes to Required Supplementary Schedules

PENSION PLAN

The information presented in the supplemental schedules was determined as part of the actuarial valuations as of the dates indicated. Additional information, as of the most recent actuarial valuation date, December 31, 2008, is as follows:

Actuarial Cost Method: Entry Age Normal Cost Method

Asset Valuation Method: The Actuarial Value of Assets is determined by smoothing in any difference between actual and expected market return over 10 six-month interest crediting periods. For valuation purposes the Actuarial Value of Assets has to be between 60%/140% of the Market Value of Assets. It is also reduced by the value of the non-valuation reserves such as the SRBR.

Amortization of Unfunded Actuarial Accrued Liability: The annual contribution rate, which if paid annually over the Unfunded Actuarial Accrued Liability (UAAL) amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the actuarial assumed interest rate. The employer contribution is designed to remain as a level percentage of future active member payroll (including payroll of new members as they enter ACERA) assuming a constant number of active members. To remain as a level percentage of payroll, amortization payments are scheduled to increase by the assumed annual inflation rate plus the assumed across-the-board salary increase percent (the total of these two is 4.00% per annum).

The UAAL of ACERA's Pension Plan is being funded over a declining 24-year period following December 31, 2008.

Amortization Approach: Closed

Amortization of Actuarial Gains and Losses: Any new actuarial gains and losses will be combined with all prior unamortized gains and losses and amortized over the amortization period of 24 years following December 31, 2008.

Cost-of-Living Adjustments: The maximum statutory annual increase in retirement allowance is 3% per year for Tier 1 and Tier 3; and 2% for Tier 2 members. The increases are based on the change in the Bay Area Consumer Price Index for the calendar year prior to the April 1 effective date.

Actuarial Assumed Interest Rate: 8.00% per annum

Assumed Salary Increases:

> **General—**4.7%–8.0% per annum
> **Safety—**5.3%–9.1% per annum

These total assumed salary increases include:

> **Inflation—**3.75% per annum
> **Across-the-Board—**0.25% per annum

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 the remaining amortization period, which is 27 years. All other assumptions noted for the Pension Plan were applicable, including: the Actuarial Cost Method, Asset Valuation Method, Amortization of Unfunded Actuarial Accrued Liability, Amortization Approach, Actuarial Assumed Interest Rate, Assumed Salary Increases, Assumed Inflation Rate, and Assumed Across the Board Salary Increase. The Health Care Cost Trend Rate assumptions described below were specific to the Postemployment Medical Benefits.

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 trend rate for a particular plan year must be applied to that year's cost to yield the next year's projected cost.

Medical—9%, graded down 0.5% per annum until ultimate rate of 5%

Dental and Vision—5%

Medicare Part B—5%

NON-OPEB BENEFITS

The actuarial assumptions used for the Non-OPEB Benefits valuation were consistent with those applied to the Pension Plan with the exception of remaining amortization period, which is 27 years. All other assumptions noted for the Pension Plan were applicable, including: the Actuarial Cost Method, Asset Valuation Method, Amortization of Unfunded Actuarial Accrued Liability, Amortization Approach, Actuarial Assumed Interest Rate, Assumed Salary Increases, Assumed Inflation Rate, and Assumed Across the Board Salary Increase.

Supplemental COLA benefits are assumed to increase by the difference between inflation and the cost-of-living benefit guaranteed in the Pension Plan (3% for Tier 1 and Tier 3; and 2% for Tier 2), subject to other limitations.

Supporting Schedules

Investment Expenses

For the Years Ended December 31, 2009 and 2008
(Dollars in Thousands)

	2009	2008
Investment Manager Fees[1]	$ 15,021	$ 16,304
Net Brokerage Commissions	2,720	3,697
Investment Allocated Costs	2,336	2,266
Investment Consultants	1,271	725
Other Investment Expenses	642	60
Investment Custodians	511	379
Total Investment Expenses	**$22,501**	**$23,431**

[1] The Investment Section of this report (page 79) provides Investment Manager Fees by type of investment manager.

Payments to Other Consultants[2]

For the Years Ended December 31, 2009 and 2008
(Dollars in Thousands)

	2009	2008
Actuarial & Audit Services	$ 344	$ 408
Other Specialized Services	272	824
Human Resources Consulting	202	115
Legal Services	140	253
Disability Medical	107	86
Total Payments to Other Consultants	**$ 1,065**	**$ 1,686**

[2] These are payments to outside consultants other than investment advisors. See the table to the left for fees paid to investment professionals.

Administration Expense

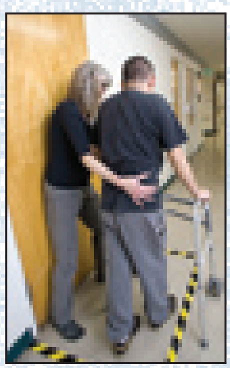
For the Years Ended December 31, 2009 and 2008
(Dollars in Thousands)

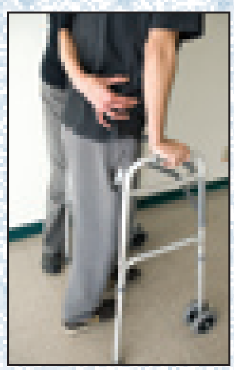
	2009	2008
Personnel Services		
Staff Wages	$ 4,713	$ 4,198
Fringe Benefits	2,111	1,864
Temporary Services	520	912
Total Personnel Services	**7,344**	**6,974**
Professional Services		
Computer Services	311	651
Audit	82	79
Specialized Services	54	56
Total Professional Services	**447**	**786**
Communications		
Printing	204	332
Postage	73	101
Communication	65	62
Total Communications	**342**	**495**
Rental / Utilities		
Office Space	29	95
Equipment Leasing	22	25
Total Rentals / Utilities	**51**	**120**
Other		
Software Maintenance and Support	345	352
Depreciation and Amortization	293	595
Board Operating Expense	225	232
Insurance	192	204
Miscellaneous	151	394
Training	141	151
Maintenance- Equipment	68	84
Supplies	53	83
Total Other	**1,468**	**2,095**
Subtotal: Administration Expense Subject to Statutory Limit	**9,652**	**10,470**
Legal Expenses	2,000	2,237
Business Continuity	369	305
Actuarial Expenses	234	303
Subtotal: Administration Expense Excluded from Statutory Limit[1]	**2,603**	**2,845**
Total Administration Expense	**$ 12,255**	**$ 13,315**

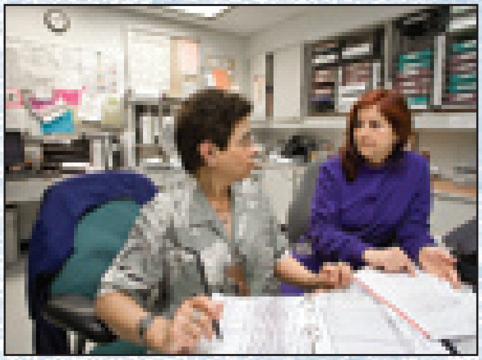
[1] Legal expenses, business continuity, and investment expenses include an allocation of administration overhead expenses.

ACMC FAIRMONT HOSPITAL

Alameda County Medical Center, Fairmont Hospital Acute Rehabilitation Center is one of the foremost providers of rehabilitation services in Northern California. The Center helps Alameda County residents who need rehabilitation to increase their strength, augment healing, and get moving in the right direction. Employees pictured: (above) Terry Randell, (opposite page) Saroj Grover and Lana Machado







3: INVESTMENT

ACERA

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

475 14th Street, Suite 1000, Oakland, CA 94612 800/838-1932 510/628-3000 fax: 510/268-9574 www.acera.org

Chief Investment Officer's Report

Performance Highlights of the 2007–2009 ACERA Investment Portfolio

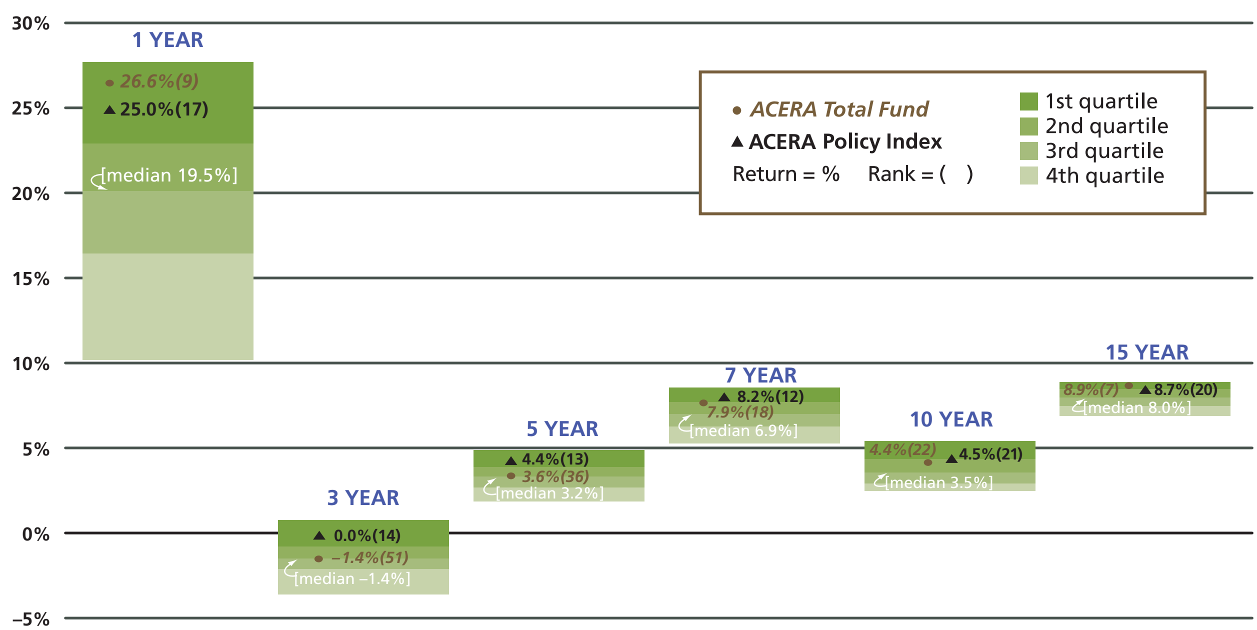
	2009	2008	2007
Total Fund Return	**26.6%**	**–30.3%**	**8.8%**
Domestic Equity Return	32.3%	–38.8%	4.2%
International Equity Return	37.8%	–41.8%	17.1%
Fixed Income Return	24.1%	–10.2%	6.4%
Real Estate Return	–27.7%	–8.3%	14.2%
Year-end Fund Value (dollars in billions)	**$4.7**	**$3.8**	**$5.6**

The primary goals of the ACERA Board of Retirement (the Board) in managing the Fund are the following:

- To ensure that sufficient funds are available to pay vested benefits and maintain supplemental benefits
- To comply with all applicable fiduciary standards
- To add marginal value that will help reduce the costs of the plan and/or increase the benefits for our beneficiaries

ACERA Total Fund Returns vs. Total Public Funds (Above $100 Million) Returns

Periods Ended December 31, 2009



These are the three primary goals as stated in the ACERA General Investment Guidelines, Policies and Procedures (the Policy). ACERA has strong controls in place to manage risk and to ensure compliance with all relevant fiduciary standards.

Compared with the year 2008, 2009 can be described as a year of healing and restoration with uncertainty during the first quarter. At the end of 2009, most investors let out a sigh of relief as many experienced a gradual and guarded restoration of their confidence. The orchestrated efforts of the global central banks during the year, especially the efforts of the U.S. Federal Reserve, breathed new life into the economy. U.S. public pension funds in 2009 regained positive momentum and ACERA was no exception. The total Fund (the Fund) recovered almost a billion dollars from the end of the previous year, and over $1.5 billion dollars from the trough of the portfolio's value in March of 2009 (when the fund's market value on paper was just less than $3.2 billion). As financial markets began to stabilize in 2009, ACERA's Fund returned 26.6% for the year and ranked in the upper 9th percentile for public pension funds with assets greater than $100 million—ACERA's second best performance in the last ten years.

The Fund outperformed its Policy Index (a weighted average of the Fund's asset classes and their respective benchmarks) by 1.6%. ACERA's three-year return of –1.4% underperformed the benchmark by 1.4% and ranked in the 51st percentile; the five-year return of 3.6% underperformed the benchmark by 0.8% and ranked in 36th percentile. Over the longer term, however, the Fund fared better. The ten-year return of 4.4% underperformed the benchmark by 0.1% and ranked in the upper 22nd percentile. The fifteen-year return of 8.9% also outperformed the benchmark by 0.2% and ranked in the upper 7th percentile.

In 2009, ACERA reviewed its portfolio allocation and decided to maintain its target allocations as follows: 37.0% U.S. Equities, 23.0% International Equities, 24.0% Fixed Income, 6.0% Real Estate, and 10.0% Private Equity and Alternatives investments. Many academic studies suggest that about 80%–90% of a portfolio's investment results are derived from asset allocation and that a well-diversified investment portfolio is more likely to produce better performance relative to its indices over the long term. In the beginning of 2009, the fundamental valuations of equity and fixed income reached their lowest level in many decades. As financial markets began to stabilize in the second quarter of 2009, ACERA's diversified portfolio was well-positioned to participate in asset classes that experienced significant performance improvements such as Fixed Income and Equities. As in 2008, portfolio diversification continued to play an important role in 2009 for ongoing risk control. ACERA's Board is fully committed to the implementation of the well-thought-out asset allocation strategy and ACERA's investment staff rigorously monitors asset performance and risk.

ANALYSIS OF FACTORS AFFECTING ACERA'S PORTFOLIO IN 2009

The Board's Actions

In 2009, our Board members continued to guide ACERA's portfolio with sound and stable strategies designed to meet the portfolio's investment goals over the long term.

Since the Board's well-timed adoption of a new target allocation of 10% for Private Equity and Alternative Investment in 2008 when credit and liquidity were scarce to many general partners, ACERA has been able to invest as a limited partner in some highly reputable and selective partnerships. During 2009, ACERA continued to build our Private Equity and Alternatives Return Leading Strategies (PEARLS) portfolio and made eight investment commitments totaling about $130 million dollars. As of December 31, 2009, ACERA had made commitments to nine Private Equity and Alternative Investment managers under the PEARLS program with $208 million in total commitments.

The Board also authorized two investment manager searches in the traditional asset classes. The goal of both searches was to identify better performing managers. The first search was for a large cap growth equity manager. The Board interviewed all finalists including the incumbent for this search and decided to keep Trust Company of the West, ACERA's incumbent manager. The second search was for a U.S. small cap value equity manager. Brandywine Global Investment Management is ACERA's incumbent small cap value equity manager. This search is estimated for completion in June 2010.

The Board reviewed ACERA's existing U.S. Equity manager structure and decided to keep the current structure. The Board also reviewed ACERA's international equity and fixed income manager structures. No changes were made to the fixed income structure. However, specific investment guidelines for Capital Guardian and Mondrian, ACERA's incumbent international equity managers, were revised to mandate a 10% international small cap allocation in their respective international equity portfolios. This revision was intended to capitalize on the relatively inefficient international small cap markets to enhance the return of the two international managers while controlling risk.

In addition to making these important decisions, the Board continued to carry out its fiduciary duties in evaluating the effectiveness of all investment policies/programs and investment managers included in the investment portfolio. The Board also voted to continue with ACERA's Directed Brokerage program, now in its third year of operation, which recaptured almost $300,000 of broker commissions that ACERA would otherwise have forfeited in 2009.

ACERA's Portfolio

ACERA's portfolio is conservative and structured to be well-diversified among five major asset classes, including domestic equities, international equities, fixed income, real estate, and Private Equity & Alternatives. This diversification positions ACERA to weather bull and bear markets, and steadily grow the Fund over the long term. The ACERA portfolio suffered significant losses in 2008 due to the effects of the global financial crisis which began in 2007. However, the capital markets experienced a rally in 2009 which allowed the ACERA's portfolio to recoup an impressive amount of the paper losses since 2008. The portfolio's three major asset classes, U.S. equities, international equities, and fixed income, each experienced returns greater than 20%. The real estate portfolio did not fare well in 2009 as the real estate market continued to deteriorate. (Please refer to performance highlights on page 64.)

The U.S. equity market improved in 2009. All sectors registered double-digit gains. The Information Technology and Materials sectors posted the best performance, returning 61.8% and 52.5%, respectively. In fact, ACERA's U.S. equity investments delivered a better performance than the overall market for the year. ACERA's U.S. equity investments accounted for 39.7% of the total Fund at the end of 2009 and posted an impressive return of 32.3%, outperforming the benchmark Russell 3000 Index by 4.0%. ACERA's large cap active equity composite was the best performing component of the Fund's overall domestic equity portfolio. Both large cap growth and large cap value posted large gains of 43.7% and 36.9%, respectively, outperforming its benchmarks (the Russell 1000 Growth and the Russell 1000 Value Indices) by 6.5% and 17.2%, and were ranked in the top 14th and 9th percentiles of all managers with a similar investing style for the year. ACERA's small cap equity composite also blossomed for the year. The small cap equity portfolio accounted for 7.5% of the total Fund at the year end and returned 28.0%, exceeding its benchmark Russell 2000 Index by 0.8%. The Fund's S&P 500 Index portfolio recorded a gain of 26.7%, outperforming the S&P 500 index return by 0.2%. It represented a 15.6% allocation, the largest single component of the Fund.

Over the past few years, the international equity market has been extremely volatile, with 2007 experiencing a bull market and 2008 suffering a bear market. In 2009, the international market continued the seesaw trend, this time in an upward direction, representing the highest performing asset class in the Fund. Despite ACERA's international equity portfolio generating 37.8% in investment returns, the international composite underperformed its benchmark (the MSCI AC World ex-US Index) by 4.3% in 2009. The Fund's international equity quantitative manager was the only account to outperform the aforementioned benchmark, to the tune of 7.3%.

ACERA's fixed income portfolio returned 24.1% in 2009, and outperformed its blended benchmark (75% Barclays Aggregate Bond Index, 15% Citigroup World Government Bond Index ex-U.S. and 10% Barclays Corporate High Yield Index) by 13.9%. This successful result can be attributed to both components of the fixed income portfolio, which are U.S. fixed income and global fixed income. Each outperformed their respective benchmarks. The U.S. fixed income composite returned 24.1%, outperforming its benchmark (Barclays Aggregate Index) by 18.2%. The sole global fixed income manager, Brandywine Global Investment Management, returned 23.7%, outperforming its benchmark (Citigroup World Government Bond Index) by 21.1%.

ACERA's real estate asset class contributed negatively to the portfolio value. ACERA's real estate portfolio declined by 27.7% in 2009 as the real estate market's woes continued from 2008. ACERA's real estate portfolio significantly underperformed its benchmark, the NPI, which declined 16.8% in 2009, by 10.9%. The decline in the real estate portfolio can be attributed to asset values depreciating 32.6% for the year. This depreciation was offset by the ability of assets to generate 6.6% of income to ACERA in 2009. The portfolio's Stable component lost 25.9%, which trailed its NPI benchmark by 9.1%. The Enhanced component lost 33.1%, underperforming its benchmark NPI plus 1.5% by 16.8%. This underperformance can be attributed to the use of leverage by the investment managers, which magnified the depreciation. The portfolio's leverage ratio, or loan-to-value ratio, as of December 31, 2009 was 39.7%.

ACERA's PEARLS portfolio returned –14.2% for the year. Despite the expected "J-curve" effect associated with newly funded PEARLS investments (initial lower/negative investment returns caused by start-up costs), the said portfolio provided diversification and cash-flow in the form of distributions from partnerships. In 2009, ACERA's PEARLS portfolio saw its first year of investments resulting in a total of about $130 million in commitments which were not totally funded until called by the general partners of the various partnerships.

The capital markets in 2009 can easily be categorized as an anomaly similar to 2008. Investors who withdrew their assets in 2008 in fear of the market decline, then recommitted their capital in 2009, once governments stepped in and stabilized the collapsing financial sector. ACERA's Board, carried out its fiduciary duties in both time periods, remaining committed to a long-term investment strategy that emphasized prudent diversification, active rebalancing to maintain appropriate asset allocation and rigorous supervision of professional asset management. While the investment performance discussed above was noticeably quite positive, the portfolio has yet to fully recover from the downturn in 2008. Over the long term, ACERA's portfolio is structured to achieve an adequate return without assuming undue risk. By staying the course, we expect the portfolio to reap the full benefit of an eventual economic and capital market recovery.

General Economy and Investment Markets

In the aftermath of 2008's global economic and financial crisis, as investors shifted assets into safe havens such as US Dollar and US Treasuries, valuations for risk assets, such as corporate bonds, equities, securitized assets, commodities, and currencies deteriorated rapidly. Financial markets in 2009, however, staged a come-back. Unprecedented monetary expansionary policy actions by governments worldwide, especially that of the U.S., turned the tide against fears of global economic depression.

A notable phenomenon in 2009 was that the aggressive lowering of interest rates could no longer effect a boost in private sector borrowing and spending, particularly in light of the persistent high double digit unemployment rate. Banks were simply unwilling to extend credit. As a result, the U.S. consumer, typically the backbone of U.S. economy, was effectively in a deleveraging mode, similar to Corporate America and institutional investors. Government authorities around the world resorted to new monetary expansionary mechanisms such as focusing on direct purchase of selective securities, in an attempt to restore market liquidity, to ease credit and step in where market mechanisms had failed. For example, the U.S. government announced support for Fannie Mae and Freddie Mac securities against mortgage losses with unlimited access to Treasury-led financing. Collective actions of governments and central banks around the world brought the world economic system and financial markets back from the brink.

Equity Markets

During 2009, the three major stock indices in the U.S.—the Dow Jones Industrial Average, the S&P 500 and the Nasdaq Composite—posted healthy gains of 22.6%, 26.5% and 43.9%, respectively. Growth stocks fared better than value stocks—the Russell 1000 Growth Index returned 37.2%, outperforming the Russell 1000 Value Index by 17.5% while the Russell 2000 Growth Index returned 34.5%, exceeding its counterpart the Russell 2000 Value Index by 13.9%. In addition, large cap stocks slightly outperformed small cap stocks as evidenced by the fact that the Russell 1000 Index gained 28.4% while the Russell 2000 Index gained 27.2%. On the sector level, all major industry sectors posted sizable gains for the year with the Information Technology leading all other sectors, followed by the Materials and the Consumer Discretionary.

The international equity market performed well as the global recession was not as severe as economists had predicted. The MSCI EAFE Index, a comprehensive international equity benchmark, registered the greatest calendar year performance since 2003. In the 4th quarter especially, U.K. domiciled securities contributed to the index's gain, whereas Japan domiciled securities weakened in the 4th quarter. For the year, top performing countries in Europe recorded impressive gains. These countries included Belgium at 57.5%, Norway at 87.1%, and Sweden at 64.2%. Other Asian constituents in the index also delivered solid returns. For example, Australia registered 76.4% gain, Hong Kong was 60.2%, and Singapore was 74.0%. Emerging markets, as measured by the MSCI EMF Index, rose 78.5% in 2009. Many factors contributed to the performance of these emerging markets. Economic recoveries in countries such as China and India were earlier and speedier than the developed economies. These emerging economies also benefited from expectations for global economic growth, continued globalization, rapidly improving exports and rising commodity prices.

Fixed Income Markets

Credit markets began a rebound in the second quarter of 2009. As liquidity gradually returned to the market and risk aversion waned, corporate bonds and other non-government sectors continued to significantly outperform government securities especially toward the latter part of the year. Corporate sector securities enjoyed gradual recovery and non-agency mortgage securities also experienced price appreciations throughout the year. As proof of risk appetite return, lower rated BBB-rated issues outperformed higher quality AA- and A-rated bonds on average. Higher market beta industry sectors such as energy and entertainment gained the most in performance and tended to outperform the lower-beta, less-cyclical industry issues. Security issues from financials performed well, as did media and retailers. Even the worst performing industries beat U.S. Treasuries by at least 300 basis points. As expectations of economic growth took hold in the latter part of 2009, commodity valuations were bid up in the process. As a result, bonds denominated in currencies that are dominated by commodity production in their economies, such as Canadian Dollar, Brazilian Real, and New Zealand Dollar, also showed a performance return lift from currency appreciations.

At the close of 2009, as market liquidity returned further to normal, the expectation was for spreads to continue to narrow in the corporate sector, particularly in the High Yield sector. As spreads narrow, one expects valuations will gradually return to historical levels. In contrast to 2008 where flight to quality was a general theme, US Treasuries underperformed in 2009 as market conditions improved. Lower quality issues led returns over the one year period. Barclays Capital U.S. Aggregate Bond Index gained 5.9% for the year. The Citigroup World

Government Bond Index also posted a positive return at 2.6% for the year.

Real Estate Markets

When compared with the other major asset classes such as fixed income and equities, the real estate asset class underperformed in 2009. The National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index continued the negative performance trend by posting a 16.8% loss for 2009 compared with 6.5% for 2008. The public REIT sector also suffered dramatic decline. By March 2009, public REITs had fallen nearly 80% in value from the peak, along with the panic sell-off of shares such as Fannie Mae, Freddie Mac, Lehman Brothers, and AIG. As liquidity gradually returned to the market throughout 2009 however, REITs were able to recover by posting gains of more than 100% from their lows, but were still down by nearly 50% from their peak. The private property sector also suffered which was characterized by extremely limited transaction volume and rapidly declining capital flows into the commercial mortgage sector. Property value depreciations were common with the NCREIF index showing valuation decline on average of 30% to 45% depending on leverage. Contrary to expectations, the flood of distressed assets did not enter the market. Lenders instead chose to extend loans at existing terms in hopes of delaying loan impairment recognition and to wait for market recovery.

The 2009 economic and market performance highlights are as follows:

- Real GDP decreased 2.4% during 2009 versus a decrease of 0.8% in 2008.
- The price index for gross domestic purchases was unchanged in 2009, compared with an increase of 3.2% during 2008.
- The Federal Reserve lowered the target federal funds rate seven times in 2008 and preserved the low levels for 2009. The rate as of December 2009 was 0–0.25%.
- The annual U.S. budget deficit hit record high of $1.4 trillion in 2009. In 2007 and 2008, the deficits were $162 billion and $455 billion, respectively.
- The goods and services deficit was $380.7 billion in 2009, down from $695.9 billion in 2008. As a percentage of U.S. GDP, the goods and services deficit was 2.7% in 2009, down from 4.8% in 2008.
- From December 2008 to December 2009, the unemployment rate registered a month-by-month increase from 7.4% to 10%.
- Personal income decreased 1.7% in 2009 from its 2008 annual level, in contrast to an increase of 2.9% in 2008.
- Low mortgage rates, the government's home-buyer tax credit, and dropping home prices helped move the housing market. However, the foreclosure crisis was continuing and was expected to play out further in the near future. The effect of various federal government's programs to mitigate the mortgage/foreclosure crisis remained to be seen. U.S. housing prices continued to fall in 2009. The Federal Housing Finance Agency's (FHFA) seasonally adjusted purchase-only house price index (HPI) fell 1.2% during the year.
- Construction spending during December 2009 was estimated at a seasonally adjusted annual rate of $902.5 billion, 9.9% below the December 2008 estimate.
- Despite recovering economic and market conditions, as well as strong government intervention measures, bank lending, globally, remained tight in 2009.
- In 2009, emerging markets experienced tremendous growth after a significant downturn in 2008. China's GDP growth was around 8% while India's GDP growth was around 6%, representing major advances. Both countries benefited from government fiscal and monetary expansions, and increased exports.

ECONOMIC OUTLOOK FOR 2010

In continuation of the general financial market recoveries from 2009, there is consensus that 2010 should be a year marked by gradual economic improvements. It remains to be seen, however, whether the U.S. economy can mount a sustainable recovery.

There are positive economic indicators for 2010. For example, JP Morgan Securities projects U.S. economic growth at 3.5% this year. Euro zone is projected at 1.6% and Japan, 2.0%. Looking back toward history, these are timid projections given the strong recoveries that typically follow deep recessions. However, such projections reflect general consensus that private demand from consumers and businesses alike will remain sluggish due to limited bank lending. Employment growth as a result will likely remain understated as well, although early 2010 numbers now show an encouraging inflection point. With the glut of residential and commercial properties in foreclosure that have yet to work through the financial system, some economists have argued that we may experience a "double-dip" phenomenon in the real estate market. Its effect on the overall market is much less certain.

In the onset of 2010, there are forward looking economic indicators that clearly point toward improvement. For example, JPMorgan New Order Index for the global economy is at its highest since 2004. The OECD's (Organization for Economic Cooperation & Development) Composite Leading Indicator has rebounded to a level higher than the recoveries of 1991 and 2002. Annualized growth in global industrial production has risen from –40.1% in January 2009 to 11.8% in September 2009, which is the biggest increase on record since the 1975 recovery from recession. Housing prices are increasing in several countries outside of U.S., where price declines were evident a year ago. These countries include Canada, China, Spain, Norway, Netherlands, Australia, New Zealand, Singapore, and Great Britain. Employment is now increasing in 12 countries outside of the U.S., where it was decreasing prior to the fourth quarter of 2009. Some investment firms believe global economic growth is likely to increase by about 3% in 2010 after falling 2.5% in 2009. The worst of price declines in residential and commercial real estate appear to be behind us. If there is a second dip in real estate market, it should be less dramatic.

There are also economic indicators that suggest a cautious outlook would be prudent. With U.S. unemployment hovering around 10% along with stagnant personal income growth, there is fear that the anemic consumer sector might pose an obstacle to a sustainable recovery. During 2009, the Federal Reserve intervened by directly purchasing agency-backed bonds and mortgages for real estate related securities, which in turn drove valuations in these sectors to the extremes. As the Federal purchase program ends in 2010, the expectation is for certain sectors, including the US Treasuries, of the bond market to underperform.

On the interest rate front, the U.S. has not yet exhibited strong signs of sustainable economic recovery. Coupling this with the lack of persistent inflationary pressure due to high unemployment rate and the abundant excess capacity in manufacturing, the U.S. Federal Reserve is expected to hold interest rate policies at the current historic low level. Such a historically low interest rate level should be helpful toward fostering sustainable economic growth. Furthermore, the slowing pace of inventory de-stocking should soon turn to inventory re-stocking. Businesses have gotten lean by cutting investments and labor to the lowest possible level. As capital investments and employment grow again, this can help lift income and consumer confidence. This should also lead to a gradual sustainable economic expansion phase.

There are potential risks to watch for in 2010 that should determine whether the U.S. economic recovery is sustainable. On the domestic front, one of the key questions, for example, is how the market will react in 2010 as the U.S. Federal Reserve gradually ends its purchase of agency mortgage-backed securities. Likewise, how the market will react to the expiration of the homebuyer's tax credit is important to watch. Both measures were designed to provide liquidity and stimulus to the residential housing market in particular.

International risks could also affect U.S. economic recovery. For example, policy makers in China have begun to take corrective steps such as increasing interest rates and reserve requirements on bank deposits to hopefully deflate the real estate sector bubble. The question is whether China is able to achieve a "soft landing" rather than an abrupt landing. The answer to this question could affect the Asia Pacific region, and ultimately the U.S., one of China's largest trading partners. Although the general consensus is that central banks in the developed economies will refrain from aggressive rate hikes due to the nascent economic recovery, emergency policy measures and "exits" from stimulus monetary policies are expected to increase throughout 2010. Whether the market can hold up as these stimulus measures are withdrawn is an open issue. Credit risks arising from sovereign debt could also be an area of concern. For example, the recent debt crisis for Dubai's state owned real estate investments and Greece's sovereign bonds are reminders of how loss of investors' confidence in a government's ability to honor their debts can destabilize worldwide bond markets and undermine economic recovery.

Currency issues should not be ignored either. For example, although the U.S. Dollar (USD) has somewhat appreciated against major currencies such as the Euro, Japanese Yen, and British Pound toward the beginning of 2010, the expectation is for limited USD strength due to relatively low interest rates, large projected fiscal deficits, and weak economic growth prospects, all of which are not supportive of currency appreciations. A relatively weak currency benefits exporters because the exported goods are relatively cheaper on the international stage compared with similar products from countries with stronger currencies. As long as the U.S. Dollar remains relatively weak, U.S. exports should hold up well.

Political issues should be monitored closely. In early 2010, the U.S. market responded negatively to proposed financial reforms such as the Volker Plan which would have prohibited deposit-taking banks from participating in proprietary trading. In Britain, markets also reacted negatively to the proposed payroll tax on bonus payments by financial institutions. Such negative reactions from financial markets could affect the speed of economic recovery as investor confidence is affected. Other issues can have longer-term effects. Reaction to the recent passage of the U.S. health care overhaul in Congress, for example, needs an extended period of time to gauge its directional significance.

In summary, the expectation is for a gradual self-sustaining U.S. economic recovery, based primarily on Governmental support put in place since 2008. It remains to be seen whether the U.S. economy and others can mount a sustainable come-back, particularly as these support mechanisms are withdrawn.

GENERAL INFORMATION

External investment management firms manage ACERA's assets. Professional investment consultants, along with ACERA's investment staff, closely monitor the activity 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. We also seek to be as fully funded as possible so that ACERA's benefit costs do not become a burden upon future generations of members and taxpayers.

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

The Board, having sole and exclusive authority and fiduciary responsibility for the investment and administration of the Fund, has adopted the Policy for the management of ACERA's investments. The Policy is subject to the Board's annual review to ascertain that the goals, guidelines, and expectations set forth in the document are consistent with the Board's expectations. The Board reserves the right to amend, supplement, or rescind the Policy at any time. The Policy establishes investment program goals and policies, asset allocation policies, performance objectives, investment management policies, and risk controls. It also defines the principal duties of the Board, staff, investment managers, master custodian, and consultants.

ACERA's primary investment objective is to take prudent risk, as necessary, to maximize the return on the portfolio and to minimize the cost of meeting the obligations of the Fund. The strategic asset allocation policy is an integral part of the overall investment policy. The allocation policy is designed to provide an optimal mix of asset categories with return expectations that reflect expected risk. The end result is a well-diversified portfolio that helps protect the Fund from declines that a particular asset class may experience in a given period. Both traditional assets (cash, domestic equities, domestic fixed income) and non-traditional assets (real estate, international equities, global fixed income, private equity and alternatives) are included in the mix.

SUMMARY OF ACERA'S OTHER INVESTMENT—RELATED POLICIES

Private Equity And Alternatives Return Leading Strategy (PEARLS) Policy

The ACERA Private Equity and Alternatives Return Leading Strategies Policy (PEARLS Policy) governs all ACERA investments in the Private Equity and Alternatives asset class.

The purpose of the PEARLS Policy includes the following: 1) to set forth the private equity and alternatives investment policies and guidelines which are deemed to be appropriate and prudent; 2) to establish criteria against which private markets and alternatives investment opportunities are to be measured; and 3) to serve as a review document to guide the ongoing oversight of ACERA's Private Equity and Alternatives Return Leading Strategies Portfolio (PEARLS Portfolio) on a consistent basis.

The objectives of ACERA's Private Equity and Alternatives Return Leading Strategies include the following: 1) to generate returns superior to those available in the public equity market to compensate the Fund for the long term and for its illiquid commitments associated with Private Equity and Alternatives investments; 2) to enhance ACERA's long-term risk adjusted return and provide additional diversification to ACERA's overall investment Fund; 3) to generate returns above the median of comparative universe returns; and 4) to generate total PEARLS Portfolio returns approximately 150 basis points over U.S. public market equity investments, as measured by the Russell 3000 Index, net of all fees and expenses.

The target allocation to the Private Equity and Alternatives asset class is 10% of the total Fund, each of the two components of the asset class contributing 5% of that target. The strategic allocations to the PEARLS Portfolio, is measured by actual dollars invested and not by dollars committed to underlying Investment Managers or funds.

Real Estate Strategic Plan

ACERA has determined that, over the long term, inclusion of equity real estate investments should provide the following benefits (in order of relative importance):

- Lower total portfolio risk due to low correlation with other portfolio asset classes
- Generate a stable, predictable income stream to assist in providing cash flow needs
- Provide growth through appreciation
- Serve as a hedge against unanticipated inflation
- Provide an opportunity to enhance portfolio return through higher total return investments

In order to achieve the above benefits, ACERA's Real Estate Strategic Plan establishes the specific objectives, policies and procedures involved in the implementation and oversight of the ACERA's real estate program. The objectives define the specific risk tolerance and return expectations for the program. The policies provide specifications for acceptable investment styles and management of the various risks associated with the asset class. The procedures provide guidelines for the implementation and oversight of said policies.

The implementation of the real estate program is also subject to ACERA's General Investment Guidelines, Policies and Procedures as established by the ACERA Board.

Emerging Investment Manager Policy

The Emerging Investment Manager Policy governs the Emerging Manager Program, the strategic objective of which is to add incremental value to the Fund through the hiring of the most talented Emerging Investment Managers (EMs) to manage ACERA's assets. The primary goals of the EM

Program are as follows: 1) to identify and gain early access to the most talented investment managers in their early business stages; 2) to generate superior Fund return performance through the EM Program; 3) to identify superior EMs and/or investment opportunities in California and Alameda County that are equal to or superior to comparable available investments; and 4) to further diversify the Fund's overall investment program so as to enhance risk-adjusted returns of the Fund.

Directed Brokerage Policy

The Directed Brokerage Policy governs the Directed Brokerage (DB) program, the strategic objective of which is to recapture a portion of trade commissions paid to brokers. The primary goals of the DB program are these: 1) to recapture 50% or more of commissions paid on a specific percentage of trades sent to correspondent brokers on a timely basis; 2) to construct the percentage of trades subject to recapture so as to allow investment managers to have access to the research they need; 3) to seek "Best Execution" through third-party administration and outside consultant monitoring; and 4) to encourage local and emerging broker participation through the use of an open correspondent network program.

Proxy Voting Guidelines and Procedures (Proxy Guidelines)

In recognition of its duty to manage retirement plan assets in the best interest of plan participants, the Board has established the Proxy Guidelines. They are intended to assist in the faithful discharge of the Board's duty to vote proxies on behalf of the plan participants. The Board incorporated the International Proxy Voting Guidelines into the Proxy Guidelines in 2005.

The Proxy Guidelines consist of preferences regarding specific, recurring proxy-voting issues followed by a general statement of voting policies. ACERA will, at all times, strive to cast proxy votes in accordance with the Proxy Guidelines towards advancing the overall good of the plan participants.

SPECIFIC INVESTMENT RESULTS BY ASSET CLASSIFICATION

As of December 31, 2009, ACERA's Fund was over-weighted in total equities, with 68.0% in total equities versus the target of 60.0%. Domestic equities were over-weighted at 39.7% versus the target of 37.0%. International equities were also over-weighted at 28.3% versus the target of 23.0%. Fixed income was 24.8%, which was slightly above the target of 24.0%. Real estate was under its 6.0% target at 5.5%.

During 2009, ACERA's U.S. equity composite returned 32.3%, outperforming its benchmark (Russell 3000) by 4.0% and the median equity manager by 2.2%. ACERA's international equity composite returned 37.8%, underperforming its benchmark (MSCI-ACWI ex-U.S) by 4.3%, but outperforming the median international equity manager by 4.4%. ACERA's all-fixed income composite returned 24.1%, outperforming its benchmark, (75% Barclays Aggregate/15% Citigroup WGBI ex-U.S./10% Barclays High Yield), by 13.9%. ACERA's real estate composite returned –27.7%, while its benchmark, (NCREIF Property Index), returned -16.9%.

The investment information presented herein is in conformance with the presentation standards of the CFA Institute.

Respectfully Submitted,

Betty Tse, CPA, MBA.
Chief Investment Officer, ACERA
April 6, 2010

Investment Consultant's Report

STRATEGIC INVESTMENT SOLUTIONS, INC.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION 2009 INVESTMENT CONSULTANT'S REPORT

Summary

The year 2009 was a period of systemic healing and investor relief in the global capital markets. After a frightening first two months of the year that saw financial markets continue their descent into ever deeper bear market depths, investor sentiment, and with it market pricing, finally turned positive in early March. A crisis that at times called into question even the most basic structural assumptions of the financial system slowly eased throughout the remainder of the year.

The extreme market volatility and the downward re-pricing of risk assets across the investment spectrum that predominated in the crisis of 2008 was partially reversed by the strong gains of 2009. Some of the credit for this reversal must go to the government authorities and regulators who applied remedies of unprecedented size and scope. The Federal Reserve cut bank borrowing rates to near zero, the US Treasury introduced an assortment of capital support programs, and the Congress passed several private sector support measures. Although some of these measures were conceived and adopted somewhat haphazardly in an environment of financial triage, they seem to have succeeded in facilitating dramatic improvements in the basic functioning of the markets. By the end of the year fundamental investor confidence in both financial counterparty relationships and the overall economic future of the country had been largely restored.

Against this backdrop, market returns were highly positive for most risk assets. For the year 2009, the broad US large cap equity market returned 28.3%, while small cap US stocks gained 27.2%. International Equity fared even better during the year, as a weaker dollar contributed to a return of 42.1% for the year, with Developed Markets returning 32.4% and Emerging Markets an amazing 79.0%. Low risk Investment Grade US Bonds provided much lower returns, as the Barclays Aggregate returned 5.9% for the year, while the much riskier high yield bonds returned 57.5%.

For the year, ACERA returned 26.6%, which was above its Policy Benchmark return of 25.0%, and far above its actuarial return expectation. For the eighth time in the last nine years, the total plan outperformed its median large public plan peer's (19.5%) in 2009, as the plan ended the year with a total plan return in the top 10% of its peer universe.

Overall, ACERA's individual managers had a strong, and in several cases, an exceptional year. In aggregate, the active managers added to the year's result for the plan. Strong performance by both of the Fund's Large Cap managers contributed strongly as the US equity composite bested its benchmark. Though the International Equity composite finished behind the benchmark, the plan's three managers together performed well versus active peers, finishing in the top third of the active manager universe. After a very difficult and anomalous 2008, ACERA's Fixed Income portfolio returned to form with exceptional performance across the board, as the three bond managers each outperformed their respective indexes by wide margins, leading to a Fixed Income composite return that was over 10% above its hybrid benchmark.

Investment Results*

		Annualized	
	2009	3 Years	5 Years
DOMESTIC EQUITY			
Total Domestic Equity	32.3%	–5.5%	0.0%
Median	30.1	–4.4	1.6
Benchmark: Russell 3000	28.3	–5.4	0.8
INTERNATIONAL EQUITY			
Total International Equity	37.8	–2.1	7.1
Median	33.4	–4.4	5.2
Benchmark: MSCI ACWI ex US	42.1	–3.0	6.3
FIXED INCOME			
Total Fixed Income	24.1	5.9	5.4
Median	11.8	6.1	5.2
Benchmark: Hybrid Index	10.2	6.6	5.2
REAL ESTATE			
Total Real Estate	–27.7	–8.9	1.4
Benchmark: NCREIF	–16.9	–3.4	4.7
PEARLS			
Total PEARLS	–14.2	-	-
Benchmark: R3000 + 150 bps	29.8	-	-
TOTAL FUND			
ACERA Total Fund	26.6	–1.4	3.6
Median	19.5	–1.4	3.2
Benchmark: Policy Index	25.0	0.0	4.4

* 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®.

Investment Guidelines, Policies and Practices

In 2009 ACERA began funding its new plan initiative called the Private Equity and Alternatives Return Leading Strategies (PEARLS) program. The program is initially targeted at an allocation of 10% of total plan assets that is being funded opportunistically over the next three to five years. The PEARLS portfolio will be anchored in a diverse array of Private Equity investments, with Commodity, Absolute Return and other return-enhancing and uncorrelated investments included in the mix.

Investment Objectives

The year 2009 was a year of restoration for the ACERA portfolio. The Association once again reached its goals complying with applicable fiduciary standards, of adding value over its Policy Index, of performing well in comparison to its peers, and most importantly in ensuring the availability of sufficient funds to pay vested benefits and maintain supplemental benefits.

Asset Allocation

	Percentage Target	12/31/09 Actual
U.S. Equity	37.0%	39.7%
Non-U.S. Equity	23.0%	28.3%
Fixed Income	24.0%	24.8%
Real Estate	6.0%	5.5%
Private Equity and Alternatives	10.0%	1.7%
Cash	0.0%	0.0%

During the challenging depths of the recent market crisis, ACERA's Board and its Staff remained steadfast in their fidelity to the core principles of the Association's strategic plan. As a result, ACERA was well positioned to implement its important PEARLS portfolio initiative. The program is designed to enhance overall portfolio performance through the introduction of attractive private equity and other non-traditional investments. The fortitude demonstrated by ACERA's decision-makers in 2008 in adhering to its strategic plan and in funding the PEARLS program were rewarded in 2009. SIS firmly believes that ACERA's resolve in holding to its strategic initiatives during the market crisis of 2008 will continue to benefit the Association's participants and beneficiaries for many years to come.

Patrick Thomas, CFA
Senior Vice President

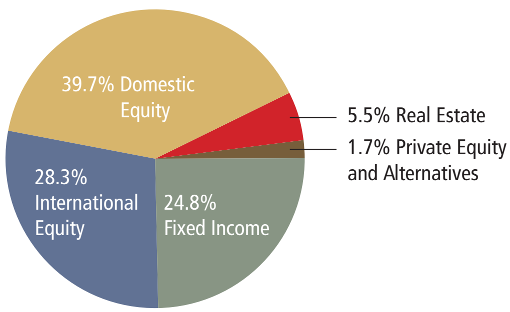
March 12, 2010

Asset Allocation

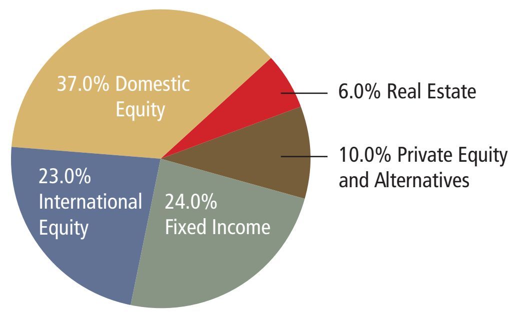
As of December 31, 2009

Investment Manager Type	Actual Asset Allocation	Target Asset Allocation	Actual Allocation Over/–Under Target Allocation
Domestic Equity	39.7%	37.0%	2.7%
International Equity	28.3%	23.0%	5.3%
Fixed Income	24.8%	24.0%	0.8%
Real Estate	5.5%	6.0%	–0.5%
Private Equity and Alternatives	1.7%	10.0%	–8.3%
Total	**100.0%**	**100.0%**	**0.0%**

Actual Asset Allocation



Target Asset Allocation



Investment Professionals

For the Year Ended December 31, 2009

INVESTMENT MANAGERS

Domestic Equity

Bivium Capital Partners, LLC

Brandywine Global Investment Management

Mellon Capital Management

Next Century Growth Investors (Small Cap. Growth and Micro Cap. Growth)

Pzena Investment Management

Trust Company of the West

International Equity

AQR Capital Management, LLC

Capital Guardian Trust Company

Mondrian Investment Partners Ltd.

Fixed Income

Baird Advisors

Brandywine Global Investment Management

Loomis, Sayles & Company

Real Estate

AEW Capital Management

BlackRock, Inc.

CIM Urban REIT

Heitman Capital Management

JPMorgan Asset Management (APF & SPF)

Prudential Real Estate Investors (PRISA & PRISA II)

RREEF America (Core SA & RAR II)

Private Equity and Alternatives

Centerbridge Strategic Credit Partners

Great Hill Partners

Gresham Investment Management

Insight Equity (Fund II & Mezzanine I)

Khosla Ventures (Fund III & Seed)

Lindsay Goldberg

New Enterprise Associates

Oak Hill Advisors

Partners Group

INVESTMENT CONSULTANTS

Capital Institutional Services—Third-Party Directed Brokerage Administrator

Doug McCalla—Optimized Portfolio Rebalancing

Plexus Plan Sponsor Group—Trading Cost & Directed Brokerage

Risk Metrics Group—Proxy Voting

Strategic Investment Solutions—General Investment and Private Equity and Alternatives

The Townsend Group—Real Estate Investment

MASTER INVESTMENT CUSTODIAN AND SECURITIES LENDING AGENT

State Street Bank and Trust Company

Investment Summary

As of December 31, 2009 (Dollars in Thousands)

Investment Type	Fair Value	Percentage of Total Fair Value
Short-Term Investments	$ 143,861	3.1%
Domestic Equity	1,110,539	23.8
International Equity	1,174,711	25.2
Equity Commingled Funds	786,426	16.9
Fixed Income	1,106,749	23.8
Real Estate—Separate Properties	90,802	2.0
Real Estate—Commingled Funds	162,288	3.5
Foreign Exchange Contracts	1,424	0.0
Future Contracts—Equity Index	884	0.0
Equity Index Swaps	37	0.0
Private Equity and Alternatives	79,358	1.7
Total Investments at Fair Value	**$ 4,657,079**	**100.0%**

This schedule excludes Investment receivable and payable balances as of December 31, 2009.

Brokerage Commissions

For the Year Ended December 31, 2009

Brokerage Firm	Rank	Commissions (in Thousands)	Shares/Par Value Traded (in Thousands)	Commission Per Share
Capital Institutional Services Inc.	1	$ 299	9,837	$ 0.030
Morgan Stanley and Co.	2	196	76,568	0.003
Credit Suisse Securities Ltd	3	188	28,371	0.007
J P Morgan Securities Inc.	4	169	16,455	0.010
Merrill Lynch & Co., Inc.	5	144	22,587	0.006
Instinet	6	113	6,356	0.018
Deutsche Bank	7	104	23,146	0.004
Liquidnet Inc.	8	101	5,282	0.019
Goldman Sachs & Co.	9	101	14,188	0.007
Citigroup Global Markets Inc.	10	97	10,380	0.009
Jefferies+ Company Inc.	11	90	2,914	0.031
Jones Trading Institutional Services LLC	12	83	3,062	0.027
UBS Financial Services Inc.	13	81	7,129	0.011
Barclays Capital Inc.	14	59	1,576	0.037
BNY Brokerage Inc.	15	58	2,281	0.025
Cantor Fitzgerald & Co.	16	57	2,258	0.025
B-Trade Services LLC	17	53	2,636	0.020
Pershing LLC	18	41	2,067	0.020
Sanford C. Bernstein Ltd	19	41	4,408	0.009
Wachovia Securities, LLC	20	40	1,057	0.038
Top 20 Firms by Commission Dollars		**2,115**	**242,558**	**0.009**
All Other Brokerage Firms		902	58,444	0.015
Total Brokerage Commissions		**3,017**	**301,002**	**0.010**
Brokerage Commission Recapture		(297)	-	-
Net Brokerage Commission		**$ 2,720**	**301,002**	**$ 0.009**

Investment Manager Fees

For the Years Ended December 31, 2009 and 2008
(Dollars In Thousands)

Investment Manager Type	2009	2008
Domestic Equity	$ 3,856	$ 5,550
International Equity	4,178	4,816
Fixed Income	1,850	2,544
Real Estate	2,718	2,891
Private Equity and Alternatives	2,419	503
Total Investment Manager Fees	**$15,021**	**$16,304**

Investment Assets Under Management (at Fair Value[1])

For the Years Ended December 31, 2009 and 2008
(Dollars in Thousands)

Investment Manager Type	2009	2008
Domestic Equity	$ 1,854,112	$ 1,476,625
International Equity	1,321,834	923,470
Fixed Income	1,159,867	1,035,928
Real Estate	253,284	353,928
Private Equity and Alternatives	79,358	2,660
Cash	730	2,525
Total Investment Assets Under Management	**$4,669,185**	**$3,795,136**

[1] This schedule includes Investment receivable and payable balances as of December 31, 2009 and 2008.

Largest Stock Holdings[1]

As of December 31, 2009 (Dollars in Thousands)

Rank	Shares	Issuer	Fair Value	Percentage of Holdings
1	34,800	Google Inc	$ 21,575	0.94%
2	94,800	Apple Inc	19,990	0.88
3	390,200	Qualcomm Inc	18,051	0.79
4	158,108	L'Oréal	17,694	0.77
5	128,865	Amazon Com Inc	17,335	0.76
6	99,142	Roche Holdings Ag	16,860	0.74
7	277,810	C H Robinson Worldwide Inc	16,316	0.71
8	184,000	Visa Inc	16,093	0.70
9	276,875	Northrop Grumman Corp	15,463	0.68
10	204,825	Exxon Mobil Corp	13,967	0.61
Total of Largest Stock Holdings			**173,344**	**7.58**
Total Stock Holdings			**$ 2,285,250**	**100.00%**

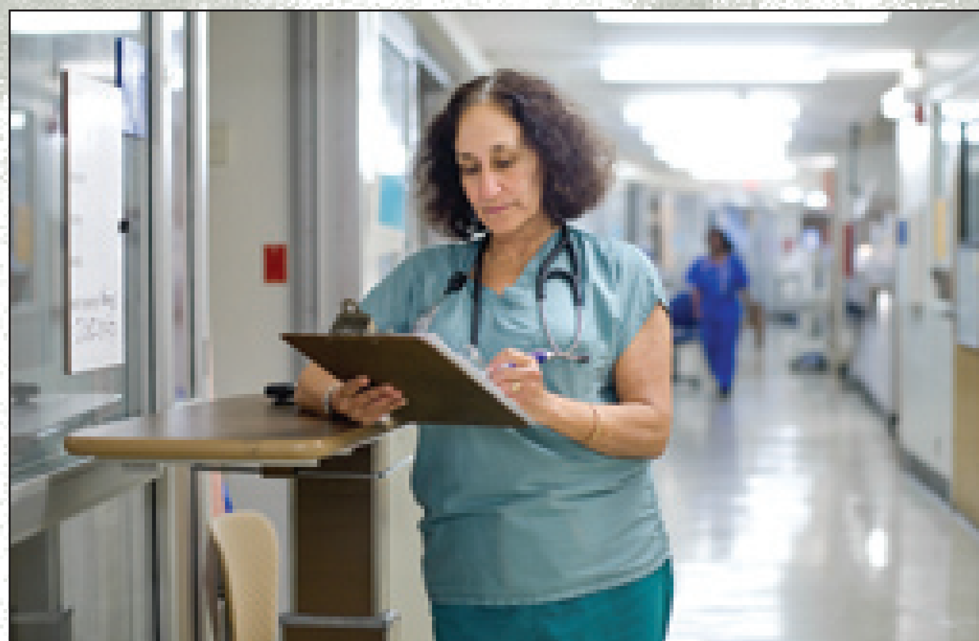
Largest Bond Holdings[1]

As of December 31, 2009 (Dollars in Thousands)

Rank	Par Value	Issuer	Interest Rate	Maturity	Fair Value	Percentage of Holdings
1	43,375,000	United States Treasury Bonds	6.250%	15-Aug-2023	$ 51,806	4.68%
2	23,515,233	FNMA Pool 745275	5.000%	1-Feb-2036	24,178	2.19
3	21,953,000	United States Treasury Bonds	4.500%	15-May-2038	21,497	1.94
4	17,756,028	FNMA Pool 735676	5.000%	1-Jul-2035	18,279	1.65
5	17,674,283	FNMA Pool 735591	5.000%	1-Jun-2035	18,194	1.64
6	14,815,735	FNMA Pool 735925	5.000%	1-Oct-2035	15,233	1.38
7	14,500,000	United States Treasury Notes	2.375%	31-Mar-2016	13,872	1.25
8	14,830,000	New South Wales Treasury	5.500%	1-Mar-2017	12,918	1.17
9	34,235,000	Poland (Republic Of)	5.250%	25-Oct-2017	11,329	1.02
10	9,566,283	FNMA Pool 735224	5.500%	1-Feb-2035	10,055	0.91
Total of Largest Bond Holdings					**197,361**	**17.83**
Total Bond Holdings					**$ 1,106,748**	**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.

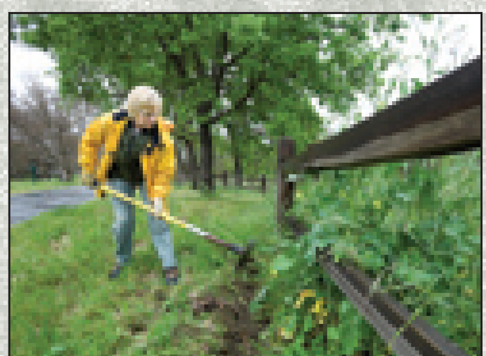
Earning Your Retirement

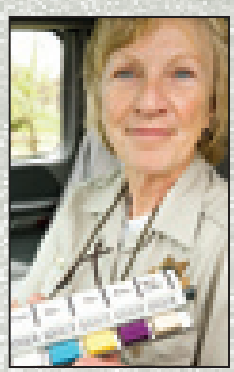


ACMC HIGHLAND HOSPITAL

Alameda County Medical Center, Highland Hospital is the busiest emergency department in the county, with nearly 80,000 visits annually. Almost every adult in the greater Oakland area who suffers a traumatic injury and is transported by ambulance goes to Highland, regardless of ability to pay. Employee pictured: Amy Raff-Heynssens

4:ACTUARIAL





LIVERMORE AREA RECREATION & PARK DISTRICT

Livermore Area Recreation and Park District provides the people of Alameda County with an outstanding system of parks, recreation areas, and facilities. It also provides recreation programs that stimulate, educate, and enrich the lives of area residents. Employee pictured: Patti Cole.

Actuary's Certification Letter—Pension Plan

SEGAL

THE SEGAL COMPANY
100 Montgomery Street, Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

May 17, 2010

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

Re: Alameda County Employees' Retirement Association
Statutory Retirement Plan Benefits

Dear Members of the Board:

The Segal Company (Segal) prepared the December 31, 2008 actuarial valuation of the statutory Retirement Plan benefits of the Alameda County Employees' Retirement Association (ACERA). 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 funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No 25.

As part of the December 31, 2008 actuarial valuation, Segal conducted an examination of all participant data for reasonableness. 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 market value by recognizing the differences between the total return at market value and the expected investment return over 10 six-month periods.

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 Normal 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). Actuarial gains and losses are incorporated into the UAAL and are amortized over the same period.

The UAAL is amortized as a level percentage of payroll over a 24-year period. The progress being made towards meeting the funding objective through December 31, 2008 is illustrated in the Schedule of Funding Progress.

Board of Retirement
May 17, 2010
Page 2

A listing of supporting schedules Segal prepared for inclusion in the actuarial, statistical, and financial sections of the Association's CAFR is provided below:

Exhibit I Schedule of Active Member Valuation Data[(1)];

Exhibit II Retirees and Beneficiaries Added To and Removed From Retiree Payroll[(1)];

Exhibit III Solvency Test;

Exhibit IV Actuarial Analysis of Financial Experience;

Exhibit V Schedule of Average Benefit Payments for Retirees and Beneficiaries;

Exhibit VI Schedule of Participating Employers and Active Members Statistics[(1)];

Exhibit VII Schedule of Benefit Expenses by Type[(1)];

Exhibit VIII Schedule of Retiree Members by Type of Benefit and Option Selected;

Exhibit IX Schedule of Funding Progress[(2)];

Exhibit X Schedule of Retiree Members and Beneficiaries by Type of Benefit and Option Selected Prepared as of December 31, 2009; and

Exhibit XI Employer Contribution Rates (Percent of Payroll).

[(1)] As permitted by the Actuarial Standard of Practice Statement No. 4 (Measuring Pension Obligations), Segal has utilized participant data provided by ACERA as of November 30, 2008 adjusted to December 31, 2008 (to reflect estimated increase in Salary and Service for active members) in calculating the liabilities for the December 31, 2008 valuation.

[(2)] The schedule of funding progress is the only schedule that Segal has prepared for the Financial Section of the CAFR In particular, the Schedule of Employer Contributions has been prepared by ACERA.

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on our recommendations following the November 30, 2007 Experience Analysis. Note that the investment return assumption was developed without taking into consideration the impact the 50/50 excess earnings allocation between the retirement and Supplemental Retirees Benefit Reserve asset pools. It is our opinion that the assumptions used in the December 31, 2008 valuation produce results, which, in aggregate, reflect the future experience of the Retirement Plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years and the next experience analysis is due to be performed as of December 31, 2010.

In the December 31, 2008 valuation, the ratio of the valuation assets to actuarial accrued liabilities decreased from 89.2% to 83.9%. The employer's rate has increased from 14.92% of payroll to 16.91% of payroll, while the employee's rate has remained unchanged at 8.66% of payroll.

Board of Retirement
May 17, 2010
Page 3

Under the Actuarial Value of assets method, the total unrecognized investment losses are $1,522.4 million as of December 31, 2008. These investment losses 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 gains that may occur after December 31, 2008. This implies that if the Association earns the assumed net rate of investment return of 8.00% per year on a market value basis, it will result in investment losses on the actuarial value of assets in the next few years. So, if the actual market return is equal to the assumed 8.00% rate and all other actuarial assumptions are met, the contribution requirements would increase in each of the next few years.

The deferred losses of $1,522.4 million represent 40% of the market value of assets as of December 31, 2008. Unless offset by future investment gains or other favorable experience, the recognition of the $1,522.4 million market losses is expected to have a significant impact on the Association's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:

- If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 83.9% to 56.4%.
- If the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer rate would increase from 16.91% to about 28% of payroll.

We are Members of the American Academy of Actuaries and we are qualified to render the actuarial opinion contained herein.

Sincerely,

Andy Yeung, ASA, EA, MAAA
Vice President and Associate Actuary

Paul Angelo, FSA, EA, MAAA
Senior Vice President and Actuary

DNA/bqb
Enclosures

Actuary's Certification Letter—SRBR

SEGAL

THE SEGAL COMPANY
100 Montgomery Street, Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

May 17, 2010

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

Re: Alameda County Employees' Retirement Association
Discretionary OPEB and Non-OPEB

Dear Members of the Board:

The Segal Company (Segal) prepared the December 31, 2008 actuarial valuation of the discretionary benefits provided through ACERA's 401(h) accounts for OPEB and through the SRBR account for Non-OPEB. ACERA has allocated a portion of the SRBR to be treated as pension contributions if the employers make contributions to the 401(h) account. ACERA has no authority to require future funding of the 401(h) account from the employers. 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 accounting disclosure purposes, including the calculation of the Actuarial Accrued Liability, meet the parameters of the Governmental Accounting Standards Board (GASB) Statements No. 25 and No 43.

As part of the December 31, 2008 actuarial valuation, Segal conducted an examination of all participant data for reasonableness. A summary of the average Other Postemployment Benefits (OPEB) for new retired members, by years of service, is enclosed as Exhibit II. We did not audit the Association's financial statements. For actuarial valuation purposes, SRBR assets that are available to be used as pension contributions are valued at Actuarial Value. Under this method, these SRBR assets and the number of years the SRBR can continue to be used as pension contributions take into account market value by recognizing the differences between the total return at market value and the expected investment return over 10 six-month periods.

The discretionary benefits include OPEB and non-OPEB. Benefits classified under OPEB and reportable under GASB No. 43 include: post retirement medical, dental, and vision benefits. Benefits classified under non-OPEB and reportable under GASB No. 25 include: supplemental COLAs, burial allowance, and the Active Death Equity Benefit.

Board of Retirement
May 17, 2010
Page 2

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 OPEB and Non-OPEB (e.g., turnover, mortality, disability, retirement, etc.) and assumptions that are unique to the discretionary OPEB (e.g., health care trend assumptions, etc.). The future cost is then discounted to determine an actuarial present value of projected benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan allocated to these benefits.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. The UAAL is amortized as a level percentage of payroll over a 27-year period as of December 31, 2008.

Based on directions provided by the Association, we limited the AAL of the OPEB and non-OPEB to the Actuarial Value of Assets (AVA) allocated to the SRBR as of December 31, 2008. This leads to an ARC of 0% because there is no unfunded AAL to amortize and no normal cost to accrue. In addition, the GASB No. 43 funded ratio is 100% for OPEB and the GASB No. 25 funded ratio is 100% for non-OPEB, with this limitation. The funded status of the OPEB and non-OPEB is provided in the enclosed Exhibit I (Schedule of Funding Progress).

Based on the AVA available as of December 31, 2008, the SRBR would only be able to provide pension contributions to the extent of employer 401(h) contributions, and to pay non-medical benefits until 2028. Our calculations were based upon the benefits provided under the terms of the substantive plan in effect at the time of the December 31, 2008 valuation.

A listing of supporting schedules Segal prepared for inclusion in the actuarial, statistical, and financial sections of the Association's CAFR is provided below:

Exhibit I	Schedule of Funding Progress – OPEB and non-OPEB[1]; and
Exhibit II	Schedule of Average Other Postemployment Benefits (OPEB).

[1] *The schedule of funding progress is the only schedule that Segal has prepared for the Financial Section of the CAFR. In particular, the Schedule of Employer Contributions has been prepared by ACERA.*

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on our recommendations following the November 30, 2007 Experience Analysis and specific health care related assumptions recommended for the December 31, 2008 SRBR valuation. Note that the investment return assumption was developed without taking into consideration the impact of the 50/50 excess earnings allocation between the retirement and SRBR asset pools.

Board of Retirement
May 17, 2010
Page 3

The actuarial assumptions common to both the statutory retirement and discretionary OPEB and Non-OPEB 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, 2008 valuation produce results, which, in aggregate, reflect the future experience of the SRBR. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The next experience analysis is due to be performed as of December 31, 2010.

We are Members of the American Academy of Actuaries and we are qualified to render the actuarial opinion contained herein.

Sincerely,

Andy Yeung, ASA, EA, MAAA
Vice President and Associate Actuary

Paul Angelo, FSA, EA, MAAA
Senior Vice President and Actuary

Patrick Twomey, ASA, EA, MAAA
Assistant Actuary

DNA/bqb
Enclosures

Summary of Actuarial Assumptions and Methods

The following assumptions have been adopted by the Board for the December 31, 2008 valuation.

Summary of Assumptions

Actuarial Assumed Interest Rate	8.00%
Inflation Rate	3.75%
Real Across-the-Board Salary Increase	0.25%
Projected Salary Increases	
General:	4.7% to 8.0%
Safety:	5.3% to 9.1%
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 members:	2.00%
Employee Contribution Crediting Rate	8.00%

Retirement Age and Benefit for Deferred Vested Members

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

General	Age 58
Safety	Age 55

We assume that 35% of future General and 45% of future Safety deferred vested members will continue to work for a reciprocal employer. For these members, we assume 5.1% and 5.4% salary increases per annum for General and Safety, respectively.

Future Benefit Accruals

One year of service per year of employment plus 0.008 year of additional service to anticipate conversion of unused sick leave for each year of employment.

The following post-retirement and pre-retirement demographic assumptions are based on the plan's actuarial experience through the last triennial experience study as of November 30, 2007.

Post-Retirement Mortality

The actuarial valuation uses the RP-2000 Combined Healthy Mortality table adjusted as follows:

(A) HEALTHY

General Members and All Beneficiaries	set back one year
Safety Members	set back two years

(B) DISABILITY

General Members	set forward four years
Safety Members	set forward three years

(C) FOR EMPLOYEE CONTRIBUTION RATE PURPOSES

General Members	set back one year, weighted 30% male and 70% female.
Safety Members	set back two years, weighted 75% male and 25% female.

Inclusion of Deferred Vested Members

All deferred vested members are included in this valuation.

Percent of Members Married

75% of male members and 55% of female members.

Age of Spouse

Wives are 3 years younger than their husbands.

Employee Contribution Crediting Rate

8.0%, 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 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.

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 age:

Inflation: 3.75%

Across-the-Board Salary Increase: 0.25%

Merit/Promotional Increases based on age:

Age	General	Safety
25	4.0%	5.1%
30	3.0%	3.5%
35	2.4%	2.2%
40	1.8%	1.5%
45	1.5%	1.5%
50	1.1%	1.4%
55	1.0%	1.3%
60	0.8%	0.0%
65	0.7%	0.0%

Consumer Price Index (San Francisco Bay Area)

Increase of 3.75% 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 and Safety Tier 2.

Net Investment Return

For valuation purposes, the assumed rate of return on the valuation value of assets was 8.0%, net of administration and investment expenses (approximately 1% of assets).

Actuarial Value of Assets

The Actuarial Value of Assets is determined by smoothing in any difference between actual and expected market return over ten six-month interest crediting periods. For valuation purposes, the Actuarial Value of Assets has to be between 60%/140% of the Market Value of Assets. It is also reduced by the value of the non-valuation reserves such as the SRBR.

Actuarial Cost Method

Entry Age Normal Actuarial Cost Method. Entry Age is the age at the member's date of entry into ACERA. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation. The Normal Cost is calculated on an aggregate basis by taking the Present Value of Future Normal Costs divided by the Present Value of Future Salaries to obtain a normal cost rate. This normal cost rate is then multiplied by the total of current salaries. The total Unfunded Actuarial Accrued Liability (i.e., outstanding UAAL from last year, in addition to actuarial gains and losses from this year) is amortized over a declining 30-year period, with 24 years remaining at the valuation date.

Terminal Pay 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	8.0%	7.0%
General Tier 2	3.0%	2.8%
General Tier 3	8.0%	7.0%
Safety Tier 1	9.5%	8.5%
Safety Tier 2	4.0%	2.8%

Active Member Valuation Data (Actuary's Exhibit I)

As of December 31[1]

Year	Plan Type	Number	Annual Payroll[2]	Annual Average Pay	Percent Increase in Average Pay[3]
2004	General	9,138	$ 579,365,000	$ 63,402	2.93%
	Safety	1,418	115,261,000	81,284	5.41%
	Total	**10,556**	**694,626,000**	**65,804**	**3.36%**
2005	General	9,135	596,346,000	65,281	2.96%
	Safety	1,368	113,437,000	82,922	2.02%
	Total	**10,503**	**709,783,000**	**67,579**	**2.70%**
2006	General	9,279	639,880,000	68,960	5.64%
	Safety	1,383	122,259,000	88,401	6.61%
	Total	**10,662**	**762,139,000**	**71,482**	**5.78%**
2007	General	9,415	662,309,000	70,346	2.01%
	Safety	1,497	131,249,000	87,675	-0.82%
	Total	**10,912**	**793,558,000**	**72,723**	**1.74%**
2008	General	9,599	716,012,000	74,592	6.04%
	Safety	1,574	147,526,000	93,727	6.90%
	Total	**11,173**	**863,538,000**	**77,288**	**6.28%**
2009	General	9,407	730,681,649	77,674	4.13%
	Safety	1,520	151,923,235	99,949	6.64%
	Total	**10,927**	**$ 882,604,884**	**$ 80,773**	**4.51%**

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

2 Salary projected from 11/30 to 12/31 for each year. Projected compensation was calculated by increasing the prior year's compensation (assuming every employee will work full time) by the salary increase assumption.

3 The Percent Increase in Average Pay 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.

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

	Added to Rolls		Removed from Rolls		Rolls at End of Year			
Plan Year[1]	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
2004	571	$ 23,349	(383)	$ (5,355)	6,475	$ 166,517	12.12%	$ 25,717
2005	500	23,171	(257)	(4,362)	6,718	185,326	11.30%	27,586
2006	444	21,784	(226)	(4,018)	6,936	203,092	9.59%	29,281
2007	494	25,051	(247)	(4,971)	7,183	223,172	9.89%	31,069
2008	403	23,056	(340)[3]	(5,743)	7,246	240,485	7.76%	33,189
2009	378	21,731	(291)	(5,780)	7,333	256,436	6.63%	34,970

[1] As permitted by the Actuarial Standard of Practice Statement No. 4 (Measuring Pension Obligation), 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.

[3] Includes data adjustments made by ACERA on beneficiary file.

Solvency Test[1] (Actuary's Exhibit III)

(Dollars in Thousands)

	Aggregate Accrued Liabilities For:					Portion of Aggregate Accrued Liabilities Covered by Reported Assets For:		
Valuation Date	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)	Total	Actuarial Value of Assets	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)
12/31/03	$ 802,442	$ 1,833,917	$ 1,253,684	$ 3,890,043	$ 3,381,757	100%	100%	59%
12/31/04	789,556	2,092,355	1,358,642	4,240,553[2]	3,557,918	100%	100%	50%
12/31/05	802,277	2,353,106	1,392,830	4,548,213	3,781,843	100%	100%	45%
12/31/06	842,479	2,550,170	1,432,508	4,825,157	4,127,841	100%	100%	51%
12/31/07	898,321	2,794,861	1,419,221	5,112,403	4,560,213	100%	100%	61%
12/31/08	970,152	3,036,649	1,531,118	5,537,919	4,644,010	100%	100%	42%

[1] This schedule includes actuarial funded liabilities and assets. The non-valuation reserves such as Supplemental Retirees Benefit Reserve, Death Benefit Reserve, and Market Stabilization Reserve, etc., are not included.

[2] Excludes Safety 3% at 50 formula improvement. If the Safety formula improvement is included, the total aggregate liability will increase to $4,336,123.

Events affecting year-to-year comparability for each valuation date:

12/31/2003—Inflation assumption decreased from 4.5% to 4.0%; across-the-board salary increase increased from 0.00% to 0.25%; and increase in terminal pay assumption.

12/31/2004—Change in non-economic assumptions. Investment return assumption reduced from 8% to 7.8%; terminal pay assumption for Service Retirement for Safety Tier 1 decreased from 11.7% to 9.5%.

12/31/2005—Investment return assumption increased from 7.8% to 7.9%; inflation assumption decreased from 4.0% to 3.75%.

12/31/2006—Investment return assumption increased from 7.9% to 8.0%.

12/31/2008—Change in non-economic assumptions. Terminal pay assumption for Service Retirement decreased from 8.8% for General Tier 1 and General Tier 3 to 8.0%, and increased from 3.0% to 4.0% for Safety Tier 2. Benefit improvement (2.5% @ 55 formula) for electing LARPD members (new General Tier 3), effective October 1, 2008.

Actuarial Analysis of Financial Experience[1] (Actuary's Exhibit IV)

(Dollars in Millions)

	2008	2007	2006	2005	2004	2003
Prior Valuation Unfunded/(Prefunded) Actuarial Accrued Liability	$ -	$697	$766	$ -	$508	$266
a) Before Benefit Improvement	552	-	-	683	-	-
b) After Benefit Improvement[2]	553	-	-	778	-	-
Salary Increase Greater (Less) than Expected	38	(42)	2	(35)	(33)	93
Asset Return Less (Greater) than Expected	245[3]	(125)	(57)	30	74	133
Other Experience (Including Scheduled UAAL Payment)	40	22	42	55	31	26
Economic Assumption Changes	-	-	(56)	(81)	-	-
Non-economic Assumption Changes	9	-	-	-	103	(10)
Benefit Change[4]	-	-	-	19	-	-
Data Corrections	9	-	-	-	-	-
Ending Unfunded/(Prefunded) Actuarial Accrued Liability	$894	$552	$697	$766	$683[5]	$508

[1] This schedule is based on the actuarial valuation of 12/31/2008, ACERA's most recent actuarial valuation.

[2] Improved Safety benefit in Plan Year 2005 and improved General Tier 3 benefit in Plan Year 2008.

[3] Includes effect of change in the market value corridor for the calculation of the actuarial value of assets, from 80%-120% to 60%-140%.

[4] Additional improved Safety benefit.

[5] Excludes Safety 3% at 50 formula improvement. If the Safety formula improvement is included, the total Unfunded Actuarial Accrued Liability is $778.

Summary of Plan Provisions

BENEFITS SECTIONS 31676.1, 31676.12, 31676.18, AND 31664.1 OF THE COUNTY EMPLOYEES RETIREMENT LAW OF 1937 ("1937 ACT")

Briefly summarized below are major provisions of the 1937 Act as amended through December 31, 2008, and as adopted by Alameda County or other Participating Employers.

Membership Eligibility

Each person appointed to a full-time, permanent position with the County of Alameda or Participating Employer is eligible and required to become a member of ACERA. Membership with ACERA usually begins with the second pay period following appointment to a full time County or Participating Employer position. ACERA members who change from full-time to part-time may elect to continue membership at ACERA (with future contributions and benefits adjusted accordingly).

Tiers (Benefit Levels)

General and Safety Tier 1 include 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). They were granted a benefit improvement for all service under the 2.5% @ 55 formula. See page 108 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.

Return of Contributions

If a member should resign or die before becoming eligible for retirement, his or her contributions plus interest will be refunded. In lieu of receiving a return of contributions, a vested member 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 members are eligible to retire: At age 50 with 10 years of service; at age 70 regardless of years of service, or at any age with 30 years of service. Safety members are eligible to retire: At age 50 with 10 years of service; at age 70 regardless of years of service; or at any age with 20 years of service.

Eligibility for Deferred Service Retirement

Vested deferred members (i.e., terminated members who have completed five years of service and leave accumulated contributions in the retirement fund) become eligible to retire at any time at which the member could have retired, had the member remained an active member in a full-time position.

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 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			
Age-at-Retirement	Tier 1	Tier 2	Tier 3	Safety*
50	1.34%	1.18%	2.00%	3.00%
55	1.77%	1.49%	2.50%	3.00%
60	2.34%	1.92%	2.50%	3.00%
62	2.62%	2.09%	2.50%	3.00%
65 and over	2.62%	2.43%	2.50%	3.00%

* Only available for those members who terminated after the County improved the benefit to Sec. 31664.1 in 2004.

Maximum Benefit

The maximum basic benefit payable to a member or beneficiary is 100% of Final Average Salary.

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 Average Salary (FAS).

The disability benefit is 1.8% per year of service for General Tier 1 and Tier 3 members; and 1.5% per year of service for General Tier 2 members. If this benefit does not exceed one-third of FAS, the benefit is increased by the above percentage of FAS for the years which would have been credited to age 62 for Tier 1 and Tier 3 General members; and age 65 for Tier 2 General members.

The disability benefit is 1.8% per year of service for Safety members. If this benefit does not exceed one-third of FAS, the benefit is increased by the above percentage of FAS for the years which would have been credited to age 55.

In each case where the disability benefit has been increased as described above, the total benefit cannot exceed one-third of the FAS, unless the benefit calculated from the member's age, years of service, and salary is greater.

If the disability is service connected ("job-related"), then there is no age or service requirement. This benefit is the greater of 50% of FAS, 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 salary for each completed year of service under the retirement system, based on the final year's average salary, but not to exceed six months' salary.

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 above mentioned lump sum.

Active Death Equity Benefit (ADEB)

In 2000, the Board of Retirement authorized the ADEB option which provides a continuance to the surviving spouse/domestic partner of a member who died because of non-service connected disability equal to 100% of the member's reduced allowance under the option 2 provision.

The funding of the ADEB benefit (the difference in the benefit between the 60% continuance under the unmodified option and 100% continuance provided under option 2) is provided from assets held in the SRBR. The ADEB is a non-vested benefit and may be discontinued at any time and for any reason. The Board of Retirement reserves the right to terminate the ADEB for future recipients.

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 FAS (or 100% of the service retirement benefit, if greater).

Retired Member Death Benefit

If a member dies after retirement, a lump sum amount of $5,000 is paid to the beneficiary or estate. ($4,250 of this death benefit is not vested and is funded through the SRBR, subject to Board approval and available funding.)

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 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 valuation, but are included in the SRBR 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; and at age 50 of 1⁄100 of FAS for Safety members. Note that in estimating FAS, we have included an assumption to anticipate how much unused vacation would be available for conversion at retirement. Member cost of living contribution rates are actuarially determined to pay for one-half of future cost of living liabilities.

For 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

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.

Assumed Termination and Retirement Rates

The following schedules indicate the assumed rates before retirement for disability, termination, and mortality, as well as retirement 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 disability for a General member age 25 is 0.01, then we are assuming that 0.01 percent of the General members in this age bracket will receive disability retirement during the year.

Assumed Retirement Rates

Rates (%)

Age	General Tier 1	General Tier 2	General Tier 3	Safety Tier 1[1]	Safety Tier 2[1]
50	3.00	2.00	6.00	35.00	4.00
51	3.00	2.00	3.00	25.00	4.00
52	3.00	2.00	5.00	25.00	5.00
53	3.00	2.00	6.00	30.00	5.00
54	4.00	3.00	6.00	35.00	6.00
55	6.00	3.00	12.00	35.00	10.00
56	8.00	4.00	13.00	35.00	15.00
57	10.00	5.00	13.00	35.00	20.00
58	10.00	6.00	14.00	40.00	10.00
59	13.00	6.00	16.00	40.00	15.00
60	20.00	6.00	21.00	100.00	60.00
61	20.00	8.00	20.00	100.00	60.00
62	30.00	20.00	30.00	100.00	60.00
63	30.00	16.00	25.00	100.00	60.00
64	30.00	20.00	25.00	100.00	100.00
65	35.00	25.00	30.00	100.00	100.00
66	30.00	20.00	25.00	100.00	100.00
67	25.00	20.00	25.00	100.00	100.00
68	20.00	30.00	25.00	100.00	100.00
69	45.00	40.00	50.00	100.00	100.00
70	100.00	100.00	100.00	100.00	100.00

[1] For Safety Tier 1 and Tier 2 members, assumed retirement rate is 100% after a member attains 100% of FAS.

Assumed Termination Rates Before Retirement

DISABILITY

Age	Rate (%) Disability	
	General[1]	Safety[2]
20	0.00	0.00
25	0.01	0.00
30	0.07	0.24
35	0.16	0.46
40	0.26	0.62
45	0.36	0.94
50	0.49	1.34
55	0.67	1.68
60	0.84	0.72

TERMINATION (RATE %)

Less than 5 Years of Service[3]

Years of Service	General	Safety
0	13.00	5.00
1	10.00	5.00
2	9.00	5.00
3	7.00	3.00
4	5.00	3.00

5 Years of Service or More[4]

Age	General	Safety
20	5.00	3.00
25	5.00	3.00
30	5.00	2.40
35	4.70	1.70
40	3.72	1.20
45	2.54	1.00
50	1.92	1.00
55	1.62	1.00
60	1.20	0.40

MORTALITY[5]

Rate (%)

Age	General		Safety	
	Male	Female	Male	Female
25	0.04	0.02	0.04	0.02
30	0.04	0.02	0.04	0.02
35	0.07	0.04	0.06	0.04
40	0.10	0.06	0.10	0.06
45	0.14	0.10	0.13	0.09
50	0.20	0.16	0.19	0.14
55	0.32	0.24	0.29	0.22
60	0.59	0.44	0.53	0.39
65	1.13	0.86	1.00	0.76

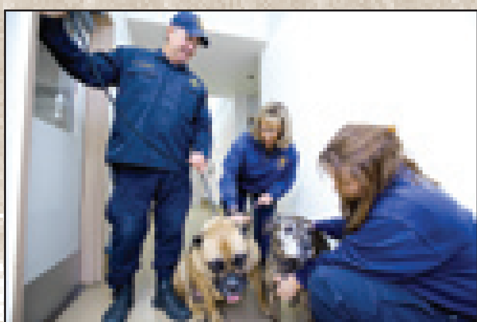
[1] 80% of General disabilities are assumed to be service connected disabilities. The other 20% are assumed to be non-service connected disabilities.

[2] Assumes 100% of Safety disabilities are service connected disabilities.

[3] Assumes 80% of terminating members will choose a refund of contributions and 20% will choose a deferred vested benefit.

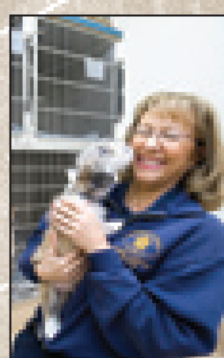
[4] Assumes 30% of terminating members will choose a refund of contributions and 70% will choose a deferred vested benefit. No termination is assumed after a member is eligible for retirement.

[5] Assumes all pre-retirement deaths are non-service connected.



ALAMEDA COUNTY ANIMAL CONTROL

As part of Alameda County Sheriff's Office, Alameda County Animal Control protects the inhabitants of our county, both large and small in the unincorporated portion of the County as well as the city of Dublin. The program maintains two animal shelters, enforces all codes pertaining to animal violations, licenses dogs, issues permits, investigates reports of vicious animals, and respond to calls from the public for service. Employees pictured: (above, left to right) Tony Owens, Barbara Bowman, J. Wills; (top) Colleen Marino; (center) George Potstada; (opposite page) Staci McPherson.



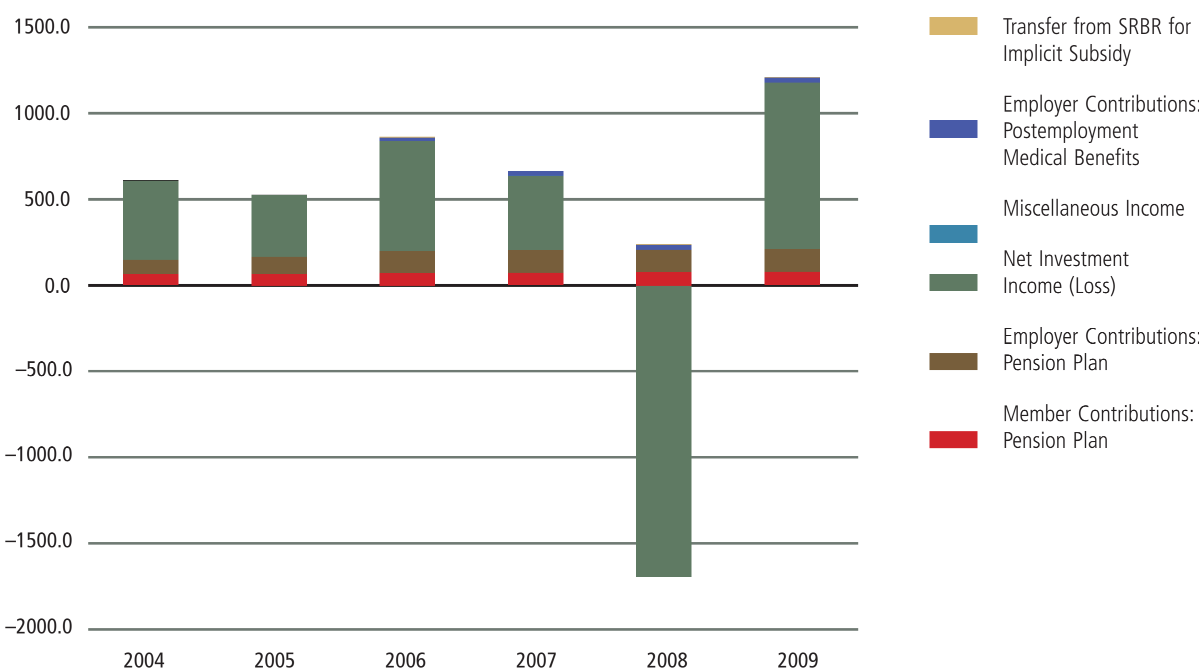
5:STATISTICAL

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 Benefits. 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 ACERA's Net Assets, 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. Some historical comparative information is not available for periods prior to ACERA's implementation of GASB 44 for the year ended December 31, 2006.

Additions to ACERA's Net Assets by Source

(Dollars in Millions)



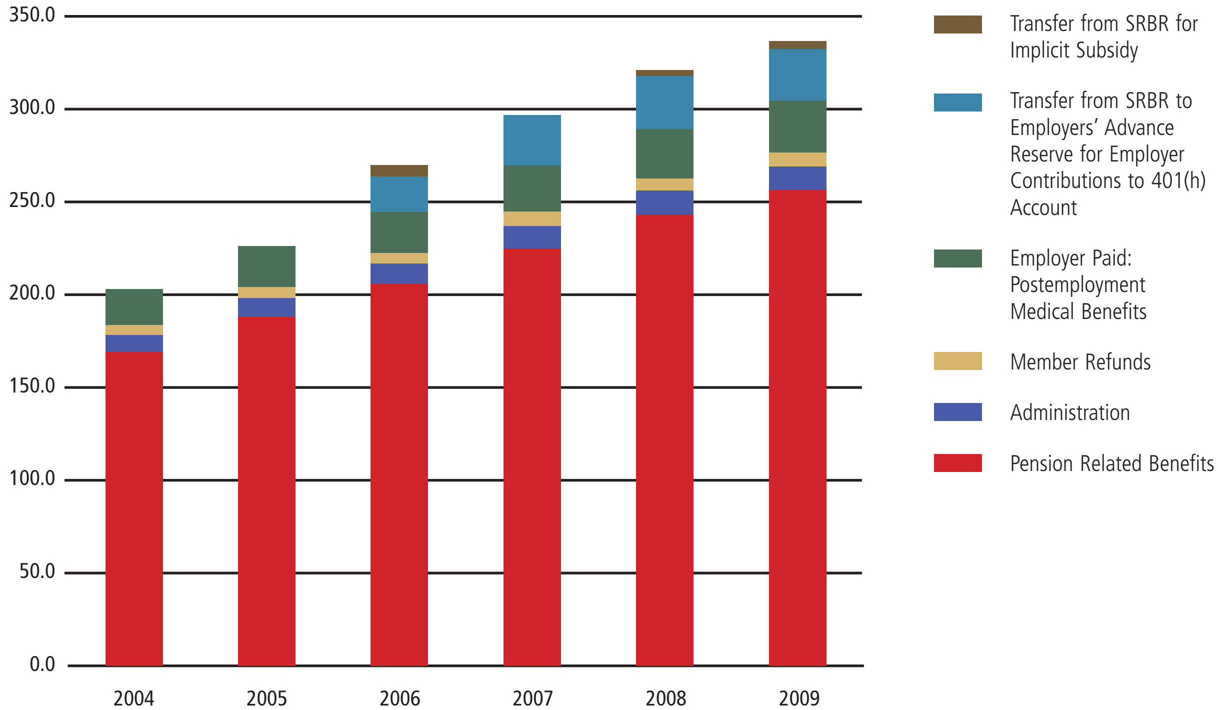
Additions to ACERA's Net Assets by Source

(Dollars in Millions)

Year Ended December 31	Member Contributions: Pension Plan	Employer Contributions: Pension Plan	Net Investment Income (Loss)	Miscellaneous Income	Employer Contributions: Postemployment Medical Benefits	Transfer from SRBR for Implicit Subsidy	Total Additions
2004	$ 63.1	$ 85.5	$ 457.7	$ 1.6	$ -	$ -	$ 607.9
2005	64.1	100.8	358.0	0.1	-	-	523.0
2006	70.2	127.1	637.8	0.4	19.0	6.3	860.8
2007	72.3	130.0	430.9	1.0	27.3	-	661.5
2008	75.6	129.7	(1,685.2)	0.5	28.5	3.1	(1,447.8)
2009	77.3	132.2	963.6	2.3	27.9	4.1	1,207.4

Deductions from ACERA's Net Assets by Type

(Dollars in Millions)



Deductions from ACERA's Net Assets by Type

(Dollars in Millions)

Year Ended December 31	Pension Related Benefits	Administration	Member Refunds	Employer Paid: Postemployment Medical Benefits	Transfer from SRBR to Employers' Advance Reserve for Employer Contributions to 401(h) Account	Transfer from SRBR for Implicit Subsidy	Total Deductions
2004	$ 169.1	$ 9.2	$ 5.2	$ 19.6	$ -	$ -	$ 203.1
2005	187.8	10.3	6.1	22.0	-	-	226.2
2006	205.8	10.8	5.8	22.2	19.0	6.3	269.9
2007	224.8	12.2	7.8	24.7	27.3	-	296.8
2008	242.9	13.3	6.5	26.7	28.5	3.1	321.0
2009	256.7	12.3	7.7	27.8	27.9	4.1	336.5

Changes in Pension Plan Net Assets
Last Ten Fiscal Years[1]

For the years ending December 31 (Dollars in Thousands)

	2009	2008	2007	2006
Additions				
Member Contributions	$ 77,271	$ 75,608	$ 72,342	$ 70,174
Employer Contributions	104,263	101,113	102,749	108,088
Total Contributions	**181,534**	**176,721**	**175,091**	**178,262**
Investment and Miscellaneous Income (Net of Expenses)	965,921	(1,684,744)	431,789	638,305
Transfer to Employers' Advance Reserve from SRBR for Employer Contributions to 401(h) Account	27,935	28,547	27,291	19,008
Transfer to Employers' Advance Reserve from SRBR for Implicit Subsidy	4,149	3,091	-	6,304
Earnings Allocated to the SRBR	(16,102)	(24,701)	(145,957)	(75,636)
Earnings Allocated to the SRBR Available for Non-OPEB Benefits	(1,997)	(3,137)	(18,307)	(9,962)
Total Additions	**1,161,440**	**1,504,223**	**469,907**	**756,281**
Deductions				
Benefit Payments	252,126	237,273	218,618	199,423
Refunds	7,718	6,527	7,778	5,817
Administration Expenses	12,255	13,315	12,211	10,778
Total Deductions	**272,099**	**257,115**	**238,607**	**216,018**
Changes in Pension Plan Net Assets	**$ 889,341**	**$(1,761,338)**	**$ 231,300**	**$ 540,263**

[1] ACERA implemented GASB 44 for year ended December 31, 2006. Prior to GASB 44 implementation, changes in Net Assets data for Pension Plan, Postemployment Medical Benefits, and Non-OPEB Benefits were aggregated in one fund. Therefore, no separate data for each plan is available prior to 2006.

Changes in Postemployment Medical Benefits Net Assets
Last Ten Fiscal Years[1]

For the years ending December 31 (Dollars in Thousands)

	2009	2008	2007	2006
Additions				
Employer Contributions	$ 27,935	$ 28,547	$ 27,291	$ 19,008
Earnings Allocated to the SRBR	16,102	24,701	145,957	75,636
Total Additions	**44,037**	**53,248**	**173,248**	**94,644**
Deductions				
Postemployment Medical Benefits Payments[2]	27,839	26,681	24,668	22,205
Transfer to Employers' Advance Reserve from SRBR for Employer Contributions to 401(h) Account	27,935	28,547	27,291	19,008
Transfer to Employers' Advance Reserve from SRBR for Implicit Subsidy	4,149	3,091	-	6,304
Total Deductions	**59,923**	**58,319**	**51,959**	**47,517**
Changes in Postemployment Medical Benefits Net Assets	**$ (15,886)**	**$ (5,071)**	**$ 121,289**	**$ 47,127**

[1] ACERA implemented GASB 44 for year ended December 31, 2006. Prior to GASB 44 implementation, changes in Net Assets data for Pension Plan, Postemployment Medical Benefits, and Non-OPEB Benefits were aggregated in one fund. Therefore, no separate data for each plan is available prior to 2006.

[2] Postemployment Medical Benefits are paid from the 401(h) account.

Changes in Non-OPEB Benefits Net Assets
Last Ten Fiscal Years[1]

For the years ending December 31 (Dollars in Thousands)

	2009	2008	2007	2006
Addition				
Earnings Allocated to Non-OPEB Benefits	$ 1,997	$ 3,137	$ 18,307	$ 9,962
Total Addition	**1,997**	**3,137**	**18,307**	**9,962**
Deduction				
Non-OPEB Benefits Payments	4,522	5,558	6,217	6,422
Total Deduction	**4,522**	**5,558**	**6,217**	**6,422**
Changes in Non-OPEB Benefits Net Assets	**$ (2,525)**	**$ (2,421)**	**$ 12,090**	**$ 3,540**

[1] ACERA implemented GASB 44 for year ended December 31, 2006. Prior to GASB 44 implementation, changes in Net Assets data for Pension Plan, Postemployment Medical Benefits, and Non-OPEB Benefits were aggregated in one fund. Therefore, no separate data for each plan is available prior to 2006.

Benefit Expenses by Type (Actuary's Exhibit VII)

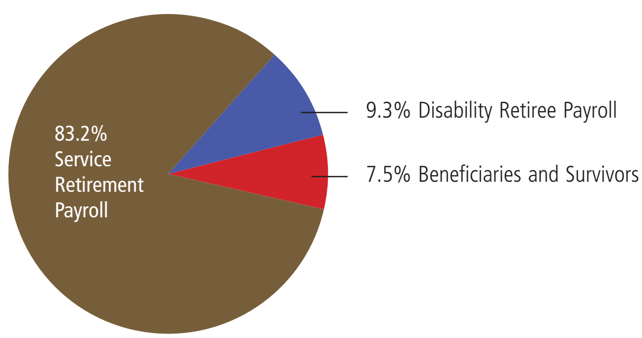
For the Year Ended December 31 [1]

	2009	2008	2007	2006	2005	2004
Service Retirement Payroll						
Basic	$ 168,693,544	$ 156,159,546	$ 144,273,097	$ 131,381,072	$ 119,237,822	$ 105,648,412
COLA	44,596,368	43,190,182	39,321,355	35,620,880	33,211,334	30,836,451
Total	**213,289,912**	**199,349,728**	**183,594,452**	**167,001,952**	**152,449,156**	**136,484,863**
Disability Retiree Payroll						
Basic	19,140,681	18,548,535	17,741,212	16,180,690	14,576,027	13,118,826
COLA	4,793,397	4,466,521	3,978,243	3,536,042	3,148,063	2,800,341
Total	**23,934,078**	**23,015,056**	**21,719,455**	**19,716,732**	**17,724,090**	**15,919,167**
Beneficiaries and Survivors						
Basic	$ 11,886,758	$ 11,212,504	$ 11,090,773	$ 10,082,760	$ 9,396,077	$ 8,686,288
COLA	7,325,211	6,907,819	6,767,815	6,290,813	5,756,507	5,426,939
Total	**19,211,969**	**18,120,323**	**17,858,588**	**16,373,573**	**15,152,584**	**14,113,227**
Total	**$ 256,435,959**	**$ 240,485,107**	**$ 223,172,495**	**$ 203,092,257**	**$ 185,325,830**	**$ 166,517,257**

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

Benefit Expenses by Type

For the Year Ended December 31, 2009



Benefit and Refund Deductions Combined from Pension Plan, Postemployment Medical Benefits, and Non-OPEB Benefits Net Assets by Type Last Ten Fiscal Years[1, 2]

For the Years ended December 31 (Dollars in Thousands)

	2009	2008	2007	2006	2005	2004	2003	2002	2001
TYPE OF BENEFIT									
Age and Service Benefits:									
Retirees	$ 237,590	$ 221,532	$ 205,010	$ 187,376	$ 171,924	$ 153,763	$ 137,338	$ 127,706	$ 122,998
Survivors	14,787	15,033	14,150	13,340	12,538	11,812	11,429	10,985	12,541
Death in Service Benefits:									
Survivors	2,161	4,030	2,017	1,882	1,680	1,505	1,301	1,292	1,355
Disability Benefits:									
Retirees—Duty	25,094	23,981	23,461	20,955	19,591	17,746	14,231	12,516	11,563
Retirees—Non-duty	3,332	3,539	3,450	3,210	3,020	2,949	2,414	2,348	2,239
Supplemental Disability	138	80	192	109	75	51	97	69	68
Survivors	1,385	1,317	1,223	1,178	1,036	906	808	629	598
Total Benefits	**284,487**	**269,512**	**249,503**	**228,050**	**209,864**	**188,732**	**167,618**	**155,545**	**151,362**
Type of Refund									
Death	1,608	1,093	2,219	1,831	2,481	1,411	1,294	1,653	1,549
Miscellaneous	81	74	89	136	123	147	97	273	850
Separation	6,029	5,360	5,470	3,850	3,476	3,632	5,194	4,522	5,913
Total Refunds	**$ 7,718**	**$ 6,527**	**$ 7,778**	**$ 5,817**	**$ 6,080**	**$ 5,190**	**$ 6,585**	**$ 6,448**	**$ 8,312**

[1] ACERA implemented GASB 44 for year ended December 31, 2006. No historical data is available prior to 2001 due to system constraints.

[2] Postemployment Medical Benefits are paid from the 401(h) account.

Benefit and Refund Deductions from Pension Plan Net Assets by Type Last Ten Fiscal Years[1]

For the Years ended December 31 (Dollars in Thousands)

	2009	2008	2007	2006	2005	2004	2003	2002	2001
TYPE OF BENEFIT									
Age and Service Benefits:									
Retirees	$ 210,938	$ 196,469	$ 180,410	$ 164,638	$ 149,934	$ 133,355	$ 118,415	$ 110,793	$ 108,078
Survivors	13,570	12,760	12,252	11,419	11,042	10,238	9,568	9,225	10,955
Death in Service Benefits:									
Survivors	2,051	3,384	1,840	1,702	1,528	1,342	1,124	1,107	1,177
Disability Benefits:									
Retirees—Duty	21,344	20,304	19,963	17,889	16,775	15,285	12,226	10,923	10,244
Retirees—Non-duty	2,755	2,960	2,826	2,569	2,417	2,364	1,878	1,839	1,782
Supplemental Disability	137	79	104	28	27	16	49	11	11
Survivors	1,331	1,317	1,223	1,178	1,036	906	808	629	598
Total Benefits	**252,126**	**237,273**	**218,618**	**199,423**	**182,759**	**163,506**	**144,068**	**134,527**	**132,845**
Type of Refund									
Death	1,608	1,093	2,219	1,831	2,481	1,411	1,294	1,653	1,549
Miscellaneous	81	74	89	136	123	147	97	273	850
Separation	6,029	5,360	5,470	3,850	3,476	3,632	5,194	4,522	5,913
Total Refunds	**$ 7,718**	**$ 6,527**	**$ 7,778**	**$ 5,817**	**$ 6,080**	**$ 5,190**	**$ 6,585**	**$ 6,448**	**$ 8,312**

[1] ACERA implemented GASB 44 for year ended December 31, 2006. No historical data is available prior to 2001 due to system constraints.

Benefit and Refund Deductions from Postemployment Medical Benefits Net Assets by Type Last Ten Fiscal Years[1, 2]

For the Years ended December 31 (Dollars in Thousands)

	2009	2008	2007	2006	2005	2004	2003	2002	2001
TYPE OF BENEFIT									
Age and Service Benefits:									
Retirees	$ 23,801	$ 22,743	$ 21,030	$ 19,011	$ 18,944	$ 16,968	$ 14,908	$ 12,453	$ 10,411
Survivors	-	-	2	2	2	1	1	6	2
Disability Benefits:									
Retirees—Duty	3,555	3,473	3,207	2,787	2,595	2,222	1,752	1,323	1,057
Retirees—Non-duty	482	465	429	405	426	398	342	301	254
Supplemental Disability	1	1	-	-	-	-	-	-	-
Survivors	-	-	-	-	-	-	-	-	-
Total Benefits	**$27,839**	**$26,682**	**$24,668**	**$22,205**	**$21,967**	**$19,589**	**$17,003**	**$14,083**	**$11,724**

1 ACERA implemented GASB 44 for year ended December 31, 2006. No historical data is available prior to 2001 due to system constraints.

2 Postemployment Medical Benefits are paid from the 401(h) account.

Benefit and Refund Deductions from Non-OPEB Benefits Net Assets by Type Last Ten Fiscal Years[1]

For the Years ended December 31 (Dollars in Thousands)

	2009	2008	2007	2006	2005	2004	2003	2002	2001
TYPE OF BENEFIT									
Age and Service Benefits:									
Retirees	$ 2,851	$ 2,320	$ 3,570	$ 3,737	$ 3,055	$ 3,448	$ 4,022	$ 4,465	$ 4,514
Survivors	1,217	2,273	1,896	1,919	1,494	1,573	1,860	1,754	1,584
Death in Service Benefits:									
Survivors	110	646	177	170	143	155	170	180	173
Disability benefits:									
Retirees—Duty	195	204	291	279	221	239	253	270	262
Retirees—Non-duty	95	114	195	236	177	187	194	208	203
Supplemental Disability	-	-	88	81	48	35	48	58	57
Survivors	54	-	-	-	-	-	-	-	-
Total Benefits	**$4,522**	**$5,557**	**$6,217**	**$6,422**	**$5,138**	**$5,637**	**$6,547**	**$6,935**	**$6,793**

1 ACERA implemented GASB 44 for year ended December 31, 2006. No historical data is available prior to 2001 due to system constraints.

Employer Contribution Rates (Percent of Payroll) (Actuary's Exhibit XI)
Last Ten Years

Fiscal Year Beginning July 1

	County[2]					ACMC, Superior Court and First 5[3]		Other Participating Employers	
	General Member		Safety Member			General Member		General Member	
Year	Tier 1	Tier 2	Tier 1	Tier 2	Aggregate[1]	Tier 1	Tier 2	Tier 1	Tier 3[4]
2000	6.28	2.83	4.78	5.48	4.03	6.28	2.83	17.30	-
2001	6.31	2.86	5.10	5.80	4.00	6.31	2.86	17.09	-
2002	5.90	3.37	5.96	7.16	4.37	5.90	3.37	16.21	-
2003	12.78	10.53	17.40	18.76	12.16	12.78	10.53	17.37	-
2004	14.63	12.10	21.51	20.91	13.95	14.63	12.10	19.21	-
2005	17.91	14.96	36.81	29.09	18.07	17.91	14.96	22.74	-
2006	16.46	14.30	37.05	29.84	17.26	16.46	14.30	21.53	-
2007	14.36	13.19	35.95	28.98	17.03	14.43	13.26	19.38	-
2008	13.81	11.89	34.90	27.46	15.85	13.92	12.00	18.89	22.11
2009	14.60	13.05	43.51	33.51	18.23	14.74	13.19	19.50	22.65

1 The aggregate rate is based on payroll as of the prior December 31.

2 County employer rates include credits for implicit health benefit subsidies. In 2006, a credit was applied for $6.3 million amortized over 26 years. In 2008, an additional credit was applied for $3.1 million amortized over 25 years. In 2009, an additional credit was applied for $4.1 million amortized over 24 years.

3 Rate combined with the County before December 31, 2007.

4 Tier 3 rate only applies to LARPD effective from October 1, 2008.

Employee Contribution Rates (Percent of Payroll)
Last Ten Years

Fiscal Year Beginning July 1

	County and Other Participating Employers					
	General Member			Safety Member		
Year	Tier 1	Tier 2	Tier 3[5]	Tier 1	Tier 2	Aggregate
2000	8.58	7.35	-	10.66	10.37	8.11
2001	8.21	7.03	-	10.41	10.07	7.75
2002	8.00	7.01	-	10.38	10.12	7.70
2003	8.96	7.88	-	9.84	10.61	8.47
2004	9.05	7.58	-	9.66	10.53	8.27
2005	9.93	7.91	-	15.51	14.32	9.24
2006	9.31	7.52	-	15.32	13.78	8.81
2007	10.09	7.35	-	14.98	13.54	8.71
2008	9.57	7.36	12.53	14.70	13.53	8.64
2009	9.42	7.22	12.44	14.37	14.29	8.66

5 Tier 3 rate only applies to LARPD effective from October 1, 2008.

Retired Members by Type of Benefit and Option Selected (Actuary's Exhibit VIII)

Summary of Monthly Allowances Being Paid for the Month of December 2009[1]

		Monthly Allowance		
	Number	Basic	Cost of Living	Total
GENERAL MEMBERS				
Service Retirement				
Unmodified	4,162	$ 9,286,246	$ 2,653,125	$ 11,939,371
Option 1	230	355,984	126,418	482,402
Option 2	244	463,224	108,123	571,347
Option 3	16	22,864	8,332	31,196
Option 4	5	19,111	962	20,073
Total	**4,657**	**10,147,429**	**2,896,960**	**13,044,389**
Disability				
Unmodified	549	941,123	233,095	1,174,218
Option 1	34	33,335	11,931	45,266
Option 2	1	1,458	-	1,458
Option 3	1	2,220	381	2,601
Option 4	1	3,466	1,300	4,766
Total	**586**	**981,602**	**246,707**	**1,228,309**
Beneficiaries	895	741,876	489,252	1,231,129
Total General	**6,138**	**$ 11,870,907**	**$ 3,632,919**	**$ 15,503,827**

		Monthly Allowance		
	Number	Basic	Cost of Living	Total
SAFETY MEMBERS				
Service Retirement				
Unmodified	757	$ 3,674,912	$ 773,461	$ 4,448,372
Option 1	14	54,977	14,950	69,927
Option 2	48	171,076	28,183	199,258
Option 3	1	3,671	2,634	6,306
Option 4	1	5,730	176	5,906
Total	**821**	**3,910,366**	**819,404**	**4,729,770**
Disability				
Unmodified	196	596,282	147,270	743,552
Option 1	5	11,691	2,859	14,549
Option 2	1	2,247	-	2,247
Option 3	2	3,235	2,614	5,849
Option 4	-	-	-	-
Total	**204**	**613,455**	**152,743**	**766,198**
Beneficiaries	170	248,687	121,182	369,869
Total Safety	**1,195**	**4,772,508**	**1,093,329**	**5,865,837**
Total General and Safety	**7,333**	**$ 16,643,415**	**$ 4,726,248**	**$ 21,369,663**

[1] As permitted by the Actuarial Standard of Practice Statement No. 4 (Measuring Pension Obligation) 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, 2009

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	337	1	2	12	235	4	83	-	188	114	34	1	-
301 to 600	515	-	10	17	352	16	120	-	312	173	28	2	-
601 to 900	586	2	20	12	410	27	114	1	372	178	35	1	-
901 to 1,200	604	6	41	10	430	19	97	1	416	149	38	1	-
1,201 to 1,500	590	36	33	8	415	11	86	1	413	128	48	1	-
1,501 to 1,800	544	94	22	2	353	7	66	-	338	100	104	2	-
1,801 to 2,100	505	114	12	7	315	7	49	1	302	80	120	3	-
2,101 to 2,400	421	83	5	6	285	4	38	-	266	59	95	1	-
2,401 to 2,700	341	55	7	3	248	2	26	-	226	44	70	1	-
2,701 to 3,000	290	52	2	-	198	2	36	-	185	46	58	1	-
Over $3,000	2,586	186	6	5	2,284	13	92	-	2,118	182	278	7	1
Total	**7,319**	**629**	**160**	**82**	**5,525**	**112**	**807**	**4**	**5,136**	**1,253**	**908**	**21**	**1**

Retired Members by Type of Benefit—Postemployment Medical Benefits

As of December 31, 2009

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	1,583	59	89	-	1,434	-	-	1	1,294	79	203	7	-
301 to 600	4,627	551	69	-	4,007	-	-	-	3,773	156	683	14	1
601 to 900	45	19	1	-	25	-	-	-	26	-	19	-	-
901 to 1,200	5	-	-	-	5	-	-	-	5	-	-	-	-
1,201 to 1,500	1	-	-	-	1	-	-	-	1	-	-	-	-
Total	**6,261**	**629**	**159**	**-**	**5,472**	**-**	**-**	**1**	**5,099**	**235**	**905**	**21**	**1**

Retired Members by Type of Benefit—Non-OPEB Benefits

As of December 31, 2009

		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	566	8	15	6	309	12	216		311	241	14	-	-
301 to 600	187	6	9		101	8	63		108	74	5	-	-
601 to 900	90	8	-		33	4	45		33	49	8	-	-
901 to 1,200	36	5	-		17	1	13		17	14	5	-	-
1,201 to 1,500	7	-	-		6	-	1		5	2	-	-	-
1,501 to 1,800	2	-	-		1	-	1		1	1	-	-	-
1,801 to 2,100	3	-	-		3	-	-		3	-	-	-	-
2,101 to 3,000	1	-	-		1	-	-		1	-	-	-	-
Total	**892**	**27**	**24**	**6**	**471**	**25**	**339**		**479**	**381**	**32**	**-**	**-**

Average Pension Benefit Payments (Actuary's Exhibit V)—Last Ten Fiscal Years[2]

	Years of Service						
Retirement Effective Dates[1]	0–5	5–10	10–15	15–20	20–25	25–30	30+
PERIOD 1/1/00–12/31/00							
Average Monthly Pension Benefit	NA	NA	NA	NA	NA	NA	NA
Average Final Average Salary	$5,525	$5,284	$4,247	$4,787	$5,090	$5,775	$6,559
Number of Retired Members Added	8	27	56	31	61	46	58
PERIOD 1/1/01–12/31/01							
Average Monthly Pension Benefit	NA	NA	NA	NA	NA	NA	NA
Average Final Average Salary	$5,364	$4,543	$4,593	$4,814	$4,781	$5,088	$6,181
Number of Retired Members Added	23	47	60	49	37	32	48
PERIOD 1/1/02–12/31/02							
Average Monthly Pension Benefit	NA	NA	NA	NA	NA	NA	NA
Average Final Average Salary	$6,059	$5,174	$4,413	$4,903	$5,591	$6,777	$6,276
Number of Retired Members Added	14	32	38	42	52	25	32
PERIOD 1/1/03–12/31/03							
Average Monthly Pension Benefit	NA	NA	NA	NA	NA	NA	NA
Average Final Average Salary	$5,316	$4,794	$4,798	$5,036	$6,093	$7,922	$7,759
Number of Retired Members Added	36	26	47	46	58	51	70
PERIOD 1/1/04–12/31/04							
Average Monthly Pension Benefit	NA	NA	NA	NA	NA	NA	NA
Average Final Average Salary	$6,517	$5,962	$5,069	$5,422	$6,161	$7,026	$7,685
Number of Retired Members Added	31	34	76	75	78	64	89
PERIOD 1/1/05–12/31/05							
Average Monthly Pension Benefit	NA	NA	NA	NA	NA	NA	NA
Average Final Average Salary	$7,155	$5,433	$5,154	$5,289	$6,095	$7,413	$7,991
Number of Retired Members Added	34	33	53	71	89	65	80
PERIOD 1/1/06–12/31/06[3]							
Average Monthly Pension Benefit	$1,095	$1,229	$1,426	$2,230	$3,193	$5,397	$6,750
Average Final Average Salary	$5,702	$6,004	$4,702	$5,847	$6,367	$7,861	$8,400
Number of Retired Members Added	22	23	44	66	66	59	75
PERIOD 1/1/07–12/31/07[3]							
Average Monthly Pension Benefit	$936	$1,535	$1,635	$2,206	$3,287	$5,791	$6,762
Average Final Average Salary	$6,216	$6,963	$5,940	$6,000	$6,619	$8,326	$8,111
Number of Retired Members Added	20	22	52	66	76	53	85
PERIOD 1/1/08–12/31/08[3]							
Average Monthly Pension Benefit	$805	$1,471	$1,825	$2,257	$3,445	$5,772	$7,014
Average Final Average Salary	$7,749	$6,730	$6,270	$5,983	$6,667	$7,863	$8,449
Number of Retired Members Added	21	30	43	38	70	45	76
PERIOD 1/1/09–12/31/09[3]							
Average Monthly Pension Benefit	$956	$1,163	$1,681	$2,295	$3,653	$6,730	$6,913
Average Final Average Salary	$6,507	$5,698	$6,041	$6,700	$6,922	$9,144	$8,080
Number of Retired Members Added	17	19	26	27	70	58	70

[1] As permitted by the Actuarial Standard of Practice Statement No. 4 (Measuring Pension Obligation), the actuarial valuation has been prepared based on participant data provided by ACERA as of November 30. All data prior to 2006 is based on calendar year ending December 31.

[2] ACERA implemented GASB 44 for year ended December 31, 2006. No historical average pension benefit data are available prior to 2006 due to system constraints.

[3] Excludes new retirees and beneficiaries with incomplete data: 12/31/06 – 89; 12/31/07 – 120; 12/31/08 – 80; 12/31/09 – 91.

Average Monthly Other Postemployment Benefits (OPEB)[3] (Actuary's SRBR Exhibit II) Last Ten Fiscal Years[2]

Retirement Effective Dates[1]	Years of Service 0–5	5–10	10–15	15–20	20–25	25–30	30+
PERIOD 1/1/00–12/31/00							
Average OPEB	NA	NA	NA	NA	NA	NA	NA
Number of Retired Members Added	8	27	56	31	61	46	58
PERIOD 1/1/01–12/31/01							
Average OPEB	NA	NA	NA	NA	NA	NA	NA
Number of Retired Members Added	23	47	60	49	37	32	48
PERIOD 1/1/02–12/31/02							
Average OPEB	NA	NA	NA	NA	NA	NA	NA
Number of Retired Members Added	14	32	38	42	52	25	32
PERIOD 1/1/03–12/31/03							
Average OPEB	$37	$37	$165	$237	$299	$313	$326
Number of Retired Members Added	15	13	46	39	59	49	112
PERIOD 1/1/04–12/31/04							
Average OPEB	$37	$37	$169	$285	$354	$373	$372
Number of Retired Members Added	15	23	74	70	85	67	156
PERIOD 1/1/05–12/31/05							
Average OPEB	$36	$36	$168	$298	$375	$374	$394
Number of Retired Members Added	19	26	38	58	81	57	107
PERIOD 1/1/06–12/31/06							
Average OPEB	$36	$36	$166	$296	$396	$385	$394
Number of Retired Members Added	14	21	35	59	71	60	103
PERIOD 1/1/07–12/31/07							
Average OPEB	$37	$37	$138	$312	$425	$449	$461
Number of Retired Members Added	14	20	50	58	77	49	119
PERIOD 1/1/08–12/31/08							
Average OPEB	$37	$37	$148	$257	$363	$402	$434
Number of Retired Members Added	19	28	42	37	72	46	90
PERIOD 1/1/09–12/31/09							
Average OPEB	$43	$43	$211	$296	$497	$489	$508
Number of Retired Members Added	24	21	26	33	76	59	70

[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. All data prior to 2002 is based on December 31.

[2] ACERA implemented GASB 44 for the year ended December 31, 2006. No historical data are available prior to 2003 due to system constraints.

[3] These benefits include the Monthly Medical Allowance, Dental, Vision and Medicare Part B. All retired members are qualified for the monthly Vision and Dental Allowances. Retired members with 10 or more service years are additionally qualified for the Monthly Medical Allowance.

Note: The "Average Final Average Salary" is not provided since these benefits are not dependent on salary. Non-OPEB include supplemental COLA, retired member death benefit, and active death equity benefit. Non-OPEB are not based upon years of service. Only members retired for 20 years or more are eligible for supplemental COLA, thus are not included herein.

Participating Employers and Active Members (Actuary's Exhibit VI)

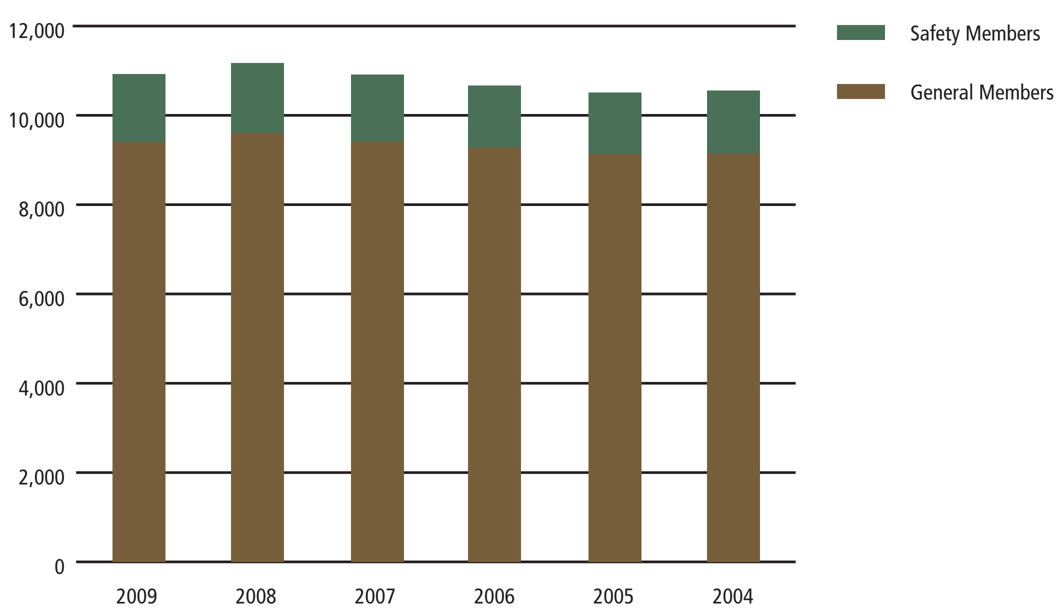
As of November 30[1]

	2009	2008	2007	2006	2005	2004
County of Alameda						
General Members	6,415	6,446	6,322	6,261	6,177	7,020
Safety Members	1,520	1,574	1,497	1,383	1,368	1,418
Total	**7,935**	**8,020**	**7,819**	**7,644**	**7,545**	**8,438**
Other Participating Employers (General Members)						
Alameda County Medical Center	2,030	2,097	2,044	2,007	1,961	1,926
Alameda County Office of Education	1	1	1	2	2	2
First 5 Alameda County	61	63	59	57	53	47
Housing Authority of the County of Alameda	71	72	74	75	68	74
Livermore Area Recreation & Park District	69	72	70	67	62	69
The Superior Court of California for the County of Alameda [2]	760	848	845	810	812	–
Total	**2,992**	**3,153**	**3,093**	**3,018**	**2,958**	**2,118**
Total Active Membership						
General Members	9,407	9,599	9,415	9,279	9,135	9,138
Safety Members	1,520	1,574	1,497	1,383	1,368	1,418
Total	**10,927**	**11,173**	**10,912**	**10,662**	**10,503**	**10,556**

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

[2] Included as County of Alameda General Members before 2005.

Total Active Membership



Principal Participating Employers for Pension Plan, Postemployment Medical Benefits and Non-OPEB Benefits Current Year and Nine Years Ago

As of December 31

	2009			2000		
Participating Employers	**Covered Employees**	**Rank**	**Percentage of Total System**	**Covered Employees**	**Rank**	**Percentage of Total System**
County of Alameda	7,969	1	73%	8,506	1	81
Alameda County Medical Center	2,021	2	18	1,814	2	17 %
The Superior Court of California for the County of Alameda[1]	760	3	7	-	-	-
Housing Authority of the County of Alameda	71	4	1	66	3	1
Livermore Area Recreation & Park District	69	5	1	65	4	1
First 5 Alameda County[2]	61	6	0	-	-	-
Alameda County Office of Education	1	7	0	5	5	0
Total	**10,952**		**100 %**	**10,456**		**100 %**

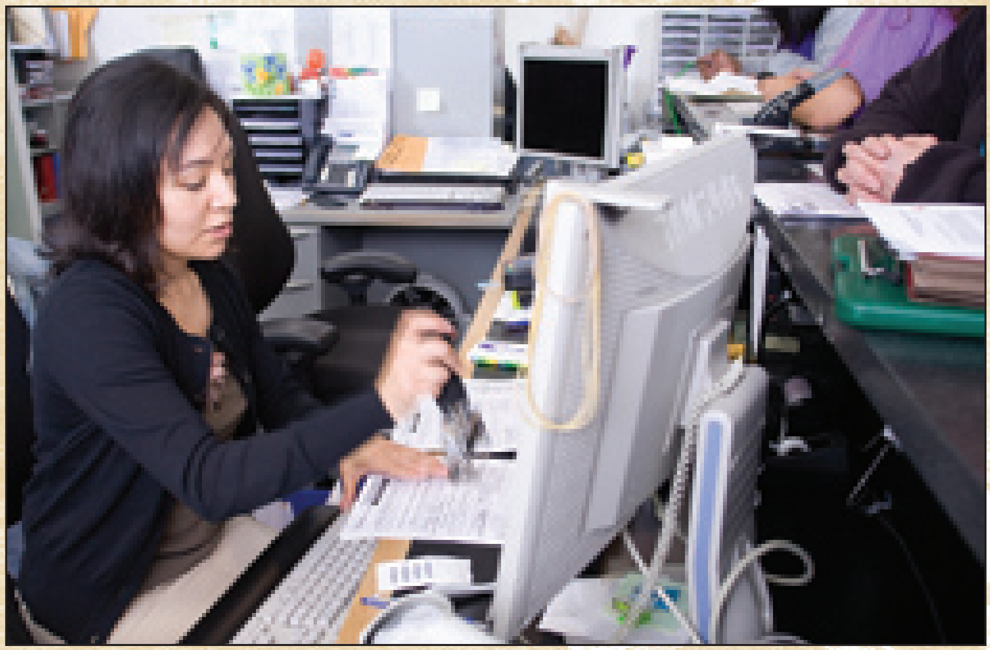
[1] The data for the Superior Court was included with County of Alameda before 2005.

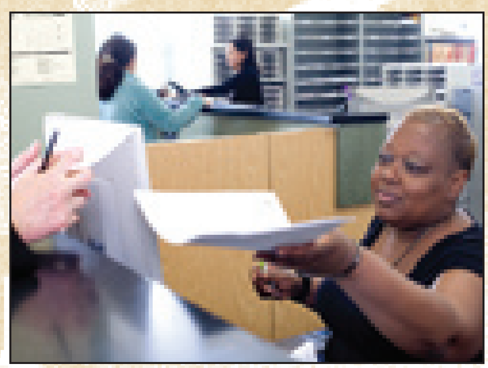
[2] First 5 Alameda County joined ACERA in 2004.

Earning Your Retirement

SUPERIOR COURT OF CALIFORNIA, COUNTY OF ALAMEDA

The Superior Court is an important part of our community. It belongs to every citizen. The court hears cases involving civil law, criminal law, traffic infractions, family law, juvenile law, and other areas of law such as mental health. The Superior Court includes 15 court locations and 99 courtrooms. It handled more than 342,000 cases last year. Employees pictured: (top) Maya Giles and Vicki Brooks, (middle) Denise Garcia, (bottom) Joyce Rogers, (opposite page) Sheila McMullan.





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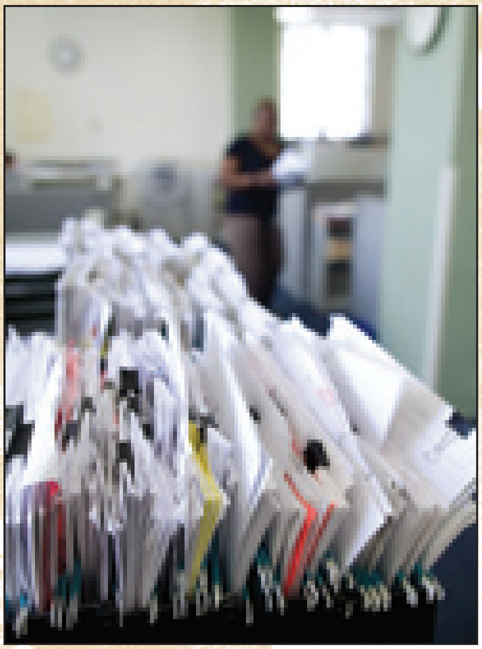

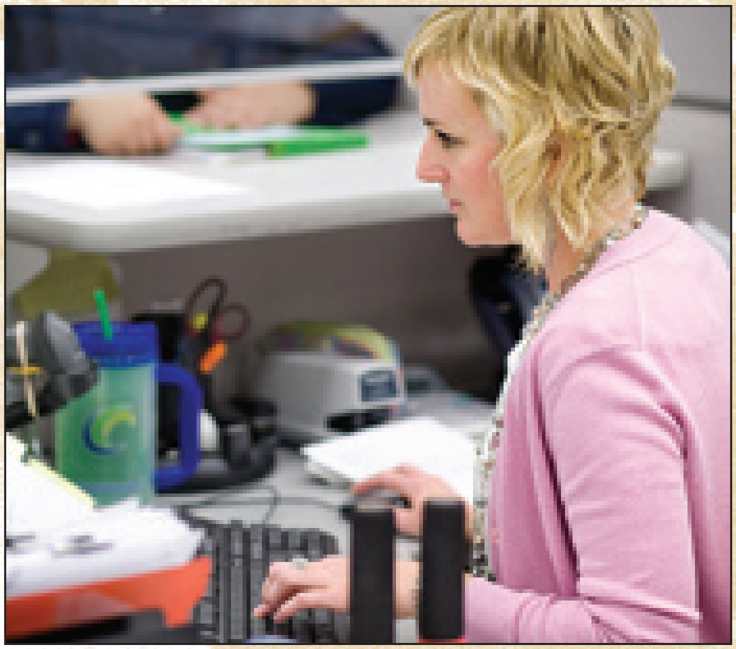

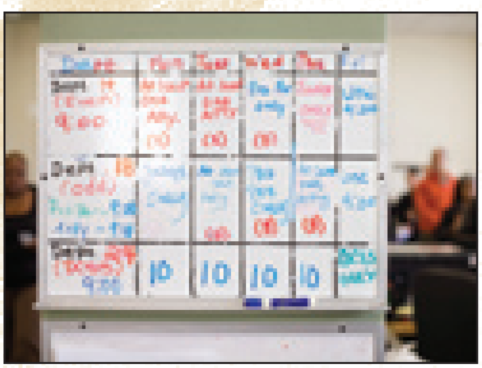

WILLIAMS, ADLEY & COMPANY, LLP
Certified Public Accountants
Management Consultants

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 the financial statements of the Alameda County Employees' Retirement Association (ACERA), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 24, 2010. Our report on the financial statements was modified to indicate that ACERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* for the year ended December 31, 2009. We conducted our audits 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.

Internal Control over Financial Reporting

In planning and performing our audits, we considered ACERA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ACERA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ACERA's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACERA's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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.*

This report is intended solely for the information and use of management, the Audit Committee, the Board of Retirement, others within the entity, and the Controller of the State of California, and is not intended to be and should not be used by anyone other than these specified parties.

Williams, Adley & Company, LLP

May 24, 2010

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