ACERA
ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
475 14th Street, Suite 1000
Oakland, CA 94612-1900

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- FAX: 510/287-5411
- Death Benefits: 510/628-3048
- Disability Unit: 510/628-3007
- Marital Dissolutions Unit: 510/628-3048
- Member Services, General Questions: 510/628-3000
- Retiree Health and Dental Benefits: 510/628-3016
- Supplemental COLA Questions: 510/628-3016

ACERA ONLINE www.acera.org

ACERA

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
(A Pension Trust Fund of the County of Alameda)
OAKLAND, CALIFORNIA 94612

ACERA ONLINE www.acera.org

Building the Bridge to the Future

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

ON THE COVER
ACERA Information Technology staff,
Alameda County Information Technology staff checking email systems,
ACERA's new in-house Legal Division

Comprehensive Annual Financial Report

For the years ended December 31, 1999 and 1998

Issued By

Charles F. Conrad
General Manager and Chief Investment Officer

Catherine E. Walker
Accounting and Operations Manager

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
(A Pension Trust Fund of the County of Alameda)

475 14th Street
Oakland, California 94612

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Introduction

Members of the Board of Retirement (above clockwise) Annette Cain-Darnes, Wilma Chan, Dave Safer, Charles Harrington, Donald White, Sandre Swanson, William Schaff, Robert Chambers, and Liz Koppenhaver; and inset above, retirees attending a board meeting.

ACERA is a retirement system, organized under the County Employees Retirement Law of 1937, which provides retirement, disability, and death benefits to the employees, retirees and former employees of the County of Alameda, and certain other participating public employers.

ACERA's primary responsibilities include: Administration of the trust fund, Delivery of retirement, disability and death benefits to eligible members, Administration of health care and cost-of-living programs, and General assistance in retirement and related benefits.

Mission Statement:

To provide ACERA members and employers with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services.

Board and Staff Commitment:

To carry out our Mission through 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. We expect excellence in all activities. We will also be accountable and act in accordance with the law.

Goals:

I. To create an environment in which Board Members can maximize their performance as trustees.
II. To improve the level of benefits and delivery of services provided to members and employees.
III. To improve communications with members and employers.
IV. To attract, develop and retain competent and professional staff.
V. To achieve and maintain top quartile investment performance as measured by the Public Fund Universe.

Letter of Transmittal

ACERA
ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
475 14TH STREET, SUITE 1000, OAKLAND, CA 94612 800 838-1932 510 628-3000 FAX 510 287-5412

Alameda County Employees' Retirement Association
Board of Retirement
Oakland, CA 94612

Dear Board Members:

As General Manager of the Alameda County Employees' Retirement Association (ACERA), I am pleased to present this Comprehensive Annual Financial Report (CAFR) for the years ended December 31, 1999 and 1998.

Nineteen hundred and ninety-nine was a year of continued growth and planning and preparation for the new millennium. Association assets grew to $4 billion, the funded ratio increased to 108.5%, and member accounts were credited with 13.1 % in earnings. All phases of our Year 2000 compliance program were completed on schedule. Our Board reached a settlement in the *Ventura* case and the application process began for active members for *Aquilino* Tier I restoration. Also, fully paid dental and vision care benefits and a supplemental cost of living increase for our retired members went into effect.

ACERA is a strong and vibrant organization, well positioned to serve our members in the 21st century.

The Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report (CAFR) of the Alameda County Employees' Retirement Association (ACERA) for the years ending December 31, 1999 and December 31, 1998, is submitted for your review. Responsibility for both accuracy of the data, and the completeness and fairness of the presentation, rests with ACERA's management. It is our intent to ensure that the presentation of financial information is accurate and fair, and all material disclosures have been made. The CAFR is divided into six sections:

INTRODUCTORY SECTION: Contains ACERA's Mission, Commitment and Goals, a Letter of Transmittal, the Certificate of Achievement, a list of Board of Retirement members, an overview of ACERA's Organizational Chart, a list of Professional Consultants and a Report of the Chair.

FINANCIAL SECTION: Presents the Independent Auditor's Report which contains ACERA's financial condition and funding status, the financial statements of the system and required supplementary information.

INVESTMENT SECTION: Contains a report on investment activity, investment policies, investment results and various investment schedules.

ACTUARIAL SECTION: Provides an overview of the funding status of the Association and other actuarial related information. Also, contains an Actuary's Certification Letter and the results of the annual actuarial valuation.

STATISTICAL SECTION: Contains significant detailed demographic and other statistical data pertaining to ACERA.

COMPLIANCE SECTION: Contains independent Auditor's Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

I trust that you and the members of ACERA will find this CAFR helpful in understanding the Association and our commitment to maintaining financial integrity and improving member service.

ACERA and Its Services

Established by the Alameda County Board of Supervisors by Ordinance No. 446, dated October 21, 1947, operative January 1, 1948, and governed by the provisions of the County Employees Retirement Law of 1937, the Alameda County Employees' Retirement Association provides retirement allowances and other benefits to the safety and general members employed by Alameda County and members employed by the following special districts:

- Livermore Area Recreation & Park District
- Housing Authority of Alameda County
- Alameda County Schools
- Hospital Authority

ACERA provides lifetime retirement, disability, and death benefits to its general and safety members. In addition, ACERA administers retiree health care, dental care, vision care and cost-of-living programs. ACERA is also responsible for the prudent investment of both member and employer contributions, and defraying reasonable expenses of administration.

The Alameda County Employees' Retirement Association Board of Retirement is responsible for establishing policies governing the administration of the retirement plan, making benefit determinations and managing the investment of the system's assets. The Board operates under authority granted by Article XVI of the Constitution of the State of California.

Article XVI, Section 17(b) of the Constitution of the State of California provides that "the members of the Retirement Board of a public retirement system shall discharge their duties…solely in the interest of, and for the exclusive purpose of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A Retirement Board's duty to its participants and their beneficiaries shall take precedence over any other duty." Section 17(a) further provides that the Board has…"the sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries."

The ACERA Board of Retirement is a nine (9) member Board, four (4) of whom are appointed by the Alameda County Board of Supervisors, four (4) of whom are elected by ACERA's membership and the County Treasurer who is an ex-officio member. Board members, with the exception of the County Treasurer, serve three (3) year terms in office, with no term limits. The following members of ACERA elect the four (4) elected members:

- Two (2) Board members are elected by General members of ACERA
- One (1) Board member is elected by Safety members of ACERA
- One (1) Board member is elected by Retired members of ACERA

The Board of Retirement oversees the General Manager and staff in the performance of their duties in accordance with the County Employees Retirement Law of 1937, ACERA's by-laws and Board policies.

Service Efforts and Accomplishments

In 1999, ACERA implemented fully-paid dental and vision care plans for its retirees, completed its Year 2000 Compliance Project, selected a new custodian bank for its investments, began development of a web site and finalized a comprehensive search process to select a vendor for a new retirement information system. In addition, payments resulting from the *Ventura* settlement began and applications for Tier I restoration due to *Aquilino* were distributed to active members. The resolution of these legal matters was facilitated by the formation in 1999 of our in-house Legal Division.

Major Initiatives

Completion of Year 2000 Compliance Program

ACERA began implementation of its Year 2000 compliance plan in 1999 with a detailed assessment of its hardware and software, its sources of external data, key third party applications and its LAN infrastructure. Concurrently, ACERA established a testing facility and allocated resources to staff the facility. Based upon its assessment, ACERA developed plans for upgrading or replacing its non-compliant hardware and software and implemented those plans. Finally, post-remediation testing was performed and Year 2000 contingency plans were put into place. ACERA's goal to complete a comprehensive Year 2000 compliance program by year-end was achieved. (See Table 1 below.)

Table 1: Year 2000 Compliance Program

Phase Description Phase	Phase Ending Date	Phase Status
Y2K Project Planning Phase	October 1998	Complete
Y2K Remediation Testing Facilities Phase	January 1999	Complete
Y2K Detailed Assessment Phase	February 1999	Complete
Y2K Hardware Remediation Phase	March 1999	Complete
Y2K Software Remediation Phase	June 1999	Complete
Y2K Maintenance and Recovery Phase	December 1999	Complete

Achievement of *Ventura* Settlement

Under the *Ventura* decision, certain items of compensation that were not previously considered to be part of a member's salary by many County retirement systems are now required to be included in a member's final average salary when determining the member's retirement allowance. Due to the complexity of the legal and administrative issues raised in implementing *Ventura*, a series of discussions among interested parties occurred over the past two years regarding the proper interpretation of this decision. The culmination of these discussions resulted in the Settlement Agreement approved by Judge Carson of the Alameda Superior Court on September 21,1999. The Settlement Agreement provides that:

1) all eligible retirees receive increased retirement allowances, if they received cash payments for certain items which were not included in the original calculation of their original retirement allowance,

2) all increased retirement allowances are retroactive to October 1, 1994,

3) vacation sell-back /cash out is limited to the maximum amount that a member may accrue in the member's final compensation period and

4) ACERA would pay for the increased benefits.

The Settlement Agreement also provides for early recognition of $259 million of deferred investment gains by the ACERA Board to offset liabilities incurred due to *Ventura*. Retroactive payments approved in the Settlement Agreement commenced in December 1999.

Phase I Implementation of *Aquilino* Decision

Until recently, individuals who withdrew their Tier I retirement funds when they left Alameda County employment and resumed employment with the County on or after July 1, 1983 were assigned Tier II status. Also, returning Alameda County employees who exercised their right to redeposit their previously withdrawn Tier I contributions were assigned split service in Tier I and Tier II. As a result of the *Aquilino* decision, returning Tier I members now can have all service restored to Tier I status upon the redeposit of previously withdrawn funds and the payment of increased employee contribution costs. ACERA began the application process for Tier I restoration for active members in 1999 and anticipates initiating that process for retired members in 2000.

Initiation of Retirement Information System Project

In 1999 ACERA embarked on a comprehensive search process to select a vendor to provide software for a new retirement information system. This system is intended to position ACERA to provide premier member services by reducing turnaround time on member requests and by improving employee productivity and job satisfaction. It also is intended to create the capacity to enhance future member services through such offerings as an interactive web site and an interactive voice response system. By year-end, a contract for a new retirement information system had been negotiated, a project team had been identified, a project plan had been developed and the project had been initiated.

Accounting System and Reports

Management of ACERA is responsible for establishing and maintaining an internal control structure designed to ensure that ACERA's assets are protected from loss, theft, or misuse. Responsibility for the accuracy, completeness, and fair presentation of the information, and all disclosures, rests with ACERA's management. The accounting firm of Williams, Adley & Co. LLP. provides both financial statement and internal control audit services. The financial audit ensures ACERA's financial statements are presented in conformity with generally accepted accounting principles and are free from material misstatement. The internal controls are reviewed to ensure that ACERA's operating policies and procedures are being adhered to and are sufficient to safeguard ACERA's assets.

This report has been prepared in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) and its predecessor, the National Council on Governmental Accounting.

ACERA's transactions are reported on the accrual basis of accounting. Revenues are taken into account when earned, regardless of the date of collection. Expenses are recorded when the corresponding liabilities are incurred, regardless of when the payment is made.

Revenues

The primary revenue sources supporting the benefits ACERA provides are earnings on investments and member (employee) and employer contributions. These income sources for December 31, 1999 and 1998 totaled $576.2 million and $531.8 million, respectively (see Table 2 below). This 8% increase is primarily due to strong investment earnings.

Table 2: Contributions and Investment Earnings

	1999	1998	Increase/ (Decrease) Amount	Percent Change
Member Contributions	$ 39,265,219	$ 35,748,407	$ 3,516,812	10%
Employer Contributions	26,134,479	24,389,376	1,745,103	7%
Investment Earnings	510,797,541*	471,624,158*	39,173,383	8%
Miscellaneous	52,642	64,755	(12,113)	-19%
Total	$ 576,249,881	$ 531,826,696	$ 44,423,185	8%

*Net of Investment expenses of $21,086,640 and $27,016,259 for December 31, 1999 and 1998, respectively.

Expenses

ACERA was created to provide lifetime retirement annuities, survivor benefits and permanent disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, as designated by the plan, refund of contributions to terminated employees and the cost of administering the system. Total expenses at December 31, 1999 increased by 12% over the previous year (see Table 3 below). This increase in expenses is largely due to benefit increases and stems from the implementation of vision and dental care benefits, an increase in medical premiums, an increase in the number of retirees, cost of living increases and the commencement of *Ventura* payments. (See Table 3 below.)

Table 3: Benefit Payments and Other Expenses

	1999	1998	Increase/ (Decrease) Amount	Percent Change
Retiree Payroll	$ 105,761,240	$ 95,578,486	$ 10,182,754	11%
Administrative	4,478,955*	4,677,407	(198,452)	-4%
Health Insurance	8,253,246	5,908,618	2,344,628	40%
Actuarial	135,244	212,597	(77,353)	-36%
Refunds	4,963,159	4,095,621	867,538	21%
Total	$ 123,591,844	$ 110,472,729	$ 13,119,115	12%

* ACERA adopted in 1999 a cost allocation method which allocates all costs associated with investments to investment expense and charges direct costs associated with assets under development to construction in progress.

Actuarial Funding Status

ACERA's funding objective is to meet long-term benefit promises by retaining a well-funded plan status and obtaining superior investment returns while minimizing employer contributions. Employer contributions remain approximately level as a percent of member payroll. The greater the level of overall plan funding, the larger the ratio of assets accumulated to the actuarial accrued liability. The advantage of a well-funded plan is that the benefits earned by participants are funded during their working careers and not by future generations of taxpayers. At the present time, ACERA enjoys a funding ratio in excess of 108%.

ACERA engages an independent actuarial consulting firm, William M. Mercer, Incorporated, to conduct annual actuarial valuations. Recommendations are presented to ACERA's Board for consideration. Triennially, an analysis is made of the appropriateness of all economic and non-economic assumptions. The last triennial analysis was performed for the period from January 1, 1996 to December 31, 1998, and certain changes to economic and non-economic assumptions were adopted by the Board. Also, in 1998 the Board engaged the actuarial firm of Gabriel, Roeder, Smith & Co. to perform an actuarial audit. The audit confirmed the appropriateness of ACERA's actuarial processes and the reasonableness of its assumptions.

The actuarial accrued liability of ACERA at December 31, 1999 and December 31, 1998 amount to $2,762,524,000 and $2,613,012,000, respectively. The actuarial value of assets at December 31, 1999 and December 31, 1998 amount to $2,997,932,000 and $2,830,438,000, respectively.

The County of Alameda issued $283,485,000 of pension obligation bonds on December 19, 1996. This bond issue, together with $307,923,000 issued by the County on April 20, 1995, satisfied the Unfunded Actuarial Accrued Liability (UAAL) of the County of Alameda as presently calculated. A more detailed discussion of funding is provided in the Actuarial Section of this report.

Investments

General Authority

Article XVI, Section 17 of the Constitution of the State of California provides that "Notwithstanding any other provisions of law or this Constitution, the Retirement Board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system…"

Article XVI, Section 17(a) of the Constitution of the State of California provides that "the Retirement Board of a public pension or retirement system shall have the sole and exclusive fiduciary responsibility over the assets…"

Prudent Expert Duty

Article XVI, Section 17(c) of the Constitution of the State of California, provides that "the members of the Retirement Board of a public pension or retirement system 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 aim." By permitting further diversification of investments within a fund, the prudent expert standard may enable a fund to reduce overall risk and increase returns. A summary of ACERA's asset allocation can be found in the Investment Section of this report.

The Prudent Expert Rule permits the Board to establish an investment policy based upon professional advice and counsel and allows for delegation of investment authority to professional investment advisors. The Statement of Investment Policy outlines the responsibility for the investment of the fund and the degree of risk that is deemed appropriate for the fund. Investment advisors are to execute the Investment Policy in accordance with Board policy and guidelines.

For the years ended December 31, 1999 and December 31, 1998 ACERA investments provided a 15.9% and 16.1% rate of return, respectively. ACERA's annualized rate of return over the last three years was 16.6%. Over the last five years, it was 18.2%.

Professional Services

Professional Consultants and Investment Managers are retained by the Board of Retirement to provide professional services essential to the effective and efficient operation of ACERA.

An opinion from the certified public accountant and the actuary are included in this report. The Consultants and Investment Managers retained by the Board are listed on page 36 of this report.

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 the Alameda County Employees' Retirement Association (ACERA) for its comprehensive annual financial report (CAFR) for the fiscal years ended December 31, 1998, 1997 and 1996. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principals and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. ACERA has received a Certificate of Achievement for the last three consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting the CAFR to the GFOA.

Acknowledgments

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 report is being mailed to all employers and members of the Association and to employee and retiree organizations. Their cooperation contributes significantly to the success of ACERA. We hope our employers and our members find this report informative.

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

Respectfully submitted,

Charles F. Conrad

Charles F. Conrad
General Manager
April 28, 2000

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alameda County Employees' Retirement Association, California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 1998

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Members of the Board of Retirement

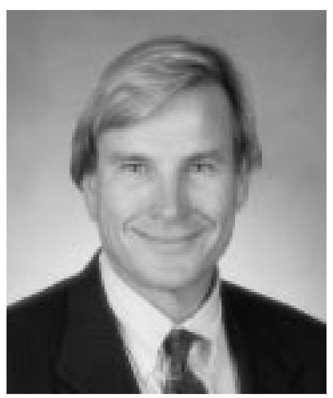
As of December 31, 1999

Charles L. Harrington
Chairman
Elected by Retired Members

Liz Koppenhaver
Vice Chairman
Elected by Safety Members

Wilma Chan
Secretary
Appointed by the Board of Supervisors
Member of the Board of Supervisors

Annette Cain-Darnes
Appointed by the Board of Supervisors

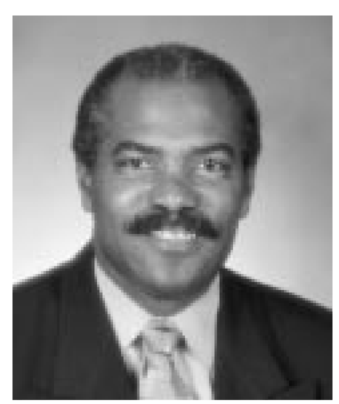


Robert Chambers
Elected by General Members

Dave Safer
Elected by General Members

William Schaff
Appointed by the Board of Supervisors

Sandre Swanson
Appointed by the Board of Supervisors

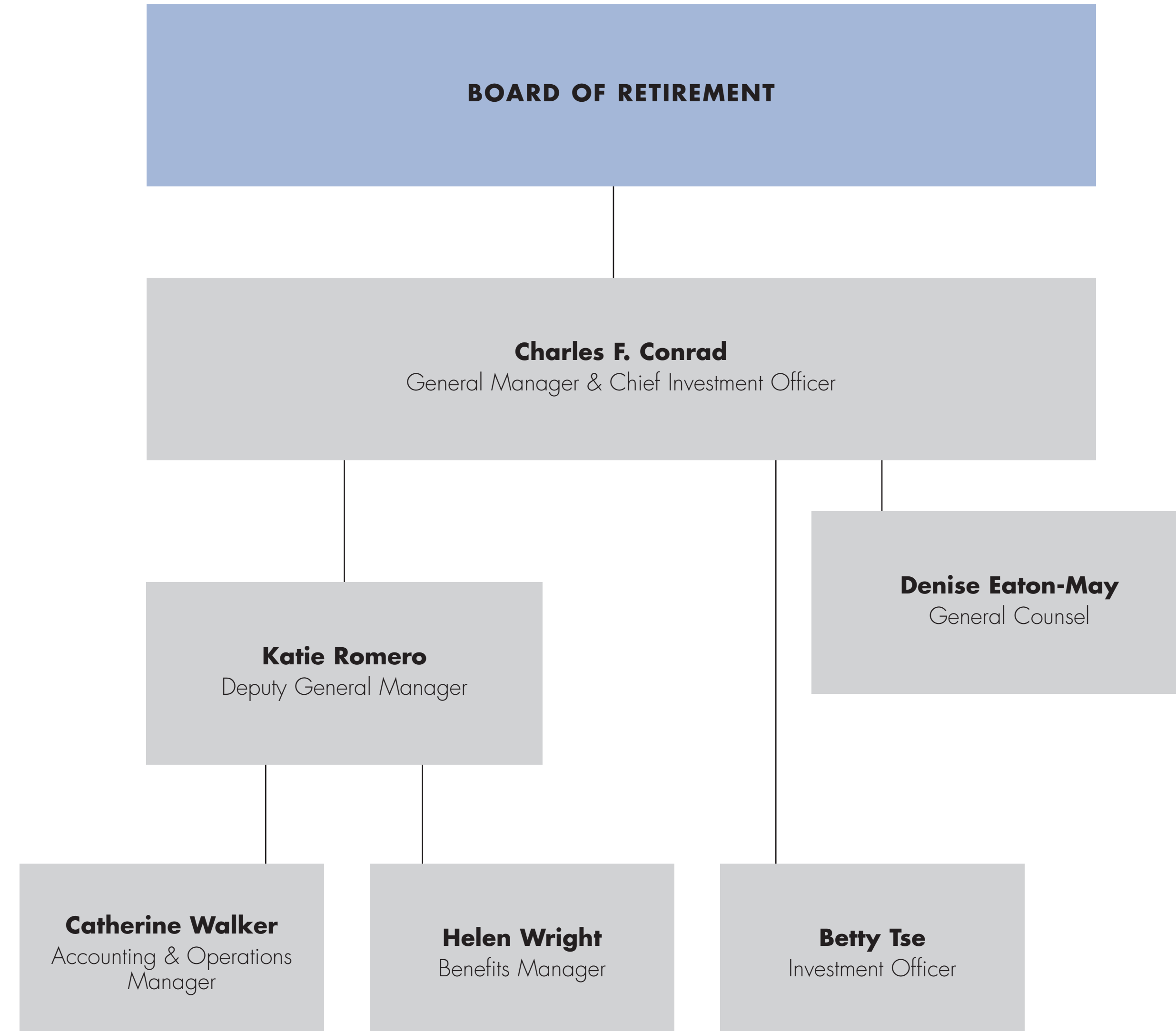


Donald R. White
Ex-Officio Member
Treasurer-Tax Collector
County of Alameda

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Administrative Organization Chart

As of December 31, 1999



List of Professional Consultants

ACTUARY

William M. Mercer, Co.

AUDITOR

Williams, Adley & Co., LLP

COMPUTER SERVICES

Hewlett Packard

CUSTODIAN

Bank of New York

State Street Bank

LEGAL

Alameda County Counsel

Baker & McKenzie

Brobeck, Phleger & Harrison, LLP

Jones, Day, Reaves & Pogue

Lisa Grove, Esq.

Michael P. Johnson, Esq.

MORTGAGE LOAN SERVICES

GMAC

PERSONNEL COORDINATION

Lakeside Group

PUBLICATIONS, LAYOUT & DESIGN

Laura Myers Design

Sandra Hoover & Saul Bromberger

TECHNICAL SUPPORT

PERCON, Inc.

Rimerman Consulting

Suite Solutions, Inc.

Alfred Munksgard Associates, Inc.

Accounting System Solutions

Allegro Consultants, Inc

Cognos Corporation

Client Services & Integration, Inc.

OTHER SPECIALIZED SERVICES

Campbell Consulting Group

Cortex Applied Research, Inc.

Telecom Solutions

AD Architecture & Design

Information Resources

Linea Solutions

Note: List of Investment Professionals is located on page 36 of the Investment Section of this report.

Report of the Chair

ACERA
ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
475 14TH STREET, SUITE 1000, OAKLAND, CA 94612 800 838-1932 510 628-3000 FAX 510 287-5412

Dear Members,

As Chair of the Board of Retirement, I am pleased to share with you the progress we have made in 1999 in improving your organization and positioning ACERA for the new millennium.

This past year has been dedicated to continuing our commitment to improving all levels of member service. We have focused on a rigorous risk management program to ensure we are doing the right things in the right way.

With the cooperation of the County of Alameda and the active and retired employee organizations, ACERA was able to negotiate a court-approved class action settlement of the *Ventura* case and begin payments. With the very favorable investment returns and the growth in the Supplemental Retiree Benefits Reserve (SRBR), the Board was able to improve the Supplemental Cost of Living benefit and provide fully paid dental and vision care plans to ACERA retirees. The new Supplemental Cost of Living provides that eligible members will always retain a minimum of 85% of the purchasing power of their original benefit.

Risk Management

Year 2000 Compliance

Throughout 1999 ACERA implemented a plan to ensure our systems would operate smoothly in the Year 2000. All our mission–critical systems were checked to identify potential problems that could be caused by the Year 2000 date change and those systems were modified, where necessary. As part of that effort, ACERA worked closely with outside companies that support our operations to minimize any impacts from external systems due to year 2000 issues. Also, contingency plans were established to make available alternative methods of providing services to our members in the event of any unforeseen problems.

Newly Formed Governance Committee

In 1999 the Governance Committee of the Board of Retirement was formed to begin developing policies to address the risks that were identified. For example, a formal Trustee Education Policy was established to help ensure that all ACERA trustees gain the knowledge they need to effectively represent members and meet their fiduciary responsibilities. Other policies that were developed in 1999 include a Policy Development Process, ACERA Travel, Conflict of Interest, Board Operations and General Manager Evaluation policies. These policies are now in place to mitigate these particular risks and help ensure continuity of business practices at ACERA.

ACERA Legal Division

ACERA added a Legal Division in 1999 in recognition of the growing body of legislation and regulations affecting pension funds, the need to monitor those legal requirements to help ensure our compliance, and the overall size and complexity of ACERA's business operations.

Technological Innovation

Core Information Systems

Laying the foundation for our new core information systems was a major emphasis in 1999. A new Retirement Information System, which was selected in 1999, will facilitate the automation of many benefit processes and allow us to provide a higher level of member services when implemented. An improved financial accounting system will streamline operations and provide added measures for safeguarding our assets. In conjunction with the planned development and upgrade of these systems, ACERA has undertaken a significant effort in both the Benefits Administration and Accounting Departments to review and restructure our operational workflows to improve productivity and provide more effective member services.

Other Developments

The development of a new in-house check processing system and the first phase development of an ACERA web site were hallmarks of 1999. By bringing the check production process in-house, it will streamline automatic deposit notice and check printing for our members. The new web site will provide another avenue for communicating with our members, their families and beneficiaries and will provide ready access to information at our members' convenience. These key efforts, and many others underway at ACERA, will all contribute to our goal of improved member services.

We look forward to building upon this solid foundation we have established in 1999 for continuing to improve the delivery of services to our members in the 21st century.

Sincerely,

Charles L. Harrington
Chair of the Board of Retirement
April 28, 2000

Financial

In photograph at right ACERA's Management Team (from left) Catherine Walker, Accounting & Operations Manager; Charles Conrad, General Manager; Denise Eaton-May, General Counsel; Katie Romero, Deputy General Manager; Helen Wright, Benefits Manager; and Betty Tse, Investment Officer.

Independent Auditor's Report

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

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, 1999 and 1998, 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 generally accepted auditing 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 opinion.

The Supplemental Schedules, on pages 29-32, are presented for purposes of additional analysis and are a required part of the basic financial statements. Such supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In our opinion, the financial statements referred to above present fairly, in all material respects, net assets available for benefits and changes in the position of ACERA, as of December 31, 1999 and 1998, and the net assets available for benefits for the two years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated April 28, 2000 on our consideration of ACERA's compliance and internal control structure over financial reporting.

Williams, Adley & Company, LLP

April 28, 2000

1330 Broadway, Suite 1825 • Oakland, CA 94612 • (510) 893-8114 • Fax (510) 893-2603

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Statements of Plan Net Assets

	December 31, 1999	December 31, 1998
Assets		
Cash	$ 8,458,502	$ 2,008,079
Receivables:		
Contributions	189,855	473,505
Accrued Interest	5,901,246	10,670,773
Dividends	366,944	111,272
Real Estate	996,948	8,248,815
Securities Lending	16,791	50,467
Sale of Securities	18,094,429	552,174
Sale of Real Estate	–	17,846,000
Other	29,729	109,987
Total Receivables	25,595,942	38,062,993
Prepaid Expenses	129,070	90,907
Real Estate — Other Asset	–	500,000
Investments, at Fair Value:		
Short-Term Investments	19,627,637	66,436,156
Government Bonds	95,088,292	236,239,611
Corporate Bonds	198,843,180	359,524,593
Bond Market Fund	752,818,932	458,144,811
Corporate Stocks	296,563,416	286,062,521
Domestic Equity Index Fund	1,569,703,985	1,349,410,363
International Equity Commingled Funds	579,271,457	399,261,947
Real Estate Properties	212,466,051	137,565,458
Real Estate Trusts	42,764,002	28,427,763
Real Estate Mortgage Loans	489,865	933,876
AFL-CIO Housing Trust	67,184,985	67,567,946
Total Investments	3,834,821,802	3,389,575,045
Securities Lending Collateral	85,295,747	147,078,714
Total Investments Including Securities Lending Collateral	3,920,117,549	3,536,653,759
Fixed Assets (Net of Accumulated Depreciation of $928,504 and $617,619):		
Equipment and Furniture	2,498,418	935,412
Leasehold Improvements	256,737	230,191
Total Fixed Assets	2,755,155	1,165,603
Total Assets	**3,957,056,218**	**3,578,481,341**
Liabilities		
Prepaid Employer and Member Contributions	28,154,128	25,461,500
Purchase of Securities	171,683	15,624,447
Accrued Investment and Actuary Expenses	1,747,069	1,930,909
Accrued Administration Expenses	718,410	404,260
Member Refunds Payable	150,998	810,258
Securities Lending Liability	85,295,747	147,078,714
Retirement Payroll Deductions Payable	1,358,171	369,278
Total Liabilities	**117,596,206**	**191,679,366**
Net Assets Held in Trust for Pension Benefits	**$3,839,460,012**	**$3,386,801,975**

(See accompanying notes to the financial statements on pages 21-28.)

Statements of Changes in Plan Net Assets

	December 31, 1999	December 31, 1998
Additions		
Contributions:		
Members	$ 39,265,219	$ 35,748,407
Employer	26,134,479	24,389,376
Total Contributions	65,399,698	60,137,783
Investment Income:		
Net Appreciation in Fair Value of Investments	463,045,895	413,851,253
Interest	38,964,567	41,893,507
Dividends	2,489,768	8,756,096
Real Estate	24,279,527	23,390,933
Securities Lending	3,104,424	10,748,628
Total Investment Income	531,884,181	498,640,417
Less: Investment Expenses	(21,086,640)	(27,016,259)
Net Investment Income	510,797,541	471,624,158
Miscellaneous Income	52,642	64,755
Total Additions	576,249,881	531,826,696
Deductions		
Benefit Payments:		
Service Retirement	97,882,943	87,754,005
Death	1,342,247	1,040,024
Post Retirement		
Health Insurance Subsidies	8,253,246	5,908,618
Supplemental Cost of Living	6,536,050	6,784,457
Total Benefit Payments	114,014,486	101,487,104
Refunds	4,963,159	4,095,621
Administration:		
Administration	4,478,955	4,677,407
Actuarial	135,244	212,597
Total Administration	4,614,199	4,890,004
Total Deductions	123,591,844	110,472,729
Excess of Additions over Deductions	452,658,037	421,353,967
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	3,386,801,975	2,965,448,008
End of Year	$3,839,460,012	$3,386,801,975

(See accompanying notes to the financial statements on pages 21-28.)

Notes to Financial Statements

December 31, 1999 and 1998

1. Plan Description

Alameda County Employees Retirement Association (ACERA) began operations on January 1, 1948 and is governed by the California Constitution, the County Employees Retirement Law of 1937 and the bylaws, procedures and policies adopted by the Board of Retirement. ACERA operates as a cost-sharing multi-employer defined benefit plan for Alameda County and four participating Special Districts located in the County but not under the control of the County Board of Supervisors. ACERA provides retirement, disability and death benefits to its safety and general members, and administers retiree health, dental, and vision benefit programs. All risks and costs, including benefit costs, are shared by the participating entities. One actuarial valuation is performed annually for the system as a whole.

Plan Membership

All full-time employees of participating entities appointed to permanent positions are required by statute to become members of ACERA. Safety membership includes probation officers and employees who are active in law enforcement and juvenile hall group counseling. General membership includes all other occupational classifications.

ACERA's membership consisted of:

	December 31, 1999	December 31, 1998
Retirees and Beneficiaries Currently Receiving Benefits	5,605	5,380
Active Employees:		
Vested	6,754	6,744
Nonvested	3,105	2,755
Inactive Vested Members	911	915
Total Membership	16,375	15,794

Benefit Provisions

Members become vested after five years of credited service. Vested general members may retire at age fifty or older with ten or more years of qualifying service, at any age with thirty or more years of qualifying service, or seventy or older regardless of service credit. Vested safety members may retire at age fifty or older with ten or more years of qualifying service, or at any age with twenty or more years of qualifying service. Members who qualify are entitled to monthly retirement benefits for life. Service retirement benefits are based on final average salary, age at retirement, and length of service as of a retirement date, according to applicable statutory formulae.

The service retirement benefits within the plan are tiered based on their membership entry date. 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. Tier 1 members contribute at a higher rate and, therefore, receive higher retirement benefits.

ACERA is integrated with Social Security for all employees except sheriffs and juvenile hall group counselors. For members covered by Social Security, the retirement benefit is adjusted by a reduction factor.

Cost-of-Living Adjustment

Retirement benefits are subject to postretirement cost-of-living adjustments (COLA) based upon changes in the Consumer Price Index for the San Francisco Bay Area. Annual COLA increases are capped at 3% for Tier 1 and 2% for Tier 2 members.

Supplemental Cost-of-Living

In addition to basic cost-of-living increases, the Board of Retirement structured a Supplemental Cost-of-Living program, effective January 1, 1998. The new Supplemental COLA is structured to maintain purchasing power at no less than 85% of the original benefit. The new Supplemental COLA is applicable to members who have an accumulated loss of purchasing power of more than 15% or more due to inflation.

Tier 1 members who retired on or before April 1, 1982 and Tier 2 members who retired on or before April 1, 1987 are entitled to the new Supplemental COLA.

Funding for the Supplemental COLA is provided solely through the SRBR which derives its funding from investment earnings in excess of the actuarial interest assumption rate.

Supplemental COLA increases are subject to approval by the Board of Retirement on an annual basis. Continuation of the benefit is based on available funding.

2. Summary of Significant Accounting Policies

Reporting Entity

ACERA, with its own governing board, is an independent governmental entity separate and distinct from the County of Alameda. ACERA's annual financial statements are included in the County of Alameda Annual Financial Report as a pension trust fund.

Basis of Accounting

ACERA's financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized as revenues in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred.

Cash

Cash includes pooled cash with the Alameda County Treasurer. Pooled cash approximates fair value. Income on pooled cash is allocated based on ACERA's average daily balance in relation to total pooled assets.

Method Used to Value Investments

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchanges rates. Mortgages are reported based on the remaining principal balances, which approximate the value of future principal and interest payments discounted at prevailing rates for similar instruments. The fair value of real estate investments is based on prices in a competitive market as determined by specialists.

Fixed Assets

Fixed assets and leasehold improvements are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the depreciable assets and the term of the lease, respectively. Computers and equipment have a useful life of five years, whereas furniture has a useful life of seven years. Direct costs associated with assets under-development are not depreciated until the assets are placed in operation. Depreciation expense was $275,689 and $273,807 for the years ended December 31, 1999 and 1998, respectively. Amortization expense was $42,871 and $43,649 for the years ended December 31, 1999 and 1998, respectively.

Estimates

The preparation of financial statements is in accordance with generally accepted accounting principles which require the plan administrator to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results may differ from those estimates.

3. Contributions

The employers and members contribute to ACERA based on rates recommended by an independent actuary and adopted by the Board of Retirement. Covered employees are required by statute to contribute toward their pensions. Member contribution rates are formulated on the basis of their age at the date of entry and the actuarially-calculated benefits. Contributory plan members are required to contribute between 6.24% and 12.84% of their annual-covered salary. Member contributions are refundable upon termination from the retirement system.

The County and Special Districts are required by statute to contribute the amounts necessary to finance the estimated benefits accruing to ACERA members. The County has entered into an agreement whereby the County prepays both the County's employer and employee contributions discounted at 8% for the six month period ended June 30, 1999 and 8.25% for the six month period ended December 31, 1999. The discount (or effective interest earned) credited to the employer advance reserve balance was $1,728,380 and $2,025,238 for the years ended December 31, 1999 and 1998, respectively.

4. Reserves

ACERA reserves are established from member and employer contributions and the accumulation of investment income, after satisfying investment and administrative expenses. The reserves do not represent the present value of assets needed, as determined by actuarial valuation, to satisfy retirements and other benefits as they become due. ACERA's major reserves are as follows:

MEMBER RESERVE represents the total accumulated member contributions. Additions include member contributions and investment earnings; deductions include refunds of member contributions and transfers to Retired Member Reserves.

EMPLOYER ADVANCE RESERVE represents the total accumulated employer contributions for future retirement payments to current active members. Additions include contributions from the employer and investment earnings; deductions include transfers to Retired Member Reserve.

RETIRED MEMBER RESERVE represents the total accumulated transfers from Member Reserves and the Employer Advance Reserve and investment earnings, less payments to retired members, beneficiaries and survivors.

CONTINGENCY RESERVE represents reserves accumulated for future earnings deficiencies and investment losses. The Contingency Reserve is used to satisfy the California Government Code requirement to reserve at least 1% of total assets against the above deficiencies. The balance of the Contingency Reserve, which is funded entirely from investment earnings, cannot exceed 3% of the total assets of the retirement system. The balance of the Contingency Reserve of $118,711,686 and $107,281,567 represents 3% of total assets for both years ended December 31, 1999 and 1998.

SUPPLEMENTAL RETIREE BENEFIT RESERVE (SRBR) represents funds set aside from investment earnings to provide supplemental benefits to retirees. The Supplemental COLA, Medicare Part B Reimbursement, Health Equity Location Program, vision, dental, and increased death benefits to retirees are currently being funded by this reserve. The SRBR was established on January 1, 1985, when the Board of Retirement and Board of Supervisors for Alameda County adopted the provisions of Article 5.5 of the Government Code.

MARKET STABILIZATION RESERVE represents unrealized gains or losses recognized in the financial statements as a result of reporting investments at fair value instead of cost. Interest is allocated to all reserves except for the Contingency and Market Stabilization Reserves. The interest is allocated based on an actuarial interest assumption rate, which is approved by the Board of Retirement. The Contingency Reserve is increased to the limit of 3% of total assets at fair value as established by the Board and permitted by Section 31616 of the County Employees Retirement Law of the1937 Act. The remaining net earnings are allocated 50% to the SRBR and 50% allocated proportionally to all other reserves with the exception of the Contingency and Market Stabilization Reserves as required by Sections 31618 and 31619 of the 1937 Act.

Reserves as of December 31, 1999 and 1998 are as follows:

	December 31,	
	1999	1998
Member Reserve		
Active Member Reserve	$ 735,433,488	$ 658,988,042
Unclaimed Deposits	26,538	36,988
Total Member Reserve	735,460,026	659,025,030
Employer Advance Reserve	628,095,204	589,025,545
Retired Member Reserve	1,516,558,610	1,335,421,619
Supplemental Retiree Benefit Reserve	379,744,136	250,095,608
Contingency Reserve	118,711,686	107,281,567
Market Stabilization Reserve	460,890,350	445,952,606
Total Reserves at Fair Value	$3,839,460,012	$3,386,801,975

5. Actuarial Valuation

ACERA has retained an independent actuarial firm, William M. Mercer, Incorporated, to conduct an actuarial valuation to monitor ACERA's funding status. On an annual basis, this valuation is updated for economic and non-economic assumptions as required by the California Government Code. The last valuation was performed as of December 31, 1999, and determined the plan's funded status to be 108.5% (calculated per GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans).

6. Postemployment Healthcare Benefits

ACERA administers a healthcare benefits program for retired members and their eligible dependents. As administrator, ACERA negotiates the healthcare contract with the providers, but does not handle the claim process. ACERA withholds the healthcare premiums from the retirees monthly benefit payments and forwards the premiums to the healthcare providers.

Alameda County (the County) subsidizes the health care premiums of certain retirees by paying a percentage of the cost for the retiree based on the lowest average cost plan available. The amount of the subsidy is dependent upon the retirees' 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. The cost of the healthcare premiums, after the subsidy, is deducted from the retirees monthly benefit payments. The program may be amended, revised or discontinued at any time.

Plan net assets are not held in trust for postemployment healthcare benefits. Each year, the County prepays an amount to cover the established healthcare premium subsidies. As of December 31, 1999, the County's healthcare premium account balance was $5,782,780. A total of $8,253,246 and $5,908,618 was spent on healthcare premium subsidies for 4,288 and 3,511 retirees, for the periods ended December 31, 1999 and 1998, respectively. As of December 31, 1999, the County's healthcare premium subsidies included dental and vision insurance reimbursements for 4,300 and 4,746 retirees, respectively.

7. Industry Concentration of Portfolio Assets

The Board of Retirement's investment policies and guidelines permit investment in numerous specified asset classes to take advantage of the noncorrelated economic behavior of diverse asset classes. The result is a well-diversified portfolio. The investment portfolio contained no concentration of investments in any one entity (other than those issued or guaranteed by the U.S. Government) that represented 5 percent or more of the total investment portfolio. The limitation is not applicable to the passive index funds and high alpha managers.

8. Investments

ACERA's investment guidelines reflect the duties imposed by an investment standard known as the Prudent Expert Rule. The Prudent Expert Rule, as set forth in the State Constitution, established a standard for all fiduciaries, which includes anyone who has discretionary authority with respect to ACERA's investments.

State Street Bank and Trust Company (SSB) serves as custodian of ACERA's investments. ACERA's asset classes include U.S. Equity, International Equity, U.S. Fixed Income, Member Mortgages and Real Estate. Any class may be held in direct form, pooled form or both. In 1999, twelve external investment managers managed securities portfolios and four investment managers were used for real estate investments.

Investments are categorized by type to give an indication of the level of credit risk assumed at year end. Category 1 includes investments that are insured or registered, or for which the securities are held by ACERA or its agent in ACERA's name. Category 2 includes investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent in ACERA's name. Category 3 includes investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the entity's name. ACERA had no Category 2 investments at December 31, 1999 and 1998. Cash held with the Alameda County Treasurer falls into Category 3. Cash was $8,458,502 and $2,008,079 at December 31, 1999 and 1998, respectively.

	Risk Category	December 31, 1999 Cost	December 31, 1999 Fair	December 31, 1998 Cost	December 31, 1998 Fair
Investments — Categorized					
Short Term Investments	1	$ 19,627,637	$ 19,627,637	$ 66,436,156	$ 66,436,156
Government Bonds	1	92,900,069	87,393,292	176,162,272	176,745,004
Corporate Bonds	1	211,470,078	192,543,100	300,128,472	299,331,541
Corporate Stocks	1	189,427,999	225,262,749	186,815,407	229,628,691
Total		513,425,783	524,826,778	729,542,307	772,141,392
Investments Made With Securities - Lending Cash Collateral					
Government Bonds	3		7,695,000		
Corporate Bonds	3		6,300,080		79,136,688
Corporate Stocks	3		71,300,667		
Bank Obligations	3				46,574,802
Commercial Paper	3				5,416,001
Repurchase Agreements	3				15,951,223
Total			85,295,747		147,078,714
Total Categorized Investments		$ 513,425,783	$ 610,122,525	$ 729,542,307	$ 919,220,106
Investments — Not Categorized					
Bond Market Fund		$ 681,017,738	$ 752,818,932	$ 385,354,455	$ 458,144,810
Int'l. Bonds & Forward Contracts				27,366,797	28,938,458
Domestic Equity Index Fund		834,634,015	1,569,703,983	801,357,554	1,349,410,363
International Equity Co-mingled Fund		283,317,472	579,271,457	283,317,472	399,261,947
AFL-CIO Housing Trust		71,015,125	67,184,985	66,509,773	67,567,946
Real Estate Securities		19,903,772	17,846,514		
Real Estate Properties		204,082,452	212,466,051	127,547,800	137,669,675
Real Estate Trusts		24,118,950	24,917,490	27,121,245	28,427,763
Real Estate Mortgage Loans		489,865	489,865	933,876	933,876
Total		2,118,579,389	3,224,699,277	1,719,508,972	2,470,354,838
Investments Held by Broker:					
Dealers under Securities Loans with Cash Collateral					
Corporate Bonds		6,430,952	6,132,967	28,319,544	29,057,640
Corporate Stocks		47,782,602	70,468,998	54,952,808	56,433,830
Government Bonds		7,725,288	7,520,950	58,660,999	59,494,606
Total		61,938,842	84,122,915	141,933,351	144,986,076
Non-Cash Collateral			1,172,832		2,092,739
Total Non-Categorized Investments		$2,180,518,231	$3,309,995,024	$1,861,442,323	$2,617,433,653
Total Investments		$2,693,944,014	$3,920,117,549	$2,590,984,630	$3,536,653,759

Securities Lending

The Board of Retirement (Board) policies authorize ACERA to participate in a securities lending program. Security lending transactions, which are short-term collateralized loans of ACERA securities to brokers, have a simultaneous agreement that allows ACERA to invest and receive earnings on the loan collateral for a loan rebate fee. All securities loans can be terminated on demand by either ACERA or the borrower, although the average term of loans is one week. There are no restrictions on the amount of securities that may be lent.

ACERA's custodian bank administers its securities lending program. The custodian is responsible for maintaining an adequate level of collateral in an amount equal to at least 102% of the market value of loaned U.S. government securities. Collateral received may include cash, letters of credit, or securities. If securities collateral is received, ACERA cannot pledge or sell the securities collateral unless the borrower defaults.

At year-end, ACERA had no credit risk exposure to borrowers because the amounts ACERA owed to borrowers exceeded the amounts the borrowers owed to ACERA. ACERA's contract with the custodian requires it to indemnify ACERA if the borrowers fail to return the securities and if the collateral is inadequate to replace the securities lent or fail to pay ACERA for income distributions by the securities issuers while the securities are on loan.

As of December 31, 1999 and 1998, ACERA had securities on loan with a carrying value of $84,122,916 and $141,933,351 for cash collateral of $85,295,747 and $147,078,714, respectively. As the securities on loan at year-end were collateralized by cash, they are presented as unclassified in the preceding schedule of custodial credit risk. Investments made with the cash collateral are classified by risk category.

ACERA's securities lending income is as follows:

	1999	1998
Gross Income	$ 3,104,424	$ 10,748,628
Expenses:		
Borrower Rebates	2,738,572	9,878,687
Bank Fees	142,388	347,733
Total Expenses	2,880,960	10,226,420
Net Income from Securities Lending	$ 223,464	$ 522,208

Derivative Financial Investments

ACERA does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are utilized by ACERA to improve or defend against currency fluctuations of the investment earnings and reduce interest rate risks. None of these securities were leveraged.

Indexed securities are short-term debt instruments for which the interest rates or principal amounts are indexed to an unrelated indicator and consist of collateralized mortgage obligations and asset-backed securities. Forward contracts enable a specific quantity of a particular commodity, foreign currency or other financial instruments, to be bought or sold at its current price, with delivery and settlement at a specified future date. At December 31, 1999, collateralized mortgage obligations with cost and market value of $1,031,161 and $1,004,012 were outstanding, respectively. Market values of index securities amounted to $70,739,060 and $78,228,676 at December 31, 1999 and December 31, 1998, respectively.

At December 31, 1999 and 1998, ACERA was a 38% and 33% owner, respectively, in a co-mingled fund which had a market value of $587,883,913 at December 31, 1999 and $571,764,303 at December 31, 1998. The investment portfolio included holdings in derivatives which had a total fair value of $1,305,663 at December 31, 1999 and $2,510,605 at December 31, 1998.

The investments in indexed securities bear no credit or legal risks, as they are government agency debt issues. However, they bear market risk in that the mortgages can be prepaid. The investments in forwards and futures also bear market risk as the current market may be particularly sensitive to interest rate fluctuations.

9. Administrative Expenses

ACERA's Board of Retirement annually adopts an operating budget for the administration of ACERA. The administrative expenses are charged against ACERA's investment earnings and are limited to eighteen hundredths of one percent of the total assets of the retirement system as set forth under Government Code Section 31580.2.

	December 31, 1999	December 31, 1998
Total Asset Base, at Fair Value	$ 3,957,056,218	$ 3,578,481,341
Maximum Allowable for Administrative Expense (.18% x $3,957,056,218 and $3,578,481,341)	7,122,701	6,441,266
Actual Administrative Expenses for the Fiscal Year	4,478,955	4,677,407
Excess of Allowance over Actual Administrative Expenses	2,643,746	1,763,859
Actual Administrative Expenses as a Percentage of Total Assets Base	0.11%	0.13%

10. Contingencies and Commitments

Litigation

There is no litigation pending which will have a material impact or effect on ACERA's financial statements. However, ACERA is a named defendant in a lawsuit concerning a claim for safety membership by Welfare Fraud Investigators employed in the Alameda County Department of Social Services. The case is pending review by the California Court of Appeals and does not involve damages. There are no other cases pending.

Capital Commitments

ACERA has commitments under contracts of approximately $4.3 million at December 31,1999.

Required Supplemental Schedules

December 31, 1999 and 1998

Schedule of Funding Progress

(In Millions of Dollars)

Actuarial Valuation Date January 1	Actuarial Value ($) of Plan Assets (a)	Accrued Actuarial Liability ($) ("AAL") (b)	Funded Ratio (%) (a/b)	Unfunded AAL ($) ("UAAL") (b-a)	Covered Payroll ($) (c)	UAAL as a Percentage (%) of Covered Payroll [(b-a)/c]
1995	1,443	1,715	84.2%	272	366	74.0%
1996	1,684	1,951	86.3%	267	374	71.1%
1997	2,113	2,068	102.2%	(45)	390	-11.5%
1998	2,314	2,218	104.3%	(96)	413	-23.2%
1999	2,830	2,613	108.3%	(217)	462	-47.0%
2000	2,998	2,763	108.5%	(235)	488	-48.4%

Schedule of Employer Contributions

(In Millions of Dollars)

Fiscal Year Ended December 31,	Annual Required Contribution ($)	Percentage (%) Contributed
1994	44	100%
1995	33	1023% *
1996	21	1440% *
1997	23	100%
1998	24	100%
1999	26	100%

*Percentage contributed includes pension obligation bond proceeds.

Notes to the Required Supplemental Schedules

December 31, 1999 and 1998

The information presented in the supplementary schedules was determined as part of the actuarial valuations as of the date indicated. Additional information as of the latest actuarial valuation date, December 31, 1999 is as follows:

ACTUARIAL COST METHOD: Entry Age Normal.

ASSET VALUATION METHOD: 5-year smoothing of Fair Value.

AMORTIZATION OF UNFUNDED 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 assumed investment earnings rate. The contribution is calculated to remain as a level percentage of future active member payroll (including payroll of new members as they enter the Association) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments are scheduled to increase at the assumed annual inflation rate of 4.50%. The UAAL is being funded over the 19-year period following December 31, 1999. However, the 1993 Golden Handshake liabilities are being amortized over the 4½ year period following December 31, 1998 and the excess interest return on the Pension Obligation Bonds is being amortized over a 10-year period following December 31, 1999.

AMORTIZATION APPROACH: Open.

AMORTIZATION OF ACTUARIAL GAINS AND LOSSES: Accumulated actuarial gains as of December 31, 1999 attributable to County of Alameda members are being amortized over the 10-year period following that date. Any new actuarial gains and losses will be combined with all unamortized gains and losses and amortized over the current amortization period (20 years).

COST OF LIVING ADJUSTMENTS: The maximum increase in retirement allowance is 3% per year for Tier 1 and 2% for Tier 2 members. The maximums are based on the change in the Consumer Price Index for the calendar year prior to April 1, effective date.

INVESTMENT RATE OF RETURN: 8.25% per annum

PROJECTED SALARY INCREASES: 5.6% per annum.

CONSUMER PRICE INDEX: 4.5% per annum.

Supplemental Schedules

December 31, 1999 and 1998

Schedule of Administrative Expenses

	1999	1998
Personnel Services:		
Staff Wages	$1,030,053	$1,068,288
Fringe Benefits	335,482	332,751
Temporary Services	800,376	741,168
Total Personnel Services	2,165,911	2,142,207
Professional Services:		
Computer Services	32,477	231,519
Audit	55,657	46,865
Legal Counsel	233,522	433,743
Specialized Services	931,564	475,685
Total Professional Services	1,253,220	1,187,812
Communication:		
Printing	85,416	98,267
Communication	43,310	46,936
Postage	17,372	43,293
Total Communication	146,098	188,496
Rentals:		
Office Space	212,478	310,028
Equipment Leasing	5,767	6,463
Total Rentals	218,245	316,491
Other:		
Training	88,021	44,367
Supplies	38,501	57,405
Maintenance-Equipment	24,056	18,642
Insurance	51,567	79,770
Depreciation and Amortization	200,682	317,456
Office	289,400	315,900
Miscellaneous	3,254	8,861
Total Other	695,481	842,401
Total Administrative Expenses	$4,478,955	$4,677,407

Supplemental Schedules

December 31,1999 and 1998

Investment Manager Fees and Other Investment Expenses Summary

	1999	1998
Investment Manager Fees		
Equity		
Domestic	$ 1,956,521	$ 3,747,314
International	2,830,479	2,597,686
Fixed Income		
Domestic	1,245,715	1,068,266
Real Estate		
Investments in Real Estate/Mortgage Loans		
Investment Trusts	219,070	223,086
Insurance Contracts	40,281	90,833
Individual Properties	1,437,800	1,027,102
Mortgage Loan Servicers	1,608	3,469
Securities (REITs)	88,202	–
Total Investment Manager Fees	7,819,676	8,757,756
Other Investment Expense		
Investment Allocated Costs	1,153,119	
Investment Custodians	158,049	205,174
Investment Consultants	678,561	245,269
Individual Properties Operating Expenses	6,150,721	3,724,767
Security Lending Fees	2,880,960	10,226,421
Commissions	505,915	1,824,033
Discounted Interest on Prepaid County Contributions	1,728,380	2,025,238
Miscellaneous	11,259	7,601
Total Other Investment Expense	13,266,964	18,258,503
Total Fees and Other Investment Expenses	$21,086,640	$27,016,259

Schedule of Payments to Consultants

	1999	1998
Actuarial Services	$135,244	$212,597
Audit Services	70,000	46,865
Legal Services	246,534	433,743
Personnel Coordination	71,697	186,540
Technical Support	755,214	404,064
Other Specialized Services	152,378	70,812
Total Payments to Consultants	$1,431,067	$1,354,621

Investment

ACERA's Investment staff (inset above, from left): Belinda Zhu, Betty Tse, and Greg Blomberg. At right, Steve Curry, a consultant from Linea Solutions works alongside Jeff Novick, ACERA Information Technician II.

Chief Investment Officer's Report

Introduction

In 1999, ACERA's investment program benefited from another year of strong growth. The U.S. stock market, as represented by the S&P 500, returned 21.0%. The Dow Jones Industrial Average was up 25.22%. ACERA credited 13.1% to member accounts. The return on the overall portfolio was 15.9% (stocks, bonds, and real estate). This substantial rate of return also permitted the Supplemental Retiree Benefit Reserve (SRBR) to grow to $379.7 million, up from $250.1 million.

General Information

External investment management firms manage ACERA's assets. Professional investment consultants, along with investment staff, closely monitor the activity of these managers and assist the Board with the implementation of investment policies and long-term investment strategies.

ACERA's goal is to operate at a level of performance in the upper one quarter of comparable pension funds, and 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 Investment Objectives

The Board of Retirement, having sole and exclusive authority and fiduciary responsibility for the investment and administration of the Trust, has adopted an Investment Policy Statement which reflects the Board's policies for the management of ACERA's investments. The Board reserves the right to amend, supplement or rescind this Statement at any time. The Investment Policy Statement 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 Trust. An integral part of the overall investment policy is the strategic asset allocation policy. This allocation mix is designed to provide an optimal mix of asset categories with return expectations that reflect expected risk. This emphasizes 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, bonds, domestic stocks, fixed income and mortgages) and nontraditional assets (real estate, international stock) are included in the mix.

Total portfolio return, over the long term, is directed toward achieving and maintaining a fully funded status for ACERA. Prudent risk taking is warranted within the context of overall portfolio diversification to meet this objective. All activities will be conducted so as to serve the best interests of ACERA's members and beneficiaries.

Summary of Proxy Voting Guidelines and Procedures

In recognition of its duty to manage retirement plan assets in the best interest of the plan participants, the Board has established Proxy voting guidelines and procedures which are intended to assist in the faithful discharge of the Board's duty to vote proxies on behalf of plan participants.

The guidelines consist of preferences with respect to specific, recurring proxy-voting issues followed by a general statement of voting policies. ACERA will at all times strive to cast proxy votes so as to advance the overall good of the plan participants.

Summary of Investment Results

The investment information is presented in conformance with the presentation standards of the Association for Investment Management and Research (AIMR).

Domestic equities posted strong returns for 1999 with the S&P 500 up 21.0% and the broad U.S. equity market up 20.9%. The median equity manager* returned 20.3% for the year. International equities as measured by the MSCI EAFE Index had an equally strong return of 27.3% for the year, while the median international equity manager returned 39.5%. The MSCI South Africa Index was up 53.8% for the year. U.S. Bond returns were negative, with the Lehman Aggregate returning −0.8% and the median fixed income manager −0.3%. Real estate returns were positive with the median real estate manager returning 6.9% for the year.

ACERA's Total Fund return of 15.9% for the year is above 10.6% for the median total fund and above 8.6% for the median public fund. Over longer periods, ACERA's Total Fund has outperformed both the median total fund and median public fund. ACERA's total domestic equities returned 21.1% for the year, above the median equity manager return of 20.3% and above the S&P 500 return of 21.0%. Of ACERA's equity managers, Nicholas Applegate performed best with returns of 101.9%, exceeding median equity manager returns.

The Morgan Stanley Capital International Europe, Australia, Far East (MSCI EAFE) Index of international equities returned 27.3% for the year and the median international equity manager returned 39.5%. Capital Guardian's return of 67.6% exceeded the median international manager. GAM Institutional returned 23.9%, not surpassing the median manager. New Africa Advisers returned −13.8%, below the 53.8% for the MSCI South Africa Index, and the median manager.

The ACERA total fixed income portfolio returned −1.3% for the year. Most of ACERA's active bond managers beat the Lehman Aggregate but not the median manager. ACERA's passive bond manager, State Street Global Advisors, exceeded the Lehman Aggregate return. AFL-CIO was the best performer with a return of −0.3% matching the median fixed income manager and outperforming the Lehman Aggregate. ACERA's total fixed income has exceeded the benchmarks over a 5-year period.

The median real estate manager returned 6.9% and the Wilshire Real Estate Funds Index returned 9.3% for the year. Based on our custodian bank's values, ACERA's real estate portion returned 7.5%.

ACERA's fund is overweighed in total equities with 63.6% of assets in equities versus the target of 52% as of December 31, 1999. Domestic equities are overweighed at 48.5% of assets versus the target of 42%, while international equities are overweighed at 14.9% of assets versus the target of 10%. Cash at 0.2% is below its target of 1% of assets, and Emerging Market at .2% is below its target of 3.0%. Alternative Investments at 0% is also below its target allocation of 2%. Fixed income is at 29.0% of assets, below the target of 33%. Real estate continues to be under its 9% target at 6.7% of assets. Real estate and fixed income commitments will be funded from US equity, eventually bringing the assets closer to targets.

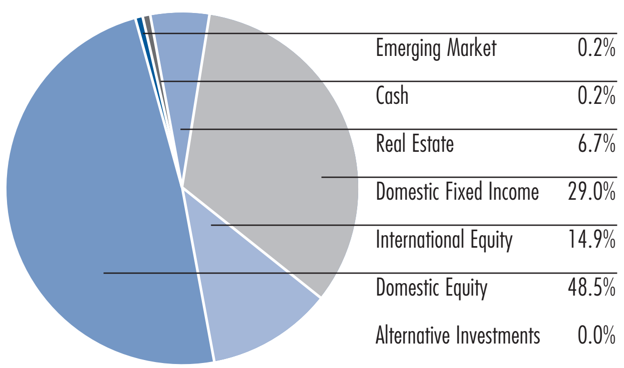
Charles F. Conrad
Chief Investment Officer

April 28, 2000

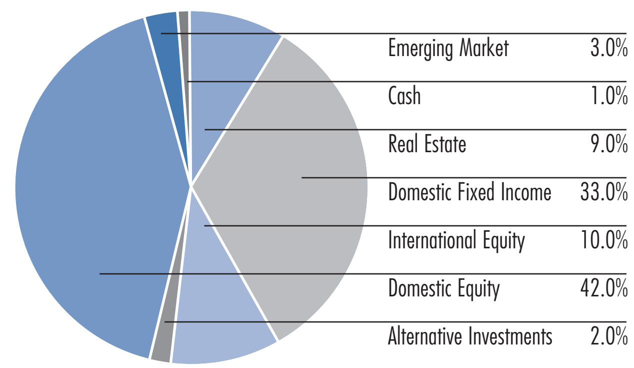
*All medians are Wilshire COOP.

Asset Allocation

1999 ACERA Asset Allocation



Target Asset Allocation



The 1999 Actual Asset Allocation is based upon the Investment Summary.

List of Investment Professionals

As of December 31, 1999

Investment Managers

EQUITY – DOMESTIC

Bank of New York — Index Fund

Brandywine

Nicholas Applegate

Trust Company of the West

Pacific Financial Research

EQUITY – INTERNATIONAL

Capital Guardian

GAM Institutional

EMERGING MARKET

New Africa Advisers

FIXED INCOME — DOMESTIC

AFL-CIO Investment Housing Trust

Loomis Styles

State Street Global Advisors

REAL ESTATE

Lend Lease

PM Realty Advisors

Boston Financial

Rreef

Investment Consultants

Callan Associates

Dorn, Helliesen & Cottle, Inc.

Investment Summary

	Fair Value at 12/31/99	Percentage of Total Fair Value
Equities		
Domestic:		
Brandywine	$ 66,181,179	1.7%
Nicholas Applegate	119,935,708	3.1%
Pacific Financial Research	45,568,391	1.2%
Trust Company of the West	64,878,138	1.7%
Total Corporate Stocks	296,563,416	7.7%
Bank of New York – S&P 400 Index	110,307,857	2.9%
Bank of New York – S&P 500 Index	1,459,396,128	38.0%
Total Domestic Equity Index Funds	1,569,703,985	40.8%
International:		
Capital Guardian	337,674,411	8.8%
GAM Institutional	233,756,648	6.1%
Total International Equity Commingled Funds	571,431,059	14.9%
Emerging Market:		
New Africa Fund	7,840,398	0.2%
Total Emerging Market Equity	7,840,398	0.2%
Total Equities	2,445,538,858	63.6%
Fixed Income		
Domestic Fixed Income		
AFL-CIO Housing Investment Trust	67,184,985	1.7%
Total AFL-CIO Housing Trust	67,184,985	1.7%
Loomis Sayles	293,931,472	7.6%
Total Government & Corporate Bonds	293,931,472	7.6%
State Street Global Advisors	752,818,932	19.6%
Total Bond Market Fund	752,818,932	19.6%
Total Fixed Income	1,113,935,389	29.0%
Real Estate		
Real Estate Investments		
PMRealty Advisors	204,215,771	5.3%
RREEF	8,250,280	0.2%
Total Real Estate Properties	212,466,051	5.5%
Lend Lease	2,717,775	0.1%
Boston Financial	22,199,714	0.6%
RREEF	17,846,513	0.5%
Total Real Estate Trusts	42,764,002	1.1%
GMAC Mortgage	489,865	0.0%
Total Real Estate Mortgage Loans	489,865	0.0%
Total Real Estate Investments	255,719,918	6.7%
Short-Term Investments		
State Street Bank – Custodian	19,627,637	0.5%
Total Short-Term Investments	19,627,637	0.5%
Total Investments	3,834,821,802	99.8%
Cash		
Treasurer of Alameda County	8,458,502	0.2%
Total Cash	8,458,502	0.2%
TOTAL	$3,843,280,304	100.0%

Investment Results

	Current Year 1999	Annualized 3 Year	Annualized 5 Year
Domestic Equity			
Total Domestic Equities	21.1%	22.9%	25.6%
Median Equity	20.3%	23.8%	25.6%
Benchmark: Russell 3000	20.9%	25.5%	26.9%
International Equity			
Total International Equities	45.1%	25.1%	20.5%
Median International Equity	39.5%	16.6%	16.6%
Benchmark: MSCI EAFE Index	27.3%	16.1%	13.2%
Emerging Market Equity			
Total Emerging Market Equities	-13.8%	-4.4%	–
Median International Equity	39.5%	16.6%	16.6%
Benchmark: MSCI S. Africa Index	53.8%	0.7%	–
Fixed Income			
Total Fixed Income	-1.3%	5.6%	7.9%
Median Fixed Income	-0.3%	5.8%	7.6%
Benchmark: Lehman Aggregate	-0.8%	5.7%	7.7%
Real Estate			
Total Real Estate	7.5%	5.7%	3.7%
Median Real Estate	6.9%	10.8%	10.4%
Benchmark: Wilshire R.E. Funds Index	9.3%	12.6%	9.4%
Total Fund			
Alameda Total Fund	15.9%	16.6%	18.2%
Median Total Fund	10.6%	14.3%	16.3%
Benchmark: Median Public Fund	8.6%	14.0%	16.1%

Note: Returns for periods greater than 1 year are annualized.

Results of all publicly traded investments are presented in conformance with Association for Investment Management and Research (AIMR) performance presentation standards.

Largest Stock Holdings (By Market Value)

As of December 31, 1999

	Shares	Stock	Market Value
1	135,900	FEDERAL HOME LN MTG CORP	$ 6,395,794
2	88,000	FEDERAL NATL MTG ASSN	5,494,500
3	208,600	PHILIP MORRIS COS INC	4,797,800
4	92,600	DELL COMPUTER CORP	4,722,600
5	56,200	SIEBEL SYS INC	4,720,800
6	57,000	KANSAS CITY SOUTHERN INDS INC	4,253,625
7	31,800	EMMIS COMMUNICATIONS CORP	3,963,572
8	35,800	CISCO SYS INC	3,835,075
9	28,300	FLYCAST COMMUNICATIONS CORP	3,677,231
10	28,700	ART TECHNOLOGY GROUP INC	3,677,188
Total Largest Stock Holdings			$ 45,538,185

Largest Bond Holdings (By Market Value)

As of December 31, 1999

	Par	Bonds	Percentage	Due Date	Market Value
1	16,000,000	U S TREASURY BONDS	6.00%	02/15/2026	$ 14,637,440
2	9,640,747	GNMA POOL#486959	6.50%	02/15/2029	9,047,166
3	9,602,206	GNMA POOL#468172	6.50%	08/15/2028	9,010,998
4	8,871,268	GNMA POOL#505207	8.00%	10/15/2029	8,959,980
5	10,000,000	SEARS ROEBUCK ACCEP CORP	6.25%	05/01/2009	8,792,800
6	9,000,000	GNMA POOL#489049	7.00%	02/15/2029	8,690,580
7	9,000,000	SAFECO TR I	8.07%	07/15/2037	7,981,290
8	7,500,000	U S TREASURY NOTES	5.50%	01/31/2003	7,327,725
9	7,100,000	MORGAN STANLEY GROUP INC.	7.50%	02/01/2024	6,452,480
10	6,630,381	GNMA POOL#486471	6.50%	08/15/2028	6,222,148
Total Largest Bond Holdings					$ 87,122,607

Note: The above schedules do not reflect holdings in passive index funds. A complete list of portfolio holdings is available upon request.

Schedule of Management Fees and Commissions

	Assets under Management		Manager's Fees	
	1999	1998	1999	1998
Investment Managers' Fees				
Fixed Income Managers	$ 1,120,695,476	$ 1,053,909,015	$ 1,245,715	$ 1,068,266
Equity Managers	2,469,858,969	2,168,738,933	4,787,000	6,345,000
Real Estate Managers	261,494,260	166,927,097	1,786,961	1,344,490
Total	$ 3,852,048,705	$ 3,389,575,045	$ 7,819,676	$ 8,757,756
Other Investment Service Fees				
Custodian Fees			$ 158,049	$ 205,174
Security Lending Fees			2,880,960	10,226,421
Investment Consultant Fees			678,561	245,269
Total			$ 3,717,570	$ 10,676,864

Commissions

Brokerage Firm	Numbers of Shares Traded	Total Commissions	Commissions per Share
AB Watley Inc.	500	25	0.050
ABN AMRO Chicago Corporation	1,300	78	0.060
Alex Brown	54,429	762	0.014
Amivest Corporations	2,900	174	0.060
Autranet Services	76,900	4,013	0.052
Banc America Security LLC	12,500	625	0.050
Banc Boston Roberston Stephens	4,500	225	0.050
Bear Stearns Securities Corp.	356,867	11,319	0.032
Bernstein Sanford C. & Co. Inc.	17,500	875	0.050
Blair (William) & Co.	49,400	2,650	0.054
BNY ESI & Co. - Alpha Division	39,100	2,309	0.059
Bradford, J.C. & Co.	25,900	1,554	0.060
Bridge Trading	40,000	2,381	0.060
Broadcort Capital	6,400	360	0.056
Brown Bothers, Harriman & Co.	30,375	486	0.016
BT Alex Brown	10,000	527	0.053
B-Trade Services LLC	5,500	330	0.060
Buckingham Research	10,700	642	0.060
Cantor Fitzgerald Securities	653,477	35,798	0.055
Capital Institutional Services	202,200	12,132	0.060
Charles Scwab & Co.	10,000	30	0.003
CIBC World Markets Corp.	59,000	2,950	0.050
Citation Group	414,400	24,469	0.059
Conning & Co.	400	20	0.050
Cowen & Co.	12,000	48	0.004
CS First Boston Corp.	29,600	1,480	0.050
Dain Rauchser Inc.	3,000	161	0.054
DB Clearing Services	200	10	0.050
Dean Witter Reynolds Inc.	136,700	6,835	0.050
Dillon Read & Co.	8,100	486	0.060
Direct Brokerage Service	1,800	108	0.060
Donaldson, Lufkin & Jenrette Secs. Corp.	131,000	6,874	0.052
Dresdner Sercurities (USA) Inc.	3,800	190	0.050
Ernst & Co.	20,100	1,206	0.060
ESI Securities Co.	12,900	774	0.060

Schedule of Management Fees and Commissions (continued)

Brokerage Firm	Numbers of Shares Traded	Total Commissions	Commissions per Share
Execution Services	609,081	22,536	0.037
First Union Capital Markets	12,100	605	0.050
Garban Corporates, Inc.	10,700	642	0.060
Gerard Klauer Mattison & Co.	19,200	1,152	0.060
Goldman Sachs & Co.	164,645	7,073	0.043
Green Street Advisors Inc.	68,600	4,056	0.059
Gruntal & Co.	19,700	1,182	0.060
Instinet Corp.	2,902,689	95,781	0.033
Investment Technology Group	786,500	22,478	0.029
ISI Grouping	10,500	525	0.050
ITG Posit	6,000	120	0.020
Janney Montgomery, Scott	313,233	18,760	0.060
Jefferies & Co.	814,624	32,863	0.040
Jones & Associates Inc.	395,941	15,215	0.038
Jones & Co.	37,200	372	0.010
Kinnard John G. & Co.	7,400	444	0.060
Lehman Brothers Inc.	94,700	4,649	0.049
Lewco Secs	30,100	1,505	0.050
McDonald & Co.	29,800	1,512	0.051
Merrill Lynch	382,850	16,269	0.042
Montgomery Securities	8,000	72	0.009
Morgan J. P. Securities Inc.	34,700	1,747	0.050
Morgan Keegan & Co. Inc.	5,400	324	0.060
Morgan Stanley & Co.	234,660	5,469	0.023
National Financial Services Corp.	24,300	504	0.021
O Neil, William & Co. Inc.	5,200	312	0.060
Paine Webber	762,672	27,814	0.036
Pershing & Co.	70,100	805	0.011
Piper Jaffray & Hopewood	117,184	2,017	0.017
Prudental Securities Inc.	357,625	20,922	0.059
Prudential Bache	136,450	4,094	0.030
Raymond James & Associates	609,920	27,120	0.044
Robert Baird & Co.	52,708	2,530	0.048
Robertson Stephens & Co.	137,000	822	0.006
Rochdale Sec. Corp.	7,300	438	0.060
S G Warburg, Rowe Pitman	26,400	528	0.020
Salomon Smith Barney, Inc.	44,600	2,230	0.050
Sanford C Bernstein & Co.	33,300	1,998	0.060
Seaport Securities Corp.	400	20	0.050
SK International Securities	197,568	11,854	0.060
Smith Barney	83,200	1,082	0.013
Southwest Securities Inc.	12,700	750	0.059
Spear Leeds & Kellogg	26,900	1,434	0.053
Standard & Poors	52,400	3,120	0.060
State Street Brokerage Services	400	24	0.060
Wagner Stott & Co.	6,400	384	0.060
Weeden & Co.	73,833	4,223	0.057
William O'Neil & Co.	27,000	1,620	0.060
Williams Capital Group	189,000	11,013	0.058
Total	12,496,331	505,915	0.040

Actuarial

ACERA's actuaries of William M. Mercer, Inc. (above, from left): Andy Yeung, Drew James, and Bob Blum. ACERA staff members (at left) Marcia Anderson and Lucille Young facilitate a retiree seminar, and (at top) A. Georges listens during a monthly staff meeting.

WILLIAM M.
MERCER

April 13, 2000

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

Dear Members of the Board:

We are pleased to present the actuarial valuation report for the Alameda County Employees' Retirement Association prepared as of December 31, 1999 by William M. Mercer, Incorporated. The report includes:

(1) a determination of the recommended employer contribution rates. These rates are calculated to be effective July 1, 2000;
(2) a determination of the recommended member contribution rates, also to be effective on July 1, 2000;
(3) a determination of the funded status as of December 31, 1999; and
(4) financial reporting and disclosure information pursuant to applicable accounting standards.

This report conforms with the requirements of the governing state and local statutes, accounting rules, and generally accepted actuarial principles and practices.

This report reflects the current estimated impact on funding status and contribution rates of the Retirement Board's expansion of the pay items includable in Earnable Compensation in response to the 1997 California Supreme Court decision in the *Ventura County Deputy Sheriff's Association vs. Board of Retirement, Ventura County Employees' Retirement Association,* including retroactive benefit payments.

- Retirement benefits for members who retired between October 1, 1994 and December 31, 1999, reflect actual "Post-Ventura" Earnable Compensation.
- Retirement benefits for members who retired before October 1, 1994 and those who are expected to retire after December 31, 1999 include an estimation for the new Ventura pay items.

We recommend that the Board:

(1) Maintain the amortization period for excess investment return on the Pension Obligation Bonds at 10 years. Retaining the 10 year amortization period will allow for more flexibility in timing the future use of Pension Obligation Bond credits to avoid County contribution rate increases; and
(2) Anticipate and prefund for the conversion of unused sick leave to retirement service.

The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion rendered herein.

Sincerely,

Drew James, FSA, EA, MAAA

Andy Yeung, ASA, EA, MAAA

William M. Mercer, Incorporated
3 Embarcadero Center, Suite 1500
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A Marsh & McLennan Company

Actuary's Certification Letter

WILLIAM M. MERCER

The annual actuarial valuation required for the Alameda County Employees' Retirement Association has been prepared as of December 31, 1999 by William M. Mercer, Incorporated. In preparing this valuation, we have employed generally accepted actuarial methods and assumptions to determine a sound value for the Association's assets, liability and future contribution requirements. Our calculations are based upon member data provided to us by the Association's staff and financial information provided by the unaudited report. This data has not been audited, but it has been reviewed and found to be consistent, both internally and with prior year's data.

The contribution requirements are determined as a percentage of payroll. The funding objective of the plan is to determine employer rates that provide for both normal cost and either a contribution to amortize the unfunded actuarial accrued liability or a credit when actuarial assets exceed the actuarial accrued liability. The amortization period is 19 years as of December 31, 1999; however, the amortization of the 1993 Golden Handshake liability is 4½ years and the excess interest return on the Pension Obligation Bonds is amortized over 10 years. The amortization periods are set by the Board of Retirement. The unfunded actuarial accrued liability contribution credit is calculated to remain level as a percentage of future payroll (including projected payroll for future members). Payments will increase at the assumed rate of inflation, which is 4.50% per year.

In this valuation, we have included for the first time an additional cost to anticipate and prefund for future conversions of unused sick leave service to retirement service credit. We understand that one-half of the unused sick leave (up to 125 days) is available for conversion. In our valuation, we anticipate the average retiree will have about ½ of the maximum sick leave credit available for conversion.

Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of Actuarial Value of Assets to Actuarial Accrued Liabilities increased from 108.3% to 108.5% during the year.

The Actuarial Value of Assets reflects last year's Board action to accelerate the recognition of about $259 million in deferred actuarial gains to offset the increase in actuarial accrued liability resulting from the settlement of the *Ventura* litigation.

In our opinion, the combined operation of the assumptions and methods applied in this valuation, fairly represent past and anticipated future experience of the Association and meet the parameters required by GASB Statement 25.

A list of the supporting schedules we prepared for inclusion in the actuarial, statistical and financial sections of the Association's CAFR report is provided below.

1. Schedule of Active Member Valuation Data
2. Schedule of Retirees and Beneficiaries Added to and Removed From Retiree Payroll
3. Solvency Test
4. Actuarial Analysis of Financial Experience
5. Schedule of Average Benefit Payments for Retirees and Beneficiaries
6. Schedule of Funding Progress
7. Schedule of Retiree Members by Type of Benefit

Future contribution requirements may differ from those determined in the valuation because of:

1. differences between actual experience and anticipated experience;
2. changes in actuarial assumptions or methods;
3. changes in statutory provisions; and
4. differences between the contribution rates determined by the valuation and those adopted by the Board.

This report reflects the current estimated impact on funding status and contribution rates of the Retirement Board's expansion of the pay items includable in Earnable Compensation in response to the 1997 California Supreme Court decision in the *Ventura County Deputy Sheriff's Association vs. Board of Retirement, Ventura County Employees' Retirement Association,* including retroactive benefit payments.

Retirement benefits for members who retired between October 1, 1994 and December 31, 1999, reflect actual "Post-*Ventura*" Earnable Compensation.

Retirement benefits for members who retired before October 1, 1994 and those who are expected to retire after December 31, 1999 include an estimation for the new *Ventura* pay items.

The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion rendered herein.

William M. Mercer, Incorporated

Drew James, FSA, EA, MAAA
April 13, 2000

Andy Yeung, ASA, EA, MAAA

William M. Mercer, Incorporated
3 Embarcadero Center, Suite 1500
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San Francisco, CA 94111-4015

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A Marsh & McLennan Company

Summary of Assumptions and Funding Method

The following assumptions have been adopted by the Board as of December 31, 1999.

Assumptions

Valuation Interest Rate	8.25%
Inflation Assumption	4.50%
Cost of Living Adjustment	3% for Tier 1 members; 2% for Tier 2 members
Interest Rate Credited to Active Member Accounts	8.25%

Post-Retirement Mortality

(a) Service:

General Member

Males . . . . 1994 Group Annuity Mortality Table with one year setback (Male)

Females. . . . . 1994 Group Annuity Mortality Table with one year setback (Female)

Safety Members . . . . 1994 Group Annuity Mortality Table with one year setback (Male)

Beneficiaries . . . . 1994 Group Annuity Mortality Table with one year setback (Female)

(b) Disability:

General. . . . . 1981 General Disability Mortality Table with two year setback

Safety . . . . 1981 Safety Disability Mortality Table with no setback

(c) For Employee Contribution Rate Purposes:

General. . . . . 1994 Group Annuity Mortality Table with a 4 year setback (Male)

Safety . . . . 1994 Group Annuity Mortality Table with a 1 year setback (Male)

PRE-RETIREMENT MORTALITY . . . . . . Based upon the Experience Analysis as of 12/31/98

WITHDRAWAL RATES . . . . Based upon the Experience Analysis as of 12/31/98

DISABILITY RATES . . . . Based upon the Experience Analysis as of 12/31/98

SERVICE RETIREMENT RATES . . . . Based upon the Experience Analysis as of 12/31/98

SALARY SCALES . . . . Total increases of 5.60% per year reflecting approximately 4.50% for inflation and approximately 1.10% for merit and longevity

PERCENT OF ACTIVE AND INACTIVE MEMBERS MARRIED

Males . . . . 80% Females. 55%

BENEFICIARY AGE DIFFERENCE

Males . . . . 3 years older Females. . . 3 years younger

VALUE OF ASSETS FOR CONTRIBUTION RATE PURPOSES

Actuarial Value as described in Section II(ii) of the ACERA Actuarial Valuation Report as of December 31, 1999.

Additional *Ventura* Earnable Compensation — Terminal Pay

To estimate the impact of including terminal pay as part of Earnable Compensataion, we have relied on the compensation data collected in 1999 for 140 retirees who retired between October 1, 1997 and December 31, 1998.

Based on that data, the following percentages were derived to estimate the percentage increase in final average earnings that result from inclusion of terminal pay.

	Terminal Pay/Final Average Earnings
General Tier 1	5.62%
General Tier 2	1.49%
Safety Tier 1	5.93%
Safety Tier 2	1.49%

Ventura Terminal and Non-Terminal Pay Adjustments for Retirees and Deferred Vested Members

Based on data provided for 653 retirees who retired before Osctober 1, 1997, we have computed the following percentage increases in earnable compensation as an estimate for remaining retirees.

As of the date of this report, the Association is in the process of recalculating pension benefits for retirees to include the additional *Ventura* pay items.

	Current Data/Number of Retirees	Percentage Increase
General Tier 1	408	5.62%
General Tier 2	144	1.49%
Safety Tier 1	85	5.93%
Safety Tier 2	16	1.49%

Conversion of unused sick leave service

We assume each active member will be able to accumulate an additional 0.008 years of retirement service credit from unused sick leave for each year of employment.

Funding Method and Amortization of Actuarial Gains or Losses

The County's liability is being funded on the Entry Age Normal Method with an Unfunded Actuarial Accrued Liability (UAAL). The current amortization period for the UAAL is 19 years from the valuation date. The 1993 Golden Handshake liabilities are being amortized over a 10-year period beginning in 1994. There are 4 years remaining in the amortization schedule as of the date of the Valuation. Excess interest earned on the Pension Obligation Bonds are amortized over 10 years.

Schedule of Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Payroll $	Annual Average Pay $	Percent Increase in Average Pay*
12/31/94	General	7,933	310,459,574	39,135	0.33%
	Safety	1,128	55,445,811	49,154	(0.88%)
	Total	9,061	365,905,385	40,382	0.09%
12/31/95	General	7,861	314,376,236	39,992	2.19%
	Safety	1,196	59,227,940	49,522	0.75%
	Total	9,057	373,604,176	41,250	2.15%
12/31/96	General	7,859	326,703,539	41,571	3.95%
	Safety	1,195	62,992,218	52,713	6.44%
	Total	9,054	389,695,757	43,041	4.34%
12/31/97	General	7,969	344,339,885	43,210	3.94%
	Safety	1,278	68,705,274	53,760	1.99%
	Total	9,247	413,045,159	44,668	3.78%
12/31/98	General	8,173	387,930,299	47,465	9.85%
	Safety	1,326	74,534,770	56,210	4.56%
	Total	9,499	462,465,069	48,686	8.99%
12/31/99	General	8,445	407,628,000	48,269	1.69%
	Safety	1,414	80,358,000	56,830	1.10%
	Total	9,859	487,986,000	49,497	1.67%

*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.

Schedule of Retirees and Beneficiaries Added to and Removed from Retiree Payroll

Plan Year	At Beginning of Year	Added During Year	Removed During Year	At End of Year	Annual Retiree Payroll ($ In Thousands)	Percent Increase in Annual Retiree Payroll	Average Annual Allowance $
1994	4,876	241	191	4,926	66,392	4.54%	13,478
1995	4,926	284	190	5,020	71,426	7.58%	14,228
1996	5,020	248	157	5,111	75,966	6.36%	14,863
1997	5,111	220	129	5,202	81,868	7.77%	15,738
1998	5,202	324*	146	5,380	89,724	9.60%	16,677
1999	5,380	364	139	5,605	101,158	12.74%	18,048

*Revised

Solvency Test

(Amounts in Thousands)

	Aggregate Accrued Liabilities for				Portion of Accrued Liabilities Covered by Reported Assets			
Valuation Date	Active Member Contributions $	Retired/ Vested Members $	Active Members (Employer Financed Portion) $	Total $	Actuarial Value of Assets $	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)
12/31/94	406,588	817,536	490,904	1,715,028	1,443,470	100%	100%	45%
12/31/95	448,792	890,098	612,162	1,951,052	1,684,299	100%	100%	56%
12/31/96	452,253	945,276	670,387	2,067,916	2,113,009	100%	100%	100%
12/31/97	510,381	1,041,268	666,670	2,218,319	2,313,787	100%	100%	100%
12/31/98	537,895	1,316,570	758,546	2,613,011	2,830,437	100%	100%	100%
12/31/99	640,623	1,326,463	795,438	2,762,524	2,997,932	100%	100%	100%

Notes:
This exhibit includes actuarially funded liabilities and assets. The Supplemental Retirees Benefit Reserve and Reserve for Interest Fluctuation are not included.
Events affecting year to year comparability:
12/31/94 – Includes $307,923 Pension Obligation Bond contribution made on 4/29/95.
12/31/95 – Inflation assumption dropped from 4.75% to 4.5%; changes to noneconomic assumptions; change in actuarial asset valuation methodology.

Actuarial Analysis of Financial Experience

(Amounts in Millions)

	Plan Years			
	1999	1998	1997	1996
Prior Valuation Unfunded Actuarial Accrued Liability	$(217)	$(95)	$(45)	$267
Expected Increase from Prior Valuation			(1)	(261)*
Salary Increase Greater (Less) than Expected	5	36	(8)	(3)
Asset Return Less (Greater) than Expected	26	(110)	(61)	(28)
Other Experience	12	6	10	(14)
Ventura Litigation	(69)	259		
Actuarial Value of Assets Method Change		(259)		
Economic Assumption Changes		(54)**		
Noneconomic Assumption Changes		**		
Data Corrections			10	(6)
Conversionof Sick leave service	8			
Ending Unfunded Actuarial Accrued Liability	$(235)	$(217)	$(95)	$(45)

* Included a Pension Obligation Bond Credit of $(283) million.

** $30 million is the combined impact of changes in economic and non-economic assumptions in 1998.

Summary of Plan Provisions

Benefit Sections 31676.1, 31676.12 and 31664 of the 1937 Act

Briefly summarized below are the major provisions of the 1937 Act, as amended through December 31, 1999, and as adopted by Alameda County.

Membership

Employees hired after June 30, 1983 become members under Tier 2. All other members are covered by Tier 1 provisions.

Final Average Salary

Final average salary (FAS) is defined as the highest 12 consecutive months of compensation earnable for Tier 1 and 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 member with five or more years of service may elect to leave his or her contributions on deposit and receive a deferred vested benefit when eligible for retirement.

Service Retirement Benefit

Members with 10 years of service who have attained the age of 50 are eligible to retire. Members with 30 years of service (20 years for Safety), regardless of age, are eligible to retire.

The benefit is a percentage of monthly FAS per year of service, depending on age at retirement and is illustrated below for typical ages. For members integrated with Social Security, the benefit is reduced by 1/3 of the percentage shown below times the first $350 of monthly FAS per year of service credited after January 1, 1956.

Percentage of Final Average Salary — General

Age	Tier 1	Tier 2	Safety
50	1.34%	1.18%	2.00%
55	1.77%	1.49%	2.62%
60	2.34%	1.92%	2.62%
62	2.62%	2.09%	2.62%
65 and over	2.62%	2.43%	2.62%

Disability Benefit

Members with 5 years of service, regardless of age, are eligible for nonservice connected disability. The benefit is 1.8% (1.5% for Tier 2 General members) of FAS for each year of service. If this benefit does not equal 1/3 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 General members, age 65 for Tier 2 General members and age 55 for Safety members. The total benefit in this case cannot exceed 1/3 of FAS.

If the disability is service connected, the member may retire regardless of length of service, with a benefit of 50% of FAS.

Death Benefit (Before Retirement)

In addition to the return of contributions, 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 spouse receives 60% of the allowance that the member would have received for retirement on the day of his or her death.

If a member dies in the performance of duty, the spouse receives 50% of the member's FAS.

Death Benefit (After Retirement)

If a member dies after retirement, a lump sum amount of $5,000 is paid to the beneficiary or estate.

If the retirement was for service connected disability, 100% of the member's allowance as it was at death is continued to the surviving spouse for life.

If the retirement was for other than service connected disability, 60% of the member's allowance is continued to the spouse for life.

Active Death Equity Benefit (ADEB)

In 1999, the Retirement Board authorized the ADEB option which provides a 100% continuance to the surviving spouse of a member who died because of non-service connected disability.

The funding of the ADEB benefit is provided from assets held in the Supplemental Retirement Benefits Reserve. The Retirement Board reserves the right to terminate the ADEB at any future date.

Maximum Benefit

The maximum basic benefit payable to a member or beneficiary is 100% of FAS.

Cost of Living

The maximum increase in retirement allowance is 3% per year for Tier 1 and 2% for Tier 2 members. The maximums are based on the change in the Consumer Price Index for the calendar year prior to the April 1 effective date.

Contribution Rates

Member basic rates are based on a formula reflecting the age at entry into the System. 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, and at age 50 of 1/100 of FAS for Safety members. Member cost of living rates are actuarially determined to pay for one-half of future cost of living liabilities.

For members integrated with Social Security, the above contributions are reduced by one-third of that portion of such contribution payable with respect to the first $350 of monthly salary. Member contributions are refundable upon termination from the System.

The County rates are actuarially determined to provide for the balance of the contributions needed to fund the benefits promised under the Retirement System.

Probabilities of Separation Prior to Retirement

The following tables indicate the probability of separation from active service for each of the following sources of termination:

WITHDRAWAL: member terminates and elects refund of member contributions.

VESTED TERMINATION: member terminates and contributions are left on deposit.

ORDINARY DEATH: member dies prior to eligibility for retirement; death not employment-related.

ORDINARY DISABILITY: member receives disability retirement; disability not employment-related.

SERVICE RETIREMENT: member retires after satisfaction of requirements of age and/or service for reasons other than disability.

DUTY DISABILITY: member receives disability retirement; disability is employment-related.

DUTY DEATH: member dies prior to retirement; death is employment-related.

The probabilities shown for each cause of termination represent the likelihood that a given member will terminate at a particular age for the indicated reason. For example, if the probability of withdrawal for a General Tier 1 male member at age 20 and with less than 3 years of service is .07283, then we are assuming that 7.283% of all General Tier 1 male members with less than 3 years of service will terminate without vested rights during the year.

General Tier 1 Members — Male

Age	Withdrawal				Terminated	Ordinary	Duty	Ordinary	Duty	Service
Nearest	0<X<3	3<=X<4	4<=X<5	5<=X	Vested	Disability	Disability	Death	Death	Retirement
20	.07283	.06700	.03000	.03000	.00000	.00000	.00010	.00055	.00010	.00000
30	.07283	.06700	.03000	.03000	.00464	.00020	.00010	.00086	.00010	.00000
40	.07283	.06700	.03000	.01629	.00870	.00070	.00040	.00115	.00009	.00000
50	.07283	.06700	.03000	.00250	.00660	.00140	.00090	.00277	.00009	.02122
60	.07283	.06700	.03000	.00000	.00080	.00260	.00260	.00858	.00010	.17232
70	.00000	.00000	.00000	.00000	.00000	.00000	.00000	.00000	.00000	1.00000

General Tier 1 Members — Female

Age	Withdrawal				Terminated	Ordinary	Duty	Ordinary	Duty	Service
Nearest	0<X<3	3<=X<4	4<=X<5	5<=X	Vested	Disability	Disability	Death	Death	Retirement
20	.10873	.07000	.03000	.03000	.00000	.00000	.00010	.00031	.00000	.00000
30	.10873	.07000	.03000	.02942	.00638	.00030	.00019	.00038	.00000	.00000
40	.10873	.07000	.03000	.00698	.00984	.00070	.00078	.00076	.00009	.00000
50	.10873	.07000	.03000	.00243	.00666	.00120	.00291	.00154	.00009	.03454
60	.10873	.07000	.03000	.00000	.00210	.00120	.00300	.00477	.00009	.19641
70	.00000	.00000	.00000	.00000	.00000	.00000	.00000	.00000	.00000	1.00000

Probabilities of Separation Prior to Retirement (continued)

General Tier 2 Members — Male

Age Nearest	Withdrawal 0<X<1	1<=X<2	2<=X<4	4<=X<5	5<=X	Terminated Vested	Ordinary Disability	Duty Disability	Ordinary Death	Duty Death	Service Retirement
20	.14518	.08662	.06695	.03000	.03000	.10000	.00000	.00010	.00055	.00010	.00000
30	.14518	.08662	.06695	.03000	.03000	.03140	.00019	.00010	.00086	.00009	.00000
40	.14518	.08662	.06695	.03000	.02228	.02000	.00122	.00132	.00115	.00008	.00000
50	.14518	.08662	.06695	.03000	.01318	.02000	.00140	.00300	.00277	.00009	.01655
60	.14518	.08662	.06695	.03000	.01000	.00632	.00700	.01050	.00858	.00010	.18000
70	.00000	.00000	.00000	.00000	.00000	.00000	.00000	.00000	.00000	.00000	1.00000

General Tier 2 Members — Female

Age Nearest	Withdrawal 0<X<3	3<=X<4	4<=X<5	5<=X	Terminated Vested	Ordinary Disability	Duty Disability	Ordinary Death	Duty Death	Service Retirement
20	.10000	.07000	.03000	.03000	.05000	.00000	.00010	.00031	.00000	.00000
30	.10000	.07000	.03000	.03000	.03058	.00021	.00069	.00038	.00000	.00000
40	.10000	.07000	.03000	.02000	.02055	.00022	.00297	.00076	.00007	.00000
50	.10000	.07000	.03000	.01000	.01623	.00049	.00420	.00154	.00008	.01985
60	.10000	.07000	.03000	.00400	.01050	.00260	.00500	.00477	.00009	.08495
70	.00000	.00000	.00000	.00000	.00000	.00000	.00000	.00000	.00000	1.00000

Safety Tier 1 Members — All

Age Nearest	Withdrawal 0<X<5	5<=X	Terminated Vested	Ordinary Disability	Duty Disability	Ordinary Death	Duty Death	Service Retirement
20	.15000	.15000	.10000	.00000	.00000	.00055	.00040	.00000
30	.06900	.06901	.04423	.00020	.00020	.00086	.00040	.00000
40	.04000	.00913	.00500	.00060	.00400	.00115	.00050	.00000
50	.00000	.00000	.00046	.00100	.00520	.00277	.00070	.06703
60	.00000	.00000	.00000	.00000	.00000	.00000	.00000	1.00000

Safety Tier 2 Members — All

Age Nearest	Withdrawal 0<X<5	5<=X	Terminated Vested	Ordinary Disability	Duty Disability	Ordinary Death	Duty Death	Service Retirement
20	.03000	.01000	.00850	.00000	.00000	.00055	.00040	.00000
30	.03000	.01000	.00850	.00020	.00268	.00086	.00040	.00000
40	.03000	.01000	.00850	.00060	.00520	.00115	.00050	.00000
50	.00000	.00000	.00850	.00100	.00720	.00277	.00070	.04248
60	.00000	.00000	.00000	.00000	.00000	.00000	.00000	1.00000

Statistical

The following are ACERA members at a retirement seminar. The retirement seminars provide members with guidelines for retirement. They are held monthly in the ACERA Oakland offices.

Revenue by Source

Fiscal Year	Employee Contributions	Employer Contributions	Net Investment Income	Miscellaneous Revenue	Total
1994	29,512,801	44,154,192	96,685,846*	29,379	170,382,218
1995	30,238,340	33,360,976	159,421,850*	309,271,687**	532,292,853*
1996	31,196,550	21,153,565	200,920,413*	283,707,469**	536,977,997*
1997	32,684,638	23,471,769	480,486,364***	5,256	536,648,027
1998	35,748,407	24,389,376	471,624,158***	64,755	531,826,696
1999	39,265,219	26,134,479	510,797,541***	52,642	576,249,881

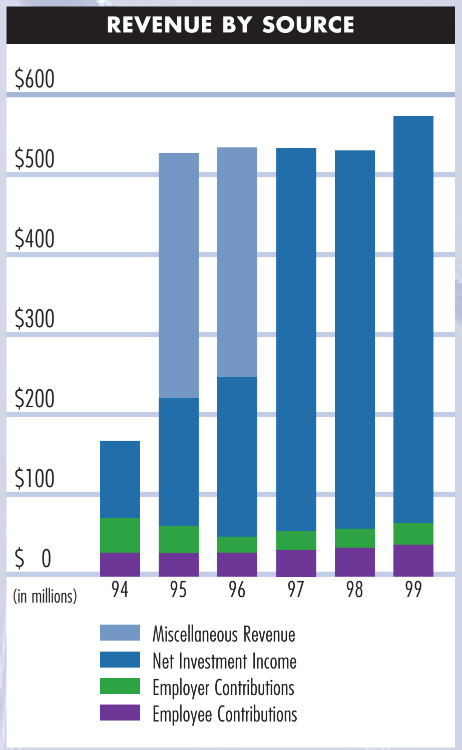
* Excludes appreciation In Fair Value of Investments.

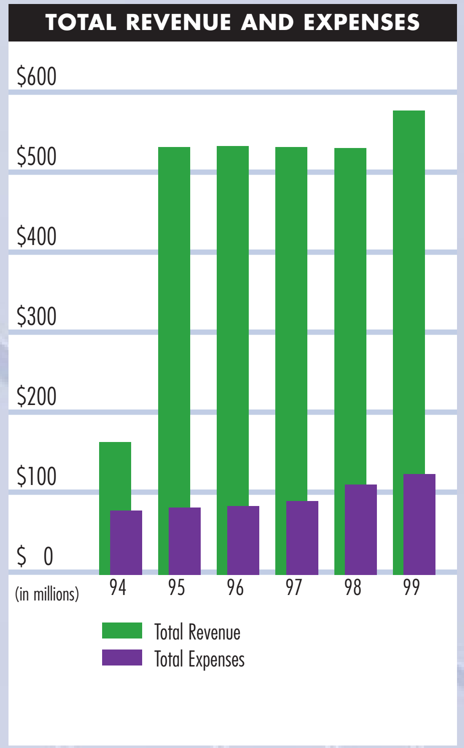
** Miscellaneous revenue for 1995 and 1996 includes pension obligation bond proceeds.

*** Net income includes increase in appreciation of Fair Value of Investments, $334,976,422, $245,970,821, and $190,424,707 respectively, for December 31, 1999 1998, and 1997.

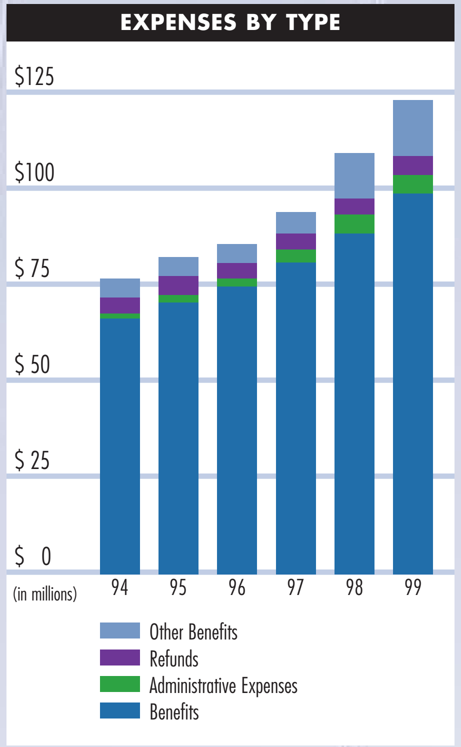
Expenses by Type

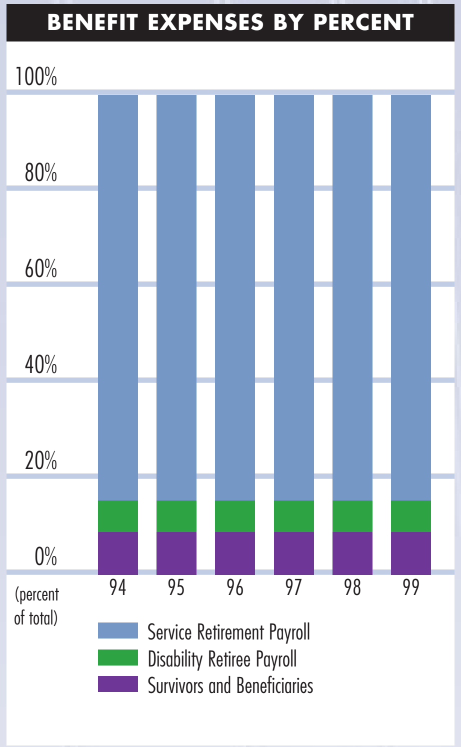
Fiscal Year	Benefits	Administrative Expenses	Refunds	Other Benefits	Total
1994	66,635,507	1,484,426	3,795,036	5,015,845	76,930,814
1995	71,038,847	1,800,294	5,212,838	5,220,501	83,272,480
1996	75,276,328	2,225,036	4,276,394	5,123,852	86,901,610
1997	80,833,472	3,300,664	4,391,437	5,557,671	94,083,244
1998	88,794,029	4,890,004	4,095,621	12,693,075	110,472,729
1999	99,225,190	4,614,199	4,963,159	14,789,296	123,591,844





Note: Total revenue for 1995 and 1996 includes pension obligation bond proceeds.





Schedule of Benefit Expenses by Type

	1999	1998	1997	1996	1995	1994
Service Retirement Payroll:						
Basic	$65,248,080	$57,750,840	$52,688,796	$49,230,000	$46,961,000	$44,343,000
COLA	19,781,227	17,761,164	16,232,076	14,941,000	13,807,000	12,800,000
Total	85,029,307	75,512,004	68,920,872	64,171,000	60,768,000	57,143,000
Disability Retiree Payroll:						
Basic	6,095,553	$ 5,106,996	$ 4,632,744	$ 4,197,000	$ 3,587,000	$ 2,822,000
COLA	1,461,187	1,263,576	1,195,800	1,082,000	991,000	906,000
Total	7,556,740	6,370,572	5,828,544	5,279,000	4,578,000	3,728,000
Beneficiaries and Survivors:						
Basic	5,273,837	$ 4,904,460	$ 4,449,600	$ 4,101,000	$ 3,905,000	$ 3,560,000
COLA	3,298,252	2,937,072	2,669,184	2,415,000	2,175,000	1,961,000
Total	8,572,089	7,841,532	7,118,784	6,516,000	6,080,000	5,521,000
Total	$101,158,136	$89,724,108	$81,868,200	$75,966,000	$71,426,000	$66,392,000

Note: The above amounts were provided by the Actuary and do not reflect retroactive adjustment to year-end amounts.

Schedule of Average Benefit Payment Amounts

	Number of Years Since Retirement						
	0-4	5-9	10-14	15-19	20-24	25-29	30 & OVER
Period 1/1/94–12/31/94:							
Average Monthly Benefit	$1,793	$1,463	$1,065	$823	$623	$473	$196
Number of Active Retirants	898	1,052	965	1,039	600	245	127
Period 1/1/95–12/31/95:							
Average Monthly Benefit	1,758	1,494	1,111	878	716	550	425
Number of Active Retirants	1,110	1,132	928	979	553	210	100
Period 1/1/96–12/31/96:							
Average Monthly Benefit	1,670	1,564	1,181	954	758	616	428
Number of Active Retirants	1,110	1,126	912	959	612	245	110
Period 1/1/97–12/31/97:							
Average Monthly Benefit	1,956	1,739	1,303	972	778	600	431
Number of Active Retirants	1,100	999	845	1,021	728	331	178
Period 1/1/98–12/31/98:							
Average Monthly Benefit	1,918	1,978	1,373	1,052	815	684	451
Number of Active Retirants	1,047	1,173	817	995	790	363	195
Period 1/1/99–12/31/99:							
Average Monthly Benefit	$2,226	$1,971	$1,635	$1,136	$897	$692	$475
Number of Active Retirants	1,195	950	1,028	993	823	446	230

Schedule of Retiree Members by Type of Benefit

Summary of Monthly Allowances Being Paid — As of December 31, 1999

		Monthly Allowance		
	Number	Basic	Cost of Living	Total
General Members				
Service Retirement:				
Unmodified	3,605	$ 4,089,188	$ 1,336,874	$ 5,426,062
Option 1	115	119,022	33,054	152,076
Option 2, 3 & 4	172	205,262	43,610	248,872
Total	3,892	4,413,472	1,413,538	5,827,010
Ordinary Disability				
Unmodified	121	73,046	28,473	101,519
Option 1	8	4,015	2,194	6,208
Option 2, 3 & 4	1	803	376	1,179
Total	130	77,864	31,043	108,906
Duty Disability				
Unmodified	173	238,472	42,561	281,033
Option 1	8	7,117	2,542	9,659
Option 2, 3 & 4	1	965	59	1,024
Total	182	246,554	45,162	291,716
Beneficiaries				
Ex-Spouse	18	14,014	1,270	15,284
Death	772	358,138	231,771	589,909
Total	790	372,152	233,041	605,193
Total General	4,994	$ 5,110,042	$ 1,722,784	$ 6,832,825
Safety Members				
Service Retirement:				
Unmodified	395	$ 972,695	$ 227,211	$ 1,199,906
Option 1	3	5,265	1,183	6,448
Option 2, 3 & 4	23	45,908	6,503	52,411
Total	421	1,023,868	234,897	1,258,765
Ordinary Disability				
Unmodified	4	3,263	203	3,466
Option 1	–	–	–	–
Option 2, 3 & 4	–	–	–	–
Total	4	3,263	203	3,466
Duty Disability				
Unmodified	94	168,715	43,189	211,904
Option 1	3	6,976	341	7,317
Option 2, 3 & 4	3	4,591	1,827	6,418
Total	100	180,282	45,357	225,639
Beneficiaries				
Ex-Spouse	7	6,271	602	6,873
Death	79	61,062	41,212	102,274
Total	86	67,333	41,814	109,147
Total Safety	611	$ 1,274,746	$ 322,271	$ 1,597,017

Participating Employers and Active Members

	1999	1998	1997	1996	1995	1994
County of Alameda:						
General Members	6,788	8,043	7,840	7,712	7,735	7,816
Safety Members	1,414	1,326	1,278	1,211	1,196	1,128
Total	8,202	9,369	9,118	8,923	8,931	8,944
Participating Agencies:						
(General Membership)						
Livermore Area Recreation & Park District	61	61	56	56	51	50
Housing Authority or Alameda County	65	64	65	67	67	59
Alameda County Schools	4	5	8	8	8	8
Hospital Authority of Alameda County*	1,527	–	–	–	–	–
Fairview Fire District	–	–	–	–	–	–
Alameda County Fire Patrol	–	–	–	–	–	–
Total	1,657	130	129	131	126	117
Total Active Membership:						
General Members	8,445	8,173	7,969	7,843	7,861	7,933
Safety Members	1,414	1,326	1,278	1,211	1,196	1,128
Total	**9,859**	**9,499**	**9,247**	**9,054**	**9,057**	**9,061**

*The Hospital Authority became a participating agency of ACERA in 1999. Prior to this year they were included in the County of Alameda's General Membership.

Employer Contribution Rates

As of December 31

	County					District**				
	General		Safety			General		Safety		
	Tier 1	Tier 2	Tier 1	Tier 2	Aggregate*	Tier 1	Tier 2	Tier 1	Tier 2	Aggregate*
1994	12.97	12.24	22.46	20.87	13.93	12.97	12.24	N/A	N/A	12.97
1995	5.14	4.11	10.15	8.36	5.26	14.31	13.28	N/A	N/A	14.30
1996	5.51	5.13	10.24	9.93	6.06	15.93	15.55	N/A	N/A	15.93
1997	5.12	4.76	9.28	9.02	5.59	15.15	14.79	N/A	N/A	15.14
1998	5.75	4.46	8.72	8.35	5.44	16.20	N/A	N/A	N/A	16.20
1999	5.75	4.46	8.72	8.35	5.43	16.21	N/A	N/A	N/A	16.21

*Based on payroll as of same date.

**The County employer contribution rate applies to the Hospital Authority and will be supplemented with a Pension Obligation Bond debt service from the Authority to the County.

Compliance

ACERA's in-house Legal Division, shown above (from left) Bonnie Bennett, Denise Eaton-May, and Kathy Katano-Lee. Also shown at left, Kimberly Johnson and Anne Abeyta.

The Information Techonology Department staff members below are (from left to right) Dave Rowntree, Pamm Baker, Navin Norling, Bill Newton, and Tim Dupuis.

The Housing Authority staff members above are (back row left to right) Joseph Villarreal, Marsha Collier, Cathy Leoncio, Cesar Silva, (front row left to right) Kurt Wiest, Ophelia Basgal, Lienchi Le, and Steven Gottlieb.

Independent Auditor's Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

The 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, 1999 and 1998, and have issued our report thereon dated April 28, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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, contracts and grants, 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ACERA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving internal control over financial reporting, which we have reported to the management of ACERA in a separate letter dated April 28, 2000.

This report is intended for information for the Board of Retirement, the ACERA management, and the Controller of State of California. However, this report is a matter of public record and its distribution is not limited.

Williams, Adley & Company, LLP

April 28, 2000

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