Eyes on the Horizon

A Comprehensive Annual Financial Report
for the Year Ended December 31, 2014

A Pension Trust Fund of the County of
Alameda | Oakland, California

ACERA

Alameda County Employees' Retirement Association

Eyes on the Horizon

A Comprehensive Annual Financial Report for the Year Ended December 31, 2014

Issued By:

Kathy Foster

Interim Chief Executive Officer

Margo Allen

Fiscal Services Officer

ACERA

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

A Pension Trust Fund of the County of Alameda

(State of California)

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Introduction

Eyes on the Horizon

ACERA

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

Letter of Transmittal

Dear Board of Retirement Members:

I am pleased to submit this *Comprehensive Annual Financial Report (CAFR) of the Alameda County Employees' Retirement Association for the Year Ended December 31, 2014.*

This report presents the financial condition of the Pension Plan, the Other Postemployment Medical Benefits (OPEB), and Non-OPEB, as well as, investment results for the year ended December 31, 2014. It also includes information from the current actuarial valuation as of December 31, 2013. All data and information presented is accurate and reliable, conforms to generally accepted accounting principles, and is free of material misstatements.

ACERA 2014 – OVERVIEW

Mission

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

ACERA and its Services

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

- Alameda County
- Alameda Health System (Formerly Alameda County Medical Center)
- Alameda County Office of Education
- First 5 Alameda County
- Housing Authority of the County of Alameda
- Livermore Area Recreation and Park District
- The Superior Court of California for the County of Alameda

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

Investment Performance

In the midst of the continued improving economy due to accommodative monetary policies for the last five years and strengthening in the U.S. dollar relative to many major currencies, the market value of ACERA's net position increased by over $140 million to $6.8 billion, representing a 4.7% rate of return and ranking ACERA's fund in the 78th percentile for the year ending December 31, 2014. ACERA's annualized rate of return over the last five and ten years was 10.56% and 7.03%, ranking ACERA's fund in the 15th and 20th percentiles, respectively. ACERA's investment goal is to operate at a level of performance in the upper quartile of comparable pension funds on a risk-adjusted basis.

Financial Reporting

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

Internal Controls

Management employs an annual risk assessment to design, implement, and maintain effective internal controls. Recognizing that even sound internal controls have inherent limitations, ACERA's internal controls are designed to provide reasonable, but not absolute assurance that all risks have been addressed. Common risk considerations include safeguarding pension assets, maintaining accurate and reliable accounting records, protecting member privacy, fraud prevention, and ensuring compliance with laws and regulations. The Board of Retirement oversees management's performance, and is ultimately responsible for confirming that management fulfills its duty in this regard. In addition, ACERA's Office of Internal Audit independently assesses whether the organization's risk management, control, and governance processes are adequate.

Actuarial Funding Status

ACERA engages an independent firm to conduct annual actuarial valuations. The pension plan's actuarial accrued liability increased from $6.61 billion in 2012 to $6.86 billion in 2013 as of December 31. The plan's actuarial value of assets increased from $4.88 billion in 2012 to $5.21 billion in 2013 as of December 31. The Unfunded Actuarial Accrued Liability decreased from $1.73 billion in 2012 to $1.65 billion in 2013 as of December 31 with the funded ratio increasing from 73.9% to 75.9%. The Actuarial Section of this report contains a more detailed discussion of the funding requirements.

Supplemental Retiree Benefits Reserve

ACERA administers a Supplemental Retiree Benefits Reserve (SRBR) funded by regular earnings and sharing gains above the assumed actuarial investment rate of 7.80%. As of December 31, 2013 the SRBR held $644.5 million in actuarial value of assets of which $617.6 million will fund the current benefit structure until the year 2033 for Postemployment Medical Benefits and $26.9 million will fund the current benefit structure until the year 2029 for Non-OPEBs, even if no new earnings above the target investment returns are available.

Membership

In 2014, ACERA's active membership increased from 10,867 to 11,020, as the number of retired members receiving pension benefits increased from 8,576 to 8,812. Deferred membership increased from 1,911 to 1,954. Total membership increased from 21,354 to 21,786.

2014 ACCOMPLISHMENTS

Administration

Administrative efficiency efforts have continued and accomplishments include implementing a cash management forecasting methodology; finalizing a new actuarial funding policy; developing secure, automated budget worksheets; operationalizing second-tier cross-utilization training for Fiscal Services employees to ensure business continuity; migrating critical operational processes from Access Database into Pension Gold; security testing ACERA's Web Member Services portal; implementing an automated mobile alert system; developing strategic technology improvement plan; implementing new Governmental Accounting Standards Board (GASB) 67 reporting requirements (reflected in this CAFR); completing internal audits of active/deferred member divorces and investment management fees, as well as implementing a Public Employees' Pension Reform Act (PEPRA)-mandated employer audit plan.

Investments

The Board continued to build out the Private Equity and Alternatives (PEARLS) asset class by approving eight commitments to the various PEARLS subcategories, for a total of over $195 million in commitments to new PEARLS' investment managers in 2014, increasing the total PEARLS commitment to 12.8% of the portfolio. ACERA also updated its PEARLS Investment Plan.

ACERA conducted its first search for a Real Estate Investment Consultant in 12 years, conducting a formal RFP and thorough selection process. ACERA also reviewed and amended both its Directed Brokerage Policy and its Proxy Voting Guidelines. Lastly, to complete a process started by Board action in prior years regarding ACERA's real estate asset class, ACERA concluded the sale of its separate property holdings except for its headquarters building at 475 14th Street, Oakland.

Benefits

ACERA implemented a 90-day break in service for safety members to comply with IRS rules. ACERA implemented further limitations to inclusion of payment for unused vacation in Final Average Salary calculations resulting from a final ruling in the PEPRA lawsuit; ACERA increased retirement counseling and processed 122 additional retirement applications and contracts in the grace period after the ruling. ACERA enhanced its Web Member Services online application with the addition of print-ready account balance information for active and deferred member accounts and 1099(R) for Retiree accounts. ACERA completed a Retiree Health Exchange project to determine if non-Medicare health coverage available through Health Exchange would be viable for the following plan year.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to ACERA for its Comprehensive Annual Financial Report for the year ended December 31, 2013 (see page 5). This has been the seventeenth year ACERA has received this prestigious award.

ACKNOWLEDGEMENTS

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

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

Respectfully submitted,

Kathy Foster
Interim Chief Executive Officer
August 26, 2015

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alameda County

Employees' Retirement Association

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

Also awarded each year from 1996-2010 and 2012

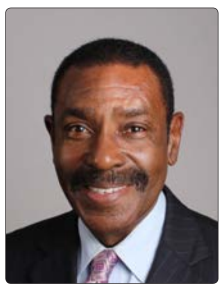
MEMBERS OF THE BOARD OF RETIREMENT AS OF JANUARY 1, 2015

Elizabeth Rogers
Chair
Elected by General Members

Ophelia B. Basgal
First Vice Chair
Appointed by the Board of Supervisors

Dale E. Amaral
Second Vice Chair
Elected by Safety Members

Annette Cain-Darnes
Appointed by the Board of Supervisors



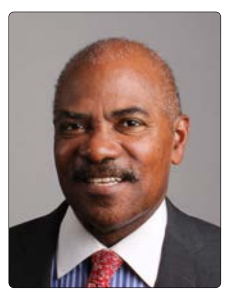
Keith Carson
Appointed by and Member of the Board of Supervisors

Tarrell V. Gamble
Appointed by the Board of Supervisors

Liz Koppenhaver
Elected by Retired Members

David M. Safer
Alternate
Elected by Retired Members

Darryl L. Walker Sr.
Alternate
Elected by Safety Members



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

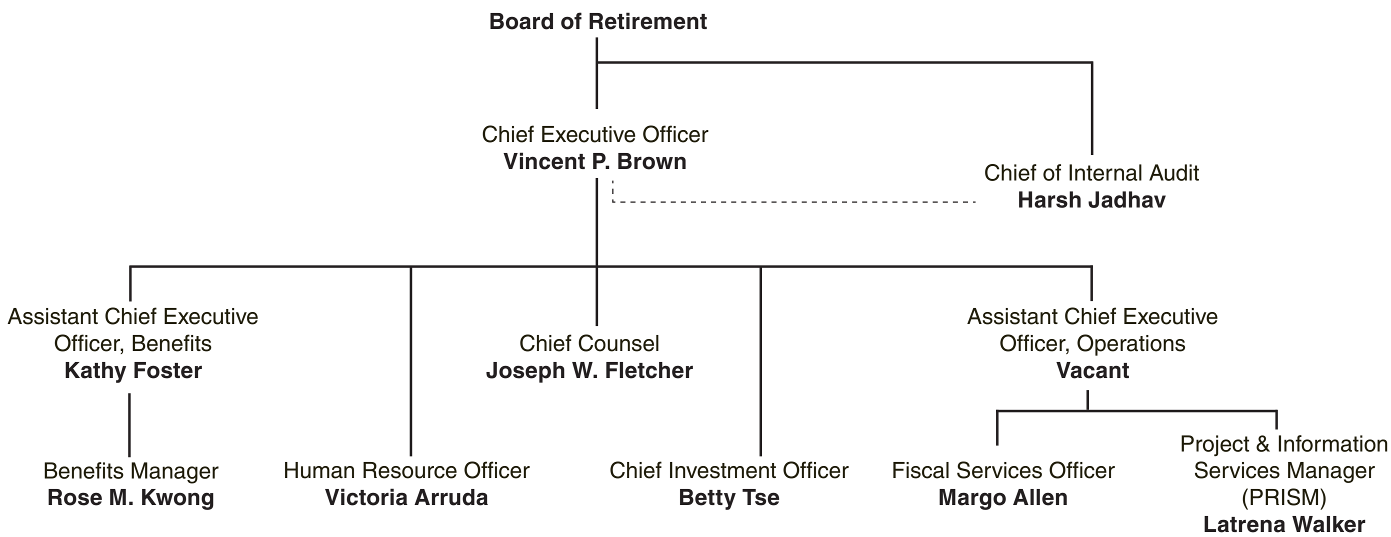
George Wood
Elected by General Members

2014 Board of Retirement

Annette Cain-Darnes ***(Chair)***, Elizabeth Rogers ***(First Vice Chair)***, George Dewey ***(Second Vice Chair)***, Dale E. Amaral, Ophelia B. Basgal, Keith Carson, Liz Koppenhaver, Donald R. White, George Wood, David M. Safer ***(Alternate Retiree)***, Darryl L. Walker, Sr ***(Alternate Safety)***

ADMINISTRATIVE ORGANIZATIONAL CHART

As of December 31, 2014



Professional Consultants[1]

Actuary

The Segal Consulting[2]

Administration

Integrated Solutions for Business and Governments, Inc.

The Results Group

Benefits

Keenan & Associates

Human Resources

Lakeside Group

Independent Auditors

Williams, Adley & Company-CA, LLP

Information Technology

CTG Inc. of Illinois dba Novanis

Digital Development

Grant Thornton LLP

Levi, Ray & Shoup Consulting

Legal

Corporate Executive Board

Hanson, Bridgett, Marcus, Vlahos, LLP

Manatt, Phelps & Phillips, LLP

Nossaman, LLP

Reed Smith, LLP

Other Specialized Services

American Arbitration Association

Center for Occupational Pyschiatry

Towers Watson

U.S. Healthworks Group

1 Investment Professionals are listed on page 80 of this report. Not all of the professional consultants listed above are required to file a Statement of Economic Interests (Form 700) under ACERA's Conflict of Interest Policy.

2 The Segal Consulting also provides Administration and Benefits consulting services.

Financial

Eyes on the Horizon

WILLIAMS ADLEY

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Alameda County Employees' Retirement Association (ACERA), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise ACERA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of ACERA as of December 31, 2014, and the change in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Enphasis of Matters

Change in Accounting Principle

As described in note 1 to the financial statements, in 2014, ACERA adopted new accounting guidance: Governmental Accounting Standards Board Statement (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*.

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

Net Pension Liability of Employers

As described in note 5, based on the most recent actuarial valuation as of December 31, 2014, ACERA's independent actuaries determined that, at December 31, 2014, the total pension liability exceeded the fiduciary net position by $1.7 billion.

Our opinion is not modified with respect to these matters.

Other Matters

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

Other Information

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

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

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

Report on Summarized Comparative Information

We have previously audited ACERA's 2013 financial statements, and our report dated June 10, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2015, on our consideration of ACERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ACERA's internal control over financial reporting and compliance.

Williams, Adley & Company-CA, LLP

Oakland, California

August 25, 2015

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

Management's Discussion and Analysis

ACERA is pleased to provide this overview and analysis of its financial position and the combined results of its operations for the Pension Plan and Non-OPEB as well as Other Postemployment Benefits (OPEB), for the year ended December 31, 2014. The information presented here, in conjunction with the Financial Statements on page 20 and the Notes to the Financial Statements beginning on page 23, provides a fair presentation of ACERA's overall financial position, and the results of its operations. This discussion and analysis should be read in conjunction with the Chief Executive Officer's Letter of Transmittal starting on page 2 of this Comprehensive Annual Financial Report.

FINANCIAL HIGHLIGHTS

- ACERA's Net Position at the close of 2014 was $6.8 billion. The funds composing the Net Position are held in trust to meet ACERA's long-term pension benefit obligations & Non OPEB plus Postemployment Medical Benefits for plan members and their beneficiaries.
- ACERA's Net Position for 2014 ended the year with a $147.7 million increase over the prior year. This 2% increase was primarily attributable to the increase in fair value of ACERA's investment portfolio during 2014.
- ACERA's Net Pension Liability (NPL) as of December 31, 2014, and December 31, 2013, is $1.7 billion and $1.3 billion, respectively. The $0.4 billion increase is primarily attributable to the change in the long-term rate of return assumption for funding purposes from 7.8% to 7.6%, effective as of the December 31, 2014 valuation.
- As of December 31, 2013, the funded ratio for ACERA's OPEB provided by the Supplemental Retiree Benefits Reserve (SRBR) was 85.2%. The comparable December 31, 2012, funding ratio was 72.8%. The OPEB funded ratio increased by 12.4% due to interest crediting of earnings above the assumed rate of return to the SRBR. Furthermore, Monthly Medical Allowance (MMA) increase freezes have helped increase the OPEB plan funding ratio.
- As of December 31, 2013, the date of the actuarial valuation used in the 2014 CAFR, the actuarial investment rate of return assumption used was 7.8%. The inflation rate assumption remained at 3.5% with assumed across-the-board salary increases of 0.5%.

- ACERA had $686.8 million of unrecognized investment gains, representing 10.3% of the market value of assets as of the December 31, 2013, actuarial valuation date. These gains will be recognized in determining the actuarial value of assets for funding purposes over the next five years. Unless offset by future investment losses or other unfavorable experience, the recognition of the $686.8 million market gain is expected to have a significant impact on the Association's future funded percentage and contribution rate requirements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Basic Financial Statements report the components of the Fiduciary Net Position Held in Trust for Benefits, the components of the changes in the Fiduciary Net Position (additions and deductions), along with explanatory Notes to the Basic Financial Statements.

In contrast to previous years, ACERA's Basic Financial Statements now have only two reporting columns: the first column reports the Pension Plan and Non-OPEB; and the second column reports the Postemployment Medical Benefits. This change (from three columns to two columns) was done in conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pensions Plans –an Amendment of GASB Statement No. 25*. ACERA's pension benefits and the non-OPEB are valued together for the purpose of determining and reporting the NPL. In addition to the Basic Financial Statements, this report contains required supplementary information and supplemental schedules intended to assess the historical context of ACERA's progress in meeting benefit obligations through funding of contributions and investment income.

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

ACERA did not have any transactions that met the criteria for deferred outflows of resources or deferred inflows of resources as defined in GASB 63 and GASB 65. As a result, those line items are not displayed on the 2014 Statement of Fiduciary Net Position.

The *Statement of Changes in Fiduciary Net Position* starting at page 21 provides a summary view of the additions to and deductions from the Fiduciary Net Position that occurred over the course of 2014.

The Basic Financial Statements include all assets and liabilities, using the accrual basis of accounting, in compliance with generally accepted accounting principles, similar to the accounting method used by most private-sector companies. All of the year's asset additions and deductions are taken into account regardless of when the corresponding cash is received or paid. All investment purchases and sales are reported as of the trade date. Investments are reported at current fair value. Both realized and unrealized investment gains and losses are recognized. Each depreciable component of capital assets is depreciated over the useful life.

Notes to the Basic Financial Statements on page 23 to page 51 provide additional information essential to a full understanding of the Basic Financial Statements.

Required Supplementary Information and *Notes to Required Supplementary Information* on page 52 to page 58 illustrate the new GASB Statement No. 67 financial reporting requirements in the Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, Schedule of Investment Returns, and Notes to Required Supplementary Information for the Pension Plan and Non-OPEB. Also reported are Schedules of Funding Progress and Schedule of Employer Contributions, along with the Notes to the Required Supplementary Information for Postemployment Medical Benefits.

Supplemental Schedules of administrative expenses, investment expenses and payments to other consultants are presented on page 59.

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

Table 1: Fiduciary Net Position (Condensed)

As of December 31, 2014 and 2013 (Dollars in Millions)

	2014	2013	Increase (Decrease) Amount	Percent Change
ASSETS				
Current Assets	$ 450.3	$ 384.5	$ 65.8	17%
Investments at Fair Value	6,775.5	6,612.0	163.5	2%
Capital Assets, net	3.4	4.5	(1.1)	-24%
Total Assets	**7,229.2**	**7,001.0**	**228.2**	**3%**
LIABILITIES				
Current Liabilities	441.2	360.7	80.5	22%
Total Liabilities	**441.2**	**360.7**	**80.5**	**22%**
NET POSITION				
Restricted - Held in Trust for Benefits	**$ 6,788.0**	**$ 6,640.3**	**$ 147.7**	**2%**

Table 2: Changes In Fiduciary Net Position (Condensed)

For the Years Ended December 31, 2014 and 2013 (Dollars in Millions)

	2014	2013	Increase (Decrease) Amount	Percent Change
ADDITIONS				
Member Contributions	$ 79.7	$ 76.2	$ 3.5	5%
Employer Contributions	213.3	191.2	22.1	12%
Net Investment Income (Loss)	280.6	1,109.7	(829.1)	-75%
Miscellaneous Income	0.4	0.2	0.2	100%
Transfer to Employers' Advance Reserve from SRBR for Employer Contributions to 401(h) Account	34.0	32.2	1.8	6%
Transfer to Employers' Advance Reserve from SRBR for Implicit Subsidy	7.0	7.4	(0.4)	-5%
Transfer from Employers' Advance Reserve to SRBR for OPEB Related Administrative Expenses	1.1	1.1	-	0%
Total Additions	**$ 616.1**	**$ 1,418.0**	**$ (801.9)**	**-57%**
DEDUCTIONS				
Retirement Benefit Payments	$ 371.2	$ 353.6	$ 17.6	5%
Postemployment Medical Benefits	32.6	30.6	2.0	7%
Member Refunds	7.5	6.3	1.2	19%
Administration	15.0	14.7	0.3	2%
Transfer from SRBR to Employers' Advance Reserve for Employer Contributions to 401(h) Account	34.0	32.2	1.8	6%
Transfer from SRBR to Employers' Advance Reserve for Implicit Subsidy	7.0	7.4	(0.4)	-5%
Transfer to SRBR from Employers' Advance Reserve for OPEB Related Administrative Expenses	1.1	1.1	-	0%
Total Deductions	**468.4**	**445.9**	**22.5**	**5%**
CHANGE IN NET POSITION	**147.7**	**972.1**	**(824.4)**	**-85%**
NET POSITION - JANUARY 1	**6,640.3**	**5,668.2**	**972.1**	**17%**
NET POSITION - DECEMBER 31	**$ 6,788.0**	**$ 6,640.3**	**$ 147.7**	**2%**

ANALYSIS OF FINANCIAL POSITION

Fiduciary Net Position Held in Trust for Benefits consists of assets less liabilities. Table 1 on page 14 shows condensed information on Fiduciary Net Position, which as of December 31, 2014, totaled approximately $6.8 billion. This is $147.7 million or a 2% increase from the prior year, primarily a result of an increase in the fair value of ACERA's investments. The Investment Section, starting on page 62, provides further details about ACERA's investment performance.

Current Assets

The components of current assets are detailed on the Statement of Fiduciary Net Position on page 20. Current assets increased by $65.8 million from $384.5 million in 2013 to $450.3 million in 2014. This increase was mostly due to a $67 million increase in securities lending cash collateral. The cash collateral increase was the result of higher securities lending activity. The securities lending cash collateral is matched by an equal amount of offsetting securities lending liability reported as part of ACERA's current liabilities. Total Receivables experienced a net decrease of $0.8 million from $45.5 in 2013 to $44.7 in 2014, primarily due to the $3.9 million decrease of the unsettled trades receivable.

Investments at Fair Value

ACERA's investments at fair value increased 2% from $6.6 billion in 2013 to $6.8 billion in 2014. The principal source of the $163.5 million net increase is attributable to Domestic Equity and Domestic Fixed Income, Real Estate–Commingled, Real Return Pool, and Private Equity and Alternatives investment funds. Collectively, these funds composed 96% of the portfolio's increase in fair value of $362.6 million. Funds offsetting the increase in fair value were International Equity, International Equity-Commingled, and Real Estate-Separate Property. Combined, these investment funds accounted for 97% of the total decrease of $199.1 million in the fair value of investments.

Capital Assets, Net

Capital assets include equipment, furniture, information systems, and leasehold improvements. In 2014, capital assets had a net decrease of $1.1 million due to accumulated depreciation. The value of capital assets declined from $4.5 million in 2013 to $3.4 million in 2014.

Current Liabilities

The components of current liabilities are detailed on the Statement of Fiduciary Net Position on page 20. Current liabilities increased from $360.7 million in 2013 to $441.2 million in 2014. This $80.5 million increase is primarily due to the $67 million increase in securities lending activity and a $14 million increase in unsettled trades.

ANALYSIS OF RESULTS OF OPERATIONS

Changes in Fiduciary Net Position consist of total additions less total deductions. Table 2, on page 15, shows condensed information about this financial activity. Fiduciary Net Position increased by $147.7 million. The increase was primarily due to appreciation of the fair value of ACERA's investment portfolio.

Additions to Fiduciary Net Position

The primary funding sources for ACERA's member benefits are Member Contributions, Employer Contributions, and Net Investment Income. Additions to and deductions from Fiduciary Net Position include transfers to and from the Employers' Advance Reserve and the Supplemental Retiree Benefits Reserve (SRBR).

Total additions to Fiduciary Net Position for the years ending December 31, 2014, and 2013, were $616.1 million and $1.4 billion, respectively. For 2014, total additions decreased $801.9 million primarily due to lower investment returns. In 2014, ACERA had $829.1 million less in Net Investment Income compared to 2013. See the Net Investment Income (Loss) section on page 17 for a more comprehensive discussion of this decrease.

The December 31, 2013, actuarial valuation report recommended contribution rates, which were approved by the Board of Retirement and became effective September 2014. Average member contribution rates remained unchanged at 8.58%, while the aggregate employer rate experienced an overall decrease of 0.28% of total payroll. Refer to the following Member and Employer Contributions sections for further discussion.

Member Contributions

Total member contributions for 2014 were $79.7 million, up $3.5 million or 5% over 2013. The 2014 contributions rates went into effect September 1, 2014[1]. Consequently, the 5% increase in collected contributions is attributable to the eight month lag in collecting contribution at the rate of 8.58% as compared to the first eight months in 2013 when the contribution rate was set at 8.33%.

Employer Contributions

Total employer contributions for 2014 were $213.3 million, $22.1 million higher than 2013. This 12% increase was primarily attributable to the 2013 increase in employer contribution rates (See Footnote 1 below). Effective September 2014, the aggregate employer contribution rate decreased 0.28% from 24.03% to 23.75% of payroll. The reduction was primarily due to higher than expected return on investments (after smoothing) and lower than expected salary increases for active members. These gains were partially offset by losses from amortizing the prior year's Unfunded Accrued Actuarial Liability (UAAL) over a smaller than expected projected total payroll, and the eight-month

1 - For ACERA's plan year, there is an eight-month lag before the new contribution rate goes into effect. This means that a prior plan year's contribution rate is in effect for eight of the twelve months for the financial reporting period. Therefore, a year-over-year comparison of 2013 and 2014 reflects an eight month period in 2013 that the contribution rate was 8.33% and an eight month period in 2014 that contribution rate was 8.58%.

scheduled delay in implementing contributions after the valuation date.

Net Investment Income (Loss)

Net investment income was $829.1 million lower than the prior year, down from a $1.1 billion gain in 2013, to a $280.6 million gain in 2014. The decrease in net investment income was primarily due to the lower net appreciation in the fair value of investments. The net appreciation of investments in 2014 was $195.2 million compared to a net appreciation in 2013 of $1.0 billion. The 2014 Net Investment Income gain represents ACERA's gross investment return of 4.66% compared to a 20.2% gross investment return in 2013. The Investment Section of this report describes investment results and comparatives in greater detail.

Miscellaneous Income

Miscellaneous income for 2014 totaled $0.4 million, mainly composed of class action securities litigation settlements.

Transfers between Employers' Advance Reserve and SRBR

Postemployment Medical Benefits are paid from the 401(h) account. The participating employers identify a portion of their contributions as 401(h) contributions. For the years 2014 and 2013, the employers funded $34.0 million and $32.2 million, respectively, to the 401(h) account. See 401(h) Postemployment Medical Benefits account on page 32.

In July 2011, ACERA applied the provisions of the 1937 Act (Section 31596.1) and allocated a portion of the 401(h) contributions towards administrative costs. As a result, $1.1 million was transferred from the Employers' Advance Reserve to SRBR for both 2014 and 2013.

A transfer of $7.0 million was made from the SRBR to the Employers' Advance Reserve for the year 2014 to compensate Alameda County for the 2013 implicit subsidy. The implicit subsidy transfer decreased by $.4 million from 2013, due in part to changes in health plan management and in part to decreases in the utilization rates for retirees under age 65.

Deductions from Fiduciary Net Position

The four main categories of deductions from the Fiduciary Net Position are retirement benefits, Postemployment Medical Benefits, member refunds, and the expenses of administering the system.

Total deductions from the Fiduciary Net Position for 2014 were $468.4 million, compared to $445.9 million in 2013, an increase of $22.5 million or 5% over 2013. Most of this increase was a result of a $17.6 million or 5% increase in retirement benefit payments.

Retirement Benefits Payments

Retirement benefit payments in 2014 were $371.2 million, a $17.6 million or 5% increase over 2013. Retirement benefits include service retirement and disability allowances, death burial payments, and supplemental cost-of-living adjustments. The increase in retirement benefit payments is the result of higher average benefits of retirees added to the retirement payroll compared to the lower average retirement allowance of those retirees removed from the retirement payroll.

Postemployment Medical Benefits

Postemployment Medical Benefits paid from the 401(h) account for 2014 were $32.6 million, an increase of $2.0 million or 7% over the $30.6 million paid from the 401(h) 2013. This increase was due in part to an increase in higher non-Medicare health premiums and in part to an increase in new retirees. ACREA's maximum monthly medical benefit for 2014 remained at $522 per member. Retirees 65 years and older, who were on the Medicare Exchange, received a maximum of $400 Monthly Medical Allowance (MMA). For retirees 65 years and older, enrolled in the Medicare Exchange individual plans, ACERA utilized Health Reimbursement Accounts (HRAs).

Member Refunds

Member refunds originate from either a member separation from service (termination) or an active member death. Member refunds increased $1.2 million or 19% from $6.3 million in 2013 to $7.5 million in 2014. The increase was primarily due to a rise in termination refunds.

Administration Expense

For 2014, the total administration expense was $15 million, a modest $0.3 million or 2% increase over 2013. The $0.3 million net increase was primarily due to the higher salary, actuarial and business continuity expenses.

Administration expense covers the basic costs of operating the retirement system. Operating costs include staffing, professional service expenses, communications, software maintenance, depreciation, insurance, and other expenses. Approximately 60% of operating expenses is for staffing (wages, fringe benefits, and temporary labor). Other expenses, like professional services, include the cost of member communications, audit fees, and legal fees due to pension reform.

Each year, in accordance with legal spending restrictions outlined in the County Employee Retirement Law of 1937 "37 Act", ACERA's Board of Retirement adopts an operating expense and administrative budget, effective for the following year. The annual amount of administrative budget is subject to legal and budgetary restrictions. Note 11 to the Basic Financial Statements, page 50, further describes the legal limitations. Consequently, the administrative budget for 2014 was kept in compliance with the "37 Act" legal spending restrictions of 21% of the accrued actuarial liability of the retirement system.

CURRENTLY KNOWN FACTS AND EVENTS

Actuarial: In December 2014, ACERA's Board of Retirement approved two important changes to the economic assumptions used for annual funding actuarial valuations. Based on the results of the Actuarial Experience Study report dated September, 9, 2014, covering the period from December 1, 2010, through November 30, 2013, the Board adopted a 7.6% net investment rate of return assumption and a 3.25% inflation rate assumption to be used starting with the December 31, 2014, valuation.

Legislation and Litigation: In 2012, the Legislature passed AB 197, designed to codify then-current case law and the prevailing practices among county retirement systems as to what elements of compensation may and may not be included in calculating members' retirement allowances. For ACERA, AB 197 required the system to change its method for calculating retirement allowances, particularly as to cashouts of accrued leave time during the final year of employment and upon termination. The law also clarified whether "on-call", "standby," and "call-back" pay may or may not be included in calculating the retirement allowance.

Before ACERA could implement the new law as of January 1, 2013, a group of petitioners (active employees and their representative bargaining units) filed a lawsuit challenging the changes required by AB 197, arguing that such "legacy" employees had a vested contractual right to have ACERA continue its past practices. Similar litigation was filed in Contra Costa, Merced and Marin counties. The cases were consolidated in Contra Costa County Superior Court. By stipulation and order, ACERA agreed to "stay" (suspend) implementing AB 197 until resolution of the litigation in the trial court.

The lawsuit ended on May 12, 2014, with the entry of a final judgment. The Court ruled that legacy members do not have a vested right to include the challenged amounts in calculating retirement allowances, unless the amounts were both earned and payable in the "final average salary" period. The Court issued a writ commanding ACERA to conform to the terms of AB 197, following continuance of the "stay" for an additional 60 days. ACERA obeyed the writ and began to implement AB 197 on or about July 11, 2014.

Petitioners have appealed the trial court's judgment and writ, and briefing on the appeal is underway in the First District Court of Appeal (San Francisco). No further stay is in effect. Pending the appeal, ACERA is implementing the requirements of AB 197 as to retiring legacy members.

Regulatory Compliance: Internal Revenue Code (IRC) section 401(a) and other IRC sections provide governing law for public pensions. Assembly Bill 2473 titled, Federal Tax Compliance, effective January 1, 2014, revised the County Employees' Retirement

Law to conform to Federal tax law. To comply with the required tax laws, ACERA adopted Board resolutions and modified its procedures. For example, ACERA established a bona fide break in service between a member retiring and returning to work, ceased in service distributions, and ensured compliance with health benefit rules and other stated requirements in AB 2473.

FIDUCIARY RESPONSIBILITIES

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

REQUESTS FOR INFORMATION

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

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

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

Respectfully submitted,

Margo Allen
Fiscal Services Officer
July 31, 2015

Statement of Fiduciary Net Position

As of December 31, 2014, with Comparative Totals as of December 31, 2013 (Dollars in Thousands)

	Pension Plan & Non-OPEB	Postemployment Medical Benefits	Total 2014	Total 2013
ASSETS				
Cash	$ 400	$ -	$ 400	$ 839
Securities Lending Cash Collateral	404,621	-	404,621	337,579
Receivables				
Contributions	19,438	-	19,438	18,250
Investment Receivables	15,348	-	15,348	13,455
Unsettled Trades - Investments Sold	5,142	-	5,142	9,045
Future Contracts - Equity Index	2,022	-	2,022	2,594
Foreign Exchange Contracts	2,393	-	2,393	1,857
Other Receivables	315	-	315	271
Total Receivables	**44,658**	**-**	**44,658**	**45,472**
Prepaid Expenses	660	-	660	607
Total Current Assets	**450,339**	**-**	**450,339**	**384,497**
Investments at Fair Value				
Short-Term Investments	130,528	-	130,528	132,890
Domestic Equity	1,597,685	-	1,597,685	1,572,562
Domestic Equity Commingled Funds	829,039	-	829,039	832,051
International Equity	1,456,618	-	1,456,618	1,575,853
International Equity Commingled Funds	386,818	-	386,818	417,974
Domestic Fixed Income	774,787	-	774,787	704,814
International Fixed Income	156,841	-	156,841	148,571
International Fixed Income Commingled Funds	112,460	-	112,460	107,725
Real Estate - Separate Properties	39,141	-	39,141	82,492
Real Estate - Commingled Funds	404,335	-	404,335	339,035
Real Return Pool	286,356	-	286,356	255,245
Private Equity and Alternatives	600,898	-	600,898	442,782
Total Investments	**6,775,506**	**-**	**6,775,506**	**6,611,994**
Non-OPEB Assets	32,569	-	32,569	26,870
Due from Pension Plan	(796,985)	764,416	(32,569)	(26,870)
Capital Assets at Cost (Net of Accumulated Depreciation and Amortization)	3,370	-	3,370	4,524
Total Assets	**6,464,799**	**764,416**	**7,229,215**	**7,001,015**
LIABILITIES				
Securities Lending Liability	404,621	-	404,621	337,579
Unsettled Trades - Investments Purchased	21,429	-	21,429	7,518
Future Contracts - Equity Index	1,408	-	1,408	1,884
Foreign Exchange Contracts	361	-	361	542
Investment-Related Payables	9,310	-	9,310	8,516
Accrued Administration Expenses	1,548	-	1,548	1,987
Members Benefits & Refunds Payable	2,304	-	2,304	2,342
Retirement Payroll Deductions Payable	221	-	221	352
Total Liabilities	**441,202**	**-**	**441,202**	**360,720**
NET POSITION-HELD IN TRUST FOR BENEFITS	**$ 6,023,597**	**$ 764,416**	**$ 6,788,013**	**$ 6,640,295**

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

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2014, with Comparative Totals for the Year Ended December 31, 2013 (Dollars in Thousands)

	Pension Plan & Non-OPEB	Postemployment Medical Benefits	Total 2014	Total 2013
ADDITIONS				
Contributions				
Member	$ 79,714	$ -	$ 79,714	$ 76,230
Employer	179,215	34,040	213,255	191,180
Total Contributions	**258,929**	**34,040**	**292,969**	**267,410**
Investment Income				
From Investment Activities:				
Net Appreciation (Depreciation) in Fair Value of Investments	195,154	-	195,154	1,029,642
Dividends, Interest, & Other Investment Income	130,012	-	130,012	115,720
Total Income from Investment Activities	**325,166**	**-**	**325,166**	**1,145,362**
Total Investment Expenses	(47,093)	-	(47,093)	(37,499)
Net Income from Investment Activities	**278,073**	**-**	**278,073**	**1,107,863**
From Securities Lending Activities:				
Securities Lending Income	3,154	-	3,154	2,461
Securities Lending Expenses				
Borrower Rebates	(44)	-	(44)	(96)
Management Fees	(622)	-	(622)	(473)
Total Securities Lending Activity Expenses	(666)	-	(666)	(569)
Net Income from Securities Lending Activities	**2,488**	**-**	**2,488**	**1,892**
Earnings Allocated to Non-OPEB	7,772	-	7,772	4,945
Earnings Allocated	(187,151)	179,379	(7,772)	(4,945)
Total Net Investment Income (Loss)	**101,182**	**179,379**	**280,561**	**1,109,755**
Miscellaneous Income	432	-	432	161
Transfer to Employers' Advance Reserve from SRBR for Employer Contributions to 401(h) Account	34,040	-	34,040	32,240
Transfer to Employers' Advance Reserve from SRBR for Implicit Subsidy	6,993	-	6,993	7,370
Transfer from Employers' Advance Reserve to SRBR for OPEB Related Administrative Expense		1,110	1,110	1,094
TOTAL ADDITIONS	**$ 401,576**	**$ 214,529**	**$ 616,105**	**$ 1,418,030**

Statement of Changes in Fiduciary Net Position (Continued)

For the Year Ended December 31, 2014, with Comparative Totals for the Year Ended December 31, 2013 (Dollars in Thousands)

	Pension Plan & Non-OPEB	Postemployment Medical Benefits	Total 2014	Total 2013
DEDUCTIONS				
Benefits				
Service Retirement and Disability Benefits	$ 366,984	$ -	$ 366,984	$ 349,019
Death Benefits	2,179	-	2,179	2,527
Burial Benefits - Non-OPEB	224	-	224	6
Supplemental Cost of Living Allowance - Non-OPEB	1,849	-	1,849	2,067
Post Employment Medical Benefits	-	32,590	32,590	30,569
Total Benefit Payments	**371,236**	**32,590**	**403,826**	**384,188**
Member Refunds	7,453	-	7,453	6,319
Administration				
Administrative Expenses	10,144	1,110	11,254	10,562
Legal Expenses	1,151	-	1,151	1,674
Technology Expenses	1,450	-	1,450	1,466
Actuarial Expenses	282	-	282	236
Business Continuity Expenses	828	-	828	790
Total Administration	**13,855**	**1,110**	**14,965**	**14,728**
Transfer from SRBR to Employers' Advance Reserve for Employer Contributions to 401(h) Account	-	34,040	34,040	32,240
Transfer from SRBR to Employers' Advance Reserve for Implicit Subsidy	-	6,993	6,993	7,370
Transfer to SRBR from Employers' Advance Reserve for OPEB Related Administrative Expense	1,110	-	1,110	1,094
TOTAL DEDUCTIONS	**393,654**	**74,733**	**468,387**	**445,939**
Change in Net Position	**7,922**	**139,796**	**147,718**	**972,091**
Net Position - January 1	**6,015,675**	**624,620**	**6,640,295**	**5,668,204**
Net Position - December 31	**$ 6,023,597**	**$ 764,416**	**$ 6,788,013**	**$ 6,640,295**

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

Notes to the Basic Financial Statements
(an integral part of the Basic Financial Statements)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Accounting

ACERA follows generally accepted accounting principles in the United States and reporting guidelines set forth by the Governmental Accounting Standards Board (GASB). The major pronouncements that prescribe ACERA's defined benefit Pension Plan and Other Postemployment Benefits for financial reporting are GASB 40, 43, 50, 51, 53, and 67.

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

Cash

Cash includes deposits with a financial institution.

Investments

Investments are reported at fair value.

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

Investment Income

Interest income is recognized as it accrues. Dividend income is recognized when the dividends are declared. Realized gains and losses and unrealized gains and losses on investments are combined and reported together as the net appreciation (depreciation) in the fair value of investments.

Securities Lending Activity

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

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

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

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

Derivatives

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

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

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

Collateral and Margin Account

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

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

Capital Assets

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

For each asset, ACERA recognizes one-half year of expense in the year the asset is placed in service and one-half year of expense in the year of retirement. The estimated useful lives for the assets in each category are as follows:

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

Estimates

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

New Accounting Pronouncements

ACERA implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25,* for the fiscal year ended December 31, 2014. GASB 67 amends the requirements of GASB 25, *Financial Reporting for Defined Benefit Pension Plans* and GASB 50, *Pension Disclosures* for plans that are administered through trusts. The implementation of this statement has changed ACERA's Financial Statements as follows: added a new Net Pension Liability note disclosure to the Basic Financial Statements and replaced the funding progress schedules in the Required Supplementary Information (RSI) section with a new set of schedules related to Net Pension Liability. The Schedule of Changes in Net Pension Liability and Related Ratios is intended to increase financial reporting transparency of the Net Pension Liability (Total Pension Liability less Fiduciary Net Position at market value). The total pension liability is calculated for financial reporting purposes and not intended to be used for funding purposes. The other new additions to the RSI are the Schedule of Employer Contributions and Schedule of Investment Returns.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* was issued in June 2012. GASB 68 replaces the requirements of Statement No. 27, *Accounting for Pension by State and Local Government Employers* and Statement No. 50, *Pension Disclosures,* for governments that provide pension benefits through pension plans administered through trusts. This standard is effective for fiscal periods beginning after June 15, 2014. ACERA's participating employers will implement the provisions of GASB 68 for their fiscal year ending June 30, 2015. ACERA is working with the participating employers, plan auditors and plan actuary to provide the information needed by the employers to comply with the reporting requirements under GASB Statement No. 68.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued in January 2013. This Statement requires disclosures to be made about government combinations and disposal of government operations. The provisions of Statement 69 are effective for financial reporting periods beginning after December 15, 2013, and should be applied prospectively. This Statement is not applicable to ACERA.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* was issued in April 2013. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when it is more likely than not that the government will be required to make payment on the guarantee. The provisions of Statement 70 are effective for financial reporting periods beginning after June 15, 2013. This Statement is not applicable to ACERA.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - Amendment of GASB Statement No. 68* was issued in November 2013. This Statement addresses the issues associated with the reporting of contributions made by participating employers to a defined benefit pension plan between the measurement date of the reported net pension liability and the employers' reporting date. GASB 71 amends paragraph 137 of Statement 68 to require that, participating employers recognize a beginning deferred outflow of resources for any contributions made subsequent to the measurement date of the beginning net pension liability. The provisions of Statement 70 are required to be applied simultaneously with the provisions of Statement 68.

2. PLAN DESCRIPTION

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

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

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

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

ACERA meets member and beneficiary obligations through member contributions, participating employer contributions, and investment income. Contributions are prudently invested in accordance with the 1937 Act. ACERA investment policies, which are written to generate investment income, to fund benefits, and to pay administration expenses.

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

Board of Retirement

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

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

The Board of Retirement is currently composed of the following members:

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

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

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

Authority for Establishing and Amending Benefit Provisions

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

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

Article 5.5 provides for the systematic funding of the SRBR and stipulates that its assets be used only for the benefit of retired members and their beneficiaries. The 1937 Act grants exclusive authority over the use of SRBR funds to the Board of Retirement.

The SRBR provides funding for non-vested and non-pension benefits including supplemental COLA and retiree death benefit. Other non-vested retiree health benefits are provided in agreement with ACERA's participating employers through the use of Internal Revenue Code 401(h) accounts. These retiree health benefits include dental and vision care, Medicare Part B reimbursement, and the Monthly Medical Allowance (MMA). Employer contributions fund the 401(h) benefits. ACERA treats an equal amount of SRBR assets as employer contributions for pensions. The provision of all supplemental benefits is subject to annual review and authorization by the Board of Retirement.

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

PARTICIPATING EMPLOYERS

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

- Alameda Health System (formerly known as Alameda County Medical Center)
- Alameda County Office of Education
- First 5 Alameda County
- Housing Authority of the County of Alameda
- Livermore Area Recreation and Park District

PLAN MEMBERSHIP

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

SAFETY AND GENERAL MEMBERS

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

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

Defined Benefit Pension Plan

ACERA's Membership

As of December 31, 2014

MEMBERS, SURVIVORS, AND BENEFICIARIES NOW RECEIVING BENEFITS	
Service Retirement	6,812
Disability Retirement	837
Beneficiaries and Survivors	1,163
Subtotal	**8,812**
ACTIVE MEMBERS	
Active Vested Members	8,040
Active Non-vested Members	2,980
Subtotal	**11,020**
DEFERRED MEMBERS	1,954
TOTAL MEMBERSHIP	**21,786**

MEMBERSHIP STATUS AND VESTING

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

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

SERVICE RETIREMENT

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

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

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

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

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

ACTIVE MEMBER DEATH BENEFITS

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

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

TIER 1, TIER 2, TIER 3, AND TIER 4 BENEFIT LEVELS

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

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

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

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

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

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

INTEGRATION WITH SOCIAL SECURITY

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

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

BASIC COST OF LIVING ADJUSTMENT

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

For 2014, there was a maximum of 3.0% COLA increase granted for Tier 1 and Tier 3 members who retired on or before April 1, 1985, due to carry-over banked from prior years. Tier 1 and Tier 3 members who retired after April 1, 1985, were granted COLA increases of 2.5%. A maximum COLA increase of 2.0% was granted for all Tier 2 and Tier 4 members, depending on the retirement dates.

Postemployment Medical Benefits

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

PROGRAM MEMBERSHIP

Retired members with a minimum of ten years of service or those who retire due to service connected disability are eligible to receive a monthly medical allowance benefit if they enroll in one of the ACERA-sponsored medical plans or Medicare exchange. Retired members eligible for the monthly medical allowance benefit may also be reimbursed for the lowest standard Medicare Part B premium with proof of enrollment in Medicare Part B. All retired members were eligible to receive dental and vision benefits until December 31, 2013. Eligibility requirements changed effective February 1, 2014. Under the new requirements, those members receiving service retirement or non-service connected disability, with ten or more years of ACERA service credit will be eligible to receive dental and vision allowances. The following are exempted from these new eligibility requirements: (a) non-service connected disability recipients with less than ten years of ACERA service credit and with a retirement date effective prior to February 1, 2014; and (b) all service connected disability recipients, regardless of years of service.

Non-OPEB

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

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

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

PROGRAM MEMBERSHIP

All retired members are eligible to receive these benefits.

Actuarial Valuation

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

3. CONTRIBUTIONS

Pension Plan

AUTHORITY FOR ESTABLISHING AND AMENDING OBLIGATIONS TO MAKE CONTRIBUTIONS

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

FUNDING OBJECTIVE

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

MEMBER CONTRIBUTIONS AND REFUNDS

Active members are required by statute to contribute toward pension plan benefits. The non-Tier 4 member contribution rates are formulated on the basis of age at the date of entry and actuarially calculated benefits. The 1937 Act authorizes participating employers to pay all or a portion of an employee's retirement contribution obligation on the employee's behalf. These employer payments are called contribution offsets. Member contributions and credited interest are refundable upon termination of membership. Note 4, Reserves, on page 31 explains semi-annual interest crediting. The employer paid contribution offsets may or may not be refundable.

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

EMPLOYER CONTRIBUTIONS

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

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

MEMBER RATES BASED ON AGE-AT-DATE-OF-ENTRY

The ranges of current non-Tier 4 member contribution rates based on age-at-date-of-entry are shown as follows (effective September 2014). Generally, each pair of percentages range from youngest to oldest within each category.

In November 2012, the Board of Retirement approved the use of a single, flat contribution rate, regardless of the age at entry for Tier 4 members.

Current Member Contribution Rates

Effective September, 2014

TIER 1: (ENTRY DATE PRIOR TO JULY 1, 1983)	
General	7.46% - 14.59%
Safety 3% @ 50	14.51% - 21.93%
TIER 2: (ENTRY DATE JULY 1, 1983, AND BEFORE JANUARY 1, 2013)	
General	5.08% - 10.39%
Safety 3% @ 50	12.23% - 18.19%
TIER 2: (ENTRY DATE OCTOBER 17, 2010, AND BEFORE JANUARY 1, 2013)	
Safety 2% @ 50	8.87% - 14.58%
Safety 3% @ 55 (with less than 5 years of vesting service)	14.07% - 19.91%
Safety 3% @ 55 (with 5 or more years of vesting service)	12.07% - 17.91%
TIER 3: (LARPD ONLY - ENTRY DATE PRIOR TO JANUARY 1, 2013)	
General	8.70% -15.52%
TIER 4: (ENTRY DATE JANUARY 1, 2013 OR LATER)	
General	8.12%
Safety	16.77%

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

Postemployment Medical Benefits and Contributions

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

Pension Obligation Bonds

In 1995 and 1996, Alameda County issued pension obligation bonds and contributed the net bond proceeds to the ACERA pension plan. ACERA received aggregate net proceeds of $591 million from these bonds. Alameda Health System (formerly known as Alameda County Medical Center), First 5 Alameda County, and the Superior Court of California for the County of Alameda (Employers) were part of the County of Alameda when the pension obligation bonds were issued. They subsequently separated and became discretely presented component units or special districts of the County of Alameda. The net bond proceeds contributions allow ACERA to provide "pension obligation bond credits" to these Employers (thus reducing contributions otherwise payable) over the period of time used by ACERA to amortize its unfunded actuarial accrued liability (UAAL). These Employers received pension obligation bond credits of approximately $47.5 million in the year ended December 31, 2014.

4. RESERVES

Reserves represent components of the Fiduciay Net Position. The annual change in ACERA's reserves equals the annual change in the Fiduciary Net Position.

While a member is active, member and employer contributions associated with that member are accumulated in two separate components of reserves—the Member Reserve and Employers' Advance Reserve. When a member retires, ACERA makes a one-time transfer of the associated contributions plus credited interest from these two reserve components into the Retired Member Reserve, with an amount equal to the benefit estimate calculation.

Actuarial Asset Smoothing

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

Semi-annual Interest Crediting

ACERA updates reserve balances on a semi-annual basis as of June 30 and December 31 each year. At these times, ACERA carries out a multi-step process to calculate new reserve balances as specified in Article 5.5 of the 1937 Act. The amount of "net earnings" to be credited for the semi-annual period is calculated based on the actuarial smoothing process described earlier. To the extent that net earnings are available, interest is credited to all componest of the reserves, with the exception of the market stabilization reserve and the contingency reserve. Interest credited is based upon the actuarial assumed interest rate (or the actual rate if lower). This is defined as "Regular Earnings." In June 2014, the Board of Retirement approved the use of the Contingency Reserve to fund interest shortfall, whenever the regular earnings during the 6-months interest crediting period are less than the assumed rate of return, but not negative. If there are investment earnings above the target investments return rate, 50% is credited to the SRBR and the remaining 50% is credited proportionally to all other reserves (except for the Contingency Reserve and the Market Stabilization Reserve).

Components of Reserves

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

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

According to Section 31618.5 of the 1937 Act, to the extent that an employer contributes to the 401(h) account to pay the cost of administering Postemployment Medical Benefits, there is an annual transfer from the Employers' Advance Reserve to the Supplemental Retirees Benefit Reserve for an amount equal to the Postemployment Medical Benefit related administrative expenses. For the year ended December 31, 2014, the transferred amount was $1.1 million.

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

The Supplemental Retirees Benefit Reserve (SRBR) was established on January 1, 1985 under Article 5.5 of the 1937 Act. The SRBR represents funds required by statute to be set aside from regular earnings and investment earnings above the target investments return to provide supplemental benefits to retirees. The reserves table on page 33 shows the amounts of the SRBR currently available to pay for non-vested benefits. The Board of Retirement decides on an annual basis what member benefits to pay from the SRBR.

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

The 401(h) Postemployment Medical Benefits Account is used to pay the medical allowance, Medicare Part B reimbursement, dental and vision, and the associated administrative cost. The account is set up under the provisions of Internal Revenue Code section 401(h), which provides for payment of benefits on a tax-free basis. Each year participating employers decide whether to contribute the needed funds and to identify them as 401(h) account contributions. For the year ended December 31, 2014, the employers funded $34.0 million of 401(h) contributions, including $32.9 million for estimated cost of Postemployment Medical Benefits and $1.1 million for administrative cost of the 401(h) account.

The Non-OPEB Reserve is used to pay for the Supplemental COLA and the retired member death benefit. For the year ended December 31, 2014, $1.9 million of Supplemental COLA and $0.2 million for death benefits were paid. Effective January 1, 2013, the Board of Retirement eliminated the active death equity benefit and reduced the death burial benefit. The reserve is increased through interest crediting of regular earnings and investment earnings above the target investments return.

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

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

Allocation of Earnings to Reserves for 2014

ACERA had earnings net of administrtive expenses of $266.0 million for the year ended December 31, 2014; and at year-end, the Contingency Reserve was reduced by $25.7 million due to the newly adopted reserve level of 1.0% of total assets. The $25.7 million was made available for interest crediting as additional earnings above the assumed rate of investment return. The Market Stabilization Reserve decreased by $444.0 million during 2014 as a result of applying the actuarial five-year smoothing process and the actuarial value corridor limits. All other reserve accounts received interest credit of approximately $735.7 million.

Reserves

As of December 31, 2014 (Dollars in Thousands)

	Pension Plan & Non-OPEB	Postemployment Medical Benefits	Total
Member Reserves	$ 1,228,870	$ -	$ 1,228,870
Employers' Advance Reserve	560,805	-	560,805
Retired Member Reserves	3,886,207	-	3,886,207
SRBR	32,569	757,258	789,827
401(h) Account	-	7,158	7,158
Basic Death (Burial) Benefit	-	-	-
Contingency Reserve	72,292	-	72,292
Market Stabilization Reserve Account	242,854	-	242,854
Total Reserves	**$ 6,023,597**	**$ 764,416**	**$ 6,788,013**

5. NET PENSION LIABILITY

The components of the net pension liability were as follows:

Net Pension Liability

(Dollars in Thousands)

	December 31, 2014	December 31, 2013
Total Pension Liability	$ 7,653,069	$ 6,975,777
Plan Fiduciary Net Position	5,912,426	5,693,756
Net Pension Liability	**$ 1,740,643**	**$ 1,282,021**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.26%	81.62%

The net pension liability was measured as of December 31, 2014 and 2013. Plan fiduciary net position was valued as of the measurement date while the total pension liability was determined based upon rolling forward the total pension liability from actuarial valuations as of December 31, 2013 and 2012, respectively.

The total pension liability and the fiduciary net position include liabilities and assets for non-OPEB. The assets for non-OPEB are held in the SRBR to pay non-vested Supplemental COLA and the retired death benefit. The liability and the assets associated with the OPEB component of the SRBR have been excluded from the total pension liability and the fiduciary net position reported above.

Actuarial Assumptions

The total pension liabilities as of December 31, 2014 and December 31, 2013 were determined by actuarial valuation as of December 31, 2013 and December 31, 2012, respectively. The actuarial assumptions used to develop the December 31, 2013 Total Pension Liability (TPL) are the same assumptions used in the December 31, 2012 and 2013 funding valuations for ACERA, while the actuarial assumptions used to develop the December 31, 2014 TPL are based on the new assumptions adopted by the Retirement Board for use in the December 31, 2014 funding valuation.

These assumptions were applied to all periods included in the measurement:

Measurement Date	December 31, 2014	December 31, 2013
Inflation	3.25%	3.50%
Salary Increases	General: 4.15% to 7.45% and Safety: 4.45% to 10.45%, vary by service, including inflation	General: 4.60% to 7.20% and Safety: 4.70% to 10.20%, vary by service, including inflation
Investment Rate of Return	7.60%, net of pension plan investment expense, including inflation	7.80%, net of pension plan investment expense, including inflation
Mortality Tables	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, adjusted for future mortality improvements based on a review of the mortality experience in the December 1, 2010 - November 30, 2013 Actuarial Experience Study.	RP-2000 Combined Healthy Mortality Table adjusted for future mortality improvements based on a review of the mortality experience in the December 1, 2007 - November 30, 2010 Actuarial Experience Study.
Date of Experience Study	December 1, 2010 through November 30, 2013	December 1, 2007 through November 30, 2010

The Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments for funding valuation purposes was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. This information is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses and a risk margin, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Large Cap Equity	25.60%	5.91%
Domestic Small Cap Equity	6.40%	6.47%
Developed International Equity	20.25%	6.88%
Emerging Market Equity	6.75%	8.24%
U.S. Core Fixed Income	11.25%	0.73%
High Yield Bonds	1.50%	2.67%
International Bonds	2.25%	0.42%
Real Estate	6.00%	4.95%
Commodities	2.00%	4.25%
Absolute Return (Hedge Fund)	7.50%	3.17%
Real Return	3.00%	0.70%
Private Equity	7.50%	11.94%
Total	**100.00%**	

Discount Rate

The discount rate used to measure the total pension liability was 7.60% as of December 31, 2014 and 7.80% as of December 31, 2013. Article 5.5 of the Statute, which authorizes the allocation of 50% excess earnings to the SRBR, does not allow the use of a different investment return assumption for funding than is used for interest crediting. In order to reflect the provisions of Article 5.5, future allocations to the SRBR have been treated as an additional outflow against the plan's Fiduciary Net Position in the GASB crossover test[1]. It is estimated that the additional outflow would average approximately 0.75% of assets over time, based on the results of the actuarial stochastic modeling of the 50% allocation of future excess earnings to the SRBR.

The projection of cash flows used to determine the discount rate assumes plan member contributions will be made at the current member contribution rates, and that employer contributions will be made at rates equal to the actuarially determined contribution rates[2] plus additional future contributions that would follow from the future allocation of excess earnings to the SRBR. Projected employer contributions that are intended to fund the service costs for the future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both December 31, 2014 and December 31, 2013.

1 - The purpose of the GASB crossover test is to determine if the full expected return can be used as the discount rate to determine the TPL and the NPL. That is, if there is no crossover point where the projected benefit payments would exceed the plan's fiduciary net position, then the full expected return assumption can be used.

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

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

The following presents the net pension liability as of December 31, 2014, calculated using the discount rate of 7.60%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

As of December 31, 2014 (Dollars in Thousands)			
	1% Decrease (6.60%)	**Current Discount Rate (7.60%)**	**1% Increase (8.60%)**
Net Pension Liability	$ 2,681,632	$ 1,740,643	$ 956,346

6. ACTUARIAL VALUATION

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

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

Pension Plan

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

Contribution requirements are determined under the entry age actuarial cost method. This method is designed to collect contributions as a level percentage of pay. Any actuarial gains or losses that occur under this method are amortized as a level percentage of pay. To minimize the impact of short-term investment gains or losses, the Board of Retirement adopted an asset smoothing process described on page 31 under Actuarial Asset Smoothing. The December 31, 2013, actuarial valuation determined that the pension plan was 75.9% funded.

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

Valuation Date	12/31/2013
Actuarial Cost Method	Entry Age
Amortization Method	Level percent of payroll
Amortization of UAAL (Prior to January 1, 2012)	Closed 30 years decreasing period
Remaining Amortization Period (Prior to January 1, 2012)	19 years
Amortization of New UAAL (On or after January 1, 2012)	Plan amendments are amortized over separate decreasing 15-year periods. Early retirement incentive programs (ERIPs) are amortized over separate decreasing 5-year periods. Assumption and method changes are amortized over separate decreasing 20-year periods. Experience gains/losses are amortized over separate decreasing 20-year periods.
Asset Valuation Method	Actuarial Value of Assets is determined by phasing in any difference between actual and expected market return over 10 six-months interest crediting periods. The Valuation Value of Assets is the Actuarial Value of Assets reduced by the value of the non-valuation reserves.
Actuarial Assumptions	Interest Rate: 7.8% Inflation Rate: 3.5% Across-the-Board Salary Increases: 0.50% Salary Increases: General 4.6% - 7.2% and Safety 4.7% - 10.2% Demographic: refer to page 94
Postemployment Benefit Increases	• 3.00% of Tier 1 and Tier 3 retirement income • 2.00% of Tier 2 and Tier 4 retirement income

Postemployment Medical Benefits

If participating employers continue to make contributions to the 401(h) account and the Board of Retirement continues to treat equal amounts of SRBR assets as contributions for pensions, then the postemployment medical benefits are 85.2% funded assuming that the current benefit continues in perpetuity. This is the GASB 43 "funded ratio." The information for the funding progress of the postemployment medical benefits, which includes the actuarial value of assets, the actuarial accrued liability, the UAAL, the funded ratio, the annual covered payroll, and the ratio of UAAL to annual covered payroll is presented below.

Under the actuarial assumed rate of 7.8% per year for future investment earnings, it is anticipated that available assets will be sufficient to fund postemployment medical benefits through year 2033.

ACTUARIAL METHODS AND ASSUMPTIONS

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

Valuation Date	12/31/2013
Actuarial Cost Method	Entry Age
Amortization Method	Level percent of payroll
Amortization of UAAL	Closed 30 years decreasing period
Remaining Amortization Period	22 years
Asset Valuation Method	Same as Pension Plan
Actuarial Assumptions	Same as Pension Plan
Health Care Cost Trend Rates:	
Non-Medicare Plans	Graded down from 8.0% by 0.5% per annum until ultimate rate of 5%
Medicare Advantage Plan	Graded down from 7.0% by 0.25% per annum until ultimate rate of 5%
Dental and Vision	5%
Medicare Part B	5%
Postemployment Benefit Increases:	
Dental, Vision, and Medicare Part B	Subsidies are assumed to increase at 100% of the health care cost trend rates for these benefits.
Monthly Medical Allowance (MMA)	Subsidies are assumed to increase at 50% of the health care cost trend rates for MMA benefits or 3.375%, graded down to the ultimate rate of 2.5% over 5 years.

Funded Status and Funding Progress – Postemployment Medical Benefits Without Limit[1]

As of December 31, 2013 (Dollar Amounts in Thousands)

Actuarial Value of Assets[2] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b–a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b–a) /c
$ 617,627	$ 724,576	$ 106,949	85.2	$ 916,803	11.7

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

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

Non-OPEB

The December 31, 2013, actuarial valuation determined that the Non-OPEB are 15.0% funded. The information for the funding progress of the Non-OPEB, which includes the actuarial value of assets, the actuarial accrued liability, the UAAL, the funded ratio, the annual covered payroll, and the ratio of UAAL to annual covered payroll is presented below.

Under the actuarial assumed rate of 7.8% per year for future investment earnings, it is anticipated that available assets will be sufficient to fund the Supplemental COLA and death benefits program through year 2029.

ACTUARIAL METHODS AND ASSUMPTIONS

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

Valuation Date	12/31/2013
Actuarial Cost Method	Entry Age
Amortization Method	Level percent of payroll
Amortization of UAAL	Closed 30 years decreasing period
Remaining Amortization Period	22 years
Asset Valuation Method	Same as Pension Plan
Actuarial Assumptions	Same as Pension Plan
Postemployment Benefit Increases:	
Supplemental COLA Benefits	Payable when the current allowance from the Pension Plan drops below 85% of the original Pension Plan benefit indexed with CPI. Benefits are assumed to increase by the difference between inflation and the cost-of-living benefit guaranteed in the Pension Plan (3.00% for Tier 1 and Tier 3; and 2.00% for Tier 2, Tier 2C, Tier 2D, and Tier 4), subject to other limitations.

7. POSTEMPLOYMENT MEDICAL BENEFITS

ACERA administers a medical benefits program for retired members and their eligible dependents. The County negotiates the medical contracts with the providers covering both active and retired members. This arrangement results in "blended" medical premium rates that allow early retirees (under 65 years of age) not yet Medicare-eligible to purchase medical insurance from one of these providers at rates lower than otherwise available (an "implicit subsidy"). ACERA and the County collectively determined that the total amount of implicit subsidy for the blended medical premium rate for the year 2013 was $7.0 million. SRBR assets in this amount were treated as a pension contribution in 2014 upon the Board of Retirement's approval to compensate the County for the implicit subsidy. The implicit subsidy amount for 2014 has not yet been determined. Approximately 75.4% of ACERA's retirees purchased medical coverage as of December 31, 2014. Approximately 89.4% of retirees were enrolled in vision and dental through this program as of December 31, 2014.

ACERA's retirees are eligible to receive a subsidy for medical premiums funded by the participating employers' 401(h) account contributions. This subsidy takes the form of a monthly medical allowance. The allowance is subject to annual reauthorization by the Board of Retirement.

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

Postemployment Medical Benefits Paid by the 401(h) Account[1]

For the Year ended December 31, 2014 (Dollars in Thousands)

Medical Premium Account Balance	$	7,158
Health Insurance Subsidies Paid		32,590
Number of Subsidized Retirees		
Medical		4,614
Medicare Exchange		1,152
Medicare Part B		4,226
Dental and Vision		6,840

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

8. DEPOSITS AND INVESTMENTS

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

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

- "The members of the retirement board shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.

- The members of the retirement board shall discharge their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.
- The members of the retirement board shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so."

Deposits

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

Investments

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

As of December 31, 2014, thirteen external investment managers managed securities portfolios, ten investment managers were used for real estate investments, twenty-one investment managers were used for private equity and alternative investments, and two for real return pool investments.

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

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

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

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

Derivatives

ACERA has the following types of derivatives: futures contracts-equity index, currency forward swaps/contracts, rights, and warrants. An equity index futures contract represents an agreement to purchase or sell an equity index for a given price at a specified future date. Currency forward contracts generally serve to hedge or offset, the impact of foreign currency exchange rate fluctuations on the reported U.S. dollars fair value of investments denominated in foreign currencies. Rights and warrants allow the holder the option to buy securities for a given price within a specified time period.

The Investment Derivatives schedule on page 42 reports the fair value balances, changes in fair value, and notional amounts of derivatives outstanding as of and for the year ended December 31, 2014, classified by type. For financial reporting purposes, all ACERA derivatives are classified as investment derivatives.

Investment Derivatives

For Year Ended December 31, 2014 (Dollars in Thousands)

Derivative Type	Classification	Notional Value	Fair Value	Changes in Fair Value[2]
Futures Contracts - Long	Receivable/Liability	$ 1,084	$ -	$ (1,800)
Futures Contracts - Short	Receivable/Liability	$ (7,108)	-	(4,320)
Currency Forward Contracts	Receivable/Liability[1]	$ 352,449	2,022	2,196
Rights	International Equity	-	-	72
Warrants	International Equity	107,037 shares	6	(29)
Total			**$ 2,028**	**$ (3,881)**

1 Currency forward contracts are reported as Foreign Exchange Contracts. Spot contracts are not considered as derivatives.

2 Change in fair value includes realized and unrealized gains and losses on derivatives and is included in Net Appreciation (Depreciation) in Fair Value of Investments on the Statement of Changes in Fiduciary Net Position.

Securities Lending Activity

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

For the year ended December 31, 2014, on behalf of ACERA, the securities lending agent lent ACERA's securities (government bonds, corporate stocks, corporate bonds, international equities, and international fixed income) to borrowers under the securities lending agreement and ACERA received cash (U.S. and foreign currency), securities issued or guaranteed by the United States government, and sovereign debt or irrevocable bank letters-of-credit as collateral.

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

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

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

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

ACERA did not impose any restrictions for the year ended December 31, 2014, on the amount of the loans that the securities lending agent made on its behalf. In the event the borrower failed to return the loaned securities, the securities lending agent indemnified ACERA by agreeing to purchase replacement securities. If the collateral was inadequate to replace the securities lent, the securities lending agent will supplement the amount of cash collateral. If the borrower failed to pay ACERA for any income distributions on loaned securities, the securities lending agent will also supplement the income amount due to ACERA. There were no losses during the year ended December 31, 2014, resulting from a default of the borrowers or the securities lending agent.

For the year ended December 31, 2014, ACERA and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders in a short-term investment pool managed by the securities lending agent. For the fiscal year 2014, the short-term investment fund is separated into two investment pools: (a) a liquidity pool and (b) a duration pool. As of December 31, 2014, the Quality D Short –Term investment fund liquidity pool had an average duration of 37 days and an average weighted final maturity of 102 days for U.S. dollars collateral. The Quality D Short-Term investment fund duration pool had an average duration of 44 days and an average weighted final maturity of 2,092 days for U.S. dollars collateral. For the year ended December 31, 2014, ACERA had no credit risk exposure to borrowers because, for each borrower, the value of borrower collateral held exceeded the value of the securities on loan to the borrower.

As of December 31, 2014, ACERA had securities on loan with a total fair value of $420.0 million; however, the cash collateral held against the loaned securities was $432.5 million and exceeded the total fair value of loaned securities by $12.5 million

Deposit, Investment, and Derivative Risks

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

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

Investment Policies

GASB Statement No. 40 requires the disclosure of deposit or investment policies (or the lack thereof) that relate to investment and custodial risks.

ACERA has chosen to manage the investment risks described by GASB Statements No. 40 and 53 by contractually requiring each portfolio investment manager to abide by restrictive investment guidelines specifically tailored to that individual manager rather than adopting across-the-board investment policies with respect to these investment risks. The guidelines stipulate the investment style, performance objective, performance benchmarks, and portfolio characteristics.

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

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

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

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

Custodial Credit Risk—Deposits

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

By necessity, ACERA maintains operational cash deposits to support day-to-day cash management requirements. As of December 31, 2014, cash held with a financial institution in a pooled money market fund amounted to $1.4 million, of which $0.1 million was insured and $1.3 million was uninsured and uncollateralized subject to custodial credit risk.

Custodial Credit Risk—Investments

The custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, ACERA will not be able to recover the value of investment securities that are in the possession of an outside party. The individual investment guidelines for each investment manager require that managed investments be held and maintained with the master custodian in the name of ACERA. The master custodian may rely on subcustodians. The custodial requirement does not apply to real estate investments, investments in commingled pools, and private equity and alternative investments. As of December 31, 2014, ACERA had no investments that were exposed to custodial credit risk.

Custodial Credit Risk—Derivatives

ACERA's investments include collateral associated with derivatives activity. As of December 31, 2014, collateral for derivatives was $1.6 million. The collateral margins are maintained in margin accounts at financial services firms that provide brokerage services. Each account was uninsured and uncollateralized, and subject to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of ACERA's investment in a single issuer of securities. The individual investment guidelines for each fixed income manager restrict concentrations greater than 5% in the securities of any one issuer (excluding direct obligations of the U.S. and/or eligible foreign governments, and those explicitly guaranteed by the U.S. and/or eligible foreign governments). As of December 31, 2014, ACERA had no investments in a single issuer that equaled or exceeded 5% of the Fiduciary Net Position.

Credit Risk—Investments

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

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

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

The Credit Risk Analysis schedule on page 45 discloses credit ratings of ACERA's debt investments by type and for each external investment pool as of December 31, 2014.

Credit Risk Analysis

As of December 31, 2014 (Dollars in Thousands)

		Adjusted Moody's Credit Rating[1]								
Debt Investments By Type	**Total**	**Aaa**	**Aa**	**A**	**Bbb**	**Bb**	**B**	**Caa**	**Ca and Below**	**Not Rated**
Collateralized Mortgage Obligations	$ 83,130	$ 44,666	$ -	$ 444	$ 4,793	$ 2,377	$ 6,351	$ 14,261	$ 3,075	$ 7,163
Convertible Bonds	25,211	-	-	3,198	5,553	4,726	9,351	-	-	2,383
Corporate Bonds	428,363	3,703	17,110	66,003	200,293	91,268	33,840	3,702	-	12,444
Federal Home Loan Mortgage Corp.[2]	34,650	-	-	-	-	-	-	-	-	34,650
Federal National Mortgage Assn.[2]	66,657	-	-	-	-	-	-	-	-	66,657
Government National Mortgage Assn. I, II[2]	17,027	-	-	-	-	-	-	-	-	17,027
Government Issues[2]	234,482	130,714	36,806	33,516	21,740	-	-	-	-	11,706
Municipal	4,168	-	-	4,168	-	-	-	-	-	-
Other Asset Backed Securities	37,940	9,989	-	1,634	5,041	758	-	3,719	15,690	1,109
Subtotal Debt Investments	**931,628**	**189,072**	**53,916**	**108,963**	**237,420**	**99,129**	**49,542**	**21,682**	**18,765**	**153,139**
External Investment Pools of Debt Securities										
Securities Lending Cash Collateral Fund										
Liquidation Pool[3]	390,703	-	-	-	-	-	-	-	-	390,703
Duration Pool[3]	13,918	-	-	-	-	-	-	-	-	13,918
Master Custodian Short-Term Investment Fund[3]	108,517	-	-	-	-	-	-	-	-	108,517
Subtotal External Investment Pools	**513,138**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**513,138**
TOTAL	**$ 1,444,766**	**$ 189,072**	**$ 53,916**	**$ 108,963**	**$ 237,420**	**$ 99,129**	**$ 49,542**	**$ 21,682**	**$ 18,765**	**$ 666,277**

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

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

3 The external investment pools are not rated.

Credit Risk—Derivatives

ACERA is exposed to credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to credit risk include currency forward contracts, and synthetic futures (which are included in futures contracts-equity index). To minimize credit risk exposure, ACERA's investment managers continually monitor credit ratings of counterparties. Should there be a counterparty failure, ACERA would be exposed to the loss of the fair value of derivatives that are in asset positions and any collateral provided to the counterparty, net of the effect of applicable netting arrangements. ACERA has no general investment policy with respect to netting arrangements or collateral requirements. Netting arrangements legally provide ACERA with a right of setoff in the events of bankruptcy or default by the counterparty. ACERA's investment managers may have collateral posting provisions associated with currency forward contracts. In the event of counterparty failure, ACERA would be exposed to loss of collateral provided to the counterparty. Collateral provided by the counterparty to ACERA reduces its credit risk exposure. The collateral associated with investments derivatives is disclosed on page 44 under Custodial Credit Risk—Derivatives.

The following Credit Risk—Derivatives schedule discloses the counterparty credit ratings of ACERA's investment derivatives in asset positions by type, as of December 31, 2014. These amounts represent the maximum loss that would be recognized if all counterparties fail to perform as contracted, without respect to any collateral or other security, or netting arrangement.

Credit Risk Analysis – Investment Derivatives Subject to Credit Risk

As of December 31, 2014 (Dollars in Thousands)

Adjusted Moody's Credit Rating[1]	Currency Forward Contracts
A	$ 4,377
Baa	301
Subtotal Derivatives in Asset Position	4,678
Derivatives in Liability Position	(2,656)
Total Derivatives in Asset/(Liability) Position	**$ 2,022**

1 See footnote 1 on page 45.

As of December 31, 2014 the $4.7 million maximum exposure of derivatives credit risk was reduced by $2.7 million of liabilities included in netting arrangements, resulting in a net exposure to credit risk of $2.0 million (rounded).

ACERA has a 41.6% ($1.9 million) net exposure to credit risk with one counterparty with a credit rating of A, and 6.4% ($0.3 million) with another counterparty with a credit rating of Baa.

Interest Rate Risk

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

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

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

The following Interest Rate Risk Analysis—Duration schedule discloses the duration of ACERA's debt investments by type and the duration of each of the external investment pools of debt securities. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present values of cash flows, weighted for those cash flows as a percentage of the investment's full price. The Master Custodian Short-Term Investment Fund had an average weighted maturity of 31 days as of December 31, 2014.

Interest Rate Risk Analysis – Duration

As of December 31, 2014 (Dollars in Thousands)

Debt Investments by Type		Fair Value	Duration in Years
Collateralized Mortgage Obligations	$	83,130	2.7
Convertible Bonds		25,211	4.6
Corporate Bonds		428,363	5.7
Federal Home Loan Mortgage Corp.		34,650	3.5
Federal National Mortgage Assn.		66,657	3.1
Government National Mortgage Assn. I, II		17,027	2.6
Government Issues		234,482	8.8
Municipal		4,168	13.1
Other Asset Backed Securities		37,940	3.6
Total of Debt Investments	**$**	**931,628**	

External Investment Pools of Debt Securities		Fair Value	Duration
Securities Lending Cash Collateral Fund			
Liquidity Pool	$	390,703	37 days
Duration Pool		13,918	44 days
Master Custodian Short-Term Investment Fund		108,517	-
Total External Investment Pools	**$**	**513,138**	

Interest Rate Risk Analysis – Highly Sensitive

Investment with Fair Values Highly Sensitive to Changes in Interest Rates

As of December 31, 2014 (Dollars in Thousands)

Investment Type	Investment Description	Interest Rates		Fair Value
Convertible Bonds	Various debt related securities	2.65 to 4.75%	$	3,029
Corporate Bonds	Various debt related securities	1.0 to 8.46%		57,998
Government Issues	Various debt related securities	2.875 to 8.5%		47,383
Municipals	Municipals	6.66%		2,715

Fair Value Highly Sensitive to Changes in Interest Rates

The Interest Rate Risk Analysis table described on page 47 discloses the degree to which ACERA's investments are sensitive to interest rate changes due simply to the remaining term to maturity. In contrast, ACERA's investments with fair values that are highly sensitive to interest rates due to other factors are disclosed on the Interest Rate Risk Analysis - Highly Sensitive schedule on page 47. ACERA has no general investment policy with respect to investments with fair values that are highly sensitive to changes in interest rates.

Foreign Currency Risk

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

Foreign Currency Risk—Investments

The Foreign Currency Risk Analysis schedule on page 49 shows the fair value of investments that are exposed to this risk by currency denomination and investment type. This provides an indication of the magnitude of foreign currency risk for each currency.

Foreign Currency Risk—Equity Index Swaps and Futures

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

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

Foreign Currency Risk—Foreign Exchange Contracts

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

The dollar impact that foreign exchange contracts have on foreign currency risk is equal to the foreign currency settlement amounts translated in the same manner as the investments (i.e. spot exchange rate at the end of the year). The impact appears in the column labeled Foreign Currency on the schedule on page 49. The Net Exposure column of the schedule indicates the net foreign currency risk, i.e., the gross risk associated with the investments less the risk hedged by the outstanding foreign exchange contracts.

Foreign Currency Risk Analysis

Fair Value of Investments Exposed to Foreign Currency Risk by Currency

As of December 31, 2014 (Dollars in Thousands)

	Investment Type					
Currency	Common Stock and Depository Receipts	Corporate Bonds	Foreign Currency	Government Issues	Currency Swaps	Net Exposure
Australian Dollar	$ 31,701	$ 1,781	$ 583	$ 20,144	$ 278	$ 54,487
Brazilian Real	6,199	3,144	-	694	-	10,037
Canadian Dollar	47,584	-	314	-	(148)	47,750
Chilean Peso	-	1,226	-	-	(242)	984
Colombian Peso	-	494	-	-	-	494
Danish Krone	23,752	-	115	-	22	23,880
Euro Currency	389,872	9,288	14,968	18,093	709	432,930
Hong Kong Dollar	127,202	-	142	-	-	127,344
Indian Rupee	28,257	2,477	-	-	-	30,734
Indonesian Rupiah	2,954	-	-	-	-	2,954
Israeli Shekel	-	-	-	-	29	29
Japanese Yen	234,920	-	200	-	182	235,302
Malaysian Ringgit	3,068	-	-	5,181	-	8,249
Mexican Peso	-	1,443	-	24,212	378	26,033
New Taiwan Dollar	17,682	-	-	-	-	17,682
New Zealand Dollar	716	-	-	9,750	686	11,152
Norwegian Krone	1,897	-	8	-	224	2,129
Philippine Peso	-	-	-	4,079	-	4,079
Pound Sterling	241,217	-	(1,110)	14,746	119	254,972
Singapore Dollar	29,698	-	52	-	(16)	29,734
South African Rand	7,186	-	-	-	-	7,186
South Korean Won	26,436	-	-	-	(452)	25,984
Swedish Krona	35,917	-	18	-	205	36,140
Swiss Franc	135,386	-	37	-	48	135,471
Thailand Baht	2,342	-	-	-	-	2,342
Grand Total	**$ 1,393,986**	**$ 19,853**	**$ 15,327**	**$ 96,899**	**$ 2,022**	**$ 1,528,087**

Real Estate

Real Estate Investment Income – Separate Properties

For the Year ended December 31, 2014 (Dollars in Thousands)

REAL ESTATE INVESTMENT INCOME	$ 5,855
REAL ESTATE EXPENSES	
Non-Operating Expenses[1]	164
Operating Expenses	3,123
Total Expenses	**3,287**
REAL ESTATE NET INCOME	**$ 2,568**

1 Non-Operating Expenses include interest expense resulting from loans on properties.

There is no outstanding real estate related debt associated with the separate properties as of December 31, 2014.

9. CAPITAL ASSETS

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

Capital Assets and Accumulated Depreciation

For the Year ended December 31, 2014 (Dollars in Thousands)

	January 1, 2014	Additions	Deletions / Transfers	December 31, 2014
CAPITAL ASSETS - DEPRECIABLE				
Equipment and Furniture	$ 3,612	$ -	$ (380)	$ 3,232
Electronic Document Management System	4,163	-	-	4,163
Information Systems	10,457	-	-	10,457
Leasehold Improvements	2,578	-	-	2,578
Subtotal	**20,810**	**-**	**(380)**	**20,430**
CAPITAL ASSETS - NON DEPRECIABLE				
Construction-in-Progress	-	24	(16)	8
TOTAL CAPITAL ASSETS (COST)	**20,810**	**24**	**(396)**	**20,438**
ACCUMULATED DEPRECIATION AND AMORTIZATION				
Equipment and Furniture	(3,132)	(236)	380	(2,988)
Electronic Document Management System	(2,036)	(832)	-	(2,868)
Information Systems	(10,457)		-	(10,457)
Leasehold Improvements	(661)	(94)	-	(755)
Total Accumulated Depreciation and Amortization	**(16,286)**	**(1,162)**	**380**	**(17,068)**
CAPITAL ASSETS - NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION	**$ 4,524**	**$ (1,138)**	**$ (16)**	**$ 3,370**

10. LEASES

ACERA leases office space from Oakland 14th St. Office, a title holding corporation formed by ACERA. The term of the lease is seven years and seven months, with an option to renew for five additional years. Under the terms of the lease agreement, ACERA's base rent is abated. However, ACERA is required to pay its proportionate share of building operating expenses as defined in the lease. ACERA's share of these operating expenses was approximately $121,000 for the year ended December 31, 2014.

In addition, ACERA leases photocopy machines and water coolers to support operations. All current leases will expire in 2019. Equipment rental expenses were approximately $27,000 for the year ended December 31, 2014. The future estimated minimum rental payments for these leases are as follows:

Future Minimum Rental Payments

As of December 31 (Dollars in Thousands)

Year	Amount
2015	$ 25
2016	17
2017	17
2018	17
2019	7
Total	$ 83

11. ADMINISTRATION EXPENSE

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

ACERA has adopted the provisions of the 1937 Act which allows ACERA to exclude actuarial, investment, legal, business continuity and technology direct costs from administration expenses. Since investment related expenses were offset against investment income, the remaining exclusions totaled $3.7 million for 2014.

ACERA also conforms to the provision of the 1937 Act that limits the administration cap to 0.21 percent of the Accrued Actuarial Liability (AAL). ACERA uses the AAL as of December 31 of the year in which the budget is adopted for this purpose.

A schedule of Administration Expense is included in the Supplemental Schedules on page 59.

Application of Statutory Limit on Administration Expense

For the Year Ended December 31, 2014 (Dollars in Thousands)

Total Accrued Actuarial Liability as of December 31, 2013	$	7,765,062
Limit: Maximum Allowable fraction of Total Accrued Actuarial Liability (0.21%) times Total Accrued Actuarial Liability	$	16,307
Portion of Administrative Expenses for the Fiscal Year subject to the Statutory Limit		11,254
Excess of Limit over Portion of Administration Expense Subject to Limit	$	5,053
Portion of Administration Expense Subject to Limit as a Percentage of Accrued Actuarial Liability		0.14%

12. RELATED PARTY TRANSACTIONS

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

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

Related Party Transactions

For the Year ended December 31, 2014 (Dollars in Thousands)

Reimbursed Cost of ACERA		
Staff Members	$	11,630
Reimbursed Costs of County Services		605
State-Mandated Benefit Replacement Program (415M)		292
County Personnel Services		77
Partial Salary/Benefits Reimbursement for Elected Board of Retirement Members		247
Total	**$**	**12,851**

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 25, 2015, the date the financial statements are available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements and no subsequent events have occurred, the nature of which would require disclosure.

Required Supplementary Information (RSI)

PENSION PLAN AND NON-OPEB

Schedule of Changes in Net Pension Liability and Related Ratios[1]

For the Years Ended December 31

(Dollars in Thousands)

	2014	2013
TOTAL PENSION LIABILITY (TPL)		
Service Cost	$ 167,120	$ 166,639
Interest	542,377	522,203
Changes of benefit terms	-	-
Differences between expected and actual experience	(85,379)	(61,362)
Changes of assumptions	431,863	-
Benefit payments, including refunds of member contributions	(378,689)	(359,938)
Net Change in Total Pension Liability	**677,292**	**267,542**
Total Pension Liability - Beginning	**6,975,777**	**6,708,235**
Total Pension Liability - Ending (a)	**$ 7,653,069**	**$ 6,975,777**
PLAN FIDUCIARY NET POSITION (FNP)		
Contributions - employer	$ 213,255	$ 191,180
Contributions - member	79,714	76,230
Net investment income	318,245	736,914
Benefit payments, including refunds of member contributions	(378,689)	(359,938)
Administrative expense	(13,855)	(13,634)
Other	-	-
Net Change in Plan Fiduciary Net Position	**218,670**	**630,752**
Plan Fiduciary Net Position[2] - Beginning	**5,693,756**	**5,063,004**
Plan Fiduciary Net Position[2] - Ending (b)	**$ 5,912,426**	**$ 5,693,756**
Net Pension Liability (NPL) - Ending (a) - (b)	**$ 1,740,643**	**$ 1,282,021**
FNP as a Percentage of the TPL	**77.26%**	**81.62%**
Covered-Employee Payroll[3]	**$ 886,925**	**$ 853,350**
NPL as a Percentage of Covered-Employee Payroll	**196.26%**	**150.23%**

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

2 Market value assets, less OPEB-related SRBR assets (OPEB-related SRBR assets include 50% of the deferred market gains at the end of the year, reduced on a proportional basis relative to the total actual balances in the OPEB and non-OPEB components of the SRBR reserve account).

3 Covered employee payroll shown represents Compensation Earnable and Pensionable Compensation. Only Compensation Earnable and Pensionable Compensation that would possibly go into the determination of retirement benefits are included.

Schedule of Employer Contributions

Last Ten Fiscal Years

(Dollars in Thousands)

Year Ended December 31	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered-Employee Payroll[1]	Contributions as a Percentage of Covered-Employee Payroll
2005	$ 100,801	$ 100,801	$ -	$ 670,000	15.04%
2006	127,096	127,096	-	708,162	17.95%
2007	130,040	130,040	-	757,853	17.16%
2008	129,660	129,660	-	810,713	15.99%
2009	132,199	132,199	-	838,141	15.77%
2010	147,543	147,543	-	839,617	17.57%
2011	162,879	162,879	-	837,482	19.45%
2012	179,649	179,649	-	845,933	21.24%
2013	191,180	191,180	-	853,350	22.40%
2014	213,255	213,255	-	886,925	24.04%

1 Covered employee payroll shown represents Compensation Earnable and Pensionable Compensation. Only Compensation Earnable and Pensionable Compensation that would possibly go into the determination of retirement benefits are included.

Schedule of Investment Returns

Last Ten Fiscal Years[1]

As of December 31

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Annual Money-Weighted Rate of Return, net of Investment Expense	4.27%	19.87%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

POSTEMPLOYMENT MEDICAL BENEFITS

Schedule of Funding Progress – Postemployment Medical Benefits Without Limit [1,2]

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets[3] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (%) (a / b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b - a) / c
12/31/2011	$ 542,936	$ 754,216	$ 211,280	72.0	$ 892,489	23.7
12/31/2012[4]						
Scenario A	545,429	754,838	209,409	72.3	906,500	23.1
Scenario B	549,655	754,838	205,183	72.8	906,500	22.6
12/31/2013	617,627	724,576	106,949	85.2	916,803	11.7

Schedule of Funding Progress – Postemployment Medical Benefits With Limit [1,5] (Actuary's SRBR Exhibit III)

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets[3] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (%) (a / b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b - a) / c
12/31/2011	$ 542,936	$ 542,936	$ 0	100	$ 892,489	0
12/31/2012[4]						
Scenario A	545,429	545,429	0	100	906,500	0
Scenario B	549,655	549,655	0	100	906,500	0
12/31/2013	617,627	617,627	0	100	916,803	0

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

2 In accordance with the GASB 43 "substantive plan" definition, this information is presented using the assumptions that: participating employers continue the same benefits offered and pay contributions to the 401(h) account as of December 31, 2012; and that the Board of Retirement continues to treat available SRBR assets as pension contributions without the limits described under footnote 5. This information discloses the "without limit" UAAL and "funded ratio" using the actuarial values of assets as described in footnote 3 and benefits provided as of December 31, 2012. Based on the amount of SRBR assets available for this purpose as of December 31, 2012, there are sufficient SRBR assets to continue substituting for the employer pension contributions until the year 2028.

3 Postemployment SRBR assets that may be treated as employer contributions to the extent that participating employers make contribution to the 401(h) account. ACERA has no authority to require future funding from participating employers to the 401(h) account.

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

5 The "funded ratio" is 100% using the assumption that the participating employers will cease contribution to the 401(h) account when there are no SRBR assets available to subsidize participating employer pension contributions. Article 5.5 of the County Employees Retirement Law of 1937 provides that assets added to the SRBR reserve are limited to the Regular Earnings on the current SRBR reserve plus the investment earnings above the target investments return. Participating employers decide on an annual basis whether to continue these benefits and what amount to contribute to the 401(h) account.

Schedule of Employer Contributions – Postemployment Medical Benefits

(Dollar Amounts in Thousands)

Year Ended December 31	Annual Required Contribution Without Limit[1]	With Limit[2]	Percentage (%) Contributed[3]
2011	$ 38,020	$0	0
2012[4]			
Scenario A	38,345	0	0
Scenario B	38,073	0	0
2013	29,521	0	0

1 In accordance with the GASB 43 "substantive plan" definition, this information is presented using the assumptions that: participating employers continue the same benefits offered and pay contributions to the 401(h) account as of December 31, 2013; and that the Board of Retirement continues to treat available SRBR assets as pension contributions without the limits described under footnote 2. This information discloses the "without limit" UAAL and "funded ratio" using the actuarial values of assets as described in footnote 3 of the schedule of Funding Progress table on the previous page and benefits provided as of December 31, 2013. Based on the amount of SRBR assets available for this purpose as of December 31, 2013, there are sufficient SRBR assets to continue substituting for the employer pension contributions until the year 2033.

2 The "funded ratio" is 100% using the assumption that the participating employers will cease contribution to the 401(h) account when there are no SRBR assets available to subsidize participating employer pension contributions. Article 5.5 of the County Employees Retirement Law of 1937 provides that assets added to the SRBR reserve are limited to the Regular Earnings on the current SRBR reserve plus the investment earnings above the target investments return. Participating employers decide on an annual basis whether to continue these benefits and what amount to contribute to the 401(h) account.

3 Some participating employers consider a portion of the transfer of investment earnings above the target investments return to the SRBR to be an employer contribution under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

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

Notes to Required Supplementary Information

PENSION PLAN AND NON-OPEB

Changes in Benefit Terms

All members with membership dates on or after January 1, 2013 enter the Tier 4 created by the California Public Employees' Pension Reform Act of 2013 (PEPRA).

Changes of Assumptions

To meet the GASB 67 reporting requirements, the total pension liability as of the measurement date was calculated by rolling forward the liability from the prior year's valuation. The actuarial assumptions used in the roll-forward of the December 31, 2013 total pension liability to December 31, 2014 are based in part on the new triennial actuarial experience study, which covered the period from December 1, 2010 through November 30, 2013. The new assumptions were adopted by the Board of Retirement effective with the December 31, 2014 funding valuation.

The change in the investment rate of return assumption from 7.80% to 7.60% is one of the factors for the increase in the amount of Total Pension Liability (TPL) reported as "Changes of assumptions" in the Schedule of Changes in Net Pension Liability and Related Ratios.

The key new assumptions used for rolling forward TPL to December 31, 2014 are as follows:

Inflation	3.25%
Salary Increases	General: 4.15% to 7.45% and Safety: 4.45% to 10.45%, vary by service, including inflation
Investment Rate of Return	7.60%, net of pension plan investment expense, including inflation

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

Actuarially determined contribution rates for the first six months of calendar year 2014 (or the second half of fiscal year 2013-2014) are calculated based on the December 31, 2012 valuation. Actuarially determined contribution rates for the last six months of calendar year 2014 (or the first half of fiscal year 2014-2015) are calculated based on the December 31, 2013 valuation.

Valuation Date	December 31, 2013	December 31, 2012
Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percentage of payroll	Level percentage of payroll
Remaining Amortization Period	Prior to January 1, 2012, the total UAAL was amortized on a 30-year decreasing period, with 21 years remaining as of December 31, 2011 (and 19 years remaining as of December 31, 2013). On or after January 1, 2012, any new UAAL resulting from plan amendments are amortized over separate decreasing 15-year periods. Early retirement incentive programs (ERIPs) are amortized over separate decreasing 5-year periods. Assumption and method changes are amortized over separate decreasing 20-year periods. Experience gains/losses are also amortized over separate decreasing 20-year periods.	Prior to January 1, 2012, the total UAAL was amortized on a 30-year decreasing period, with 21 years remaining as of December 31, 2011 (and 20 years remaining as of December 31, 2012). On or after January 1, 2012, any new UAAL resulting from plan amendments are amortized over separate decreasing 15-year periods. Early retirement incentive programs (ERIPs) are amortized over separate decreasing 5-year periods. Assumption and method changes are amortized over separate decreasing 20-year periods. Experience gains/losses are also amortized over separate decreasing 20-year periods.
Asset Valuation Method	The actuarial value of assets is determined by recognizing any difference between the actual and the expected market return over 10 six-month interest crediting periods. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets. The valuation value of asset is the actuarial value of assets reduced by the value of the non-valuation reserves.	

Actuarial Assumptions:		
Investment rate of return	7.80%, net of pension plan investment expense, including inflation	7.80%, net of pension plan investment expense, including inflation
Inflation rate	3.50%	3.50%
Real across-the-board salary increases	0.50%	0.50%
Projected salary increases	General: 4.60% to 7.20% and Safety: 4.70% to 10.20%, vary by service, including inflation	General: 4.60% to 7.20% and Safety: 4.70% to 10.20%, vary by service, including inflation
Cost of living adjustments	3.00% of retirement income for General Tiers 1 and 3, and Safety Tier 1. 2.00% of retirement income for General Tiers 2 and 4, and Safety Tiers 2, 2C, 2D, and 4.	3.00% of retirement income for General Tiers 1 and 3, and Safety Tier 1. 2.00% of retirement income for General Tiers 2 and 4, and Safety Tiers 2, 2C, 2D, and 4.
Other assumptions	Same as those used in the December 31, 2013 funding actuarial valuation	Same as those used in the December 31, 2012 funding actuarial valuation

Non-OPEB

The actuarial assumptions used for the non-OPEB valuation were consistent with those applied to the pension plan with the exception of remaining amortization periods, which are 22 years at December 31, 2013 and 23 years at December 31, 2012.

POSTEMPLOYMENT MEDICAL BENEFITS

The actuarial assumptions used for the Postemployment Medical Benefits valuation were consistent with those applied to the Pension Plan with the exception of remaining amortization period, which is 22 years at December 31, 2013. All other assumptions noted for the Pension Plan were applicable, including: the Actuarial Cost Method, Asset Valuation Method, Amortization of UAAL, Amortization Approach, Actuarial Assumed Interest Rate, Assumed Salary Increases, Assumed Inflation Rate, and Assumed Across-the-Board Salary Increase. The Health Care Cost Trend Rate assumptions described below were specific to the Postemployment Medical Benefits.

Health Care Cost Trend Rates

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The trend rate for a particular plan year must be applied to that year's cost to yield the next year's projected cost.

All Non-Medicare plans: 8.0% for 2014 to 2015, reduced by 0.5% per annum until ultimate rate of 5%.

Medicare Advantage plans: 7.0% for 2014 to 2015, reduced by 0.25% per annum until ultimate rate of 5%.

Medicare Supplement plans: No longer available except through Medicare exchange.

Dental and Vision: 5%

Medicare Part B: 5%

Supplemental Schedules

Administration Expense

For the Year Ended December 31, 2014 (Dollars in Thousands)

Personnel Services		
Staff Wages	$	5,519
Fringe Benefits		3,079
Temporary Services		495
Total Personnel Services		**9,093**
Professional Services		
Computer Services		494
Audit		88
Total Professional Services		**582**
Communications		
Printing		123
Postage		16
Communication		92
Total Communications		**231**
Rental/Utilities		
Office Space		89
Equipment Leasing		19
Total Rental/Utilities		**108**
Other		
Depreciation and Amortization		126
Board of Retirement Operating Expenses		230
Insurance		445
Miscellaneous		221
Training		144
Maintenance-Equipment		53
Supplies		21
Total Other		**1,240**
Subtotal: Administrative Expense Subject to Statutory Limit		**11,254**
Legal Expenses		1,151
Technology Expenses		1,450
Business Continuity		828
Actuarial Expenses		282
Subtotal: Administration Expense Excluded from Statutory Limit[1]		**3,711**
TOTAL ADMINISTRATION EXPENSE	**$**	**14,965**

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

Investment Expenses

For the Year Ended December 31, 2014 (Dollars in Thousands)

Investment Manager Fees[1]	$	41,122
Brokerage Commissions		2,007
Investment Allocated Costs		2,266
Investment Consultants		1,029
Other Investment Expenses		133
Investment Custodians		536
Total Investment Expenses	**$**	**47,093**

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

Payments to Other Consultants[1]

For the Year Ended December 31, 2014 (Dollars in Thousands)

Actuarial & Audit Services	$	435
Human Resources Consulting		77
Legal Services		136
Other Specialized Services		583
Total Payments to Consultants	**$**	**1,231**

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

Investments

Eyes on the Horizon

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

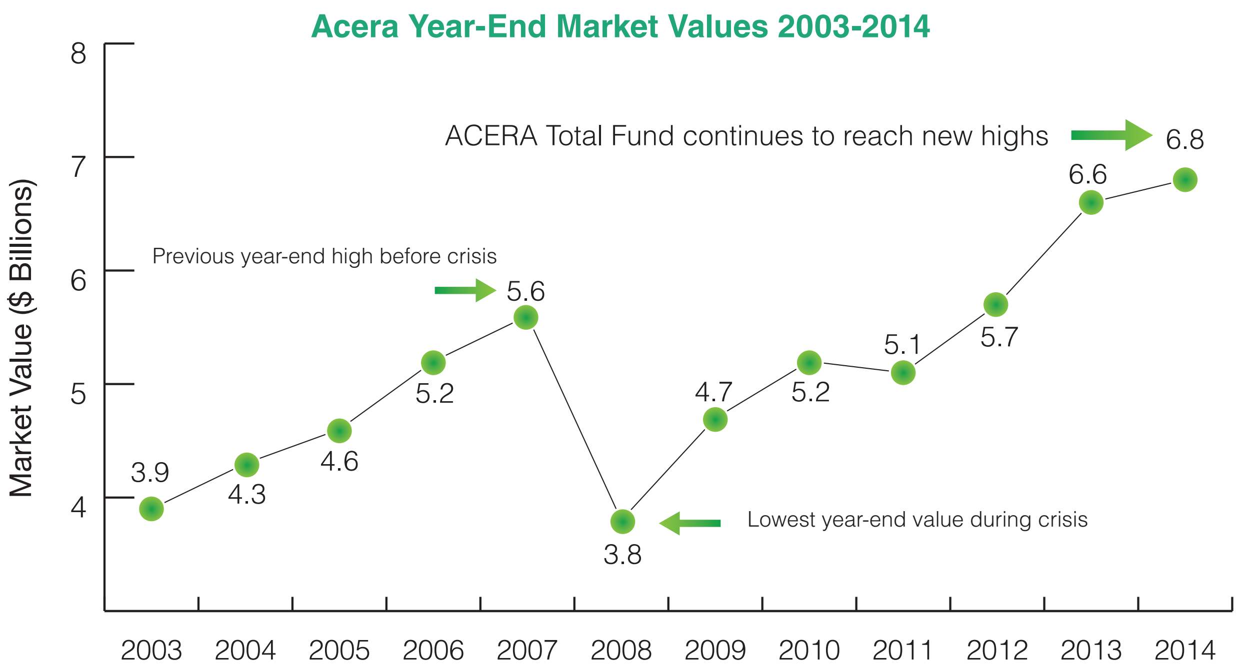
475 14th Street, Suite 1000, Oakland, CA 94612 800/838-1932 510/628-3000 fax: 510/268-9574 www.acera.org

Chief Investment Officer's Report

2014 CALENDAR YEAR

After exceptional returns for two years in a row with ACERA's Fund up 15.0% and 20.2% for 2012 and 2013, respectively, 2014 provided a modest gain for ACERA's Total Fund. In March 2009, the Total Fund experienced its lowest portfolio valuation of $2.9 billion as a result of the Great Recession. As of December 31, 2014, the Total Fund has recovered all of its unrealized losses from the Great Recession of 2009 and has more than doubled its value to $6.8 billion after expenses. In 2014, ACERA's Total Fund had a positive return of 4.7%[1].

ACERA'S TOTAL FUND LONG-TERM PERFORMANCE AS OF 12/31/2014



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

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

1 - ACERA's Total Fund Value increased by over $140 million after paying out monthly retiree benefits and administrative costs of approximately $137 million

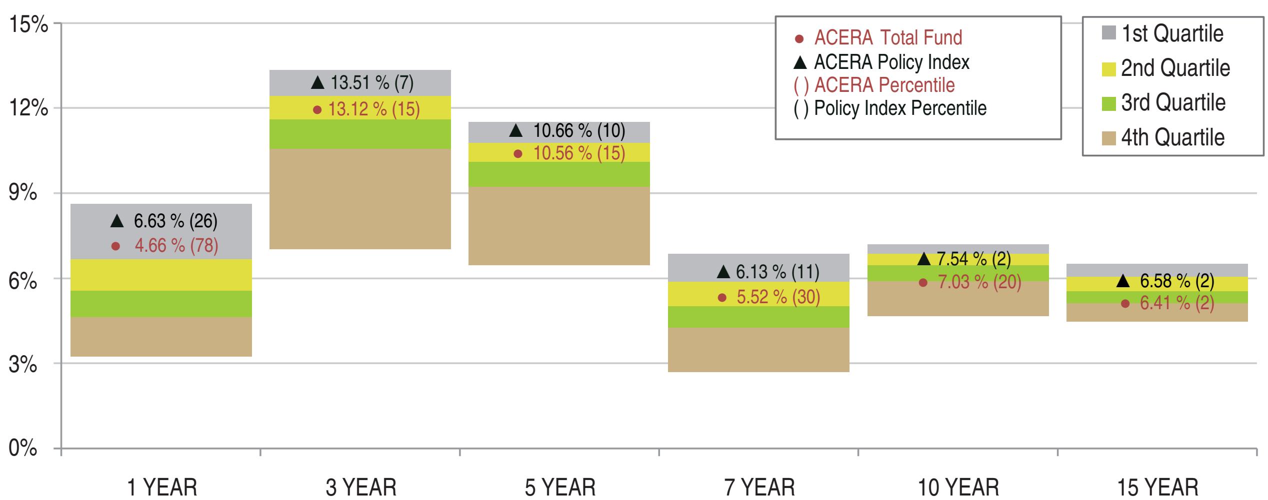
These are the goals as stated in the ACERA General Investment Guidelines, Policies and Procedures ("General Policy"). ACERA believes that prudent management of risk is a central element of the investment function and that diversification among asset classes will reduce risk and enhance returns of the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

PERFORMANCE HIGHLIGHTS OF ACERA'S 2014 INVESTMENT FUND (FUND)(GROSS RESULTS)

YEAR ($ Values in Billions)	2014	$ Value	Actual %	Target %
Total Fund Return (as of 12/31/14)	4.7%	$6.78	100.0%	100.0%
Policy Index	6.6%			
Median Return	5.6%			
Domestic Equity	9.5%	$2.45	36.1%	32.0%
International Equity	(3.9)%	$1.89	27.9%	27.0%
Fixed Income	7.6%	$1.10	16.2%	15.0%
Real Estate	12.4%	$0.45	6.6%	6.0%
PEARLS	16.1%	$0.60	8.9%	15.0%
Real Return Pool	(13.5)%	$0.29	4.2%	5.0%
Beginning Total Fund		$6.64		
Year-end Total Fund		$6.78		

As of 12/31/14, the ACERA Total Fund held $7.1 million in cash, representing 0.1% of the portfolio.

ACERA Total Fund Returns vs. Total Public Funds Annualized Returns[1]



Source for Table: Strategic Investment Solutions, Inc. (SIS)[2]

1 - Total Fund and asset class composites are ranked against the InvestorForce universe. A ranking of 1 is a top percentile ranking and a ranking of 100 is a bottom percentile ranking.
2 - SIS is ACERA's General Consultant.

PERFORMANCE HIGHLIGHTS FOR 2014

Relatively speaking, ACERA's Total Fund performed slightly better in the first half of 2014 despite significant geopolitical concerns involving Russia and Ukraine. The portfolio earned 5.5% over the first six months, slightly under the Policy index at 6.2%, and matching the median fund average. Employment growth in the U.S. continued to improve, while low GDP growth and concerns about the market's being overvalued contributed to modest returns in the first two quarters of 2014.

As we moved into the second half of 2014, ACERA's fund performance was hindered by market volatility with significant dips in October and December. ACERA's Total Fund decreased 0.8% over the second half of the year, underperforming the Policy Index and Median Fund, which returned 0.4% and 0.1% respectively. During this time period, the markets were turbulent amid a dramatic fall in oil prices and the strengthening of the U.S. dollar, which dominated the news. Additionally, the Federal Reserve concluded its latest quantitative easing (QE3) ending new asset purchases, which increased market uncertainty. In International equity markets, returns were hindered by fears of deflation and slow economic growth. Throughout all of the ups and downs in the several asset classes in 2014, ACERA stayed the course and was rewarded for maintaining its diversified portfolio. In addition to meeting all pension obligations for current retirees of the county, the Fund was still able to increase its assets for the calendar year of 2014 by over $140 million after all expenses, ending the year with $6.78 billion in assets.

Throughout 2014, the fund increased its asset base steadily in almost every quarter, as returns for the 1st, 2nd, and 4th quarter were 1.8%, 3.6% and 1.4% respectively. The only outlier came in 3rd quarter, where the fund lost 2.2%. The fund, however, underperformed the Policy Index for three of the last four quarters, ending with a gross -1.9% underperformance to the Policy Index.

Referring to the annual Performance Highlights table on page 63, the Domestic Equity asset class earned a return on a percentage basis of 9.5% and represented 36.1% of the overall portfolio at year-end 2014. The International Equity asset class had a negative return, down 3.9%, and represented 27.9% of the Fund at year-end. Private Equity and Alternatives Return Leading Strategies (PEARLS) returned 16.1% for the year and represented an investment of 8.9% and a total commitment of 12.8% of the portfolio. Real Estate as an asset class achieved 12.4% for the year and represented 6.6% of the ACERA portfolio. Fixed Income performed well with a return of 7.6% and the Real Return Pool had negative returns, losing 13.5% in 2014. The Fixed Income and Real Return Pool asset classes represented 16.2% and 4.2% of ACERA's total assets, respectively at year-end.

Compared with ACERA's actuarial assumed rate of 7.8%, the Fund fell below its assumed rate for the year, but has maintained strong performance over the past decade. ACERA's Total Fund weathered the troubles during the 2008-2009 financial crisis and reached another all time high in terms of fund size in mid-2014. For the trailing three-, five-, and ten-year periods, ACERA's Fund returned 13.1%, 10.6%, and 7.0%, respectively. Despite the modest positive performance for the year in 2014, ACERA's fund continues to perform in the top 25th percentile of peer funds over the long-term (a stated goal in ACERA's General Investment Guidelines, Policies and Procedures), as seen in the table below.

	1 Year		3 Years		5 Years		10 Years		15 Years	
	Return %	Rank	Return %	Rank	Return %	Rank	Return %	Rank	Return %	Rank
ACERA	4.7%	78	13.1%	15	10.6%	15	7.0%	20	6.4%	2
Policy Index	6.6%	26	13.5%	7	10.7%	10	7.5%	2	6.6%	2
Median	5.6%	50	11.4%	50	9.7%	50	6.5%	50	5.5%	50

FACTORS AFFECTING ACERA'S PORTFOLIO IN 2014

The Board's Actions

In 2014, ACERA's Board continued to diversify and enhance ACERA's portfolio with several decisions designed to meet the portfolio's investment goals over the long-term.

Asset allocation within a portfolio is one of the key drivers of performance. The Board continued to build out the PEARLS program by approving eight commitments to the various PEARLS subcategories, for a total of over $195 million in commitments to new PEARLS' investment managers in 2014. It is expected the program will take several years to implement; and therefore, until the PEARLS program is fully funded, both U.S. Equity, International Equity, and Fixed Income will be overweight to target.

On March 20, 2014, the Board adopted the Investment Committee's recommendation for Staff to issue a Request for Proposal (RFP) to identify a Real Estate Investment Consultant (RE Consultant) for ACERA. A search for a new RE Consultant had not been done for 12 years. Staff and SIS were assisted by Cortex Applied Research Inc. (Cortex) to develop an RFP and implement the Consultant search. On September 18, 2014, Staff received approval from the Board to proceed with the RFP using Staff's proposed timeline, set of minimum qualifications, and evaluation criteria. After Staff and SIS reviewed and scored the proposals of the six consultants, the Board, on January 15, 2015, adopted Staff's recommendation to continue due diligence on three short-listed candidates for further evaluation. It is expected that a new RE Consultant will be chosen by the Board during the first half of the year.

As for policies, procedures, and other matters, the Board reviewed and amended the Directed Brokerage Policy to reflect updates in the list of correspondent brokers and participating investment managers with target percentages of direction. Additionally, the Board adopted an amendment to ACERA's proxy voting guidelines and procedures to reflect current proxy voting issues affecting election of directors, proxy voting disclosure, and executive and director compensation. Lastly, from prior years Board action regarding ACERA's real estate asset class, ACERA concluded the sale of its separate property holdings except for its headquarters building at 475 14th Street, Oakland.

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

ACERA's Portfolio – Detail

ACERA's portfolio is diversified among six major asset classes: domestic equities, international equities, fixed income, real estate, private equity and alternatives investments (PEARLS), and the real return pool. The purpose of diversification is to minimize risk while maximizing the potential long-term return. The portfolio was constructed such that its volatility (defined as a measure of risk) is less than that of a traditional equity-only portfolio. ACERA's Fund is positioned to weather various market conditions and provide steady growth over the long-term.

With regard to changes made among the asset classes (in addition to building the PEARLS program), ACERA systematically rebalanced the portfolio in 2014 following its procedural guidelines. Based on the underweighting of the Real Return Pool and the overweighting of the U.S. Equity--Small Cap, Staff withdrew over $60 million from the small cap equity asset and reinvested over $70 million into its real return pool asset class in the first quarter of 2014.

Asset Class Review - 2014

U.S. EQUITY	
Asset Class Allocation – Target	32.0%
Asset Class Allocation – Actual	36.1%
Return	9.5%
Benchmark (Russell 3000 Index)	12.6%
Over/(Under) Performance - relative to Benchmark	(3.1)%
U.S. Equity Median	11.1%

In 2014, ACERA's U.S. equity investments returned 9.5%, underperforming the associated benchmark, the Russell 3000 Index, by 3.1%. ACERA's passive S&P 500 Index portfolio was the strongest performer in 2014, returning 13.7% for the year, as all other U.S. equity managers but one lagged their respective benchmarks for the year. The passive S&P 500 Index portfolio outperformed its benchmark by 2.0 basis points and represented 33.3% of the U.S. Equities, and 12.0% of the Fund.

The large cap active equity composite returned 9.8%, compared to its benchmark, the Russell 1000, at 13.2%, and accounted for 16.9% of the Fund's total assets at year-end, underperforming its relative benchmark by 3.4%. The Fund's large cap value manager returned 11.2% in 2014, while the large cap growth manager returned 8.2%, which represented an underperformance by both managers of 4.3% and 6.8%, respectively. ACERA's all cap manager returned 10.3% in 2014, representing an underperformance of 3.3%. Small cap performance returned 1.5%, and accounted for 7.2% of the Fund's total assets at year-end, underperforming its relative benchmark by 3.4%. The fund's small cap value manager led all small cap active U.S. equity managers with an 8.7% return in 2014, outperforming its benchmark by 2.0%. ACERA's two small cap growth funds (small cap and ultra small cap) did not perform as well in 2014 after having very strong returns in 2013. The small cap growth fund returned -5.9%, underperforming the benchmark by 14.0%, while the ultra small cap growth fund returned -6.4% for 2014, underperforming its benchmark by 13.2%.

The Total Fund is positioned to be well-diversified among its U.S. equity investments owing to its allocation to both large and small cap active management, which complement the large allocation to passive management. Of the six actively-managed U.S. Equity accounts, only one exceeded its benchmark for the year, which explains the overall underperformance by the U.S. equity portfolio in 2014. The lower performance in this asset class is not a surprise after the stellar performance by ACERA's U.S. equity managers during 2013.

INTERNATIONAL EQUITY	
Asset Class Allocation – Target	27.0%
Asset Class Allocation – Actual	27.9%
Return	(3.9)%
Benchmark (MSCI ACWI IMI – ex U.S. IMI Index)	(3.5)%
Over/(Under) Performance – relative to Benchmark	(0.4)%
IFx All DB ex-U.S. Equity Gross Median	(3.5)%

ACERA's international equity composite portfolio accounted for 27.9% of the Fund at year-end, returned -3.9%, underperforming its benchmark, the Morgan Stanley Capital International All Country World Index Investable Market Index– ex U.S. ("MSCI ACWI IMI – ex US") by 0.4% in 2014. Geopolitical unrest, instability in Ukraine, rising interest rates, a strong U.S. dollar, plunging oil prices, a mixed growth picture, and the threat of Ebola made up the list of headwinds that faced ACERA's International Equity managers. Emerging markets, which performed slightly better in the first part of 2014, underperformed developed markets in the fourth quarter. The Fund's international value manager representing 8.3% of the Total Fund was the best performing international manager returning -1.4%, outperforming its benchmark the MSCI ACWI Ex U.S. Index by 2.0% in 2014. The Fund's international small cap manager returned -2.1% and was a relatively strong performer, outperforming its benchmark the MSCI ACWI Ex U.S. Small Cap Index by 1.6%. Accounting for 11.2% of the Fund, the core/growth international equity manager returned -6.5% underperforming its benchmark (MSCI ACWI Ex U.S. Index) by 3.1%. ACERA's quantitative-oriented international equity manager outperformed the same benchmark by 0.1% in 2014, by returning -3.3%. Global markets, as a group, did not perform well in 2014, ending a trend from 2013. Nonetheless, three out of ACERA's four international equity managers outperformed their benchmark indices despite continued weakness throughout the global markets.

FIXED INCOME	
Asset Class Allocation – Target	15.0%
Asset Class Allocation – Actual	16.2%
Return	7.6%
Benchmark (75% BC Agg/15% Citi WGBI-ex US/10% BC HY)	4.3%
Over/(Under) Performance – relative to Benchmark	3.3%
Fixed Income Median	4.7%

ACERA's fixed income portfolio returned 7.6% in 2014, outperforming its blended benchmark (75% Barclays Aggregate Bond Index, 15% Citigroup World Government Bond Index ex-US, and 10% Barclays Corporate High Yield Index) by 3.3%. The strong outperformance can be attributed to all of ACERA's fixed income managers, with each beating its assigned benchmark in 2014. The best relative performance came from the Fund's global fixed income manager, which returned 6.6%, outperforming the Citi World Global Bond Index by 7.1%. The two remaining fixed income managers returned 7.7% and 8.5%, outperforming their benchmarks by 1.7% and 0.2%, respectively.

REAL ESTATE	
Asset Class Allocation – Target	6.0%
Asset Class Allocation – Actual	6.6%
Return	12.4%
Benchmark (NCREIF ODCE Property Index)*	12.5%
Over/(Under) Performance – relative to Benchmark	(0.1%)
Real Estate Median	12.9%

*Source: The Townsend Group.

The U.S. real estate market continued its recovery in 2014, which translated into good performance for ACERA's real estate portfolio investments. ACERA's real estate portfolio returned 12.4% in 2014, slightly underperforming its benchmark, the National Council of Real Estate Investment Fiduciaries Open-End Diversified Core ("NCREIF ODCE") Property Index, by 0.1%. ACERA's real estate portfolio return came in below the median return, which was 12.9% for the year. Real Estate posted its fifth consecutive year of positive returns since bottoming out in 2009. ACERA separates its real estate investments into two categories, Core and Value Added, and the gross returns for each category were 13.0% and 11.1%, respectively.

PEARLS	
Asset Class Allocation – Target	15.0%
Asset Class Allocation – Actual Funded	8.9%
Asset Class Allocation – Actual Commitment	12.8%
Return	16.1%
Benchmark (Russell 3000 Index + 100 bps)	13.6%
Over/(Under) Performance – relative to Benchmark	2.5%

No PEARLS Median

ACERA's PEARLS portfolio returned 16.1% for the year, outperforming its benchmark, the Russell 3000 + 100 bps, by 2.5%. The PEARLS portfolio is currently invested across 36 funds and is segregated into five sub-asset classes: buyouts, venture capital, debt-related/special situations, absolute return, and other/alternative investments. PEARLS continues to be an important asset class to the Fund, providing additional non-correlated diversification and cash-flow in the form of distributions. Due to the partial maturity of the program, the PEARLS portfolio continues to be below its target allocation and target diversification ranges. ACERA will continue to build the PEARLS program throughout 2015 but we do not expect it to be fully implemented until after 2016. As of December 31, 2014, ACERA's PEARLS portfolio had total commitments of $866.5 million and a current market value of called capital of $601.6 million, which accounts for 8.9% of the overall Fund Value.

REAL RETURN POOL (RRP)	
Asset Class Allocation – Target	5.0%
Asset Class Allocation – Actual	4.2%
Return	(13.5)%
Benchmark (CPI + 300 bps)	4.6%
Over/(Under) Performance – relative to Benchmark	(18.1)%

No RRP Median

The Real Return Pool (RRP) continued in its role as a long-term hedge against inflation surprises. The asset class lost ground as commodity prices fell throughout the year and inflation surprises did not materialize. As a group, the three Real Return Pool Strategies returned -13.5%, underperforming their benchmark (Consumer Price Index + 300 bps) by 18.1%. ACERA's actively managed inflation protection portion of the RRP returned -11.0%, underperforming the assigned benchmark of Consumer Price Index + 300bps by 15.6%. The two commodity funds in the RRP returned -17.0% and -17.4% for the year, closely tracking the assigned benchmark, the Bloomberg Commodity Index, which returned -17.0%. Note that the Real Return Pool is a small 5% hedge on the total portfolio. Real Return Assets are expected to exhibit low correlations to equity and fixed income assets, the largest components of the portfolio.

General Economy and Investment Markets in 2014

The 2014 economic and market performance highlights are as follows:

In 2014, broad United States macro-economic indicators continued to improve overall, despite falling commodity prices at year-end and global tensions.

- For the year 2014, real U.S. GDP rose by 2.4% compared to an annual increase of 2.2% percent for 2013. Contributing to the rise in real U.S. GDP were an increase in consumer spending for goods and services, an increase in business investment, and a notable increase in export of goods. Main detractors to real GDP growth in 2014 were an increase in imports and a decrease in federal government spending.
- The Consumer Price Index ("CPI") increased 0.8% compared to 1.5% in 2013.
- The Federal Reserve interest rate target range remained unchanged for a fourth straight year at 0% to 0.25%.
- The annual U.S budget deficit fell to $483 billion for Fiscal Year 2014, a 29% decrease from the 2013 annual deficit of $680 billion. The U.S Office of Management and Budget forecasts the 2015 deficit to be $468 billion, a slight decrease from 2014.
- Total Public Debt increased by $1.1 trillion over 2014 to $17.8 trillion, a 6.5% increase in total debt.
- In 2014, the unemployment rate fell to 5.6% from 6.7%. The State of California ended the year with a 7.0% unemployment rate, compared to an unemployment rate of 7.9% at the end of 2013.
- Personal income increased 4.0% in the U.S. during 2014 compared to a 2.0% increase in 2013.
- Continuing off last year's strength in residential real estate, new housing starts in 2014 totaled approximately 1.0 million, 8.4% more than the 924,900 housing units started in 2013.
- In 2014, the U.S. equity markets, as measured by the DJIA, S&P 500, and the NASDAQ, rose 10.0%, 13.7%, and 14.7%, respectively.
- International markets saw a large pullback due to global economic slowdown with the MSCI World – ex U.S. Index returning -3.9% for 2014 versus a 21.6% return in 2013.

The year 2014 marked another year of slow, but solid growth in the U.S. economy amid a backdrop of global unrest and economic slowdown outside the United States. The U.S. equity market extended its rally for a sixth year and indices reached new all time highs. U.S. labor markets showed signs of improvement as the unemployment rate dropped to 5.6% by year-end and applications for unemployment benefits trended below 300,000 over several months. These strengths combined with tepid inflation motivated the Federal Reserve to end its six-year bond-buying program (i.e. Quantitative Easing) in October, under the guidance of new Federal Reserve Chair Janet Yellen. However, the U.S. economy has not experienced much wage growth and the labor market still has a large amount of slack (e.g. part-time workers wanting to work full-time). As such, with the goal of full employment and price stability in mind, the Federal Reserve remained accommodative by holding short-term interest rates near zero and maintaining a stance of "patience" with respect to normalizing monetary policy.

Although corporate profits continued to soar in 2014, incomes for low-wage workers remained stagnate, exacerbating the wealth gap between the high-income and the middle- and lower-income classes to record high levels not seen since the Great Recession of 2008. As such, the average American may have not been able to feel the full effects of the recovering job, stock, and housing markets. The current Obama-Biden Administration has declared raising wages of the middle class to be important, with 20 states plus the District of Columbia slated to raise minimum wages in January 2015.

The year of 2014 also had several disruptions of which the full effects have yet to be seen. The price of global crude oil (Brent Spot) plunged from roughly $115 a barrel in June to the mid-fifties by year-end, promptly raising debates about the benefits, disadvantages, and overall net effect to the U.S. economy and abroad. The Ukrainian crisis brought about global sanctions against Russia early in the year, which, in part with the oil crash, has led to the collapse of the ruble. Elsewhere around the developed world, multiple central banks implemented various monetary easing policies in an effort to boost a stagnating global economy. Accordingly, the International Monetary Fund has emphasized the importance of structural economic reform in all countries amidst a weaker global growth forecast for 2015-2016.

Equity Markets - Domestic and International

With no significant market headwinds and the continuance of the low interest rate environment, most major U.S. equity market indices posted healthy gains in 2014. The Dow Jones industrials gained 10.04%, while the S&P 500 gained 13.7% after last year's 32.4% gain. The Russell 3000 and Mid-Cap increased 12.6% and 13.2%, respectively. The NASDAQ returned 14.7% for the year. Nine out of the ten economic sectors had very respectable returns: Utilities up 29.0%, Health Care up 25.3%, Technology up 20.1%, Consumer Staples up 16.0%, Financials up 15.2%, Industrials up 9.8%, Consumer Discretionary up 9.7%, Materials up 6.9%, and Telecom up 3.0%, respectively. The one outlier was Energy, which was down -7.8%., largely driven by the roughly 50% decline in the price of crude oil (Brent Spot). Since the market low in March 2009, the S&P 500 is up 244.2% with Consumer Discretionary up 399.5%; only the Financial sector remains below its October 2007 peak high, off by -19.6%. The drivers of the continued market expansion can be attributed to a number of factors: earnings per share have improved, including share buybacks. Real GDP has expanded since 2Q2009, which is an all-inclusive measure of economic activity. Manufacturing has also recovered in the U.S. as Institute of Supply Management (ISM) Manufacturing Index numbers have consistently been over 51, a benchmark suggesting economic expansion. The ISM Index was 55.5 at the end of 2014.

Stock prices have risen significantly faster than earnings growth over the past year and, as a result, the price/earnings ratio for the S&P 500 jumped to 16.2 from 15.4 in 2013. Given this extended market recovery, the markets may see some consolidation in 2015, as well as (a) some volatility with the divergent world GDPs, (b) central bank actions, and (c) very strong dollar.

Unhedged international equity markets did not fare as well as the U.S. domestic markets. With geopolitical risk in the Ukraine and in the Middle East, earnings have been declining in Europe and Latin America while flat in Asia. Specifically, in the MSCI Europe index was down -24% and in Emerging Markets index was down -23%. Unemployment remained high in many European countries. All said, the developed markets –(as measured by the MSCI AC World Index ex USA) declined 3.4% and the Emerging Markets Index –(as measured by the MSCI Emerging Markets Index), declined 1.8%. With foreign central banks further easing (their version of QE), international markets in 2015 could start to perform better.

Fixed Income Markets - Domestic and Global

The U.S. fixed income markets provided strong returns in 2014 as long-term interest rates continued to decline as the yield curve flattened. The Federal Reserve continued its commitment to keep long-term rates low with the use of its bond purchasing program commonly known as "QE" or Quantitative Easing for most of 2014. However, after two years of "QE3", the Federal Reserve ended new bond purchases in the fourth quarter of 2014 in accordance with their designated timeline. This planned exit brought signs of volatility to the bond markets in the third quarter but did not materialize into any major turmoil for the markets through the end of the year.

The U.S. economy continued its recovery in 2014, while the rest of the world remained stagnant or started showing signs of slower growth. U.S. Treasuries returned 5.1% as a group with the 30-year bond being the best performer returning 29.4% in 2014. U.S. Municipal bonds also performed well during the year returning 9.1% while securitized bonds tracked slightly lower with MBS and CMBS indices returning 6.1% and 3.9%, respectively. Continuing with the trend, U.S. Corporates showed strong results in 2014 with investment grade bonds returning 7.5%, with AAA rated bonds being the best performer returning 9.8% for the year.

Unhedged international bond markets did not see the same success as the U.S. in 2014, as the Citi World Global Bond Index returned -0.5%. Many of the same lingering economic fears from 2013 continued into 2014 as well as many new issues arising. Both China and Europe continued to see slow growth in their economies and almost every major region of the world, except the US, is starting to see deflation. Following in the footsteps of the US, many governments throughout Europe and South America discussed or initiated their own monetary stimulus programs in 2014, in attempts to ignite growth and fight off deflation.

Real Estate Markets

ACERA's real estate portfolio produced strong returns in 2014, although it slowed somewhat compared to 2013. The NCREIF ODCE Property Index returned 12.5% in 2014 (versus 13.9% in 2013), with ACERA's portfolio returning 12.4% (versus 14.3% in 2013). There was broad-based improvement across the various real estate sectors helping to produce this return.

The office sector continued to strengthen alongside employment gains. Rents rose 3.3% for the full year and ended 2014 only slightly below their 2008 peak[1]. With office square-foot absorption the highest since 2007 and limited capacity growth, vacancy rates continued to decline. In the industrial sector, rising industrial production and activity drove increased demand across the supply chain. Industrial square-footage supply continued to remain below historical norms, causing square-footage absorption to continue its positive trend and rents to rise 4.8%[2]. Meanwhile, the residential sector also benefitted from limited supply and rising demand. The significant and persistent decline in homeownership rates (64% in 2014.Q4 versus the cyclical peak of 69.1% in 2005.Q1) has shifted millions of households from home owners into renters. This shift, along with limited supply additions and sluggish, but positive, increases in household creation, helped push residential rates up 3.6% in 2014[3]. Finally, the retail sector saw improvements, but improvement in this sector have lagged the other real estate sectors as a rebound in broader retail sales has been subdued since the economic downturn and malls (both regional and super-regional) have lost sales and market share to e-commerce sites[4].

Private Equity Markets

Private equity markets continued to rally in 2014 following a strong 2013. ACERA's private equity portfolio (a subset of the PEARLS program) returned 21.7%, the highest of all asset classes within the portfolio, following a roughly 15% gain in 2013. In 2014, against the backdrop of expensive valuations and heavy competition amongst strategic investors, private equity fund managers capitalized on 1,604 exits valued at $428 billion, 30% more than the total value of exits in 2013. Meanwhile, the total value of buyout deals reached $332 billion globally, the highest since 2007. Moreover, 7,475 venture capital financings were announced globally with an aggregate value of $86 billion. Though the number of venture capital financings fell 11% versus 2013, the aggregate value of them rose 58%[5].

At the end of June 2014, there were $3.8 trillion in assets under management (AUM) at private equity and venture capital investment managers, an 11.9% increase versus the comparable period in 2013. Given the double-digit return for private equity managers in the second half of 2014, AUM at these managers likely finished 2014 in excess of $4 trillion. To put this into perspective, $4 trillion in AUM represents more than one-fifth of U.S. nominal

1. CBRE Research. "CBRE Marketview Snapshot: U.S. Office, Q4 2014". *CBRE*. CBRE Inc. n.d. Web. February 26, 2015..

2 - CBRE Research. "U.S. Industrial, Q4, 2014: U.S. Industrial market ends year on high note". *CBRE*. CBRE Inc. n.d. Web. February 26, 2015.

3 - Hudson, Kris. "Smaller Cities Led Way in Rent Increases in 2014". *The Wall Street Journal*. The Wall Street Journal. January 5, 2015. Web. February 27, 2015.

4 - Rosenbaum, Abigail. "For U.S. Retail, Adjusting to a New Operating Environment". *CBRE*. CBRE Inc. November 10, 2014. Web. February 26, 2015.

5 - Prequin. "The 2015 Prequin Global Private Equity & Venture Capital Report". Prequin. Prequin Ltd. N.d. Web. March 3, 2015.

GDP, and slightly less than the Federal Reserve's balance sheet. Moreover, roughly $1 trillion of the AUM is "dry powder" and has yet to be invested.

The rise in the industry's AUM resulted from an increase in the unrealized value of portfolio holdings and aggregate capital raised (over $500 billion), offset somewhat by distributions to limited partners. Investor interest in this asset class was robust last year and continues to be today. As of January 2015, there were 2,235 funds looking to raise an aggregate $793 billion.

ECONOMIC OUTLOOK FOR 2015

The outlook for global economic activity in 2015 is slightly better than 2014's subdued expansion. According to the World Bank, global growth was 2.5% last year and 2015's outlook is for only a slight improvement in growth this year. The expansion in developed economies outside of the U.S. remains fragile, requiring that monetary policies remain extremely accommodating to avoid tipping developed countries back into recession.

In the US, the economic expansion is likely to be 2.5% - 3.0% in real terms, only a marginal improvement from the 2.4% growth registered in 2014. The effective Fed Funds rate has now been below 0.25% for more than six years after averaging 5.07% since 1954. With the significant expansion in the Federal Reserve's balance sheet, the U.S. economy has yet to reach self-sufficiency without the assistance of highly accommodative monetary policy with aggregate income growth continuing to remain feeble. In Europe, weakness in most economies outside of Germany has forced the European Central Bank to enact strong monetary measures (i.e. negative deposit rates) including quantitative easing in 2015. After registering growth of slightly less than 1% in 2014, we do not expect to see much of an improvement in the rate of expansion this year as high unemployment rates and low internal and export product demand will likely keep the expansion there subdued. In Japan, fiscal tightening accompanied by additional quantitative easing programs have only served to expand the country's economy by around 0.5% in 2014. With consumption remaining sluggish, only a small pickup in growth to around 0.75% - 1% is likely this year. Meanwhile, emerging economies have been soft as China engineers its economic slowdown following a multi-year investment boom. This slowdown in the world's second largest economy, combined with weak developed-market demand should keep sluggish growth in the emerging world from accelerating too much this year. Accordingly, growth in the developing world is likely to be around 5%, or only slightly better than 2014's rate of about 4.5%.

Given the accommodative stance of global central bankers, the prices of many asset categories (i.e. stocks, bonds, real estate) have all rallied sharply over the last two years. This central-bank-led rally in asset prices, against an uninspiring fundamental backdrop that has caused earnings estimates to decline steadily, has left valuations of many asset classes at lofty levels. With that in mind, we are cautious and will be monitoring the valuations of asset prices in many areas, particularly if economic and earnings fundamentals do not improve beyond expectations.

GENERAL INFORMATION

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

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

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

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

ACERA updated asset allocation and managers' structure targets, which were adopted in September 2012, and were incorporated into the General Policy by the Board in May 2013; ACERA also incorporated the Real Return Pool Policy as an appendix to the same General Policy.

SUMMARY OF ACERA'S OTHER INVESTMENT-RELATED POLICIES

Private Equity And Alternatives Return Leading Strategy Policy

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

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

The objectives of ACERA's PEARLS include the following: 1) to generate returns superior to those available in the public equity market to compensate the Fund for the long-term and for its illiquid commitments associated with Private Equity and Alternatives investments; 2) to enhance ACERA's long-term risk adjusted return and provide additional diversification to ACERA's overall investment Fund; 3) to generate returns above the median of comparative universe returns; and 4) to generate total PEARLS Portfolio returns approximately 100 basis points over U.S. public market equity investments, as measured by the Russell 3000 Index, net of all fees and expenses (Russell 3000 + 100 bps).

Real Estate Strategic Plan

ACERA has determined that, over the long-term, inclusion of equity real estate investments should provide the following benefits:

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

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

The implementation of the real estate program is also subject to ACERA's General Policy as established by the ACERA Board

Emerging Investment Manager Policy

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

Program are as follows: 1) to identify and gain early access to the most talented investment managers in their early business stages; 2) to generate superior Fund return performance through the EM Program; 3) to identify superior EMs and/or investment opportunities in California and Alameda County that are equal to or superior to comparable available investments; and 4) to further diversify the Fund's overall investment program so as to enhance the risk-adjusted returns of the Fund. The EM Policy was amended in January 2013.

Directed Brokerage Policy

The Directed Brokerage Policy governs the Directed Brokerage (DB) Program, the strategic objective of which is to recapture a portion of trade commissions paid to brokers. The primary goals of the DB Program are to: 1) recapture 50% or more of commissions paid on a specific percentage of trades sent to correspondent brokers on a timely basis; 2) identify a target percentage range of trades that may be subject to recapture to allow Investment Managers to have access to the research they need; 3) seek "Best Execution" through third-party administration oversight and outside consultant monitoring; and 4) encourage local broker and/or emerging broker participation through the use of an open correspondent network program. The Directed Brokerage Policy was updated in November 2014 to reflect minor changes in participating investment managers and the list of correspondent brokers.

Real Return Pool Policy

ACERA adopted a Real Return Pool Asset Class in April 2011 with a 5% allocation target of the ACERA Total Fund. In September of the same year, the Real Return Pool Policy was adopted by the Board. Real Return Pool investments consist of Real Assets that are expected to produce positive returns with a bias toward periods of unexpected U.S. inflation and increasing U.S. inflation expectations. The strategy is implemented using a diverse set of exposures to inflation sensitive instruments, hedges intended to reduce various risk exposures, and active strategies intended to provide additional sources of absolute returns by under- and over-weighting the strategic risk target of the various inflation sensitive instruments and securities. All Real Return Pool investments/strategies are Alternative Investments. The Real Return Policy became an Appendix to the General Policy in May, 2013.

Proxy Voting Guidelines and Procedures (Proxy Guidelines)

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

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

ACERA's Proxy Voting Guidelines and Procedures were revised in 2014 to reflect current proxy voting issues by aligning with the ISS Benchmark Proxy Voting Policy.

SPECIFIC INVESTMENT RESULTS BY ASSET CLASSIFICATION

In summary, ACERA's Total Fund gained 4.7% and finished 2014 with a market value of $6.8 billion. The U.S. equity composite ($2.4 billion) returned 9.5%, in 2014 underperforming its benchmark (Russell 3000 Index) by 3.1% and underperforming the median equity manager by 1.6%. ACERA's international equity composite ($1.9 billion) returned -3.9%, underperforming its benchmark (MSCI ACWI ex-U.S. IMI Index) and the median of international equity managers by 0.4%. ACERA's total fixed income composite ($1.1 billion) returned 7.6% in 2014, which outperformed both its blended benchmark (75% Barclays Aggregate/15% Citigroup WGBI ex-US/10% Barclays High Yield) by 3.3%, and the Fixed Income median by 2.9%. ACERA's real estate composite ($0.4 billion) returned 12.4%, underperforming its benchmark (NCREIF ODCE) by 0.1% and the Real Estate median by 0.5%. The PEARLS composite ($0.6 billion) returned 16.1%, outperforming its benchmark (Russell 3000 + 100 bps) by 2.5%. The Real Return Pool composite ($0.3 billion) lost 13.5% for the year, underperforming its benchmark (Core CPI + 300 bps) by 18.1%.

As of December 31, 2014, ACERA's Fund was over-weighted in total equities, with 64.0% in total equities versus the target of 59.0%. Domestic equities were over-weighted at 36.1% versus the target of 32.0%. International equities were 27.9% versus the target of 27.0%. Total fixed income was over-weighted at 16.2% versus the target of 15.0%. Real estate was slightly above its 6.0% target at 6.6%. PEARLS was 8.9% funded and 12.8% committed, to its target of 15%. It should be noted that the traditional equity and fixed income asset classes will be over-weighted until the PEARLS portfolio is fully funded. At the close of 2014, The Real Return Pool represented 4.2% of the Fund, which is underweight with respect to the target of 5.0%.

Respectfully Submitted,

Betty Tse, CPA, CGMA, MBA
Chief Investment Officer, ACERA
March 31, 2015

Investment Consultant's Report

STRATEGIC INVESTMENT SOLUTIONS

Alameda County Employees' Retirement Association
2014 INVESTMENT CONSULTANT'S REPORT

Summary

The year 2014 saw a number of significant macro events including steep sell-offs in the Emerging Markets, Russia's predations in Ukraine, multi-sided conflict in the Middle East, an Ebola episode in Africa, disappointingly slow growth in China and Europe, and finally a year-end plunge in oil prices. The market disruptions that came with these events, along with a general investor preference for yield and safety, drove divergent returns across the major asset classes and an uneven year for institutional portfolios.

During 2014, the U.S. equity market provided another strong return year. This was the third double-digit annual return in a row, and the fifth positive year in the six years since the Global Financial Crisis (only 2011 was negative, albeit only very slightly). Consequently, the U.S. Equity market has now returned a robust 204% since the bottom of the GFC in March of 2009, driving valuations from 10.3 times to 16.3 times forward earnings (the 25-year average multiple is 15.6).

During the year large cap returns exceeded small cap returns by a wide margin while the spread in return between growth and value styles, in contrast, were fairly muted. Exposure to and investment in biotechnology, software as a service, energy and REIT stocks were significant drivers of return during the calendar year. Utilities, Health Care, and Information Technology were the strongest performing sectors in the Russell 3000 Index for the year, while Energy was the weakest, losing 9.8% during the year and 12.9% during the fourth quarter alone as oil prices plunged. This pattern of sector returns, the underperformance of smaller caps, and the ongoing investor preference for defensive and yield-oriented equities created a difficult environment for active managers, and an unusually high proportion (up to 80%) of active U.S. equity managers performing below their benchmarks in 2014.

Most fixed income market participants were surprised in 2014 by interest rates and oil prices. Despite the broad consensus for rising rates at the end of 2013, Treasury yields experienced fairly significant declines in 2014, especially at the longer end of the yield curve, creating a challenging environment for many bond managers. Oil was in the $100 a barrel range for the first half of 2014 before falling almost 50% in the second half of the year. The precipitous price decline caused significant spread widening for high yield issues in the energy sector, which spilled over to other high yield sectors and the bank loan market.

The Barclays Capital U.S. Aggregate Index ended the year with a return of just under 6%. Investment grade corporate credit has been the best performer for 2014, followed by mortgage-backed securities. However, lower quality corporate credit names performed much worse than their higher quality peers, with CCC posting negative returns for 2014. With U.S. dollar appreciating, non-dollar fixed income investments also had a challenging year in 2014. At the beginning of the year, developed world bond yields were discounting the imminent conclusion of quantitative easing and the beginning of the reversion to normal monetary conditions. Over the course of the year, yields re-adjusted to the new expectation of a prolonged period of unorthodox central bank intervention.

While the U.S. economic expansion gained steam throughout 2014, growth in other major economies was weaker. Germany, and Europe generally, experienced slowdowns, Japan remained in a weakening business cycle, and China continued to face late-cycle pressures and the risk of a growth recession. EU countries are experiencing falling commodity prices and weaker inflation, but also promises of further monetary easing. Within the emerging markets, many countries are facing a challenging environment characterized by falling commodity prices, a strong dollar, and continuing external financing pressures.

With the U.S. dollar strengthening against other currencies, international equity market returns were generally disappointing for unhedged U.S. dollar investors. During 2014, both the Yen and the Euro fell more than 12% against the U.S. dollar, and the UK Pound Sterling was down almost 6%. The developed equity markets, as measured by the MSCI EAFE Index, declined 4.5%, with the emerging markets, as measured by the MSCI Emerging Markets Index, edging down 1.9%. Within these broad indices, there was significant dispersion among individual country returns. Plans with a global outlook and relatively high allocations to non-U.S. equity suffered from the disappointing returns in the foreign markets in 2014.

After an extended string of outstanding performance, the ACERA total portfolio had a challenging year in 2014, returning 4.7%, and ranking it in the top 78% of its large public fund peer plans. Even with a difficult 2014, ACERA recent and longer term returns remain stellar, ranking in the top 15% for both the last three and five years.

In the difficult macro environment of 2014, ACERA's active equity managers struggled to keep pace with their index benchmarks. In aggregate, the U.S. equity managers lagged the Russell 3000 Index benchmark by a margin of 3.1% during the year. The Fund's Large Cap and Small Cap Growth managers had especially tough years, as fell well short of their benchmarks. The International Equity composite also underperformed the asset class benchmark, trailing the MSCI ACWI ex U.S. IMI index by 40 basis points in 2014.

In contrast, ACERA's Fixed Income managers as a group performed well, and in aggregate outperformed the total bond benchmark by 330 basis points for the year. All three bond mandates: Core, Global Opportunistic, and Opportunistic Credit, again bested their benchmarks in 2014. The Real Estate managers' 12.4% return performed just below the NCREIF ODCE Index benchmark and the median institutional Real Estate composite portfolio.

Despite still being in the early, ramp up phase of its implementation, the ACERA PEARLS portfolio managed to beat its benchmark in 2014. In the continuing low inflation environment of 2014, the new Real Return pool again lagged its benchmark significantly in 2014. SIS expects both of these portfolios to be strong components of the portfolio in the years to come.

Investment Guidelines, Policies and Practices

In 2014, ACERA continued funding its plan initiative known as the Private Equity and Returns Leading Strategies (PEARLS) program. The program is designed to enhance portfolio performance through the addition of return-enhancing and diversifying private equity and other non-traditional investments. The PEARLS program is being funded opportunistically over an expected three- to five-year period. The PEARLS portfolio is anchored in a diverse array of Private Equity investments, with Currency, Absolute Return, and other return-enhancing and uncorrelated investments also included in the portfolio.

Several initiatives to strengthen plan policy and reiterate strategic course were completed during the year, including the following:

- Re-evaluate Asset Allocation and Asset Class Structure targets
- Revise PEARLS Policy Statement
- Evaluate Directed Brokerage Program, update Policy Statement
- Revise Proxy Voting Guidelines

Investment Objectives

In 2014, the ACERA portfolio performed well in a difficult market environment, and the total fund's three and five year returns both ranked in the top fifteen percent of the large public plan universe of ACERA's peers. During the year, the Association once again met its goals of complying with applicable fiduciary standards, and of continuously enhancing its investment portfolio. Most importantly, the Association ensured the availability of sufficient funds to pay vested benefits and maintain supplemental benefits for its participants.

Investment Results *

		ANNUALIZED	
	2014	THREE YEARS	FIVE YEARS
DOMESTIC EQUITY			
Total Domestic Equity	9.50%	20.33%	15.80%
Median	11.14%	20.21%	15.56%
Benchmark: Russell 3000	12.56%	20.51%	15.63%
INTERNATIONAL EQUITY			
Total International Equity	-3.89%	11.06%	5.69%
Median	-3.48%	10.57%	5.67%
Benchmark: MSCI ACWI ex U.S. IMI	-3.47%	9.70%	4.90%
FIXED INCOME			
Total Fixed Income	7.61%	6.79%	7.81%
Median	4.71%	4.55%	5.92%
Benchmark: Hybrid Index	4.29%	2.53%	4.39%
REAL ESTATE			
Total Real Estate	12.45%	12.44%	13.04%
Benchmark: NCREIF ODCE	12.48%	12.45%	13.92%
PEARLS			
Total PEARLS	16.09%	13.11%	11.22%
Benchmark: R3000 + 100 bps	13.56%	21.51%	16.78%
REAL RETURN			
Total Real Return	-13.47%	-7.50%	—
Benchmark: CPI Core + 300 bps	4.61%	4.74%	—
TOTAL FUND			
ACERA Total Fund	4.66%	13.12%	10.56%
Median	5.60%	11.41%	9.68%
Benchmark: Policy Index	6.63%	13.51%	10.66%

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

Asset Allocation

	PERCENTAGE TARGET	12/31/14 ACTUAL
U.S. Equity	32%	36.1%
Non-U.S. Equity	27%	27.9%
Fixed Income	15%	16.2%
Real Estate	6%	6.6%
PEARLS	15%	8.9%
Real Return	5%	4.2%
Cash	0%	0.1%

Over the last several years, the Association has performed extraordinarily well while also aggressively funding its important PEARLS portfolio, an initiative designed to improve fund returns in the future, and its Real Return portfolio, an initiative designed to hedge the risk of future inflation. SIS firmly believes that these initiatives, as well as ACERA's ongoing fidelity to its strategic plan will continue to benefit the Association's participants and beneficiaries for many years to come.

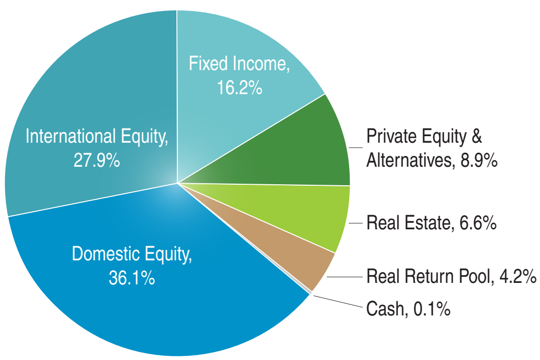
Patrick Thomas, CFA
Managing Director
March 15, 2015

Asset Allocation

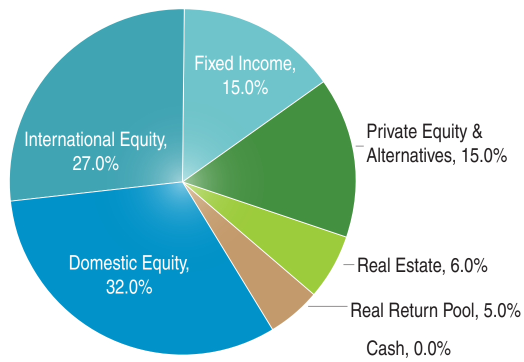
As of December 31, 2014

Investment Asset Class	Actual Asset Allocation	Target Asset Allocation	Actual Allocation Over/-Under Target Allocation
Domestic Equity	36.10%	32.00%	4.1%
International Equity	27.90%	27.00%	1.0%
Fixed Income	16.20%	15.00%	1.2%
Real Estate	6.60%	6.00%	0.5%
Private Equity and Alternatives	8.90%	15.00%	-6.1%
Real Return Pool	4.20%	5.00%	-0.8%
Cash	0.10%	0.00%	0.1%
Total	**100.00%**	**100.00%**	**0.0%**

Actual Asset Allocation



Target Asset Allocation



Investment Professionals

For the Year Ended December 31, 2014

INVESTMENT MANAGERS

Domestic Equities
- Bivium Capital Partners, LLC
- Kennedy Capital Management, Inc.
- Loomis, Sayles & Company, L.P.
- Mellon Capital Management Corporation
- Next Century Growth Investors, LLC
- Pzena Investment Management, LLC
- TCW Asset Management Company

International Equities
- AQR Capital Management, LLC
- Capital Guardian Trust Company
- Mondrian Investment Partners Ltd.
- Franklin Templeton Institutional

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

REAL ESTATE (SEPARATE & COMMINGLED FUNDS)
- AEW Capital Management
- CIM Group
- Clarion Partners
- Heitman Capital Management

REAL ESTATE (CONTINUED)
- Jamestown Premier Property
- J.P. Morgan Asset Management
- MetLife Investment Management
- Prudential Real Estate Investors
- RREEF America, LLC
- UBS Realty Investors, LLC

PRIVATE EQUITY AND ALTERNATIVES
- ABRY Partners, LLC
- Angelo Gordon & Company
- Avista Capital Partners
- Centerbridge Partners, L.P.
- Cerberus Capital Management, L.P.
- General Catalyst Partners
- Great Hill Partners
- Insight Equity
- Khosla Ventures
- KPS Capital Partners
- Lindsay Goldberg
- Neuberger Burman
- New Enterprise Association
- Oak Hill Advisors, L.P.
- Partners Group
- P/E Investments

PRIVATE EQUITY AND ALTERNATIVES (CONTINUED)
- Permal Group Inc.
- Sheridan Production Partners Sycamore Partners
- Third Rock Ventures
- Warburg Pincus, LLC

REAL RETURN POOL
- Gresham Investment Management
- AQR Capital Management, LLC

INVESTMENT CONSULTANTS
- Capital Institutional Services - (Third-Party Directed Brokerage Administrator)
- Doug McCalla dba Optimized Portfolio Rebalancing
- Zeno Consulting Group - (Trading Cost & Directed Brokerage)
- Institutional Shareholder Services - (Proxy Voting)
- Strategic Investment Solutions - (General Investment and Private Equity and Alternatives)

CUSTODIAL AND SECURITIES LENDING BANK
- State Street Bank and Trust Company

Investment Summary

As of December 31, 2014 (Dollars in Thousands)

Investment Asset Class		Fair Value	Percentage of Total Fair Value
Short-Term Investments	$	130,528	1.9%
Domestic Securities		1,597,685	23.6%
International Securities		1,456,618	21.5%
Domestic & Int'l Equity Commingled Funds		1,215,857	17.9%
Fixed Income Securities		1,044,088	15.4%
Real Estate - Separate Properties		39,141	0.6%
Real Estate - Commingled Funds		404,334	6.0%
Private Equity and Alternatives		600,899	8.9%
Real Return Pool		286,356	4.2%
Total Investments at Fair Value	**$**	**6,775,506**	**100.0%**

This schedule excludes investment receivable and payable balances as of December 31, 2014.

Brokerage Commissions

For the Year Ended December 31, 2014

Brokerage Firm	Rank		Commissions (in Thousands)		Shares/Par Value Traded (in Thousands)		Commission Per Share
Capital Institutional Services Inc. Equities	1	$	163	$	4,509	$	0.036
Morgan Stanley Co. Incorporated	2		113		21,298		0.005
Credit Suisse Securities Ltd.	3		101		7,438		0.014
Barclays Capital, Inc.	4		97		2,906		0.033
UBS AG	5		88		19,281		0.005
Goldman Sachs + Co	6		84		21,264		0.004
Instinet	7		76		7,021		0.011
Knight Equity Markets L.P.	8		73		8,184		0.009
Liquidnet, Inc.	9		72		5,175		0.014
Deutsche Bank Securities, Inc.	10		70		15,320		0.005
Merrill Lynch International	11		68		16,389		0.004
Weeden + Co.	12		59		2,215		0.027
Sanford C. Bernstein And Co., LLC	13		57		4,200		0.014
Cantor Fitzgerald + Co.	14		47		1,770		0.027
Citigroupglobal Markets, Inc.	15		44		3,868		0.011
JP Morgan Securities, Inc.	16		42		1,308		0.032
JP Morgan Securities, PLC	17		29		6,118		0.005
Needham + Company	18		29		871		0.033
William Blair & Company, LLC	19		25		625		0.040
Stephens, Inc.	20		24		722		0.033
Top 20 Firms by Commission Dollars			**1,361**		**150,482**		**0.009**
All Other Brokerage Firms			646		40,403		0.016
TOTAL BROKERAGE COMMISSIONS			**2,007**		**190,885**		**0.011**
Brokerage Commission Recapture			-150		-		-
NET BROKERAGE COMMISSIONS		**$**	**1,857**	**$**	**190,885**	**$**	**0.010**

Investment Manager Fees

For the Year Ended December 31, 2014 (Dollars in Thousands)

Investment Asset Class		2014
Domestic Equity	$	6,050
International Equity		10,672
Fixed Income		2,171
Real Estate		4,043
Private Equity and Alternatives		17,231
Real Return Pool		955
Total Investment Manager Fees	**$**	**41,122**

Investment Assets Under Management (Fair Value)

For the Year Ended December 31, 2014 (Dollars in Thousands)

Investment Asset Class		2014
Domestic Equity	$	2,447,518
International Equity		1,894,348
Fixed Income		1,097,221
Real Estate		443,476
Private Equity and Alternatives		600,899
Real Return Pool		286,356
Cash		6,844
Total Investment Assets Under Management	**$**	**6,776,662**

This schedule includes investment receivable and payable balances as of December 31, 2014.

Largest Stock Holdings[1]

As of December 31, 2014 (Dollars in Thousands)

Rank	Shares	Issuer	Fair Value	Percentage of Holdings
1	470,661	Salesforce.Com, Inc.	$ 27,915	0.91%
2	98,747	Visa Inc. Class A	25,891	0.85%
3	593,125	Hewlett Packard Co	23,802	0.78%
4	45,090	Google Inc CL C	23,735	0.78%
5	239,571	American Tower Corp.	23,682	0.78%
6	207,682	ASML Holding NV	22,492	0.74%
7	82,776	Roche Holding AG Genusschein	22,484	0.74%
8	338,430	Cerner Corp	21,883	0.72%
9	323,825	Royal Dutch Shell ADR	21,680	0.71%
10	263,402	Starbucks Corp	21,612	0.71%
Total of Largest Stock Holdings			**235,176**	**7.70%**
TOTAL STOCK HOLDINGS			**$ 3,054,303**	**100.00%**

Largest Bond Holdings[1]

As of December 31, 2014 (Dollars in Thousands)

Rank	Par Value	Issuer	Interest Rate	Maturity Date	Fair Value	Percentage of Holdings
1	37,025,000	U.S. Treasury N/B	2.625%	15-Aug-20	$ 38,665	4.15%
2	19,325,000	U.S. Treasury N/B	3.500%	15-Feb-39	22,195	2.38%
3	16,000,000	U.S. Treasury N/B	6.250%	15-Aug-23	21,304	2.29%
4	11,245,000	Buoni Poliennali Del Tes	5.000%	1-Aug-39	18,093	1.94%
5	11,725,000	U.S. Treasury N/B	5.250%	15-Nov-28	15,720	1.69%
6	9,300,000	UK TSY 2 2016	2.000%	22-Jan-16	14,745	1.58%
7	9,875,000	U.S. Treasury N/B	4.375%	15-Feb-38	12,922	1.39%
8	137,180,000	Mex Bonos Desarr Fix Rt	7.750%	13-Nov-42	10,735	1.15%
9	105,960,000	Mex Bonos Desarr Fix Rt	8.500%	18-Nov-38	8,889	0.95%
10	8,600,000	Neder Waterschapsbank	1.000%	14-Feb-18	8,650	0.93%
Total of Largest Bond Holdings					**171,918**	**18.45%**
TOTAL BOND HOLDINGS					**$ 931,628**	**100.00%**

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

Actuarial

Eyes on the Horizon

Actuary's Certification Letter—Pension Plan

Segal Consulting

100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 www.segalco.com

July 9, 2015

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

Re: Alameda County Employees' Retirement Association
December 31, 2013 Actuarial Valuation of the Statutory Retirement Plan Benefits for Funding Purposes

Dear Members of the Board:

Segal Consulting (Segal) prepared the December 31, 2013 actuarial valuation of the statutory Retirement Plan benefits of the Alameda County Employees' Retirement Association (ACERA) for funding purposes. We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices and ACERA's funding policy that was last reviewed with the Board in 2012. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice (ASOPs). (A discussion of the assumptions and methods used in the separate December 31, 2014 actuarial valuation for financial reporting purposes under Governmental Accounting Standards Board (GASB) Statement No. 67 is presented at the end of this letter.)

December 31, 2013 Actuarial Valuation for Funding Purposes

Actuarial valuations are performed on an annual basis with the last valuation completed as of December 31, 2013. The actuarial calculations presented in the valuation report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for statutory retirement benefits.

The December 31, 2013 actuarial valuation is based on the plan of benefits verified by ACERA and on participant and financial data provided by ACERA. Segal conducted an examination of all participant data for reasonableness and we concluded that it was reasonable and consistent with the prior year's data. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report.

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

One funding objective of the Plan is to establish rates, which, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed. Actuarial funding is based on the Entry Age Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL). The UAAL is amortized as a level percentage of payroll using a layered approach. Prior to January 1, 2012, the total UAAL was amortized on a 30-year decreasing period, with 21 years remaining as of December 31, 2011 (and 19 years remaining as of December 31, 2013). On or after January 1, 2012, any new UAAL resulting from plan amendments are amortized over separate decreasing 15-year periods; early retirement incentive programs (ERIPs) are amortized over separate decreasing 5-year periods; assump-

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tion and method changes are amortized over separate decreasing 20-year periods; and experience gains/losses are also amortized over separate decreasing 20-year periods. The progress being made towards meeting the funding objective through December 31, 2013 is illustrated in the Schedule of Funding Progress.

Segal prepared all of the supporting schedules in the actuarial section of the Association's Comprehensive Annual Financial Report (CAFR) based on the results of the December 31, 2013 actuarial valuation for funding purposes. A listing of the supporting schedules related to the statutory retirement plan benefits that Segal prepared for inclusion in the actuarial and statistical sections of the Association's CAFR is provided below. ACERA's staff prepared the remaining trend data schedules in the statistical section.

<u>Actuarial Section</u>

Exhibit I	Schedule of Active Member Valuation Data(1);
Exhibit II	Retirees and Beneficiaries Added To and Removed From Retiree Payroll(1);
Exhibit III	Solvency Test;
Exhibit IV	Actuarial Analysis of Financial Experience;
Exhibit V	Schedule of Funding Progress;

<u>Statistical Section</u>

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

(1) As permitted by the Actuarial Standard of Practice Statement No. 4 (Measuring Pension Obligations), Segal has utilized participant data provided by ACERA as of November 30, 2013 adjusted to December 31, 2013 (to reflect estimated increase in salary and service for active members) in calculating the liabilities for the December 31, 2013 valuation.

The non-economic valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on our recommendations following the November 30, 2010 Experience Analysis. The economic valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on our recommendations following the December 31, 2011 Review of Economic Actuarial Assumptions. Note that the investment return assumption for funding purposes was developed without taking into consideration the impact of the 50/50 excess earnings allocation between the statutory retirement and Supplemental Retiree Benefits Reserve (SRBR) asset pools. It is our opinion that the assumptions used in the December 31, 2013 valuation produce results, which, in aggregate, reflect the future experience of the statutory Retirement Plan. An experience analysis is performed every three years and the actuarial assumptions adopted by the Board resulting from the experience analysis performed as of November 30, 2010 first became effective in the valuation as of December 31, 2011. The next experience analysis as of November 30, 2013 has been performed; however, the assumptions adopted from that study will first become effective in the valuation as of December 31, 2014.

In the December 31, 2013 valuation, the ratio of the valuation assets to actuarial accrued liabilities (funded percentage) increased from 73.9% to 75.9%. The aggregate employer rate has decreased from 24.03% of payroll to 23.75% of payroll, while the aggregate employees' rate remained unchanged at 8.58% of payroll.

Under the actuarial value of assets method, the total unrecognized net investment gain as of December 31, 2013 is $686.8 million. This net investment gain will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, and will offset any investment losses that may occur after December 31, 2013. This implies that if the Association earns the assumed net rate of investment return of 7.80% per year on a market value basis, it will result in investment gains on the actuarial value of assets in the next few years. So, if the

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actual market return is equal to the assumed 7.80% rate and all other actuarial assumptions are met, the contribution requirements would decrease in each of the next few years.

The net deferred gain of $686.8 million represents 10.3% of the market value of assets as of December 31, 2013. Unless offset by future investment losses or other unfavorable experience, the recognition of the $686.8 million market gain is expected to have a significant impact on the Association's future funded percentage and contribution rate requirements. Under a simplified approach, this potential impact may be illustrated as follows:

- If one-half of the net deferred gains were recognized immediately in the valuation value of assets, the funded percentage would increase from 75.9% to 80.9%.
- If one-half of the net deferred gains were recognized immediately in the valuation value of assets, the aggregate employer rate would decrease from 23.75% to about 21.1% of payroll.

To the best of our knowledge, the December 31, 2013 funding valuation report is complete and accurate and in our opinion presents the Plan's current funding information.

December 31, 2014 GASB Statement 67 Actuarial Valuation for Financial Reporting Purposes

Segal also prepared the December 31, 2014 GASB Statement 67 actuarial valuation for financial reporting purposes. The valuation was performed in order to comply with GASB Statement 67 and we certify that the assumptions and methods used for financial reporting purposes meet the parameters set by ASOPs and our understanding of generally accepted accounting principles (GAAP) applicable in the United States of America as promulgated by the GASB. Statement 67 replaces Statement 25 and is for plan reporting, effective with the plan year ending December 31, 2014. The new GASB rules only redefine pension liability and expense for financial reporting purposes, and do not apply to contribution amounts for pension funding purposes.

When measuring pension liability, GASB uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as ACERA uses for funding. This means that the Total Pension Liability (TPL) measure for financial reporting is determined on generally the same basis as ACERA's Actuarial Accrued Liability (AAL) measure for funding. The Net Pension Liability (NPL) is equal to the difference between the TPL and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of assets and therefore, the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) calculated on a market value basis.[1]

As discussed in our triennial experience study report as of November 30, 2013, the Actuarial Standard of Practice (ASOP) No. 4 ("Measuring Pension Obligations and Determining Pension Plan Costs or Contributions") was recently revised and adopted in December 2013. The revised ASOP states that some plan provisions, including "gain sharing" provisions, "may create pension obligations that are difficult to appropriately measure using traditional valuation procedures." ASOP No. 4 now mentions that "for such plan provisions, the actuary should consider using alternative valuation procedures, such as stochastic modeling….to reflect the impact of variations in experience from year to year." The 50% allocation of future excess earnings to the SRBR for ACERA is an example of the gain sharing provisions referenced by ASOP No. 4.

After several meetings with ACERA and its auditors, as well as with administrative staff, auditors, and consultants representing the County of Alameda, and after twice consulting with the GASB staff, it was determined that future allocations to the SRBR should be treated as an additional "outflow" (i.e., assets not available to fund the benefits

1 - It should be noted that in determining the Plan's Fiduciary Net Position, we have only included 50% of the current deferred market gains that would be available to the Pension Plan. For example, 50% of the deferred market gains is equal to $121.4 million as of December 31, 2014.

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included in the determination of the TPL) against the plan's Fiduciary Net Position in the GASB crossover test[1]. In order to quantify that outflow, we performed a stochastic model to estimate the impact of the 50% allocation of future excess earnings to the SRBR. The results of our model indicated that the 50/50 allocation of future excess earnings would have the same impact as an outflow that would average approximately 0.75% of assets over time. This approximated outflow was incorporated into our GASB crossover test, along with the additional future employer contributions that would result from those future allocations of excess earnings to the SRBR under ACERA's funding policy.

The NPLs of $1,741 million and $1,282 million measured as of December 31, 2014 and 2013, respectively, have been determined by rolling forward the TPLs for the statutory Retirement Plan benefits as of December 31, 2013 and December 31, 2012, respectively. In addition, we have adjusted both the TPL and the Fiduciary Net Position to include $32.6 million and $26.9 million as of December 31, 2014 and December 31, 2013, respectively, that were set aside by the Retirement Board in the SRBR measurement to pay non-vested Supplemental COLA and retired member death benefits[2]. These amounts have been increased to $37.6 million and $41.4 million, respectively, by taking those actual balances in the non-OPEB component of the SRBR reserve account and increasing those balances by 50% of the deferred market gains as of December 31, 2014 and December 31, 2013, reduced on a proportional basis relative to the total actual balances in the non-OPEB and OPEB components of the SRBR reserve account.

Note number 5 to the Basic Financial Statements and the Required Supplementary Information included in the Financial Section of the CAFR were prepared by the Association based on the results of the GASB Statement No. 67 actuarial valuation as of December 31, 2014 prepared by Segal.

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

Sincerely,

Andy Yeung, ASA, EA, MAAA, FCA	Paul Angelo, FSA, EA, MAAA, FCA
Vice President and Associate Actuary	Senior Vice President and Actuary

JB/gxk
Enclosures

1 - The purpose of the GASB crossover test is to determine if the full expected return (or 7.60% in this case) can be used as the discount rate to determine the TPL and the NPL. That is, if there is no crossover point where the projected benefit payments would exceed the plan's fiduciary net position, then the full expected return assumption can be used. As detailed in the GASB Statement 67 valuation report, ACERA does pass the crossover test, which means that the full 7.60% investment rate of return assumption can be used as the discount rate to determine the TPL and the resulting NPL.

2 - We have excluded the liability and the assets associated with the OPEB component of the SRBR reserve account because it is our understanding that those amounts are reportable under GASB 43/45.

Actuary's Certification Letter—SRBR

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July 9, 2015

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

Re: Alameda County Employees' Retirement Association
December 31, 2013 Actuarial Valuation of the Discretionary SRBR Benefits for Sufficiency Purposes

Dear Members of the Board:

Segal Consulting (Segal) prepared the December 31, 2013 actuarial valuation of the discretionary benefits provided through the Supplemental Retiree Benefits Reserve (SRBR) of the Alameda County Employees' Retirement Association (ACERA) for sufficiency purposes. We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for sufficiency (and for financial reporting) purposes with regard to the Other Postemployment Benefits (OPEB) provided by the SRBR meet the parameters of the Governmental Accounting Standards Board (GASB) Statement No. 43. It is also our understanding that the assumptions and methods used for sufficiency purposes with regard to the non-OPEB benefits provided by the SRBR meet the parameters set by Actuarial Standards of Practice (ASOPs). (It should be noted that a discussion of the assumptions and methods used for financial reporting purposes under Governmental Accounting Standards Board (GASB) Statement No. 67 for the statutory Retirement Plan benefits and the non-OPEB benefits provided by the SRBR is presented at the end of our actuarial certification letter pertaining to the statutory Retirement Plan benefits dated July 9, 2015. The pertinent GASB Statement 67 information from that letter pertaining to the non-OPEB benefits provided by the SRBR is also provided herein.)

December 31, 2013 Actuarial Valuation for Sufficiency Purposes

Actuarial valuations are performed on an annual basis with the last valuation completed on December 31, 2013. The actuarial calculations presented in the valuation report have been made on a basis consistent with our understanding of GASB Statement No. 43 for the determination of the liability for discretionary OPEB related SRBR benefits, and on a basis consistent with our understanding of generally accepted actuarial principles and practices for the determination of the liability for discretionary non-OPEB related SRBR benefits.

The December 31, 2013 actuarial valuation is based on the plan of benefits verified by ACERA and on participant, premium, and financial data provided by ACERA. Segal conducted an examination of all participant data for reasonableness and we concluded that it was reasonable and consistent with the prior year's data. A summary of the average health or OPEB for new retired members, by years of service, is enclosed as Exhibit II.

We did not audit the Association's financial statements. For the actuarial valuation for sufficiency purposes, SRBR assets are valued at actuarial value. Under this method, the assets used to determine the liabilities of the SRBR and the number of years the SRBR can continue to pay its current level of benefits (i.e., the sufficiency) take into

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account market value by recognizing the differences between the total return at market value and the expected investment return over 10 six-month periods. It should be noted that under the actuarial value of assets (AVA) method, the total unrecognized net investment gain as of December 31, 2013 is $686.8 million. This net investment gain will be recognized in the determination of the actuarial value of assets in the next few years (i.e., deferred), and it will offset any investment losses that may occur after December 31, 2013.

The discretionary benefits provided through the SRBR include OPEB and non-OPEB. Benefits classified under OPEB (and reportable under GASB Statement No. 43) include postretirement medical, dental, and vision benefits. Benefits classified under non-OPEB (and reportable under GASB Statement No. 67) include supplemental COLAs and burial allowance. As directed by the Board, we included a $1,000 lump sum death benefit in the December 31, 2013 sufficiency valuation whereas a $750 amount was included in our December 31, 2012 valuation.

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

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. The UAAL is amortized as a level percentage of payroll over a 22-year period as of December 31, 2013.

Based on prior directions provided by the Association, we limited the AAL of the OPEB and non-OPEB paid from the SRBR to the AVA allocated to the SRBR as of December 31, 2013. This leads to an ARC of 0% for the OPEB because there is no unfunded AAL to amortize and no normal cost to accrue. In addition, the funded ratio is 100% for OPEB and for non-OPEB, with this limitation. The funded status of the OPEB and non-OPEB is provided in the enclosed Exhibit III (Schedule of Funding Progress).

Based on the AVA available as of December 31, 2013, the SRBR would only be able to pay benefits until 2033 for OPEB and until 2029 for non-OPEB. As we indicated in our certification letter for the statutory retirement plan benefits, the Association had deferred investment gains of $686.8 million that were not yet recognized in determining the combined actuarial value of assets for the Pension Plan and the SRBR Plan as of December 31, 2013. The deferred gains of $686.8 million represent 10.3% of the market value of assets as of December 31, 2013, and will increase the rate of return on the actuarial value of assets over the next few years, which may extend the sufficiency period of the SRBR.

Our calculations were based upon the benefits provided under the terms of the substantive plan in effect at the time of the December 31, 2013 valuation.

Segal prepared all of the supporting schedules in the actuarial section of the Association's Comprehensive Annual Financial Report (CAFR) based on the results of the December 31, 2013 actuarial valuation for sufficiency purposes. A listing of the supporting schedules related to the discretionary SRBR benefits that Segal

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prepared for inclusion in the actuarial, statistical, and financial sections of the Association's CAFR is provided below. ACERA's staff prepared the remaining trend data schedules in the statistical section.

Actuarial Section
Exhibit I Solvency Test - OPEB and non-OPEB;

Statistical Section
Exhibit II Schedule of Average Other Postemployment Benefits (OPEB); and

Financial Section
Exhibit III Schedule of Funding Progress – OPEB and non-OPEB[(1)].

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

The non-economic valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on our recommendations following the November 30, 2010 Experience Analysis and specific health care related assumptions recommended for the December 31, 2013 SRBR valuation. In addition, the economic valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on our recommendations following the December 31, 2011 Review of Economic Actuarial Assumptions. Note that the investment return assumption for sufficiency purposes was developed without taking into consideration the impact of the 50/50 excess earnings allocation between the statutory retirement and SRBR asset pools.

The actuarial assumptions common to both the statutory retirement and discretionary SRBR benefits are provided in the Actuarial Section. Additional assumptions specific to the OPEB are included as an attachment to this letter (Schedule of Actuarial Assumptions). It is our opinion that the assumptions used in the December 31, 2013 valuation produce results, which, in aggregate, reflect the future experience of the SRBR. An experience analysis is performed every three years and the actuarial assumptions adopted by the Board resulting from the experience analysis performed as of November 30, 2010 first became effective in the valuation as of December 31, 2011. The next experience analysis as of November 30, 2013 has been performed; however, the assumptions adopted from that study will first become effective in the valuation as of December 31, 2014.

To the best of our knowledge, the December 31, 2013 valuation report is complete and accurate and in our opinion presents the Plan's current sufficiency information.

December 31, 2014 GASB Statement 67 Valuation for Financial Reporting Purposes

As noted in our actuarial certification letter for the statutory Retirement Plan benefits dated July 9, 2015, Segal also prepared the December 31, 2014 GASB Statement 67 actuarial valuation for financial reporting purposes, which included information for the non-OPEB benefits payable from the SRBR. The valuation was performed in order to comply with GASB Statement 67 and we certify that the assumptions and methods used for financial reporting purposes meet the parameters set by ASOPs and our understanding of generally accepted accounting principles (GAAP) applicable in the United States of America as promulgated by the GASB. Statement 67 replaces Statement 25 and is for plan reporting, effective with the plan year ending December 31, 2014.

For the statutory Retirement Plan benefits, the Net Pension Liabilities (NPLs) measured as of December 31, 2014 and 2013 have been determined by rolling forward the Total Pension Liabilities (TPLs) as of December

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31, 2013 and December 31, 2012, respectively[1]. In addition, we have adjusted both the TPL and the Fiduciary Net Position to include $32.6 million and $26.9 million as of December 31, 2014 and December 31, 2013, respectively, that was set aside by the Retirement Board in the SRBR measurement to pay non-vested Supplemental COLA and retired member death benefits. These amounts have been increased to $37.6 million and $41.4 million, respectively, by taking the actual balances in the non-OPEB component of the SRBR reserve account and increasing them by 50% of the deferred market gains as of December 31, 2014 and December 31, 2013, reduced on a proportional basis relative to the total actual balances in the non-OPEB and OPEB components of the SRBR reserve account.

Note number 5 to the Basic Financial Statements and the Required Supplementary Information included in the Financial Section of the CAFR were prepared by the Association based on the results of the GASB Statement No. 67 actuarial valuation as of December 31, 2014 prepared by Segal.

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

Sincerely,

Andy Yeung

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

Paul Angelo

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

Thomas Bergman

Thomas Bergman, ASA, EA, MAAA
Associate Actuary

JB/gxk
Enclosures

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

Summary of Actuarial Assumptions and Methods

Assumptions for Pension Plan

The following assumptions have been adopted by the Board of Retirement for the December 31, 2013 valuation.

Summary of Assumptions

Actuarial Assumed Interest Rate	7.80%
Inflation Rate	3.50%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases	
General:	4.6% to 7.2%
Safety:	4.7% to 10.2%
These rates include inflation and real across-the-board salary increases.	
Retiree Cost-of-Living Adjustment (Basic)	
for Tier 1 and 3 members:	3.00%
for Tier 2 and 4 members:	2.00%
Employee Contribution Crediting Rate	7.80%

Retirement Age and Benefit for Deferred Vested Members

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

General Age 59

Safety Age 56

It is assumed that 35% of future General and 55% of future Safety deferred vested members will continue to work for a reciprocal employer. For reciprocals, 4.6% and 4.7% compensation increases per annum are assumed for General and Safety, respectively.

Future Benefit Accruals

One year of service per year of employment plus 0.006 year of additional service to anticipate conversion of unused sick leave for each year of employment.

Actuarial Experience Study

The post-retirement and pre-retirement demographic assumptions are based on the plan's actuarial experience through the last triennial experience study as of November 30, 2010.

Post-Retirement Mortality

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

(A) HEALTHY*	
General Members and All Beneficiaries	Set back two years for males and one year for females
Safety Members	Set back two years for males and one year for females
(B) DISABILITY*	
General Members	Set forward four years
Safety Members	Set forward two years
(C) FOR EMPLOYEE CONTRIBUTION RATE PURPOSES	
General Members	Set back two years for males and one year for females, weighted 30% male and 70% female.
Safety Members	Set back two years for males and one year for females, weighted 75% male and 25% female.

*The mortality tables shown above were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience in the December 1, 2007 - November 30, 2010 Actuarial Experience Study.

Inclusion of Deferred Vested Members

All deferred vested members are included in this valuation.

Percent of Members Married

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

Age of Spouse

Female (or male) spouses are 3 years younger (or older) than their spouses.

Employee Contribution Crediting Rate

7.8%, compounded semi-annually, subject to the availability of net earnings. ACERA operates under the Alternate Financial Provisions of Article 5.5 of the 1937 Act. The employee contribution crediting rate is the assumed actuarial investment rate of return to the extent that "net earnings" as defined in Article 5.5 are available. In addition, whenever there is a remaining balance of "net earnings", after all other required crediting, a portion of that remaining balance is also credited, as described in Article 5.5.

Salary Increases

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

Inflation: 3.50%

Across-the-Board Salary Increase: 0.50%

Merit/Promotional increases based on service:

Service	General	Safety
0-1	3.20%	6.20%
1-2	3.20%	6.20%
2-3	2.90%	5.40%
3-4	2.10%	3.60%
4-5	2.00%	3.00%
5-6	1.70%	2.70%
6-7	1.50%	1.60%
7-8	1.40%	1.10%
8-9	1.00%	1.00%
9-10	1.00%	1.00%
10-11	0.90%	1.00%
11+	0.60%	0.70%

Consumer Price Index (San Francisco Bay Area)

Inflation assumption is 3.50% per year. Retiree COLA increases due to CPI are subject to 3% maximum change per year for General Tier 1, General Tier 3 and Safety Tier 1; and 2% maximum change per year for General Tier 2, General Tier 4, Safety Tier 2, Safety Tier 2C, Safety Tier 2D, and Safety Tier 4.

Net Investment Return

For valuation purposes, the assumed rate of return on the valuation value of assets was 7.8%, net of administration and investment expenses (approximately 1% of assets).

Actuarial Value of Assets

The Actuarial Value of Assets is determined by phasing in any difference between actual and expected market return over 10 six-month interest crediting periods.

Actuarial Cost Method

Entry Age Actuarial Cost Method. Entry Age is the age at the member's hire date. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation. The Normal Cost is also calculated on an individual basis where the Entry Age Normal Cost is calculated as the sum of the individual Normal Costs.

Terminal Pay Assumptions

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

Membership Category	Service Retirement	Disability Retirement
General Tier 1	8.00%	6.50%
General Tier 2	3.00%	1.40%
General Tier 3	8.00%	6.50%
General Tier 4	N/A	N/A
Safety Tier 1	8.50%	6.40%
Safety Tier 2	4.00%	2.10%
Safety Tier 2C	4.00%	2.10%
Safety Tier 2D	4.00%	2.10%
Safety Tier 4	N/A	N/A

Changes in Actuarial Assumptions

There were no changes in assumptions from the December 31, 2012 valuation.

Assumptions for Other Postemployment Benefits (OPEB) Plan

Per Capita Health Costs

The combined monthly per capita dental and vision claims cost for plan year 2014 was assumed to be $42.70. The Medicare Part B premium is $104.90. For calendar year 2014, medical costs for a retiree were assumed to be as follows:

Medical Plan	Election Assumption	Monthly Premium	Maximum Monthly Medical Allowance[1]
Under Age 65			
Kaiser HMO	85%	$ 658.96	$ 522.16
United Healthcare HMO	15%	972.34	522.16
Age 65 and Older			
Kaiser Senior Advantage	70%	$ 330.96	$ 522.16
OneExchange Individual Insurance Exchange	30%	273.76[2]	400.00

1 The Maximum Monthly Medical Allowance of $522.16 ($400 for retirees purchasing individual insurance from the Medicare exchange) is subject to the following subsidy schedule:

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

2 The derivation of amounts expected to be paid out in 2014 from the Health Reimbursement Account for members with 20 plus years of service is provided in the next table. In the table, the amounts expected to be paid for members with 10-14 and 15-19 years of service are also provided.

Derivation of OneExchange Monthly Per Capita Costs				
	Years of Service Category	10-14	15-19	20+
1	Maximum MMA	$ 200	$ 300	$ 400
2	Total of Maximum MMA (From Feb. 2013 to Dec. 2013)	$ 269,600	$ 522,600	$3,408,400
3	Total of Actual Reimbursement (From Feb. 2013 to Dec. 2013, adjusted to include reimbursement requested through Mar. 2014)	$ 225,752	$ 366,185	$1,954,461
4	Ratio of Actual Reimbursement to Maximum MMA [(3)/(2)]	83.74%	70.07%	57.34%
5	Average Monthly Per Capita Cost for 2013 [(1)*(4)]	$ 167.47	$ 210.21	$ 229.37
6	(5) Increased for Expected Medical Trend (8.5%) from 2013 to 2014	$ 181.71	$ 228.08	$ 248.87
7	(6) Increased for Additional 10% Margin	**$ 199.88**	**$ 250.89**	**$ 273.76**

Implicit Subsidy

The estimated average per capita premium for retirees under age 65 is $8,472 per year. Because premiums for retirees under age 65 include active participants for purposes of underwriting, the retirees receive an implicit subsidy from the actives. Had the retirees under age 65 been underwritten as a separate group, their age-based premiums would be higher for most individuals. The excess of the age-based premium over the per capita premium charged makes up the subsidy. Below is a sample of the age-based costs for the retirees under age 65.

Age-Based Average Medical Costs for Retirees Under Age 65				
	Retiree		Spouse	
Age	Male	Female	Male	Female
50	$ 8,420	$ 9,591	$ 5,881	$ 7,701
55	10,000	10,324	7,870	8,914
60	11,876	11,128	10,536	10,338
64	13,625	11,805	13,300	11,636

Not all ACERA employers are receiving an implicit subsidy reimbursement from the Association. The projected implicit subsidy payments have been adjusted (about 10% reduction of costs shown above) to account for this fact, based on data provided by the County of Alameda's health consultant.

Health Care Cost Trend Rates

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are "net" and are applied to the net per capita costs shown on page 97. The trend shown for a particular plan year is the rate that is to be applied to the premium for the shown calendar year to calculate the next calendar year's projected premium. For example, the projected 2015 calendar year premium for Kaiser (under age 65) is $670.58 per month ($658.96 increased by 1.7634%).

	Rate (%)			
Calendar Year	All Non-Medicare Plans	Medicare Advantage Plans	Dental and Vision	Medicare Part B
2014	8.00[1]	7.00[1]	5.00[1]	5.00
2015	7.50	6.75	5.00	5.00
2016	7.00	6.50	5.00	5.00
2017	6.50	6.25	5.00	5.00
2018	6.00	6.00	5.00	5.00
2019	5.50	5.75	5.00	5.00
2020	5.00	5.50	5.00	5.00
2021	5.00	5.25	5.00	5.00
2022 & Later	5.00	5.00	5.00	5.00

1 The actual trends are shown below, based on actual premium renewals for 2015 as reported by ACERA.

Kaiser HMO Early Retiree	United Healthcare HMO Early Retiree	Kaiser Senior Advantage	Dental and Vision
1.7634%	0.0000%	0.0000%	5.5738%

Participation and Coverage Election

Based on proportion of current retirees receiving a medical benefit subsidy, actuary estimates that 85% of employees eligible to retire and receive subsidized postretirement medical coverage will elect to participate in the plan.

Assumed Increase in Annual Maximum Benefits

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

a) Maximum medical allowances for 2015 will remain at 2014 levels, then increase with 50% of trend for medical plans, or 3.375% graded down to the ultimate rate of 2.5% over 5 years.
b) Dental and vision premium reimbursement will increase with full trend.
c) Medicare B premium reimbursement will increase with full trend.

Dependents

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

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

Plan Design

Development of plan liabilities was based on the plan of benefits in effect as described in Exhibit III of the December 31, 2013 valuation report.

Administrative Expenses

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

Missing Participant Data

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

Active Member Valuation Data (Actuary's Exhibit I)

Valuation Date[1]	No. of Participating Agencies	Plan Type	Number	Annual Payroll ($)[2]	Annual Average Pay ($)	% Increase in Average Pay[3]
12/31/2005	7	General	9,135	596,346,000	65,281	2.96%
		Safety	1,368	113,437,000	82,922	2.02%
		Total	**10,503**	**709,783,000**	**67,579**	**2.70%**
12/31/2006	7	General	9,279	639,880,000	68,960	5.64%
		Safety	1,383	122,259,000	88,401	6.61%
		Total	**10,662**	**762,139,000**	**71,482**	**5.78%**
12/31/2007	7	General	9,415	662,309,000	70,346	2.01%
		Safety	1,497	131,249,000	87,675	-0.82%
		Total	**10,912**	**793,558,000**	**72,723**	**1.74%**
12/31/2008	7	General	9,599	716,012,000	74,592	6.04%
		Safety	1,574	147,526,000	93,727	6.90%
		Total	**11,173**	**863,538,000**	**77,288**	**6.28%**
12/31/2009	7	General	9,407	730,681,649	77,674	4.13%
		Safety	1,520	151,923,235	99,949	6.64%
		Total	**10,927**	**882,604,884**	**80,773**	**4.51%**
12/31/2010	7	General	9,391	747,336,146	79,580	2.45%
		Safety	1,488	151,005,579	101,482	1.53%
		Total	**10,879**	**898,341,725**	**82,576**	**2.23%**
12/31/2011	7	General	9,283	745,444,475	80,302	0.91%
		Safety	1,441	147,044,625	102,043	0.55%
		Total	**10,724**	**892,489,100**	**83,224**	**0.78%**
12/31/2012	7	General	9,392	762,983,211	81,238	1.17%
		Safety	1,408	143,518,009	101,930	-0.11%
		Total	**10,800**	**906,501,220**	**83,935**	**0.85%**
12/31/2013	7	General	9,485	772,431,136	81,437	0.24%
		Safety	1,392	144,373,236	103,716	1.75%
		Total	**10,877**	**916,804,372**	**84,288**	**0.42%**
12/31/2014	7	General	9,617	800,224,521	83,209	2.18%
		Safety	1,408	148,623,609	105,557	1.78%
		Total	**11,025**	**948,848,130**	**86,063**	**2.11%**

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

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

3 The Percent Increase in Average Pay reflects the increase in average salary for members at the beginning of the year versus those at the end of the year. It does not reflect the average salary increases received by members who worked the full year.

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

	Added to Rolls		Removed from Rolls		Rolls at End of Year				
Valuation Date (December 31)[1]	Number	Annual Allowance[2] (in $000's)	Number	Annual Allowance (in $000's)	Number	Annual Allowance (in $000's)	% Increase in Retiree Allowance	Average Annual Allowance	Change in Average Annual Allowance
2005	500	$ 23,171	(257)	$ (4,362)	6,718	$ 185,326	11.30%	$ 27,586	7.27%
2006	444	21,784	(226)	(4,018)	6,936	203,092	9.59%	29,281	6.14%
2007	494	25,051	(247)	(4,971)	7,183	223,172	9.89%	31,069	6.11%
2008	403	23,056	(340)[3]	(5,743)	7,246	240,485	7.76%	33,189	6.82%
2009	378	21,731	(291)	(5,780)	7,333	256,436	6.63%	34,970	5.37%
2010	489	27,700	(264)	(5,956)	7,558	278,180	8.48%	36,806	5.25%
2011	577	30,660	(229)	(6,177)	7,906	302,663	8.80%	38,283	4.01%
2012	511	30,485	(242)	(6,269)	8,175	326,879	8.00%	39,985	4.45%
2013	625	33,150	(234)	(6,182)	8,566	353,847	8.25%	41,308	3.31%
2014	498	28,677	(251)	(7,156)	8,813	375,368	6.08%	42,593	3.11%

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

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

3 Includes data adjustments made by ACERA on beneficiary file.

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

(Dollars in Thousands)

	Aggregate Accrued Liabilities for					Portion of Accrued Liabilities Covered by Reported Assets		
Valuation Date	**Active Member Contributions**	**Retired/ Vested Members**	**Active Members (Employer Financed Portion)**	**Total**	**Valuation Value of Assets**	**Active Member Contributions**	**Retired/ Vested Members**	**Active Members (Employer Financed Portion)**
12/31/2004	$ 789,556	$ 2,092,355	$ 1,358,642	$ 4,240,553	$ 3,557,918	100%	100%	50%
12/31/2005	802,277	2,353,106	1,392,830	4,548,213	3,781,843	100%	100%	45%
12/31/2006	842,479	2,550,170	1,432,508	4,825,157	4,127,841	100%	100%	51%
12/31/2007	898,321	2,794,861	1,419,221	5,112,403	4,560,213	100%	100%	61%
12/31/2008	970,152	3,036,649	1,531,118	5,537,919	4,644,010	100%	100%	42%
12/31/2009	962,821	3,244,535	1,691,975	5,899,331	4,789,000	100%	100%	34%
12/31/2010	953,663	3,487,411	1,721,666	6,162,740	4,776,128	100%	100%	19%
12/31/2011	943,618	3,748,179	1,667,686	6,359,483	4,868,689	100%	100%	11%
12/31/2012	930,649	4,006,969	1,675,311	6,612,929	4,883,872	100%	99%	0%
12/31/2013	916,196	4,307,763	1,637,728	6,861,687	5,210,944	100%	100%	0%

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

Events affecting year-to-year comparability:

12/31/2004 - Change in non-economic assumptions. Investment return assumption reduced from 8.00% to 7.80%; terminal pay assumptions for Service Retirement for Safety Tier 1 decreased from 11.7% to 9.5%.

12/31/2005 - Investment return assumption increased from 7.80% to 7.90%; inflation assumption decreased from 4.0% to 3.75%.

12/31/2006 - Investment return assumption increased from 7.90% to 8.00%.

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

12/31/2009 - Investment return assumption decreased from 8.00% to 7.90%; inflation assumption decreased from 3.75% to 3.50%; across-the-board salary increase assumption increased from 0.25% to 0.50%.

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

12/31/2012 - Modification to Entry Age cost method from aggregate basis to individual basis for normal cost calculation.

Solvency Test - OPEB With Limit (Actuary's SRBR Exhibit I)

Actuarial Accrued Liability Limited to Actuarial Value of Assets

(Dollars in Thousands)

	Aggregate Accrued Liabilities for					Portion of Accrued Liabilities Covered by Reported Assets		
Valuation Date	Active Member Contributions	Retired/ Vested Members[1]	Active Members (Employer Financed Portion)[1]	Total[1]	Actuarial Value of Assets	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)
12/31/2007	N/A	$ 334,615	$ 279,829	$ 614,444	$ 614,444	N/A	100%	100%
12/31/2008	N/A	342,568	265,746	608,314	608,314	N/A	100%	100%
12/31/2009	N/A	346,718	244,571	591,289	591,289	N/A	100%	100%
12/31/2010	N/A	338,672	222,684	561,356	561,356	N/A	100%	100%
12/31/2011	N/A	337,536	205,400	542,936	542,936	N/A	100%	100%
12/31/2012								
Scenario A	N/A	340,199	205,230	545,429	545,429	N/A	100%	100%
Scenario B	N/A	341,789	207,866	549,655	549,655	N/A	100%	100%
12/31/2013	N/A	373,126	244,501	617,627	617,627	N/A	100%	100%

1 Accrued liabilities have been limited to benefits expected to be paid before the exhaustion of actuarial value of assets.

Events affecting year-to-year comparability:

12/31/08 - Change in non-economic assumptions. Terminal pay assumption for Service Retirement decreased from 8.8% to 8.0% for General Tier 1 and General Tier 3, and increased from 3.0% to 4.0% for Safety Tier 2.

12/31/09 - Investment return assumption decreased from 8.00% to 7.90%; inflation assumption decreased from 3.75% to 3.50%; across-the-board salary increase assumption increased from 0.25% to 0.50%.

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

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

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

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

Solvency Test - OPEB Without Limit (Actuary's SRBR Exhibit I)

Actuarial Accrued Liability Not Limited to Actuarial Value of Assets

(Dollars in Thousands)

	Aggregate Accrued Liabilities for					Portion of Accrued Liabilities Covered by Reported Assets		
Valuation Date	Active Member Contributions	Retired/ Vested Members[1]	Active Members (Employer Financed Portion)[1]	Total[1]	Actuarial Value of Assets	Active Member Contributions	Retired/ Vested Members[2]	Active Members (Employer Financed Portion)[2]
12/31/2007	N/A	$ 367,096	$ 272,725	$ 639,821	$ 614,444	N/A	100%	91%
12/31/2008	N/A	397,550	305,770	703,320	608,314	N/A	100%	69%
12/31/2009	N/A	428,232	335,269	763,501	591,289	N/A	100%	49%
12/31/2010	N/A	417,456	315,449	732,905	561,356	N/A	100%	46%
12/31/2011	N/A	429,316	324,900	754,216	542,936	N/A	100%	35%
12/31/2012								
Scenario A	N/A	432,005	322,833	754,838	545,429	N/A	100%	35%
Scenario B	N/A	432,005	322,833	754,838	549,655	N/A	100%	36%
12/31/2013	N/A	428,851	295,725	724,576	617,627	N/A	100%	64%

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

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

Events affecting year-to-year comparability:

12/31/08 - Change in non-economic assumptions. Terminal pay assumption for Service Retirement decreased from 8.8% to 8.0% for General Tier 1 and General Tier 3, and increased from 3.0% to 4.0% for Safety Tier 2.

12/31/09 - Investment return assumption decreased from 8.00% to 7.90%; inflation assumption decreased from 3.75% to 3.50%; across-the-board salary increase assumption increased from 0.25% to 0.50%.

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

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

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

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

Solvency Test - Non-OPEB With Limit (Actuary's SRBR Exhibit I)

Actuarial Accrued Liability Limited to Actuarial Value of Assets

(Dollars in Thousands)

	Aggregate Accrued Liabilities for					Portion of Accrued Liabilities Covered by Reported Assets		
Valuation Date	Active Member Contributions	Retired/ Vested Members[1]	Active Members (Employer Financed Portion)[1]	Total[1]	Actuarial Value of Assets	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)
12/31/2007	N/A	$ 52,032	$ 26,394	$ 78,426	$ 78,426	N/A	100%	100%
12/31/2008	N/A	46,095	29,910	76,005	76,005	N/A	100%	100%
12/31/2009	N/A	40,777	32,704	73,481	73,481	N/A	100%	100%
12/31/2010	N/A	41,675	27,581	69,256	69,256	N/A	100%	100%
12/31/2011	N/A	43,178	23,842	67,020	67,020	N/A	100%	100%
12/31/2012								
Scenario A	N/A	21,965	2,209	24,174	24,174	N/A	100%	100%
Scenario B	N/A	23,572	2,446	26,018	26,018	N/A	100%	100%
12/31/2013	N/A	24,597	2,273	26,870	26,870	N/A	100%	100%

1 Accrued liabilities have been limited to benefits expected to be paid before the exhaustion of actuarial value of assets.

Events affecting year-to-year comparability:

12/31/08 - Change in non-economic assumptions. Terminal pay assumption for Service Retirement decreased from 8.8% to 8.0% for General Tier 1 and General Tier 3, and increased from 3.0% to 4.0% for Safety Tier 2.

12/31/09 - Investment return assumption decreased from 8.00% to 7.90%; inflation assumption decreased from 3.75% to 3.50%; across-the-board salary increase assumption increased from 0.25% to 0.50%.

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

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

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

Solvency Test - Non-OPEB Without Limit (Actuary's SRBR Exhibit I)

Actuarial Accrued Liability Not Limited to Actuarial Value of Assets

(Dollars in Thousands)

Valuation Date	Aggregate Accrued Liabilities for				Actuarial Value of Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	Active Member Contributions	Retired/ Vested Members[1]	Active Members (Employer Financed Portion)[1]	Total[1]		Active Member Contributions	Retired/ Vested Members[2]	Active Members (Employer Financed Portion)[2]
12/31/2007	N/A	$ 91,441	$ 112,427	$ 203,868	$ 78,426	N/A	86%	0%
12/31/2008	N/A	80,182	122,352	202,534	76,005	N/A	95%	0%
12/31/2009	N/A	63,808	107,370	171,178	73,481	N/A	100%	9%
12/31/2010	N/A	68,955	107,546	176,501	69,256	N/A	100%	0%
12/31/2011	N/A	77,477	108,369	185,846	67,020	N/A	87%	0%
12/31/2012								
Scenario A	N/A	69,698	93,636	163,334	24,174	N/A	35%	0%
Scenario B	N/A	71,785	94,132	165,917	26,018	N/A	36%	0%
12/31/2013	N/A	81,814	96,985	178,799	26,870	N/A	33%	0%

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

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

Events affecting year-to-year comparability:

12/31/08 - Change in non-economic assumptions. Terminal pay assumption for Service Retirement decreased from 8.8% to 8.0% for General Tier 1 and General Tier 3, and increased from 3.0% to 4.0% for Safety Tier 2.

12/31/09 - Investment return assumption decreased from 8.00% to 7.90%; inflation assumption decreased from 3.75% to 3.50%; across-the-board salary increase assumption increased from 0.25% to 0.50%.

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

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

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

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

(Dollars in Millions)	Plan Years									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Prior Valuation Unfunded/ (Prefunded) Actuarial Accrued Liability	$ 1,729	$ 1,491	$ 1,387	$ 1,110	$ 894	$ -	$ 697	$ 766	$ -	$ 508
a) Before Benefit Improvement	-	-	-	-	-	552	-	-	683	-
b) After Benefit Improvement[1]	-	-	-	-	-	553	-	-	778	-
Salary Increase Greater (Less) than Expected	(72)	(92)	(106)	(80)	(25)	38	(42)	2	(35)	(33)
COLA Increase Greater (Less) than Expected	-	-	(11)	(7)	(31)	-	-	-	-	-
Asset Return Less (Greater) than Expected	(33)	300	225	339	179	245[3]	(125)	(57)	30	74
Other Experience (Including Scheduled UAAL Payment)	27	30	31	25	29	40	22	42	55	31
Economic Assumption Changes	-	-	-	-	64	-	-	(56)	(81)	-
Non-economic Assumption Changes	-	-	7[4]	-	-	9	-	-	-	103
Benefit Changes[2]	-	-	-	-	-	-	-	-	19	-
Data Corrections	-	-	(42)[5]	-	-	9	-	-	-	-
ENDING UNFUNDED/ (PREFUNDED) ACTUARIAL ACCRUED LIABILITY	**$ 1,651**	**$ 1,729**	**$ 1,491**	**$ 1,387**	**$ 1,110**	**$ 894**	**$ 552**	**$ 697**	**$ 766**	**$ 683[6]**

1 Improved Safety benefit in Plan Year 2005 and improved General Tier 3 benefit in Plan Year 2008.

2 Additional improved Safety benefit.

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

4 Combined effect of changes in non-economic and economic assumptions.

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

6 Excludes Safety 3% at 50 formula improvement. If the Safety improvement is included, the Total Unfunded Actuarial Accrued Liability is $778.

Summary of Plan Provisions

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

Briefly summarized below are major provisions of the 1937 Act and the California Government Code as amended through December 31, 2013, and as adopted by Alameda County or other participating employers.

Membership Eligibility

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

Membership with ACERA usually begins with the second pay period following appointment to a full-time County or participating employer position, except for Housing Authority of the County of Alameda and Livermore Area Recreation & Park District. Membership for these employees is effective on the first day of employee’s hire in an ACERA covered position. ACERA members who change from full-time to part-time are required to continue membership at ACERA (with future contributions and benefits adjusted accordingly).

Tiers (Benefit Levels)

General and Safety Tier 1 include, depending on the employer, all General and Safety members hired on or before June 30, 1983. General and Safety Tier 2 include, depending on the employer, General and Safety members hired after June 30, 1983. General Tier 3 was effective October 1, 2008 for electing General active members of the Livermore Area Recreation and Park District (LARPD). LARPD adopted a benefit improvement for all service under the 2.5% @ 55 formula as an option to their employees. The County adopted new Safety Tier 2 formulas, 2% @ 50 (Safety Tier 2C) and 3% @ 55 (Safety Tier 2D), for new hires starting October 17, 2010. General and Safety Tier 4 include all General and Safety members hired on or after January 1, 2013. See page 124 and page 125 for employer and employee contribution rates.

Final Compensation for Benefit Determination (“Final Average Salary”)

Final Average Salary (FAS) is defined as the highest 12 consecutive months of compensation earnable for Tier 1 and Tier 3; and the highest 36 consecutive months for Tier 2. For Tier 4 members, FAS is defined as the highest 36 consecutive months of pensionable compensation.

Return of Contributions

If a member should resign or die before becoming eligible for retirement, his or her contributions plus interest will be refunded upon request. In lieu of receiving a return of contributions, a vested member or member terminated after January 1, 2003 may elect to leave his or her contributions on deposit and receive a deferred vested benefit when eligible for retirement.

Eligibility for Service Retirement

General non-Tier 4 members are eligible to retire: at age 50 with 5 years of service and a total of 10 years of qualifying membership; at age 70 regardless of years of service, or at any age with 30 years of service. General Tier 4 members are eligible to retire at age 52 with 5 years of service or at age 70 regardless of service. Safety non-Tier 4 members are eligible to retire: at age 50 with 5 years of service and a total of 10 years of qualifying membership; at age 70 regardless of years of service; or at any age with 20 years of service. Safety Tier 4 members are eligible to retire at age 50 with 5 years of service or at age 70 regardless of service.

Eligibility for Deferred Service Retirement

Vested deferred members are terminated members who have completed five years of service and leave accumulated contributions in the retirement fund. Vested deferred members are entitled to receive retirement benefits upon meeting the eligibility requirements.

Service Retirement Benefit

The monthly service retirement benefit depends on age at retirement and is based on a percentage of the Final Average Salary (divided by 12 or 36 depending on Tier to get a monthly amount) multiplied by years of service. It is illustrated below for selected age-at-retirement figures.

For non-Tier 4 members integrated with Social Security, the benefit is reduced by one-third of the percentage shown below times the first $350 of monthly Final Average Salary per year of service credited after January 1, 1956.

Percentage of Final Average Salary for Selected Age-at-Retirement

	General				Safety				
Age-at-Retirement	**Tier 1**	**Tier 2**	**Tier 3**	**Tier 4**	**Tier 1**	**Tier 2**	**Tier 2C**	**Tier 2D**	**Tier 4**
50	1.34%	1.18%	2.00%	n/a	3.00%	3.00%	2.00%	2.29%	2.00%
52	1.49%	1.30%	2.20%	1.00%	3.00%	3.00%	2.22%	2.54%	2.20%
55	1.77%	1.49%	2.50%	1.30%	3.00%	3.00%	2.62%	3.00%	2.50%
57	2.00%	1.64%	2.50%	1.50%	3.00%	3.00%	2.62%	3.00%	2.70%
60	2.34%	1.92%	2.50%	1.80%	3.00%	3.00%	2.62%	3.00%	2.70%
62	2.62%	2.09%	2.50%	2.00%	3.00%	3.00%	2.62%	3.00%	2.70%
65	2.62%	2.43%	2.50%	2.30%	3.00%	3.00%	2.62%	3.00%	2.70%
67 and over	2.62%	2.43%	2.50%	2.50%	3.00%	3.00%	2.62%	3.00%	2.70%

Maximum Benefit

The maximum basic benefit payable to a non-Tier 4 member or beneficiary is 100% of Final Average Salary. There is no maximum basic benefit payable to Tier 4 members.

Disability Benefit

Members with five years of service, regardless of age, are eligible to apply for non-service connected disability benefits. As with the service retirement benefit, the disability benefit is based on a percentage of Final Average Salary (FAS).

The disability benefit is 1.8% per year of service for General Tier 1 and Tier 3 members; and 1.5% per year of service for General Tier 2 and Tier 4 members. If this benefit does not exceed one-third of FAS, the service is projected to age 62 for General Tier 1 and Tier 3, and to age 65 for General Tier 2 and Tier 4, but the total benefit cannot be more than one-third of FAS.

The disability benefit is 1.8% per year of service for Safety members. If this benefit does not exceed one-third of FAS, the service is projected to age 55, but the total benefit cannot be more than one-third of FAS.

If the disability is service connected (“job-related”), then there is no age or service requirement. This benefit is the greater of 50% of FAS, or the benefit amount derived from the member’s age, years of service, and salary.

Members who apply for disability retirement benefits must be able to prove they are permanently unable to perform the usual duties of their current job. In addition, those who apply for a service connected disability must prove their incapacity to perform their duties was job-related.

Active Member Death Benefit

In addition to the return of contributions with credited interest, a lump sum death benefit is payable to the member’s beneficiary or estate equal to one month's salary for each completed year of service under the retirement system, based on the final year's average salary, but not to exceed six months' salary.

If a member dies while eligible for service retirement or non-service connected disability, the eligible surviving spouse/domestic partner may elect to receive 60% of the allowance that the member would have received for retirement on the day of his or her death in lieu of the refund of employee contributions with interest and a lump sum death benefit.

Service Connected Death Benefit

If a member dies in the performance of duty, the eligible surviving spouse/domestic partner may elect to receive 50% of the member's FAS (or 100% of the service retirement benefit, if greater).

Retired Member Death Benefit

If a member dies after retirement, a lump sum amount of $1,000 is paid to the beneficiary or estate. This benefit is excluded from the Pension Plan funding valuation, but is included in the SRBR Non-OPEB sufficiency valuation.

In addition, if the retirement was for service connected disability, 100% of the member's allowance as it was at death is continued to the qualified surviving spouse/domestic partner for life.

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

Basic Cost-of-Living Adjustments (COLA)

The basic Cost-of-Living Adjustments are based on the change in the San Francisco Bay Area Consumer Price Index (CPI) for the calendar year prior to the April 1 effective date. The basic COLA increase in retirement allowance is up to 3% per year for Tier 1 and Tier 3; and up to 2% for Tier 2 and Tier 4 members. For any year in which the CPI exceeds the COLA percentage cap for a member, the excess percentage is accumulated ("banked") for that member and subsequently applied as an increase to the allowance in a later year when the CPI figure falls short of the relevant cap.

Supplemental Benefits Excluded from Actuarial Valuation

Non-vested supplemental COLA and retiree healthcare program benefits are paid to eligible retirees and survivors. These supplemental benefits have been excluded from the Pension Plan funding valuation, but are included in the SRBR, OPEB and Non-OPEB sufficiency valuation.

Contribution Rates

Basic member contribution rates are based on a formula reflecting the age at entry into the Association. The rates are such as to provide, for each year of service, an average annuity at age 60 of 1/100 of FAS for General members under Tier 1; at age 60 of 1/120 of FAS for General members under Tier 2; at age 55 of 1/100 of FAS for General members under Tier 3; 50% of the total Normal Cost rate for General Tier 4 members; at age 50 of 1/100 of FAS for non-Tier 4 Safety members; and 50% of the total Normal Cost rate for Safety Tier 4 members. Note that in estimating FAS, an assumption to anticipate how much unused vacation would be available for conversion at retirement is included for non-Tier 4 members. Member cost of living contribution rates are actuarially determined to pay for one-half of future cost of living liabilities.

For non-Tier 4 members whose benefits are integrated with Social Security, the above contributions are reduced by one-third of that portion of such contribution payable with respect to the first $161 of biweekly salary. Member contributions are refundable upon termination from employment.

Employer contribution rates are actuarially determined to provide for the balance of the contributions needed to fund the benefits promised under the Pension Plan.

Exemption from Contributions After Thirty Years of Service

Non-Tier 4 Safety members with 30 or more years of service and General members hired on or before March 7, 1973 with 30 or more years of service are exempt from paying member contributions. However, Safety members in Tier 2D are required to continue paying the 3% cost-sharing contribution after 30 years of service.

Assumed Termination and Retirement Rates

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

The rates shown for each cause represent the likelihood that a given member will terminate at a particular age or with the particular service for the indicated reason. For example, if the rate of retirement for a General Tier 1 member age 50 is 3.00, then it is assumed that 3.00 percent of the General Tier 1 members in this age bracket will receive service retirement during the year.

Assumed Retirement Rates

Rates (%)

Age	General Tier 1	General Tier 2	General Tier 3	General Tier 4	Safety Tier 1[1]	Safety Tier 2,2D[1]	Safety Tier 2C[1]	Safety Tier 4
50	3.00	2.00	6.00	0.00	35.00	10.00	4.00	4.00
51	3.00	2.00	3.00	0.00	25.00	10.00	2.00	2.00
52	3.00	2.00	5.00	4.00	25.00	10.00	2.00	2.00
53	3.00	2.00	6.00	1.50	35.00	10.00	3.00	3.00
54	3.00	2.00	6.00	1.50	40.00	10.00	6.00	6.00
55	6.00	3.00	12.00	2.50	40.00	10.00	10.00	10.00
56	8.00	3.00	13.00	2.50	40.00	15.00	12.00	12.00
57	10.00	4.00	13.00	3.50	40.00	20.00	20.00	20.00
58	10.00	5.00	14.00	4.50	40.00	20.00	10.00	10.00
59	13.00	5.00	16.00	4.50	40.00	20.00	15.00	15.00
60	20.00	5.00	21.00	4.50	100.00	40.00	60.00	60.00
61	20.00	8.00	20.00	7.50	100.00	40.00	60.00	60.00
62	35.00	20.00	30.00	19.00	100.00	40.00	60.00	60.00
63	30.00	16.00	25.00	15.00	100.00	40.00	60.00	60.00
64	30.00	18.00	25.00	17.00	100.00	100.00	100.00	100.00
65	35.00	22.00	30.00	21.00	100.00	100.00	100.00	100.00
66	30.00	20.00	25.00	20.00	100.00	100.00	100.00	100.00
67	25.00	20.00	25.00	20.00	100.00	100.00	100.00	100.00
68	20.00	30.00	25.00	30.00	100.00	100.00	100.00	100.00
69	40.00	35.00	50.00	35.00	100.00	100.00	100.00	100.00
70	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

1 Retirement rate is 100% after a member accrues a benefit of 100% of FAS.

Assumed Termination Rates Before Retirement

DISABILITY

	Rate (%)	
Age	**General[1]**	**Safety[2]**
20	0.00	0.00
25	0.01	0.00
30	0.03	0.24
35	0.08	0.46
40	0.16	0.50
45	0.23	0.50
50	0.34	1.10
55	0.46	1.92
60	0.59	2.20

TERMINATION

Less than 5 Years of Service [3]

	Rate (%)	
Years of Service	**General**	**Safety**
0	13.00	5.00
1	9.00	3.00
2	8.00	3.00
3	6.00	2.00
4	5.00	2.00

5 Years of Service or More [4]

	Rate (%)	
Age	**General**	**Safety**
20	5.00	2.00
25	5.00	2.00
30	5.00	2.00
35	4.70	1.40
40	3.72	1.00
45	2.54	1.00
50	2.04	1.00
55	2.00	1.00
60	2.00	0.40

MORTALITY[5]

	Rate (%)			
	General		Safety	
Age	**Male**	**Female**	**Male**	**Female**
25	0.04	0.02	0.04	0.02
30	0.04	0.02	0.04	0.02
35	0.06	0.04	0.06	0.04
40	0.10	0.06	0.10	0.06
45	0.13	0.10	0.13	0.10
50	0.19	0.16	0.19	0.16
55	0.29	0.24	0.29	0.24
60	0.53	0.44	0.53	0.44
65	1.00	0.86	1.00	0.86

1 70% of General disabilities are assumed to be service connected disabilities. The other 30% are assumed to be non-service connected disabilities.

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

3 70% of all terminated members will choose a refund of contributions and 30% will choose a deferred vested benefit.

4 40% of all terminated members will choose a refund of contributions and 60% will choose a deferred vested benefit. No termination is assumed after a member is eligible for retirement.

5 All pre-retirement deaths are assumed to be non-service connected.

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

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Valuation Value of Assets[1] (a)	Actuarial Accrued Liability (AAL)[2] (b)	Unfunded (Overfunded) AAL (UAAL) (b–a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll (%) (b–a) /c
12/31/2004	$ 3,557,918	$ 4,336,123	$ 778,205[3]	82.1[3]	$ 694,626	112.0
12/31/2005	3,781,843	4,548,213	766,370	83.2	709,783	108.0
12/31/2006	4,127,841	4,825,157	697,316	85.5	762,139	91.5
12/31/2007	4,560,213	5,112,403	552,190	89.2	793,558	69.6
12/31/2008	4,644,010	5,537,919	893,909	83.9	864,260	103.4
12/31/2009	4,789,000	5,899,331	1,110,331	81.2	882,606	125.8
12/31/2010	4,776,128	6,162,740	1,386,612	77.5	898,342	154.4
12/31/2011	4,868,689	6,359,483	1,490,794	76.6	892,489	167.0
12/31/2012	4,883,872	6,612,929	1,729,057	73.9	906,500	190.7
12/31/2013	5,210,944	6,861,687	1,650,743	75.9	916,803	180.1

1 Excludes assets for SRBR and other non-valuation reserves. Includes the following amounts transferred from the SRBR to the employers' advance reserve to compensate the County for the implicit subsidy: 2005 & 2006-$6,304; 2007-$3,091; 2008-$4,149; 2009-$5,288; 2010 (estimate provided by ACERA) $4,500; 2011 (estimate provided by ACERA) $4,411; 2012 (estimate provided by ACERA) $7,370, and 2013 (estimate provided by ACERA) $6,993.

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

3 Includes Safety 3% at 50 formula improvement. If the Safety improvement is excluded, the UAAL is $682,635 and the Funded Ratio is 83.9%.

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

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Statistical

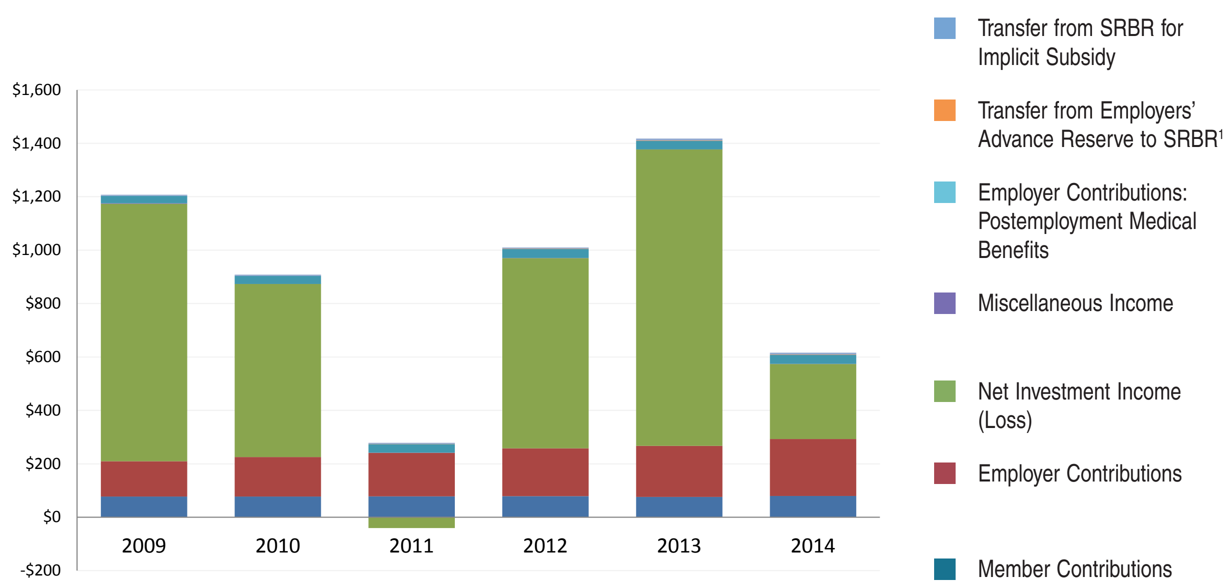
Eyes on the Horizon

Statistical

This section provides additional historical perspective, context, and detail in order to provide a more comprehensive understanding of this year's financial statements, note disclosures, and supplementary information, covering Pension Plan Benefits, Postemployment Medical Benefits and Non-OPEB. This section also provides multi-year trend of financial and operating information to facilitate comprehensive understanding of how the organization's financial position and performance has changed over time. More specifically, the financial and operating information provides contextual data for Fiduciary Net Position, benefits, refunds, contribution rates and different types of retirement benefits. This information was produced by either ACERA's actuary or from ACERA's member database. Some historical comparative information is not available for periods prior to ACERA's implementation of GASB 44 for the year ended December 31, 2006.

Additions to Fiduciary Net Position by Source

(Dollars in Millions)



Additions to Fiduciary Net Position by Source

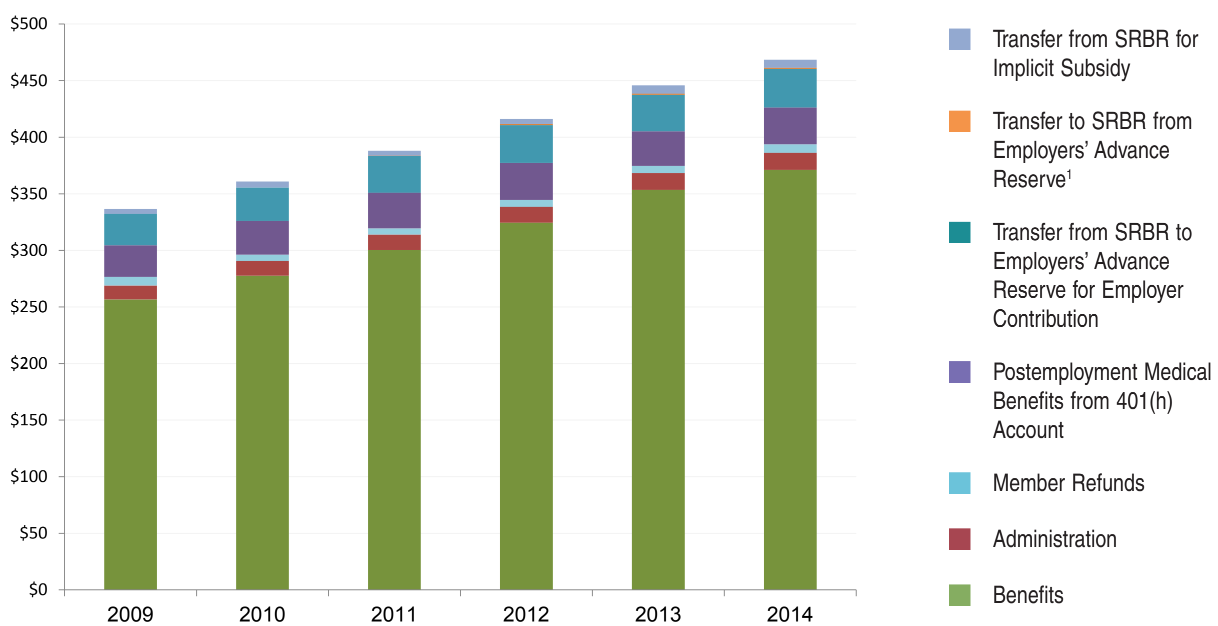
(Dollars in Millions)

Year Ended December 31	Member Contributions: Pension Plan	Employer Contributions: Pension Plan	Net Investment Income (Loss)	Misc. Income	Employer Contributions: Postemployment Medical Benefits	Transfer from Employers' Advance Reserve[1] to SRBR	Transfer from SRBR for Implicit Subsidy	Total Additions
2009	$ 77.3	$ 132.2	$ 963.6	$ 2.3	$ 27.9	$ -	$ 4.1	$ 1,207.4
2010	77.6	147.5	648.1	0.5	29.5	-	5.3	908.5
2011	78.0	162.9	(40.7)	0.7	32.3	0.4	4.4	238.0
2012	78.6	179.6	711.9	0.9	33.4	1.0	4.4	1,009.8
2013	76.2	191.2	1,109.7	0.2	32.2	1.1	7.4	1,418.0
2014	79.7	213.3	280.6	0.4	34.0	1.1	7.0	616.1

1 Effective July 1, 2011, ACERA adopted Section 31618.5 of the 1937 Act. In compliance with this law, employers allocate a portion of their contribution to the 401(h) account for estimated administrative cost of these benefits, in addition to contributions for the Postemployment Medical Benefits.

Deductions from Fiduciary Net Position by Type

(Dollars in Millions)



1 Effective July 1, 2011, ACERA adopted Section 31618.5 of the 1937 Act. In compliance with this law, employers allocate a portion of their contribution to the 401(h) account for estimated administrative cost of these benefits, in addition to contributions for the Postemployment Medical Benefits.

Deductions from Fiduciary Net Position by Type

(Dollars in Millions)

Year Ended December 31	Benefits	Administration	Member Refunds	Postemployment Medical Benefits from 401(h) Account	Transfer from SRBR to Employers' Advance Reserve for Employer Contribution	Transfer to SRBR from Employers' Advance Reserve[1]	Transfer from SRBR for Implicit Subsidy	Total Deductions
2009	$ 256.7	$ 12.3	$ 7.7	$ 27.8	$ 27.9	$ -	$ 4.1	$ 336.5
2010	277.7	13.0	5.6	29.8	29.5	-	5.3	360.9
2011	300.2	13.8	5.4	31.6	32.3	0.4	4.4	388.1
2012	324.5	14.1	5.9	32.7	33.4	1.0	4.4	416.0
2013	353.6	14.7	6.3	30.6	32.2	1.1	7.4	445.9
2014	371.2	15.0	7.5	32.6	34.0	1.1	7.0	468.4

1 Effective July 1, 2011, ACERA adopted Section 31618.5 of the 1937 Act. In compliance with this law, employers allocate a portion of their contribution to the 401(h) account for estimated administrative cost of these benefits, in addition to contributions for the Postemployment Medical Benefits.

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

For the Years Ended December 31 (Dollars in Millions)

	2014	2013	2012	2011	2010	2009	2008	2007	2006
ADDITIONS									
Member Contributions	$ 79.7	$ 76.2	$ 78.6	$ 78.0	$ 77.6	$ 77.3	$ 75.6	$ 72.3	$ 70.2
Employer Contributions	179.3	159.0	146.2	130.6	118.0	104.3	101.2	102.7	108.1
Total Contributions	**259.0**	**235.2**	**224.8**	**208.6**	**195.6**	**181.6**	**176.8**	**175.0**	**178.3**
Investment and Miscellaneous Income (Net of Expenses)	281.0	1,116.0	712.8	(40.0)	648.6	965.9	(1,684.7)	431.9	638.2
Transfer from Postemployment Medical Benefits on Behalf of Employers	34.0	32.2	33.4	32.3	29.5	27.9	28.5	27.3	19.0
Transfer from Postemployment Medical Benefits for Employers Implicit Subsidy	7.0	7.4	4.4	4.4	5.3	4.1	3.1	-	6.3
Earnings Allocated to Postemployment Medical Benefits Reserve	(179.4)	(109.8)	(8.4)	(17.4)	(4.4)	(16.1)	(24.7)	(146.0)	(75.6)
Earnings Allocated to Non-OPEB Reserve	(7.8)	(4.9)	(1.0)	(2.1)	(0.5)	(2.0)	(3.2)	(18.3)	(10.0)
Total Additions	**393.8**	**1,276.1**	**966.0**	**185.8**	**874.1**	**1,161.4**	**(1,504.2)**	**469.9**	**756.2**
DEDUCTIONS									
Benefit Payments	369.1	351.4	320.8	295.8	272.9	252.2	237.3	218.6	199.4
Refunds	7.5	6.3	5.9	5.4	5.6	7.7	6.5	7.8	5.8
Administration Expenses	13.9	13.6	13.1	13.4	13.0	12.3	13.3	12.2	10.8
Transfer to SRBR from Employers' Advance Reserve[2]	1.1	1.1	1.0	0.4	-	-	-	-	-
Total Deductions	**391.6**	**372.4**	**340.8**	**315.0**	**291.5**	**272.2**	**257.1**	**238.6**	**216.0**
CHANGES IN PENSION PLAN NET POSITION	**$ 2.2**	**$ 903.7**	**$ 625.2**	**$ (129.2)**	**$ 582.6**	**$ 889.2**	**$ (1,761.3)**	**$ 231.3**	**$ 540.2**

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

2 Effective July 1, 2011, ACERA adopted Section 31618.5 of the 1937 Act. In compliance with this law, employers allocate a portion of their contribution to the 401(h) account for estimated administrative cost of these benefits, in addition to contributions for the Postemployment Medical Benefits.

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

For the Years Ended December 31 (Dollars in Millions)

	2014	2013	2012	2011	2010	2009	2008	2007	2006
ADDITIONS									
Employer Contributions	$ 34.0	$ 32.2	$ 33.4	$ 32.3	$ 29.5	$ 27.9	$ 28.5	$ 27.3	$ 19.0
Earnings Allocated to Postemployment Medical Benefits	179.4	109.8	8.4	17.4	4.4	16.1	24.7	146.0	75.6
Transfer from Employers' Advance Reserve to SRBR[2]	1.1	1.1	1.0	0.4	-	-	-	-	-
Transfer from SRBR Non-OPEB Reserve	-	34.1	-	-	-	-	-	-	-
Total Additions	**214.5**	**177.2**	**42.8**	**50.1**	**33.9**	**44.0**	**53.2**	**173.3**	**94.6**
DEDUCTIONS									
Administrative Expenses[2]	1.1	1.1	1.0	0.4	-	-	-	-	-
Postemployment Medical Benefits Payments[3]	32.6	30.6	32.7	31.6	29.8	27.8	26.7	24.7	22.2
Transfer to Employers' Advance Reserve for SRBR Employer Contributions	34.0	32.2	33.4	32.3	29.5	27.9	28.5	27.3	19.0
Transfer to Employers' Advance Reserve for Implicit Subsidy	7.0	7.4	4.4	4.4	5.3	4.1	3.1	-	6.3
Total Deductions	**74.7**	**71.3**	**71.5**	**68.7**	**64.6**	**59.8**	**58.3**	**52.0**	**47.5**
CHANGES IN POSTEMPLOYMENT MEDICAL BENEFITS NET POSITION	**$ 139.8**	**$ 105.9**	**$ (28.7)**	**$ (18.6)**	**$ (30.7)**	**$ (15.8)**	**$ (5.1)**	**$ 121.3**	**$ 47.1**

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

2 Effective July 1, 2011, ACERA adopted Section 31618.5 of the 1937 Act. In compliance with this law, employers allocate a portion of their contribution to the 401(h) account for estimated administrative cost of these benefits, in addition to contributions for the Postemployment Medical Benefits.

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

Changes in Non-OPEB Net Position—Last Ten Fiscal Years[1]

For the Years Ended December 31 (Dollars in Millions)

	2014	2013	2012	2011	2010	2009	2008	2007	2006
ADDITION									
Earnings Allocated to Non-OPEB	$ 7.8	$ 4.9	$ 1.0	$ 2.1	$ 0.5	$ 2.0	$ 3.2	$ 18.3	$ 10.0
Dispersal of the Death Benefit-Burial Reserve	-	(6.1)	-	-	-	-	-	-	-
Transfer to SRBR OPEB Reserve	-	(34.1)	-	-	-	-	-	-	-
Total Addition	**7.8**	**(35.3)**	**1.0**	**2.1**	**0.5**	**2.0**	**3.2**	**18.3**	**10.0**
DEDUCTION									
Non-OPEB Payments	2.1	2.2	3.7	4.4	4.8	4.5	5.6	6.2	6.4
Total Deduction	**2.1**	**2.2**	**3.7**	**4.4**	**4.8**	**4.5**	**5.6**	**6.2**	**6.4**
CHANGES IN NON-OPEB NET POSITION	**$ 5.7**	**$ (37.5)**	**$ (2.7)**	**$ (2.3)**	**$ (4.3)**	**$ (2.5)**	**$ (2.4)**	**$ 12.1**	**$ 3.6**

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

Benefit Expenses by Type (Actuary's Exhibit VIII)

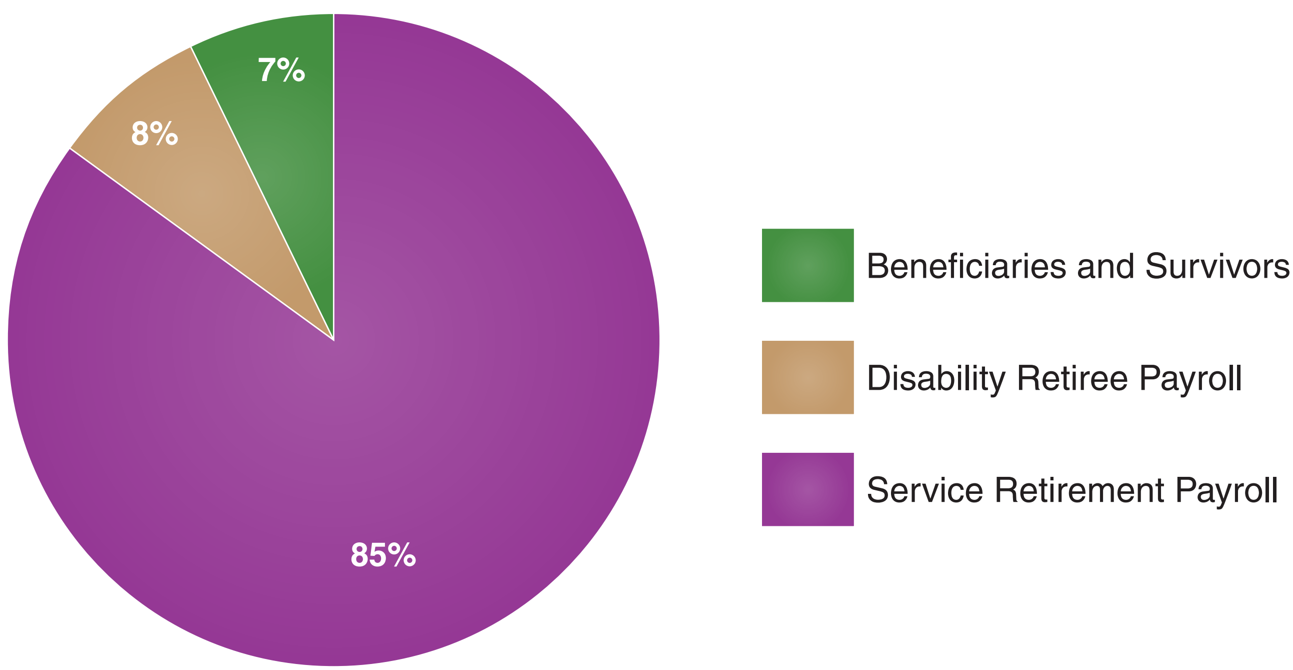
For the Years Ended December 31[1] (Dollars in Thousands)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
SERVICE RETIREMENT PAYROLL										
Basic	$ 253,426	$ 240,582	$ 220,298	$ 204,448	$ 184,845	$ 168,694	$ 156,160	$ 144,273	$ 131,381	$ 119,238
COLA	64,455	59,502	55,450	50,113	48,001	44,596	43,190	39,321	35,621	33,211
Total	**317,881**	**300,084**	**275,748**	**254,561**	**232,846**	**213,290**	**199,350**	**183,594**	**167,002**	**152,449**
DISABILITY RETIREE PAYROLL										
Basic	23,583	22,187	21,396	20,675	19,860	19,141	18,549	17,741	16,181	14,576
COLA	6,987	6,424	6,054	5,534	5,211	4,793	4,466	3,978	3,536	3,148
Total	**30,570**	**28,611**	**27,450**	**26,209**	**25,071**	**23,934**	**23,015**	**21,719**	**19,717**	**17,724**
BENEFICIARIES AND SURVIVORS										
Basic	16,675	15,550	14,559	13,558	12,484	11,887	11,212	11,091	10,082	9,396
COLA	10,242	9,602	9,122	8,335	7,779	7,325	6,908	6,768	6,291	5,757
Total	**26,917**	**25,152**	**23,681**	**21,893**	**20,263**	**19,212**	**18,120**	**17,859**	**16,373**	**15,153**
TOTAL	**$ 375,368**	**$ 353,847**	**$ 326,879**	**$ 302,663**	**$ 278,180**	**$ 256,436**	**$ 240,485**	**$ 223,172**	**$ 203,092**	**$ 185,326**

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

Benefit Expenses by Type

For the Year Ended December 31, 2014



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

For the Years Ended December 31 (Dollars in Thousands)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
TYPE OF BENEFIT										
Age and Service Benefits:										
Retirees	$ 344,463	$ 329,273	$ 302,105	$ 279,581	$ 259,279	$ 237,590	$ 221,532	$ 205,010	$ 187,376	$ 171,924
Survivors	20,070	17,357	18,555	17,059	15,183	14,787	15,033	14,150	13,340	12,538
Death in Service Benefits:										
Survivors	2,791	2,786	2,714	2,641	2,362	2,161	4,030	2,017	1,882	1,680
Disability Benefits:										
Retirees—Duty	29,948	28,678	27,914	26,836	25,586	25,094	23,981	23,461	20,955	19,591
Retirees—Non-Duty	3,944	3,728	3,847	3,796	3,473	3,332	3,539	3,450	3,210	3,020
Supplemental disability	19	70	105	64	59	138	80	192	109	75
Survivors	2,592	2,296	2,000	1,774	1,563	1,385	1,317	1,223	1,178	1,036
TOTAL BENEFITS	**403,827**	**384,188**	**357,240**	**331,751**	**307,505**	**284,487**	**269,512**	**249,503**	**228,050**	**209,864**
TYPE OF REFUND										
Death	313	1,825	529	890	2,097	1,608	1,093	2,219	1,831	2,481
Miscellaneous	25	130	9	39	28	81	74	89	136	123
Separation	7,115	4,364	5,355	4,477	3,520	6,029	5,360	5,470	3,850	3,476
TOTAL REFUNDS	**$ 7,453**	**$ 6,319**	**$ 5,893**	**$ 5,406**	**$ 5,645**	**$ 7,718**	**$ 6,527**	**$ 7,778**	**$ 5,817**	**$ 6,080**

1 ACERA implemented GASB 44 for year ended December 31, 2006.

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

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

For the Years Ended December 31 (Dollars in Thousands)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
TYPE OF BENEFIT										
Age and Service Benefits:										
Retirees	$ 314,702	$ 301,372	$ 271,692	$ 248,890	$ 229,982	$ 210,938	$ 196,469	$ 180,410	$ 164,638	$ 149,934
Survivors	19,041	16,370	17,177	16,032	14,086	13,570	12,760	12,252	11,419	11,042
Death in Service Benefits:										
Survivors	2,715	2,698	2,611	2,539	2,258	2,051	3,384	1,840	1,702	1,528
Disability Benefits:										
Retirees - Duty	26,727	25,461	24,061	23,300	22,047	21,344	20,304	19,963	17,889	16,775
Retirees - Non-duty	3,424	3,218	3,266	3,291	2,997	2,755	2,960	2,826	2,569	2,417
Supplemental Disability	19	69	104	63	58	137	79	104	28	27
Survivors	2,536	2,234	1,933	1,711	1,509	1,331	1,317	1,223	1,178	1,036
TOTAL BENEFITS	**369,164**	**351,422**	**320,844**	**295,826**	**272,937**	**252,126**	**237,273**	**218,618**	**199,423**	**182,759**
TYPE OF REFUND										
Death	313	1,825	529	890	2,097	1,608	1,093	2,219	1,831	2,481
Miscellaneous	25	130	9	39	28	81	74	89	136	123
Separation	7,115	4,364	5,355	4,477	3,520	6,029	5,360	5,470	3,850	3,476
TOTAL REFUNDS	**$ 7,453**	**$ 6,319**	**$ 5,893**	**$ 5,406**	**$ 5,645**	**$ 7,718**	**$ 6,527**	**$ 7,778**	**$ 5,817**	**$ 6,080**

1 ACERA implemented GASB 44 for year ended December 31, 2006.

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

For the Years Ended December 31 (Dollars in Thousands)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
TYPE OF BENEFIT										
Age and Service Benefits:										
Retirees	$ 29,030	$ 27,051	$ 28,482	$ 27,743	$ 26,039	$ 23,801	$ 22,743	$ 21,030	$ 19,011	$ 18,944
Survivors	-	-	-	-	-	-	-	2	2	2
Disability benefits:										
Retirees - Duty	3,094	3,068	3,693	3,371	3,355	3,555	3,473	3,207	2,787	2,595
Retirees - Non-duty	466	449	516	440	407	482	465	429	405	426
Supplemental Disability	-	1	1	1	1	1	1	-	-	-
Survivors	-	-	-	-	-	-	-	-	-	-
TOTAL BENEFITS	**$ 32,590**	**$ 30,569**	**$ 32,692**	**$ 31,555**	**$ 29,802**	**$ 27,839**	**$ 26,682**	**$ 24,668**	**$ 22,205**	**$ 21,967**

1 ACERA implemented GASB 44 for year ended December 31, 2006.

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

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

For the Years Ended December 31 (Dollars in Thousands)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
TYPE OF BENEFIT										
Age and Service Benefits:										
Retirees	$ 731	$ 850	$ 1,931	$ 2,948	$ 3,258	$ 2,851	$ 2,320	$ 3,570	$ 3,737	$ 3,055
Survivors	1,029	987	1,378	1,027	1,097	1,217	2,273	1,896	1,919	1,494
Death in Service Benefits:										
Survivors	76	88	103	102	104	110	646	177	170	143
Disability Benefits:										
Retirees—Duty	127	149	160	165	184	195	204	291	279	221
Retirees—Non-duty	54	61	65	65	69	95	114	195	236	177
Supplemental Disability	-	-	-	-	-	-	-	88	81	48
Survivors	56	62	67	63	54	54	-	-	-	-
TOTAL BENEFITS	**$ 2,073**	**$ 2,197**	**$ 3,704**	**$ 4,370**	**$ 4,766**	**$ 4,522**	**$ 5,557**	**$ 6,217**	**$ 6,422**	**$ 5,138**

1 ACERA implemented GASB 44 for year ended December 31, 2006.

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

Fiscal Year Beginning July 1 - Effective month of September

	County								
	General Member			Safety Member					
Year	Tier 1	Tier 2	Tier 4[1]	Tier 1	Tier 2	Tier 2C[2]	Tier 2D[2]	Tier 4[1]	Aggregate[3]
2005/2006	17.91	14.96	-	36.81	29.09	-	-	-	18.07
2006/2007	16.46	14.30	-	37.05	29.84	-	-	-	17.26
2007/2008	14.36	13.19	-	35.95	28.98	-	-	-	17.03
2008/2009	13.81	11.89	-	34.90	27.46	-	-	-	15.85
2009/2010	14.60	13.05	-	43.51	33.51	-	-	-	18.23
2010/2011	15.78	14.47	-	48.72	37.14	36.37	34.36	-	20.10[4]
2011/2012	17.61	16.35	-	53.65	41.32	41.14	40.50	-	22.42
2012/2013	17.76	16.84	16.18	56.09	43.58	44.45	42.02	41.89	23.16[5]
2013/2014	19.86	19.19	17.77	62.25	48.91	51.05	46.61	47.27	26.04
2014/2015	19.58	18.66	17.45	66.88	49.57	52.29	47.01	50.68	25.65

	AHS, Superior Court and First 5[6]			Other Participating Employers	Housing Authority[7]	LARPD[8]	Housing Authority / Office of Education	LARPD Only
	General Member							
Year	Tier 1	Tier 2	Tier 4[1]	Tier 1	Tier 2	Tier 3	Tier 4[1]	Tier 4[1]
2005/2006	-	-	-	22.74	-	-	-	-
2006/2007	-	-	-	21.53	-	-	-	-
2007/2008	14.43	13.26	-	19.38	-	-	-	-
2008/2009	13.92	12.00	-	18.89	-	22.11	-	-
2009/2010	14.74	13.19	-	19.50	-	22.65	-	-
2010/2011	15.98	14.67	-	20.79	-	24.12	-	-
2011/2012	17.86	16.60	-	22.74	21.48	24.66	-	-
2012/2013	18.07	17.15	16.49	23.11	22.19	29.15	21.53	23.08
2013/2014	20.27	19.60	18.18	25.38	24.71	30.94	23.29	24.06
2014/2015	20.08	19.16	17.95	25.32	24.40	30.37	23.19	23.69

1 Resulting from CalPEPRA legislation. Tier 4 became effective January 1, 2013.

2 New Sheriff's Department employees (excluding Probation Officers) hired on or after October 17, 2010.

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

4 Aggregate rate is calculated based on December 31, 2009 valuation projected payroll. It is determined prior to the establishment of Safety Tiers 2C and 2D.

5 Aggregate rate is calculated based on December 31, 2011 valuation projected payroll. It is determined prior to the establishment of Tier 4.

6 Rate combined with the County before December 31, 2006 valuation.

7 Rate combined with the Other Participating Employers before December 31, 2011 valuation.

8 Rate combined with the Other Participating Employers before December 31, 2007 valuation.

Employee Contribution Rates (Percent of Payroll) – Last Ten Years

Fiscal Year Beginning July 1 - Effective month of September

County and Other Participating Employers

	General Member				Safety Member					
Year	Tier 1	Tier 2	Tier 3[1]	Tier 4	Tier 1	Tier 2	Tier 2C[2]	Tier 2D[2]	Tier 4	Aggregate
2005/2006	9.93	7.91	-	-	15.51	14.32	-	-	-	9.24
2006/2007	9.31	7.52	-	-	15.32	13.78	-	-	-	8.81
2007/2008	10.09	7.35	-	-	14.98	13.54	-	-	-	8.71
2008/2009	9.57	7.36	12.53	-	14.70	13.53	-	-	-	8.64
2009/2010	9.42	7.22	12.44	-	14.37	14.29	-	-	-	8.66
2010/2011	9.64	7.31	12.59	-	13.56	14.46	11.23	16.65[3]	-	8.74
2011/2012	9.79	7.29	12.74	-	13.33	14.41	11.51	17.41[3]	-	8.68
2012/2013	9.13	7.04	12.48	8.25	11.99	14.04	11.91	16.72[3]	13.75	8.33
2013/2014	9.02	7.32	12.78	8.25	11.53	14.77	12.50	16.43[3]	13.75	8.60
2014/2015	8.97	7.28	12.69	8.12	12.24	14.72	12.57	16.39	16.77	8.58

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

2 New Tiers starting as early as October 17, 2010. Estimated assuming new members would have the same demographic profile as current active members hired during the last three years prior to the December 31, 2009 valuation date, as actual data is not available.

3 Rate includes the 5% cost-sharing contribution (with less than 5 years of vesting service) and 3% (with 5 or more years of vesting service).

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

Summary of Monthly Allowances Being Paid for the Month of December 31, 2014[1]

			Monthly Allowance	
	Number	Basic	Cost of Living	Total
GENERAL MEMBERS				
Service Retirement				
Unmodified	5,057	$ 13,823,643	$ 3,666,643	$ 17,490,286
Option 1	311	766,480	134,639	901,120
Option 2	316	689,999	175,633	865,633
Option 3	21	42,087	12,926	55,013
Option 4	23	65,114	6,572	71,686
Total	**5,728**	**15,387,324**	**3,996,413**	**19,383,737**
Disability				
Unmodified	570	1,054,504	340,421	1,394,924
Option 1	20	25,393	8,592	33,985
Option 2	4	5,253	395	5,647
Option 3	2	4,699	836	5,535
Option 4	1	3,498	1,818	5,316
Total	**597**	**1,093,347**	**352,061**	**1,445,408**
Beneficiaries	946	996,744	652,253	1,648,997
TOTAL GENERAL	**7,271**	**$ 17,477,414**	**$ 5,000,728**	**$ 22,478,142**

			Monthly Allowance	
	Number	Basic	Cost of Living	Total
SAFETY MEMBERS				
Service Retirement				
Unmodified	968	$ 5,263,046	$ 1,298,920	$ 6,561,966
Option 1	31	142,923	18,294	161,217
Option 2	75	287,912	55,721	343,633
Option 3	4	31,933	1,227	33,160
Option 4	1	5,730	648	6,378
Total	**1,079**	**5,731,544**	**1,374,810**	**7,106,354**
Disability				
Unmodified	229	850,544	222,735	1,073,279
Option 1	6	14,744	3,849	18,593
Option 2	2	3,371	320	3,691
Option 3	2	3,235	3,331	6,566
Option 4	0	-	-	-
Total	**239**	**871,894**	**230,234**	**1,102,129**
Beneficiaries	224	392,812	201,243	594,055
TOTAL SAFETY	**1,542**	**$ 6,996,251**	**$ 1,806,287**	**$ 8,802,537**
TOTAL GENERAL AND SAFETY	**8,813**	**$ 24,473,665**	**$ 6,807,015**	**$ 31,280,680**

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

Note: Results may not add due to rounding.

Retired Members by Type of Benefit – Pension Plan

As of December 31, 2014

		Type of Benefit							Option Selected				
Amount of Monthly Benefit	Number of Retired Members	Duty Disability Retirement	Non-Duty Disability Retirement	DRO Lifetime Annuity	Service Retirement	Survivorship	Continuance	Supplemental Disability	Unmodified - 60% Contingent Joint & Survivor	Option 1 - Single Life	Option 2 - 100% Contingent Joint & Survivor	Option 3 - 50% Contingent Joint & Survivor	Option 4 - 33% Contingent Joint & Survivor
$ 1 to $ 300	286	3	2	14	200	1	66	-	157	93	34	2	-
301 to 600	427	1	3	34	301	10	78	-	259	133	33	2	-
601 to 900	514	-	14	31	343	25	101	-	316	166	31	1	-
901 to 1,200	603	3	29	10	454	14	93	-	415	142	42	4	-
1,201 to 1,500	601	12	36	12	436	17	88	-	413	134	54	-	-
1,501 to 1,800	596	57	33	15	403	11	76	1	387	135	72	2	-
1,801 to 2,100	583	94	17	13	391	10	58	-	368	98	115	2	-
2,101 to 2,400	507	103	11	12	337	4	40	-	326	68	111	2	-
2,401 to 2,700	451	73	7	12	320	4	35	-	293	68	87	2	1
2,701 to 3,000	410	48	6	7	305	6	38	-	272	69	68	1	-
Over $ 3,000	3,834	273	11	23	3,322	18	187	-	3,038	363	421	11	1
Total	**8,812**	**667**	**169**	**183**	**6,812**	**120**	**860**	**1**	**6,244**	**1,469**	**1,068**	**29**	**2**

Retired Members by Type of Benefit – Postemployment Medical Benefits

As of December 31, 2014

		Type of Benefit							Option Selected				
Amount of Monthly Benefit	Number of Retired Members	Duty Disability Retirement	Non-Duty Disability Retirement	DRO Lifetime Annuity	Service Retirement	Survivorship	Continuance	Supplemental Disability	Unmodified - 60% Contingent Joint & Survivor	Option 1 - Single life	Option 2 - 100% Contingent Joint & Survivor	Option 3 - 50% Contingent Joint & Survivor	Option 4 - 33% Contingent Joint & Survivor
$ 1 to $ 300	2,243	214	89	-	1,940	-	-	-	1,806	87	342	7	1
301 to 600	4,574	449	74	-	4,051	-	-	-	3,730	235	591	17	1
601 to 900	28	5	1	-	22	-	-	-	22	1	5	-	-
Total	**6,845**	**668**	**164**	**-**	**6,013**	**-**	**-**	**-**	**5,558**	**323**	**938**	**24**	**2**

Retired Members by Type of Benefit – Non-OPEB

As of December 31, 2014

Amount of Monthly Benefit	Number of Retired Members	Type of Benefit: Duty Disability Retirement	Non-Duty Disability Retirement	DRO Lifetime Annuity	Service Retirement	Survivorship	Continuance	Supplemental Disability	Option Selected: Unmodified - 60% Contingent Joint & Survivor	Option 1 - Single life	Option 2 - 100% Contingent Joint & Survivor	Option 3 - 50% Contingent Joint & Survivor	Option 4 - 33% Contingent Joint & Survivor
$ 1 to $ 300	267	4	8	1	129	9	116	-	130	129	8	-	-
301 to 600	101	2	8	-	42	6	43	-	50	49	2	-	-
601 to 900	48	6	-	-	11	2	29	-	10	32	6	-	-
901 to 1,200	21	2	-	-	5	1	13	-	5	14	2	-	-
1,201 to 1,500	7	1	-	-	5	-	1	-	5	1	1	-	-
1,501 to 1,800	-	-	-	-	-	-	-	-	-	-	-	-	-
1,801 to 2,100	2	-	-	-	2	-	-	-	2	-	-	-	-
Total	**446**	**15**	**16**	**1**	**194**	**18**	**202**	**-**	**202**	**225**	**19**	**-**	**-**

Average Pension Benefit Payments (Actuary's Exhibit VI) Last Ten Fiscal Years

	Years of Service							
Retirement Effective Dates[1]	0–4	5–9	10–14	15–19	20–24	25–29	30+	Incomplete Data
Period 1/1/06–12/31/06								
Average Monthly Pension Benefit	$ 1,095	$ 1,229	$ 1,426	$ 2,230	$ 3,193	$ 5,397	$ 6,750	N/A
Average Final Average Salary	$ 5,702	$ 6,004	$ 4,702	$ 5,847	$ 6,367	$ 7,861	$ 8,400	N/A
Number of Retired Members Added	22	23	44	66	66	59	75	89
Period 1/1/07–12/31/07								
Average Monthly Pension Benefit	$ 936	$ 1,535	$ 1,635	$ 2,206	$ 3,287	$ 5,791	$ 6,762	N/A
Average Final Average Salary	$ 6,216	$ 6,963	$ 5,940	$ 6,000	$ 6,619	$ 8,326	$ 8,111	N/A
Number of Retired Members Added	20	22	52	66	76	53	85	120
Period 1/1/08–12/31/08								
Average Monthly Pension Benefit	$ 805	$ 1,471	$ 1,825	$ 2,257	$ 3,445	$ 5,772	$ 7,014	N/A
Average Final Average Salary	$ 7,749	$ 6,730	$ 6,270	$ 5,983	$ 6,667	$ 7,863	$ 8,449	N/A
Number of Retired Members Added	21	30	43	38	70	45	76	80
Period 1/1/09–12/31/09								
Average Monthly Pension Benefit	$ 956	$ 1,163	$ 1,681	$ 2,295	$ 3,653	$ 6,730	$ 6,913	N/A
Average Final Average Salary	$ 6,507	$ 5,698	$ 6,041	$ 6,700	$ 6,922	$ 9,144	$ 8,080	N/A
Number of Retired Members Added	17	19	26	27	70	58	70	91
Period 1/1/10–12/31/10								
Average Monthly Pension Benefit	$ 558	$ 1,417	$ 1,816	$ 2,512	$ 3,397	$ 5,336	$ 7,220	N/A
Average Final Average Salary	$ 8,930	$ 5,863	$ 6,998	$ 6,623	$ 6,831	$ 7,944	$ 8,790	N/A
Number of Retired Members Added	13	47	57	49	117	65	91	50
Period 1/1/11–12/31/11								
Average Monthly Pension Benefit	$ 638	$ 1,180	$ 1,735	$ 2,598	$ 3,852	$ 5,704	$ 6,799	N/A
Average Final Average Salary	$ 7,660	$ 6,031	$ 6,461	$ 6,426	$ 7,357	$ 8,320	$ 8,325	N/A
Number of Retired Members Added	21	59	84	63	124	83	90	53
Period 1/1/12–12/31/12								
Average Monthly Pension Benefit	$ 1,133	$ 1,343	$ 1,791	$ 2,852	$ 3,956	$ 5,560	$ 6,840	N/A
Average Final Average Salary	$ 6,971	$ 6,728	$ 6,445	$ 7,147	$ 7,722	$ 8,461	$ 8,302	N/A
Number of Retired Members Added	19	39	91	45	99	79	80	59
Period 1/1/13–12/31/13								
Average Monthly Pension Benefit	$ 1,214	$ 1,133	$ 1,755	$ 2,412	$ 3,933	$ 5,029	$ 6,764	N/A
Average Final Average Salary	$ 9,387	$ 5,454	$ 6,766	$ 6,470	$ 7,592	$ 8,074	$ 8,211	N/A
Number of Retired Members Added	20	48	113	53	150	88	103	50
Period 1/1/14–12/31/14								
Average Monthly Pension Benefit	$ 851	$ 1,230	$ 1,874	$ 2,904	$ 3,481	$ 5,438	$ 6,204	N/A
Average Final Average Salary	$ 9,411	$ 6,884	$ 6,929	$ 7,397	$ 7,290	$ 8,700	$ 8,095	N/A
Number of Retired Members Added	21	36	102	59	85	89	62	44

1 As permitted by the Actuarial Standard of Practice Statement No. 4 (Measuring Pension Obligation), the actuarial valuation has been prepared based on participant data provided by ACERA as of November 30. Note that information for the period 1/1/05 - 12/31/05 is not available.

Average Monthly Other Postemployment Benefits (OPEB) (Actuary's SRBR Exhibit II) – Last Ten Fiscal Years[1]

	Years of Service						
Retirement Effective Dates[2]	**0–4**	**5–9**	**10–14**	**15–19**	**20–24**	**25–29**	**30+**
Period 1/1/05–12/31/05							
Average OPEB	$ 36	$ 36	$ 168	$ 298	$ 375	$ 374	$ 394
Number of Retired Members Added	19	26	38	58	81	57	107
Period 1/1/06–12/31/06							
Average OPEB	$ 36	$ 36	$ 166	$ 296	$ 396	$ 385	$ 394
Number of Retired Members Added	14	21	35	59	71	60	103
Period 1/1/07–12/31/07							
Average OPEB	$ 37	$ 37	$ 138	$ 312	$ 425	$ 449	$ 461
Number of Retired Members Added	14	20	50	58	77	49	119
Period 1/1/08–12/31/08							
Average OPEB	$ 37	$ 37	$ 148	$ 257	$ 363	$ 402	$ 434
Number of Retired Members Added	19	28	42	37	72	46	90
Period 1/1/09–12/31/09							
Average OPEB	$ 43	$ 43	$ 211	$ 296	$ 497	$ 489	$ 508
Number of Retired Members Added	24	21	26	33	76	59	70
Period 1/1/10–12/31/10							
Average OPEB	$ 43	$ 43	$ 242	$ 313	$ 496	$ 534	$ 523
Number of Retired Members Added	13	45	54	44	116	63	90
Period 1/1/11–12/31/11							
Average OPEB	$ 46	$ 46	$ 184	$ 301	$ 535	$ 561	$ 535
Number of Retired Members Added	15	55	82	50	119	75	98
Period 1/1/12–12/31/12							
Average OPEB	$ 47	$ 47	$ 244	$ 360	$ 466	$ 485	$ 510
Number of Retired Members Added	16	35	81	40	94	75	85
Period 1/1/13–12/31/13							
Average OPEB	$ 46	$ 46	$ 221	$ 349	$ 463	$ 491	$ 489
Number of Retired Members Added	15	39	100	43	137	88	115
Period 1/1/14–12/31/14							
Average OPEB	$ 0[3]	$ 0[3]	$ 207	$ 298	$ 498	$ 471	$ 484
Number of Retired Members Added	18	31	95	54	78	77	68

1 ACERA implemented GASB 44 for the year ended December 31, 2006.

2 As permitted by the Actuarial Standard of Practice Statement No. 6 (Measuring Retiree Group Benefit Obligations), the actuarial valuation has been prepared based on participant data provided by ACERA as of November 30. Information for periods prior to 1/1/09 is not available to the actuary.

3 Dental and vison subsidies ended in 2014 for most retired members with less than 10 years of service.

Note: The "Average Final Average Salary" is not provided since these benefits are not dependent on salary.

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

As of November 30[1]

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
County of Alameda										
General Members	6,584	6,448	6,334	6,361	6,417	6,415	6,446	6,322	6,261	6,177
Safety Members	1,408	1,392	1,408	1,441	1,488	1,520	1,574	1,497	1,383	1,368
Total	**7,992**	**7,840**	**7,742**	**7,802**	**7,905**	**7,935**	**8,020**	**7,819**	**7,644**	**7,545**
Other Participating Employers (General Members)										
Alameda Health System[2]	2,231	2,203	2,187	2,028	2,030	2,030	2,097	2,044	2,007	1,961
Alameda County Office of Education	1	1	1	1	1	1	1	1	2	2
First 5 Alameda County	50	60	62	62	62	61	63	59	57	53
Housing Authority of the County of Alameda	61	63	66	65	73	71	72	74	75	68
Livermore Area Recreation & Park District	63	62	63	61	64	69	72	70	67	62
The Superior Court of California for the County of Alameda	627	648	679	705	744	760	848	845	810	812
Total	**3,033**	**3,037**	**3,058**	**2,922**	**2,974**	**2,992**	**3,153**	**3,093**	**3,018**	**2,958**
Total Active Membership										
General Members	9,617	9,485	9,392	9,283	9,391	9,407	9,599	9,415	9,279	9,135
Safety Members	1,408	1,392	1,408	1,441	1,488	1,520	1,574	1,497	1,383	1,368
TOTAL	**11,025**	**10,877**	**10,800**	**10,724**	**10,879**	**10,927**	**11,173**	**10,912**	**10,662**	**10,503**

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

2 Formerly named Alameda County Medical Center.

Total Active Membership

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

As of December 31

Participating Employers	2014 Covered Employees	2014 Rank	2014 Percentage of Total System	2005 Covered Employees	2005 Rank	2005 Percentage of Total System
County of Alameda	7,980	1	72 %	7,545	1	72 %
Alameda Health System[1]	2,235	2	20	1,961	2	18
The Superior Court of California for the County of Alameda	627	3	6	812	3	7
Livermore Area Recreation & Park District	65	4	1	62	5	1
Housing Authority of the County of Alameda	62	5	1	68	4	1
First 5 Alameda County	50	6	-	53	6	1
Alameda County Office of Education	1	7	-	2	7	-
TOTAL	**11,020**		**100 %**	**10,503**		**100 %**

1 Formerly named Alameda County Medical Center.

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Compliance

Eyes on the Horizon

WILLIAMS ADLEY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Alameda County Employees' Retirement Association (ACERA), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise ACERA's basic financial statements, and have issued our report thereon dated August 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ACERA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ACERA's internal control. Accordingly, we do not express an opinion on the effectiveness of ACERA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACERA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit preformed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communications is not suitable for any other purpose.

Williams, Adley & Company-CA, LLP

Oakland, California
August 25, 2015